



labour

Department:
Labour
REPUBLIC OF SOUTH AFRICA

UIF PRESENTATION

South African Payroll Association



3 September 2013

SAGREN GOVENDER

Index

- Current status,
- Systems innovation and
- Legislative Changes.

UIF History

The great depression of the 1930s left millions of workers jobless throughout the world, South Africa was no exception.

There was no protection offered by Government to those workers who lost their jobs.

Various job creation schemes failed to alleviate the plight of the unemployed.

In 1932 Government approved an Act to protect the victims of unemployment.

In 1937 The Unemployment Benefit Act came into operation.

VISION OF THE FUND

The fund will contribute to the alleviation of poverty by providing effective short-term Unemployment Insurance to all workers.

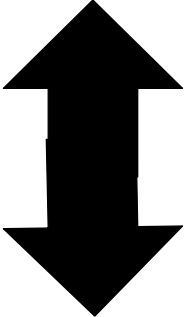
UNEMPLOYMENT INSURANCE FUND- DELIVERABLES

- Short-term Unemployment.
- Short-term Illness.
- Maternity.
- Dependents Benefit.
- Adoption Benefit.
- Funded Equally (1%+1%)
by Employers and Employees.

Relationship between Minister, UIF Board and CEO

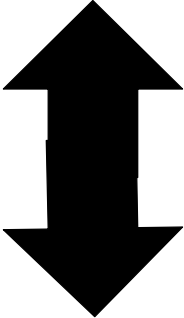
Minister of Labour

Appoints members of the board. Consults with the board on strategic direction and corporate objectives. Monitors board performance



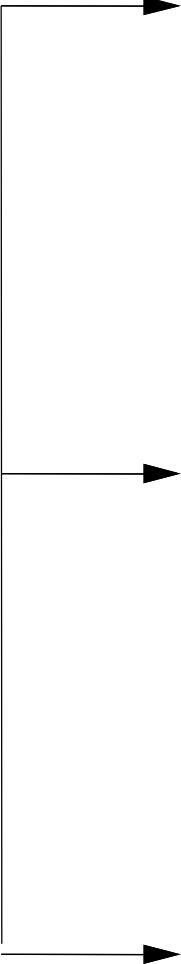
Board

Develops policy. Sets strategic direction. Monitors management



UIF Commissioner

Implements board policy. Manages resources within the parameters set by the board. Runs day -to -day operations. Appoints staff



Overview of the Fund – UIF IS FULLY DECENTRALISED

DoL/UIF operates in 9 Provincial Offices

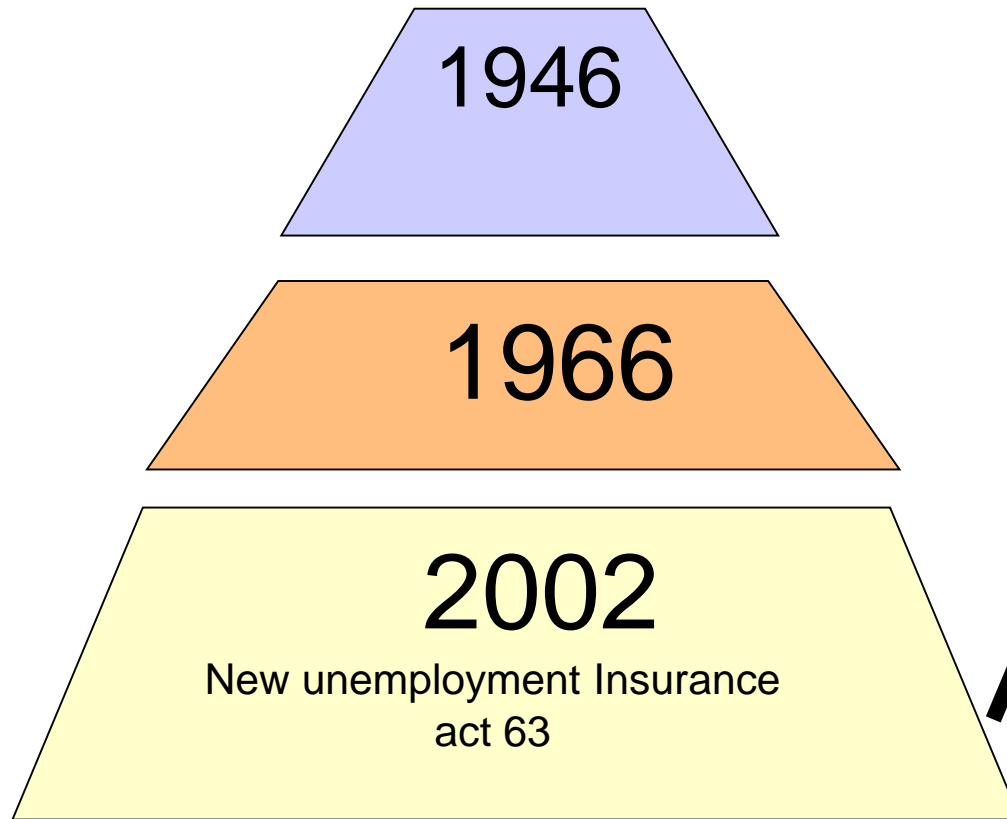
Nationally provides service in 125 Labour Centres. We have a total of 69 Labour Centres with processing functions. Refer to table

Province	Processing Offices
G South	Benoni, Germiston, Johannesburg, Kempton Park, Soweto
G North	Ga-Rankuwa, Krugersdorp, Mamelodi, Pretoria, Soshanguve
KZN	Durban, Newcastle, Pietermaritzburg, Pinetown, Port Shepstone, Prospecton, Richards Bay, Stanger, Ulundi, Verulam
E Cape	Aliwal North, Butterworth, East London, Graaff Reinet, King Williams Town, Lusikisiki, Mount Ayliff, Mthatha, Port Elizabeth, Queenstown, Uitenhage
W Cape	Beaufort West, Bellville, Cape Town, Mitchell's Plein, Mossel Bay, Somerset West, George
N Cape	Calvinia, De Aar, Kimberley, Kuruman, Postmasburg, Springbok, Upington
Mpumalanga	Barberton, Bethal, Groblersdal, Kwamhlanga, Lydenburg, Middelburg, Nelspruit, Piet Retief, Sabie, Secunda, Standerton, Witbank
Limpopo	Giyani, Lebowakgomo, Mokopane, Polokwane, Thohoyandou, Tzaneen
N West	Klerksdorp, Mafikeng, Mmabatho, Rustenburg
F State	Bloemfontein, Welkom

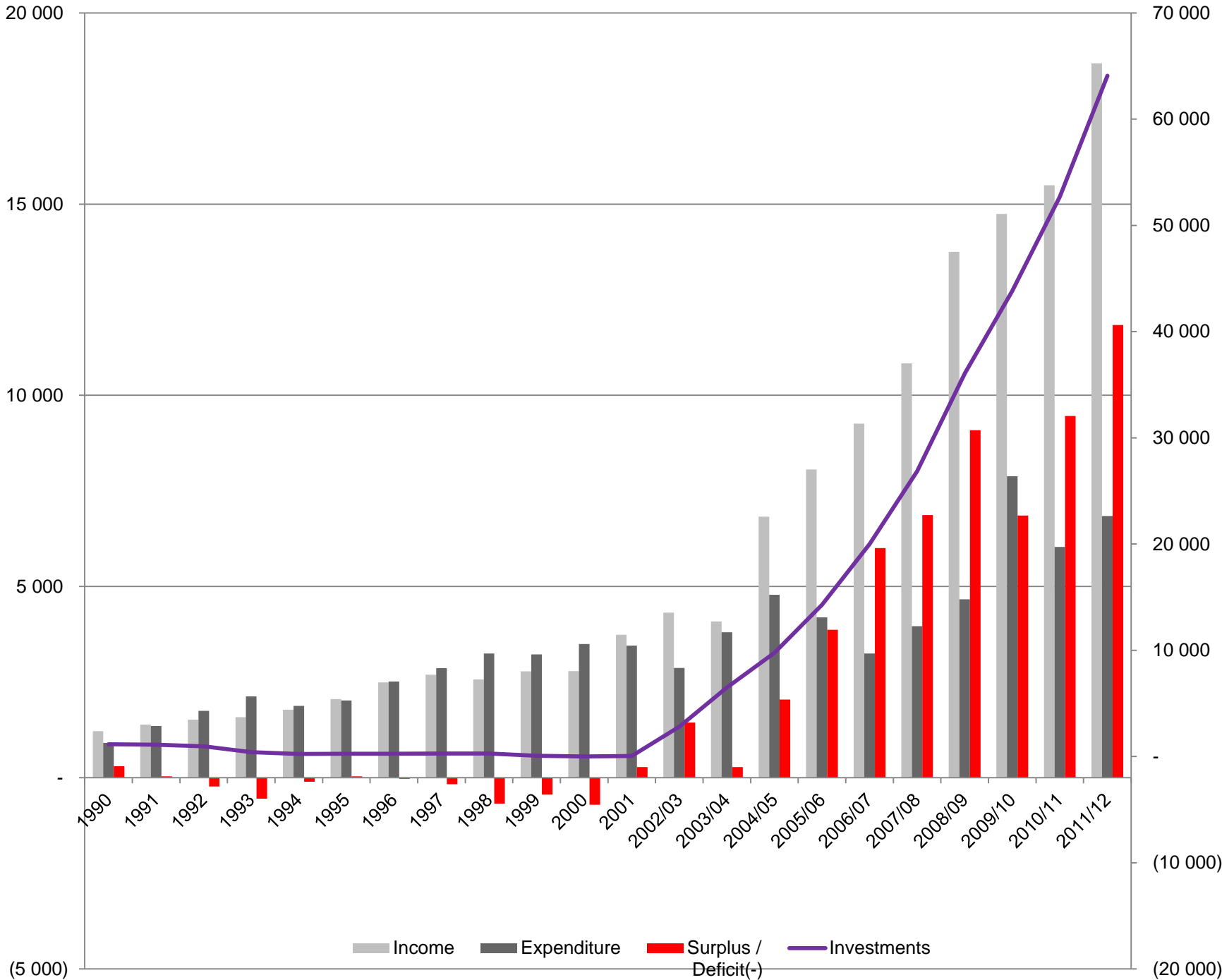
Auditor Generals Review

- In 2012/13 the Fund received an unqualified audit report from the Office of the Auditor General.
 - This is the eighth year in succession. Management and staff remain committed to ensuring that the control environment of the Fund is effective and constantly being improved.
- Compliance to legislations has been the cornerstone of our operations and the Fund continues to strive for improved compliance.
- The Fund worked closely with the Executive Authority and the UI Board in addressing the strategic intent and challenges of the Fund.

Unemployment Insurance Policy growth



- Improved benefits
- Financial Sustainable
- Actuarial assessment
- Coverage to all workers
- Improved Governance
- Empowered decision making











UNEMPLOYMENT INSURANCE FUND

- Employs over 3000 employees that perform UIF functions
- +/-822 service centres
- Collection done jointly by SARS and the UIF.
- Appeals adjudicated by Regional appeals and National appeals committee.

UNEMPLOYMENT INSURANCE FUND

- Benefits Paid At A Rate Of 60-38% Of Last Salary.
- Maximum Benefit Period Is 34 Weeks.
- Based On An Earnings Ceiling(R14872 pm).
- Covers over 7.6 million workers, and 1.4 million employers

UIF FINANCIAL HIGHLIGHTS

	31 March 2012 (R'000)	31 March 2013 (R'000)	Increase/ decrease
Contributions	12,441,164	13,687,497	
Investment income	4,213,972	4,660,361	
Benefits expenditure	5,612,284	6,012,886	
Net surplus	11,837,538	16,006,304	
Investments	64,069,178	81,172,019	
Technical reserves	14,527,886	16,465,787	
Accumulated surplus	47,943,938	62,012,339	
Total assets	65,973,797	81,848,523	

Number of Claimants

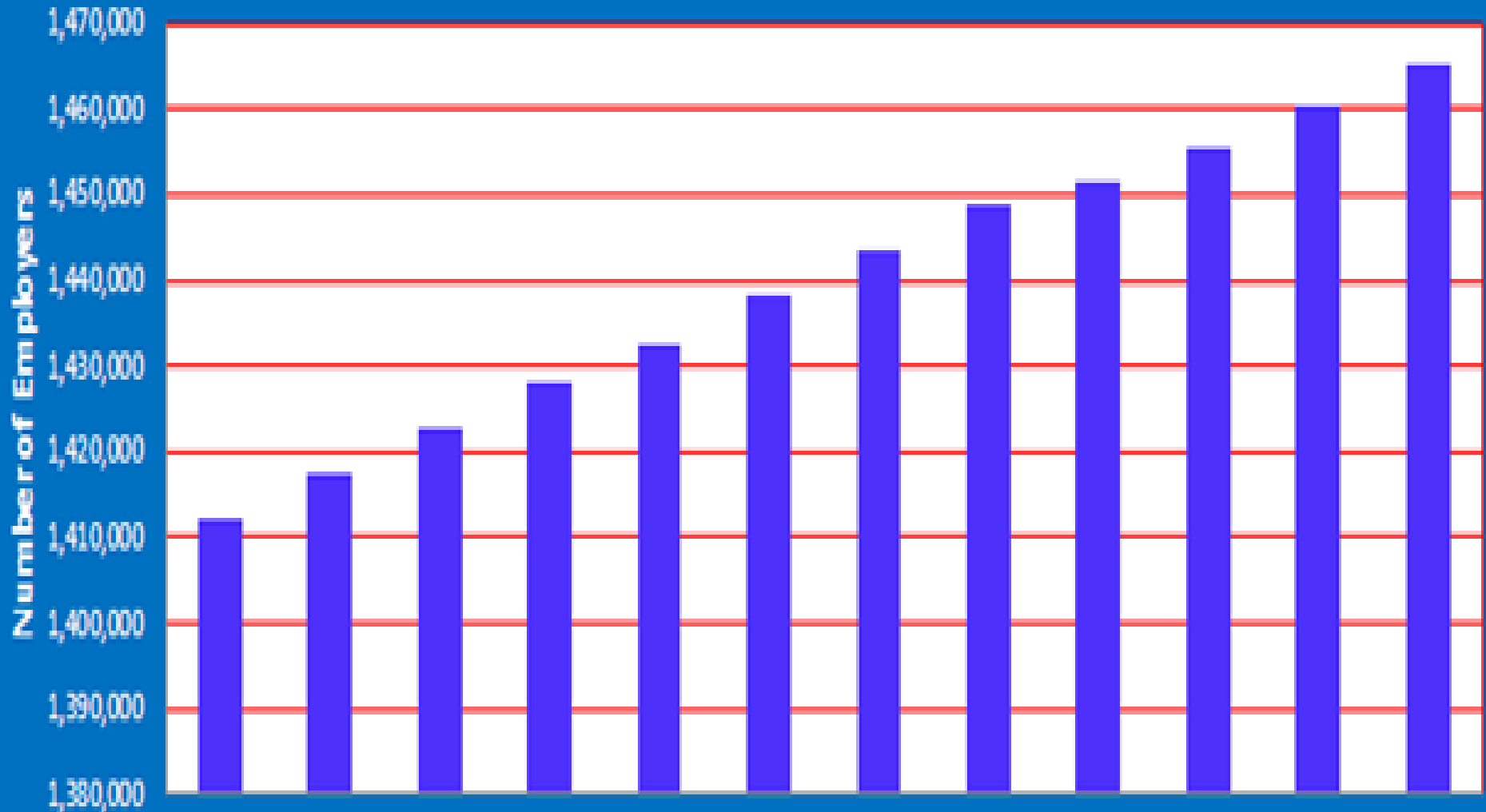
Year	Unemployment	Illness	Maternity / Adoption	Dependents	Total
2004/05	440,000	26,000	72,000	25,000	563,000
2005/06	451,000	26,000	81,000	31,000	589,000
2006/07	421,000	30,000	96,000	25,000	572,000
2007/08	397,000	25,000	89,000	16,000	527,000
2008/09	474,793	25,648	94,336	15,959	610,736
2009/10	628,595	24,720	104,529	21,760	779,604
2010/11	581,074	20,986	106,339	22,732	731,131
2011/12	555,969	20,966	104,407	24,513	705,855
2012/13	581,074	20,986	106,339	22,732	731,131

Rand Value of benefits paid

Year	Unemployment	Illness	Maternity / Adoption	Dependents	Total
2004/05	1,832,349	135,777	289,534	217,846	2,475,506
2005/06	2,191,024	187,100	355,823	199,478	2,933,425
2006/07	1,991,428	179,776	419,185	247,462	2,837,851
2007/08	2,030,877	187,381	460,907	242,295	2,921,460
2008/09	2,833,539	211,639	537,574	263,866	3,846,618
2009/10	4,535,973	231,784	624,373	317,263	5,709,393
2010/11	4,322,279	236,901	668,472	321,327	5,548,979
2011/12	4,472,968	236,604	712,245	316,184	5,738,001
2012/13	4,781,257	254,286	765,978	320,691	6,122,212

Benefit payments	Total
Unemployment	R 4,781,257
Illness	R 254,286
Maternity/Adoption	R 765,978
Dependents	R 320,691
Total	R 6,122,212

Total Number of Employers Registered



	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13
Employers Reg	1,412,218	1,417,649	1,422,960	1,428,303	1,432,714	1,438,292	1,443,556	1,449,005	1,451,398	1,455,435	1,460,536	1,465,218

Regional distribution of payments & Value per region

Province	Payments	Number of payments to beneficiaries
Pretoria	532,121,168.30	219,049
Johannesburg	1,419,568,486.85	523,452
Durban	1,006,604,863.21	492,838
East London	489,589,044.07	179,350
Cape Town	969,867,751.67	404,469
Bloemfontein	259,870,744.40	130,546
Kimberley	121,214,202.69	59,212
Mpumalanga	375,677,182.37	193,484
Polokwane	254,933,346.02	130,253
Mmabatho	281,993,013.81	142,120
adjustments	-1,452,637.12	
	5,709,987,166.27	2,474,773

Social Security Reform

- As part of the process of the social security reforms in the country, the Fund participated in the debates and planning processes of the social security reforms.
- A number of research papers were produced and presented by the Fund to the Interdepartmental Task Team on Social Security. The fund further contributed to the drafting of the consolidated Government position on comprehensive social security reform. The Funds Board recommended the following changes to the UIF act as a further enhancement of UIF.
 - Inclusion of Civil Servants
 - Coverage of legal Migrants
 - Coverage of those on Learnerships
 - Increase the Income Replacement Rate (IRR)

The New Bill

1. Improvement in the IRR remains the same at 38% to 60% in favour of extending the number of months for which a person can receive benefits.
2. Credit days are improved from 238 to be 365, coupled with a flat rate to be determined by the actuaries from 239 to be 365.
3. The waiting period for benefits is lowered from 14 to be 7 days in alignment with ILO convention 102.
4. Maternity benefits have been improved in two ways, credits will be delinked and a flat rate of 66% will be paid.
5. Provision is made for the Minister to vary the upper replacement level through regulation.
6. Explicit provision is made for the funding of labour activation programmes.
7. The Fund will introduce a minimum contribution floor improving administration.
8. Maternity benefits is further improved by extending protection to those that have miscarriage in the third trimester, benefits will be paid in full.
9. Section 14 the double dipping clauses will be repealed to ensure that all contributors are paid benefits when unemployed.
10. Fraud provisions are strengthened through limiting agencies acting on behalf of the fund.
11. The powers of the appeal committees will be extended to improve dispute resolution.
12. Schedule 2 of the act will be replaced with a new schedule which is more easier to understand how credits and the IRR is applied.

SOCIAL RESPONSIBLE INVESTMENTS

Social Responsible Investments (SRI) Objectives

The UIF is committed to occupying an impactful role as a socially responsible institution. The UIF embrace a variety of socially responsible business practices which include a commitment to pro-actively invest in social development needs of South Africa.

In- Direct SRI's

The Fund commits to invest where possible in In–direct SRI within the approved Mandate, Strategic Asset allocation and risk profile managed through the PIC SLA. In-direct SRI's include investments in Government Bonds, Parastatal Bonds, Service Bonds, Agricultural Bonds, Promissory Notes and Bills.

As at 31 March 2012, 61% of the Fund's investment portfolio were invested in **In-Direct SRI's**, amounting to R49.5 billion.

SOCIAL RESPONSIBLE INVESTMENTS

Direct- SRI's

The Fund further more commits to invest the percentage of SRI's as per the approved Mandate and Strategic Asset allocation in direct SRI's for the purposes of:

- **Stimulating job creation** – thereby increasing the contributions collected by the UIF and minimising insurance claims;
- **Up-skilling of labour** – thereby making more people eligible for employment and/or entrepreneurship in order to increase contributions and reduce insurance claims; and
- **Preserving/retaining jobs** - preventing failure of businesses which should be sustainable over the longer term, but are struggling due to an inability to access capital – thereby preserving jobs and contributions to the Fund and preventing leakages as a result of unemployment claims.

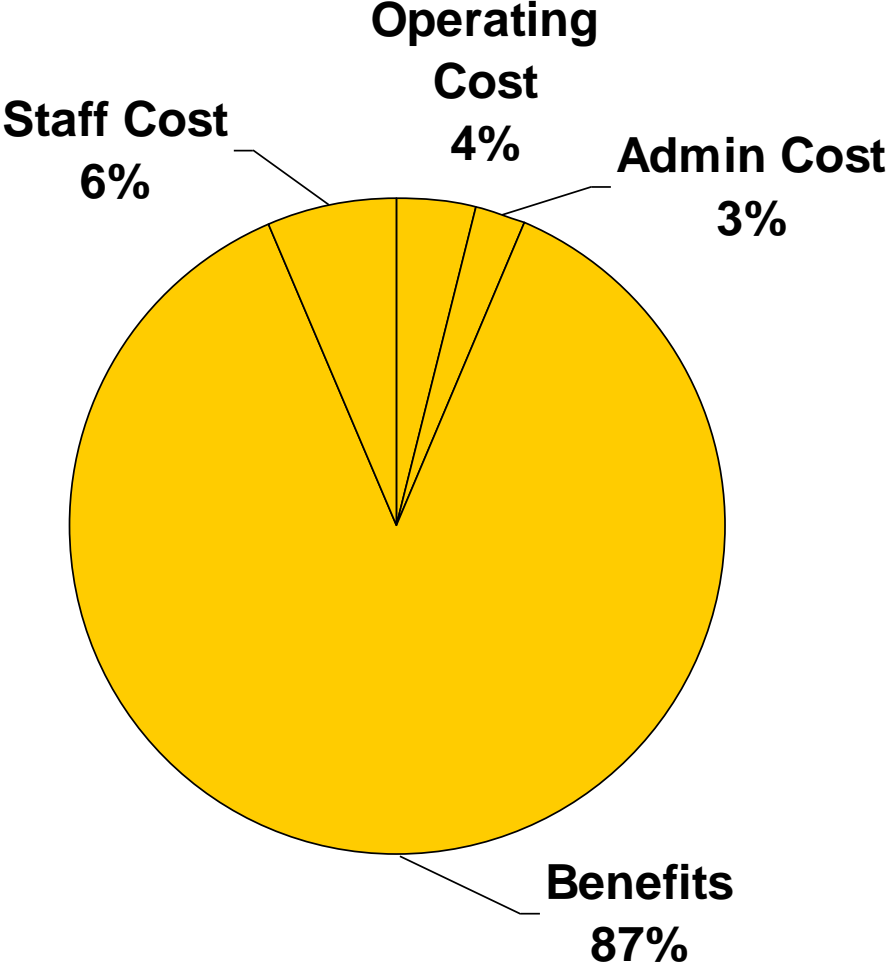
SOCIAL RESPONSIBLE INVESTMENTS

Direct SRI means instruments that have a positive social impact where to achieve the desired level of social impact take preference to financial returns. The level of social impact is important and could be classified as the primary objective although financial return is received.

As at 31 March 2013, the UIF has committed R4 billion to direct SRI investments of which R3.56 billion has been taken up in the form of private placement bonds issued to the Industrial Development Corporation.

The UIF's new investment mandate which became effective on 1 April 2013, has increased the strategic asset allocation of direct SRI's from 5% of the UIF's total investment portfolio to 10% of the UIF's total investment portfolio.

Expenditure R 6.54 billion



Systems Changes

- New automated forms.
- Online channel for interacting with Fund.
- Self service.
- Toll free number to call centre.

Thank you.