

**Ministry**

**Employment & Labour**

**Republic of South Africa**

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**NATIONAL ASSEMBLY**

**WRITTEN REPLY**

**QUESTION NUMBER: 1037 [NW1327E]**

1037. Dr M J Cardo (DA) to ask the Minister of Employment and Labour:

Whether the Unemployment Insurance Fund has commissioned actuarial research into its financial sustainability of the Fund in the event of mass-scale job losses; if so, (a) who was the service provider and (b) what were the detailed findings? **NW1327E**

**REPLY:**

The Unemployment Insurance Fund did not commission Actuarial Research into its financial sustainability in the event of mass-scale job losses.

1. **Not applicable since no actuarial Research conducted on sustainability of the Fund in the event of mass-scale job losses.**
2. **Not applicable since no actuarial Research conducted on sustainability of the Fund in the event of mass-scale job losses.**

Our Actuaries have presented the following scenarios:

|  |  |
| --- | --- |
| **Scenario** | **Implications for finances of the UIF** |
|  |  |
| Unemployment rate peaks at 41.4% and COVID19TERS benefits cost R48Billion | UIF becomes financially unsound as no Insurance Capital left and required to “borrow from future” by using 5% of accumulated credits. Sufficient funds should be available to pay benefits on a PAYG basis.  *It is possible that the fund could return to financial soundness in 10 years.* |
| Unemployment rate peaks at 41.4% and COVID19TERS benefits cost R68Billion | UIF becomes financially unsound as no Insurance Capital left and required to “borrow from future” by using 60% of accumulated credits. Sufficient funds available.  *It is unlikely that the fund could return to financial soundness in 10 years without a contribution increase and will essentially operate on a* ***PAYG basis*** |
| Unemployment rate peaks at 53.7% and COVID19TERS benefits cost R48b | All accumulated credits will be depleted and the UIF would also need to borrow against beneficiaries and service providers to pay claims.  *Taking liquidity of assets into account, the fund* ***will not be able to pay all claims when due*** *and may need to put RAF-style measures in place to prioritise / structure payments* |
| Unemployment rate peaks at 53.7% and COVID19TERS benefits cost R68b | Possible remedies for the dire financial position of the fund under this scenario could include:  • Additional funding from Treasury  • Temporary increase in contribution rate  • Reduction in benefit |