



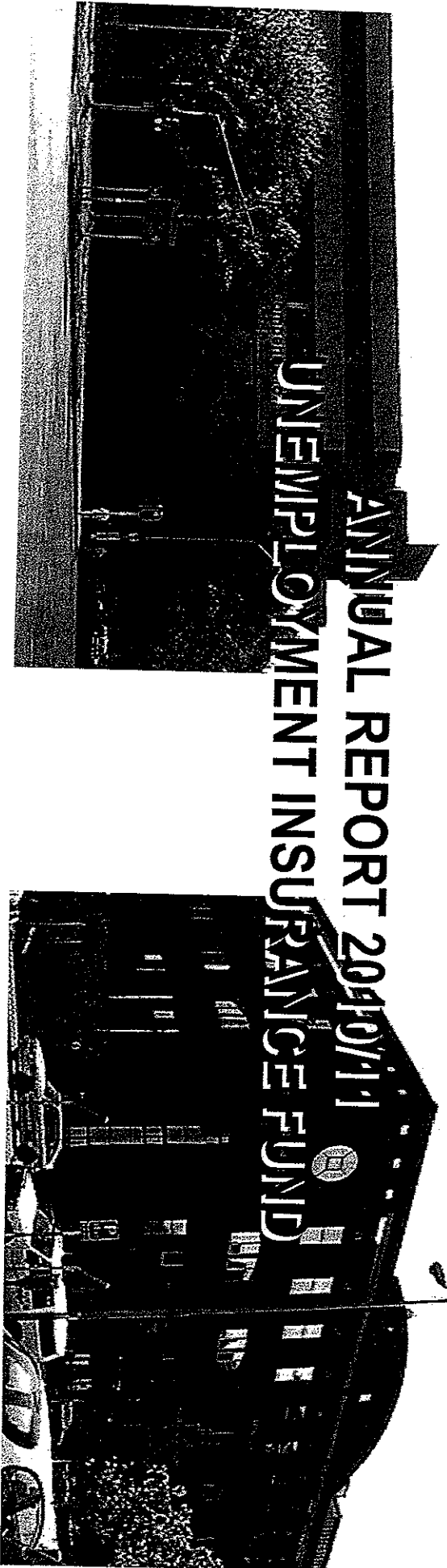
labour

Department
Labour
REPUBLIC OF SOUTH AFRICA

PRESENTATION TO THE SELECT COMMITTEE

20 JUNE 2012

ANNUAL REPORT 2011/12
UNEMPLOYMENT INSURANCE FUND



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- **Overview of the Unemployment Insurance Fund**
 - Legislative Mandate
 - Vision and Mission
 - Funding Model
 - Institutional Spread
 - Corporate Governance
- **2010/11 - Performance Information**
- **Unemployment alleviation schemes**
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 - Training layoff scheme
 - Social Responsible Investments
- **Conclusion**

Unemployment Insurance Act, 2001 (Act 63 of 2001) and the

- The Unemployment Insurance Fund (UIF) was established in terms of section 4(1) of the Unemployment Insurance Act, 2001 (Act 63 of 2001) as amended.
- The Act empowers the UIF to register all employers and employees in South Africa.

Unemployment Contributions Act, 2002 (Act 4 of 2002)

- The Unemployment Contributions Act, 2002 (Act 4 of 2002) empowers the SARS Commissioner to collect monthly contributions from both employers and workers.
- Section 9 of the Unemployment Contributions Act, empowers the Unemployment Insurance Commissioner to collect contributions from all those employers who are below the tax threshold.
- UIF contributions are utilised to pay benefits and any other expenditure reasonably incurred relating to the application of this Act.

Vision

The Unemployment Insurance Fund strives to contribute to the alleviation of poverty in South Africa by providing effective **short-term** unemployment insurance to all workers who qualify for unemployment and related benefits.

Mission

The Unemployment Insurance Fund sees its mission as:

- Rendering an effective and accessible service to all stakeholders.
- Being a sustainable organisation with sufficient reserves.
- Administering the Fund professionally.

Overview of the Fund - Funding Model

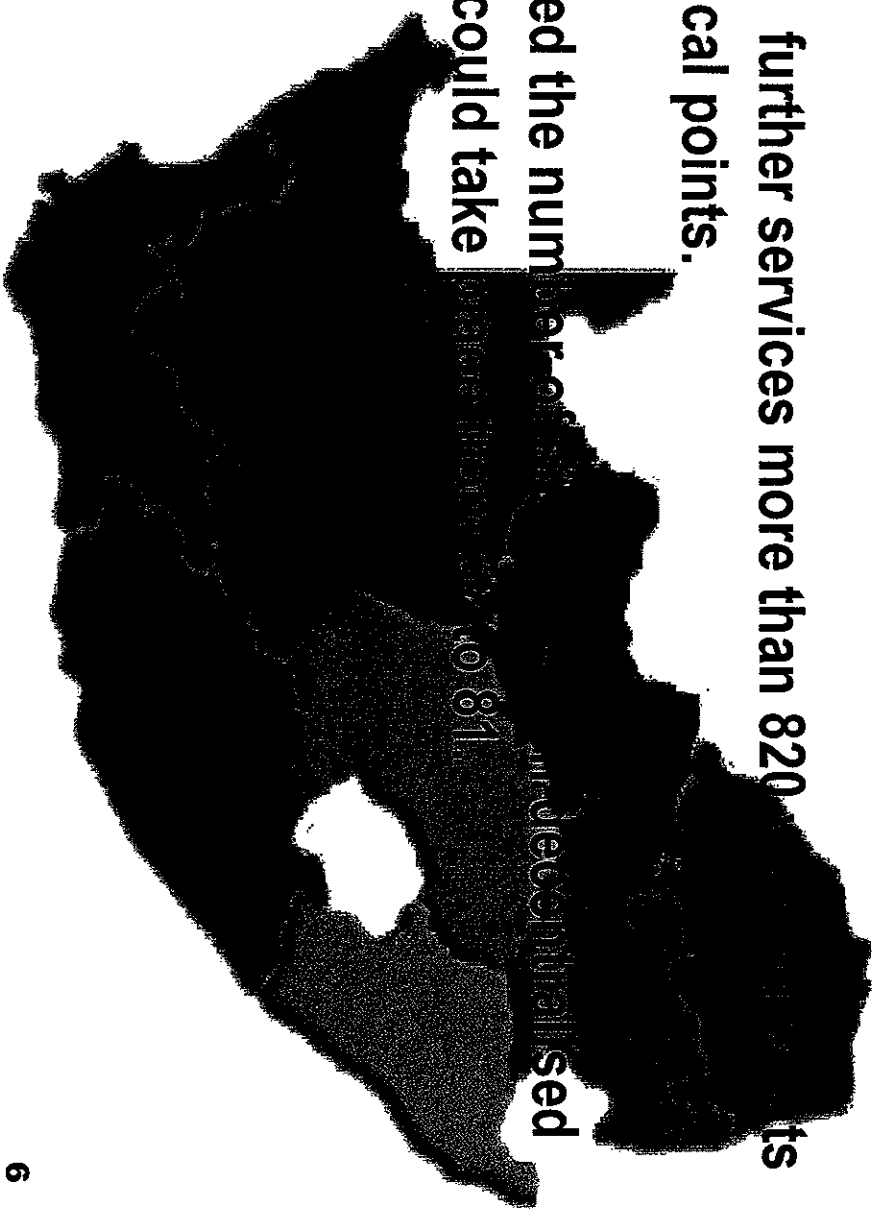
- UIF receives a 2% payroll levy (Contribution revenue), 1% from the employer and 1% from the employee.
- Contributions revenue is collected by SARS from employers required to comply with fourth schedule to the Income Tax Act and by the UIF from employers not required to comply with fourth schedule to the Income Tax Act (below the tax threshold).
- The payment of unemployment insurance benefits and the administrative running of the Fund is financed from the contributions, and investment returns collected.
- In terms of section 7 of the Unemployment Insurance Act the Public Investment Corporation Limited (PIC) invests funds on behalf of the Fund and acts as the Fund asset managers based on an approved mandate
- In terms of section 10 of the Unemployment Insurance Act the State remains the guarantor for the Fund.

9 DoL Provincial Offices

125 Labour centres that members of the public can assess for UIF benefits.

These Labour centres further services more than 820 points within their geographical points.

The Fund has increased the number of services and processed processing of claims could take



DoL/UF operates in 9 Provincial Offices

Nationally provides service in 125 Labour Centres. We have a total of 84 Labour Centres with processing functions.

Refer to table

Province	Processing Offices
Gauteng	Benoni, Brokhorstpruit, Carletonville, Ga-Rankuwa, Germiston, Johannesburg, Kempton Park, Krugersdorp,, Mamelodi, Pretoria,, Randburg, Roodepoort, Soshanguve, Soweto, Springs, Tembisa, Vanderbijlpark
KZN	Durban, Newcastle, Pietermaritzburg, Pinetown, Port Shepstone, Prospecton, Richards Bay, Stanger, Ulundi, Verulam
E Cape	Aliwal North, Butterworth, East London, Fort Beaufort, Graaff Reinet, King Williams Town, Lusikisiki, Mdantsane, Mount Ayliff, Mthatha, Port Elizabeth, Queenstown, Uitenhage
W Cape	Beaufort West, Bellville, Cape Town, George, Mitchell's Plain, Mossel Bay, Somerset West, Vredenburg
N Cape	Calvina, De Aar, Kimberley, Kuruman, Postmasburg, Springbok, Upington
Mpumalanga	Barberton, Bethal, Carolina, Ermelo, Groblersdal, Kwamulushwa, Kwamhlanga, Lydenburg, Middelburg, Nelspruit, Piet Retief, Sabie, Secunda, Standerton, Emalahleni.
Limpopo	Giyani, LebowaKgomo, Modimolle, Mokopane, Polokwane, Thohoyandou, Tzaneen
N West	Klerksdorp, Marfikeng, Mmabatho, Rustenburg
F State	Bethlehem, Bloemfontein, Welkom

- In 2010/11 the Fund received a clean audit report from the Office of the Auditor General. This is the sixth year in succession from 2005/06 that the Fund received an unqualified audit opinion. Management and staff remain committed in 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 Accounting Authority and the UI Board in addressing the strategic intent and challenges of the Fund.

- The Fund has 1.350 million employers (commercial, domestic and taxi) registered on the system as compared to 1.287 million in 2009/10.
- The Taxi sector has been slow in registering with the Fund. However, as at 31 March 2011, more than 6400 taxi employers had registered with the Fund.

Classification of employers

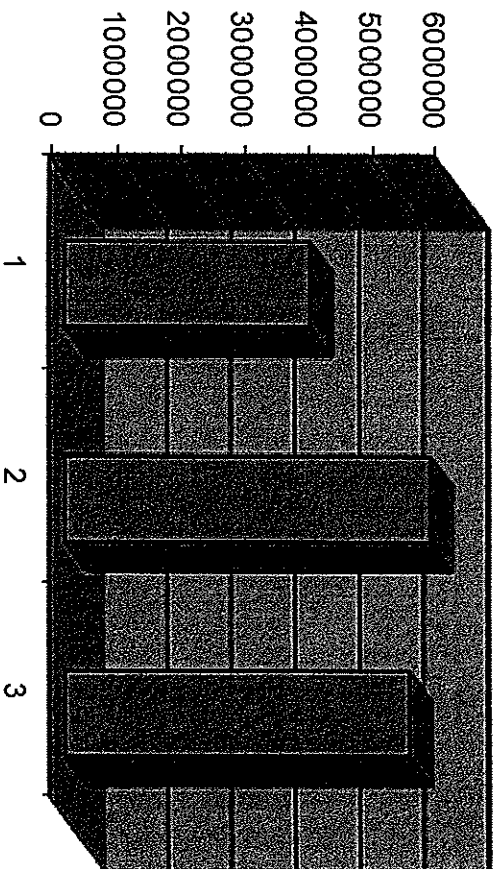
Sector	31 March 2011	31 March 2010	% Change	Comment
Commercial	737 679	689 905	6.92%	↑
Domestic	606 517	591 045	2.62%	↑
Taxi Industry	6 455	6 169	4.64%	↑
Total	1 350 651	1 287 089	4.94%	↑

- The Fund has 7.919 million employees (commercial, domestic and taxi) registered on the system as compared to 7.757 million in 2009/10.

Classification of employees

Sector	31 March 2011	31 March 2011	% Change	Comment
Commercial	7 267 138	7 109 463	2.22%	↑
Domestic	646 225	642 007	0.66%	↑
Taxi Industry	5 927	5 771	2.70%	↑
Total	7 919 290	7 757 241	2.09%	↑

Benefit payments



	31 March 09 (R'000)	31 March 10 (R'000)	31 March 11 (R'000)
Unemployment	2,834,157	4 536 397	4 173 188
Illness	211,639	231 834	232 663
Maternity/Adoption	537,574	624 493	659 026
Dependants	263,866	317 264	317 520
Total Paid	3,847,236	5 709 988	5 382 397

No. of recipients/clients who received benefits

No. of recipients in each category	2010/2011	2009/2010	% Change	Comment
Unemployment	578 266	628 595	- 8.01%	↓
Illness	22 727	24 720	- 8.06%	↓
Maternity/Adoption	104 042	104 529	- 0.47%	↓
Dependants	27 123	21 760	24.65%	↑
Total Paid	732 158	779 604	- 6.09%	↓

Claims Approval Rate

Region	Created	Approved	Approval rate	Rejected	Rejection rate
Eastern cape	63,673	63,219	99.2%	454	1%
Free State	37,484	36,962	98.6%	522	1.3%
Gauteng	211,410	207,830	98.3%	3580	1.7%
Kwa-Zulu Natal	140,730	138,478	98.3%	2,252	1.6%
Limpopo	48,908	44,808	91.6%	4,100	8.3%
Mpumalanga	63,218	60,119	95%	3,099	4.9%
North West	28,938	28,555	98.6%	383	1.3%
Northern Cape	20,524	19,540	95.2%	984	4.7%
Western Cape	137,111	132,647	96.7%	4,464	3.2%
Total	751,996	732,158	97.3%	19,838	2.6%

Number of claims & Value per province

Province	Payments	Number of claims approved
Gauteng	1,860,576,336	207,830
Kwa-Zulu Natal	951,288,696	138,478
Eastern Cape	424,995,868	63,219
Western Cape	955,877,424	132,647
Free State	242,243,160	36,962
Northern Cape	96,935,092	19,540
Mpumalanga	376,393,190	60,119
Limpopo	248,531,312	44,808
North West	225,555,188	28,555
Total	5,382,396,266	732,158



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REGISTRATION ACT 1980

Human Resource Management

- UIF Head Office staff establishment consists of 455 posts. 425 (93%) of the posts are filled and 30 (6.5%) are vacant posts. Out of the 93% of the filled posts, 56.5% are females and 43.5% are males. 2% of the Fund's staff compliment are people with disabilities.
- At the end of the 2010/11 financial year ,33% (3/9) of the employees at Senior Management Services were women.

Employment and vacancies by salary band for the year ended 31 March 2011

Salary Band	Establishment	Number of employees	Vacant Posts	Vacancy Rate
Level 3-6	270	259	11	4.08%
Level 7-8	100	89	11	11.00%
Level 9-12	73	68	5	6.85%
Professionals (13-15)	12	9	3	25.00%
Total	455	425	30	6.59%

Appointments, promotions and terminations for the year ended 31 March 2011

Salary Band	Appointments	Promotions	Terminations	Turn over Rate
Level 3-6	16	12	8	3.1
Level 7-8	3	10	2	2.3
Level 9-12	1	4	1	1.5
Professionals (13 – 15)	0	1	0	0.0
Total	20	27	11	2.6

Reasons why staff left the Department during the year ended 31 March 2011

Description	Number
Resignation	6
Death	2
Retirement	1
Misconduct	2
Total	11

Misconduct and Discipline for the year ended 31 March 2011

Outcome of disciplinary hearings	Number
Verbal warning	0
Written warning	6
Final written warning	4
Not guilty	0
Case withdrawn	0
Dismissal	2
Resigned due to misconduct	2
Total	14

The Fund values its human capital and strives to continuously develop its staff. In 2010/11, the Fund

- Participated in employment creation initiatives through implementation of Internship Programme where 104 Interns were appointed (19 head office and 85 was deployed to provinces.
- Trained 340 officials on more than 30 accredited training initiatives.
- Twenty Four (24) officials were awarded bursaries



Financial Performance – 2010/2011

- Contributions collected increased with 5.37% from R10.75 billion collected in 2009/10 to R11.33 billion collected in 2010/11.
- Investment revenue increased with 2.91% from R3.45 billion received in 2009/10 to R3.55 billion received in 2010/11.
- Benefit payments decreased with 5.74% from R5.7 billion paid in 2009/10 to R5.3 paid in 2010/11.
- Net surplus increased with 38.06% from R6.85 billion in 2009/10 to R9.46 billion in 2010/2011 due to the decreased benefit payments, increased contributions and reversal of the explicit prudence reserve on benefit payments.
- Total investment portfolio increased with 20.46% from R43.73 billion in 2009/10 to R52.68 billion in 2010/11.

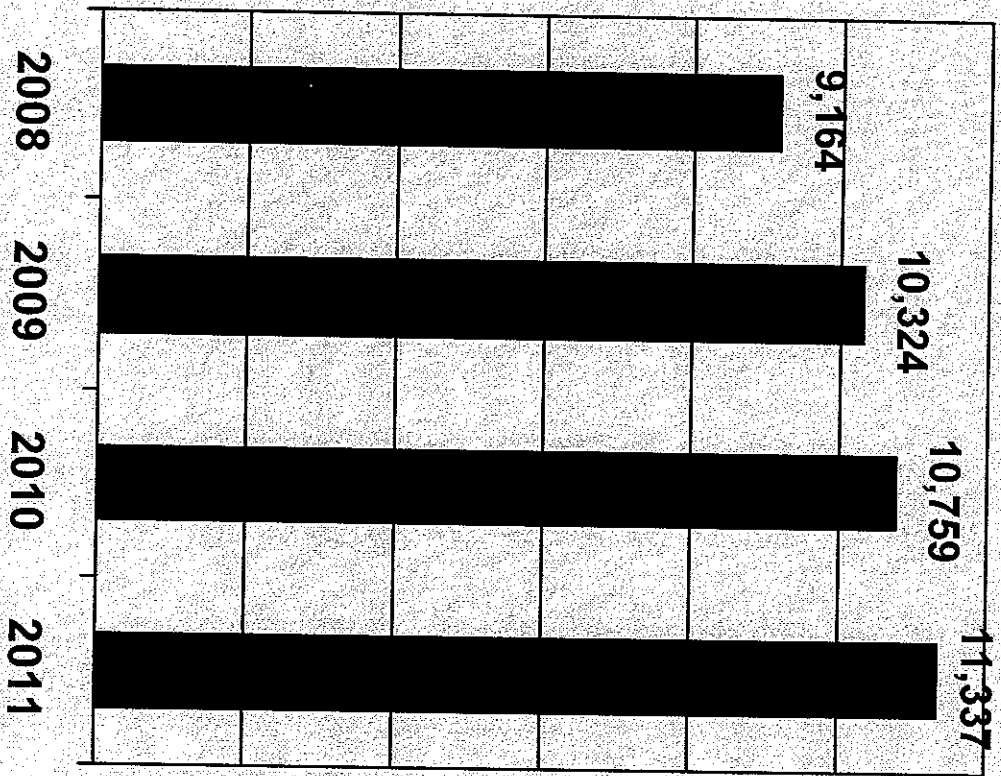
Summary of financial performance

	31 March 2010 (R'000)	31 March 2011 (R'000)	Increase/ decrease
Contributions	10,759,020	11,336,500	↑
Investment income	3,454,857	3,555,312	↑
Benefits expenditure	5,709,988	5,382,397	↓
Net surplus	6,853,641	9,461,912	↑
Investments	43,732,836	52,680,297*	↑
Technical reserves	12,485,814	13,256,765	↑
Accumulated surplus	28,686,561	37,377,522	↑
Total assets	44,987,964	54,060,155	↑

Financial Overview Revenue

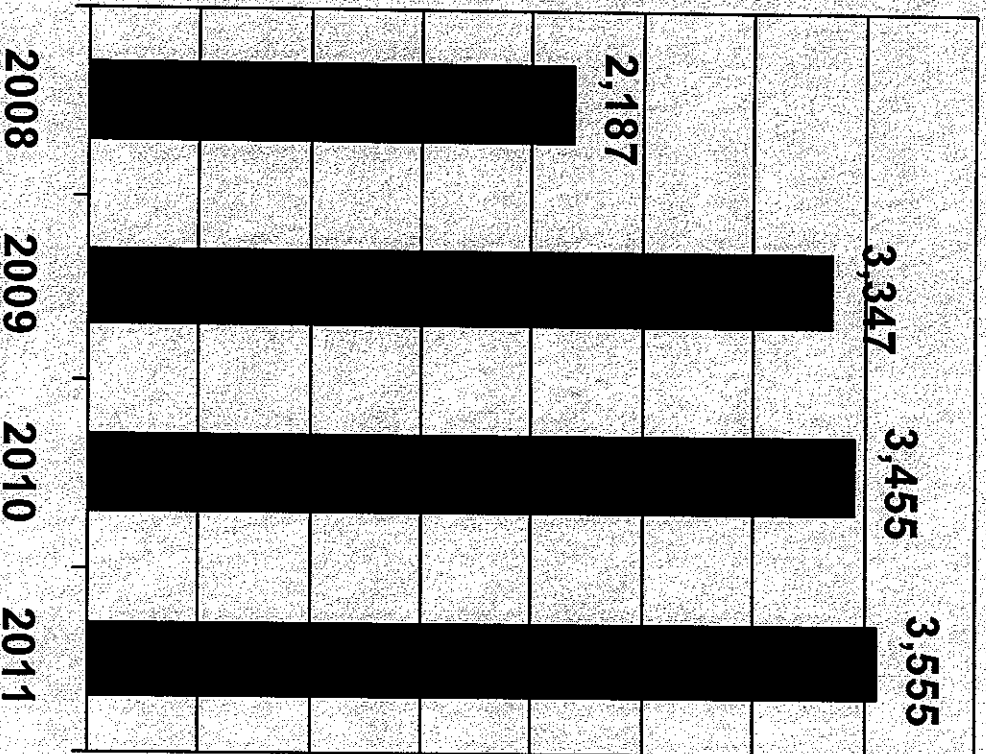
Contribution Revenue

R billion

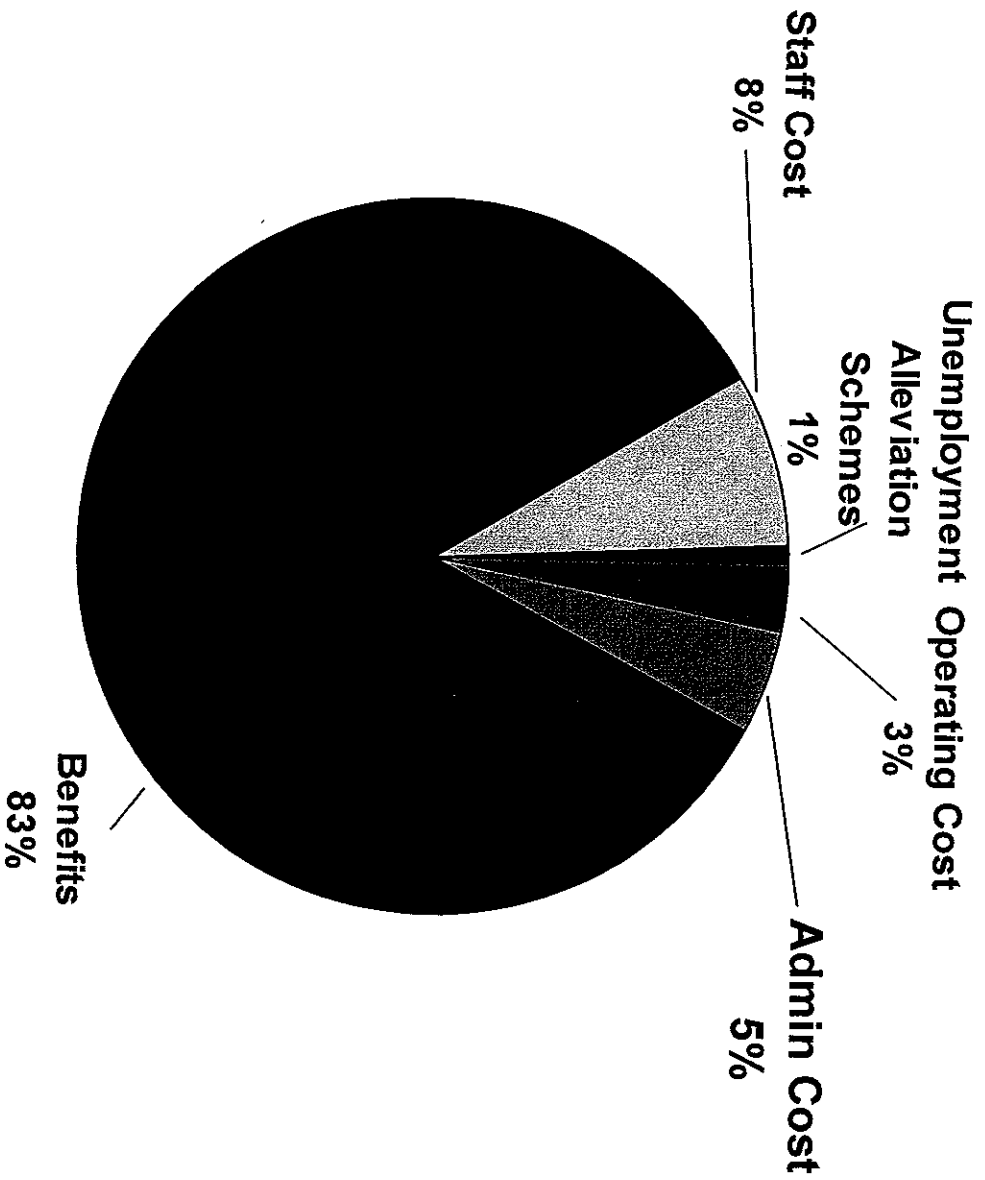


Investment Revenue

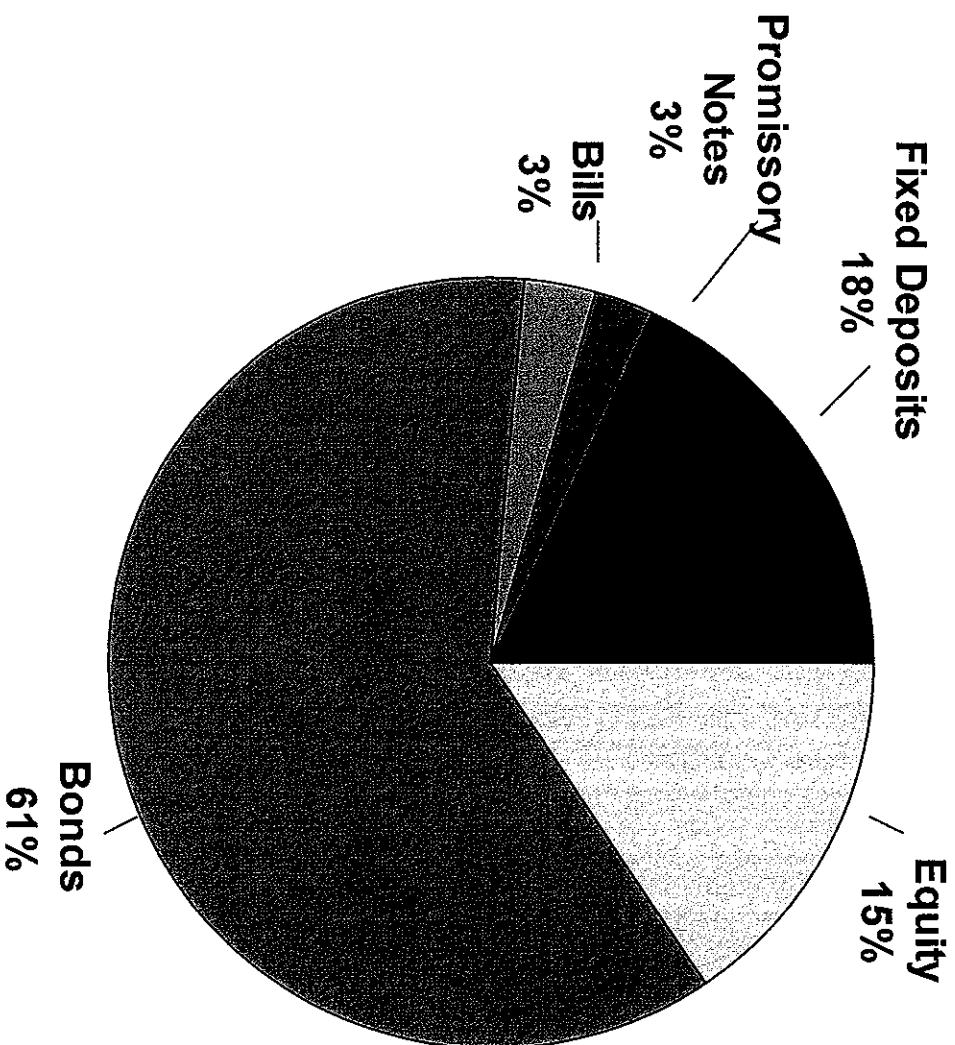
R billion



Expenditure - R 6.44 billion



Investment Portfolio – R52.68 billion



Performance Highlights for the year

Indicators	Performance
Enrol at least 800 persons non the scheme by end of March 2011	1976 selected from the UIF and DOL database. They have been approved by the Fund for use in the MQA Training Scheme
Implementation and quarterly monitoring of management action plans.	All strategic risks identified were monitored as per the set time frames and implementation of management action plans monitored.
82% of cases received/detected are finalised by end of March 2011	Cases finalised – 97% as at 31March 2011
Monitor risks in line with the Risk Appetite Framework	Risk appetite framework developed and approved for implementation. All strategic risks were monitored in line with risk appetite framework.

Performance Highlights for the year (continued)

Indicators	Performance
20 % increase on usage of u-Filing system	73 % increase on usage of u-Filing system
Increase the processing centres to a total of 76 processing centres	A total of 84 centres had processed claims during the year.
CPI % increase as compared to previous year	5.37% increase versus 4.1% CPI as at 31 March 2011
Collect 15% of outstanding balance of overpayments by March 2011	22% of balance (opening balance plus overpayments raised during the year) of overpayments recovered.
Reach at least 15 million audience according to the GCIS/All Media survey by end of March 2011	Three month UIF awareness campaign focusing on the Taxi industry and domestic employers had an audience reach of 41 million according to the GCIS Thelma Report

Indicators	Performance
Submit Head Office structure for approval by end of July 2010. Implement structure by end of March 2011.	The proposed organisational structure was submitted for approval. Awaiting for approval
Perform planned audits at UIF HQ and provinces by 31 March 2011	All planned audits in line with the approved plan were performed.
Issue progress quarterly report to the Audit Committee at all Audit Committee meetings of the financial year 2010/2011	All quarterly progress reports were issued to the Audit Committee
Revised Charters and terms of reference approved by the UI Board by March 2011	UI Board and Audit Committee has approved the 2010/2011 charters.
A 10% improvement on customer awareness and satisfaction from the last survey	The 2011 survey report recorded a 78.8% satisfaction versus 62.7% recorded in the 2004 survey. Achieved a 26 % improvement
80% of claims finalised with five weeks	73% of claims finalised with five weeks



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Unemployment alleviation scheme

Reintegration into the labour market

- The pilot project to re integrate the unemployed into the labour market has produced 132 artisans.
- The Minister of Labour has started a project that will see 3500 UIF unemployed beneficiaries enter the artisan development programs.

Training Lay-off Scheme

- **The Fund allocated R 1.2 billion to the project which is aimed at assisting companies that are in distress due to the economic downturn and workers who may be at risk of retrenchment.**
- **Funding agreements to the total of R21,96 million were entered into with companies that had applied for financial assistance for training their employees rather than retrench them**
- **The actual expenditure incurred against these funding agreements during the financial year under review amounted to R6.3 million.**
- **As at end of March 2011, the scheme had saved 3000 jobs in the clothing and textile as well as car manufacturing sectors**



- The UIF placed a R2 Billion bond with the Industrial Development Corporation for use in funding job creation projects
- As at 31 March 2011 R1 billion had been successfully drawn down by IDC to support employment activities.
- Details of transactions are as follows:
 - A total of 76 transactions (net of cancellations) with a value of R1 546 145 935 have been approved;
 - The approved transactions are expected to create, based on business plans, 10 047 new permanent UIF paying jobs and save 7 186 existing permanent UIF paying jobs;
- The approved transactions will therefore result in a combined total of 17 233 jobs with an average cost per job of R222 696.
- The approved transactions were fairly spread geographically in South Africa.

Key Challenges

- Improving the turnaround times for finalisation of claims
- The current economic conditions that are affecting job creation and contribute to job losses in the country contribute to:
 - Declining revenue growth
 - Increased pressure on the operations of the Fund
- The fund is in the process of developing service delivery improvement initiatives in order to address these challenges



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Service Delivery Improvement Initiatives

uFiling Enhancements (Virtual claims portal)

- The Fund has developed a secure revenue collection web portal (www.ufiling.gov.za), where employers can;
 - declare employee information to the Fund and
 - Pay unemployment insurance contributions online
- The uFiling system has been enhanced to include the ability to apply for specific benefits online
- The enhancements to the uFiling system would allow employees of accredited employers to apply for benefits online



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Service Delivery Improvement Initiatives

- The enhanced ufilling system is currently in pilot phase and will be rolled out to employers by the end of the 2011/12 financial year

Active Labour Market Programmes

- The Fund is engaging in active Labour market programmes with the aim of upskilling unemployed beneficiaries and re-integrating them into the Labour market
- Reintegration of unemployed beneficiaries will contribute to the job creation initiatives of government

Conclusion

- The Department of Labour, the Fund, Audit Committee and the Board has appreciated the tenable successes and acknowledged some of the challenges facing the organisation. And, we continue in our strides to address these challenges.
- The Fund has enough reserves to protect workers when the risk of unemployment happen. The actuarial valuation results indicated that the Fund is in a sound financial position and is fully funded to cover all future liabilities.
- Issues raised by Internal Audit and the Auditor General are being corrected and improvements in the control environment are an on-going process in the Fund.
- Besides the speedy turnaround of claims due to high influx of clients, the mandate was fulfilled, the mission achieved as evidenced by AG report, actuarial results and service offerings to South Africa.
- Chairperson, the Fund has significantly improved its internal efficiencies and focuses on serviced delivery; that's the reason changes to the legislation are recommended.

Ri a livhuwa/Enkosi /Thank You/Dankie

Minister

Portfolio Committee of Labour

Board

Accounting authority

Management and staff

Contacts

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