



**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.

- (a) Not applicable since no actuarial Research conducted on sustainability of the Fund in the event of mass-scale job losses.**
- (b) 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	<p>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.</p> <p><i>It is possible that the fund could return to financial soundness in 10 years.</i></p>
Unemployment rate peaks at 41.4% and COVID19TERS benefits cost R68Billion	<p>UIF becomes financially unsound as no Insurance Capital left and required to “borrow from future” by using 60% of accumulated credits. Sufficient funds available.</p> <p><i>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</i></p>
Unemployment rate peaks at 53.7% and COVID19TERS benefits cost R48b	<p>All accumulated credits will be depleted and the UIF would also need to borrow against beneficiaries and service providers to pay claims.</p> <p><i>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</i></p>
Unemployment rate peaks at 53.7% and COVID19TERS benefits cost R68b	<p>Possible remedies for the dire financial position of the fund under this scenario could include:</p> <ul style="list-style-type: none"> • Additional funding from Treasury • Temporary increase in contribution rate • Reduction in benefit