

How the Unemployment Insurance Amendment Act could stimulate economic growth

The new Act will make benefits available to a much larger proportion of the workforce, and also has the potential to stimulate economic growth.

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The Unemployment Insurance Amendment Act, which was signed into law by President Zuma recently, has been widely reported on as likely to have a positive effect on the country's workforce. However, it's also important to point out it's potential to help stimulate the economy.

Changes brought on by the new Act strengthens the economy and widens the safety net for employees, as it will force the Unemployment Insurance Fund (UIF) to free up more capital to a wider range of people now being able to claim and claiming being made easier. This is critical because in South Africa, on average, each employed person has 10 dependants, pointing to a deeper impact on the economy.

The Unemployment Insurance Fund (UIF) has been exceedingly good at collections and has built up an immense surplus with its current value standing in excess of R99-billion.

Although the new Act will have no material effect on payroll administrators or HR professionals, it does have the potential to affect their "clients" quite profoundly. These professionals have the knowledge that employees generally lack, and they should take proactive steps to ensure that employees understand what the new Act means.

This important educative role will help employees unlock new value, and will eventually contribute towards a motivated, engaged workforce, while ultimately helping to stimulate the economy.

A deeper look

As mentioned, one major innovation of the new Act is to allow a much wider range of people to claim unemployment benefits. A notable category here is foreign nationals, who previously had to contribute to the fund but could not claim. Now, foreign nationals who are working in South Africa legally can claim unemployment benefits on the same terms as South Africans. This is set to benefit a large number of people, given the great number of foreigners in the semi-formal sector, including domestic workers.

Another group that is to benefit is students on learnerships. When their learnerships expire and they do not succeed in finding employment, students are now be able to claim unemployment benefits from the Unemployment Insurance Fund (UIF). Similarly, employees who have their work hours, and thus their pay, reduced can now claim for the loss of income. In a struggling economy, companies often reduce work hours in order to avoid retrenching employees—the new Act thus helps mitigate the impact of a reduced salary on those affected.

Easier to claim

The Unemployment Insurance Amendment Act also makes some significant changes that will make it easier to claim benefits. A welcome change given the fact that many have found it difficult to claim from the UIF. Changes to help reverse this unsatisfactory state of affairs include relaxing some of the time constraints for claims.

For example, as per the previous Act, death benefits had to be claimed within six months, which resulted in many families finding out too late that a benefit could be claimed and missing the deadline. Under the new Act the time limit for claiming death benefits has been extended to 18

months, which will afford families enough time to complete the long (and often arduous) administrative process required.

Under the old regime, many expectant mothers simply never claimed maternity benefits because they could not claim until the child was born. This effectively meant they would only receive the money well after they had returned to work. Now pregnant women can claim eight weeks before the scheduled birth, which improves their chances of receiving the money when they need it. The maternity benefit has also been increased from 45 percent of normal pay to 66 percent.

Those who are unfortunate enough to have run out of sick leave also stand to benefit. Previously, seriously ill employees could only claim from the UIF if their illness continued for 14 working days after their sick leave was exhausted. The threshold is now seven days, thus reducing unpaid sick leave in theory to little over a week.

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