



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

FINANCE MINISTER WITHDRAWS IMPLEMENTATION OF UIF PROPOSAL TO ALLOW MORE TIME FOR CONSULTATION PROCESS

The Minister of Finance has decided not to proceed with the implementation of the proposal to reduce the remuneration threshold against which contributions to the Unemployment Insurance Fund (UIF) are calculated. This decision was taken after detailed engagements with the labour and business constituencies at National Economic Development and Labour Council (NEDLAC).

In the 2015 Budget, the Minister proposed to reduce the remuneration threshold against which contributions to the UIF are calculated from the current monthly amount of R14 872 to R1 000, for a period of one year. The proposal was aimed at providing support to the economy by allowing workers and employers to keep and use for themselves R15 billion that would otherwise have gone to UIF. The UIF currently has an accumulated surplus of more than R72 billion, which is well in excess of annual expenditure on benefits. The UIF proposal was also intended to reduce the rate of accumulation of this surplus.

During the consultations the following concerns were raised:

- a) the need to implement the UIF Amendments Bill tabled in 2014, to extend benefits to workers who contribute towards the Fund;
- b) the need to speed up engagement over the broader social security reform process

After carefully considering all of these concerns, and taking into account the 44 public comments received, it became apparent that proceeding to implement the revised threshold as originally planned in the 2015 Budget could lead to unintended consequences.

The Minister has decided that the UIF Budget proposal will therefore not be implemented in the 2015/16 fiscal year, to allow more time for consultation at NEDLAC and with other interested stakeholders. The consultations will focus on:

- implementation of the agreed UIF Amendments Bill to extend benefits to workers who contribute towards the Fund;
- review of earmarked taxes (UIF, RAF, skills levy) to address fiscal imbalances that have emerged, whether in the form of surpluses and or deficits.





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- the process for social security reform, and the need to initiate broader consultations on the road ahead, and the challenges facing such reforms.

The withdrawal of this proposal for year 2015/16 will not affect other Budget proposals or the main budget deficit, but will somewhat reduce the projected consolidated deficit for the current financial year.

Issued on behalf of the Ministry of Finance

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