SECOND CARNEGIE INQUIRY INTO POVERTY
AND DEVELOPMENT IN SOUTHERN AFRICA

South Africa's unemployment fund
An inadequate cover for the
unemployed
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Unemployment in South Africa at present is arguably at its highest level ever. Calculations by academics place the figure at about 2½ million. One estimate claims that unemployment rose from 828 000 (11.8%) in 1970 to 2m or 21.1% in 1981. Since then it has been estimated that unemployment has increased by approximately 600 000. The recession and the drought have contributed to a drastic increase in joblessness in 1982, 1983, and in the first quarter of 1984.

It has been widely shown that unemployment in South Africa is both cyclical and structural in nature. The existence of structural employment means that even if the economy improves leading to a decline in cyclical unemployment — thousands of people will still remain jobless.

While unemployment has affected people in both urban and rural areas, inevitably it is the latter who suffer the most. The urban unemployed have a better chance of finding alternative work or of earning a living through the informal sector or other means — but for the rural person this is not possible because of a lack of development in those areas. The state's emphasis on giving priority to providing work for the urban jobless and its tightening of influx control have exacerbated unemployment in the rural areas. People moving to urban towns in search of work have been systematically endorsed out — and are thus denied an opportunity of earning a living, however meagre. Some idea of the increased drift to towns by rural people may be gauged from the increase in arrests under the pass laws. In 1982 this figure was 206 022 as compared with 160 000 in 1981 — a rise of 28.3%. It is likely that a high percentage of these arrests comprise people who have entered the towns 'illegally' to find jobs. The increased poverty of people in rural areas due to unemployment may also be gauged from the increase in infant deaths. While not all would be from starvation and poverty-related diseases, a high percentage would. Thus an estimated 240 out of every 1 000 children in rural resettlement camps died before the age of one. Estimates also showed that in 1981 there were 90 infant deaths (nationally) per 1 000 births in SA, with figures for rural areas being higher than the national average.
A 1977 study amongst Xhosa women showed that 25% of all infants died within the first year of birth, while infant mortality in the Ciskei was estimated at between 180 and 240 per 1 000 live births.

To what extent is the South African unemployment insurance fund capable of alleviating the effects of this unemployment? It is clear from an examination of the fund and its operation that it fails to provide adequate relief for the unemployed. Its inadequacy consists both in its restricted scope and the inefficient way it is administered.

Scope of Fund

Comparative literature shows that unemployment schemes fall into two categories. There are schemes which give short-term cover to unemployed people who have contributed to a fund for a specified period, and those that offer more extensive coverage. The latter may include people who may not have been contributors (i.e. new job seekers) and who cannot find work, or those whose period of cover has expired and who also cannot find a job. Comparative data shows that the schemes in most industrialised countries tend to have a wider scope, while those in third world countries are inclined to be more restrictive. Britain is an example of a country which has both a contributor-based unemployment scheme and a more extensive supplementary assistance scheme. In the UK, supplementary benefit can be paid out on top of unemployment benefit, and cover may even extend to people who are not entitled to unemployment benefits. People on supplementary benefit can also get free school meals, milk and vitamins and NHS dental treatment, glasses and prescriptions. Workers laid off can also apply for redundancy pay. In addition, the UK offers a training allowance for those who want to learn a new skill and allowances to workers moving to different areas to take up employment. France also has a system which covers workers who are no longer eligible for the principal benefit (called the basic allowance).
In South Africa, by contrast, there is no general assistance scheme - only contributors are eligible for benefits. In concept South Africa's scheme is similar to the ILO's Income Security Recommendation (No 6 of 1944) which states that 'the contingency for which unemployment benefits should be paid is loss of earnings due to the unemployment of an insured person who is ordinarily employed, capable of regular employment in some occupation, and seeking suitable employment, or due to part-time employment'. The SA scheme makes no provision for unemployed school-leavers who cannot find work, nor for women entering the labour market for the first time. This is in contrast with the pattern in many countries where there is special provision for these categories. Thus the French scheme grants flat-rate allowances for different lengths of time and in different amounts (20, 30, or 40 francs per day) to young people seeking a job for the first time, ex-prisoners and women who are the sole breadwinners. In the UK such people are entitled to supplementary benefits.

The SA scheme has further restrictions, however. Of the total economically active population of 9 490 000 in 1980 only 3 580 849 were contributors to the fund. While this may be an underestimate of those who do in fact qualify to be members (people being mistakenly left off for various reasons), it nevertheless gives a clear indication of the restrictiveness of the fund. Those excluded fall under the following categories: persons working for less than one full working day (or 8 hours) per week; casually employed people; outworkers; public service and South African Transport Service employees; persons employed by a firm with a pension and provident fund providing an annuity payment; seasonal workers; domestic workers; agricultural workers; contract workers from outside SA who are repatriated home on completion of their contracts (workers from 'independent' and other homelands do not fall under this provision); Africans employed in rural areas excepting those employed in factories or mines. The South African scheme also excludes workers earning above R18 000 a year. While selectivity is not unique to the South African scheme, most other schemes are far less restrictive. Germany, Ireland and New Zealand provide cover for all workers except non-manual labourers over a certain income, while as has been mentioned, the UK and France cover all workers. A more detailed discussion of some of the categories follows.
Agricultural workers: the international trend is to include such workers, despite the special problems involved. These include the verification of unemployment and difficulties associated with remuneration, which may include payment in kind or be based on a share system. France, the UK and Spain include such workers under a general scheme, while Italy has a special scheme. In Spain, farmworkers are catered for by the Royal Decree No 1469/1981 of 19 June 1981 under the Basic Law on Unemployment No 51 of 1980. This defines a permanent agricultural worker as one engaged for work on one or more farms belonging to the same owner. It lays down that such a worker may be regarded as being unemployed in law, if, although willing to work, he loses his job for reasons outside his control, or if he suffers temporary loss of income as a result of the suspension of his contract for similar reasons. In such circumstances an agricultural worker will become entitled to unemployment benefits provided 1) he has worked continuously for the same farmer for the preceding 12 months; and 2) is not himself the owner of a farm of a certain size, nor a close relative of his last employer. The worker is entitled both to the unemployment benefits and to the supplementary benefits laid down in the Basic Law on Employment, including the payment of his own social security contribution for the period involved. In cases where such entitlement arise from a temporary suspension of contract, the worker's social security contribution for the entire period will be paid by the employer.

Recently the South African government began an investigation into farmworkers and domestic workers, and has also undertaken an investigation into the workings of the unemployment insurance fund. It is to be hoped that the exclusion of the 2 million-odd farmworkers will be reconsidered. One research group has suggested that to overcome problems in the administration of the fund for farm workers, a system of unemployment insurance stamps obtainable from post offices could be introduced. The system would work roughly as follows: details of the employer's workforce for example, the date when the worker was employed, wages in cash and kind etc. would be lodged with the nearest post office. Amendments to this record could be made as changes in staff and pay take place. A stamp book would be issued for each worker. Every month, the employer would be issued with stamps for his employees.
and would sign for them at the post office. These would then be affixed in the book, which both employer and employee sign. In this way, the state, workers and employers could keep a record of contributions made and the money handed over to the UIF. On losing his job, a worker would take his stamp book to the unemployment insurance pay-out office. The fact that he is unemployed would be recorded by signing off the worker, as is presently the case.

**Domestic Workers**

The above system could also be extended to cover the approximately 800 000 domestic workers in SA, who to be stable members of the workforce, work long hours and are often breadwinners. As with agricultural workers, they are doubly penalised when unemployed as they lose both their income and their accommodation.

**Seasonal Workers**

The SA fund also excludes seasonal workers. The general argument governing their exclusion is that benefits should not be paid for off-season periods during which the worker expected to be jobless and, therefore, could not be said to be losing wages due to unforeseen unemployment. However, there are good reasons for extending unemployment benefits to such people. They are seasonal by dint of economic circumstances rather than by choice; they rely on their earnings in the season to provide for the whole year and are not casual workers who find employment elsewhere for the rest of the year. Furthermore, many of them are regular and permanent employees in that they work year after year for the same employer. Both the New Zealand and the UK schemes cover such workers.

A further shortcoming in the local set-up is that companies may apply for certain sectors of the agricultural industry to be declared 'seasonal', in which case the workers concerned no longer qualify for benefits. In 1979 the Cotton Ginning Industry was declared to be seasonal after an application by the Landbou Kooperasie Beperk, and the same concession was made to the Potato, Seed Potato and Onion Packing Industry in 1982, after an application by the Ceres Aartappels (Co-operative) Ltd.
Migrant Workers

Comparative data shows that, unlike SA, certain countries (for example the UK and Germany) include foreign migrants under their schemes.

In 1980 there were 2 million migrant workers (gastarbeiter) in Germany of a gainfully employed labour force of 25 million - with unemployment at 900 000. SA's foreign migrant population in 1982 numbered 282 270. These people rely almost entirely on work in South Africa for their livelihood, and the loss of work here generally means they are condemned to long-term unemployment in their own countries. This is especially important given South Africa's recent policy of repatriating Mozambican and Zimbabwean workers. Where foreign migrants are not included on their own fund, they should be included under South Africa's. Steps should be taken to establish interstate agreements governing the payment of unemployment benefits to migrants who are not covered in their home territories, as has begun to emerge elsewhere for other kinds of benefits. Thus in Latin America a number of bilateral and multi-lateral agreements have been drawn up to establish equality in the treatment of nationals and non-nationals regarding social security. While these do not at present cover unemployment insurance, one of them, the Ibero-American agreement, makes provision for its extension to other benefits when the signatories agree. Certain similar agreements have also been signed by African countries regarding other benefits. The ILO's Equality of Treatment (Social Security) Convention 1962 (No 118) aims to provide for equality of treatment between nationals and non-nationals of signatory states, as well as refugees and stateless persons. This is regardless of the territory in which they are resident. It also applies to all the existing branches of social security in respect of which the ratifying states have accepted the obligations of the Convention - even in the absence of bilateral or multi-lateral agreements between states in question.

In South Africa, the position of migrant workers in respect of unemployment insurance has been greatly complicated by the homelands policy. Until this year migrant workers who are 'citizens' of South Africa's 'independent' homelands ceased to be contributors to the SA fund once the homeland became 'independent'. Homelands taking
independence had two options: they could either choose to receive a lump sum of R300 000 from SA to set up their own fund, or allow SA to continue paying out benefits for three years after 'independence', even though their workers were no longer contributors to the fund. Homelands 'citizens' living and working in SA still remained on the SA fund.

The main problem with this arrangement was that only Bophuthatswana established its own fund, although it seems that it never operated properly. The other homelands, however, failed to establish their own funds leaving an estimated 2 068 700 migrants and commuters without cover once unemployed. The situation gave rise to a certain amount of confusion. Many employers failed to stop deducting dues from workers who no longer contributed to the fund. These workers were thus paying out money without the benefit of unemployment insurance cover. The problems arising from the failure of these homelands to provide their own funds led, in 1982, to an amendment to South Africa's Unemployment Insurance Act providing that those people could once again be included under the SA fund, if an agreement was reached on the issue between the South African government and the homelands in which the workers resided. Monies collected by the SA Fund from these contributors and their employers would be handed over to the newly established funds of the relevant homelands. In 1983 workers from all the independent homelands were once again covered by the SA fund after the necessary agreements had been reached. While this constitutes an improvement on the previous unsatisfactory situation, trade unions have voiced dissatisfaction with the measure because payments will still be made in the homelands and not in 'white' South Africa where people work. Questions have also been raised about whether there will be proper administration of the monies collected in SA and sent through to the homelands. In parliament, Dr A Boraine (PFP) voiced misgivings on this issue, pointing out that 'at present many people who qualified' for money failed to receive it. As will be seen later, an examination of the current administration of the fund shows these misgivings to be well-founded.
Size and duration of benefits

One of the most critical factors in determining the kind of scheme introduced is whether it is designed merely to prevent 'undue hardship' or to maintain, within reasonable limits, the 'customary standard of living of the beneficiary' and thus avoid relative deprivation. This will determine to a large extent the amount and duration of benefits and the financial structure of the fund.

Most industrialised countries try to maintain the customary living standards of the unemployed. Thus the UK offers additional benefits to an unemployed contributor, eg. child allowances, supplementary benefits. It also offers a range of benefits to those living on low incomes such as help with rent. In Germany additional subsidies for rent, education and child allowances are granted over and above the unemployment assistance, again in an attempt to prevent a sharp drop in the living standards. South Africa, as will be seen below, falls far short of other industrialised countries in the provision of benefits, leaning towards those countries (mainly the developing ones) whose schemes are designed at best to prevent 'undue hardship'. These distinctions will become clearer with a closer examination of the rules governing the payment of benefits.

Size of benefits

According to an ILO report 'the rate of unemployment benefit is especially important because although it should represent a reasonable level of income security, it should at the same time not approach too closely the beneficiary's normal earning capacity'. Most schemes have settled for a benefit rate in the region of one-half to two-thirds of recent earnings, with the addition of various forms of dependency increases to adjust for family size.

Germany pays approximately 68% of the last annual wage/salary. Thereafter, anyone who is still unemployed can apply for 'unemployment support', which can be up to 58% of the net wage/salary. Uruguay gives benefits of up to 70% of basic earnings. The UK pays a flat rate, but as mentioned earlier, the unemployed may receive supplementary benefit on top of or instead of unemployment benefit. They may also receive
a wide range of other benefits to supplement the unemployment payout. 24

The French scheme also offers a wide range of benefits. It pays a basic allowance (covering at least two-thirds of those unemployed) consisting of a flat-rate daily payment of 20 francs and an earnings-related benefit of 42% of the reference wage. The minimum total payment is 53 francs a day, i.e. 1600 francs per month (1 US Dollar = 4.35 francs). This is paid for 365, 791 or 912 days depending on the contributor's age. Extensions may be granted to take account of special re-employment difficulties. A final allowance equal to the flat rate payment of 20 francs per day is payable on expiry of the basic allowance and may be drawn for 274 days, 365 days, or 456 days, again depending on the age of the worker. A special allowance is payable to those under 60 years who have been dismissed for economic reasons, and includes 20 francs a day plus a proportion of the former wage and may not be lower than 60% of the former wage. An income maintenance allowance fixed at 70% of the former wage is payable to workers dismissed after reaching 60 years of age, or already receiving benefits at that age, until they reach 65 years. In addition there are the flat rate allowances mentioned earlier. 25

South Africa falls sadly behind these countries regarding the amount paid, with benefits being 45% of a worker's average wage calculated over the last 13 weeks of his employment. This amount is glaringly inadequate, reducing a family income to less than half its previous level.

Duration of benefits

The South African fund pays out one week's benefits for every six weeks' worked and the beneficiary must have contributed to the fund for a period of 13 weeks in the previous 52 in order to qualify for benefits. Benefits may be received for a maximum of 26 weeks in a period of 52 consecutive weeks. Again, in this regard, South Africa lags behind most other industrialised countries. Some schemes are not limited in duration at all (e.g., France, Belgium, Australia, and New Zealand). Others are limited but are backed up by other assistance schemes (e.g., the UK and Germany).
The actual duration period is calculated in a variety of ways. A number of countries have fixed duration periods, e.g., the UK and Ireland. Others, for example, Austria, Germany and Greece, vary the duration limit according to the weeks of work (or contributions) in a recent reference period. In the US, some states apply a fixed duration; others relate duration to previous weeks of work. Some countries, for example, Japan, Norway and Portugal, relate duration to age points. A number of countries provide for the extension of the period of duration. Thus Sweden extends duration for unemployed persons over 55 years of age; while in Japan, the period can be substantially extended where an individual has special problems in finding work. In Germany, premature retirement pensions may replace unemployment benefits for the long-term unemployed who are within five years of pension age. Canada and the US extend benefits when unemployment is at a high level, 'operated by formulae comparing the actual unemployment rate with predetermined norms at the national and/or individual state level'. However in 1981, more stringent controls on extended benefits were introduced in the US.

It is clear that the twenty-six-week period for which SA pays benefits is totally inadequate to alleviate the plight of the country's unemployed - a high level of structural unemployment has resulted in many people being unemployed with little prospect of ever finding work.

While the South African Act does provide for an extension of benefits, this, however, is often refused as the following statistics on the number of extensions applied for and approved show:  

<table>
<thead>
<tr>
<th>Year</th>
<th>Applications</th>
<th>Approvals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>3 236</td>
<td>1 949</td>
</tr>
<tr>
<td>1979</td>
<td>4 449</td>
<td>2 459</td>
</tr>
<tr>
<td>1980</td>
<td>4 209</td>
<td>2 372</td>
</tr>
<tr>
<td>1981</td>
<td>3 783</td>
<td>2 230</td>
</tr>
<tr>
<td>1982</td>
<td>3 483</td>
<td>1 844</td>
</tr>
</tbody>
</table>
When one considers that these figures include extensions for sick benefits as well, it is clear that very few people benefit from this provision of the Act. In addition, because of the ignorance of their rights under the Act, it is likely that many people who would apply for extensions have not done so.

Financing of the Fund

The general principle regarding the funding of unemployment schemes is that contributory schemes are financed by employers and employees and perhaps by the state as well, and non-contributory assistance schemes from the general revenue. In Germany the scheme is funded 50% by employers and 50% by employees. In the UK the non-contributory scheme is financed wholly out of taxation (in the order of £2000m pa in 1977, with more than half of this going towards supplementary benefits). The contributory scheme is funded by employers, employees and the state. Employers contribute a higher percentage (ie 10,2%) than employees (6,75%) depending on specific circumstances. The state contributes 18% of the total contributions with no upper ceiling. New Zealand is the exception with its unemployment scheme being non-contributory. The South African fund is financed by contributions from employers, employees and the state. However, compared with the above schemes, employees pay a disproportionate amount - ie 0,5% of earnings, with the employers paying less at 0,3%. As seen above, in many other schemes these amounts are at least equal, or the contribution rate for employers is higher. Comparative to what employees contribute, the SA state's contribution - 25% of the total contribution in any financial year to a maximum of R7m - is low. In 1982 employer and employee contributions amounted to R119 235 155 to the state's R7m. If no upper ceiling was placed on the state's contribution and keeping it at 25%, it would have amounted to about R29 800 000.

The fact that the fund's expenditure has exceeded income in periods of high unemployment as at present means that it needs to find additional funds. Short-falls could be met from its reserves which in 1982 amounted to R272,8m. However, most of this (ie R272,2m) was tied up in long-term investments, and the state has shown itself reluctant to realize these. A second method would be to increase the
contributions made by the state and by employers so that the latter was at least equal to that of the employees.

Waiting Period

Most unemployment schemes allow for a waiting period between the time of application and payment of benefits. This is generally designed to avoid the work and expense involved in establishing entitlement to benefits in cases where the person is unemployed for a short period only. The ILO convention 102 of 1952 recommends that the waiting period for benefits should be a maximum of seven days. Some countries, for example, Chile, Germany, Malta and Switzerland have no waiting period. Most have a short waiting period varying from one day (Belgium) to seven days (Egypt, Italy, Japan). The UK has three days. Luxembourg pays for the two waiting days initially imposed if unemployment lasts for more than one week. Some countries, including South Africa's Act, on the other hand, states that benefits will be paid only after a period of two weeks. This delay is more than that for all the above mentioned countries. In the current situation, where workers have little alternative of finding work, it merely adds to their hardship.

Attachment to Labour Force

Most unemployment benefit schemes are based on the concept that the unemployed person must show some attachment to the labour force otherwise he cannot be regarded as unemployed under any realistic definition of the contingency. Some of the conditions which are necessary for this control are discussed below.

Most schemes, including South Africa's, hold that the unemployment giving rise to the benefit claim must be involuntary, although the trend is to relax this provision admitting voluntary severance with good cause. The norm is to introduce a penalty period if the person leaves his job without good cause or is dismissed for misconduct. In many countries, including SA, where unemployment is due to dismissal following a strike benefits are withheld totally. The reasons advanced for this include the arguments that such unemployment is elective, and that unemployment benefit schemes should thus adopt a position of neutrality because the payment of benefits in such circumstances could inappropriately alter
the balance of power in labour negotiations. However, this reasoning is increasingly being challenged.\textsuperscript{32}

The penalty period is three weeks in Canada, four in Germany, and six in UK, the same as for SA. The South African Act does not seem unduly harsh here. However, it is essential that adequate provision be made for workers to appeal against the decision of the claims officer who decides on the penalty. This is particularly important because it is easy for the unemployed to be unjustly penalised because of the way in which the claims officer makes his decision.

The employer is required to fill in the reason for dismissal on a form and on the worker's unemployment (blue) card. This information is often all the claims officer refers to when he decides whether or not to impose a penalty period.

Often the worker is not told of the allegations against him made by his previous employer, and is not given an opportunity to put forward his own case. He does have a right to an internal appeal, but in many instances does not understand how to do this. In any event by the time the appeal has been heard and he is informed of the outcome the penalty period has already expired. It is thus essential that all applicants be given a full and fair hearing before a penalty is imposed.

Attachment to the labour force is also determined by a record of previous employment, although, as mentioned earlier, some schemes have special provisions to cater, inter alia, for those who have never worked before and cannot find work.

Lastly, most unemployment schemes, including South Africa's, require a person to be registered for work, and have benefit disqualification penalties for a refusal to register or accept suitable employment. In South Africa, failure to apply for or accept suitable work leads to the imposition of a 13-week penalty period. In the definition of what constitutes 'suitable work', however, the South African
provisions tend to be harsher than those existing in other countries. For contributors who normally earn less than R780,00 a year, 'suitable work' is any work which the claims officer deems suitable, including domestic or farm labour, in respect of which the weekly earnings are at least as much as the unemployment benefits the applicant would otherwise have received. However, applicants made to accept domestic or farm labour will thereafter be excluded from being contributors as these categories are not covered by the Act. At present this provision does not affect very many applicants, since most workers who earn less than R780,00 p.a. are farm and domestic workers, and are, as such, excluded. Nevertheless, the provision is unfair, firstly in that it forces a contributor to forfeit a benefit for which he has contributed. Secondly, it is unfair for an unemployment insurance act to force a contributor to become a non-contributor and thus become ineligible for future unemployment benefits. 33

In regard to applicants who earn more than R780,00 pa, the Act provides that for the first thirteen weeks of employment, 'suitable work' constitutes work which the claims officer believes the applicant is capable of, will not cause him undue hardship, is similar to the work he used to do, and will pay at least seventy-five percent of his former wages. However, after the 13-week period, the claims officer may deem any work to be 'suitable'. This provision gives the claims officer an extremely wide discretion, which could lead to injustice. It seems essential that the discretion of the claims officer be limited by compelling him to take account of the unemployed person's normal occupation, skill, training, knowledge and experience. Nor should anyone be required to accept a job which is vacant because of a labour dispute.

In other countries where people move to areas to take up work, they may be granted benefits for this from the unemployment scheme. These include grants for the cost of travel to the new area, family separation allowances, the cost of home visits, removal and installation expenses, and various kinds of other assistance with housing. In the USSR, for example, the following compensation may be granted to workers who change their residence to work in another part of the country: a daily travel allowance, full wages for each day on which the worker is
considered to be travelling, plus six additional days wages for moving his household; allowances for the transportation of goods. These and other expenses must be borne by the new undertaking. Sweden provides a daily travelling allowance if the new job is within commuting distance; if not, the fare to the new place of settlement is paid, together with the cost of the monthly home visit. In the UK help with the cost of moving the home to the new area may also be given.\(^{34}\)

In South Africa, however, rather than encouraging people to move to jobs, the entire influx control system is designed to immobilise African people in either rural or urban areas. In addition migrants are forbidden to take their families with them to their places of work, as they are regarded as temporary sojourners there.

**Benefits for the partially-employed**

Because they see the advantages of keeping people employed, many governments pay additional benefits to those whose work is intermittent (ie. part-time or short-time work).

The Netherlands already provides an unemployed person, who has a lower income as a result of working part-time, with a transition subsidy. It has been shown above how workers in the UK, who accept a job at a low wage, may apply for family income supplement and rent rebates and allowances. In 1978 the state of California initiated an experimental Shared Work Unemployment Compensation Programme (SWUC) - the first of its kind in the US - whereby all workers who are placed on short-time may receive state income maintenance benefits of up to US $2 per day for a maximum of 20 weeks.\(^{35}\) Germany and Uruguay both provide supplementary wages in such instances.

The South African Act makes no special provision for extra benefits for part-time or short-time work. But it does allow for unemployed workers who take a job (whether full or part-time) at less than half their previous wage to apply for a special allowance.
Severance Pay

Increasingly, it is becoming the trend in industrialised countries for workers declared redundant to be granted severance pay. It is generally accepted that these payments should in no way affect the payment of unemployment benefits. This is because the latter are regarded as different from severance pay – being in part compensation for loss of work and partly deferred wages or savings related to the period of unemployment. South Africa follows this pattern. In Canada, however, any lump sum payment on termination defers the benefit start date by the number of weeks of normal earnings represented by the lump sum.36

Administration of the Fund

It has been shown above that the South African Fund, in concept, falls far short of funds in many industrialised countries. But there are also major problems relating to the actual administration of the fund. These stem from the state's inefficiency, the negligence and ignorance of employers, and the ignorance of (particularly African) workers of their UIF rights.

An examination of South African statistics indicates that many people who claimed benefits in 1982 (152 978) did not receive them (138 160). And even if one assumes that many of the 2 million unemployed are not eligible for benefits, the figure of 138 160 people eventually receiving them is ludicrously small.37

Employers often fail in their duties under the Unemployment Insurance Act. Many fail to deduct money when they should, thus disqualifying workers from benefits. Others deduct money illegally from workers who do not qualify, such as migrants from Zimbabwe, Malawi, etc. These workers experience enormous difficulties in recovering their contributions.

Another major area of abuse concerns the blue card, which all employers must obtain and keep for their workers. On termination of the worker's employment, the employer is obliged to insert certain information in card which is handed to the worker. The law states that while workers may apply for benefits without a card, they cannot be paid out.
Many employers, however, fail to obtain cards for their employees, and even refuse to assist workers in obtaining them when asked to do so. The result is a long delay before benefits are received because the law states that while workers can apply for benefits without a blue card, they can only be paid out once they have their cards. Some employers also give incorrect reasons for workers' dismissals, in particular by recording a number three on the card - meaning that the worker was fired for misconduct. Wrong dates of dismissal are also recorded. Errors of this kind lead unjustifiably to the invoking of the penalty period. An unfortunate side-effect of receiving a number three is that workers may then be regarded as 'trouble-makers' and are unable to obtain other jobs, leading to long-term employment. Although employers can be prosecuted for failing to follow the requirements under the Act, this rarely occurs. A more stringent application of the law would do much to eliminate these abuses.

Application for benefits
Different conditions regarding the application of benefits seem to apply to Africans and other race groups. African workers are required to register as workseekers and to obtain a form from the Department of Co-operation and Development certifying that they are in fact looking for work, before they may apply for benefits. Before they can get this form, they are often required to prove that they have unsuccessfully applied for a number of jobs to which the Department has referred them. In many instances, this procedure is a waste of time as they are manifestly unsuitable for the job or the job does not exist. (It may also be a waste of the worker's money, as he must bear the cost of his own transport). In some instances employers refuse to certify that the applicant has applied for and is not suitable for the job. Throughout this time, the worker is not deemed to be unemployed, since he has not yet applied for UIF benefits.38

Apart from applying exclusively to Africans, this procedure does not appear to be uniformly applied by all offices. As such it is both racially discriminatory and arbitrary. As stated by other researchers, there 'can be no objection to a requirement that an applicant must apply for and accept suitable work. But it is unfair to use this requirement to delay accepting an application for benefits, particularly bearing in mind the long delays which often occur after applications have been made'.39
Payment of benefits

There are also major problems surrounding the payment of benefits in South Africa - and in particular to people living in rural areas. The Act states that contributors may apply for benefits where they reside or reside temporarily. However, because of the pass laws, which declare that contract workers must return to the 'homelands' once their contracts are completed, these workers may, in practice, only claim in the rural areas.

This causes enormous hardship for a number of reasons. Because most migrants are poorly paid, their benefits - which constitute only 45% of their wage - tend to be insignificant. Migrants, therefore, consider it essential to find another job. As it is extremely difficult for such people to obtain jobs in the homelands, most either remain illegally in, or travel to the towns in search of work. However, unless they remain in the homeland area they may not claim benefits. So the economic necessity which forces people to leave or not return to the homelands, results in the loss of UIF benefits.

It has also been shown that the difficulties migrants have in claiming benefits are exacerbated by the ignorance of officials. Contract workers who, for example, have been working in Johannesburg and who lose their jobs, are told by Department of Manpower officials in Johannesburg they must apply for benefits in the homelands. Yet on returning to the homeland, they are told that because they have worked in Johannesburg they must claim benefits in Johannesburg. Officials thus seem unaware of the legal position. Faced with these bureaucratic inconsistencies, many workers are discouraged from applying for benefits even though they might desperately need the money.

Rural workers also experience problems in collecting benefits. Benefits are applied for and paid at the magistrates' offices which administer the fund in the rural areas. However, these are often situated at great distances from workers' homes. Often there is no public transport to these offices, or where it exists, people, because unemployed and poor, cannot afford it.
Africans with permanent urban rights also suffer from the present requirement that workers can only claim benefits in the areas in which they legally reside. Large numbers of these workers live in compounds owned by private companies, which they are forced to vacate when they lose their jobs. Often these people are unable to obtain alternative accommodation in the area because of the housing shortage. Many are, therefore, forced to leave an area for which they have urban rights in quest of housing. The present system, therefore, results in such people having to forgo their rights to UIF benefits because they may only apply for benefits in the area in which they legally reside.

It has been argued that contributors should be entitled to apply for and receive benefits anywhere, regardless of race, citizenship or residential qualifications. Short of this, more claims offices in rural areas should be established to facilitate the administration of the fund. In addition the system of transferring applications should be encouraged, allowing workers to make applications where they were employed before returning home.41

Delay in Payments

Problems also exist with the frequency of payments. At present benefits are paid every two weeks, and while this seems reasonable for those who live near claims offices, it causes hardship to people who have to travel long distances to collect their benefits.

Research has indicated that there are also irregularities in the system of paying out of benefits - one of the most serious being the delay or non-payment of benefits. This problem is particularly acute in the homelands and rural areas, where the average waiting period before receiving benefits is six months. A survey of the Fund in Hammarsdale (Natal) showed that over 200 people had been signing for benefits from February 1976 - 1978 without receiving them.42 Trade union sources in Natal have reported that workers from KwaZulu sometimes wait for up to a year before being paid out.43 In 1983 it was reported that unemployed workers in many areas often wait up to nine months to obtain their UIF benefits. Reasons given by the
government were the conversion to computerised records which had led to operating problems, staff shortages, high staff turnover and the inexperience of many personnel. When pressed on the issue in parliament, the government said that in January 1983 it had appointed a special sub-committee to investigate delays in payment, and to report to the board. As a result, various measures had been instituted and further measures would be introduced to improve the position where delays were still occurring. Among them was the introduction of overtime, the recruitment of additional staff who worked 20 hours a week, and the relocation of district staff to city officers. However, despite these assurances, complaints continued to be received that workers were having to wait for several months for benefits.

As a result, the issue was again raised in parliament, with the NRP holding that the whole system needed reviewing. It was suggested that the fund be decentralised. The evidence to the Wiehahn Commission on the UIF also contains strong criticism about the lengthy delays in the processing of claims and the payment of benefits. There are other problems with payments. Workers interviewed by researchers alleged that they often received incorrect amounts of money; received money for shorter periods than they were entitled to or received different amounts of money on different occasions for no apparent reason. In some cases workers were simply told that the fund was exhausted or that they were not entitled to benefits and that the role of the Department was simply to assist workers to find work. However, by the end of the year, complaints over delays were still being received. In addition, workers who missed a signing day or a payout day were generally told to put in fresh applications, although the legislation does not provide for this.

One way of regularising the amounts workers receive and of stemming corruption is to avoid cash payments, although the latter is the simplest form of payment. Cheque payments which could be cashed at banks and post offices would be an improvement, although it may cause problems for contributors with no bank or savings accounts.
Apart from the specific administrative problems mentioned above, there is the more general problem concerning the attitude of officials, particularly towards the African unemployed. Research has revealed that clerks often give workers the wrong forms to take to their previous employers; or they fail to advise workers about the forms they need to fill in to apply for benefits. As a result workers have to make unnecessary trips from office to office - which many can ill afford and which often prevents them from completing applications. Alternatively they manage to apply after much frustration and delay. Applications for benefits are sometimes refused for no apparent reason. Finally, many workers are discouraged from applying for benefits because of the unco-operative attitude of officials who administer the fund.

One of the main shortcomings of the system is that most workers are not aware of their rights under the Act. Research has shown that large numbers of workers do not know about the fund despite the fact that they are contributors; while those that are aware of its existence may not know how to apply for benefits. One way of meeting this problem would be for the Department of Manpower to produce short pamphlets in the main African languages, which would be distributed to all firms. However, the department has considered and rejected this idea, saying it would involve the publication of too many pamphlets because of the various African languages.

Appeals
The Act provides that any person aggrieved by a decision of a claims officer over any application for benefits, or any other matter arising under the Act, has a right to appeal to the relevant benefit committee. Thereafter, an appeal may be lodged to the Unemployment Insurance Board. The fact remains, however, that relatively a few appeals are made. In 1981, for instance, the committees dealt with a total of 1,441 appeals (of which 386 were upheld). It is likely that a much larger number feel they have been unjustifiably refused benefits or otherwise incorrectly dealt with. It seems, therefore, that despite efforts by the Department to inform applicants of their right to appeal, many applicants either do not know they have such a right, or how to exercise it.
There seems to be a number of reasons for this. Applicants generally receive a form in English and Afrikaans advising them as to the outcome of their application, and that they may submit a written appeal to a stated address within 30 days. But many applicants cannot read or write an official language. This problem could be overcome if a record was kept of the applicant’s home language and if notices were written in this language. However, from the Minister's statement mentioned earlier, it is unlikely that this recommendation will be implemented.

Special schemes for unemployed

Until recently, South Africa has paid little attention to the establishment of special schemes to combat unemployment, although the Act makes provision for them. Section 46 states that if the Minister is of the opinion that 'unemployment exists or is likely to arise in any business or area among contributors who cannot readily be placed in other suitable employment, he may, on the recommendation of the board, (ie Unemployment Insurance Board) provide for a scheme to keep such contributors in employment or to place those who become unemployed in employment'.

However, since the inception of this Act and its predecessor (in 1946) this provision has only been used on three occasions. In 1978, after a self-financed pilot scheme conducted by the Urban Foundation in Lamontville, the government approved between R120 000 and R200 000 for relief schemes for about 470 unemployed Africans in three urban areas viz KwaMashu (150 workers); Edenvale (60 workers); and the Port Elizabeth -Uitenhage area (260 workers). The Urban Foundation was to administer the schemes. Unemployed people would repair roads, build pavements and the like for a period of 3-4 months. Wages paid were the minimum unskilled wage rates applicable in the areas concerned. In announcing the scheme, the government said that to be acceptable, such projects would be judged according to certain criteria: they should be labour-intensive and non-inflationary in respect of materials; the work involved should be relatively unskilled; the project should aim at useful achievements and not be 'make work' in anyway; they should be of reasonably short duration so that workers could be released if ordinary employment became available; and in recruiting workers preference should be given to those whose benefits are exhausted.
Since then the section has been used to grant a further R19,268 for such schemes. In 1978, the then Secretary for Labour said this section had not been invoked more frequently because funds invested on 20 to 30 year terms would have to be used. To release them before maturity would mean a loss of capital and interest, he said. However, despite this stance, in 1982 the government was quick to announce the setting aside of R2m under this section to help workers in the motor industry who wanted to work but were unable to because their factories were strike-bound. Officials of the Department requested that the application be considered on 31 August 1982, and it was approved within a day. This move followed a strike by black workers in the Port Elizabeth motor industry and complaints by their white counterparts that they were prevented from working. The R2m would be an initial amount to combat the unemployment of these workers by placing them in jobs and ensuring that they received their normal income. The then Minister of Manpower, Mr Fanie Botha, described the scheme as 'indication of the sincerity of the government to workers who act responsibly and, through no fault of their own, lose earnings'. No payment has been made to date, however. The Minister of Manpower said that when the need arose, the scheme would be administered in co-operation with the employers and the trade unions concerned by the divisional inspector of the Department of Manpower in Port Elizabeth, according to guidelines laid down by the unemployment insurance board.

While it is not possible to begin to fully document work-creation schemes to other countries, a brief mention is made of some of them.

In 1979 France introduced financial assistance for unemployed workers setting up their own firms. In 1981/82, as a result of rising unemployment, the UK government announced an expansion of its schemes to assist the unemployed, entailing an increase of £250m in planned expenditure. As part of this programme, it provided an additional 180,000 places on its Youth Opportunities Programme (YOP) to give a total of 440,000 places. This programme attempts to offer vocational preparation to every unemployed 16 and 17 year old. The Confederation of British Industry agreed to seek out companies willing to provide work experience. Other programmes are the Community Enterprise Programme, designed to provide 25,000 places for the long-term unemployed;
the continuation of a temporary short-time working compensation scheme providing temporary work for adults who have been out of work for six months in the 19-24 age group and 12 months for those who are older. There is also a job release scheme which gives a weekly allowance to older employees who retire to make way for someone who is unemployed.

In Belgium, state subsidies are offered to firms which take unemployed young workers under 30 years old for training periods of at least six months paid at 90% of full rate. It is compulsory for undertakings with at least 50 employees to devote two percent of all job places to such trainees. Subsidies of BFr 300 000 annually are also granted for the integration of long-term unemployed, mainly over 50 years of age. Furthermore, organisations who offer the unemployed socially useful work can have their wage costs financed by the National Employment office. A person must be drawing full unemployment benefits to be eligible for such a job. A similar scheme exists for the private sector, where workers employed by business must do work which is useful to the community. The state’s contribution to the wages and social security contributions of such workers will be reduced from 95% in the first year to 50% in the fifth.

Training for the unemployed

South Africa has also fallen far behind other industrialised countries in providing training for unemployed people. Provisions are made in the Act for the unemployment insurance board to make recommendations on the training of unemployed workers and to allocate money for such training. However, little real use has been made of this provision. In 1981 R68 353 was allocated for this and more recently R750 000 for the training of welders at Sasol II. In the past, despite a severe shortage, the state has imported skilled workers from abroad, rather than training SA’s unemployed to fill the shortage. More recently, however, the state has paid greater attention to this issue, and the Department of Manpower’s 1981 report contains general guidelines in this regard. Among them are the following: training would not be compulsory; to prevent abuse by those who want training but are employed, there should be a stipulated period before consideration for training
eg. 6 weeks; it is undesirable to prescribe an age limit as people of all ages are unemployed. But unemployment is mainly among the youth so it is preferable to provide training for unemployed persons under 30 years. Preference should be given to those who have passed std 6, even though statistics show that the highest unemployment is among those with little or no education; training should be concentrated in metropolitan areas because 'visible unemployment is highest in these areas'. Other recommendations were that training ought to be basic and general (pre-in service); directed at semi-skilled work to improve the placement potential of unemployed persons; it should be only in fields where there is a demand; the state should bear the largest costs - which are tuition and the subsistence of the worker. If the course is in a public institution the state should pay; if run privately, the company should bear the cost (this is tax deductible). In addition, the UIF should also make a contribution.

**Conclusion**

The above analysis clearly shows that the Act largely fails to offer any real relief to unemployed people. It is limited in concept and inefficient in practice. Its defects bear most heavily on African workers who, because they are the poorest sector of the community, can least afford to lose their jobs. Because they also tend to be the less skilled, they are also the most likely to lose their jobs first. Their low skill status, as well as the constraints placed on their geographic mobility, make it more difficult for them to find work. Thus they rely heavily on unemployment benefits for their survival. As has been indicated, the UIF fails to meet this need in any real way.

It has been argued elsewhere that the fact that a country is not as industrialised as the UK, Germany etc, is not a reason for the introduction of an inadequate fund. Rather, countries should attempt, from the start, to ensure that their unemployment schemes adequately meet the long-term needs of the unemployed. It is significant that
SA's scheme is almost identical to that of Barbados - a much less developed country. Even if one accepts the view that SA, because it is less industrialised, cannot be expected to have as extensive a fund as, for example, the UK, it can be expected that it should have progressed beyond a country such as Barbados in its provision of benefits.

In the absence of a total re-evaluation of the fund - which is essential - there are certain measures which could be introduced, which could lead to short-term improvements to the fund. One of the most important is for at least equal representation of employee and employer interests on the unemployment insurance board, and at best that employee representatives should be in the majority given that they make the largest contribution to the fund. This would undoubtedly lead to many overdue improvements being made in the service given to contributors.
5. Werkvoorwaardes en Bestaanekerheid (vervolg)
Conditions of Employment and Social Security (continued)

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* Voorlopige en ongeouderde sylers.
Preliminary and unaudited figures.

Bron: Kantoor van die Werkloosheidverekeringskommissaris
Source: Office of the Unemployment Insurance Commissioner
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38) **Unemployment memo**, op cit.
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