

Short notes on:

## **UIF & COVID-19: HOW TO ENSURE YOU MEET YOUR OBLIGATIONS AS AN EMPLOYEE AND EMPLOYER**

### ***Introduction***

The Covid-19 pandemic that emerged early in 2020 shook the entire world into a recession and resulted in massive economic strain due to the nationwide lockdown. The entire business world was put on hold, and companies had no means of income or ways to pay their employees' salaries. The effects led to companies having to shut down and employees losing their jobs. For employees who qualify, the Unemployment Insurance Fund (UIF) provided temporary relief for those who lost their jobs during these difficult times. However, this highlighted the need for employers to ensure in these troubling times that they comply with the necessary registration requirements and provision for the employees to claim unemployment insurance and other related benefits.

### ***What does UIF mean, and who can claim from the Fund?***

The UIF aims to provide short-term relief to employees if they become unemployed or cannot work due to certain factors. The Fund is regulated by Unemployment Insurance Act No 63 of 2001 (the UI Act) and the Unemployment Insurance Contributions Act No. 4 of 2002 (the UIC Act).

All employers and employees are obligated to contribute 1% of the employee's monthly salary to the Fund. Adequately registering the employee and making the monthly contributions will qualify the employee for unemployment insurance and other related benefits.

### ***How does it work?***

All employers registered at SARS for Employers Tax will be responsible for paying UIF payments for their employees.

The amount that will be dually payable by both the employer and employee will consist of 1% each of the total remuneration that an employee is paid every month.

Therefore, the employer will pay 2% of the monthly salary to the Fund within the prescribed period. Accordingly, from 1 June 2021, as Gazetted by the Minister of Finance, the contribution Ceiling was increased from R14 872.00 per month to R17 712.00 per month.

## ***What relief does the Fund provide for the "Covid-19 pandemic".***

In 2018, the Fund introduced an option to employers and employees: the 'Reduced working time' option. This option will be available to workers who had a loss of income due to fewer working hours, and their income will now be less than *the benefit level that the worker would have received if they had become unemployed*. This option is available to employees whose hours were reduced as well as temporary layoffs without pay. The onus lies on the employer to claim for the benefit. There is, however, plenty of fraudulent behaviour by employers that refrain from paying these benefits to the employees.

Additionally, the Fund instituted the Covid-19 TERS for workers who could not work, reduced or limited work hours, and temporary salary reductions due to the pandemic.

The employer must apply for this assistance via the TERS online portal, and the application will be subject to the verification process. Once it is verified that the employees are entitled to Covid-19 TERS benefits, the benefits will be processed and paid to employees. For employees whose working times have been reduced (remuneration), they will receive a percentage between 38% for high earners and 60% for low earners every month subject to enough credits

The onus lies on the employer to claim for the benefit. Nevertheless, there is plenty of fraudulent behaviour by employers that refrain from paying these benefits to their employees. For this reason, the Minister of Employment and Labour signed the direction that the UIF will be making payments directly into the bank accounts of employees that open applications from 19 July 2021. This will apply to all sectors affected between 16 March 2021 to 25 July 2021.

### ***Conclusion***

The responsibility ultimately falls on the employer to ensure that the employee's UIF money is paid each month. Therefore, they must be diligent and cautious and keep informed of the possible benefits for their employees.

For any Labour or Employment-related enquiries, contact SchoemanLaw Inc.