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The Importance and Benefits of UIF Employer Registration

Many South African employers only discover the importance of the Unemployment Insurance Fund (UIF) when a former employee tries to claim that the business is not compliant. The UIF is more than a legal requirement; it is a safeguard for your team and your reputation.

Once you (the employer) hire even just one employee, whether they are classified as temporary, permanent or casual, you need to *register your business with the UIF*.

This is a legal requirement under the *Unemployment Insurance Act (63 of 2001),* which indicates that all employers (including domestic staff) must register, contribute to, and declare their employees at the UIF.

In this article we explore the purpose of the Unemployment Insurance Fund (UIF) and employer obligations.

What is the Unemployment Insurance Fund?

Think of the UIF as a safety net for employees. The purpose of the fund is to provide short-term financial relief to employees who become unemployed due to no fault of their own and not by choice––whether the reason is maternity, adoption, prolonged illness or retrenchment. It is crucial to understand that the UIF is not intended, and cannot serve as a sustainable remedy for extended financial difficulties.

UIF obligations for employers

Now that we understand the purpose of the UIF, let’s have a look at your obligations as the employer.

- **When to register:** Employers must register with the UIF as soon as they hire their first employee. Registration can be done easily via U-Filing or by submitting the required documentation directly via email to the Department of Employment and Labour (DEL).

- **Contributions:** If an employee works 24 hours or more per month, you (the employer or company) as well as the employee must each contribute 1% of the employee's gross salary (excluding commission) to UIF every month.
- The employee’s contribution is deducted from their salary and the full 2% must be paid to UIF by the employer.
- Employees who work less than 24 hours per month or who earn commission only, do not contribute to the UIF.
- As of 1 June 2021, contributions are capped to a monthly remuneration amount of R17 712, which is subject to change.
- Any earnings above this amount are not subject to UIF contributions but the employer must still declare the full amount.

- **Declaration of earnings:** A declaration for the hours worked as well as every employee’s gross salary must also be reported monthly. Even if the employee is not eligible to contribute to the UIF, employers must still be registered, and monthly declarations must be submitted.
- This ensures that you are compliant with all aspects of the Unemployment Insurance Act (63 of 2001), and the employee will be able to claim when they need it most.

What UIF benefits can employees claim?

To qualify, employees will have needed to contribute to the UIF for at least 13 weeks. Declarations must be made, and they must have a valid reason for termination, e.g. employee dismissal, retrenchment or expired contract. Voluntary resignations are usually not seen as a valid reason.

The qualifying employee can apply for benefits from the UIF, whether they are a South African citizen or a foreign national. Once their application has been approved, the UIF will pay them a percentage of the salary they earned before they became unemployed.

Employee benefits include the following:

- **Maternity benefits** can be applied for by female employees who require leave from work due to childbirth. If the employee has a miscarriage in the third trimester or the baby is stillborn, she can still apply for her full maternity leave benefit.
- **Adoption benefits** can be applied for by any employee who legally adopts a child under the age of two.
- **Illness benefits** can be applied for by employees who are temporarily unable to work due to an illness. This must be verified by means of a medical certificate provided by a certified medical professional and must indicate the expected recovery time of the employee.
- **Unemployment benefits** can be applied for by employees who are unemployed due to no fault of their own whether it be retrenchment or failure by the employer to renew a contract.
- **Dependency benefits** can be applied for by the spouse or dependants of a deceased employee.

Potential consequences of not registering with or contributing to the UIF

All companies or businesses that have employees can be visited by an Inspector of the Department of Employment and Labour. When issued with a Notice of Inspection prior to the visit, there will be a list of documents / information the employer must be able to provide, which will include proof of UIF contributions, proof that the employees are registered and that all declarations are up to date. If you are unable to provide any of the documents / information requested, the company can be issued with a Compliance Order with a time frame within which you need to comply with the requirements of the Unemployment Insurance Act (63 of 2001).

If an employer fails to comply with the Compliance Order within the required time frame and does not lodge an objection, the Director-General of the *Department of Employment and Labour may apply to the CCMA for the Compliance Order* to be made an arbitration award. Once issued as an arbitration award, it becomes legally enforceable in the same manner as a court order.

Quick UIF compliance checklist

- Business registered with UIF via U-Filing or DEL
- All eligible employees registered and declared
- Monthly 1% + 1% contributions made and submitted
- Earnings capped correctly at R17 712
- Records retained for inspections
- Non-contributing employees still declared monthly.

Conclusion: protect your business and team

It is important to make compliance with the UIF your top priority. Non-compliance can result in serious legal action and penalties imposed by the Department of Employment and Labour. By being fully compliant, you not only avoid legal implications and financial risks but also ensure that your business has the stability and credibility it needs to grow.

UIF compliance may seem like another administrative task, but is in fact a safeguard for your employees and your business. *At SERR Synergy, we support employers with UIF registration, declarations, and ongoing compliance, from initial set-up through to inspections by the Department of Employment and Labour.*

Stay protected, avoid compliance orders, and ensure that your team's safety net is always in place.

About the Author: Tharize Bartlett recently joined SERR Synergy as a COID Advisor. She has two years' specialised experience in the interpretation and application of the UIF and the Compensation for Occupational Injuries and Diseases Act (COIDA). Tharize is committed to helping businesses understand and meet their legislative responsibilities in collaboration with the Department of Employment and Labour.

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