Box 4 Social security funds

Social security funds are autonomous funds that manage and operate social security schemes. They hold their assets and liabilities separately and engage in financial transactions on their own account. Contributory social insurance funds form part of South Africa's broad social security net. Government manages these social insurance funds that pay benefits under specific circumstances; for this reason they are regarded as a subsector of central government. The four funds that constitute this subsector in South Africa are the Unemployment Insurance Fund (UIF), the Road Accident Fund (RAF), the Compensation Fund and the Compensation Commissioner for Occupational Diseases in Mines and Works.

The UIF's main function is to contribute to poverty alleviation by providing short-term unemployment insurance to all workers who qualify for unemployment-related benefits. The fund is financed by a dedicated tax on the wage bill.

The purpose of the RAF is to provide compensation for loss of earnings and support, general damage, and medical and funeral costs to victims of road accidents caused by negligent or wrongful driving of another vehicle. The RAF's primary source of revenue is a levy raised on petrol and diesel sold in South Africa that forms part of the general fuel tax regulated by government. The fuel levy per litre is set by National Treasury on an annual basis.

The Compensation Fund's main function is to provide compensation for disability, illness and death resulting from occupational injuries and diseases. The fund's main source of revenue is levies paid by employers on the basis of a fixed percentage of the annual earnings of their employees.

The main function of the Compensation Commissioner for Occupational Diseases in Mines and Works is to compensate and award benefits to miners and ex-miners suffering from occupational lung-related diseases. The fund's main source of revenue is levies collected from 249 registered mines. Levies are based on the number of hours worked by the miners multiplied by a rate which varies according to the minerals mined.

In this *Quarterly Bulletin,* the consolidated balance sheet of the social security funds is published for the first time. Included in the liabilities are provisions for outstanding claims of the UIF and the RAF. In the accounts of the RAF, a revaluation adjustment to the provisions for outstanding claims is made at the end of each fiscal year by the Auditor General in terms of claims incurred but not reported to the RAF.

Most of the financial assets of the social security funds are managed by the Public Investment Corporation (PIC), which is a public-sector financial intermediary that invests the funds placed with it in instruments such as government fixed-interest securities on behalf of the social security funds.

South Africa faces high levels of inequality and unemployment, and seeks to improve both its social security system and the effectiveness of labour market institutions. Job creation must be complemented by a well-designed social insurance framework as protection against both unemployment and income vulnerability. In this regard, the social security funds play a significant role.