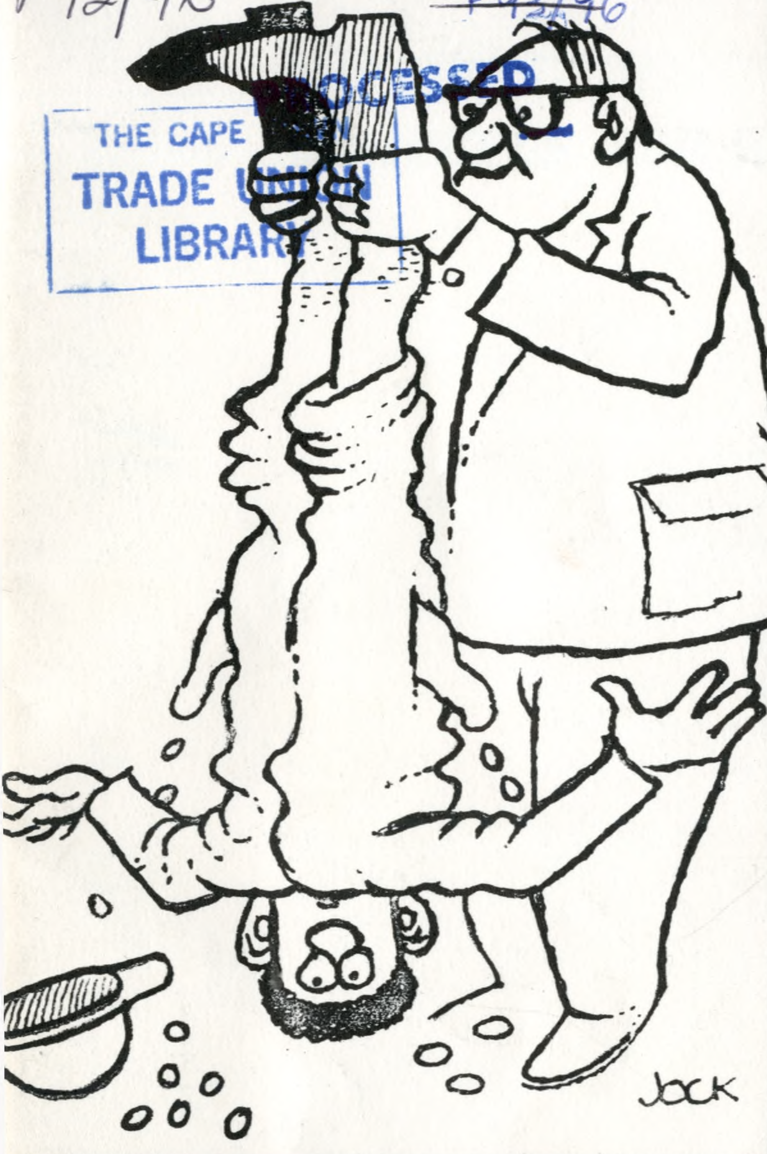
UIF — A BATTLE FOR BENEFITS



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INTRODUCTION

Unemployment has always been and still is a tricky problem for capitalists. On the one hand lots of unemployed workers make it easier for employers to keep wages low. But if there are too many unemployed workers then they might support moves for immediate and fundamental change in the society.

Employers and the governments of capitalist countries have tried to solve this in different ways and at different times. But in most countries some income has been given to the unemployed for part of the time they have been without jobs.

They have usually done this by providing some kind of benefits paid to the unemployed for a certain limited period of time. The fund from which these benefits are paid is usually controlled and administered by the government. However, there are many different ways that these benefits can be financed.

Before looking at what happened here in South Africa let us look at the problem of unemployment benefits generally in a capitalist state.

UNEMPLOYMENT INSURANCE

If unemployment insurance were exactly like dying, then capitalists themselves might see a profit in providing insurance against it. In other words, if capitalists could forecast quite accurately the number of people who would be employed at any given point in the future, then they could work out how much money they needed to collect in premiums in order to pay out benefits and still make a profit.

Unfortunately, however, this is not possible. While it is possible to know how many people in a community are likely to die in any one year, capital cannot know how many will be unemployed. This is because unemployment is determined by factors such as the level of investment and profits which cannot be known in advance with enough certainty for capitalists to take the risk of offering private insurance.

This has meant therefore that these benefits are usually paid out of a fund collected from workers and employers. For the capitalist the contribution is more like a tax. So unemployment insurance is not usually welcomed with open arms by capitalists. Rather, it is an unhappy compromise forced upon them by the sustained pressure of workers seeking protection against the uncertainties of the labour market.

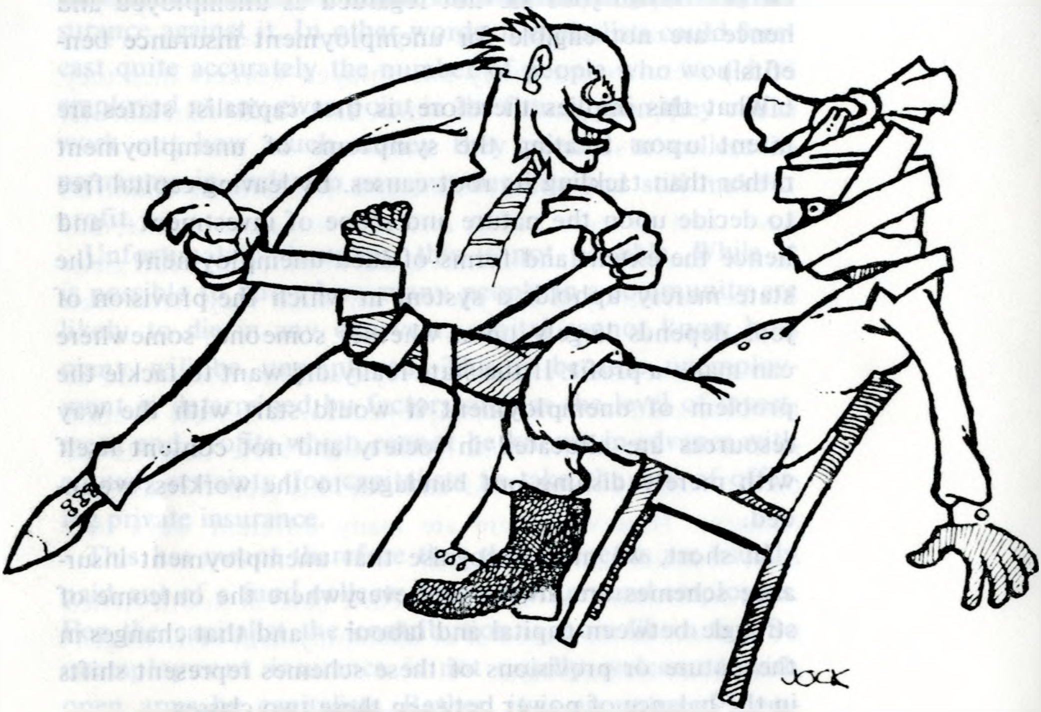
Put simply, capital and the state, have only given in to unemployment insurance when workers have forced them to do so.

For workers unemployment insurance is not a guarantee that workers will keep their jobs. Rather it is designed to provide people with an income in the event of their failing to find work at some point in their working lives.

(We should note that South African school-leavers who cannot obtain jobs are not regarded as unemployed and hence are not eligible for unemployment insurance benefits.)

What this implies therefore, is that capitalist states are intent upon treating the symptoms of unemployment rather than tackling its root causes. By leaving capital free to decide upon the nature and scope of investment – and hence the extent and forms of such unemployment – the state merely upholds a system in which the provision of jobs depends largely upon whether someone, somewhere can make a profit. If the state really did want to tackle the problem of unemployment it would start with the way resources are allocated in society and not content itself with merely dishing out bandages to the workless wounded.

In short, we must recognise that unemployment insurance schemes are always and everywhere the outcome of struggle between capital and labour – and that changes in the nature or provisions of these schemes represent shifts in the balance of power between these two classes.



'If the state really did want to tackle unemployment it would start with the way resources are allocated and not content itself with merely dishing out bandages.'

THE FUNDING OF UNEMPLOYMENT INSURANCE SCHEMES

To understand the problems faced by unemployment insurance funds we need to look at where the funds come from, how they are organised and the issues over which capital and labour are in conflict.

The Sources and Principles of Funding:

In most western countries, worker organisations would insist that unemployment insurance schemes be financed by capital, labour and the state in accordance with a principle known as progressivity. This means that employers and the state should contribute far more to unemployment insurance funds than workers. (Ideally, of course, workers would like to see an entirely non-contributory fund in which capital and the state bear all the costs.)

In practice however, the exact proportions in which contributions are made are determined by the balance of power between the classes at any given point in time. Where capital has the upper hand, it strives to reduce its contribution to unemployment insurance funds and tries to force the state to do so as well. But, where workers are strong, they can minimise their own contribution and maximise those of the state and capital.

The Struggle over Unemployment Insurance:

It is easy to understand why capital constantly tries to reduce its share of the total contribution made to unemployment insurance funds. This is because each contribution represents a cost to capital and so eats into their profits.

But, there is a second reason why capital resists paying too much into unemployment insurance schemes – and why it is reluctant to see these funds rise beyond a certain level regardless of who contributes or in what proportion. They believe that if the benefits paid out are too high, workers might be tempted into what they call 'voluntary unemployment'. Capital wants to keep unemployment payments so low as to make any work preferable to no job at all.

It is also easy to see why workers fight so hard to uphold the principle of progressivity. From their point of view it is a matter of simple justice. If capitalists insist on dismissing workers whenever it is profitable to do so – or if they refuse to create new jobs because it isn't profitable – then workers are quite correct to demand that they must at least pay – the more the better – for this right claimed so loudly by capital.

Finally, to understand the state's position with regard to progressivity we must recognise a very important fact: namely, that the state performs many different functions, most of which relate directly or indirectly to the process of capitalist expansion.

For instance, the state is required to provide all those infrastructural goods and services – such as dams, canals, roads, electricity, railways and other public transport – which the capitalists need to grow and expand, but which no capitalist can afford individually.

Similarly, the state is required to provide capital with a labour force which is sufficiently healthy to come to work each day; which has at least some minimum level of education and training; and which is cared for in its old age. And so it has to provide clinics, hospitals, schools, technical colleges, pension funds etc. which again, no individual capitalist can provide at a profit.

Lastly, the state acts to protect the economic system from either the excessive rivalry of other capitalists, or from the actions of workers who want to reduce exploitation or even overthrowing capitalism. This involves training, arming and maintaining vast numbers of soldiers, sailors, pilots and policemen.

Now all of these different measures require enormous sums of money which the state can usually obtain only by imposing taxes on both capital and labour. However, since neither of these classes willingly parts with its cash, the modern capitalist state tends to find itself in a dilemma which it cannot easily resolve. That is, it is required to spend more money than it actually gets in, or else to reduce its expenditure wherever it possibly can.

If cuts are made in state spending then the extent and the areas in which these cuts are made will be determined by the struggle between capital and labour. If capital is the stronger side, then the state will seek to reduce expenditure in those areas which hit workers hardest – say by abandoning progressivity or cutting down on subsidised health schemes. On the other hand, if labour is stronger, then the state will usually delay making any cuts for as long as possible, or at least try desperately to soften the impact on capital.

We can say that the state is continuously under pressure from capital to reduce expenditure on such items as unemployment insurance, and that where workers are unable to fight back, or impose their own interests, these cuts will invariably be put into force.

If workers are weak then the state will seek to reduce expenditure in those areas which hit workers hardest.

THE UNEMPLOYMENT INSURANCE FUND (U.I.F.) IN SOUTH AFRICA —

What we have looked at so far are general points that affect unemployment insurance funds in all capitalist states.

The history of the UIF in South Africa has close parallels with the development of social security elsewhere in the capitalist world. In particular, the state, workers and capitalists in this country have acted much the same way, and for similar reasons, as their counterparts abroad.

Here in South Africa the setting up and running of an Unemployment Insurance Fund is the outcome of a long struggle between capital and labour. However there has been one added and sad difficulty. Here the working class has been divided by capital and the state into black workers and white workers by using force, politics and ideology. This division has also affected the struggle over U.I.F.

White workers have enjoyed some measure of success in their struggle with capital. They have used their strength to tackle the problem of unemployment in three ways.

Firstly, they have forced the state to pass legislation which reserved various jobs for whites. This legal exclusion of blacks from certain categories of work is known as job reservation and, for many years, it represented perhaps the most significant attempt by the state to deal with the problem of white unemployment.

Secondly,s white workers opposition has been militant and dangerous to the state at times. The 1922 Revolt was a good example of this. The state has responded to this by trying to buy white worker loyalty to the capitalist system. Through legislation such as the Industrial Conciliation Act which applied to white, coloured and Indian workers only, they tried and largely succeeded in coopting white workers into a very centralised collective bargaining structure. This allowed whites to try and secure their positions through bargaining. This was relatively successful whilst whites held a monopoly of skills and could bargain with these skills. But as capital has attacked these skills through mechanisation so the position of white workers has weakened. White workers now increasingly find themselves in the same position as black workers where the laws themselves offer little protection.

In 1922 white miners went on strike over the mine bosses proposals: these were to drop wages by 25 %, to substitute 2 000 white workers for blacks in semi-skilled jobs, to end workers' rights in shop steward committees and conciliation boards.

The strike quickly blew up into an open war and the government had to be called in to quell the workers. This photo shows mounted police charging strikers in Market Square in Johannesburg.

Thirdly, white workers have used their organisational and/or political, strength to force the state to create jobs for themselves either in the railways or by embarking upon public works programmes.

Those white workers whose jobs are not secured through one or other of the above measures, are forced to rely on the UIF in the event of becoming unemployed. And their weakness in the struggle (with capital) is reflected in the small size of the fund both in relation to their needs and in comparison with many other countries. In Britain, for instance, although unemployment benefits are daily under attack from the Thatcher Government, they nevertheless far exceed the sums available to South African workers whether white or black.

The miners presently on strike in Britain can apply for benefits for their children, assistance to pay rent/mortgage on their house; they can also get free school meals, free prescriptions, free dental care and free glasses.

"Welfare has certainly helped.....This has given the men the determination to carry on to the bitter end". Terry Butkeraitis, leader of the Whitwell pickets, British coal miners strike.

from Sunday Tribune 21.10.84

Although white unemployment has not recently been large enough to cause industrial and/or political upheavals — at least not since the "poor white" problem was solved — any increase would quickly reveal the gross inadequacy of the fund.

So compared to black workers, white workers have been better protected against unemployment. However when they are unemployed their position does not compare well with the gains won by the working class in Europe.

Black workers, however, have been largely unprotected.

Unemployed workers waiting for jobs

The Battle over UIF:

Throughout the history of the UIF in this country, both capital and the state have waged a constant battle to limit
* the size of the fund;
* the number of black workers who are eligible for unemployment benefits; and
* the amount of individual benefits.

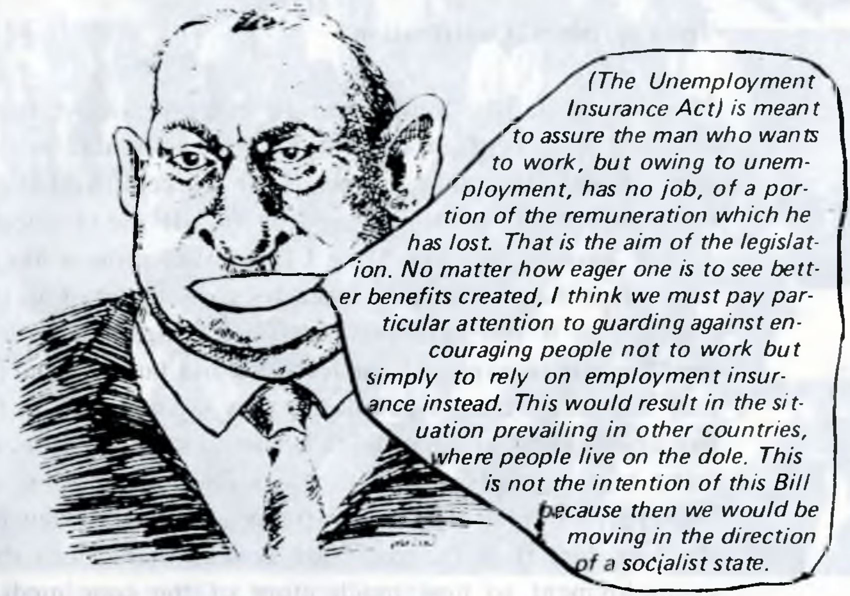
And insofar as capital and the state have been successful in achieving these objectives, this reflects, or reflected, the absence of strong organisation to defend the interests of black workers. Only with organisation can workers be strong against capital, and only strength against capital will win workers the safeguards against unemployment that they so deserve.

The Capitalists' Contribution

Like all capitalists, South African employers have been reluctant to accept anything but a bare minimum in the way of unemployment insurance for workers. And their motives for being so miserly towards the UIF are identical.

They have argued that their UIF contribution is like a tax which has to be paid over to government. Capital claims that if this money was left with them then they would use it to expand their factories and business and in that way employ more people. So they say don't tax us to pay unemployment benefits, rather let us keep the money, make bigger profits and in this way make more jobs by building more factories. It is a strange argument in view of the fact that it is the capitalist system that causes the unemployment so how much more of the same medicine will help the disease is not clear.

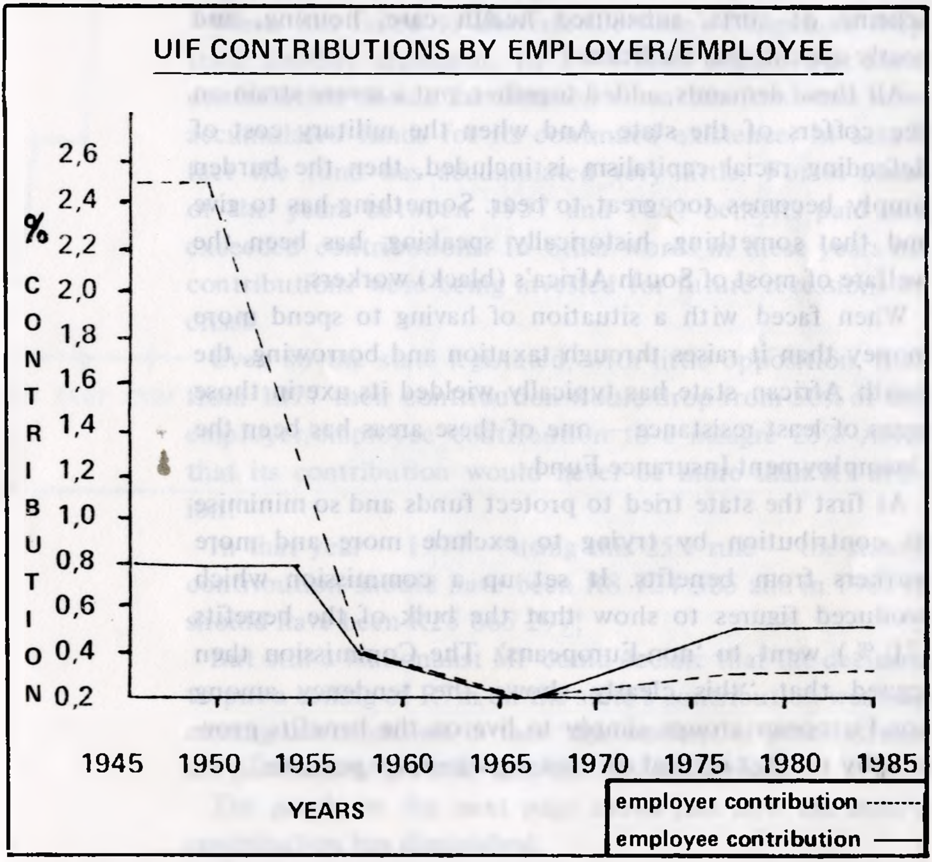
Secondly, capital has always been afraid that unemployment benefits on anything like an adequate scale, would discourage 'natives' from seeking work on its farms and in its mines and factories. As far as capital is concerned, the 'trick' has always been to set benefits so low that the unemployed workers would be forced to accept any work no matter how low the pay rather than depend on the UIF to stay alive. Ever since the UIF was introduced in 1937 there have been loud assertions that benefits make it 'a joy for the native to be unemployed' or that 'non-Europeans .... live on the benefits .... instead of working whenever possible'.



Henning NP., MP

It is in this overall context that capital continuously sought to abandon the principle of progressivity adopted in the 1946 Unemployment Insurance Act. Since that time, we can see a clear and consistent trend in terms of which capital has shifted from contributing proportionately more to the UIF than workers, to a position where they contribute less than workers.

The graph below shows this trend.



THE REDUCTION OF THE STATE'S CONTRIBUTION TO THE U.I.F. —

The South African state has always faced many competing demands on its relatively limited resources. The costs of apartheid and cheap labour structures have been high for the state.

White workers have made their loyalty to the prevailing order dependent on something given in return by the state. More specifically, they have demanded such expensive items as high public service salaries, a national pension scheme of sorts, subsidised health care, housing, and costly educational facilities.

All these demands, added together, put a severe strain on the coffers of the state. And when the military cost of defending racial capitalism is included, then the burden simply becomes too great to bear. Something has to give and that something, historically speaking, has been the welfare of most of South Africa's (black) workers.

When faced with a situation of having to spend more money than it raises through taxation and borrowing, the South African state has typically wielded its axe in those areas of least resistance – one of these areas has been the Unemployment Insurance Fund.

At first the state tried to protect funds and so minimise its contribution by trying to exclude more and more workers from benefits. It set up a commission which produced figures to show that the bulk of the benefits (71 %) went to 'non-Europeans'. The Commission then argued that "this clearly shows the tendency among non-European groups simply to live on the benefits provided by the Act instead of working whenever possible"

And so it raised the minimum level for which workers could contribute and get benefits. In 1949 the level was raised from £78 to £182 p.a. even though the average annual wage of 'native' workers in 1950 was £69!

For those that were eligible they used a clause in the Act which said that if the worker did not accept work of a similar nature (even though it might have been for a lower wage) then they would not get benefits.

When this failed to alleviate the state's obligation, they tried another argument. In 1977 they argued that their contribution should be lessened since the fund had now accumulated funds for its continued existence. In actual fact the fund has accumulated very little. For in some of the years between 1957 and 1981 benefits paid out exceeded contributions. In other words in these years no contributions were being invested for future recessions or crises.

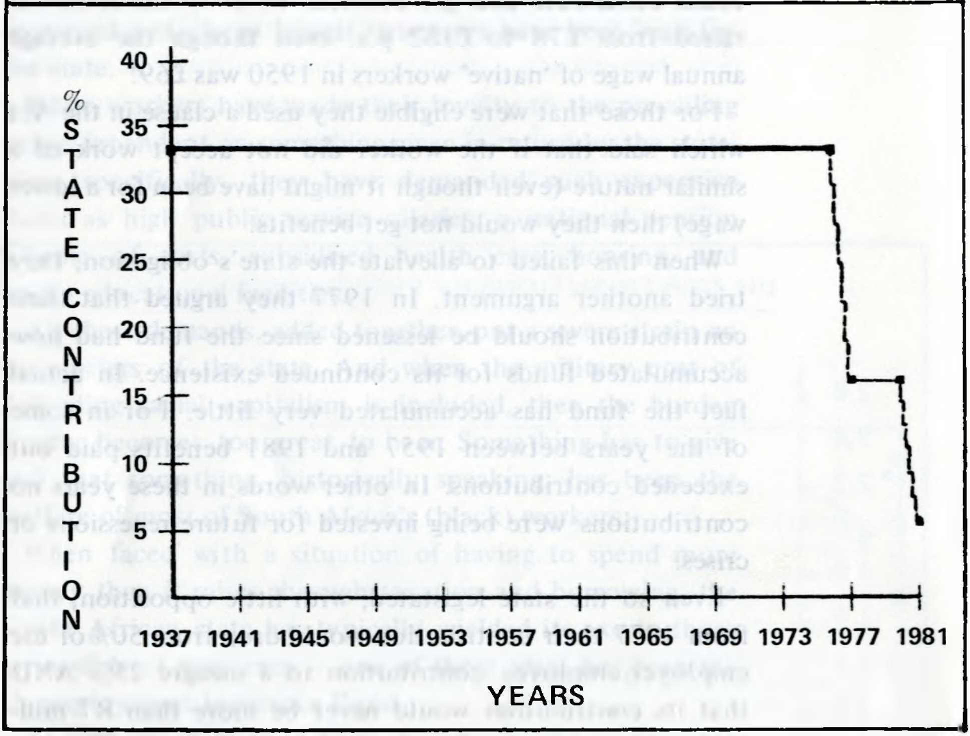
Even so the state legistated, with little opposition, that from 1977 their contribution would drop from 50% of the employer/employee contribution to a meagre 25% AND that its contribution would never be more than R7 million!

In that year – 1977 – using this 25% rule – the state's contribution should have been R8 724 305 and in 1981 it should have been R25 665 297!

But still a Nationalist MP could declare that the decision to put a ceiling of R7m. on the state's contribution was not cutting contributions in fact "the workers of South Africa are particularly grateful that this day has arrived".

The graph on the next page shows just how the state's contribution has diminished.

CHANGES IN STATE'S CONTRIBUTION TO UIF FUND



In reducing and limiting its contribution to only R7 million, in absolute terms, the state has allowed the UIF to run down to the point where it simply cannot cope with the demands made upon it. Even after excluding the vast majority of black workers from eligibility for benefits – and they are the group that most need them – the fund still cannot fulfil the functions it was originally designed to perform. Indeed, we would go further and say that in terms of the needs which must be met in South Africa today the fund is virtually bankrupt.

UNEMPLOYMENT FUND

Failing the test

The Unemployment Insurance Fund (UIF) is on the verge of borrowing from the State. Already it has reached its maximum R7m a year allowance from the government in terms of legal provision.

Statistics from the Department of Manpower clearly reflect the seriousness of persistent unemployment, requiring the government to bail its fund out. Total payments to beneficiaries have been exceeding contributions from employers and employees by an average of nearly R2m a month since January 1984.

And with unemployment likely to continue increasing for the remainder of the year, and well into 1985, it seems probable that the fund could well be forced to borrow from the government to the tune of R5m during the fund's financial year to February 1985, if current trends are anything to go by.

from Financial Mail 12.10.84

UNEMPLOYMENT AND THE BANTUSTANS

Having escaped its obligations to the UIF, the state is now shifting the burden of caring for many unemployed workers on to the TBVC Governments (i.e. Transkei, Bophuthatswana, Venda and Ciskei). These countries, it is said, will provide at least some measure of subsistence for these workers albeit on a much lower level than they might have enjoyed under an adequate unemployment insurance scheme. Thus we now find the extraordinary situation of one state shifting on to others the task of caring for its own unemployed.

However, since these TBVC countries are simply 'too impoverished to cope with any significant numbers of unemployed for any period even with Pretoria's financial assistance, what the South African state is really doing is allowing people to starve, unseen in the rural areas, rather than perish visibly in the cities.

Moreover, from the South African state's point of view, this policy has an added advantage: namely it transfers to the "independent governments" the odious and internationally unpopular task of forcibly containing the social and political unrest associated with unemployment and poverty. They, and not the South African state, are seen to get their hands dirty.

And this brings us to two last important points. Firstly, the way in which South Africa assists the TBVC Governments in dealing with unemployment, is to give them the equivalent of the contributions made to the UIF by their respective 'nationals' when employed in South Africa as well as the contributions made by the South African-based employers of these nationls. However, because these 'nationals' are usually poorly paid migrant workers, their contributions are typically very small. Thus the amounts transferred to the TBVC Governments are simply not capable of solving the problems they are meant to.

Second, the mechanics of this financial arrangement are simple. Whenever employers retrench or dismiss foreign workers, they give back their UIF cards on which are recorded the "countries" to which these workers must "return". All alien workers i.e. those from TBVC countries must then leave South Africa to collect their benefits.

And to the extent that all employers co-operate with the state in this matter, it is clear that those multi-national companies which profess to abhor all aspects of apartheid are in fact working hand in glove with the state in this most indelicate process of leaving many of the unemployed to a fate akin to death.

Benefits a costly bus ride away

Even then their problems are not over. The offices at which workers can claim benefits in their 'countries' are often a costly bus ride away every 2 weeks to sign the register and then lengthy waits for benefits, if they come at all.

But even if workers do succeed in getting benefits, these will generally only last for 6 months and many workers will never find jobs again. The position at KwaZulu labour offices described below is typical of other 'homelands'.

UIF

"We know there are hundreds of men out there who don't even bother to come and register as unemployed. The companies do not recruit here any longer. Each week more migrants return home saying they have been retrenched or dismissed. Then they just go and sit in their huts and wait. If they leave for the cities they are illegal and could get arrested. There is nothing we can do. We watch them starve and if they come to the office to register for work we take their names. The files are already full.'

District labour officer, Upper Tugela, May 1983 KwaZulu

(from Work in Progress, September 1984)

CONCLUSION

We have tried to show in this booklet how the state and capital have persistently tried to evade the effects of unemployment.

The UIF fund cannot meet the needs of those unemployed. Over the years the state and capital have reduced the financial burden on them of unemployment. The numbers eligible for the benefit have been kept low, contributions by the state and employers have dropped and the full complexity of the apartheid structure has been used to reduce the number who actually collect the benefits.

It is necessary to understand exactly what has happened to the UIF if we are to be in a position to demand changes.

At present good demands have been made by many unions and advice offices to improve benefits and to eliminate many of the problems. However what we've tried to show here is that it is the whole structure of the fund that is wrong. To try and pay out improved benefits with the present fund would bankrupt the fund.

The purpose of this booklet is not to state demands. Its purpose is to start discussion that will lead to demands.

In discussing demands we should remember the following points:

1. There is a difference between unemployment insurance and a social security system. Insurance can never really be an answer to unemployment benefits because in a capitalist economy unemployment is too big a problem to be solved by insurance. However, if we are going to have an insurance scheme as we now have the UIF then at the very least there must be progressivity by which we mean that employers must pay more than workers.

Secondly the government must increase its contribution.

2 A social security system is not based on the insurance principle but on the social responsibility to care for all disadvantaged people in society. Clearly it is this direction that workers would be more interested in.

3. Both unemployment insurance and social security systems have to be administered in a way that people will be able to collect the benefits easily. With the present apartheid system, influx control and the so-called independent homelands this is impossible. Yet employers actively cooperate in this by identifying their employees by homeland.

As workers we know only too well that the real problem lies in the creation of unemployment. Work should be a right and not a privilege. What a human tragedy it is to have strong hands stand idle when people are starving without houses, schools, hospitals and roads. For us as workers — in fact for everybody in society — this is unacceptable.

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