

## COVID 19 TERS FORMULA

The minimum amount to be paid by UIF to clients is **R 3 500.00**.

The maximum amount to be paid by UIF to clients is **R 6 638.40**.

As per Schedule 2 of the Unemployment Insurance Act, No 32 of 2003 the benefit due is calculated as follows:

Daily income for weekly earners =

$$\text{Weekly rate} * 52 / 365$$

Daily income for monthly earners =

$$\text{Monthly rate} * 12 / 365$$

**Benefit = Daily Income \* IRR**

Where IRR is the Income Replacement Rate corresponding to the contributor's daily income which is defined as:

The Income Replacement Rate (IRR) determines the percentage of a contributor's previous income to which the contributor is entitled in the form of benefits. The IRR is a variable, so it defines a sliding scale. A contributor who previously earned a low wage is entitled to receive benefits representing a larger proportion of her or his previous income than a contributor who previously earned a higher wage.

The IRR is at its maximum when income equals zero, and it reaches its minimum where income is equal to the benefit transition income level. The maximum IRR is fixed at 60%. The minimum IRR is currently set at 38%. However, the Minister may vary the minimum IRR in terms of section 12(3)(b).

**Using current values, the IRR can be calculated according to the following formula:**

$$\text{IRR} = 29.2 + (7173.92 / (232.92 + Y_i))$$

where  $Y_i$  represents a contributor's monthly rate of income. (Consistency of units is essential. To calculate IRR from daily or weekly rates of pay, please refer to the more detailed explanation of the IRR formula in the technical note below.)

### **Scenario: 1**

Worked as a contributor with the remuneration being **R 4 000 per month**. This remuneration will also be used as the average remuneration (earned 4 000 for the last 6 months).

**Step 1:** Determine Daily Income (monthly remuneration X 12/365)

$$R\ 4\ 000 \times 12 = 48\ 000 / 365$$

Daily Income: **R 131.51**

Formula:  $29.2 + (7173.92 / (232.92 + DI))$

$$29.2 + (7173.92 / (232.92 + 131.51))$$

$$29.2 + (7173.92 / 364.43)$$

$$29.2 + 19.69$$

**48.89**

Client would be paid on an IRR of 48.89% for the number of days: **R 131.51 x 48.89% = R 64.29**  
**(Daily Benefit Amount)**

	<b>30 Days</b>
<b>Benefit amount</b>	<b>R 1 928.70</b>

**NB: In this scenario since the amount due to the client is below the minimum wage R 3500.00, the amount to be paid will be R 3 500.00.**

#### Scenario 2

**Normal Remuneration is R 18 640.76 which is above ceiling and calculations will be discounted as if remuneration earned is R 17 712**

**Step 1: Determine Daily Income:  $17\ 712 \times 12/365 = \underline{R\ 582.31}$**

Formula:  $29.2 + (7173.92 / (232.92 + DI))$

$$29.2 + (7173.92 / (232.92 + \underline{R\ 582.31}))$$

$$29.2 + (7173.92 / \underline{815.23})$$

$$29.2 + \underline{8.80}$$

**38%**

**Payment to be assessed in terms of sliding scale and in particular 38%**

Client would be paid on an IRR of 38% for the number of days: **R 582.31 x 38% = R 221.28** **(Daily Benefit Amount)**

	<b>30 Days</b>
<b>Benefit amount</b>	<b>R 6 638.40</b>

**NB: THE AMOUNT TO BE PAID TO THE CLIENT FOR SALARIES ABOVE R17 712 PER MONTH IS R6 638.40 PROVIDED THE EMPLOYEE RECEIVED ZERO (R0.00) SALARY DURING LOCKDOWN.**

**Example:**

**From scenario 2 above;**

Normal Remuneration is **R 18 640.76**; Determine Daily Income:  $17\,712 \times 12/365 = \mathbf{R\ 582.31} \times 38\%$   
**= R 221.28**

**SALARY DURING LOCK DOWN: R10 000.00**

	<b>30 Days</b>
<b>Benefit amount</b>	<b>R 6 638.40</b>

**THE AMOUNT TO BE PAID BY UIF TO THE CLIENT WILL BE R6 638.40.**

**SALARY DURING LOCKDOWN: R15 000.00**

**THE AMOUNT TO BE PAID BY UIF TO THE CLIENT WILL BE R3 640,76 (R18 640.76 – R15 000.00)**

**NB: THE BENEFIT AMOUNT (R6 638.40) WHICH UIF MUST PAY AS PER THE DIRECTIVE ADDED TOGETHER WHAT THE EMPLOYER PAID (R15 000.00) SHOULD NOT BE MORE THAN THE EMPLOYEE REMUNIRATION IF THERE WAS NO LOCKDOWN.**