



Executive Brief

Building a **Cross-Sectoral Database** of Mineworkers for the Management of **Social Protection Benefits** to South African and Foreign Workers in South Africa

Prepared by: Health Focus South Africa



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Report by: Robert Gray, Gerlinde Reiprich, Alexander Kamadu



GLOSSARY OF TERMS



Unclaimed Benefits

Unclaimed Benefits refer to any monies due to a person that remain unpaid or unclaimed when a person resigns, is dismissed or retrenched.

Cross Sectoral

Relating to or affecting more than one group, area, or section. In the context of this project, relates to **multiple funds, their databases, IT and operational systems**.

Pension Fund

A pension fund provides benefits for its members when they retire from employment. The fund also usually pays benefits when a member dies while still working, or is unable to work because of illness, or is retrenched. When a pension fund member retires, the member gets one third of the total benefit in a cash lump sum and the other two-thirds is paid out in the form of a pension over the rest of the member's life¹.

Provident Fund

A provident fund is the same as a pension fund in that it provides benefits for its members when they retire from employment; dies while still working, or is unable to work because of illness, or is retrenched. The difference from a pension fund is that the member can get the full benefit paid in a cash lump sum.

Compensation Fund

To provide for **compensation** for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases; and to provide for matters connected therewith².

¹ The South African Labour Guide. 'Pension and provident funds'. Available at: <https://www.labourguide.co.za/general/499-pension-and-provident-funds> [Accessed 6 November 2017]

² South African Department of Labour. 'Compensation Fund – Gauteng'. Available at: <http://www.labour.gov.za/DOL/contacts/Compensation%20Fund/compensation-fund-gauteng-north> [Accessed 6 November 2017]



EXECUTIVE BRIEF

Setting the Scene

The South African mining industry has had a complex history attracting a large migrant workforce both from within South Africa and from neighbouring countries. The complex political past in South Africa and poor associated legislation has led to unclaimed benefits sitting in multiple funds for many mineworkers, who are either unaware that they may have a claim, or the industry is unable to trace and pay them. In addition, the number of funds and their accessibility makes it challenging for mineworkers and their families/beneficiaries to navigate the systems and meet the requirements to unlock their benefit.

The Financial Service Bureau (FSB) of South Africa monitor unclaimed benefits across multiple industries and report approximately R42 billion sitting in unclaimed benefits.

	No. of funds	Aggregate amount of unclaimed benefits	Number of beneficiaries for whom unclaimed benefits are held
Total	1 238	41 658 731 899	4 086 285

Table 1: Unclaimed Benefits South Africa (FSB: 2017)

It is estimated that around R10 billion of this R42 billion may be due to mineworkers³ across approximately 20 different funds. Although establishing the full breakdown of unclaimed benefits from the FSB for the mining industry has been challenging, the table below displays some information of the top 4 mining funds.

Top 4 Mining Funds	Number of beneficiaries for whom unclaimed benefits are held	Aggregate Amount of Unclaimed Benefits
Mineworkers Provident Fund	72566	R 3,177,000,000
Mines 1970's Fund	62314	R 652,000,000
Sentinel Retirement Fund	6951	R 175,000,000
Amplats Group Provident Fund	40032	R 223,000,000
TOTAL:	179027	R 4,227,000,000

Table 2: Breakdown of Unclaimed Benefits for 4 Top Mining Funds (FSB: 2017)

The FSB reports that in the last 5 years R18 billion was paid to 680 000 members from all sectors and that this amounts to an average benefit of R26 787 per member. While it is apparent that there are ongoing efforts by administrators to trace and pay beneficiaries their unclaimed benefits, more needs to be done to unlock funds to ex-mineworker communities across Southern Africa. A suggested platform or foundation to achieve this, would be to build a cross-sectoral database of mineworkers for the management of social protection benefits that provides a single point of access to these unclaimed benefits, making it easier to unlock benefits and releasing monies into the communities thereby contributing to the alleviation of poverty.

A review of social protection across the mining industry in South Africa was conducted, looking at the ex-mineworker population in particular. This involved a desktop review and elicitation research. Below are the findings of this review.

³ R10bn unclaimed in mineworkers' retirement funds. (2017). Available at: <https://www.fin24.com/Money/Retirement/r10bn-unclaimed-in-mineworkers-retirement-funds-20170412> [Accessed 26 November 2017]

Understanding the Problem

In this desktop review, to: for social protection within the mining industry include the following:

- **Lack of a common vision** to work together in finding and processing claims by social protection funds within the mining industry.
- **Lack of documentation** including but not exclusive to: identity documents; death registration certificates; traditional marriage registrations; multiple beneficiaries; record of service.
- **Inability for claimants** to access banking services given that many funds can only pay into bank accounts.
- **Lack of feedback** to claimants / beneficiaries of the claims process and payments being made.
- **Lack of knowledge** and awareness amongst mineworkers and or their beneficiaries of their entitlement to benefit funds and how to access these.

Social Protection and Unclaimed Benefits

Social Protection is a broad topic, covering multiple aspects. For mineworkers who worked on the mines in South Africa, there are 2 main types of social protection:

- **Social security** which includes compensation/relief funds for disease or injury and
- **social insurance** which covers retirement, pension and provident funds.

Overall unclaimed benefits trend

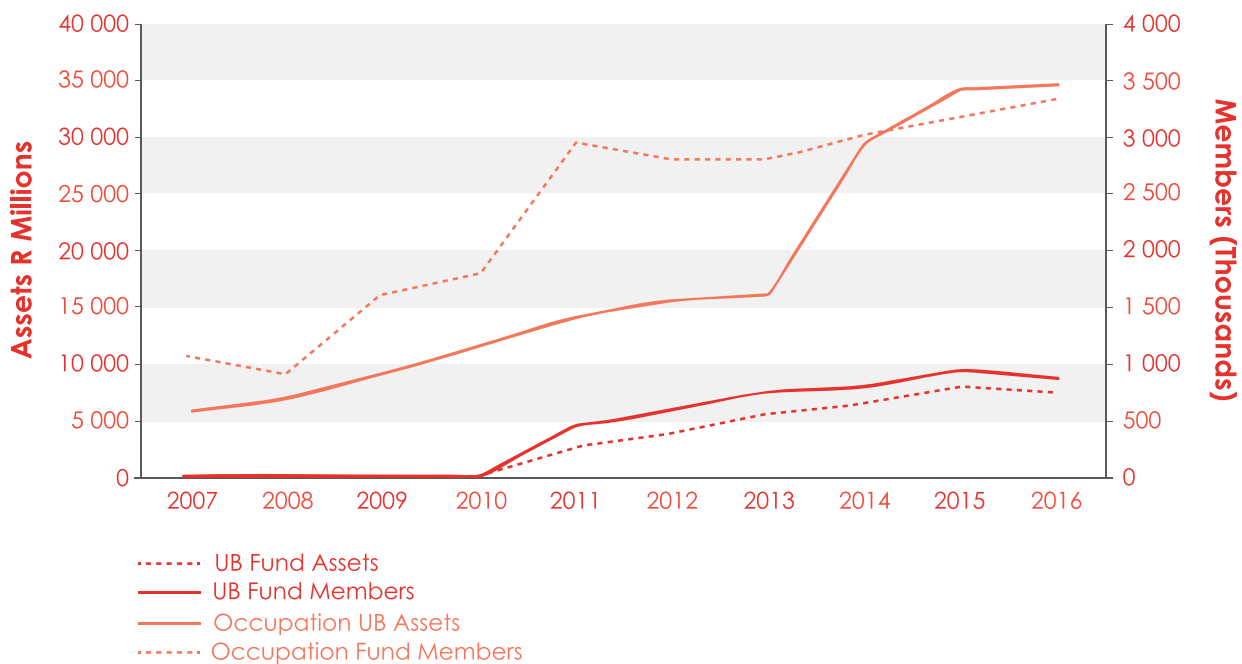


Figure 1. Unclaimed benefits trends.

The figure on the previous page highlights the following key points:

- **Overall the number of members** in unclaimed benefits has risen from approximately 1 million to 4 million over the past 10 years – a 300% increase.
- **Overall the amount of money** in unclaimed benefits has risen from around R5 billion to R43 billion over the past 10 years.

The FSB states that some of the reasons for the increase in the funds value and members are due to:

- Surplus apportionment schemes were submitted, and funds were unable to trace and pay former members and therefore classified these as unclaimed as defined in the Pension Fund Act.
- Two large funds changed their accounting policy resulting in the reclassification of R11 billion worth of assets as unclaimed benefits.
- The increase in asset value is also due to income earned from investment on the assets relating to these unclaimed benefits.

The following table highlights some of the key reasons why social protection benefits may be unclaimed:

1	Failure of members to update Funds of change in their details or their beneficiaries.
2	Failure of Employers to provide Funds with the complete details of the member.
3	Many employers and/or Funds do not provide enough information about entitlements, processes and requirements to the members on their benefits and how to claim.
4	Poor administration/record keeping by funds – this may be due to the fund/administrator no longer existing.
5	Foreign workers who have to leave after their work permit expires, lack sufficient mechanisms to enable them to claim from their home countries.
6	Fund members do not always inform their dependents of the benefits if they die/injured in service and how to access these.
7	Failure by Fund boards to take reasonable steps to trace and pay those entitled to unclaimed benefits.

Table 3: Key Reasons for Unclaimed Benefits (FSB: 2017)

In terms of social protection funds for mineworkers, who worked on the mines in South Africa but originated from countries outside South Africa, the challenges in terms of paying or providing benefits cross-border are minimal, aside from finding the beneficiaries. In other words, compensation, pension and provident funds for mineworkers do not have restrictions in terms of paying out to foreign mine worker from the 5 countries identified for this project. However, administration costs such as the tracing of ex-mineworkers or making international payments may be higher, than in South Africa and this can impact on the amount paid out.

Policy and Legislature

The United Nations International Convention on the Protection of the Rights of all Migrant Workers and members of their Families (UNCPRMWMF) states that these people should have same treatment as nationals with regards to social protection as the country allows. However only 2 of the member states applicable to this project, have signed and ratified this convention.

Member State	Signature	Ratification
Botswana	✗	✗
Lesotho	(2004) ✓	(2005) ✓
Mozambique	(2012) ✓	(2013) ✓
South Africa	✗	✗
Swaziland	✗	✗

Table 4: Signatory and Ratification of UNCPRMWMF by Country

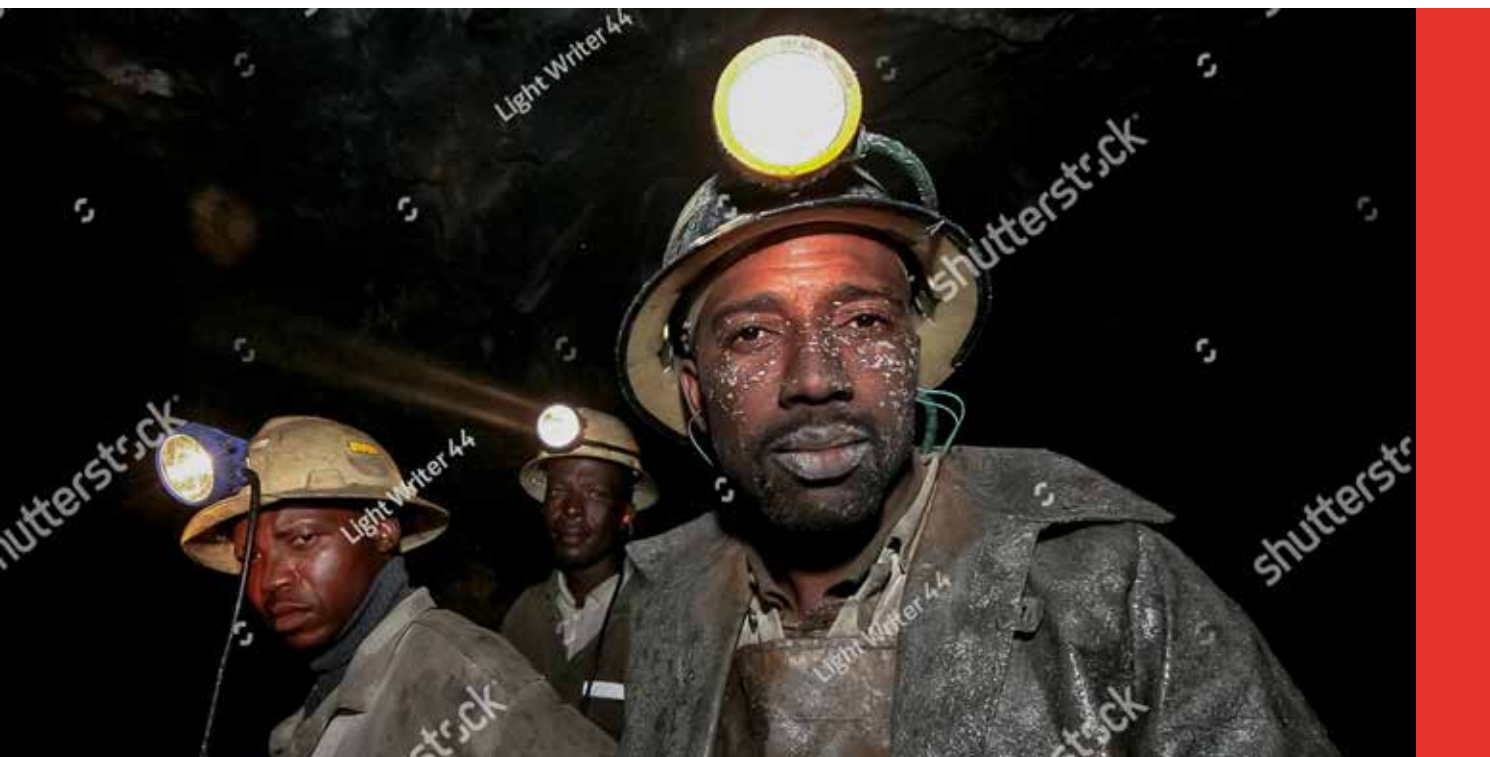
This can impact on the rights of migrant workers, however for social security, like disease or injury compensation, migrant workers have the same rights as South Africans.

The International Labour Organisation' (ILO) conventions applicable to social protection are as follows:

Member State	Equality of Treatment Accident Compensation Convention 19 of 1925	Equality of Treatment Social Protection Convention 118 of 1962	Maintenance of Social Security Rights Convention 157 of 1982	Social Security Seafarers Convention 165 of 1987	Migration for Employment Convention 97 of 1949
Botswana	✓	✗	✗	✗	✗
Lesotho	✓	✗	✗	✗	✗
Mozambique	✗	✗	✗	✗	✗
South Africa	✓	✗	✗	✗	✗
Swaziland	✓	✗	✗	✗	✗

Table 5: Ratification of selected ILO social security conventions by elected SADC countries

This table clearly highlights either the reluctance or apathy by certain countries to ratify the conventions. The impact of this is that the co-ordination principles are not being met and a co-ordination instrument is harder to achieve, potentially impacting the portability of social protection benefits across borders. However, pension and provident funds paid into by migrant mineworkers while working in South Africa, can be paid out.



The Southern African Development Community (SADC) provides structure that supports social protection relevant to this project. It also supports the rationale for the development of a cross-sectoral database to unlock social protection for mineworkers across Botswana, Lesotho, Mozambique, South Africa and Swaziland. Issues of nationality have little impact because of the regulations of contributory social insurance schemes and the South African legislation around disease and injury compensation. If the mineworker was legally allowed to work in the country and primarily has a record of service, this would enable the payment of due social protection benefits.

The main legislations that affect formally employed mining workers who are South African citizens, permanent residents, lawful refugees and lawful migrant workers are:

- The National Health Insurance Act No. 61 of 2003.
- Social Assistance Act 13 of 2004.
- Unemployment Insurance Act of 2001.
- Unemployment Insurance Contributions Act 4 of 2002.
- The Compensation and Occupational Injury Disease Act – Act No. 130 of 1993.
- The Occupational Disease in Mines and Works Act- Act No. 78 of 1973.
- The Pension Funds Act 24 of 1956.

For temporary mining employees, the pension benefits are more complicated as it really depends on the employer. In 2013, an estimated 67,000 mine workers were temporary or contracted labourers.⁴ The migrant foreign workers benefits are dependent on whether they were part of legal migration and the treaties between the workers home country and South Africa. However, for both domestic and foreign workers while they may have benefits, due to the lack of knowledge and complex method of accessing these benefits, they are woefully under-protected.

⁴ Financial Services Board (2017) Unclaimed Benefits. Available at <https://www.fsb.co.za/NewsLibrary/Unclaimed%20Benefits%20Funds%20-%20FSB%20Presentation%2004%20September%202017.pdf> [Accessed: 15 November 2017]



The South African POPI Act (2013) ensures that South African institutions and organisations are accountable and responsible when collecting, processing, storing and sharing peoples' personal information to prevent abuse or compromise of this information. However, this Act has implications for the building of a cross-sectoral database of mineworkers for the unlocking of social protection benefits in that it limits the sharing of information that would aid the industry working together to find and pay beneficiaries. Legal advice would need to be sought to clarify.

Organisation and Management of Social Protection for Mineworkers

For the mining industry in South Africa, which has a history of a large migrant workforce, the retirement, pension and compensation funds are multiple. Some of these appear as follows:



Figure 2. Retirement, Pension, Provident, Compensation Funds for Relief trusts in South Africa for Mineworkers (FSB -2018).

The social protection benefits for mineworkers are primarily of a social insurance nature and can be divided into the following categories:

- **Compensation funds** – Compensation for Occupational Injury and Diseases Act and The Occupational Diseases in Mines and Works Act.
- **Retirement funds, pension and provident funds** – For Example: Mineworkers Provident Fund, Sentinel Retirement Fund; Mines 1970 Fund. However, there are around 20 different Funds for the mining industry.
- **Relief funds following litigation** – For example: Asbestos Relief Trust and Kgalagadi Relief Trust.

Elicitation Research

Elicitation Research was conducted using semi-structured key informant interviews with 5 social protection funds known to be key players within the mining industry. They were as follows:

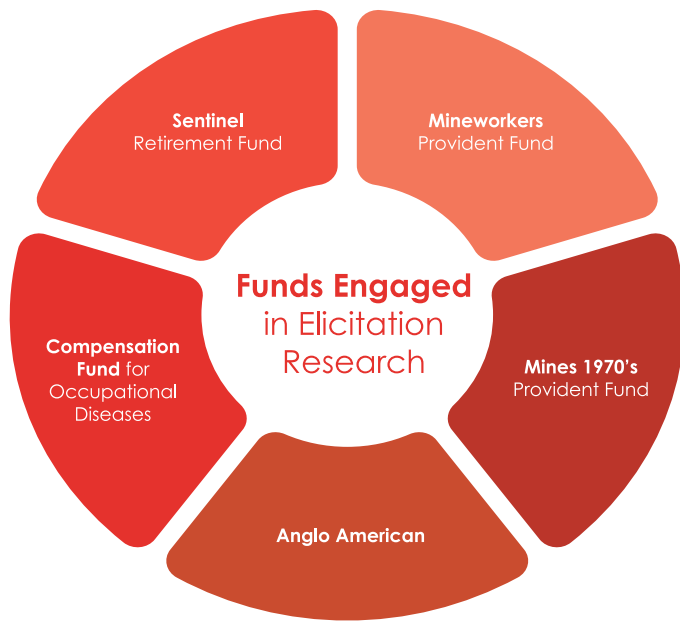


Figure 3. Funds Engaged with in Elicitation Research.

All Funds were all asked about:

- Their unclaimed benefit assets, the amounts and number of members.
- The databases of information they held.
- The approaches they used to unlock unclaimed benefits.
- The key challenges they identified in unlocking unclaimed benefits.
- And the documentation requirements to unlock a benefit.

The findings highlighted multiple challenges to unlocking benefits for mineworkers and their families/beneficiaries. Of these, some of the key issues identified were:

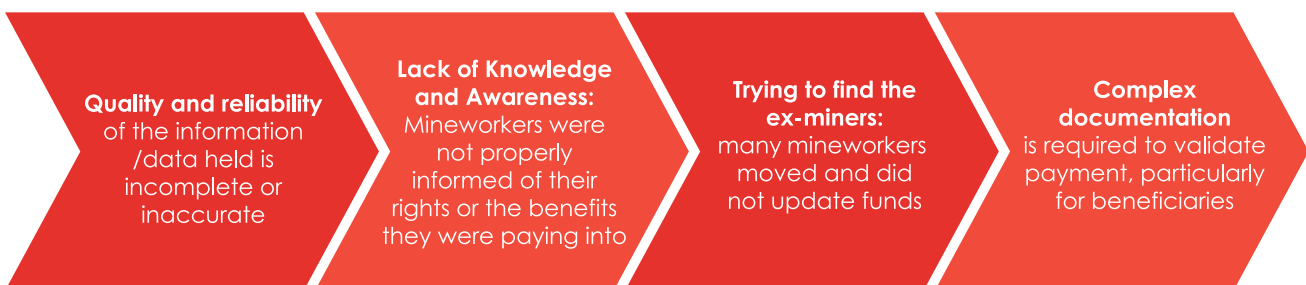


Figure 4. Key Issues in unlocking Unclaimed Benefits as identified by Funds.

While the pension, provident and compensation funds are all engaged in tracing activities to find ex-mineworkers or their beneficiaries and unlock their benefits, there is still a significant amount sitting in unclaimed benefit funds.

Consolidated Findings

SWOT Analysis:

- Strengths	- Opportunities
<ul style="list-style-type: none"> • Legislation has improved for current mineworkers in terms of knowing their rights and ensuring demographic and beneficiary details are up to date. • FSB is able to disaggregate unclaimed benefits information relating to the mining industry and have a database platform and look up function. • The South African pensions fund act protects the rights of members. 	<ul style="list-style-type: none"> • The FSB have a project aimed at educating consumers about financial matters and benefits. • FSB unclaimed benefits search engine. • Other organisations' unclaimed benefits search engines. • More needs to be done to create knowledge and awareness. • Collaboration by the mining industry to have a single tracer co funded. • Amendments have been proposed to the Pension Funds Act to provide for a Central unclaimed retirement benefit Fund to house all Unclaimed Retirement Benefits. • A cross sectoral database to share information and aid tracing.
- Weaknesses	- Threats
<ul style="list-style-type: none"> • International (ILO) and Regional (SADC) instruments around social protection do not necessarily protect migrant miners in terms of their rights to benefits. • Data quality of the mineworker's demographics is poor. • Multiple organisations doing multiple tracking and tracing – potentially confusing for recipient and open to fraud. • The cost of opening a bank account; bank fees and account closure if dormant inhibits payment of funds. • Complex lists of documentation required to access benefit, particularly for beneficiaries. • Mineworkers don't know who to inform when changing address – particularly for migrant workers who return to their country of origin. • Temporary and contracted mineworkers do not always have access to benefits. • POPI law prevents funds from sharing information. • Access to information re: pension and provident funds due is challenging from outside South Africa or from rural areas. • Lack of knowledge and awareness. • Industry working in silos. 	<ul style="list-style-type: none"> • Unclaimed benefit funds could be channelled to resolve fiscal debt and other government projects. Should this occur International (ILO) and Regional (SADC) policy and legislation may not protect the migrant worker's rights. • Requirements for tax numbers discourage some claimants from claiming. • Nearly 1.8 million benefits are less than R250 and this poses a dilemma in terms of the actual cost of tracing and paying out such a small amount. • Fraud.

Key Challenges and Recommendations:

	Key Challenge	Recommendation
1	Data quality issues	Working together the Mining Industry Funds need to share information and establish a common database which ensures data verification and updating.
2	Fraud and identity theft problems	A common tracer and access to single points for information for the Mining industry Funds. Information provided to ex-miner communities must clearly stipulate that services are for free and where to access them.
3	Protection of personal information	Identify how to work within the parameters of the POPI Act by engaging with the POPI regulator.
4	Lack of knowledge and awareness	Information needs to be disseminated out into the areas with high numbers of ex-mineworkers to raise awareness combined with consolidated 'go-to' places for help that have a good footprint in these areas.
5	Working across the Mining Industry	Mining Industry Funds to work together through the convenorship of the Chamber of Mines South Africa, including the sharing of information.
6	Complex documentation requirements to validate payment	By the industry working together, sharing information and utilising a common database, it may be easier to validate beneficiary details and ensure the unlocking of these unclaimed benefits.
7	Requirements for a bank account	Working with the Banking Association of South Africa, low fee or no fee bank accounts that don't expire needs to be established.
8	Funds working in silos	The Mining Industry Pension/Provident and Compensation Funds need to work together and share information through a common database and the use of common tracers. It is recommended that the Chamber of Mines South Africa and the FSB be the convenors of this collaboration.

Table 7: Key Challenges and Recommendations Identified

Conclusion

With an estimated R10 billion Rands worth of unclaimed benefits owing to mineworkers/ex-mineworkers and their beneficiaries, it would make sense, that through the convenorship of the Chamber of Mines South Africa and the FSB, that the pension, provident and compensation funds work together in a pragmatic and targeted manner to unlock these benefits.

The building of a cross sectoral database for the industry, provides a foundation and platform to enable this to happen. Already, it has been noted there is appetite within the industry to work together and through the Department for International Development (DFID) and the Southern Africa Trust (SAT) the piloting of such a database will hopefully unlock monies to alleviate poverty to ex-mineworker communities in Botswana, Lesotho, Mozambique, South Africa and Swaziland, but the industry needs to come together now to tackle the challenges.





Health Focus South Africa
1 Corlett Drive, Illovo, Johannesburg South Africa
www.health-focus.co.za