Good Practices in Social Security

Introduction of the Transition Unemployment Benefit for redundant workers
A case of the Ministry of Social Security, National Solidarity and Reform Institutions

Ministry of Social Security, National Solidarity and Reform Institutions
Mauritius

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Summary

Transition Unemployment Benefit was introduced in Mauritius under the Workfare Programme in February 2009 as per the Employment Rights Act 2008. It was set up to provide financial assistance to workers in the private sector who are laid-off and opt to join the Workfare Programme. The benefit accrues from the month in which the worker becomes redundant and is paid for a minimum period of one month and a maximum of twelve months. The scheme is also intended to enhance the employability of laid-off workers as at the time of application, the worker has to choose among three proposed possible options: a job placement, job training and re-skilling or starting a business. The Transition Unemployment Benefit ceases at the end of the month in which the laid-off worker becomes gainfully employed or starts a small business.

The scheme is financed by the employee, the employer and the government. The existing IT social security system helps in the operation of the scheme.

CRITERIA 1:

What was the issue/problem/challenge addressed by your good practice? Please provide a short description.

The economic recession and financial crisis since 2007 has affected international trade and cooperation, for both big and small nations alike. As regards Mauritius, many organizations had started suffering from heavy financial losses because of heavy reliance on international markets, especially the Textile Industry, Business Process Outsourcing and Tourism Sector. Obviously this has led to abrupt closures of enterprises involving mass redundancies. If left unattended, it could have resulted in social unrest, instability, and a negative impact on family budgets.

Reacting promptly, the government introduced the Workfare Programme in 2008 under Part IX of the Employment Rights Act 2008. The central idea was to provide financial support through Transition Unemployment Benefit to workers laid-off from the private sector whose employment has been terminated due to economic, technological or structural reasons affecting the enterprise.

The main challenge for the government was to set up and operate a scheme in a very short space of time for laid-off workers – both skilled and unskilled – who have toiled hard for many years contributing to the economic growth of the national economy.

CRITERIA 2:

What were the main objectives and the expected outcomes?

The main objective of the project was to alleviate the negative financial impact endured by workers who are laid-off and who go from receiving a monthly fixed salary to no income.
All laid-off workers who join the Workfare Programme receive their first benefit payment in the month after they are laid-off.

Transition Unemployment Benefit is paid for a minimum period of one month and a maximum of 12 months. It is calculated as follows:

- From 1st to 3rd month – 90 per cent of insurable salary for the National Pensions Fund (NPF), subject to a minimum of Mauritius Rupee (MUR)3,000 a month.
- From 4th to end of 6th month – 60 per cent of insurable salary, subject to a minimum of MUR3,000 month.
- From 7th to the end of 12th month – 30 per cent of insurable salary, subject to a minimum of MUR3,000 a month.

Note: USD1 = approximately MUR30.

It is envisaged that the Workfare Programme will contribute to returning laid-off workers to the labour market earlier than may otherwise have been the case, thereby preventing long-term unemployment and poverty in households.

In addition to providing a Transition Unemployment Benefit, the objective is to promote the employability of laid-off workers. The latter are advised to register in the Workfare Programme within seven days of losing their employment.

They have a further seven days to choose among three options provided under the Workfare Programme:

1. Job placement through the Employment Service Office (ESO).
2. Job training and re-skilling through the National Empowerment Foundation (NEF).
3. Assistance to start a small business with the help of Small and Medium Enterprise Development Authority (SMEDA).

CRITERIA 3:

What is the innovative approach/strategy followed to achieve the objectives?

The Workfare Programme, with its large panoply of benefits for laid-off workers, has significantly helped reduce the negative impact of closures. Under the previous legislation, when an enterprise closed on grounds of insolvency or receivership many redundant workers did not receive any compensation due to lack of funds.

Under the Workfare Programme, the laid-off worker is guaranteed a minimum benefit of at least MUR3,000 per month for a maximum period of 12 months, while the worker’s pension contributions are paid by the government (the latter pays both the 3 per cent employee share and 6 per cent employer share of contributions to the National Pensions Fund).

The Workfare Programme is funded by:

- employee contributions to the National Saving Fund Account of 1 per cent of basic salary, subject to the National Pensions Fund ceiling;
• contributions from employers representing 1½ per cent of the monthly wage bill, 1 per cent of which is credited to the Workfare Programme Fund;
• recycling fee payable to the National Pensions Fund by employers when workers are laid-off;
• any necessary additional government budgetary provisions and interest on investments.

A laid-off worker can join the Workfare Programme again after a minimum period of continuous employment of six months.

CRITERIA 4:

Have the resources and inputs been used in an optimal way to achieve the set objectives and the expected outcomes? Please specify what internal or external evaluations of the practice have taken place and what impact/results have been identified/achieved so far.

The Workfare Programme is administered jointly by the Ministry of Social Security, National Solidarity and Reform Institutions and the Ministry of Labour, Industrial Relations and Employment. At the Ministry of Social Security, no additional human resources were required to operate the scheme. The existing staff has been mobilised to ensure the smooth running of the Transition Unemployment Benefit Unit, supported by a Finance Unit. However, some changes to the IT system were made to allow claims from redundant workers to be processed from the date they lose their jobs, ensuring timely payment of the benefit.

Due to the fact that the Ministry of Social Security, National Solidarity and Reform Institutions collects National Pensions Fund contributions, we are able to detect and stop any unwarranted Transition Unemployment Benefit payment to a previously laid-off worker who has secured a new job but not disclosed a change in employment status. This helps in the proper monitoring of the scheme and ensures benefit is only paid to entitled persons. Any overpayment of Transition Unemployment Benefit is recovered.

There is a regular internal evaluation of the performance of the scheme by the National Pensions Fund Board. This is a tripartite platform and provides recommendations on the Workfare Programme.

A Monitoring Committee has also been set up under the chairmanship of the Permanent Secretary of the Ministry of Labour, from the beginning of the implementation of the Workfare Programme in order to ensure its efficient implementation. On this Committee, the different partners discuss various related issues. For example, the Employment Service provides information on laid-off workers who have been placed in new employment. The National Empowerment Foundation provides a list of those who have already been enrolled for Training and Re-skilling. The Small and Medium Enterprise Development Authority gives details on those who have started a business. The Ministry of Social Security provides updated information on applications already processed and payments effected as well as the status of the Fund.
Disputes concerning employers and laid-off workers are dealt with regularly in sub-committees involving senior officials of the Ministry of Labour and Ministry of Social Security.

Employers who are not paying the NPF Contributions for laid-off workers are tracked down through the existing computer system. The amount due is assessed and necessary action is taken to collect the amount outstanding.

<table>
<thead>
<tr>
<th>Statistics as at end July 2011</th>
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<tbody>
<tr>
<td>Number of cases in payment as at July 2011</td>
<td>1,540</td>
</tr>
<tr>
<td>Amount of benefit paid for July 2011</td>
<td>MUR7,608,513</td>
</tr>
<tr>
<td>Total number of applications received from February 2009 July 2011</td>
<td>4,638</td>
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<tr>
<td>Total amount of benefit paid from February 2009 to July 2011</td>
<td>MUR185,909,274</td>
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<tr>
<td>Number of cases referred for:</td>
<td></td>
</tr>
<tr>
<td>a) Job placement</td>
<td>3,272</td>
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<tr>
<td>b) Training and re-skilling</td>
<td>492</td>
</tr>
<tr>
<td>c) Start small business</td>
<td>446</td>
</tr>
<tr>
<td>Amount of recycling fee collected from February 2009 to end July 2011</td>
<td>MUR13,573,283</td>
</tr>
</tbody>
</table>

It is worth noting that the Transition Unemployment Benefit Unit is monitored by the Internal Audit in our organization which safeguards that funds are used judiciously.

**CRITERIA 5:**

**What lessons have been learned? To what extent would your good practice be appropriate for replication by other social security institutions? Please explain briefly.**

During a period of world economic crisis and mass redundancies, this instrumental and innovative scheme provides mechanisms to ensure security to laid-off workers in the form of financial help and improved employability. The entrepreneurial urge to start a small business is also encouraged.

With the use of a minimum number of staff taken from the existing pool of qualified and experienced persons and the collaboration of different stakeholders – that is, employee, employer and government – a new pillar for social security coverage has been introduced. Our existing effective and efficient IT System has significantly assisted in making it easier to manage the new scheme. Its operation has been made possible due to the existing contributions/pensions structures – such structures are already present in most countries.

The amount of Transition Unemployment Benefit paid to each laid-off worker is also significant enough to act as a buffer against poverty and distress in the family unit.

Ultimately, there is no doubt that this good practice is appropriate for replication by other social security institutions.