



# RESEARCH REPORTS

ON COMPREHENSIVE SOCIAL  
SECURITY AND RETIREMENT  
REFORMS

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National Economic Development and Labour Council (Nedlac)  
Comprehensive Social Security and Retirement Reforms  
14A Jellicoe Avenue, Rosebank  
Johannesburg, Gauteng

Tel: (011) 328 4200

Email: [info@nedlac.org.za](mailto:info@nedlac.org.za)

Website: [www.nedlac.org.za](http://www.nedlac.org.za)



## FOREWORD

The National Economic Development and Labour Council (Nedlac) is an institution for social dialogue established through the Nedlac Act of 1995. It is through this institution that the joint government discussion document on Comprehensive Social Security and Retirement Reform (2012) was engaged.

Section 27 of the South African Constitution enshrines the right of access for all, on the social security and the appropriate social assistance. This right of access is to be advanced progressively in accordance with the state's available resources. This includes not only state provisioning of support, but also the state's role in regulating private sector provisioning to ensure governance compliance as well as providing optimal access to all schemes that provide private access to social security. South Africa's social security system still rests on the policy pillars built under Apartheid. The need to build a new and inclusive system that seeks to correct the levels of poverty and inequality in South Africa is one that is recognised by all social partners in Nedlac.

The Comprehensive Social Security Retirement Reform Paper (2012) was approved by Cabinet in 2016 for engagement by Nedlac social partners. Thereafter, Government formally tabled the paper at the Management Committee, a structure of governance at Nedlac. The Management Committee established a Task Team with a mandate to engage on the Comprehensive Social Security and Retirement Reform proposals and provide inputs to the paper which could become a Government Policy. This Task Team consisted of Nedlac social partners which are; organised Labour, organised Business, Community and Government.

The Task Team produced an interim Nedlac report which is a document where the Nedlac social partners set out their mandated positions in May 2018. However, the social partners agreed that there was a need for further research on specific policy related matters.

The proposed research areas were as follows:

- a. Economies of scale and value for money in respect of the retirement system in South Africa by **Nervyia Pillay and Johannes Fedderke**, which was commissioned by National Treasury and the report was concluded in April 2021.
- b. Impact of the NSSF on the investment environment and capital markets by **Deloitte**, which was commissioned by Nedlac and the report was concluded in February 2021.
- c. Feasibility of the Basic Income Grant by **Deloitte**, which was commissioned by Nedlac and the report was concluded in March 2021.

- d. Coverage of Informal Workers by ***True South Actuaries and Consultants***, which was commissioned by the Department of Social Development and the report was concluded in November 2019.
- e. Actuarial Sustainability of the National Social Security Fund (NSSF) by ***the ILO***, which was commissioned by the Department of Social Development and the report was concluded in November 2020

The Task Team through a Research Reference Group (RRG), engaged with the researchers and accepted the research reports as information that could be used as a guide on their engagements and their positions on Comprehensive Social Security and Retirement Reform. The research reports contain analysis and set of findings which were derived from the different methodological approaches used by the researchers on each research subject.

Following the conclusion of the research, a final Nedlac report was tabled by the Task Team regarding its progress in August 2021, and was signed off by the Task Team leads and the Nedlac Overall Convenors.

Research findings and the views in each of these research reports are those of the authors and not Nedlac nor its Social Partners. However, given the importance of the national debates on comprehensive social security, the Nedlac Task Team has agreed to share the abovementioned research reports.

Signed by:



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**LISA SEFTEL**  
**EXECUTIVE DIRECTOR**

## SUMMARY OF THE RESEARCH REPORTS

### Background to the Comprehensive Social Security and Retirement Reforms Task Team

The Taylor Committee of Inquiry into a Comprehensive System of Social Security in 2002 began a process of analysis and engagement on the future of the social security system. This work continued within government through an Inter-Ministerial Committee of 2007 and the Inter-Departmental Task Team on Social Security and Retirement Reform. In 2011, National Treasury issued its policy document, “A safer financial sector to serve South Africa better” dealing with regulatory and retirement reforms. The Executive Council (Exco) of Nedlac at its meeting on 28 February 2014, identified a range of issues, which included comprehensive social security for possible further consideration by Nedlac. A one-aside Manco committee was established to consider and determine a process for engagement on each of the issues that had been identified by Exco. The Manco Committee reverted to Exco on 30 June 2014 and recommended that a Manco task team should be established to engage on the Government paper on Social Security. It was therefore agreed to resuscitate the Manco Task Team on Comprehensive Social Security and Retirement Reforms. Government presented the Comprehensive Social Security paper, dated 2012, on 25 November 2016 at an Exco meeting. Exco subsequently agreed that Government would table the paper formally at Nedlac for engagement by Constituencies, in terms of the Nedlac Protocol. It was therefore agreed that the Manco Task Team on Comprehensive Social Security would be resuscitated to engage on Comprehensive Social Security. The Comprehensive Social Security paper dated 2012 was subsequently tabled at the task team on 04 April 2017. The Task Team engaged on the paper and they produced a Nedlac report, the Nedlac report however contained further areas of research on; Economies of Scale-value for money, the Financial Feasibility of Basic Income Grant (BIG), Coverage of Informal Workers, Actuarial Sustainability of the National Social Security Fund (NSSF) and its impact of the savings market, Impact on the investment environment and capital markets of the NSSF. The Task Team commissioned the research, engaged on the research and research reports were produced, these reports are on [page 03](#) to [page 363](#). Government subsequently updated the paper and it was tabled to Nedlac as a Comprehensive Social Security and Retirement Reforms Green paper on 06 May 2021. The task team engaged on the Green Paper and a Nedlac report was produced.

### CSSRR Task Team Mandate

The mandate of the Nedlac’s task team on CSSRR is to:

- Engage on a comprehensive social security and retirement reform system that is affordable, sustainable and appropriate for South Africa.
- Agree on a process of engagement and consultations on any proposals submitted by social partners including the delivery mechanisms and recommend those to the Nedlac Manco and/or Exco
- To ensure that the process of engagements will cohere with the principles of inclusiveness, participative as well as considering the interests of poor and vulnerable persons not currently represented at Nedlac.
- Identify and agree on the composition of research experts before work is commissioned.

## Problem Statement

The South African social security system has a long history of disintegration due to apartheid discriminatory laws and policies. This resulted in the exclusion of the most vulnerable groups of society from social security coverage. This was addressed in Section 27 of the Constitution which enshrines the right of South Africans to a progressive realisation of social security and social assistance within the state's available resources. The State has an obligation to take reasonable legislative and other measures within its available resources to achieve the progressive realisation of the right in question. The National Development Plan also sets out a vision for comprehensive social security by 2030.

## Commissioned Research

The following research studies contained in this report were commissioned by the CSSRR task team to contribute towards assisting Nedlac to make informed contribution on CSSRR. The five (5) research projects are as follows:

Title	Author
<b>REPORT 1: ECONOMIES OF SCALE</b>	Neryvia Pillay and Johannes Fedderke, International Labour Office
<b>REPORT 2: ACTUARIAL STUDY OF THE PROPOSED NATIONAL SOCIAL SECURITY FUND</b>	Actuarial Services Unit, Social Protection Department, Geneva Decent Work Team / Country Office, Pretoria, International Labour Office
<b>REPORT 3: FINANCIAL FEASIBILITY OF THE BASIC INCOME GRANT</b>	Actuarial & Analytical Solutions (A&AS) Team at Deloitte and Touché South Africa
<b>REPORT 4: IMPACT OF THE NATIONAL SOCIAL SECURITY FUND ON SAVINGS AND INVESTMENTS</b>	Actuarial & Analytical Solutions (A&AS) Team at Deloitte and Touché South Africa
<b>REPORT 5: INFORMAL ECONOMY RETIREMENT AND RISK BENEFITS</b>	True South Actuaries & Consultants

## Purpose of this document

The purpose of this document is to communicate the findings from various research studies commissioned by the Nedlac's Task Team on Comprehensive Social Security. The research projects aimed to assist Nedlac social partners to make informed contributions in respect of a comprehensive social security system and retirement reforms. This first section summaries the five reports before the reports are presented.

# Summary of Report 1: Economies of Scale



**Report 1: Economies of Scale**

The purpose of the research was to study [economies of scale](#) in the South African retirement fund industry. Changes in the industry warrant an updated investigation into economies of scale in retirement funds. Given the importance of retirement funds in households' wealth, this study was important to ensure that the system is well functioning and low cost.

***Findings of the study:***

- The initial examination of the data shows that there have been significant changes in the retirement fund industry over the period 2006 to 2018.
- There has been a general decrease in the [number of funds](#), an increase in the [average fund size](#), and an increase in average [administrative expenses](#) per member.
- The results suggest that over the earlier years 1996-2006, older funds had significantly lower cost elasticities than younger funds and the 23-year funds were much more efficient compared to all funds.
- The analysis by [fund type](#) reveals that these general trends conceal some important differences across fund class and benefit structure
- That the cost elasticity has increased somewhat from 0.705 over 1996-2006 to 0.731 over 2007-2018
- The overall evidence indicates that economies of scale do not meaningfully vary with fund size; with the exception of 23-year funds over 2007-2018 where the quadratic term is significant and indicates an optimal fund size of 300,000.

***Recommendations of the study:***

- It is recommended that a National Social Security Fund (NSSF) be proposed to fill the gap in South Africa's social insurance system.
- That the [estimates](#) contained in the report should be interpreted with caution since they are based on assumptions