

# ABOUT 700,000 EMPLOYEES LOSING SAVINGS TO DEFAULTING EMPLOYERS

By Ivan Tibenkana

The National Social Security Fund (NSSF) has set a two-month window, until May 11, for all defaulting employers to clear their outstanding contributions, including the accrued interest.

While there is firmness to recoup a big chunk of the standard contributions from local employers – supported by litigation costs upon failure – equally, there is uncertainty on whether employers have overcome the previously dented hindrance highlighted in constrained cashflows as amendments to the NSSF Act unleashed higher membership and improved employer obligations.

During a press conference at the NSSF head office in Kampala on Tuesday, the fund said the amount of contributions in default involves close to 700,000 employees.

About 35,000 employers are projected to benefit from the amnesty window, as NSSF's clearance guarantees uninterrupted private sector transactions with Government.

## THE LAG

NSSF says member contributions rose by 10% to sh2.13 trillion in the 2024/2025 financial year, from sh1.93 trillion in 2023/2024. However, compliance has lagged, declining from 57% in 2023/2024 to 52% in 2024/2025.

This has been attributed to an increase in the number of employers who also exhibit cash flow challenges amidst the obligation to cover their entire employee portfolio.

According to the latest state of social protection report by the gender and labour ministry, 6.2% of Uganda's working population (25.49 million) received at least one social protection benefit just like that provided by NSSF and the Public Service Pension Scheme. In the current wave of amends, NSSF intends to recover sh164b from about 28,143 employers by the year-end, and sh30b between March 10 and May 11, supported by a waiver of the entire financial penalty. Around 100,000 employees are also targeted.

On average, there was a 54.5% remittance compliance between 2019 and 2023, with annual contributions rising from sh1.27 trillion to sh1.71 trillion. Across the same period, benefits payments rose from sh496b to sh1.199 trillion.

PHOTO BY IVAN TIBENKANA



Kasaato (third-left), Sajjabi (right) and other officials during the launch of the amnesty period at the NSSF headquarters in Kampala last week

employers yet to register with NSSF, other persistent hurdles limit compliance, and addressing them requires a collaborative approach.

“Economic pressures and liquidity challenges exist, thus pushing some employers to prioritise immediate operational costs over statutory remittances. Also, there is the fear of accumulated penalties. Before this amnesty, many defaulting employers were hesitant to come forward because the 10% monthly compounding penalty often exceeded the original principal debt,” the executive director of FUE, Douglas Opio, said.

Despite the amnesty window providing soft coercion for employer compliance, Opio said a livid gap pertaining

compliance awareness manifests.

He cites a twofold misconception where some workers are presumed too young for contributions, while the 15% standard contribution is treated as optional based on the size of the firm.

As the fund continues to pursue mass sensitisation and employer engagement, market trends partly suggest that compliance is equally linked to the performance of the local businesses as many struggle to break-even. The trend has, in turn, attracted accumulated arrears, bad debts and intentional absconding from remitting contributions.

Whereas there are over 7,000 factories employing more than one million Ugandans, past reports have indicated a big number of these factories are not providing employment benefits like NSSF savings and health insurance to their workers. Enforcing the amended NSSF Act will greatly help workers whose right for social security coverage is violated.

## THE AMNESTY

Effective 2022, amendments to the NSSF Act imposed mandatory contributions by all workers regardless of the size of the enterprise or number of employees. Also, voluntary contributions to the fund and midterm access to member contributions were instituted.

The NSSF Act maintains a 15% contribution per member where 10% is the employer share of the standard contribution and 5% from the employee deducted from the monthly wages.

NSSF's deputy managing director, Paul Kasaato, said the waiver covers three categories of employers, and the fund will pursue court proceedings against those that abscond from the amnesty, with litigation covered by employer costs.

“This offer is open to three categories of employers. Those with outstanding contributions, employers who signed deeds of settlement with the fund from previous compliance assessments and unregistered employers with an obligation to regularise their status with NSSF,” Kasaato said.

While the NSSF Act qualifies a whole or partial waiver of the penalty, provided an employer fulfils certain conditions, in this case, Kasaato said an employer must undertake a self-assessment and determine the amount of contributions owed. Still, they should pay all outstanding amounts and interest accrued.

## BETWEEN THE LINES

Despite the amnesty window providing soft coercion for employer compliance, a livid gap pertaining compliance awareness manifests, the executive director of Federation of Uganda Employers, Douglas Opio, said.

Geoffrey Sajjabi, NSSF's chief commercial officer, says the basis for which to effect compliance is only made easier with formal employment documentation that can be audited. However,

this is largely absent in the informal economy.

“Those that generally adhere are within the formal sector. The majority of the employers with less than five employees are in the informal sector. So, from what we see, formal entities find it easier to comply than the informal. It is partly because a lot of the employers in the informal sector also employ people informally, without contracts,” Sajjabi says.

**EMPLOYERS GROUP WEIGHS IN**  
The Federation of Uganda Employers (FUE) says besides the prevalence of informal businesses with many