SOCIAL PROTECTION SCHEMES IN AFRICA

Edited by

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FOREWORD

The core responsibility of every government is to ensure adequate social protection for the citizens. Social protection may take various forms but, generally speaking, it refers to the support provided in the form of income or benefits to the poor, vulnerable and socially-excluded in society with the aim of enhancing their capacity to protect themselves against social and economic risks such as loss of income, illness, death, and other such contingencies. Thus, social protection embraces both social security and social welfare policies and measures such as social assistance for the elderly, support for children and the disabled, as well as interventions aimed at empowering individuals or groups to earn income through employment or self-employment.

The majority of Africa's nearly one billion people live in poverty, destitution and squalor. Africa's poor and destitute are mostly found in the rural areas where they are engaged in agriculture and other informal economic activities. Many of them rely on the complex traditional social network for social protection. But the continued weakening of extended family support in the face of harsh economic realities as a result of neo-liberal globalisation and rapid rate of urbanization means many people including children, the elderly and the disabled, are left to struggle for survival. Today, after many years of relatively high economic growth in Africa, the majority of the African people still lack social protection. In most African countries, social protection exists for only a tiny fraction of the population working in the formal segment of the economy including those employed in the public sector and a few others in the private formal sector. Thus, the sections of the population who desperately need social protection are those who do not have access to it.

Public officials are often ready with answers such as "we do not have enough resources to provide social protection". But recent studies have shown that every government, including those in Africa, can provide social protection for the most vulnerable people in society - children and the elderly, if they get their priorities right. It is also well known that governments never get their priorities right if civil society is apathetic about the public choices made by their governments. In societies where civil society organizations can pile up pressure on governments public choices are made according to the needs of the society. This is where the role of trade unions becomes crucial.

In almost all African countries, the trade union movement is among the most visible civil society organizations with some amount of leverage on public policy choices. Unions must, therefore, ensure that a significant portion of public resources is committed to the provision of social protection for the most vulnerable in society. The ILO Convention 102 (1952) - the Social

Security (Minimum Standards) Convention 102 (1952) provides a good guide for the provision of social protection. Unions must join hands with other civil society organisations to ensure that social protection becomes a priority for governments across Africa.

Before trade unions can shift the attention of government to social protection issues, they should first be adequately informed about the situation on the continent with respect to social protection. This study, which is based on information from ten African countries, provides the information and the lessons required to kick-start trade union campaign to ensure that social protection becomes a priority for governments in Africa. Through this study, the ALRN is calling on all trade unions to lead the campaign for the adoption of the Social Protection Floor (i.e., access to essential services such as water, food, health, sanitation, education and basic income for poor households). It is important to underline the fact that the only way to ensure social protection on a sustainable basis is to create the conditions for decent work, particularly for the youth and women. Decent jobs guarantee adequate income for workers and their families and, thus, reduce poverty and vulnerability. Therefore, as part of the efforts to ensure the provision of adequate social protection, unions must work with their social partners to create the conditions for decent work.

To the researchers in the African Labour Research Network, I say the publication of this book should not be the end of the process which started almost three years ago. You have to assist the trade union leaders in your countries to engage their social partners so that, collectively, we can make social protection a priority issue in Africa.

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Accra, Ghana

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KEY ABBREVIATIONS AND ACRONYMS

AIDS	Acquired Immunodeficiency Syndrome
ALRN	African Labour Research Network
AME	Average Monthly Earning
ANC	African National Congress
APE	Annual Pensionable Emolument
ARV	Antiretroviral
ASISA	Association for Savings and Investment SA
BFU	Botswana Federation of Trade Unions
BIG	Basic Income Grant
BoZ	Bank of Zambia
COIDA	Compensation for Occupational Injuries and Diseases Act
COSATU	Congress of South African Trade Unions
COTU	Central Organization of Trade Unions

CSG	Child Support Grant
CSOs	Civil Society Organizations
DSD	Department of Social Development
EMCOZ	Employers' Confederation of Zimbabwe
EPRI	Economic Policy Research Institute
ESAP	Economic Structural Adjustment Programme
ESPP	Enhanced Social Protection Project
FBOs	Faith Based Organizations
FDI	Foreign Direct Investment
FEDUSA	Federation of Unions of South Africa
FKE	Federation of Kenya Employers
GDP	Gross Domestic Product
GEPF	Government Employees Pension Fund
GIPF	Government Institution Pension Fund
GNI	Gross National Income
GOK	Government of Kenya
GPA	Global Political Agreement
GRZ	Government of the Republic of Zambia
HDI	Human Development Index
HDR	Human Development Report
HIV	Human Immunodeficiency Virus
ICSCER	International Covenant on Economic, Social and Cultural Rights
IF AD	International Fund for Agricultural Development
IES	Income and Expenditure Survey
ILFS	Integrated Labour Force Survey
ILO	International Labour Organization
IMF	International Monetary Fund
ITUC	International Trade Union Confederation
KIHBS	Kenya Integrated Household Budget Survey
LEDRIZ	Labour and Economic Development Research Institute of Zimbabwe
LAPF	Local Authorities Pensions Fund
LAPTRUST	Local Authority Pension Trust
LFS	Labour Force Survey
LuSE	Lusaka Stock Exchange

MCTU	Malawi Congress of Trade Unions
MDGs	Millennium Development Goals
MSD	Maternity, Sickness and Death Benefits Fund
NACTU	National Council of Trade Unions
NALEDI	National Labour and Economic Development Institute
NAPSA	National Pensions Scheme Authority
NEDLAC	National Economic and Development Labour Council
NGOs	Non-Governmental Organizations
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
NUNW	National Union of Namibian Workers
OAP	Old Age Pension
OVC	Orphans and Vulnerable Children
RAF	Road Accident Fund
RBA	Retirement Benefits Authority
RBZ	Reserve Bank of Zimbabwe
RNFU	Rhodesian National Farmers Union
SACCOS	Savings and Credit Cooperatives Societies
SADC	Southern African Development Community
SARB	South African Reserve Bank
SASSA	South African Social Security Agency
SHIB	Social Health Insurance Benefit
SIDA	Swedish International Development Agency
SME	Small Medium Enterprise
SPII	Studies in Poverty and Inequality Institute
SSC	Social Security Commission
TISS	Tanzania Interbank Settlement System
Stats SA	Statistics South Africa
SWAPO	South West Africa People's Organization
UDHR	Universal Declaration of Human Rights
UIF	Unemployment Insurance Fund
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
GHS	General Household Survey
ICESCR	International Covenant for Economic, Social and Cultural Rights
WEF	World Economic Forum
WIBA	Work Injury Benefits Act
WFP	World Food Programme
ZANU-PF	Zimbabwe African National Union - Patriotic Front
ZaCTU	Zambia Congress of Trade Unions
ZiCTU	Zimbabwe Congress of Trade Unions
ZNPF	Zambian National Provident Fund
ZSE	Zimbabwe Stock Exchange

ABOUT THIS BOOK

From literature review, research and practice, the evolution, meaning and scope of the concept of social protection could seem varied and wide. However, whether from different ideological constructs or sheer pragmatism, there seems to be a convergence in describing social protection as a human right. As this book has ably elaborated, multi-lateral political platforms such as the United Nations and more specifically the ILO have acknowledged and now locate social protection in a broader context that underscores the need to reduce poverty and inequalities in society. Social protection has thus been refined and even proven to actually generate growth, accelerate human development, and deepen social justice. This book adopts such a broader conception.

The adoption of the Declaration on Social Justice for a Fair Globalization at the International labour Conference (ILC) in 2008; the approval of Social Protection Floor (SPF) by UN Chief Executives Board as one of its joint crisis initiatives (with the ILO and the WHO as lead agencies) in April 2009; the adoption of the Yaounde Tripartite Declaration on the implementation of the SPF at the ILO's Second African Decent Work Symposium in October 2010; the strong support of the SPF at 2nd World Congress of the International Trade Union Confederation (ITUC) in Vancouver, Canada, in June 2010; and the endorsement of the SPF as part of the ILO's two-dimensional strategy at the 100th ILC in June 2011 are all pointers of global consensus on social protection. In addition, continental, regional and national policy frameworks are all embracing social protection as an instrument for achieving sustainable human development.

In all of these, the challenge to trade unions as key advocates in advancing the cause for social justice is to remain ideologically resolute in charting a course that would ensure that beyond multi-lateral continental, regional, and national policy proclamations, real and sustainable action on social protection is realised.

This book, therefore, is an added contribution to such global efforts. The book is written not only to provide empirical undertakings on social protection in the eleven Sub-Saharan Africa (SSA) countries, but also to deepen social dialogue and consolidate sustained action on social protection by trade unions working together with other progressive forces.

The book has four main chapters. Chapter one is a foundation chapter that lays an overview of the social protection schemes in Africa, focusing on the types, main features, legal and institutional framework, form of reforms and challenges hitherto, the role of trade unions and the comparison of the schemes in Anglophone and Francophone countries. Chapter two is an analysis of the social protection schemes based on the differences and

similarities of the eleven countries' case studies in terms of coverage, administration, number and type of contingencies, financing and benefits. Chapter three illuminates the best practices on social protection arising out of these case studies while Chapter four contains the actual eleven individual country case studies on Benin, Botswana, Ghana, Kenya, Malawi, Namibia, Nigeria, South Africa, Tanzania, Zambia and Zimbabwe. To retain the originality of the case study from Benin, the report was published in French.

As has been the practice in the ALRN, the production of the country case studies was largely consultative and participatory. In that regard, the proposal to undertake such a project had the blessings of the African trade union leadership at the ITUC General Council in September, 2009, in Lome, Togo. The key methods used in data collection were largely document review and qualitative primary data through interviews. Much of the research work was done between January and June, 2010. This was followed with a rigorous validation progress review workshop in August, 2010 in Windhoek, Namibia. This then culminated in a final product in September/October, 2010. Suffice to mention that the country case studies also underwent quality assurance through meticulous editing and peer review.

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BOOK PEER REVIEW

By

Viviene Taylor

The book, ***Social Protection Schemes in Africa*** edited by Trywell Kalusopa, Rudi Dicks and Clara Osei-Boateng is an important contribution to policy discussions on social protection in Africa. Written in the midst of one of the most severe global economic and financial crises, it provides an overview and description of social protection in Africa and highlights the challenges experienced in providing such protection drawing on 11 country case studies *(the eleventh - Benin chapter is published in French).* Each chapter of the book has a specific focus and together all the chapters leave one with the idea that social protection measures in their current forms and in a global context of increasing unemployment, poverty and inequality are inadequate. Reflecting on the significance of social protection in the context of global insecurities arising from workers exposure to new risks and vulnerabilities, this book reinforces my own analysis that in Africa we need to promote rigorous discourse on how to shift social protection paradigms to better respond to historical and contemporary challenges on the continent. ***Shifting social protection paradigms must form part of a critical agenda for the 21st century in Africa.***

Tracing the influences of colonialism and the resilience of the Bismarkian heritage on social protection schemes in Africa, chapter one provides an overview of the types, main features, legal and institutional framework, form of reforms and challenges experienced in African contexts. The significance of the role played by trade unions is highlighted. Although the book does not make explicit *the breakdown between the traditional nexus of social security, especially in the form of contributory social insurance and formal employment* the section on the economies of Africa does reflect the extent to which the past 30 years of neo-liberal policies have made decent employment a rarity on the continent. The insecure context in which most new jobs are being created in the informal economy where earnings are low and workers are unable to contribute to social security schemes comes across in all chapters.

Each chapter and all the country case studies indicate the trend of rising informal employment and the declining social security coverage of workers in this sector as a result. Changes in global employment patterns and production chains have had significant impacts on workers. Among these impacts are declining paid work opportunities for new job entrants and significant declines in labour absorption rates, casualisation of work especially in sectors where females dominate, declining health and safety measures and the whole arena of work becoming precarious. Low employment trends in Africa expose huge gaps in social protection coverage between the formally and informally employed.

Reinforcing patterns of youth, female, spatial and class based forms of exclusion from mainstream economic activity such trends must point to the need for *rethinking of social protection paradigms.* As pointed out in the book for the whole of Sub-Saharan Africa the average coverage rate is approximately 6 percent compared to the global average of 25 percent (Forteze et.al, 2010). In this context *it is critical for the policy discourse to emphasize new social protection directions not just based on reform of existing systems but importantly on the need for national and continent wide policy consensus on a social protection floor below which no citizen should fall.*

Chapters and country cases in the book also highlight the emergence of alternate informal systems of protection that individuals and groups are developing to mitigate risks and respond to acute poverty. The erosion of family and related support systems as societies modernise and workers become more mobile and migrate within the region weakens informal systems of solidarity and highlights the need to rethink how we address issues of social provision and put into place protective guarantees. The scale of insecurity arising from structural fault lines in our social and economic systems means that risk pooling through mutual funds and other communal strategies may address crises in the short- term but are inadequate for chronic, intergenerational cycles of poverty. Moreover such informal arrangements are inadequate

without complementary measures to address basic needs and cannot be sustained without significant government and international support. As more workers are pushed into informal small, medium and micro enterprise development on their own accounts, those who are left out of such activity will continue to experience multiple deprivations and will not experience the benefits of even limited economic growth. Deliberate policy choices need to be put on the agenda of countries in Africa to address mass based poverty, unemployment, malnutrition and other livelihood insecurities. Such policy choices should focus on both reform of existing systems as done in this book as well as on the progressive realisation of social protection of all those currently excluded. Policy options for inclusive social protection can be designed according to country specific contexts in a developmental manner within a nationally and regionally agreed agenda that ensures measures are put into place that will mitigate risks, reduce poverty and provide distributive justice for those in extreme deprivation.

Chapter 3 of the book includes a trend analysis of employment and unemployment in Sub-Saharan Africa estimated at 8.2% in 2009 (ILO, 2010:24). Significantly the chapter highlights the extent to which aggregate estimates mask one of the highest rates of underemployment and concern that a significant number of workers live in poverty and are categorized as "the working poor". The trend of increasing numbers of working poor is likely to continue given the ILO's estimate that vulnerable employment as a share of total employment is likely to increase from about 75% to approximately 80%.

Typical work based social insurance measures or existing means tested government social assistance provision for designated vulnerable categories of people such as the elderly, children, disabled people and orphans are meaningless in contexts in which upwards of 40 percent of most people live in chronic poverty. In such environments market based systems are only able to respond to the needs of the minority who have permanent employment. Most countries on the continent have a combination of market, state and community based social protection systems. The number, coverage and sustainability of these systems are determined by a range of factors including sustained job creating economic growth, social stability, administrative and bureaucratic accountability, transparency and state capability.

This book puts the plight of the working poor and those who are experiencing multiple deprivations on the policy agenda. It serves to remind us of the policy choices that are being made when it comes to addressing the needs and conditions of those who live in destitution and those at risk of falling into deeper poverty. It also helps to focus attention on how countries in Africa adopt policy options designed without regard to the historical and political economy contexts of the region. The question that policy advocates need to engage with is why despite evidence of increasing poverty, unemployment and inequality countries in Africa are dependent on following a path that will not redress imbalances.

While social protection measures have an important role to play in promoting the well being of those who are experiencing the worst forms of poverty, such interventions must be complemented by wider social policy measures designed to address health care, education and other forms of asset redistribution. Addressing both structural poverty and risks experienced through a lifecycle approach means that new directions in social protection are needed. Such new directions, led by progressive labour unions and broader progressive civil society organisations need to advance an agenda that do not only reform existing systems but addresses the underlying causes of inequity and poverty.

Shifting the social protection paradigm within an inclusive social policy process requires a focus on both the working poor as well as those who are excluded from economic activity and who are vulnerable. It is only through such processes that existing systems designed to reproduce inequalities and generally reinforce existing power imbalances can be changed. At national and regional levels it is important to develop frameworks that place at the centre values, principles and norms that promote equity, ensure the reduction of poverty and social inequality and that make unaccountable systems of administration transparent, accountable and efficient.

As discussed in chapter 3 of the book some countries use a constitutional mandate to ensure social and economic rights of citizens are 'justiciable'. South Africa's Constitution for example ensures the right to social security. However, even in contexts where rights

are expressed through constitutional and policy mandates it is necessary to clarify what such rights imply in the form of entitlements. Without clarity on what people have a right to and how such rights translate into specific entitlements or endowments it becomes difficult to push a social protection agenda that builds the capabilities of workers and those outside of the workforce.

Countries in the region need to develop society wide consensus on what should constitute a social minimum or floor below which no one should fall. In highlighting the many challenges facing countries in the region as they attempt to expand social protection the book emphasises the role of unions and the role of governments as important. Undoubtedly for labour unions, governments and the private sector a continuing challenge in the 21st century has to be how we understand the notion of work, whose work has value and under what conditions.

At another level debates on social protection within a transformative agenda must push to the fore the idea that all workers, those in the formal sector, the informal sector those who are unpaid and who are eking out an existence in precarious conditions, should be protected. *In an era of great affluence as a result of globalising forces it is unconscionable that the trade -offs among policy choices remain that of setting the need of one group of the poorest workers against another group such as those in the informal or survivalist sector.* This book adds value by sharing research based evidence, knowledge and the consequences of certain social protection choices. In its focus on existing measures it illuminates starkly the needs of the majority who remain outside any forms of protection.

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CHAPTER 1

FOUNDATION CHAPTER: SOCIAL PROTECTION SCHEMES IN AFRICA

By

Kwabena Nyarko Otoo & Clara Osei-Boateng

Introduction

Social protection consists of a set of benefits provided by the state, the market or a combination of both to individuals or households to mitigate possible hardships resulting from reduction or loss in income. The reduction or loss of income may be the result of sickness, maternity, employment injury, invalidity, old age or death. Social protection could be a social security or social assistance. While social security is usually provided through social insurance programmes, social assistance comes in the form of state sponsored social benefits to the citizenry.

Social protection is recognized in several international, regional and sub-regional instruments as the right of every individual which is crucial in the fight against poverty. Article 22 of the Universal Declaration of Human Rights and the International Labour Organisation (ILO) Convention 102 of 1952 underscores the importance of social security. Social security is part of the global ILO strategic policy framework for a decent work. The Regional Strategic Plan of the International Trade Union Confederation (ITUC) Africa Region - has also identified social security and social protection as key areas that labour movements in Africa must focus to improve the welfare of the labour force.

Social protection is primarily concerned with the prevention of poverty among different population groups that experience reduction or loss of incomes in their life-cycle. As individuals grow old, they experience different patterns of income and expenditures. This results from the fact that individuals vary their economic behaviour with age. Young adults tend to increase their participation in the labour market. With good human capital and jobs, they are more likely to earn more than they expend. As they grow older, adults are more likely to decrease their participation in the labour market leading them to experience reduction or loss of income. And children who ought not to work have need for income as well. This means that at different ages within the life-cycle, individuals go through different patterns of income and expenditure. These patterns often lead individuals to go through a life-cycle of surpluses and deficits. And every society must decide how the deficit is financed.

As in the rest of the world, African societies have traditionally relied on the extended family system that took great responsibility of caring for children, the aged and the infirm. In the era of globalization and urbanization, the extended family system has weakened considerably and is no longer capable of shouldering that burden. At the same time, modern forms of social protection introduced in many African economies have excluded large proportion of the population in need of such protection. This is explained by the exclusive reliance on contributory social insurance (social security/pensions) as the mechanism for delivering social protection. On the average, mandatory social security reaches less than one-tenth of the labourforce in Sub-Saharan Africa. And the coverage rate continues to deteriorate particularly after the 1980s. Non-contributory pensions are only a novelty in Africa. Social safety nets programmes are implemented on a smaller scale and in ad hoc fashion, usually to address pressing social problems.

This section reviews the state of social protection in Africa. It looks at both contributory and non-contributory schemes. It does this by examining the types of social protection systems available, their financing arrangements and the benefits offered.

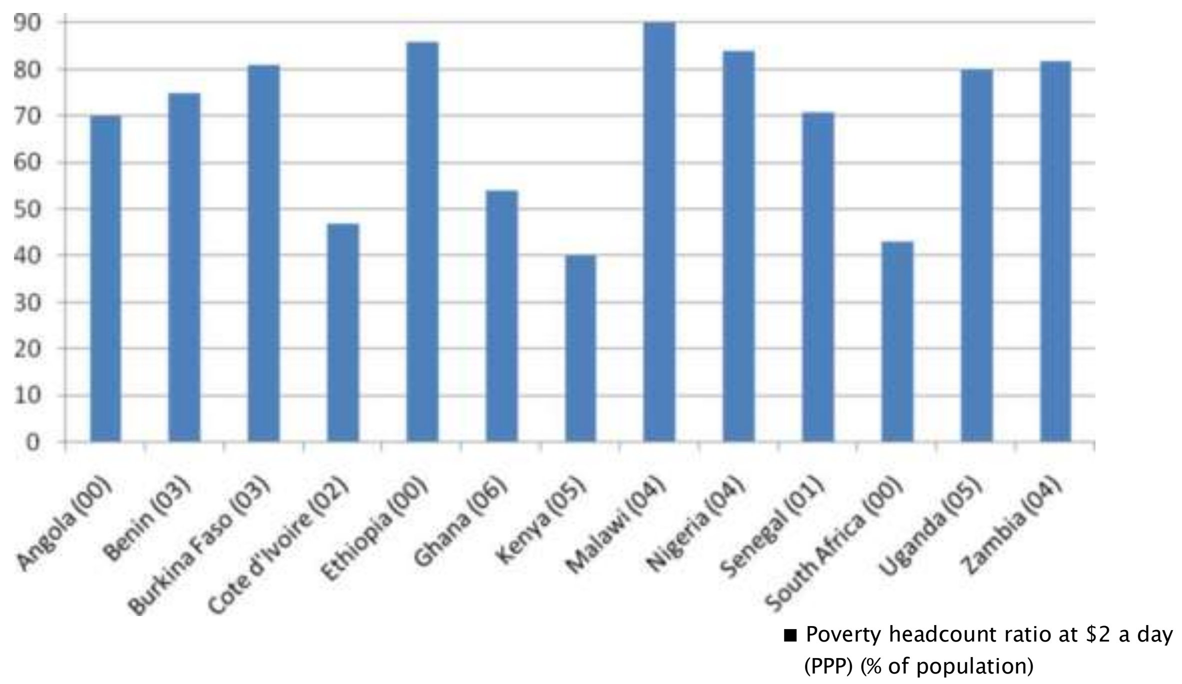
The Economies of Africa and Social Security

In the past three decades, African economies have been subjected to rigorous economic and social policy experiments. Beginning in the early 1980s, economic and social policies have gone from the rubrics of structural adjustment to poverty reduction strategy and then to the Heavily Indebted Poor Country (HIPC) initiatives. These programmes share one thing in common: they are premised on the notion that the market mechanism works better for economic growth and that growth is good for jobs and for human development, including poverty reduction. Specific policy measures that have been implemented as part of these economic programmes have included trade liberalisation, financial sector reforms which have included liberalisation of external payment, withdrawal of the state from economic activity and the heavy deployment of market forces.

The growth response to these set of measures have been anything but spectacular. The promised high growth that was to accompany these policies has failed to materialize. Overall, Sub-Saharan Africa (SSA) achieved what can be called modest growth rates. For the period 1997 to 2007, SSA registered average growth rate of 5 percent, only increasing marginally to 6 percent between 2006 and 2007 (World Bank, 2010). In spite of this growth, the hope of a trickle down did not occur. Large numbers of Africans continue to face dehumanizing poverty. The World Bank estimates that at the end of 2007, more than half (50.9 %) of the African population subsisted on less than US$1.25 a day, and nearly three-quarters (72.9 %) of people in Sub-Saharan Africa live on less than US$2.00 in a day. In absolute terms, the number of Africans in extreme poverty has increased from 297.51 million in 1990 to 388.38 million in 2005 (UN, 2010). Added to these numbers, the recent food crisis (2007-09) is projected to increase Africa's poor population by about 4 percent (Ivanic & Martin, 2008). The Global Financial and Economic Crisis is also estimated to throw a further 7-10 million Africans into poverty. Figure 1, shows the poverty headcount ratio at $2 a day as a percentage of the population in selected Sub-Saharan countries.

Figure 1: Poverty headcount ratio at $2 a day (as a percentage of population)

Poverty headcount ratio at $2 a day (PPP) (% of population)



Source: WDI, various years

Different population groups face different risk-mitigation possibilities and are therefore affected differently by poverty. The elderly, the population aged 60 and above face greater risk of poverty than the rest of the population since they are more likely to be vulnerable to sickness and disability. In Sub-Saharan Africa, the evidence is that households with older people tend to be poorer than the general population. In a study of national poverty rates in 15 African countries[1], Kwakwani and Subbarao (2005) found that in all of the countries poverty rates are higher in households with elderly people than those without elderly people. In nine of the countries the difference was statistically significant while in six countries it was not. But there is also significant poverty among other population groups in Africa. For example, the incidence of poverty among young people (15-24) is estimated at over 70 percent. In Nigeria the incidence of

[1] The countries included in the study were Burkina Faso, Cameroon, Ethiopia, The Gambia, Guinea, Kenya, Malawi, Nigeria and Zambia.

poverty among young people was estimated at 93 percent in 1996 (WDI, 2008/09).

For the elderly, access to pensions can make a big difference in mitigating their vulnerability to poverty. But globally, access to pensions (contributory) is just around 25 percent and appears to be falling everywhere (see figure 2). In Africa, however, less than 20 percent of persons aged 60 and above have access to any form of pension. In most countries on the continent, pension coverage is less than 10 percent; the only exceptions are the countries that implement universal old pensions that are non-contributory. For young people, the most sustainable way to address poverty is to build their human capital and facilitate their access to decent employment. With decent employment, young people can afford to enrol in contributory social security schemes and accumulate pension rights.

However, the past 30 years of neo-liberal policies have made decent employment a rarity on the continent. Nearly all new jobs are being created in the informal economy where earnings are low and workers are unable to afford to contribute to social security schemes. With rising informal employment comes declining coverage of social security schemes. Most countries on the continent operate contributory defined benefit schemes that are compatible with workers who have employer-employee relationship (i.e., workers in the formal sector). These schemes tend to exclude workers in the informal sector due largely to the fact that productivity level in the informal economy is too low and incomes are irregular making it difficult for workers to enrol in contributory schemes.

Apart from low coverage, pension schemes in SSA tend to offer very limited benefits to those who are covered. Out of the 9 benefits stipulated in ILO Convention 102, most schemes in Africa offer only three benefits: survivor, disability and old age pension. Most Anglophone African countries provide only old age pension and related invalidity and survivors' benefits. Benefits in Francophone African countries expand beyond old age to include work injury, family and child benefits. Most of the schemes also pay very low pensions, making it difficult for pensioners to adequately smooth their consumption and protect themselves and their families from the risk of poverty.

Social security schemes in Africa also face administrative challenges. Oftentimes, political interference and bureaucracy have rendered schemes inefficient to meet the needs of scheme members. Improving administrative performance has also been difficult to meet. Meanwhile, cost reduction and good record keeping are at the core of providing better services and eliminating the opportunities for corrupt behaviour, but many schemes struggle to meet these standards (Barbone & Sanchez,1999).

The exclusion of the informal sector from public social security schemes presents issues of gender inequity and vulnerability. The informal sector in Africa is dominated by women and young people. The proportion of females in informal employment is estimated at 57 percent in Ghana, 65 percent in Benin, 58 percent in Malawi and 53 percent in Namibia (Baah, 2007). Thus the exclusion of the informal sector amounts to denying women and the youth access to social security. And obviously, inadequate protection for women and the youth expose them to unmitigated risks that tend to push them into poverty which perpetuates throughout their working life and retirement.

As most informal operators are excluded from coverage, they have evolved for themselves informal arrangements for social protection. Traditional African societies have always relied on kinship support in times of distress. Families, kinship groups and communities have evolved strategies to meet life contingencies faced by other members. For example, mutual funds and communal levies are common traditional forms of sharing risks. Traditional savings mechanisms (e.g. susu in Ghana and osusu in Sierra Leone savings schemes, commonly used in other parts of West Africa) provide income which can be used in times of illness, unemployment or maternity. However, most of these arrangements focus on specific products rather than broad coverage schemes. They thus provide very little protection for individuals and families that face recurring life risks.

Pension reforms are relatively new on the continent. Nevertheless many countries have either undertaken major reforms or are in the process of doing so. The key goal has been to expand coverage by introducing tiered schemes that serve different groups (Ghana), changing financing mechanisms - from contributory to non-contributory schemes (Lesotho), parametric reforms involving changing the formula for calculating benefits (Kenya, Senegal and Uganda) and introducing unified schemes for all workers (Zambia and Ghana). It is only in Nigeria where structural reforms that change benefit calculations, administration and financing mechanisms all at the same time have been seriously proposed.

Trade unions have played central roles in the administration of formal social security schemes on the continent. In countries such as Ghana, Sierra Leone, Kenya and Zambia where administration of formal social schemes are governed by tripartite body made up of government, organized labour and employers, trade unions continue to play major roles in the administration of such schemes. Trade unions also feature prominently in the various reform efforts as they protect the interests of their members and the generality of the workforce. Through collective bargaining processes, unions in Africa have secured for workers benefits that are not included in formal social security schemes. For example, workers have access to

severance (income protection in the event of unemployment), maternity benefits and work injury benefits as a result of the efforts of unions.

Main Features of Social Protection Programmes in Africa

At independence, most countries in Africa established or inherited from the colonial administration provident fund schemes that were limited to workers in the civil or public service. These were later (in the 1980s and 90s) transformed into full pension schemes and made mandatory for workers in the formal private sector as well. Most of the schemes that currently exist in countries are contributory earnings-related defined benefit schemes. Few countries, mostly in Anglophone Africa, have maintained provident fund schemes inherited at independence. These include The Gambia, Kenya, Swaziland, Tanzania and Uganda.

For a majority of countries in Africa, social protection is modelled along Bismarck-type social protection schemes where beneficiaries are expected to contribute and acquire pension right or the right to use a given facility as in the case of health insurance. These schemes are the classic social insurance schemes in which coverage is determined by ability and willingness to contribute a proportion of one's income while in active service. The typical country in Africa inherited and continues to operate a defined benefit scheme in which the formula for calculating benefits is determined upon enrolment.

Social security is mandatory for formal workers (i.e., workers who have employer-employee relationship) in most countries. Informal workers can enrol or participate voluntarily. The mandatory nature of social security in Africa reflects the colonial legacy of the schemes. It also reflects the practical necessity to ensure sufficient insurance against old age poverty. Individuals faced with myopia (short-termism), liquidity constraints and imperfections in capital and insurance markets can be expected to save enough for old age and other contingencies including health, disability and unemployment. Governments then step in to mandate compulsory savings in the formal social security contributions to prevent mass poverty in old age which would then require fiscal allocations from the state. In the formal sector, it is relatively easy and less costly to enforce mandatory and contributory social security since formal sector firms are registered and can easily be identified. In the informal sector, the situation is different and social security mandates cannot be easily enforced.

There are few countries in Africa mostly in the southern part of the continent that have established the non-contributory schemes (basic pensions) that pays pension to all residents who attain a given eligibility age, usually the mandatory pensionable age. There are eight countries with this kind of basic pension including Botswana, Lesotho, Mauritius, Namibia and Seychelles. Cape Verde, Liberia, South Africa and Swaziland also operate means-tested pensions for a section of the elderly that meets the test.

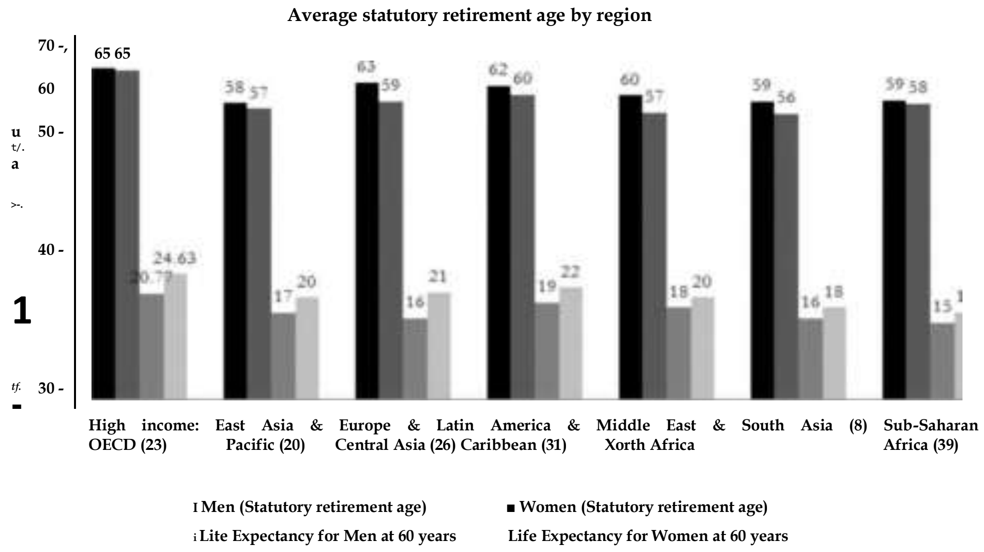
Another important feature of social protection on the continent is that most countries maintain separate programmes or schemes for civil servants and for workers in the private sector. Just about 11 countries have integrated schemes for the entire workforce.

The Gambia, Ghana and Cameroon have partially integrated schemes; they maintain separate schemes for the Armed Forces. For some countries such as Ethiopia and Malawi, the civil service pension scheme remains the only scheme in the country. On the whole, nearly every country in Africa has in place one form of social security scheme for employees of national, state and municipal workers, the military, the police, teachers and workers of local government authority.

For the most part, social security schemes in Africa maintain retirement age ranging from 55 to 60 years. Some countries have different retirement age for men and women and for workers in different occupations. In Togo, workers in state parastatals retire at the age 60 while junior civil servants do so at the age of 55 years. The average for men in Africa is estimated at 59 while that for women is 58 years. Nearly all the countries have provision for early retirement age with the average being 50 years.

The vesting period (the minimum years of contribution that qualifies one for benefit) differs considerably among countries. The average is 15 years in Africa compared to the world average of 16 years. The relatively low vesting period in Africa should be understood in the context of the generally low life expectancy on the continent as shown in figure 2.

Figure 2: Average statutory retirement age by region



Source: World Bank, 2010

In some countries, a survivor's pension is paid to the dependents of the deceased, if the minimum number of contribution was met by the deceased. Dependents receive survivors' settlement if the minimum contribution was not met by the insured deceased. Survivors' settlement is usually a percentage of the full pension of the deceased depending on number of years of contribution.

Countries in Africa also have different contribution rates. Rwanda and Liberia have the lowest contribution rates of 8 percent wages. Ghana is among the countries with the highest contribution rate, 18.5 percent of wages. The accrual rates of national pension schemes fall in the range of 1 to 2 percent. Some countries, about eight (8) in Africa, indexed pension payments to prices while 2 countries indexed them to wages.

Table 1: Average minimum vesting period, average accrual rates, and earnings measure by region

Region	Number of countries	Average minimum vesting period	Average accrual rate	Number of countries that use lifetime average earnings	Number of countries that use best/ final earnings
East Asia and the Pacific	6	13	1.8%	3	3
Eastern E. and Central Asia	28	17	1.7%	10	2
LAC	24	18	1.2%	-	17

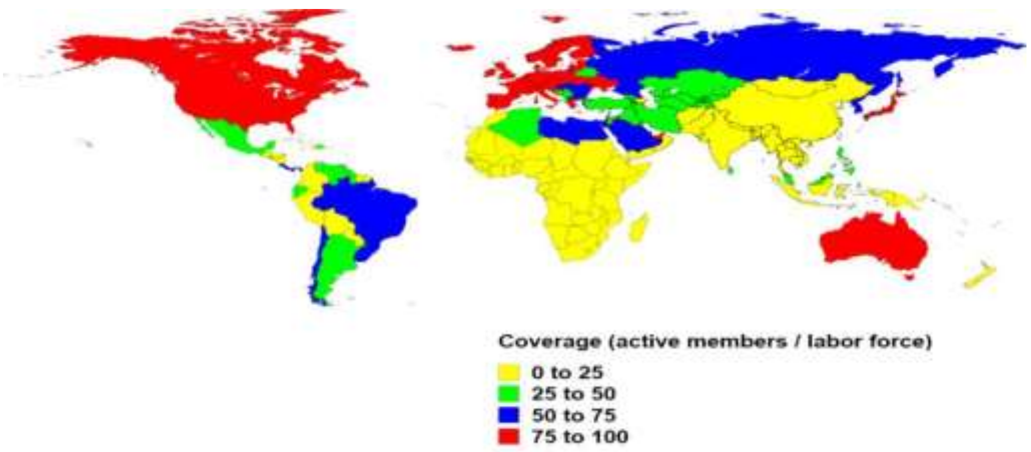
MENA	12	13	1.6%	1	10
South Asia	8	16	2.0%	-	2
Sub-Saharan Africa	18	15	1.6%	-	18
High-income OECD	19	21	1.6%	16	3
World	115	16	1.7%	24	54

Coverage Rates of Social Protection

Coverage rates can be measured before retirement using the proportion of the labour force that is contributing to the scheme. It can also be measured using the proportion of the elderly - those above the retirement - who are actually receiving retirement benefits. Either way, Sub-Saharan Africa remains the region with the lowest coverage rates in the world.

Social security in Africa covers only a minority of the workforce. Large segments of the labour force remain outside the reach of social security and are also not covered by any other forms of social protection. For the whole of SSA, the average coverage rate is just about 6 percent compared to the global average of 25 percent (Forteze et.al, 2010). And the coverage rate continues to fall for many countries as formal employment shrinks and informality becomes the dominant form of employment. Mauritius has the highest coverage rate in SSA with about 50 percent of the labour force covered. Cape Verde has a coverage rate of 27 percent. All other countries have coverage below 20 percent with the majority falling below 10 percent of the labour force.

Figure 3: Social Security Coverage around the World (% labour force)



Source: Holzmann et al., 2009

The three main social security schemes in Benin cover about 13 percent of the population. Coverage rate of the elderly follows the same trend; less than 20 percent of the elderly in Africa have access to any form of pension. For most countries, pension coverage for the elderly is less than 10 percent. In Ghana, for example, the national pension scheme covers about 12 percent of the labour force. In other countries in the SADC region such as South Africa, Lesotho, Botswana, Namibia, Mauritius and Cape Verde, nearly all elderly people are covered by one form of pension or another.

The low coverage of social security in Africa reflects the declining trend of formal employment on the continent. As shown above, most countries in Africa adopted or inherited mandatory contributory schemes at independence. These schemes (contributory) are based on the assumption that as economies developed, more of the labour will secure employment in the formal sector where productivity and earnings would be high enough to afford workers some saving capacity. This would make it possible for the state to enforce social security contributions. This assumption was not only limited to countries in Africa. In fact, the ILO Recommendations of 1944 was based on the idea that contributory social insurance could be relied upon to expand coverage of social protection to all in need of such protection. The view was that informal employment was transitory and that as economic growth proceeded informal employment would diminish. Coverage of social security, it was anticipated, would follow this trend of rising economic growth and formal sector employment.

On the contrary, the pattern of economic growth and employment over the last 30 years has failed to follow this benign view. Economic growth has failed to pull the labour force into

formal employment. Informal employment has expanded in nearly all countries in Africa and a significant majority of the workforce is trapped in low-productivity employment in the agricultural sector. Overall, more than half of the labour force in SSA is in self-employment. In some countries such as Ghana, Kenya, Burkina Faso, Nigeria and Sierra Leone, nearly nine of ten workers are employed in the informal economy. And far from declining, informality is on the rise everywhere in SSA as nearly all new jobs are created in the informal sector. These groups of workers earn very little that enforcing mandatory contributions on them appears not feasible. But there are equally high earning workers in the informal sector who can afford to enrol and contribute to any social insurance scheme.

The problem is that it is not only difficult but also more costly to enforce compliance when people work essentially off the books. Unlike formal sector workers, informal sector workers are "usually psychologically engrossed in their problems of immediate survival and thus ill-motivated to provide for distant eventualities (Singh, 1994). As such, operators prefer to invest liquidity in business or properties such as housing and land to guarantee continuous income. For self-employed persons, the reality that they would pay "double" contribution (i.e. both employer and employee's shares of contribution) does not make schemes attractive.

Systems design has also failed to incorporate the necessary incentives to induce self-compliance. Social insurance administrators appear uninterested in covering the large swathe of the workforce who remains uncovered. Pension portability is almost non-existent in Africa. There may be only one scheme or the legal framework restricts contributors to a particular scheme, even where multiple schemes exist. Countries do not have the legislative framework permitting contributors to carry benefits to another scheme. Given that the typical worker in Africa tends to shuttle between the formal and informal sector, lack of portability and long vesting period weakens incentives for voluntary enrolment.

Social Security Benefits/Contingencies

ILO Convention 102 defines nine (9) benefits to be provided by every social security system. These are old age, invalidity, survivor's benefits (commonly referred to as pensions), unemployment benefits, maternity benefits, medical care (health insurance), employment injury, family allowance, and sickness benefits.

Countries have traditionally relied on different mechanisms for providing these benefits. For the most part, countries do not provide all these benefits at the same time; benefits are added on as countries grow and become more prosperous. Old-age, invalidity and survivors' pensions are the common benefits provided across Sub-Saharan African. Few countries mainly francophone provide benefits such as work injury, maternity and family/child benefits through the social security system. Middle income countries like Botswana, Mauritius, Namibia and South Africa provide universal/means-tested pension schemes and other social assistance. Only South Africa provides unemployment insurance for workers who become unemployed. Other countries rely on employer-financed severance pay to ameliorate income loss associated with unemployment.

Pension/Retirement (Old age, invalidity and survivors' benefits)

As stated earlier, the average retirement age in SSA is 58 years for women and 59 years for men. The average minimum contribution (vesting) period is 15 years. Workers who meet the vesting period before reaching retirement have the option to retire early. Workers who retire early receive nominally reduced pension. Individuals employed in certain hazardous work environments such as underground miners, seamen and the armed forces are usually offered early retirement at full pension. Full pension is paid in some countries to any insured person at the voluntary retirement age if the minimum contribution has been met. Insured persons who do not meet the minimum contribution receive a refund of their contribution in lump sum or monthly settlement.

Pension is paid in countries like Ghana and Nigeria at the statutory age regardless of whether the beneficiary is still in gainful employment. But in Benin and Togo (and largely in Francophone countries), complete retirement from employment is mandatory to access pension benefits. Universal pension schemes often do not require retirement from employment. The minimum age and contribution to be eligible for invalidity pension is usually shorter than old age pension. Invalidity pension in some countries is converted to old age pension if the insured meets the minimum contribution that qualifies one for old-age pension. Some schemes cover occupational injuries only. For example, in Togo, an insured loses benefits if the injury occurred outside the performance of the occupational duty.

Certain conditions, like the legal status of a widow(er) or age limits of dependent's children, are required under most schemes in Francophone Africa. In most countries, the age limit for children is 18 years. Higher age limit may be set for children in school, apprenticeship or the disabled. In Benin, dependent children below age 19 (or 22 if still in school) receive survivors' benefits. Niger social security laws make a distinction between half and full orphan in determining benefits.

In some countries, a widow(er) must have been married to the deceased (and cared for him/her) at least one year before the death, or must be pregnant for the deceased or must have been mother of children of the deceased to be eligible for benefits. In most countries, a widow(er)'s benefit ceases upon re-marriage, usually with a final lump sum. The Kenyan National Social Security Fund (NSSF), among other conditions, requires the widow(er) to be of "good character".

The rest of the benefits listed in the ILO Convention 102 are usually mandated through the labour laws of countries. The labour laws of some countries confer employment-liabilities on employers mandating them to provide these benefits. For example, the labour Act 651, 2003 in Ghana mandates employers to provide work injury benefit, paid sick leave and paid maternity leave as well as severance pay to employees in case of redundancy. Also in Uganda, Zambia and Zimbabwe, work injury benefits are statutory obligations of employers. Given that the liability solely lies with the employer, some private enterprises insure these risks with private insurance companies. We have discussed below how countries have typically dealt with these other benefits.

Employment injury: The legislative framework on provision of employment injury varies from country to country. In some countries employment injury benefit is an employment liability, but others provide that under public social security schemes. In Ghana, Uganda and Zambia, employers are mandated by law (Workman's Compensation law) to provide compensation to employees who suffer industrial injury. On the other hand, employment injury benefit in Benin, Niger and Togo is shared between the employer and the CNSS[2].

Sickness: Sickness benefit is an employer liability in most African countries. Usually, the labour laws of countries mandate employers to provide for employees paid sick leave and paid annual leave.

Maternity leave: Like employment injury, maternity benefit is usually an employer liability or covered under public schemes in different countries. In Ghana, Sierra Leone and Zimbabwe, for example, maternity leave is paid by employer to female employees. In Niger, Benin and Togo, on the other hand, maternity leave benefits split equally between the employer and the national social security schemes (e.g. CNSS). Some of these countries provide maternity grant to an insured male upon the birth of a child, even if the wife is not insured.

Unemployment: Unemployment benefit is provided through social assistance programmes in few countries such as Mauritius and South Africa.

Medical care: Ghana, Gabon, Kenya and Morocco have established comprehensive health insurance schemes for all residents. The labour laws of some countries (e.g.

[2] In some of these countries, the employer would not be liable if the employee has not been engaged tor the minimum period prescribed by the law. The CNSS bears hill responsibility tor payment of employment injur)' it the employee did not meet the minimum engagement period by the employer.

Benin and Togo) mandate employers to pay some proportion of employees' (and their dependents') medical bills. Under contributory schemes, certain categories of the vulnerable are by legislation excluded from payment of premium. For example, in both Kenya and Ghana children are covered under their guardians' subscription. People aged 70 years and above in Ghana are also excluded from payment of premium. Health insurance schemes are usually defined benefits. For example, the Kenyan National Hospital Insurance Fund covers every ailment (within an expenditure ceiling and for a maximum of 180 days cover); but the National Health Insurance Scheme (NHIS) in Ghana excludes some ailment such as HIV/AIDS, cancer (except cervical and breast cancer) and dialysis for chronic renal failure among others.

Malawi, South Africa and Uganda among few others provide free medical care through public institutions. Community-based mutual health insurance schemes operate on limited basis in some countries like Benin, Niger and Tanzania. In Rwanda, mutual funds covered over 75 percent of the target population in all provinces by 2008 (ISSA, 2008). Mutual funds or mutual health insurance schemes are usually the initiative of community associations, cooperatives, nongovernmental organizations or health care providers. These schemes usually target operators in the informal sector.

Family Allowance: Family and child benefits are provided usually under limited schemes on the continent. Benin, Niger and Togo for example provide family benefits, child benefits and maternity grants under the CNSS. In Botswana, Namibia and South Africa, family and child benefits are means-tested social assistance to all citizenry. In some countries, family benefits are mainly disability allowance to people who have in their care a disabled person.

Financing Social Security Schemes in Africa

The mandatory social security schemes in Africa are typically financed from payroll taxes with joint contributions from employers and workers. As stated earlier, contribution rates range from 8 in Rwanda and Liberia to 18.5 percent in Ghana. The non-contributory pensions are financed out of general tax revenues. Ghana has instituted 2.5 percent National Health Insurance Levy (NHIL) on some goods and services to finance the NHIS in addition to premium from SSNIT members and non-SSNIT members. In 2009, Gabon raised 30 million US dollars for health by partly imposing a 1.5 per cent tax on companies handling remittances from abroad[3]. Gabon health insurance scheme also raises revenue from taxes on mobile phone companies to cover up the economically inactive population. Universal schemes funded by employees' contribution

[3] The Challenge of Improving Access through Effective Health Care Financing. A presentation by David B. Evans, the Director of Health Financing Systems, World Health Organisation at the Swiss TPH Spring Symposium on 5 April

require a highly formalized economy with effective taxation.

In countries where different forms of social security schemes exist, contributions may be separate for each. South Africans aside occupational pension schemes pay 2 percent to enjoy social security benefits under the Unemployment Insurance Fund. On the other hand the people of Niger pay one premium of 17 percent which is shared between departments of old age/invalidity/death, family benefits and work injury. The SSNIT in Ghana pays to the NHIS on behalf of its members, a premium of 2.5 percent of members' monthly contributions. NHIS premiums from non-SSNIT members range between GHC7.20-GHC48 ($5.10-$34.20).

Sub-Saharan Africa has the least expenditure on social security after South Asia. Generally, SSA spends less than 2 percent of Gross Domestic Product on social security. The ratio of pension expenditure to GDP stood at 0.1 percent for Ghana (1993), Niger (1992), Nigeria (1993) and Zambia (1994)[4]. Though the proportion of GDP devoted to pensions remain small, evidence points to rising expenditure in most countries. The large numbers of individuals employed by most African countries in the 1960s and 70s are now retiring and this calls for increased resources to meet the pension promises made in earlier decades. Niger now devotes about 0.7 percent of GDP to pension expenditure even though coverage remains low and largely confines

to the public sector. Social security schemes supported by a few working people are not sustainable. With the shedding of labour by the public sector and the failure of the formal private sector to absorb more of the labour force, current contributions are increasingly falling short of what is required to meet current payout.

This creates fiscal imbalances that continue to deplete pension reserves in many countries. Ghana's mandatory scheme has reserves of 9.4 percent, Namibia (0.4%), Ethiopia (1.4%), Chad (0.5%) and Senegal (1.6%). These compare with 32 percent for Sweden and 25 percent for Japan - economies with much older population. The provident fund schemes in Kenya and Tanzania have reserves of 12.1% and 9.4% respectively, while Malaysia and Singapore have reserves of 55.7% and 55.6 percent respectively. The rising pension expenditure is also explained by weak administration and the associated high administrative costs (discussed below).

Table 2: Percentage of social security contribution in Selected African

Country	Total Monthly Contribution (%)	Employee's share (%)	Employer's share (%)
Algeria	17	7	10
Benin	10	3.6	6.4
Egypt	30	13	17
Ghana	18.5	5.5	13
Guinea	6.5	2.5	4
Kenya	10	5	5
Niger	17	1.6	15.4
Mauritania	3	1	2
Zimbabwe	8	4	4

Source, ISSA Report, 2009

[4] International Patterns of Pension Provision; Palacios/Pallares 1998, ILO, EPF Staff Estimates and CIV (Barbone and Sanchez, 1999).

Administration and Management of Social Security schemes

In most African countries, a public trust is established to manage public schemes. Examples include the CNSS in most francophone African countries, the National Social Security and Social Insurance Trust (NASSIT) in Sierra Leone and Social Security and National Insurance Trust (SSNIT) in Ghana. The Trusts are usually self-governing with tripartite Board of Directors made up of representatives from government, employers and organized labour. In some countries like Kenya, an authority (Kenya's Retirement Benefit Authority) is established to regulate the scheme. Ghana's National Pensions Law 2008 established the National Pensions Regulatory Authority (NPRA) with supervisory role over the national trust, private trustees and fund managers.

Board of Directors or a Regulatory Authority may only play oversight regulatory and supervisory roles over the management of the schemes. In some countries, the Board of Regulatory Authority does not take part in decisions concerning investment of the scheme funds. They may only give broad directives. The Board or Authority makes recommendations to the legislature for approval. They may have the power to periodically adjust values of benefit.

Social security schemes are also delivered through private establishments such as financial institutions and fund managers. In some African countries, public-private partnership manages social security funds. This may include management of mandatory individual accounts, mandatory occupational pension and mandatory private insurance. For instance, the three-tier pension law (2008) in Ghana establishes a mandatory occupational pension scheme (as second tier) for workers to be managed by private fund managers.

Enterprise-based Provident Funds are usually managed by leaderships of local trade unions or a team (of both management and employees) nominated by the contributors. Kenya has a well-developed infrastructure of brokers, fund managers and insurance companies. Private banking and non-banking financial institutions may provide social security products. These products target specific contingencies such as death, illness or invalidity. Private mutual funds are managed by nominated or elected trustees by the membership.

Administrative bottlenecks such as delay in processing claims and poor record keeping characterizes many schemes on the continent. Poor administrative performance may have varied explanations. Lack of incentive for the board has in some cases ill-motivated performance. Besides, nationwide coverage has led to extensive employment and considerable expenditures on building and infrastructure. Public social security schemes are not excluded from poor service delivery observed in many public institutions. Poor record keeping has resulted in difficulties for funds to track individual accounts or produce updated valuations of their assets. The lack of adequate record keeping provides an opportunity for corrupt practices. In some cases fake employment files have been created to collect pensions.

High administrative cost remains a major challenge facing many schemes in Africa. Administrative costs are higher in Africa than elsewhere in the world. In some countries as much as one-third of contribution revenues are spent on administration. In Ghana, SSNIT's annual expenditure is estimated at over 20 percent of current contributions, implying that for every dollar of contributions received, 25 cents goes into administration. In 1995, the ratio of administrative expenditures to revenues stood at 13 percent for Uganda's National Social Security Fund (NSSF), 18 percent for Tanzania's Parastatal Pension Fund (PPF), and around 40 percent for Cameroon's Caisse National de Prevoyance Sociale (CNPS). Administrative costs in managing private schemes have rather been found to be relatively lower. Countries with relatively low administrative costs spend about 10 percent revenue, more than 10 times higher than European countries of similar size (World Bank, 2011).

High administrative costs are the results of a combination of factors. Low coverage reduces the base and prevents economies of scale, making per-capita expenditure higher than usual. But inefficiency plays a major role in the run-away costs. High administrative costs in conjunction with poor investment decisions lower the rate of returns making it difficult for pensions to pay adequate benefits.

The impact of mismanagement of scheme funds is profound for provident fund or defined contributions. Since provident funds entitlements are dependent on accumulated contribution plus returns, misappropriation has higher implications for beneficiaries. Misappropriations of scheme funds have happened due to lack of awareness of contributors. The end result has been delayed payments of retirement benefits as well as low values of benefits.

In many countries, the key problem has been the interference of the government in the management of the funds. Important decisions regarding investment of scheme funds and management of assets have been the prerogative of national parliaments and governments. This interference has been encouraged by institutional designs that give government control of governing boards and the social security administrations.

Legal and Institutional Framework

Legislative and institutional harmonization is deemed necessary to eliminate fragmentation, rationalize contribution rates and benefit entitlements, as well as promote portable benefits rights (Baruti, 2008). However, most African countries lack comprehensive legal framework on social security. In most countries social security has evolved as a colonial legacy without adequate constitutional, legislative and institutional environment. Ratification of the ILO Convention on rights to Social Security (102) still lags behind. For example, most countries have not ratified the ILO Convention 102 and their constitutions do not recognize social security as a fundamental human right.

Most schemes on the continent have fragmented policy environment. Different policies guide different schemes, leading to a plethora of laws. Kenya, for instance, has the Retirement Benefit Act, 1997, the Retirement Benefit (Amendments) Act, 1998, the National Social Security Fund Act, the National Health Insurance Fund Act, the Pension's Act and Pensions (Increase) Act[5].

Also, legislative framework has been subjected to changes in political regimes. Acts have been passed by different governments in accordance with their development agenda. In effect, legislative or institutional interventions emanate without clear, central and coordinated policy focus. In some cases, social assistance programmes stalls once there is change in the executive and the legislative arms of government.

Most social security laws on the continent are discriminatory against operators in the informal sector. Legislation on scheme contribution, for example, is usually formulated on the assumption that every citizen has regular income. In Kenya, informal sector operators who do not submit their health insurance premium on time face penalty. This provision is enforced regardless of income irregularities in the informal sector.

Parallel Report to Committee on Economic, Social and Cultural Rights, Article 9 of the Covenant (November 2007, Nairobi, Kenya)

Social Security Reforms in Africa

Most social security schemes in Africa inherited from colonial administration have undergone reforms post independence, particularly in the last two decades. Many of these reforms have focused on redesigning pension schemes, introducing health insurance schemes or expanding coverage of existing schemes to operators in the informal economy. Institutional and administrative reforms have also taken place in some countries.

In some countries, provident funds have been transformed into pension schemes to provide periodic benefits instead of the traditional lump sum. For example, in 1998, Tanzania transformed its National Provident Fund (NPF) into full social security scheme, i.e. the National Social Security Fund (NSSF). Earlier in Ghana, in 1991, the SSNIT Provident Fund was transformed into a full pension scheme by a decree. Others are changing from pay-as-you-go basis to fully-funded individual savings accounts.

The difficultly of expanding coverage of mandatory and contributory schemes to the informal sector has also led some countries in Africa to introduce non-contributory social pensions. Countries have also instituted large-scale cash transfer programs as part of the poverty reduction measures. Since 2000, 34 African countries have instituted a total of 123 Cash Transfers programs. In 2004, Lesotho adapted a universal non-contributory pension for all people aged 70 or older. Swaziland in 2005 introduced an old age grant for people older than age 60. South African Department of Social Development in 2008 extended its non-contributory old age grant to men aged 60 (from previous 65). Ghana, Mozambique, Sierra Leone, Uganda and Zambia have initiated pilot programmes to extend cash transfer to older people. The NASSIT of Sierra Leone is piloting a social assistance scheme which delivers cash to the poorest elderly, and disabled persons aged 60 and older in selected chiefdoms[6]. The Katete district in Zambia is also piloting an old age grant, providing monthly benefits equivalent to US$15 to people older than 60 years. Uganda provides monthly benefit to chronically poor older and disabled people (ISSA, 2008).

Table 4: Number of Cash Transfers identified in the Review

Botswana 6 3 2
Burkina Faso 4
Burundi Cape and 1
Verde
Central
Republic
3 2
2 1
African 1
Namibia Niger
Nigeria
Rwanda Sâo
Tomé
Principe

[6] The programme has been running for the past 5years.

Congo	2	Lesotho	3	Senegal
Congo-Kinshasa (DRC)	2	Liberia	2	Seychell
Côte d'Ivoire	1	Malawi	8	es Sierra
Eritrea	1	Mali	1	Leone
Ethiopia	7	Mauritius	8	Somalia
Ghana	1	Mozambique	4	South
Kenya	4			Africa

Sudan Swaziland Tanzania	5 2
Togo	3 8 6 1 3 6 1 1 9
Uganda	8
Zambia	**123**
Zimbabwe	
Total	

World Bank, 2011

Another area that has seen reforms is the provision of health care. In 2005, Morocco for instance reformed its health care system by introducing payroll-based mandatory health insurance plan for both public sector and private sector employees. A public fund was created to cover services for the poor. The reform doubled coverage from 16 percent to 33 percent. Other countries also made similar initiatives. In Ghana, for example, the National Insurance Act of 2003 established a universal health insurance scheme for all residents. Cote DTvoire launched a pilot programme of a Universal Health Insurance scheme in 2004, but has been stagnated by the civil war. In 2007, Nigeria with financial support from the Dutch Government established a Health Insurance Fund (HIF) to provide medical cover to low-income people. In the same year (2007), Gabon launched a health insurance scheme targeting both formal and informal sector operators. Tunisia has established a uniform system comprising basic scheme and operational complementary scheme (ISSA, 2008).

In some countries, attempts have been made to extend pension to self employed persons and people operating in the informal sector. The SSNIT Pension scheme in Ghana established a subsidiary Informal Sector Fund in 2008 targeting self-employed persons especially those in the informal sector. A similar provision is made under the tier three of the new three tier pension law passed in Ghana in 2008. Zambia has also reviewed its social security laws to make self employed persons and operators in the informal sector eligible to contribute.

Administrative and institutional reforms have also formed part of the major changes in social security provisions in Africa. Libya has introduced vertical segmentation with horizontal integration at the municipality level, improving service delivery. In 2005, Senegal and Nigeria established Regulatory Authorities to have oversight responsibilities for pension provision. Algeria National Health Insurance Fund in 2007 introduced the electronic card to simplify administrative procedures and eliminate paperwork. This has reduced claims reimbursement time from 30 to 5 days as well as reduced operational cost. The NASSIT of Sierra Leone introduced a biometric registration in 2007 (ISSA, 2008).

At a conference held in February 2009 by Francophone West African countries in Cotonou (Inter Africa Conference on Social Security Provisions (CIPRES), member governments were charged to ensure social security is extended to the majority of workers operating outside the formal sector. The proposed reform at the meeting has an overall objective to create a National Health Insurance Fund, which will provide care benefits to indigenous persons and operators in the informal economy. Through cash transfer, the proposed scheme aims to mobilize partners and redistribute funds that have been acquired to workers in the informal sector.

Trade Unions' Role in Social Security Schemes in Africa

Social security has in recent times occupied the agenda of trade unions in an attempt to ensure social protection for their membership and the general public. In some countries like Tunisia, trade unions have supported the need for wider social security coverage through sensitization campaigns and educational roles (van Ginneken, 2002).

Trade union leaders participate in the governance of social security schemes as members of tripartite Boards and or Regulatory Authority. In few countries as recently in Ghana, the chairmanship of the Board rotates among tripartite partners such as government, organized labour and the employers'. Kenyan social security tripartite Board members appoint management. However, this has not minimized some governments' interference in the governance of schemes especially where appointment is done by the legislature. In some countries, governments appoint Board membership.

Trade unions have through collective bargaining widened social security benefits to their membership beyond the statutory mandates. For example, analysis of the GLSS5 (2005/2006) data in Ghana shows that unionized workplaces have more benefits than non-unionized workplaces. Some of these benefits as noted in the case of Ghana included medical care, free/subsidized meals and transport as well as housing.

Trade unions have expressed concerns about the large segment of workers operating in the informal sector excluded from social security provisions. This partly explains the focus to organize operators in the informal sector and ensure extension of social security to the sector. In Benin, workers and trade unions and the National Workers and Employers Union (UNSTB) have initiated programmes to sensitize the public about the relevance of social security. Elsewhere in Togo, the CSTT has established a mutual health support for women in the informal economy (Fond d'Appui aux Femmes de Secteur Informal (FAFSI)). The scheme provides medical benefits for women and their children.

Informal Arrangements for Social Protection

The large majority of Africans excluded from social security have mainly depended on informal arrangements for social protection. Traditionally, most Africans have largely relied on the support of the extended family to meet life contingencies. Parents depend on the support of their children during retirement. Extended family members provide for the aged and the disabled, the sick and the unemployed members of the family, the new born child and the mother, the orphaned and even the complete stranger (Kumado and Gockel, 2003). However, growing economic constraints and urbanization have affected kinship ties and ability for family members to provide support. More often, members of the family are either too poor themselves or have other competing demands for their resources.

Mutual help associations have provided avenue for sharing financial risks among operators in the informal sector. These associations are usually the initiative of community members or non-governmental organizations. Based on insurance principles, contributors pool resources together to meet life contingencies. The common benefits shared through mutual associations among informal sector operators include medical care and funeral cost.

Traditional saving mechanisms have become important social security schemes. Although these mechanisms are primarily microfinance savings and credit schemes, they serve social security purposes, since the proceeds are also used to meet health care needs and unemployment burdens, among others. Microfinance savings schemes are very common across the continent. The rotating savings scheme termed 'susu' in Ghana, 'osusu' in Sierra Leone, 'eso dzodzo' in Togo, 'tontine' in Benin and 'upatu' in Tanzania operates not only among informal sector operators but also among formal sector workers.

Like formal sector schemes, informal arrangements face many challenges. The schemes are usually founded on mutual understanding among group members without organizational structure. Often times, contributors lose their saving to unscrupulous people who bolt away with accumulated savings.

Social Security schemes in Anglophone and Francophone Africa: Similarities and Differences

By their nature as colonial legacies, social security schemes in Africa differ between the two main colonial blocks, the Francophone and the Anglophone countries. The differences are found in the design, legislation, benefits offered and administration.

The legislative framework of most francophone schemes excludes completely participation of self-employed persons and operators in the informal sector. Membership of a scheme is acquired through registration by a registered employer on behalf of employees. On the other hand, many Anglophone Africa social security provisions allow participation from self-employed and informal sector workers on voluntary basis. In practice, both Anglophone and Francophone schemes have high density in the formal sector due to design compatibility of people with employment relationship.

Francophone schemes provide broad base benefits beyond the traditional pension (old, invalidity and survivors) seen among Anglophone countries. The schemes provide work injury, maternity, family and child benefits. Payment of work injury and maternity benefits is a split between the scheme and the employer. In some countries, this provision depends on the period of engagement of the employee by the employer. Some Francophone countries pay a lump sum maternity grant to an insured woman or the spouse of an insured person. There may be different regulations among Francophone countries on requirement for marital status and polygamous relationship.

The criteria for eligibility for specific benefits also differ between Francophone and Anglophone schemes. Unlike Francophone schemes, many Anglophone schemes do not require complete retirement from work to be eligible for pension. Besides, occupational injury benefit is largely an employer-liability in Anglophone countries. However, work injury benefit in francophone countries is covered under the public social security scheme.

Francophone schemes are regulated by a centralized body termed the CIPRES. The CIPRES is made up of fourteen Francophone African countries including Benin, Burkina Faso, Cameroon, Central African Republic, the Union of Comoros, Niger, Senegal, Chad and Togo. The CIPRES serves as a regional regulatory body which makes proposals for reforms to member countries. For instance, at a conference held in February 2009 by the membership of the CIPRES, proposals were made to reform existing social security systems in member countries. On the contrary, no regulatory body exists to coordinate social security schemes in Anglophone African.

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CHAPTER 2

ANALYSIS OF SOCIAL PROTECTION SCHEMES IN AFRICA

By

Try well Kalusopa

Introduction

The provision of social protection has become more relevant with the sharp manifestations of globalization. Thus, as climate change, food and fuel price volatility and growing global financial crisis threaten progress towards the Millennium Development Goals (MDGs) in Sub-Saharan Africa (SSA), there are increasing calls for new and expanded social protection schemes. It is thus evident that most governments in SSA continue to pursue policy initiatives in providing social protection to impact on poverty reduction and consequently attainment of the MDGs. However, in the current socio-economic context, the dependency burdens of the vulnerable, old, and unemployed youth have continued to increase the pressure on an already weak support system, which is heavily shouldered directly by the working class. The national revenue bases are continually narrowing and hence the safety nets capacities are being overstretched.

The case studies reviewed in this book shows that social protection patterns that have evolved in Africa over time have little comparative distinctions. The countries under study reveal that social protection schemes have evolved with these countries' socio-economic development over the years with clear traces of colonial legacy and practice. This section thus presents an overview of these contrasts and similarities in terms of coverage, administration, number and types of contingencies covered, as well as financing and accrued benefits arising out of the countries studied in Chapter 4.

Coverage of Social Protection Schemes

Across the country case studies, it is evident that the current context of social protection in Sub-Saharan Africa is one based largely on the social insurance model and limited to the provision of protection against the loss or reduction of income resulting from retirement, disability and death. Within this context, coverage is restricted to workers in the formal economy and only partial initiatives exist to extend coverage to informal economy workers and migrant workers in need of social protection. This exclusion from social protection affects a significant number of the Africa's population. For example, the case studies show that despite Botswana being described as a middle income country, the coverage of the social protection system is reactive, indirect, unsystematic, fragmented and hidden in the various hidden expenditure of the State. It is tilted toward formal employment related pension schemes which were said to be restrictive to the formal sector while the private sector had poor coverage.

The informal sector and particularly domestic workers, as well as agricultural workers are not well covered in the current social protection system. The government assistance schemes seem not well designed to empower, educate and reintegrate beneficiaries through the provision of skills to enable the poor to get out of the poverty trap. In Ghana, a major challenge to pension schemes is also limited coverage. Pension schemes instituted in the past have had only compatibility with workers in the formal sector who have higher and regular income. About 70, 000 out of 88, 0760 SSNIT active contributors were informal sector workers by December, 2009. The SSNIT Informal Sector Fund with designed compatibility

with income patterns in the informal sector had 68,000 contributors by June, 2010. The same can be said of Kenya, where the system privileges employees and employers who can make periodic contributions to the social security schemes and discriminates against certain categories of employees such as casual workers and others in the informal economy where the majority work.

In Malawi, very little has been done so far to provide social protection to the vulnerable population. The country does not have any national social security scheme which could provide coverage to those in need. The few interventions which have been carried out by both the state and other stakeholders are project-based and have mainly been targeted, hence subject to errors of exclusion and inclusion of beneficiaries. Currently, there is no operational legislation to guide the establishment of a national Social Security fund. The country has not yet ratified Social Security Convention 102. In Namibia, the first noticeable aspect when it comes to social protection is the disparity present between male and female registration. There are a proportionally larger amount of males registered with Social Security Commission (SSC), compared to women. The reason is that there are a higher proportion of men in formal sector employment than women. Women are often being relegated to the most vulnerable positions such as cleaning, domestic work etc. Moreover, urban registration is higher than rural registration. The majority of registration facilities are sited in urban areas. Urban registration for both males and females is 72.1 percent while rural registration for both males and females is 27.9 percent.

In Nigeria, the current law that provides for old age, disability and survivor's benefit under the 2004 Pensions reform act with coverage of 100% for all federal public-sector employees (including the military), public-sector employees in the federal capital territory, and private-sector employees working in firms with five or more workers. Based on this Act, the coverage excludes public-sector employees in state and local governments, judges, diplomats, non-citizens, self-employed persons, the clergy, private-sector employees working in firms with fewer than five workers, and employees within 3 years of retirement. Like the other countries, the informal economy which constitutes about 60% of the population is practically excluded together with the unemployed who form more than 20% of the population from pension, maternity, health and housing. However, students from tertiary institutions who form about 10% of the total population have access to national health insurance. By implication, it could be estimated that more than 67.6% of the total labour force is not covered by the provision of the pension reform act. On the other hand, the National health insurance policy coverage for students of tertiary institutions could be as much as 100% medical treatment that does not require surgery or major medication. The limit of access differs for different institutions, i.e. colleges of education, polytechnics, universities, state and federal institutions have variable considerations.

In the private sector, there is some form of social security provisions for employees. For instance, in the banking industry and many corporate organizations, medicals, maternity, injuries and gratuity are some of the common social security facilities that are provided. The National health insurance policy currently covers only the formal sector which is about 5 million people including students at tertiary institutions (6 -4% of the population). The remaining population is largely covered through the informal social security scheme of cooperatives, churches, mosques and community help programmes.

The multi-faceted and multi-sectoral nature of the South African social protection makes it difficult to accurately analyse the issue of coverage from a single perspective or standard. There is not, for example, a national public pension system to analyse but rather a haphazard private system with a host of measures and even public sector social security coverage is bifurcated between tax-funded social grants and contributory funds. Lack of

reliable information on private sector coverage also complicates this task. The case study attempted to illustrate how the South African social protection favours the formal sector. Thus, using information from the Labour Force Survey, it has been calculated that less than 10 percent of workers in the informal sector were contributing towards a pension in 2008. It has been observed that the capacity to save for retirement is substantially lower in the informal sector compared to the formal sector and it is safe to conclude that specifically targeted measures are needed to stimulate retirement saving by those participating in the informal economy. This is similar to the pattern in Tanzania, Uganda, and Zimbabwe and Zambia where only about 12% of the population is formally covered by the existing social protection, mainly in the formal employment sector, with 88% of paid employees having un-enforced or no social protection entitlements.

Administration & Governance of Social Protection Schemes

All the countries understudy have some legal and policy framework that guide the administration of social protection. Public trusts are usually established to manage public schemes. Examples include Social Security and National Insurance Trust (SSNIT) of Ghana; Social Security Commission of Namibia. The Trusts are usually self-governing with tripartite Board of Directors made up of representatives from government, employers and organized labour. In some countries like Benin, Kenya, Zambia, Nigeria, and Zimbabwe an authority is established to regulate the scheme.

In most of the countries, Board of Directors or a Regulatory Authority may only play oversight regulatory and supervisory roles over the management of the scheme. In some countries the Board of Regulatory Authority does not take part in decision concerning investment of the scheme funds. They may only give broad directives. The Board or Authority makes recommendations to the legislature for approval. They may have the power to periodically adjust values of benefit.

Social protection schemes are also delivered through private establishments such as financial institutions and fund managers. Most of the organisations do not manage their pension fund investments directly but place these in the hands of professional fund managers who invest these funds in a variety of ways, using appropriate financial instruments taking into accounts low risks on the financial markets. In some African countries, public-private partnership manages social security funds. This may include management of mandatory individual accounts, mandatory occupational pension and mandatory private insurance. For instance the three tier pension law (2008) in Ghana establishes a mandatory occupational pension scheme (as second tier) for workers to be managed by private fund managers. Kenya, South Africa, Nigeria and Botswana have well-developed infrastructure of brokers, fund managers and insurance companies. Private banking and non-banking financial institutions may provide social security products. These products target specific contingencies such as death, illness or invalidity. Private mutual funds are managed by nominated or elected trustees by the membership.

In terms of the role of trade unions in the governance structure of social protection schemes, country case studies show that for the public sector such as in Zambia and Botswana, for example, trade unions are represented on the board of the Public Service Pensions Fund. Provident funds may be managed by leadership of local trade unions or a team (of both management and employees) nominated by the contributors. Through representatives, trade unions help in monitoring the remittance of contributions from employers and employees. They encourage scheme fund managers to invest contributions into ventures that would bring immediate returns. They additionally encourage managers to review the pension benefits upwards as well as monitor investments to see if they are productive or not. The trade unions also entreat fund managers to find ways of reducing administrative

cost so that more money is spent on retirees. They also advocate the introduction of loan facilities, medical and funeral service schemes for retirees.

However, the country case studies show that most of the implementation is fraught with an assortment of challenges. In Botswana, the gratuity system/severance pay, though recognized within Employment Act for contract employees, is fraught with compliance problem - no investment return is earned on accruing entitlements and recipients do not save gratuity payments to provide future (pension). In Ghana, the SSNIT scheme is also confronted with administrative challenges. The case study on Ghana reveals that the lack of advanced technology at the Trust has resulted in double registration and other administrative challenges. High administrative cost has raised public concern about efficiency of the Trust. For example, SSNIT's administrative expenses for 2003, 2004 and 2005 were equivalent to 92 percent, 83 percent and 64 percent respectively of total pension benefits paid. Other challenges include, poor investment returns and low pension benefits among others. Besides, government interference has in some occasions led to the use of the pension funds for purposes of no direct benefit to contributors.

The social security protection envisaged under Kenyan laws does not recognise or make any provision for vulnerable groups such as refugees, asylum seekers, internally displaced persons etc. The National Social Security Fund and the National Hospital Insurance Fund, which are the two statutory flagship national social security schemes that ought to be based on the principles of affordability and solidarity as opposed to profit, have a lot of operational problems. The legal framework governing social security in Kenya is elaborate. The framework is based on relevant ILO Conventions, domestic labour laws and national development policies and programmes. The country's social security interventions are also anchored on a national legal and institutional framework: National Social Security Act (Cap. 258) and National Social Security Fund (NSSF). Interviews conducted on trade unions revealed that workers are represented in the governance of the NSSF through representation in the Board of Trustees. This is also true for employers and the Ministry of Labour. The trade unions interviewed observed, however, that their interventions in influencing policies on the provision of social security in the country is hampered by lack of or inadequate statistical information on the mode of payment of the social security benefits and how the rates of payment or benefits respond to changes in the economic fundamentals such as inflation.

In Malawi, currently, there is no clear and comprehensive piece of legislation that guides the provision of social protection to its citizens. However, the labour legislations do have some provisions that have an element of social protection. Successful implementation of social security in Nigeria like many other prodevelopment initiatives has been bedevilled with institutional weaknesses, paucity of data, poor planning, unstable funding and maladministration and of course policy inconsistencies.

Uganda's social security and pension schemes face a number of bottlenecks and challenges. It is evident that the existing arrangements are not responsive to the changing social security requirement of Ugandans as well as the domestic capital formation challenges of the economy. Although the NSSF is currently undergoing reforms, it is yet to regain the confidence of the contributors. The unfunded Public Service Pension Scheme (PSPS) for civil servants is also not meeting the needs of the pensioners and is bogged down with arrears. These problems have been exacerbated by the limited number of social security service providers, the narrow range of benefits available to contributors and absence of national regulator, all of which have compromised the efficiency and ability of the sector to mobilize and pool long term savings for economic growth and transformation.

In Zimbabwe, the intervention in assisting vulnerable groups with access to medical care has failed to deliver, especially in the context of cost recovery. Involvement of the relevant stakeholders at all levels is also crucial to ensure that delivery reaches the needy, in an efficient and effective manner. Overall, the whole Social Protection Programme needs to be reviewed. A good example of synergetic relationships between government and the other stakeholders in poverty eradication programmes is the example from South Africa where government provides the policy framework, leaving the implementation to NGOs and other stakeholders. Uganda, which has been able to sustainably reduce overall poverty, is another outstanding example.

In Tanzania, lack of regulatory authority impacts members of different schemes as there is no established mechanism that can allow benefit rights of a member to be transferred from one scheme to another. This has resulted in employees losing some of their benefit rights when they move from one sector to another. While some schemes treat members' benefits as privileges rather than rights the reverse is true to other schemes. Due to lack of proper coordination and regulatory framework, there are instances where a member's right is determined by the employer. In such circumstances the benefits that a member enjoys becomes the employer's decision at his own discretion.

In Zambia, the relevant legislation governing social security in comprises the following pieces of legislation: the Pension Scheme Regulation Act, 1996 (as amended in 2005), the Draft National Social Security Bill, 2007; the National Pensions Authority Act, 1996, the Public Service Pension Fund Act, 1996 and the Local Authorities Superannuation Fund Act. The Pension Scheme Regulation Act, 1996 (as amended in 2005) provides for the regulation and supervision of all pension schemes except the National Pension Scheme Authority (NAPSA) and the Workers

Compensation Fund Control Board (WCFCB). As at 31 December 2007, 237 pension schemes were registered. In practice, as ILO writes, "it is difficult to regulate public pension schemes in Zambia as there are conflicts in the laws" (ILO, 2008:35). Key conflicts are the composition of the governing boards, submission of returns, period of actuarial valuation, portability of benefits, investment of funds and penalties for delayed remittance of contributions

Number and types of contingencies covered by Social Protection Schemes

The Social Security (minimum standards) Convention 102 of 1952 is the flagship of all ILO Social Security Conventions as it is the only international instrument, based on basic social security principles that establish worldwide agreed minimum standards. This convention is considered a tool for the extension of social security coverage as it is flexible in its application and also calls for the participation of employers and workers in the administration of social security schemes. The contingencies covered in this convention include all the nine branches of social security which are; medical care, sickness benefit, unemployment benefit, old-age benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit and survivors benefit. International Labour Convention No. 102, 1952 on social security (minimum standards), envisages that the social security statistics of a country should cover at least (1) the contingencies and (2) the types of schemes envisaged in 1952, namely -

(1) Contingencies relating to -

- (a) medical care;
- (b) sickness benefit;
- (c) unemployment benefit;
- (d) old-age benefit;
- (e) employment injury benefit;

(f) family benefit;
(g) maternity benefit;
(h) invalidity benefit;
(i) survivors' benefit.

(2) Schemes should be organised or supervised under national law or regulations in accordance with the following principles:

(a) social insurance, compulsory schemes as well as non-compulsory schemes; the latter within the meaning of Article 6 of Convention No. 102;

(b) public service;

(c) social assistance.

In recent times, the ILO through the International Labour Conferences (ILC) and other UN and Trade Union forums has asserted its role on social protection. Thus, for example:

- In 2001, the conclusions of the ILC confirmed the ILO's mandate in social security and requested the ILO to launch a global campaign for the extension of social security for all launched in 2003, and reaffirmed the role of social security as a basic human right.

- In 2008, the ILC adopted the Declaration on Social Justice for a Fair Globalization which recognizes that the ILO has a solemn obligation to further among the nations of the world programmes which will achieve the objective of the extension of social security measures to provide a basic income to all in need along with all the other objectives set out in the Declaration of Philadelphia.

- In April 2009, the UN Chief Executives Board adopted the Social Protection Floor (SPF) as one of its Joint Crisis Initiatives, with the ILO and the WHO as lead agencies.

- The ILO's Second African Decent Work Symposium in Yaounde in October 2010 adopted the Yaounde Tripartite Declaration on the Implementation of the Social Protection Floor advising the establishment of a two dimensional strategy to increase horizontal and vertical coverage of social security.

- At the 2nd World Congress of the ITUC in Vancouver in June 2010, trade unionists gave a strong support to the SPF, instructing the ITUC to 'work with the ILO to campaign for the extension of social protection to all, for ratification of ILO social security conventions and for a basic social floor for all, including the adoption of an ILO Recommendation on the establishment of a social protection floor set at a level above the poverty line, and sufficient to provide reasonable living standards

- The 100th International Labour Conference in June 2011 provided the opportunity to discuss and endorse the SPF as part of the ILO's two-dimensional strategy for the extension of social protection on a global level

Over and above this, through the concept of social protection floor, the ILO and the United Nations as a whole is now advocating the increasing coverage beyond this convention to other sectors of the economy given the high level of informalisation of most of the economies in the world including the SSA. The Social Protection Floor covers all guarantees against reduction or loss of income in cases of illness, old age, and unemployment or other hardships. It even goes beyond these benefits to include family and ethnic solidarity, collective or individual savings, private insurance, social insurance, mutual benefit societies, social security, etc. (Excerpt from ILO Thesaurus, Geneva, 1991.) From the above, it is clear that the definitions and scope of social protection are varied and wide; however, it is

important to note that there seems to be a convergence in describing the term as a human right whiles acknowledging that in a broader context, social security does reduce poverty and inequalities in society and actually generate and accelerate human development

Analysis of the countries under study shows that despite the fact that not all African countries have ratified Convention 102, all do provide most of the listed contingencies covered in the convention above. Most of the countries have, in fact, attempted or are in the process of embarking on elaborate social protection programmes. South Africa, Botswana, Namibia, Zambia, and Malawi already have a wide range of social safety nets that are in the form of government assistance programmes. South Africa does provide employment benefits. It is important to note, however, that the implementation of these contingencies still remain a mammoth task. The case studies cited are confronted with problems such as lack of financial and human resources, absence of an inclusive framework that would facilitate broader coverage of different sections of the population fragmentation of services uncoordinated work by the different ministries and departments, lack of common and standard definition of 'social security' ministries and departments formulating policies and programmes that carry a very narrow understanding of the key components of a social protection schemes, and lack of a policy and legal framework to enforce, inform and guide the implementation of the different types of social protection

Financing & Investment of Social Protection Funds

These various social protection schemes/programmes are financed from and/or by a variety of sources. The government assistance schemes derive their funding from the tax-generated government revenue. The employment/occupational schemes are, on the other hand, financed through contractual savings (employer and employee contributions). Both employers and employees make monthly contributions into the fund as contractual savings. Contributions' pension plans are financed both by employers and employees. The informal social protection arrangements are largely financed through personal members' contributions without any outside intervention and such contributions are not always confined to money.

A major source of savings and a key driver of investment in a number of countries are social security and pension funds. The Zimbabwe case study, for instance alludes to the Economist (Jan 2008) which reported Morgan Stanley to have estimated that pension funds world-wide hold over US$20 trillion in assets, the largest for any category of investor ahead of mutual funds, insurance companies, currency reserves, sovereign wealth funds, hedge funds or private equity.

The role of the State is well-pronounced in Botswana, South Africa, and Namibia with an elaborate universal social protection schemes financed mainly through tax revenues complimented by formal employment related schemes which themselves are financed through contractual pension funds for most organisations and some traces of informal personal schemes through burial societies, for example. The State provides old age pension universal coverage at low cost (annual direct cost of approximately P235m (US$ 34m) and 1% of total government spending), and supports the incomes of the elderly - but poverty rates are still high.

In Zimbabwe pension funds account for more than 75 percent of the total investments on the Zimbabwean Stock Exchange (ZSE) and more than 50 percent of the total investments on the property (real estate) market. Social security and pension funds can play a pivotal role in economic development in Zimbabwe in a number of ways. These may be done through the provision of funds as a source of working capital and provision of funds for infrastructural

development (financing of housing projects, construction of commercial properties, etc.).Under the Public Service Pensions Scheme the employee contributes 7.5 percent of pensionable emoluments towards the Public Service Pension Scheme while government contributes 15 percent. The money paid is not invested as it is used to pay pension benefits to those who retire from service. The other social assistance programmes in place are funded wholly by the government.

The NSSA National Pensions Scheme (NPS) is financed through defined benefits. This is done through a scaled premium method, where equal monthly contributions are made by both employers and employees. As of 1 May 2010 the new contribution rate by both the employer and employee was as follows: 3 percent of basic wage/salary by employee and 3 percent of basic wage/salary by employer

Benefits from Social Protection Schemes

Across the case studies, the benefits are multi-faceted and multi-sectoral in nature, and this makes it difficult to accurately analyse the issues of benefits. Basically, the country case studies indicate that the dominant social protection schemes are of three kinds: social insurance, income maintenance and social assistance. The social insurance programmes include provision of retirement pensions, disability insurance and survivor benefits insurance. The insurance system is defined by statutes and serves a defined segment of the national population. The income maintenance exists to ensure a guarantee of income in the event of interruption of employment as in retirement, disability and unemployment. Social assistance programme operates to support the most vulnerable groups in the society and to enable them access basic necessities such as food, clothing, shelter and medical care.

In South Africa, the right to social security and social assistance (for those unable to provide for themselves and their dependants) was included as a justifiable socioeconomic right under Section 27 of the South African Constitution (1996). This right of access is however limited to progressive realization in accordance with the state's available resources. In Namibia, the promulgation of the Social Security Act ensures that all Namibians get an equal share in the provision of social assistance benefits. The act is legally representative of the fact that its contents are initiated and put into practice to ensure the smooth running of the systems in place meant to necessitate the assistance of all Namibians. The Social Security Commission was thus put in place after the attainment of independence to fulfil the missions of the different social assistance schemes as providers of income security in times of crisis.

As all the case studies have shown, the pattern of social security provision in SSA reflects historical colonial preferences and considerations. Over the years, new systems of organised social protection emerged to support economic development. In that regard, there has been a growing recognition of the need to provide some form of protection to other workers in the organised sector which in most countries has led to the establishment of national provident funds. These are compulsory savings schemes, financed from contributions paid by employers and workers, which accumulates with investment interest, to form an individual savings account for each worker. They have been seen as simple to operate and also as consistent with the future needs through the benefit of a lump sum. Thus by comparison, countries such as Ghana, Zambia, Zimbabwe, Benin, Kenya and Nigeria have national social security funds. South Africa, Botswana and Malawi do not have national schemes per se but have a haphazard private system with a host public sector social protection coverage that supported through tax-funded social grants and contributory funds.

The challenges facing the schemes are reflective of the fact that the benefits being received by the recipients are not enough to live on even though in most cases they cater for the basic needs of the individual. Other issues include concerns of accessibility of information by disabled persons, their rights as well as complications relating to their access to facilities and buildings. In addition, the plight of those receiving child maintenance grants is rife with issues of corruption and lack of confidentiality concerning client information. The embezzlement of funds by board members and senior personalities has also managed to create distrust concerning the reliance on a social protection mechanism meant to cater for life after employment. Such an act has been shown to negatively affect the sustainability of the fund in providing future income security due to the depth of misappropriated funds.

Conclusion

The case studies show that social protection patterns that have evolved in Africa have little distinctions in terms of coverage, administration, number and types of contingencies covered, financing and accrued benefits. All the countries under study indicate that the changes and developments in the social protection schemes have evolved with the countries' socio-economic growth over the years with clear traces of the colonial legacy. Thus by comparison, countries such as Ghana, Zambia, Zimbabwe, Benin, Kenya and Nigeria have national social security funds. Some countries such as Malawi and Botswana have not established either pension schemes or provident funds for private sector workers. In these countries, this development has delayed giving rise to overreliance on occupational pension schemes and private provident funds. There are also several countries, which have chosen to adopt a type of pension scheme, which places greater emphasis on universality. Entitlement to a basic pension in South Africa depends on a means test and pensions are financed from taxation. A similar system is to be found in Namibia and Botswana but here the basic pension is payable from age 60 and is not means tested. Access to adequate health care has emerged as the most important of the social security benefits to the majority of the people in Sub-Saharan Africa and unfortunately it is too often denied to those most in need people working in the informal economy and in agriculture.

The case studies reviewed acknowledges that one of the main obstacles to accessing social protection lies in the limited resources available for social spending. Since most African countries are not homogeneous per se and the state of social security tends to vary from one country to the other, trade unions have need to constantly study and share information on the underlying challenges of social protection to the workers.

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Note: Since this is based on the country case studies in Chapter* 4; *most of the in-text reference details referred to can be found in each of the individual country reports.

CHAPTER 3

BEST PRACTICES OF SOCIAL PROTECTION SCHEMES IN AFRICA

By

Rudi Dicks

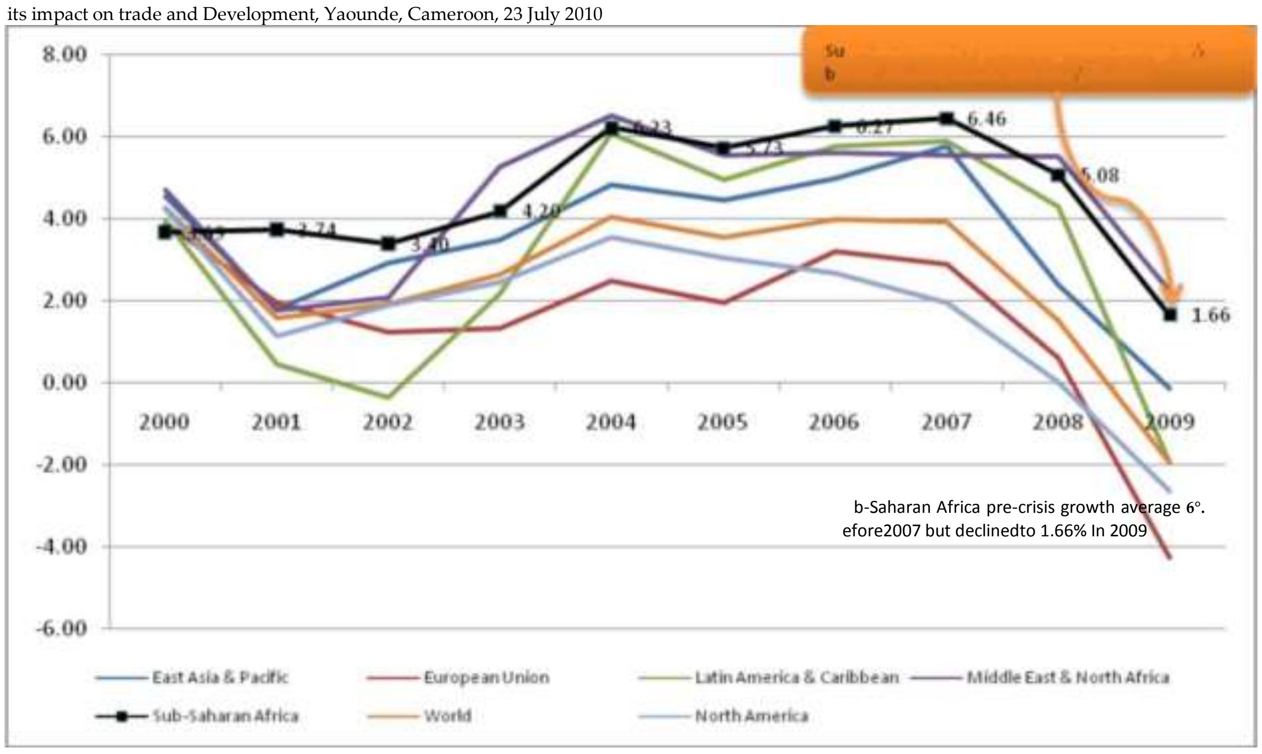
Overview

Social Protection is a fundamental human right intended not only for setting a minimum social security floor but also for playing an important role in alleviating poverty and providing economic security to all (ILO, 2010:7). The development and extension of Social Protection is one of the key tenets of the International Labour Organisation's (ILO) decent work agenda. According to the ILO's decent work programme, social protection allows for the "promotion of both inclusion and productivity by ensuring that women and men enjoy working conditions that are safe, allow adequate free time and rest, take into account family and social values, provide for adequate compensation in case of lost or reduced income and permit access to adequate healthcare[7]".

Undoubtedly, the recent global crisis is a good example of why an extensive social security system is a critical factor in supporting the poor in times of need. The global crisis has had a devastating impact on jobs as global employment levels declined by 6.6% in 2009. This meant that the number of unemployed people increased to approximately 212 million people worldwide (ILO, 2010:9) in 2009. On a social level the impact of the crisis continued to wreak havoc on meeting basic food needs as well as access to education and health. For example, 873 million people between the years 2004 and 2006 suffered from hunger which significantly increased to 1.02 billion in 2009[8].

For Africa, the extent of the crisis had literally put the brakes on development. Between the years 2000 and 2007 the real growth rate in Africa averaged at about 5.6%. However in 2009 this drastically declined to about 1.66% (UNCTAD, 2010; ILO, 2010: 24). On the average, GDP growth in Sub-Saharan Africa faired better than most other regional economies, including the world aggregate during the global crisis as illustrated below in Figure 1. While this may be the case, the ILO correctly argues that Africa had been in a crisis before the global financial and economic crisis. Apart from the GDP trends during the crisis, the real impact for Africa was more predominantly felt as access to capital significantly dried up

http: //www .ilo.org/global/about-the-ilo/deceiit-work-ageiida/laug—en/iudex.htm [8] Presentation on the Global economic Crisis and its impact on trade and Development, Yaounde, Cameroon, 23 July 2010

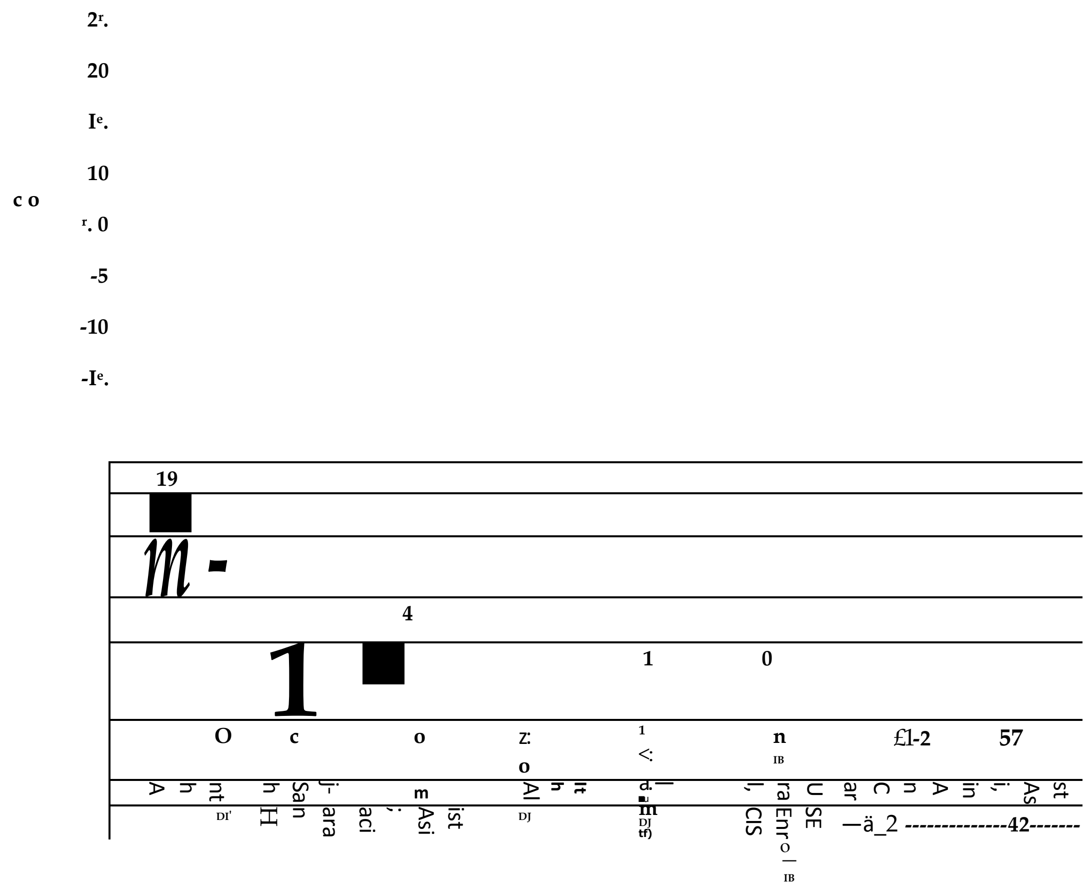


Source: World Bank: Downloaded from http:/ /data.worldbank.org/indicator. Own calculations

region. Sub-Saharan Africa has one of the highest rates of underemployment, with a significant number of working poor. Figure 2 below estimates that the aggregate level of working poor increased to about 25 million in 2009, with 19 million for South Asia and 12 million for Sub-Saharan Africa with the highest growth during the global financial and economic crisis.

The ILO estimates that vulnerable employment as a share of total employment is likely to increase from about 75% to approximately 80% should the current trends continue.

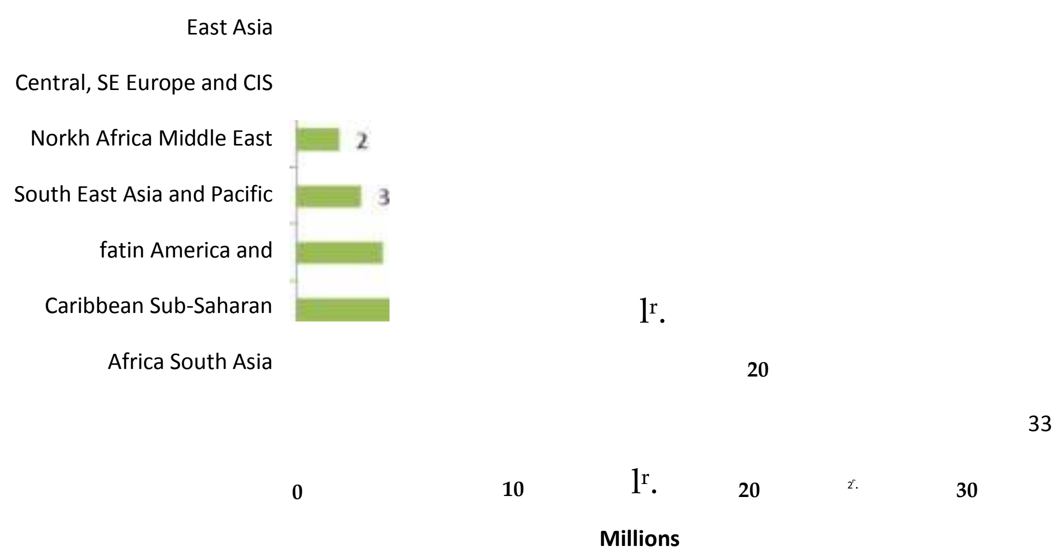
Figure 2: Increase in estimates of Vulnerable Employment in 2009 (Millions)



Source: Adapted from ILO, Global Employment Trends, 2010

Similarly, we find that crisis has pushed up the number of those working and earning less than $2 a day by an estimate 77 million people globally in 2009, with the highest numbers in South Asia (33 million) followed by Sub-Saharan Africa (20 million) as illustrated in Figure 3. Extreme working poor estimates are now suggested to be well over 60% of total employment in Sub-Saharan Africa.

Figure 3: Increase in estimates of Working Poor living under less than $2 a day



Source: Adapted from ILO, Global Employment Trends, 2010

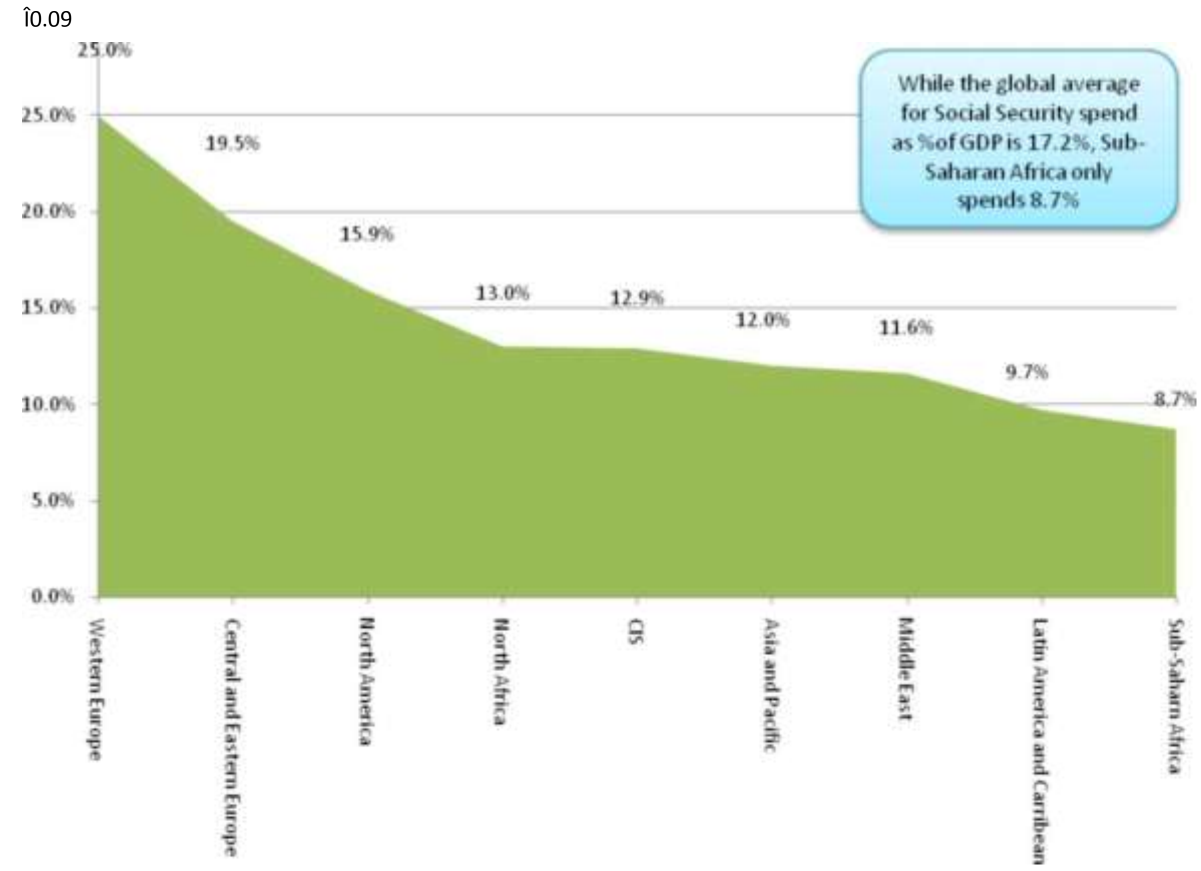
A lack of decent work opportunities, characterized by a high number of underemployed increases poverty traps, with many households unable to meet basic food and other needs. Under these conditions social protection provisions play an important role, particular for

many countries in the region. Dicks et al suggests below in figure 4 the importance of social grants and state support in situations where there are low levels of economic development and a shift towards full time employment as economic development improves along the x-axis (Dicks, 2011:16). This however does not suggest that social protection is not important even when higher levels of employment are achieved. The current global crisis emphasizes why social protection must continue to play an indispensable role, particularly in the African context, where extreme working poverty and vulnerable employment is rampant.

Figure 4: Creating employment and reducing poverty

Ironically, where Social Protection measures are most needed, given the growing decline in social and economic development in Sub-Saharan Africa, contributions as a percentage of GDP remains dismal. Social expenditure budget allocation as a percentage of GDP is an important indicator in measuring state support to vulnerable people. According to the ILO (ILO, 2010:80) 17.2% of global GDP is allocated to social security. This paints an extremely skewered picture when it comes to social security spending as a percentage of GDP for Sub-Saharan Africa. Figure 5 below provides a clear indication that Sub-Saharan Africa spends the lowest (8.7%) on social security as % of GDP - far lower than the global average. If we exclude South Africa, the Sub-Saharan social expenditure contribution would likely be far less as a percentage of GDP.

Figure 5: Social Protection as % of GDP



Source: ILO, 2010

Developing Best Practices Models

Adesina (2011) argues that the current narrow social protection paradigm, purported by International Financial Institutions amongst others, tends to concentrate on social protection as the "silver bullet" in reducing Africa's crippling poverty. He suggests that the development of a broad transformative social policy is the best approach when dealing with the region's social and economic challenges in contrast to an attenuated social protection approach. While not dispelling the role that social transfers play, the "transformative social policy" is an important conceptual framework that develops a normative approach (equality and solidarity) and cuts across production, protection, reproduction, redistribution and social cohesion functions to get the best possible outcomes on economic, social and political levels (Adesina, 2011:12).

The transformative social policy debate would arguably be an interesting subject to explore. However it is not the focal area of the chapter. For Taylor (2010) the

recognition that social protection is but one, albeit the most important element of the social policy spectrum. Ideally, given the mass based poverty and social deficits, Africa will require "active social protection systems that reduce poverty, contribute to asset redistribution and that include measures to address the structural basis of poverty and social exclusion" (Taylor, 2009:43).

Social protection shifts from the social insurance approach that has an inherent bias towards formal employees belonging to some contributory scheme. This is not very helpful when the vast majority of Economically Active Population is not in employment or significantly underemployed (casual or precarious). UNICEF considers a comprehensive social protection system characterised by four core pillars as depicted in the table below.

Table 1 illustrates a social protection system that is transformative, promotive, preventive and protective. This provides a useful guide as we explore some of the best practice models for Africa.

Table 3: Examples of Social Protection programmes using four pillars

Transformative	Promotive	Preventive	Protective
Social Protection Legislation. Legislative and regulatory reform measures. Sensitisation campaigns. Social communication to promote behavioural change Strengthening the legal system to protect the vulnerable Implementation of the Convention on the Rights of Children.	Second chance education, skills training. Integrated early childhood development. Primary & secondary schooling. Conditional cash transfers. Asset building and livelihood development.	Contributory social insurance schemes -pensions, sickness, maternity & disability benefits. Universal social pensions in the form of government social grants. Universal child allowances Health insurance in the form of contributions by workers and employers. Savings and credit schemes - burial societies Disaster /crop insurance	Public employment schemes - public works programmes. Feeding programmes - at schools and clinics for example. Child and family protective services Cash transfers Fee waivers Family support services Humanitarian relief.

Source: Taken from Taylor using UNICEF, 2009

Legal and Regulatory Framework for Social protection

The summary Table 2 below provides a reasonable sense of policy, legal and regulatory provisions in our study. Many countries do not have comprehensive social protection measures but rather provide limited social insurance benefits (Pension and Provident Funds) that predominantly cover formal employees, particularly those employed in the public service.

The development of coherent and clear Social Protection Policy is a challenge for many African countries. Botswana, Namibia and South Africa and partly Zimbabwe have a fairly extensive Social Protection legislation that meets the needs of those in employment and those outside of the labour market. Undeniably these are important regulatory provisions to learn from. However it would be flawed should one simply ignore many of the implementation constraints faced or the inherent shortcomings in meeting a universal social protection system.

Constitutional

Of the ten countries who participated in the study, only Ghana, Kenya, Nigeria and South Africa indicated that they have constitutional provisions in relation to social protection measures. Constitutional grounding, though not exclusively, creates the opportunities for challenging inadequacy of social protection regulations and policies guided by a country's constitution. A case in point described in the South African chapter is the successful

challenge in the Constitutional Court on the failure of providing adequate housing for homeless people.

Retirement Schemes

Clearly, regulations of retirement schemes are critical and all countries in the study have indicated that retirement schemes exist, albeit its limitation. . It's worth noting that the provision of a mandatory retirement scheme plays an important role in reducing poverty during retirement, however limited the benefits are. Zimbabwe is one of the few countries that have a mandatory/compulsory retirement scheme provision that extends to both public and private sector. Very few countries extend retirement legislation towards the informal. While challenges exist, there are opportunities for exploring these provisions.

Health Care

Most country studies indicate the availability of health care through regulations, though largely they are contributory schemes limited to formal sector employees.

Employment Benefits

Countries largely provide standardised basic conditions of employment such as sick leave, workers' compensation, etc, for workers. However, it is worth noting that Kenya and Namibia provide 3 months fully paid maternity leave.

Housing

Nigeria's unique regulation on housing provision would be an interesting best practice to consider given the massive housing back log in this region.

Rural and Farming Support

Botswana has a unique legislation that protects workers in rural employment and remote area dwellers

Social Security Delivery

One of the glaring features emerging from country reports is lack of regulatory coordination in delivery of social protection benefits. More than likely, many schemes even including those that have the same targeted beneficiaries fail to coordinate adequately. To avoid duplication and fraud and to improve administration efficiency in the delivery of social protection benefits, South Africa introduced regulations to establish the South African Social Security Agency (SASSA). SASSA is primarily responsible for the delivery of

Table **4:** Summary of Legal and Regulatory Frameworks

Country	**Constitutional Provision**	**ILO Ratification**	**Legal Provisions**	**Description of SP Provisions**
Botswana	None	Not indicated	Pensions and Provident Fund Act Employment Act Workers Compensation Act Income Tax Act Motor Vehicle Accident Fund Act Universal Old Age Pension Scheme A number of support programmes exist Programme for destitute persons	Social Insurance coverage that largely covers formal employed National Policy on Needy and Vulnerable families targets families with less than certain income and poor asset ownership Significant Social Protection polices and

non-contributory social protection benefits to beneficiaries.

			Orphan Care Feeding Schemes - World War Vets Labour Based Drought relief Remote Area dwellers Community Home-Based Care Ipelegeng Programme	provisions, in particular support for families below a certain income thresholds, feeding schemes to children and vulnerable persons, wage income support for rural workers and support for home-based care of the terminally ill
Ghana	Yes	Not indicated	National Pensions Act Labour Act Workmen Compensation Act National Health Insurance Act	Significant Social Protection that covers the labour market but health needs of all too. While there is a progressive constitutional provision there is no social security that covers the old age, long term unemployed or vulnerable households against poverty
Kenya	Yes	None ratified	Policy Papers that promote Social Protection include: National development Plan Sessional Paper	Retirement fund provisions are extended to all employees except public servants.
			- Ageing Gender Social Policy on Health National Social Security Fund Act National Hospital Insurance Fund Act Employment Act Pensions Act Retirement Benefits Authority Act Work Injury Benefits Act	Significant steps to ensure access of health care for all through NHIA extension, though the coverage and amount is still contested. NHIA covers all employees as well as self employed people and their dependants Employment act provides for 100% full pay maternity

				benefits and some limited sick leave benefits No legal provision for vulnerable groups
Malawi	None	Not indicated	Employment Act Workers Compensation Act The Banking Act Social Support Policy Pension Bill (2010)	Employment Act provides for those in employment and covers sick leave, maternity, termination of employment benefits and minimum wages. Mandatory pension scheme being considered for retired employees
				Malawi has no comprehensive legislation regulating social protection benefits although a National Social Support policy is being drafted
Namibia	None	Not Indicateci	Social Security Act	Predominantly covers employees for maternity leave, sick leave, death benefits, national medical benefit fund and national pension fund to all workers and even self employed Emphasis on keeping adequate records is critical Other social provisions exist through the Ministry of Gender and Social Welfare to support orphaned and vulnerable

				children War veterans subvention continues to support war veterans
Nigeria	Yes	None Indicated	Nigeria Social Insurance Trust Fund Pension Reform Act National Directorate of Employment Act National Health Insurance Scheme Act Workmen Compensation Act National Housing Fund Employees Compensation Act provides retirement pension, retirement grant, survivor benefits, death grant, invalidity benefit and invalidity grant to the poor, aged, disabled and disadvantaged people. Health insurance is limited to businesses that have more than 10 employees National Housing Fund allows for 2.5% contributions towards a fund used for mortgage loans and covers public and private sector employees Employee Compensation covers in the event of death or disability	NSIFT
South Africa	Yes	Not All	Social Assistance Act South African Social Security Agency Act	Government Employees Pension Law All Social Protection provisions are

largely guided	by the White	Paper on Welfare	released in 1997. Pension Funds Act Compensation for Occupation Injuries and Diseases Act Road Accident Fund Medical Schemes Act Unemployment Insurance Act Children's Act Refugee Act Older Persons Act Maintenance Act Disaster Management Act Expanded Public Works programme Community Public Works Programme coverage for employees and beyond the labour market, that includes children, old age pensioners, disabled, households	Extensive affected by disasters, refugee support amongst others No mandatory retirement fund exist for employees in the private sector and very limited access to private healthcare through expensive private medical aid scheme arrangements The establishment of the South African Social Security Agency has helped considerable administration consolidation, social grant delivery and rooting out corruption
Tanzania	None	Not Indicated	National Social Security Fund Public Services Tanzania National Social Security Policy recognises the	
			Pension Fund Local Authorities Pensions Fund Parastatal Pensions Fund Government Employees Provident Fund Community Health Fund National Health Insurance Fund **Non Contributory Pensions schemes include:** Political Service Retirement Benefits Service Pensions and Gratuity	loose coordination of social security. Contributory retirement fund benefits for most public and private sector employees. Through the Community Health Fund, accessible and affordable healthcare is made accessible to rural and informal sector
Zambia	None	Not Indicated	Pensions Schemes regulation Act Draft National Social	Predominantly Social Insurance provisions for

			Security Bill National Pensions Authority Act Public Service Pensions Act Local Authorities Superannuation Fund Act Workmen's Compensation Act	regulating retirement provisions for public and private sector employees
Zimbabwe	None	Not Indicated	National Social Security Act makes provision for a: National Pension Scheme Workers Compensation Insurance Scheme State Services Act Pension and Provident Funds Act State Service Disability Act Social Weifare Assistance Act Disabled Persons Act War Veterans Pensions Scheme run for civil servants such as the	Mandatory retirement contributions (50/50) are set through the NPS. A number of non-contributory schemes are Disability and War Veterans provisions. Social Welfare Assistance makes provision for destitute, aged over 65 or those with disability. Vulnerable elderly people are protected through various governments grants and assistance

Coverage and Benefits of Social Protection Programmes

An extensive summary of the social protection programmes, the coverage of the programmes and the benefits provided are illustrated in table 3 below. It provides snapshot view of the extent to which many of the programmes provide support to workers, those outside of the labour market and the economically inactive. Apart from each country providing unique insight into many of the social protection programmes, best practice models are important in developing cohesive policy response.

Botswana, Namibia and South Africa, as indicated earlier, provide the most comprehensive social protection programmes. This of course, in no small measure, implies that many of the social protection programmes implemented in many of the other countries are not important interventions. On the contrary, fairly important practices can be identified in the country reports and the summary table below.

Botswana and Ghana (Livelihood Empowerment against Poverty) are two of the few countries that provide a programme for destitute households below an income/asset threshold. Similar schemes are being implemented in Namibia,

Zambia (selected districts) and Malawi (pilots) but on a limited scale. These are important non-contributory programmes that target poor households who are not able to meet basic needs.

Poverty, illiteracy, diseases and famine are some of the challenges facing in children in the region. Many countries, notably Botswana, Malawi, Namibia, South Africa, have introduced specific programmes targeting children.[9] The programmes vary in form and focus with cash transfers and allowances in South Africa, Botswana, Namibia and Zimbabwe while Malawi, Zambia and Botswana additionally provide nutritional support through a school feeding scheme. Zimbabwe provides a basic education support programme targeting vulnerable children at school.

Malawi, Zambia and Botswana provide interesting support programmes for rural and small scale farmers. These are important measures given Africa's largely rural based economy.

With regard to public employment schemes, very few were identified across country reports. Public employment schemes are an important stepping stone towards formal employment. Apart from providing limited income, they create a sense of dignity to those participating in it. South Africa has two extensive public employment programmes, namely the Expanded Public Works Programme (EPWP) and the Community Public Works (CPW). Though not identified in the report these are important contributions towards providing short term (in the case of the EPWP) or guaranteed (in the case of the CWP) employment. Public employment programmes are prevalent in Botswana, Malawi and Zambia.

As for Health or Medical Insurance Schemes, these are largely contributory employment based schemes that operate in Ghana, Kenya, Nigeria, South Africa, Tanzania and Zimbabwe. Malawi provides 100% free medical care for all citizens. In Botswana and South Africa, the introduction of Community Home-Based Care for the aged and terminally-ill has been an important contribution towards health care delivery.

Retirement benefits and Old Age Pensions feature prominently as two of the key social security programmes in all countries. Contributory retirement programmes largely cover public sector employees with a low coverage of retirement benefits to private sector employees. Most private sector schemes are voluntary with Zimbabwe being one of the few countries that provide for mandatory/compulsory retirement fund benefit for all employees. In addition, not many countries have retirement fund programmes extended to the informal sector. Ghana provides a good example of extending retirement fund membership to informal sector workers.

[9] In addition to the cash transfer, South Africa has a school feeding scheme programme too.

Non-contributory Universal Old Age Pensions have been introduced to protect the aged against vulnerability in Botswana (65 years and above); Namibia (60 years and above) and South Africa (60 years and above).

Informal or community-based social protection schemes are important contributions towards complimenting state or private sector programmes. Savings schemes (Ghana and Nigeria), welfare groups (Kenya) and other informal arrangements will continue to be critical where the state fails to provide adequate social protection support to households and communities.

Table 5: Social Protection Coverage and Benefits

Country	Programme	Coverage	Benefits
Botswana	Universal Old Age Pension	65 years and above	$25 per month
	Occupational Contributory Schemes/Retirement Funds	Private and public sector employees	Retirees can take as cash benefit a lump sum of one third of total benefits
	Programme for destitute people	Vulnerable families who have income and assets less than the set threshold of $40 a month	Food baskets and other social allowance provisions
	Orphan Care Programme	Children 18 years and younger who have lost one or both parents	Social Assistance and allowance provisions
	Vulnerable Group Feeding Scheme	Covers children and vulnerable groups and has an extensive coverage of approximately 268 000 beneficiaries	Distribution of meals and nutritional supplements
	World War 2 Veterans Allowance	Not means tests and covers all WW2 veterans or their spouses and children under 21 years old	
	Labour Based Drought Relief	No means test, but extended to workers affected by drought though support of wage	Social Assistance and allowance provisions
		income	
	Remote Area Dwellers	Provides social assistance to dwellers in remote area. There are current 64 designated settlements	Social Assistance and allowance provisions
	Community Home-Based Care	Terminally ill can register for the programme.	Patience receive medical assistance, food baskets and supplies
	Ipelegeng Programme	Temporary employment targeted programme for those who have limited or no income source	
Ghana	SSNIT Pension Scheme	All workers, except armed forces under 55 years old can join the scheme	Pension payment varies between 50-80% of salary depending on the length of contribution to the SSNIT scheme. 25% of total pension is paid in

			lump sum with the remaining paid overl2 years. Invalidity and survivor benefits are also paid
	SSNIT Informal Sector Fund	Informal sector and self employed	Can withdraw from savings account at any time but contributions for retirement account are only paid out in lump sum at retirement
	National Health Insurance Scheme	Contributory scheme open to all however exempt children under 18, those aged over 70 and indigent	Covers 95% of ailments. Contributors can access out patient facilities and full cost of medicines
	Susu Savings Scheme	Informal micro-finance savings scheme	Depending on the contributions by members
	Livelihood	Covers households that	Registered
	Empowermen t Against Poverty	are extremely poor. Approximately 23,000 households are covered	beneficiaries receive between GHc8 and GHcl5 depending on household size. Households can also access free NHI benefits
Kenya	National Social Security Fund	Old aged but low coverage of the informal sector	Old age, disability, survivor and funeral grant
	National Hospital Insurance Fund	Covers only 1.9 million members and some voluntary membership	Free care at public hospitals for certain illnesses, with an element of cross subsidization
	Informal Welfare Groups (women)	Vulnerable households	Food, clothing, shelter and medical care amongst other supporting measures
	Income Maintenance policy	Unemployed	Some income support
	Maternity Benefits	Women	Fully paid for three months
	Sickness Benefits	Employees	100% of income up to seven days
Malawi	Government Public Pension Scheme	All public servants	Full pension with 25% elected to be paid up front as lump sum
	Private Pension Schemes	Formal sector employees	Full benefits determined by the contribution. 33% on retirement with the remainder paid monthly
	Medical Care	Covers all citizens	100% free with an array of benefits provided
	Sickness	Employees	Four weeks sick leave on full pay
			and 8 weeks at half pay pr annum
	Occupational Injury	Employees	Covers temporary, partial and permanent benefits
	Survivor Benefits	Family members	42 months of monthly income

	Maternity Benefits	Women	8 weeks maternity on full pay
	Malawi Free Inputs Programme	Small Holder Farmers	Free fertilizer and seeds
	Farm Input Subsidy Programme	Small Holder Farmers	Reduces input and infrastructure costs
	Public Works Programme	Food for work, Cash for Work and Inputs for work	Support the production of food, provide steady income and receive seeds
	Cash Transfer Scheme (Pilot)	Ultra poor, incapacitated and labour constrained -approximately 24,000 households	Food transfer, agricultural inputs, school feeding and cash for project work. Cash values vary between $3.9 to $11.8 per month depending on family size
Namibia	Maternity, Sick Leave and Death Benefits Fund	All employees who earn an income	3 months fully paid maternity benefits, Sick leave is paid at 75% for six months and a once off death benefit of $714.28
	Private Contributory Retirement Schemes (not indicated)		
	Government Institution Pension Fund	Public Servants	Contributory fund with pension, death, funeral, ill health and retrenchment
			benefits
	Accident Fund	Occupational Accidents and injuries	Depending on injury
	Disability Grants	Disabled	$58.44 per person per month
	Old Age Pension	Covers aged over 60 years	Non contributory with a monthly benefit of $58.44
	War Veterans Subvention	War Veterans	Means tested with a benefit of $324.68 per month
	Child Maintenance Grant	Children	Non-Contributory: $26 for the first child with $13 for every additional child per month
	Foster Care Grant	Children	Non-Contributory: $26 for the first child with $13 for every additional child per month
	Place of Safety Grant	Children	$1.30 per child per month
Nigeria	Pension Act Reform	Cover old age, disability and survivor benefits for employed persons in the private sector	60 years and 65 years in the military. Option to purchase an annuity or receive monthly or quarterly benefits
		Permanent Disability	Monthly benefit up to 24 months (100% for 6 months, 50% next 3

			months and 25% for the next 15 months)
		Survivor Pension	100% benefits accrued to spouse, children or next of kin
	National Health Insurance Scheme	Benefit is accessible to employees their spouse and four children, with additional children accruing further contributions. It also covers tertiary students,	Contributory scheme with benefits that include consultancy, hospitalization and medicines
		public workers and informal sector (more than 5 employees)	
	Employees Compensation	Occupational injuries	Monthly compensation as a result of injury at work
	National Housing Fund	Contributory Fund: Employees	Allows beneficiaries to access funding for mortgage loans
	Maternity Benefits	Female employees	50% of wage income 6 weeks before childbirth and 6 weeks after
	Financial Aid, soft loans and tax relief	Low income or households that cannot meet basic needs	
	Free or low cost medical care at community or medical facility	All people	Free medical services for maternity in some States and for children up to 6 years old
	Welfare Assistance (provision by States)	Persons in need of financial assistance	
	Road Accident Health Insurance Scheme	Road users and passengers registered with the National Union of Road Transport Workers	Insurance covers disability, death and medical treatment
	Esusu/Adashi	Predominantly in the informal economy and domestic workers	Financial disbursements based on savings and contributions
South Africa	Child Support Grants	Children under the age of 18 years old	$40 per month per child
	Old Age Pension (State Pension)	60 years and older	$175 per month
	Disability	Adults unable to work due to physical or	$175 per month
	Grant	mental illness	
	War Veterans Grant	Those who served in the 1st, 2nd and Korean War	
	Grant-in-Aid	Supplement to support old persons, war veterans and incapacity such as HIV/AIDS	$40 per month
	Foster Care Grant	Children in foster care	$114 per month
	Social Relief or Distress	Temporary assistance to households in dire need	Cash, food parcels or vouchers
	Unemployme nt Insurance Fund	Short-term relief for unemployed workers, maternity benefits, adoption, death	Claims and Benefits are determined by the level of contribution to the fund
	Compensation	Employees who are	Benefits are paid

	for Occupational Injuries and Diseases Fund	disabled, ill or died resulting from an occupational disease or injury	
	Public Health Care	All Citizens	Access to various services at public health institutions
	Private Medical Aid Schemes	Coverage is determined by membership contributions and available to public and private sector employees	Benefits are determined by the contributions made. Access to private and public health care facilities
	Government Employees Pension Fund	Public Servants	Contributory Fund and benefits are determined by the level of contribution and fund rules
	Private Sector Retirement Funds	An array of private retirement funds covering private sector employees	Contributory Funds and benefits are determined by the level of contribution and fund rules
	Private Disability Insurance	Coverage is dependent on membership to a fund	Generally covers disability and death benefits
	Public Employment	Expanded Public Works Programme (EPWP) provide for limited	Wage Income though limited, many other
	Schemes	work opportunities for the unemployed	minimum basic conditions of employment apply
		Community Public Works (CWP) is largely community based and community driven with limited	Guaranteed employment of 100 days per annum
Tanzania	Social Assistance Schemes	These non-contributory schemes cover social relief, people with disabilities, older persons, unsupported parents and children	
	Government Employee Pension Fund	5% of workers in the formal sector	
	Parastatal Pension Fund	5.6% of workers in the formal sector	Retirement at 55 and includes invalidity and survivor's benefit
	National Social Security Fund	Formal Sector	Benefits include retirement at 60, survivor benefits, occupational injuries, invalidity and maternity benefits
	Public Service Pension Fund	Formal sector	
	Local Authorities Pensions Fund	Formal Sector	
	National Health Insurance Fund	Formal Sector	
	Private Savings	Voluntary contributions towards retirement, other savings and insurance	

Zambia	National Pensions Scheme Authority	Compulsory Scheme covering employees in private, parastatal, public service and local authorities	Retirement (55 years), permanent invalidity and survivor benefits
	Public Service Pension Fund	Armed Forces, security and Teaching Services	Retirement (55 years), permanent invalidity and survivor benefits
	Local Authority Superannuati on Fund	Employees in local Authorities employed before February 2000	Retirement (55 years), permanent invalidity and survivor benefits
	Workers Compensation Fund Control Board	Protect employees against occupational accidents and diseases	
	Occupational pension Schemes (Private)	Mainly supplementary with about 207 schemes existing	
	Public Welfare Assistance Schemes	Extends to over 150 000 beneficiaries	Provides benefits on better nutrition, health, income support, child protection, education and occupational training
	Social Cash Transfer Schemes	Households in selected districts	Cash or in-kind transfers to cover basic material needs
	Food Security Pack	Vulnerable Small Scale farmers	Benefits to support farming inputs, training and technology
	School Feeding Scheme	School aged children	Food, hygiene education and school gardens
	Project Urban Self Help	Public employment schemes to citizens	Short term employment with income
Zimbabwe	National Pension Scheme	Covers Employees	Benefits include Retirement Pension and Grant, Invalidity Pension and Grants, Survivors Pension and Grants and the Funeral Grant. $200 insurable earning ceiling making everyone contribute the same and earning the same
	State Pension Benefits and Compensation	Public sector employees and retirees	Benefits include Funeral Assistance, State Service disability benefits, Old age pensions, War Pensions, War Victims Pensions, War Veterans Pensions
	Occupational Retirement Schemes	Non-Mandatory and covers workers in the private formal sector	
	Accident prevention and workers Compensation Insurance Scheme	Employees who have injured themselves at work, death or disability	Funeral, Invalidity, Retirement, Survivors Grant and rehabilitation services

	Workers Compensation Insurance Scheme	Work related accidents	Short-term and long term benefits
	Maternity Benefits	Low paid and unemployed workers	75% of monthly wages 45 days before childbirth and 45 days after
	Basic Education Assistance Module	Targets vulnerable children at primary, secondary and special schools from dropping our out of schools	Benefits are disbursed through the schooling system
	Health Assistance programme (Hospital Referral System	Targets poor households	Free targeted health care but no benefit when accessing private hospitals
	Children's Allowances		

Financing Social Protection Schemes

Most funding sources for social protection are provided through the National Budget, contributions made by members and in some instances the donor community as illustrated in table 4 below. A significant amount of the social security funding and costs are born by the employed and the poor as Sub-Saharan Africa's contribution to social protection as a % of GDP (8.7%) remains bleak.

Table **6:** Financing Social Protection Programmes

Country	**Programme**	**Funding Source**
Botswana	Retirement Fund Scheme	By employer and worker
	State Supported Social Protection Schemes	National Budget
	Informal Social Protection	Mostly self funded by members
Ghana	SSNIT Pension Scheme	13% of wage income by employee and 5.5% by employer
	SSNIT Informal Sector Fund	Covered my members and there is no minimum contribution
	National Health	2.5% from SSNIT, non-
		budget and

		donations
Kenya	National Social Security Fund	5% contribution from employee and 5% contribution by employer
	National Hospital Insurance Scheme	Insured person pay between $1 - $4; voluntary contributors $2 and self employed less than $1 to about $4
Malawi	Government Public Pension Scheme	100% funded by Government (though this is expected to change)
	Private Pension Schemes	Varies but contribution from both employer and employee
Namibia	Maternity, Sick Leave and Death Benefits Fund	Employee (0.9%) and employer (0.9%)
	Old Age Pension, War Veterans Subvention, Child Maintenance and Foster Care and Place of Safety and other non-contributory grants	National Budget (5.8% of GDP)
	Government	Contributory
	Institution Pension Fund	Scheme
Nigeria	Public and	Employee

	Private Pensions	7.5% of monthly income with the employer contributing between 12% and 15%
	National Health Insurance Scheme	Contribution of 5% from employee and 10% from employer
	Informal Esusu/Adashi	Membership
	Road Accident Health Insurance Scheme	Membership contribution with varying payments
	National Housing Fund	2.5% contribution of monthly income from employees
South **Africa**	Social Assistance Grants	National Budget (3.5% of GDP)
	Unemployment Insurance Fund	1% Contribution by employer and employee
	Compensation for Occupational Injuries and Diseases Fund	Financed through employer contributions
	Public Health Care	National Budget ($11.1 of national budget)
	Private Health Care Schemes	Member and employer contributions
	Retirement Funds (public	Variation in employee
	and private)	and employer contributions
Tanzania	Government Employee Pension Fund	10% contribution by employee and 15%

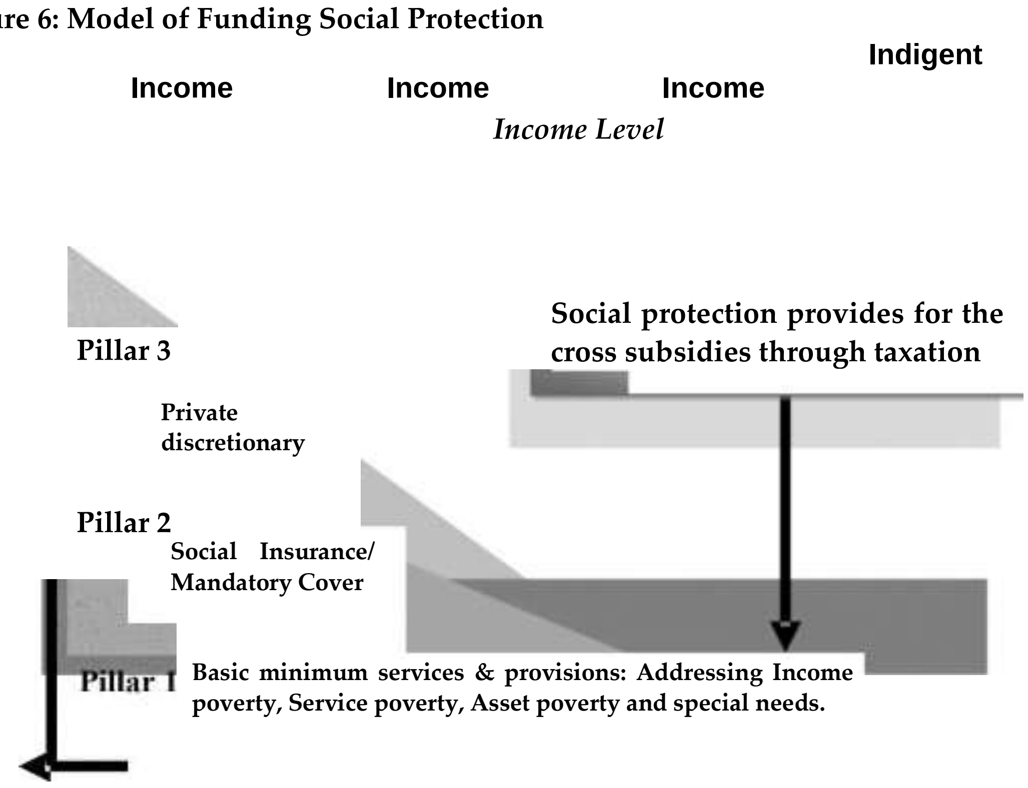
		contribution by employer
	Parastatal Pension Fund	5% contribution by employees and 15% by employers but in the private sector each contribute 10%
	National Social Security Fund	An equal contribution by workers and employee of 10%
	Public Service Pension Fund	5% contribution by employees and 15% by employers
	Local Authorities Pensions Fund	5% contribution by employees and 15% by employers
	National Health Insurance Fund	3% contribution of basic salary by employees and 3% by employers
Zambia	National Pensions Scheme Authority	5% contribution by employees and 5% from employers
	Public Service Pension Fund	7.25% by workers and the same amount by employers
	Local Authority Superannuation Fund	10% by employees and 23% by employer
	Non-Contributory Social Protection Programmes	These are funded through the National Budget as well as a various donors such as the GTZ, World Vision and the World Food Programme amongst others
Zimbabwe	Public Service Pension Scheme	7.5% contribution by employees and the state contributes 15%
	National	Scaled but

	Pensions Scheme	equally contribution of 4% by employee and 4% by employer
	Accident Prevention and Workers Compensation	Contribution made by employer

	Scheme	
	Public Social Expenditure	Funded by the National Budget. Social Expenditure is at 16% of GDP or 33% of total government expenditure
	State Pensions and Compensations	National Budget. 1.68% of GDP or 4.13% of national expenditure

Figure 6 provides a useful model on funding social protection. Ideally, cross-subsidisation through the tax system is an important redistributive tool when the tax system works. Tax collection inefficiencies and administration, in many African countries, is indeed a major challenge if we intend increasing our social protection coverage.

Figure 6: Model of Funding Social Protection



Source: Taken from Taylor, 2009

Table 7: Role of Trade Unions in Social Protection Programmes

Country	Trade Union Engagement	Trade Union Response	Process to Achieve Objectives
Botswana	Yes	Developed a Trade Union Social Security Policy Framework for engagement with the state and other stakeholders	Advocacy and Campaigning
Ghana	Yes	Active in the retirement reform process both at a policy level and at a representative level on the schemes. Continue to advocate improved benefits for informal sector	Promote and sensitisation of schemes. Active in collective bargaining to achieve better benefits for members.
Kenya	Yes but limited	Represented on boards but no real strategy to ensure expansion of coverage	
Malawi	Yes	No policy position but active in highlighting concerns on the revised Pension Bill of 2010	Successfully lobbied parliamentarians to prevent the adoption of the Pension Bill; include awareness raising
Namibia	Yes	Supports the demand for a Basic Income Grant	Continued participation and support for the Basic Income Grant
Nigeria	Yes	No overall policy on Social Protection but engagement on the Pension Reform Act, NHISA and National Housing Fund. Continued support to improve social protection for workers. Participation on governing structures	Engagement with National Assemble and other stakeholders to support progressive reform. Active collective bargaining support to improve social protection benefits for members
South Africa	Yes	COSATU has a comprehensive Social Security policy position	Significant campaign and engagement at NEDLAC in achieving the extension of Child Support Grant and other Social Protection measures. Continue to

Role of Trade Unions

Trade Unions are an important catalyst for change given their nature and objectives. Although all trade unions in our study are engaged with the state or other stakeholders in improving social protections measures, this varies from country to country. One of the key weaknesses emerging from this engagement is a lack of clear policy on Social Protection from Trade Unions. Seemingly many Trade Unions engage on an adhoc basis or secure narrow gains for their members. These are important contributions. However, a more coherent policy position, as in the case of South Africa (COSATU) and Namibia provides a solid grounding to push for a transformative, caring and developmental state.

Apart from the focus to ensure representation of Trade Unions on an array of schemes, it would be important to avoid complacency, develop clear strategies for engagement and shift Trade Union focus from a narrow interest perspective. Undoubtedly, social dialogue will be central if Trade Unions intend engaging on a demand for comprehensive social policy shift. Very few countries have well

established and functioning social dialogue institutions and where they exist there are important learning experiences to gain from.

			campaign for a Basic Income Grant
Tanzania	Yes	No policy on Social Protection but have made input on the National Social Security Policy. Poor campaigning in extending social security to the informal sector	Continue engage at tripartite body. In addition lobbying and campaigning is an integral part of the Union strategy
Zambia	Yes, but limited	No social protection policy and involvement has largely been restricted to governing boards	Development of a more effective and strategic role is required
Zimbabwe	Yes	Three pronged strategy that deals with research, education and training and engagement. Participation at and representation on various schemes	Continued research policy proposals, lobbying and engagement through social dialogue structure

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CHAPTER 4: COUNTRY CASE STUDIES

SOCIAL PROTECTION IN BOTSWANA

By

Try well Kalusopa & Lebohang Letsie

Introduction and Background Information

According to the 2005/06 Labour Force Survey (LFS), Botswana had an estimated population of 1,153,227, out of which 518,733 (45%) were males and 634,495 (55%) were females. The majority (50.9%) of these were aged between 12 and 29 years. The number of senior citizens who qualify for the old age pension (65 years +) stood at 94,989 or 8.2% of all persons aged 12 years and above. Amongst these (i.e. the 65 years and above) 66.8% were found in rural areas and females accounted for 57.5%. The number of households was estimated at 515,294 of which 266,331 (51.7%) were male-headed households while 248,963 (48.3%) were female-headed (CSO, 2009).

The 2005/06 Labour Force Survey[10] also estimated that 787,962 (68.3%) of the total population were economically active while 365,266 (31.7%) were not and that, of the 787,962 that were economically active, 539,150 (68.4%) were currently employed, of which 281,762 (52.3%) were males and 257,388 (47.7%) were females. The major employer was Agriculture (29.9%), followed by Wholesale and Retail Trade (14.4%), Public Administration (11.2%), Education (8.0%), Manufacturing (6.7%) and Foreign Missions (0.2%) (CSO, 2009). The majority of persons (44.6%) were employed in rural villages, followed by cities/towns with 29.5%. Urban villages constituted 25.9% of the employed persons. Agriculture dominated the rural employment by 56.1% and stood at 30.0% of the total employment. In urban Villages, most of the persons (19.1%) were employed under Retail Trade industry, followed by Public Administration with 15.0%. Retail Trade recorded the highest (17.5%) number of employees in towns/cities, followed by Public Administration with 13.4%.

Labour Force analysis reports over the years, however, show a perennial and increasing rate of unemployment in Botswana since 1991. The labour reports show the following unemployment trends: 1991 (13.9%), 1993/94 (21.6%), 2001 (19.6%), 2002/03 (23.8%), 2004 (26.4%), 2005/06 (17.6%).

Employed persons were here are those who did work during the reference period either for payment in cash or in kind (paid employees) or who were engaged in self employment for profit or family gain, and persons temporarily absent from these activities but definitely going to return . Some works were defined as one hour or more in the reference seven days with economic work taking priority over all activities.

Botswana is said to have maintained a stable and steady economic growth since 1966; thus, transforming itself into a middle-income country with a per capita Gross Domestic Products (GDP) of income at market exchange rate averaging about $3,800 (Ministry of Finance, 2010). The country is also said to have made some remarkable investment and progress in education and health. Botswana largely depends on the extraction of diamonds for export. On the average, this accounts for over 70% of its export earnings and contributes 36% of GDP. Botswana is also a large exporter of beef to the European Union, though this industry now faces a myriad of problems. Agriculture only contributes about 3% of GDP. Thus, taken together, agriculture and mining contribute about 39% of the rural GDP to overall GDP. Currently, the country has placed emphasis on diversification of its economy to other sectors such as tourism which is showing potential for growth (BIDPA, 2006). The size of GDP at current market price is approximately P115 billion (approximately US $14 billion) year ending in 2011 (Ministry of Finance, Budget Speech, 2012).

Despite Botswana's proclaimed economic success story, over 20% of Batswana continue to live below the poverty datum line of less than US $ 1.25 per day. Thus recent reports by the African Development Fund (2011) confirm that 23% are living below US $1.25 per day, while the official latest 2009/10 Botswana Core Welfare Indicators (BCWIS) also indicate a decline in the proportion of persons living below the datum line (PDL) at the national level, from 30.6 percent in 2002/03 to 20.7% in 2009/10. The BCWIS also indicates that there has been a change in the distribution of poverty incidence between 2002/03 and 2009/10. The cities and towns have experienced an increase in poverty incidence whilst the rural areas' poverty incidence has declined. Thus in the rural areas, the poverty headcount of 44.8% in 2002/03 recorded a decline in persons living PDL to a headcount ratio of 25.5% in 2009/10 while the percentage of persons living below the PDL in the cities and towns registered an increase of 3.4 percentage points from 10.6% in 2002/03 to 14.0 percent in 2009/10.

However, though these poverty figures may look modest in comparison to other countries in Africa, the gini-coefficient[11] for Botswana still stands at an alarming 0.626, while the income of the poorest 40% of the population is only 11.7% of the total GDP (Republic of Botswana (DWCP), 2011:10). This, in itself, does confirm the deep inequalities within the economy. This is so because several factors identified as the root causes of poverty in Botswana still persist. These include: harsh climatic conditions, lack of employment opportunities, lack of vocational and entrepreneurial skills and inappropriate targeting of developmental programs and assistance policies.

The giiii coefficient measures the extent ot income distribution among individuals or households within an economy. A gini coefficient ot zero means total equality and that of 1 implies complete inequality.

It is also clear that the dependence on the extraction of the diamonds has not led to expansion in job creation while other sectors have not shown any significant growth. The largest formal employer in the economy remains the government and has not been effective in dealing with the unemployment problem. The quest to privatize so that the private sector is stimulated to provide employment has not been that successful as yet. The private sector is still small, fragile and highly government dependent.

Evolution of Social Protection in Botswana

Prior to independence in 1966, Batswana relied on traditional support systems to address issues of poverty and destitution. The extended family system was seen as a social protection regime when individuals went through life cycle crisis. The family provided a window of support during hard times and children were seen as a social safety net when parents became sick, disabled or old. The society during this time was guided by the principles of solidarity and reciprocity. The principle of solidarity emphasized a sense of unity, and shared responsibility towards other family members. Hence, members within the family felt obligated to support each other in times of need. On the other hand, generalized reciprocity was exercised whereby each member of the family or kinship provided assistance without expecting anything in return.

Besides the family or kinship system, other forms of informal social protection arrangements existed namely: *"mafisa, go tshwara teu,* and *majako".* The *mafisa* system allowed the destitute poor to look after the rich people's cattle and in return to have access to these cattle. While taking good care of the livestock, recipients had free milk and meat for the family, used the cattle as draught power and also to transport water, firewood or collect harvest. On the other hand "go *tshwara teu"* allowed the destitute poor to look after cattle and in return to be given payment of one or two cows. Finally, *"majako"* system provided the poor with an opportunity to work in the fields or sell their labour during the ploughing or harvesting seasons and in return, get a share of the harvest. (BIDPA, 1997).

[12] See Bechuanaland Protectorate Development Plan 1963-1968 p. 24.

At independence in 1966, the government acknowledged that solutions to social problems could still be found within the framework of customary law and traditional support systems[12]. However, the devastating drought of the mid sixties necessitated government to intervene as people could no longer rely on subsistence economy. Invariably, with assistance from the World Food Programme, the first formal social protection program was launched to counteract the effects of drought in 1965. Vulnerable groups such as lactating mothers, pregnant women, pre-school children, and children aged 6-10, TB patients, malnourished children and primary school children were the primary beneficiaries of this drought relief program. The rest of the community benefited from this program through what was called "food for work" (Ipelegeng). People were provided with food in return for work on community projects such as destumping of lands, building of teachers' quarters, school classrooms and small dams, repair and construction of rural roads[13]. In addition to this, the national strategy for development focused on improving medical facilities, housing, education, water supply and creation of new industries.[14]

During the national plan period 1973-1981, the Social Welfare Unit was established within the Department of Community Development to address emerging social problems. It had become clear that due to urbanization and other social change factors, the traditional family was slowly getting weakened. There was also evidence of the general decline in the traditional social safety nets as well as community responsibility. The majority of people migrated from rural villages to settle in towns leaving the elderly alone. Similarly, squatter areas were equally mushrooming in urban areas breeding serious problems such as crime, juvenile delinquency and general destitution (Ntseane & Solo, 2007).

Further, the Short Term Plan of Action for Care of Orphans (STPA) was launched in 1999 to respond to the critical needs of orphans. The STPA emphasized the importance of providing these children with psychosocial support in addition to food, clothing, education, shelter and other material packages. Other social protection programs such as the Old Age Pension and the World War II Veterans were both introduced in the mid 1990s through a Presidential Directive to further improve the quality of life of the elderly people and to enhance their income security. Similarly, government intensified the provision of social services such as education, health, housing, water and sanitation to reduce the intensity, incidence and prevalence of various social risks (Ntseane & Solo, 2007).

Legal/Regulatory Framework for Social Protection

In Botswana, the delivery of social and economic development is guided by five national principles of Democracy, Self Reliance, Development, and Botho. The government recognises the importance of ensuring that all citizens do lead dignified lives, by providing support to those who cannot afford the basic necessities of life. This notion captured in Vision 2016 makes the pronouncement that Botswana will be "a compassionate and caring society, offering support and opportunity to those who are poor, including all people in the benefits of growth". The current President's notion of the "4Ds" - "Dignity, Discipline, Democracy and Development" has entrenched the original impetus for the programme for needy and vulnerable persons as aptly captured during NDP 7 (1991-1997) which stated that

[13] See Transitional Plan for Social and Economic Development 1966-1969

[14] Bechuanaland Protectorate Development Plan 1963-1968

every citizen is entitled to a minimum standard of life that is consistent with human dignity. It should be noted that dignity requires a clear distinction between those needy and vulnerable persons that are in chronic, extreme poverty (long term) and those who have suffered a household level disaster (short term).

There are various legal frameworks that guide the deliver of social protection in Botswana. The formal social protection schemes are governed by several instruments that include:

1. The Pensions and Provident Funds regulated by the Pension and Provident Fund Act (CAP 27:03) of 1987. This Act provides for the registration, incorporation, regulation and dissolution of pension and provident funds. There are about 94 pension funds registered in the country. Most medium and large organisations -parastatal, private and public services have established pension funds for their employees. Currently, the Pension and provident Funds Acts is under review. The structures of such funds as per Pensions and Provident Fund Acts provide management structures for effective functioning.

2. The Employment Act CAP. 47:01 of 1984 came into force on the 14th- December 1984. It repealed and replaced the Employment Act of No. 29 of 1982 in order to amend the law relating to employment and to make comprehensive provisions. Among, the 2004 key amendments is the protection of employees when their employer becomes insolvent, by means of privilege on the employer's assets before non-privileged creditors are paid their share. The Act provides the central link between the State and the employee in the form of the so-called "floor of rights", a set of statutory entitlements purporting to provide a protection by prescribing labour standards in the employment relationship. The principal functions of the Act are to lay down basic minimums required for contract of employment e.g. sick leave, maternity leave, notice pay, hours of work, overtime and severance pay to prevent exploitation of workers. The Act also specifies the need for payment gratuity to contract employees. Most parastatal, private and even government do provide for payment gratuity if such an engagement is for more than 24 months.

3. There is a Workmen's Compensation Act which is intended to provide compensation to workers for injuries suffered or occupational diseases contracted in the course of their employment or for death resulting from such injuries or diseases. It applies to any worker employed by the Government, the local authority or statutory corporation in the same way and to the same extent as if the employer were a private person[15]. The employer will be found liable if the accident arose out of and in the course of a worker's employment and resulting in personal injury[16]. An employer whose worker suffers personal injury or an occupational disease arising out of and in the course of the worker's employment shall be liable to pay compensation in accordance with the Act[17].

[15] Section 3(i) Workmen's Compensation

An employer shall not be liable to pay compensation for any injury or occupational disease which does not incapacitate the worker to an extent that he is unable to work and earn full wages for any length of time or that has been deliberately self-inflicted[18].

4. There is also the 1995 Income Tax Act (Superannuation Fund) that regulates the taxation of contributions, investment income and benefits. Employee contributions are tax deductible up to 15 per cent of salary and employer contributions are tax deductible up to 20 per cent of salary. There is no ceiling on salary. Investment income is tax exempt. Up to one-third of the pension may be paid as a tax-free lump sum if the pension exceeds BWP 5,000, with the total amount payable as a tax-free lump sum below this amount. Pension benefits are taxed in the same way as salary. Cash withdrawals upon termination of employment before retirement are fully taxable.
5. There is also the Motor Vehicle Accident Fund Act which is intended to provide for compensation for certain loss or damage caused in vehicle accidents. Section 12 of the Act provides that:

> *"subject to the provisions of this Act, and any conditions which may be prescribed relating to the submission of, investigation of, and processing of claims, the fund shall be obliged to*

compensate any person (in this Act referred to as third party) in an amount that reasonably equates to the value loss or damage which he may suffer as a result of:

a) *bodily harm to any person including himself; or*

b) *the death of any person"* (Motor Vehicle Act, 1998).

The Act explicitly requires that a third party's claim must arise from the negligent driver of a motor vehicle. If negligence cannot be proven, then the Motor Vehicle Accident Fund is not liable.

[16] Section 2 Workmen's Compensation

[17] Section 11 (i) Workmen's Compensation

[18] Section 11 (2) Workmen's Compensation Act

Coverage of Social Protection in Botswana

The social protection schemes/programmes can be largely classified as universal old age pension scheme, employment/occupational contributory schemes, government-assistance programmes and informal social protection programmes. This section discusses these schemes/programmes categorized below as:

Universal Old Age Pension

The Old Age Pension scheme was introduced in Botswana in 1996. This is an entitlement scheme administered by the Commissioner for Social Benefits in the Ministry of Local Government. Implementation is done by social workers in the Local Authorities. Beneficiaries receive their allowances from post offices. The major objective of the scheme is to provide financial security to the elderly citizens who otherwise are without means of support due to the disintegration of the extended family support system. Eligibility for the Old Age Pension is currently defined only by age (65 years and above). It has the following additional features:

- Only Batswana citizens qualify.
- Special efforts are made to ensure that the elderly poor who reside in isolated remote areas have access to this scheme.
- The allowance is not means-tested and non-contributory.
- Mental patients, whether hospitalised or taken care of by families and friends are entitled to the scheme.
- Prison inmates are excluded until they complete their sentence as are citizens residing abroad.

Available records show that the number of beneficiaries has steadily increased from 84,577 in 2003 to 86,859 in 2006.[19] It is estimated that of these recipients of the old age pension, 65-75,000 are retired old age persons. The 2002/2003 Household and Income Survey (HIES) indicates that over 95% of the elderly are now registered for this program (CSO, 2004).

Employment/Occupational Contributory Schemes

There are about 94 pension funds registered in the country. Most medium and large organisations in the parastatal, private and public sectors have established pension funds for their employees. Both employers and employees make monthly contributions into the fund as contractual saving. One such contributory scheme, the Botswana Public Offices Pensions Fund (BPOPFP), was registered in 2001 for public servants and is one of the largest pension schemes. That is, of the 300,000 workforce in the country (of which 120,000 are employed by central and local governments), about 80,000 (66%) are covered by BPOPFP. Of those in

[19] Source Social Benefits Division, Department of Social Benefits

the private sector and other organisations (180,000), only 28,000 (or 16%) are covered by other active pension funds. These are mainly the managerial and skilled workers with an average salary of P5, 200 ($700) who are covered by other contributory schemes. About 152,000 (84%) are therefore not covered per se (Finmark, 2008)

The other large employment/ occupational pension schemes is the Debswana Pension Fund. Since its inception in October 1984, Debswana Pension Fund has seen its membership grow to around 9,000. The Fund was established to provide members with a pension after retirement, and to offer financial support to members' dependants upon the members' death (Debswana, 2010).

In addition, there is the employment severance/gratuity. This started purely as a severance benefit borne by the employer. However, over the years there was evidence of a risk associated with employers, especially those in the private sector, defaulting to pay such employment severance or gratuity before they could liquidate. Consequently, in 1992, the law was amended to make it payable every five years, irrespective of whether employment was terminated or not (Finmark Trust, 2008). The specific coverage figures for beneficiaries under this scheme could not be established.

Government Social Assistance Programmes

Government provides a wide range of services for families and children as social protection. These services are aimed at reducing poverty as well as providing a social safety net for individuals, groups and families and are usually part of the annual budget. This section briefly reviews the following programs:

- Program for Destitute persons
- Orphan Care Program
- Supplementary Feeding for Vulnerable Groups
- World War II Veterans
- Labour Based Drought Relief Program
- Program for Remote Area Dwellers
- Community Home-Based Care
- Ipelegeng Programme

Program for Destitute Persons

The definition of the destitute person describes clearly who is covered and who is excluded. Eligibility for destitute benefits is therefore targeted and conditional. For one to register as a destitute one either has to come forward as an individual or they can be referred or nominated by family members, individuals or community leaders. The scheme does not discriminate on the basis of age, gender or ethnicity. Once the individual has been nominated, professional Social Workers then conduct rigorous assessment to determine whether the individual qualifies. The National Policy on Needy and Vulnerable Families of 2009 does not depart significantly from the target groups of the previous Destitute Policy; it incorporates several of that Policy's major elements. The major change is that while assessment and qualification under this policy is based on the family, rehabilitation and relief benefits are provided to individuals. The definition of a needy and vulnerable family under the current policy under review monetizes the definition of a destitute family of the earlier 2002 policy. The qualification under this Policy begins by setting a maximum means test for a household which will include the:

- Families with a monthly income less than P300; or
- Assets insufficient to generate P300 ($40) per month (Total asset value of P33,000 ($4,700) or 9 livestock units); or
- A combination of asset yield and other income that totals less than P300 ($40) per month.

Under the current review the definition of the beneficiaries will be within a qualified needy and vulnerable family, the qualified beneficiaries may include three continuing categories of chronic extreme poverty:

- A person who is of an advanced age (65 or older) which renders him incapable of working or otherwise sustaining themselves.
- A person who is experiencing physical, emotional or mental incapacity, and has limited opportunities to engage in an independent and sustainable livelihood.
- A dependent child who is not catered for under any of the other children's social safety nets such as orphan care.
- Within a qualified needy and vulnerable family, the qualified beneficiaries may temporarily include able-bodied individuals whose family has experienced a household economic disaster.

The last available figures show that there are 38,074 registered destitute persons in Botswana.[20] This number has been growing steadily since the program was implemented.

The Orphan Care Program

An orphan is defined as "a child below 18 years who has lost one (single parent) or two (married couples) biological or adoptive parents" This definition also incorporates children who are abandoned or dumped by their parents who can no longer be traced (Ministry of Local Government & Housing, 2003).

The problem of orphans is not a new phenomenon in Botswana. However, in the past, this problem was not pronounced as relatives and the community at large provided a safety net for these children. With the advent of social change coupled with the escalating rates of HIV/ AIDS, the number of orphans continues to increase.

[20] Records obtained from the Department of Social Services, Ministry of Local Government

For example, in 2002 there were 39, 571 registered orphans. In 2004, this number increased to 47,964. In 2007 there were 51,600 registered throughout the country.[21] This figure is said to be a serious underestimation as some relatives are reported to be refusing to register orphans because of the stigma association with the HIV/ AIDS epidemic.

Unlike the destitute program, the orphan care program is a social allowance program; therefore, it is not means tested. Eligibility is therefore open to all Batswana children under the age of 18 who do not have parents and therefore lack access to basic human needs such as food, clothing, toiletry and shelter. Children over the age of 18 are covered by the destitute program. Identification of orphans is the responsibility of teachers, social workers, relatives, community leaders, as well as members of the community. Registration is finally done by social workers who conduct a thorough assessment of the situation. Once the status of the child has been determined and eligibility requirements met, children are then automatically registered. Currently, 92% of registered orphans are receiving assistance and only 8% are supported by relatives.

Vulnerable Group Feeding Programme

The vulnerable group feeding program is one of the oldest social safety nets for children and vulnerable groups. Established since independence in 1966, the program aims at distributing meals and nutritional supplements to people who are vulnerable to malnutrition, including women of child bearing age from poor or low income households. The program is implemented by the Ministry of Health and the Local Authorities.

Beneficiaries of this program are pregnant and lactating mothers, nutritionally at risk under-fives and TB patients. During drought years, supplementary feeding is provided to all under-fives while food rations are supplied to lactating mothers. However, in non-drought years, supplementary feeding is based selectively on the weight progression of the child. Seemingly children who are underweight are given preference. By July 2005, there

[21] Official statistics obtained from Department of Social Services, Ministry of Local Government, 2006.
[22] See BIDPA Consultancy on Social Safety Nets 2006
[23] See Ministry of Finance and Development Planning National Development Plan 8 page 393
[24] See Ministry of Finance and Development Planning National Development Plan 9 page 315.

were 268,000 beneficiaries registered under this scheme[22]. Data show that since the implementation of this program, the prevalence of severe protein energy malnutrition has decreased from 0.5% in 1991 to 0.3% in 1995.[23] Records indicate that there has been considerable improvement in the nutritional status of children, particularly the under-fives over the last years. Suffice to mention that, in general, HIV and AIDS pandemic are reported to have had a negative impact on the health and household food security of the beneficiaries in Botswana.[24]

World War II Veterans Allowance (WWII)

The WW II Veteran allowance is also a universal entitlement program which is not means tested. This program is also administered by the Commissioner for Social Benefits, but unlike the Old Age Pension Scheme, it is implemented under the office of the District Commissioner/Officer in various districts. Its beneficiaries also receive their allowances from post offices.

The WW II is payable specifically to those veterans or their surviving spouses or their children under 21 years "in recognition of the services they rendered for the security of the country and not other countries. The allowance is also by "extension" payable to World War I veterans or their surviving spouses. Those who have emigrated or have been repatriated do not qualify for such pensions. Where the veteran had more than one spouse or more than one child, the allowance is divided equally among the recipients. Available data could not confirm the actual number of veterans covered but interviews with officials indicated that the number of beneficiaries has declined because most have already died.

Labour Based Drought Relief Program (LBDRP)

The scheme was started in the 1960s as an emergency response to alleviate effects of drought. Invariably, during the drought intervention in the late 1960's and 1970's, payment for participating in drought programs was in the form of "food for work". The objectives for this program have now shifted to concentrate on[25]:

a) Provision of temporary supplement to rural incomes through wage employment for the most affected by drought
b) Maximising employment opportunities under the scheme
c) Creating a socially useful or productive infrastructure
d) Maximising participation of rural communities in the identification of meaningful projects.

Every year, an Inter-Ministerial team assesses the situation of crop harvest, pastures, water availability and other related contingencies. Around May/June the President may then direct that the scheme be implemented countrywide. Once the drought year is declared by His Excellency the President, implementation commences, coordinated by the Ministry of Local Government, and implemented by the Local Authorities.

Labour Based Drought Relief projects benefit all the able-bodied in the rural areas that have lost their livelihoods because of drought. No means testing is used to select participants. However, a rota system is developed to ensure that there is maximum participation to the intended beneficiaries. The cumulative number of people employed under the 2003/04 was

[25] See Ministry of Finance and Development Planning National Development 9 2003- 2008

121,599 workers comprising of 98,968 females and 22,631 males against a total of 1362 projects.[26]

Program for Remote Area Dwellers

The remote area dwellers or Basarwa/Bushmen mainly live in remote and arid parts of western Botswana where there is very little economic activity. By tradition, most were

nomadic hunter-gatherers and did not engage in arable agriculture.[27] The origin of Remote Area Development Program (RADP) dates back to the 1970s when it was called the Bushmen Training and Settlement Project. After several reviews, the program has evolved to focus specifically on ensuring that beneficiaries achieve sustainable social and economic development and that they benefit equally from rapid economic development of the country.[28] The Ministry of Local Government implements this program in 64 designated settlements through the Department of Social Services.

Remote area dwellers depend largely on the social protection schemes provided by the state. The majority if not all of the remote area dwellers receive the destitute rations and allowance. Eligibility criteria used in these schemes applies in the RADP program. The scheme provides funds for productive and business-oriented activities including game ranching, harvesting and utilisation of veldt products and arable agriculture. In terms of coverage, the Ministry of Local Government implements this program in 64 designated settlements through the Department of Social Services. The actual number of beneficiaries in these settlements could not be established.

Community Home-Based Care

This programme was established in 1995 in response to increased illnesses due to HIV/AIDS. The aim of the programme is to ensure quality care from health facilities to the home setting. The programme is implemented through joint partnership between the Ministry of Health and Ministry of Local Government. In 2002, 6,380 patients were registered by social workers, compared to 1058 in 2001.[29] Patients enrolled in this programme benefit from the clinical medical assistance as well as a food basket that is aimed at meeting the nutritional needs of the patients. Therefore, the Pula worth of the food basket depends on the nutritional needs of patients. For example, currently some patients receive as much as P397.00 (about $58) worth of food, while others get P276.00 ($40) or less. Other assistance includes supplies such as gloves, mackintosh bedspreads, bedpans and disinfectants to protect both patients and care givers. Eligibility for assistance under this programme is not means tested (Ntseane & Solo, 2007).

[26] Republic of Botswana Labour Based Drought Relief Program Monthly Report May 2005
[27] See Ministry of Finance and Development Planning 1997 page 365
[28] See Republic of Botswana Report on Review of the RADP 2003
[29]

Ipelegeng Programme

This programme was introduced in July, 2008, not only as a means to create temporary employment on rotational basis but also as a long term programme to target people with no or limited sources of income. It is estimated that as at February, 2010, it had cumulatively employed 234,462 people, of which 172 686 were females and 61,776 males, and government was estimated to spend PI.4 billion (US$0.2b) in the National Development Planning [2010-2016] (NDP 10), at an annual expenditure of P200 million ($28.5m) (Budget Speech, 2010).

Private Health Social Assistance Schemes

Private sector organisations have joined hands with government to develop HIV/AIDS workplace policies and strategies. The schemes that have been developed are to complement provisions from government. The private sector initiative is part of a multi-sectoral response to the HIV/ AIDS scourge and hence the provisions tend to follow the procedures laid down in the National Policy on HIV/AIDS.

The DEBSWANA mining company was the first company to initiate a private sector response to HIV/AIDS. By 2002, it had provided ARV treatment to 186 staff with AIDS. It also implemented care and support programme for the staff and their registered dependents. Barclays Bank also started providing ARV treatment for staff and their dependents in 2002. Other private companies, namely, First National Bank, Botswana Power

Corporation, Botswana Federation of Trade Unions and Bank of Botswana are implementing prevention programmes such as information and awareness campaigns, condom distribution, counselling and on-going counselling and support for employees.[30]

Informal Social Protection Programmes

Despite the advent of social change, the informal networks for providing care and support are still part and parcel of the Batswana social structure. Members of the family continue to play a critical role in assisting the sick to get medical care, to provide emotional support and to collaborate in raising money to meet funerals costs. In some cases, family members have found the need to create special funding schemes where they periodically contribute to funeral insurance schemes or to a special saving account. Burial societies, on the other hand, have become a strong informal social protection scheme for the majority of people who occupy low paying jobs (Ntseane & Solo, 2004). Three main categories of burial societies exist in Botswana, namely: work-based societies, ethnic-cum-regional societies and the communal- oriented burial societies (Ngwenya, 2000).

Financing For Social Protection Schemes

[30] See Republic of Botswana *Status of National Response,* 19-4.

These various social protection schemes/programmes are financed from and/or by a variety of sources. The government assistance schemes derive their funding from the tax generated government revenue. According to the recent 2010 IMF assessment, the Botswana economy though recovering from its worst recession in 40 years, contracted by 3.7 percent from an average annual growth of over 6% last year due to the collapse in the demand for diamonds in the wake of the global financial crisis. The prompt easing of fiscal and monetary policies cushioned the impact of difficulties in the mining sector on the rest of the economy such that the non-mining sector grew by a healthy 6.2 percent in 2009. The economy will likely see some rebalancing in 2010 as mining continues its gradual recovery while the non-mining sector (such as services, manufacturing, agriculture, etc) decelerates as fiscal stimulus is withdrawn. Overall GDP growth is projected to reach 8.4 percent and beyond in 2011, led by a rebound in diamond production while the non-mineral GDP growth is expected to about 5%. The current deficit stands at P32 billion and is projected for over 7 years. This in itself presents a problem with the financing of government-assistance programme. The structure of spending for 2009/10 shows that sectors such as food and social welfare expenditure is 1%; community and social services is 3%; health is 9%; education, 24%; roads, 3%; agriculture, 3%. The current scenario is that social protection expenditure is scattered among these annual budget expenditures and a reduction due to budget constraints arising out of social budget cuts owing to huge deficit financing over the coming fiscal years will have some definite impact. For example, the State provides old age pension universal coverage at low cost (annual direct cost of approximately P235m (US$ 34m) and 1% of total government spending), and supports the incomes of the elderly. However, the scope to increase this government spending remains limited given the large government deficit arising out of the global recession.

The employment/occupational schemes are, on the other hand, financed through contractual savings (employer and employee contributions). Both employers and employees make monthly contributions into the fund as contractual savings. Contributions pension plans are financed both by employers and employees. Contributions depend on plan rules. For tax reasons, they are usually limited to a maximum of 35% of contributory salary. The total employer and employee contribution rate under an average plan is between 10 per cent and 15 per cent of contributory salary (typically 5% employee contributions, 5-10% employer contributions). The contributory salary is defined in the plan rules, with no limits usually set on its amount. Contributions must be paid within 21 days of the end of the calendar month for which they are due. Employees may make additional voluntary contributions to the same and/or another plan in accordance with the plan rules. For the Botswana Public Offices

Pensions Fund (BPOPFP), for instance, employers contribute 17.5% while employees contribute 2.5%. As for the Debswana

Pension Fund, the money comes from the contributions the employer makes for the employees as well as the returns earned on the various fund investments. Debswana contributes a generous 20% of each employee's salary per month, ensuring value-add for members at the end of their working lives. The contributing employers are Debswana Diamond Company, Botswana Diamond Valuing Company, DeBeers Prospecting and Morupule Colliery. The fund has benefited from exceptional investment growth, especially in the years 1988-1998 when the performance of world markets often exceeded expectations. Although it would have been ideal to benchmark the fund against this performance for the future, poor global market performance and extreme volatility in the past year has led to a period of slow growth.

With regard to employment severance/gratuity, termination comprises resignation, retrenchment or the end of a given employment contract. The cost is borne by the employer. The calculation is normally 1 day of pay for every month worked in the first five years or approximately equivalent to 12 x final weekly salary, 3 x final monthly salary or 25% of final annual. Then every five years thereafter, it could be 2 days for each month (pro-rated) (Finmark Trust, 2008).

The informal social protection arrangements are largely financed through personal members' contributions without any outside intervention and such contributions are not always confined to money. For the informal social schemes such as the burial society schemes, members of the family continue to play a critical role in assisting the sick to get medical care, to provide emotional support and to collaborate in raising money to meet funerals costs. In some cases, family members have found the need to create special funding schemes where they periodically contribute to funeral insurance schemes or to a special savings account. The burial societies provide financial as well as logistical support to members during the time of illness and death. Due to the HIV/AIDS pandemic and its consequences, burial societies are not able to cope with the increasing number of deaths. The additional challenge is that Batswana in general prefer to bury the dead after a period of at least a week, to provide food daily for the mourners plus community members before and after the funeral, and to purchase expensive coffins. Invariably, funerals have become very expensive ventures.

The Role of Pension Funds in Investment and Development

Over the years, the pension fund assets in total are said to have grown from about P2, 200 million in 1999 to about P30.4 billion ($5 billion) as at September, 2009 (BIDPA, 1999; Budget Speech, 2010). Owing to this growth of the pension assets and the insurance industry, the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) has developed an appropriate regulatory and supervisory framework.

Most of the organisations, however, do not manage their pension fund investments directly but place these in the hands of professional fund managers who invest these funds in a variety of ways, using appropriate financial instruments taking into account low risks on the financial market (BIDPA, 1999). The objective of the fund management strategies is to generate as high a level of investment returns as possible, without taking a level of risk that would jeopardise the fund's assets and its ability to meet its future pension payment obligations. In this context investment strategies are devised within the parameters laid down by actuarial analysis of pension fund liabilities. The actuary will normally determine the pension fund's future obligations in terms of the anticipated level and time profile of pension payments, and ensure that the fund's assets are invested in such a way as to meet these obligations (BIDPA, 1999). This is usually done by matching this to the liabilities in terms of maturity, liquidity, and risk - avoiding, for instance, major currency mismatches of assets and liabilities. There are two essential elements in minimizing risk. The first is avoiding individual high risk investments, where there is a high level of uncertainty over

the maintenance of the principal value of assets. Hence pension funds are not well suited to providing venture capital investments (BIDPA, 1999). The second element is asset diversification, where a certain amount of risk can be accommodated if funds are invested across a wide enough range of assets with different characteristics. Hence pension funds are typically invested in a range of different assets, with blue-chip equities (company shares) making up the largest single proportion (BIDPA, 1999). Other assets include bonds (both corporate and government), shorter-term securities such as Treasury Bills, fixed deposits and property. Each of these assets has a different risk/return profile, with equities having higher risks (in terms of volatility of returns) but higher average returns than, say, treasury bills and fixed deposits, which are safe but not particularly rewarding. By investing in a portfolio that includes a wide range of such assets, the risk/return combination can be improved. Risk is also reduced by investing across a range of markets in different countries and currencies. Because of the very long time horizon of pension fund investments, pension fund managers can, by investing predominantly in equities, benefit from the generally high returns on stock market investments without being unduly concerned with the short term fluctuations that stock markets are often subject to (BIDPA, 1999).

Given the foregoing, although there are over 94 funds, most of the assets are accounted for by just a few of the largest funds. The total pension fund assets are dominated by the Debswana Pension Fund (DBF) which is the pension fund manager of Debswana, the joint venture company between De Beers Diamond Company and the Botswana Government. It is estimated that Debswana accounts for approximately 40% of the total pension funds assets (Debswana Pension Fund, 2010). The current DPF's investment is spread across various investment vehicles including shares, bonds, short term deposits, cash and property, totalling in value of P2.6 billion (Debswana Pension Fund, 2010). Of this, the property portfolio consists of directly owned commercial, retail and residential property to the value of P43.8 million, while the rest of the properties are owned in partnership with other organisations such as Botswana Development Corporation, Motor Vehicle Accident Fund, Engen Botswana and Botswana Insurance Fund Management largely in equal proportions. Together, directly owned and partnership properties make P90, 300, 000 or 3.56% of the total DPF asset base (Debswana Pension Fund, 2010. Khumo Property Asset Management was awarded the Asset and Property Management contract of the Debswana Pension Fund property portfolio in January 2007. The value of the portfolio at the time was P81 000. The next largest are those of the banks and some parastatals (Debswana, 2010).

On the other hand, in the public pension domain, the Botswana Public Offices Pensions Fund (BPOPFP) is administered by Alexander Forbes Financial Services Consultants. The Board of Trustees comprises 9 employer trustees, 9 employee trustees, 1 pensioner trustee and one independent trustee, appointed by the Board of Trustees. There are 21 Trustees including the Principal Officer. Thus, most workers are represented on the Board. This fund has five main committees, namely: investment, benefits, audit, marketing and communication, and human resources. The investment committee oversees the functions of the Board of Trustees' mandate on investment. Like the Debswana Pension Fund, the investment options range from equities, bonds and property, both locally and offshore.

Of late there has been emphasis by the government on the need to invest more locally so as to generate local wealth and employment. Botswana Stock Exchange has, therefore, been working on introducing Exchange Traded Funds (ETF) in order to provide an investment vehicle to investors (Ministry of Finance, 2010). These are pre-selected basket of shares that are structured in a way that they trade as a single entity. Since currently Botswana invests about 60 to 70% of its savings, especially pension funds in international markets, it is envisaged that this will boost financial trading instruments in the capital markets so that funds are invested locally (Ministry of Finance, 2010).

Benefits of Social Protection Schemes

Coverage ofILO Convention 102: Conditions and Access of Benefits Convention 102 of 1952 concerning minimum standards on social security as promulgated by the International Labour Organization (ILO) requires member states to provide the benefits. The convention requires member states to provide the benefits in situations where there is a suspension of earnings as defined by national laws or regulations, due to inability to obtain suitable employment by able bodied persons who are capable of and available for work. Botswana has not ratified Convention 102. However, the country tends to cover most of these as shown in Table

1 below. Table 1 and the description that follows below indicate how Botswana covers social protection in various ways despite not being party to the ILO Convention 102.

Table **1:** Indications Coverage of Social Protection is as per in ILO Convention **102**

Benefits	Coverage	
	Yes	No
Medical health	X	
Sickness	X	
Unemployment		X
Old age	X	
Employment injury	X	
Family benefits	X	
Maternity benefits	X	
Invalidity benefits	X	

Source: Field Data

(a) Medical Health & Sickness

The government of Botswana puts health promotion and care, and disease prevention among its priorities, the basic objectives of which are the access to essential health care by all citizens, regardless of their own financial resources or place of domicile, and the assurance of an equitable distribution of health resources and utilization of health services. Thus, for example, with regard to access to health services, an estimated 88% of Batswana residents are within 15kms of health facilities and 81% within a 10km range have access to health. However, although health care has been made accessible, government decided to introduce some modest charges as a cost sharing measure with effect from September 1st 2007. Most trade unions and civil society organisations have many a time criticised this move and urged government to revert to providing free medical care at no cost to the beneficiaries. There have also been criticisms with regard to the quality of health care provided country-wide.

(b) Maternity Benefits

Maternity leave and sick leave are well espoused in the Employment Act and are enforceable. For example, the General Orders governing work conditions in the public service provide for 84 calendar days (6 weeks before and another 6 weeks after confinement), on full pay for a maximum of three confinements. The Orders stipulate that there must be two full years between confinements, ostensibly to protect the health of the mother and to ensure good family planning practice. For the fourth and subsequent confinements, female workers are entitled to the same leave period but at half salary. Upon resumption of duty after maternity leave, mothers are entitled to one hour recess per working day for a period of one year, to facilitate nursing of the baby. Before and during maternity leave, the public service contributory medical aid scheme provides coverage. All pregnant women undergo a mandatory HIV test and those that test positive are enrolled for 'Prevention of Mother to Child Transmission' (PMTCT) and have full access to free ARV therapy if their CD4 count is below 200. The Employment Act also provides protection for women against unfair treatment or dismissal and lays down penalties for offending employers. The Act stipulates that women in the private sector receive the same amount of maternity leave but at 25% of salary. Botswana offers no paternity leave provisions.

(c) Employment Injury & Invalidity Benefits

The issue of employment injury, invalidity and disability of individuals in the formal sectors is also well stipulated in the Workmen Compensation Act. Employers are required to report injuries and occupational diseases within seventeen days of the date the injury occurred or disease was diagnosed.[31] Proceedings under the Act will not be maintainable unless notice of the injury or disease has been given by or on behalf of the worker as soon as practicable. This must be before the worker has voluntarily left the employment in which he was injured or at any rate within twelve months from the date it occurred.[32] The Act provides a no-fault compensation for employees who are injured in accidents that arise out of and in the course of their employment or who contract occupational diseases (Oliver, 2004:326). Employees who suffer temporary disablement, employees who are permanently disabled and the dependants of employees who die as a result of injuries sustained in accidents at work or as a result of occupational diseases are thus compensated for their loss of earning capacity.

(d) Invalidity Benefits

31 Section 9(1) Workers Compensation

32 Section 8(1) Workers Compensation

There is currently no system of financial allowances or social benefits aimed at assisting people with disabilities in Botswana. However, there is provision under the National Policy on Destitute Persons for food basket and assistance for needy students who have some form of disability. Provision for people with disabilities is also covered under the Workers Compensation Act. This law provides for compensation for workers for injuries suffered or occupational diseases contracted in the course of their employment or for death resulting from such injuries or diseases. The Act prescribes lump sum payment on death, permanent total incapacity, permanent partial incapacity and periodic payments for temporary incapacity. The employer is however not required to compensate the worker where amongst others: the injury was self-afflicted or was proved to have been caused by the worker's wilful misconduct such as being under the influence of intoxicating, narcotic drink or drugs. Further, home-based care programme, the destitute programme, etc. may assist such people with disabilities.

(e) Family & Saviours Benefits

In Botswana, families are not given allowance for various needs. Instead, government provides a wide range of social assistance and social allowance schemes as elaborated in section 3.3 of this report. These services are aimed at reducing poverty as well as providing a social safety net for individuals, groups and families. These include, among others, the Program for Destitute persons, Orphan Care Program, Supplementary Feeding for Vulnerable Groups, World War II Veterans, Labour Based Drought Relief Program, and Programme for Remote Area Dwellers.

(/) Old age benefits

As earlier indicated in section 3.1, the Universal Old Age Pension scheme, which was initiated in Botswana in 1996, extends to all citizens over 65 years of age residing in Botswana. The costs are borne by the government, with P166 ($25) per month provided in benefits.

(g) Unemployment Benefits

In Botswana, the current (2010?) unemployment rate stands at 23.5% and is endemic among the youth (female youth at 31.8; male youth at 23.3%). Unemployment benefits, both in law and practice, is non-existent in the country although there has been a debate about it. However, the government introduced the National Internship Programme (NIP) in February, 2009 to absorb unemployed college and university graduates. It is estimated that the government will be expected to spend P625m (about$90m) a year. There are currently over 2000 registered graduates. Each of the volunteers receives P2000 (about US$300) (Botswana Guardian, 2010:24).

Therefore, in practice, in Botswana various actors such as central government, local authorities, parastatal and private sector organizations, including civil society organizations, provide different types of social protection programmes. The Table 2 below shows the different actors in the provision of social protection schemes/programmes:

Table **2:** Contingencies and public institutions responsible for implementing Social Protection

Contingencies	Public Institution	Private Institution	Civil Society Organisations
	Dept of Social Services Local Authorities		Botswana Council of Churches
Work related injuries	Dept of Labour and Social Security	Private occupational schemes Insurance	
Survivor benefits and funeral schemes	Dept of Social Services Department of Labour and Social Security. Local Authorities	Private occupational schemes Insurance Private individual schemes	Informal burial societies
Children and youth support	Dept of Social Services Ministry of Health Dept of Culture Dept of Women's Affairs		SOS Tirisanyo Catholic Commission House of Hope BOCAIP YWCA
Health Care	Ministry of Health Ministry of Local Govt Local authorities	Employment based medical aid schemes	
Sickness	Ministry of Health Dept of Labour and Social Security	Private sector schemes Insurance	
Unemployment	Dept of Labour and Social Security		Occupational retrenchment packages
Maternity	Department of Labour and Social Security. Ministry of Health	Employment based schemes Insurance	
Psychological support **for** orphans and vulnerable children	Dept of Social Services		Hope World Wide BOCAIP
Old age retirement	Dept of Social Services Dept of Public Service Management. Local Authorities	Occupational savings schemes Insurance Savings	Light of Courage Centre
General poverty	Ministry of Health Ministry of Labour and Home Affairs. Dept of Social Services		Botswana Red cross Society Botswana Council for Disabled persons
Disability	Special Services Unit Dept of Social Services Local Authorities	Private occupational schemes Insurance	Botswana Red cross Society Botswana Council for Disabled persons
Natural disaster relief	Department of District Administration		Botswana Red cross Society

Source: Ntseane and Solo (2007)

Table 2 above provides the broad framework within which social protection in Botswana are located and administered. It also shows government's efforts in providing social safety nets for different groups and individuals in the urban and rural areas of Botswana. The second column of the table 'Social 'public institution' clearly indicates the many public sector efforts that are aimed at addressing social protection issues in the population.

(h) Employment/Occupational Contributory Schemes Benefits For the other pension systems, the 1995 income tax laws (Superannuation Funds regulations) governing approved pension funds in Botswana restrict the maximum that a member may take as cash lump sum on retirement to a third of the total benefits. On resignation, a member receives 25% of the total benefit or P5, 000 (about $800); which ever is greater, as a cash lump sum, which is taxed. If the remaining 75% is less than P5, 000. The total benefit may be en-cashed in full. Members who resign start receiving their monthly pension when they reach 50 years and they are required to purchase a pension annuity from an insurance company. In this context, the pension is treated as a taxable income and is paid on a monthly basis for the rest of the

members' life. This amount, however, depends on the amount of the two-thirds as well as the rate used by the registered insurance company.

Challenges of Social Protection Schemes

Botswana, like any other country, faces a lot of challenges in the implementation of social protection schemes/programmes. The following are some of the general and specific problems related to the various schemes and programmes earlier discussed:

1. The ability of government to effectively address the different elements of social protection indicated above, generally besieged by several problems that range from problems of lack of financial and human resources absence of an inclusive framework that would facilitate broader coverage of different sections of the population, fragmentation of services, uncoordinated work by the different ministries and departments, lack of common and standard definition of 'socials security', ministries and departments formulating policies and programmes that carry a very narrow understanding of the key components of a social protection schemes, lack of policies and legal framework to enforce, inform and guide the implementation of the different types of social protection (Ntseane and Solo, 2007).

2. The Workman's compensation Act excludes a large number of persons such as domestic workers, the informally employed, the self employed and dependants. The Act does not place much emphasis on prevention. While the aim of such social labour legislation should have been prevention, reintegration, protection, regulation, inclusiveness and compensation, the Act does only focus on basic occupational diseases and accidents safety nets.

3. The gratuity system/severance pay recognized within Employment Act for contract employees is fraught with several challenges which include:
   - Problems of compliance such as:
     - o Termination n of employment prior to entitlement date; and o Liquidation of accounts or disappearance of employers.
   - difficulty in enforcing laws especially in the informal sector where there are:
     - o No centralized record keeping;
     - o No accounting obligation to accrue for payment of the benefit;
     - o Cash flow strain especially for smaller employers;
     - o No investment returns earned on accruing entitlements;
     - o No tax relief for the employer other than when payments are made;
     - o Recipients who do not save gratuity payments to provide future (pension) income; and o regular gratuity payments do not meet needs that social protection benefits typically aim to meet.

4. The old age pension experiences several constraints that include:
   - Loss or misplacement of identity Registration Cards that identify beneficiaries;
   - Problems with pensioners who lose out because they do not know their years of birth;
   - Cases of physical abuse of beneficiaries by the members of the public and relatives wanting to get money from the elderly; and

- Exclusion of potential beneficiaries in remote areas and cattle posts from the program due to lack of information and access to services.

The lamentations from interviews below indicate some of the current challenges facing the old pensioners in Botswana.

THE PENSIVE OLD PENSIONERS

It is said that there was delight when the government introduced the old age pension a few years hack, however, years down the line most of the old pensioners have moving lamentations. Below are some of the excerpts of old pensioners of how they were coping in hard times.

Pensioner 1: Aged 87.

"The money is just enough to buy basics such as maize meal, tea, sugar and bread flour. The authorities should seriously look into increasing it because prices seem to be rising everyday, think P500 ($72) would make things a bit better, as it would allow one to save something for rainy days ". ***Pensioner*** *2:* ***Aged 76.***

"The pension idea is a good idea, but the money is just too little. After buying basic groceries the money is all but gone. For us who live at the cattle post (traditional rural cattle rearing place) it's worse because we have to spend at least P40 on transport to go and shop in Ramotlabaki. I am lucky that my kids help me out by buying me clothes and giving me some money once in a while. I know some people who solely depend on the pension and things are hard for them, especially if they have children to take care of. Some of them are on the brink of absolute poverty because they are forced to sell their cattle and goats to keep their families going. If we got at least P600 we would be in a much better situation. I pray that the policy makers hear our cry and act soon, otherwise some of us will starve to death ". ***Pensioner 3: Aged 88.***

"We understand that the government is doing a good thing, but the money is inadequate. All it can cover is few basic food items, one or two toiletries and the burial society instalment. Sometimes it feels like the money is keeping us alive just about long enough to save for our coffins. If the amount could be increased to at least P500 ($72), then things would improve for us. Another painful thing is that the authorities are reluctant to put us on the destitute programme simply because we hm>e children who are working. Tliis is not fair because those children have to take care of their families too. In my case I understand that my children are not making enough to split between supporting their families and me. Cases of people with working children should be looked at carefully to determine whether those children are willing or able to support their elderly parents. Assuming that children will take care of their parents is unreasonable because some children just don't care or cannot afford to ". ***Pensioner 4: Aged 81.***

"It's a noble gesture, but the money is just too little. It cannot even buy basic groceries for the month. I hcn>e just borrowed some sugar from a neighbour because the sugar I get with the money seldom lasts the whole time. I also hcn'e to pay my burial society instalment from the money and pay the water bill. It's hard - prices are rising everyday. One needs at least P500 ($ 72) to make ends meet. Were I on the destitute programme things would be better, but those responsible say they won t include me because my son is on it. It does not make sense to me, but there is nothing I can do about it. It's a pity that these people don't seem to understand the situation ".

5. The Orphan programme faces the following challenges:
   - Data collected from the Department of Social Services shows that its staff faces a case load of 51,600 registered orphans or 629 orphans for each officer on an annualized basis[33]. Given this case load ratio, it is practically impossible for social workers to assess and register all orphans.
   - Research indicates that orphans in Botswana like in other countries experience enormous hardships such as psychological distress, economic hardship, lack of parental nurturing, anxiety about safety, withdrawal from school, increased abuse and risk of HIV infection, malnutrition and illness, lack of love, attention and affection, loss of inheritance, and stigma, discrimination and isolation, to name a few (Ministry of Local Government 1999; 2003; Republic of Botswana, 2003; BIDPA, 2006). Traditionally, most of these problems were being taken care of by the extended family. However, due to growing poverty and other economic hardships, coupled with the changing family structure and value systems, the burden of care and support has shifted to the state.

6. The challenges and constraints for the destitute programme include:
   - Lack of shelter for eligible destitute persons;
   - Exit from Destitution; and
   - Lack of professional personnel.

7. The challenges and constraints of the Labour Based Drought Relief Program include, among others, the following:
   - Since the scheme is generally extended to all rural areas, it may not be well targeted.
   - Decision-making, especially at the community level is usually highly politicized and sometimes sensationalized;
   - Bureaucratic delays at the Ministry of Finance create problems that compromise efficiency;

[33] Official statistics obtained from Department of Social Services, Ministry of Local Government

- Urban poor (especially those in the big villages) are excluded, yet many of them also rely on arable crop farming for their livelihoods;
- The daily pay to participants (intended beneficiaries) is meant be unattractive, and resorted to when no other normal work is available/ accessible to beneficiaries, which challenges the intentions of the scheme; and
- In the past, intended beneficiaries were involved in deciding which projects they wanted to carry out, at a public meeting, but Government policy has since changed and now government directs the programmes.

8. A number of challenged have been identified with respect to the delivery of social protection provisions in remote settlements.[34] These include the following:

- The food basket does not have the flexibility to allow beneficiaries to select items that they are culturally accustomed to;
- Due to remoteness of some of the areas, the amount allocated is often not enough to cover all the food items prescribed in the package;
- Many children drop out of school at junior secondary school level and therefore miss out on getting better employment opportunities; and
- Due to low levels of literacy and skills amongst remote area dwellers, the economic promotion fund has not succeeded in getting people out of the poverty trap.

9. The Ipelegeng Programme has also been criticized by both opposition politicians and trade unions as unsustainable and populist though they have not offered any tangible alternative to it. They argue that the programme does not create sustainable and decent work for the majority of the unemployed.

The ***Role of Trade Unions in Social Protection***

The Botswana Federation of Trade Unions (BFTU) has contributed to the debate about appropriate social protection for Botswana, at the workplace and in society for a long time. In 2007, the BFTU authored its groundbreaking position paper on Social Security, whose objective was to provide a framework for collaborating with stakeholders, to evaluate the current status of social protection and develop strategies in order to improve social protection in Botswana.

The SADC Social Charter to which Botswana is signatory also provides for the right of every worker to social security. There is also the SADC Social Security Code which provides the same right to any worker or indeed any individual in times of need. The Code calls for a comprehensive and inclusive social protection system in which the tripartite organizations in the form of labour movement, employers and government will develop a sustainable and inclusive system in keeping with the protocol's aspirations.

In this regards, the BFTU in its policy documents acknowledges that the role of the State in providing some form of social protection in Botswana is comparatively better in the SADC region. However, it is argued that the current social protection system in the country is rather reactive, indirect and unsystematic. They felt that the system is fragmented and hidden in various indirect social expenditures by the State. Accordingly, the BFTU asserts that though the majority of the very poor in

[34] See Republic of Botswana Report on the Review of the Remote Area Development Program 2003 page 110-112. and BIDPA Consultancy on the Review of Social Safety Nets 2006

Botswana are provided with some basic essential services to sustain their livelihoods, these social schemes are not intended to provide skills to enable the poor to get out of the poverty trap. What then remains a challenge is finding innovative strategies that would eradicate poverty in line with Vision 2016. These strategies would have to be preventive and holistic in nature and therefore target at eliminating risk and vulnerability.

Given the foregoing, the BFTU believes that they will need to engage with all relevant stakeholders guided by the following principles:

- The need for conducting a comprehensive review of the social protection system to assess the impact of these programmes on labour;

- An advocacy for a comprehensive national social protection policy which is integrated, inclusive and participatory: There should be integration and coordination of social protection components under one government organ.

- An advocacy for the establishment of a National Social Protection Commission to implement the proposed National Social Protection Policy;

- An advocacy for the strengthening and promotion of social protection arrangements for the informal economy;

- The need for labour movements to work with other strategic partners such as the private sector and civil society to devise strategies that encourage a savings culture in the nation;

- A demand for a social system to empower, educate and reintegrate beneficiaries;

- A demand for collective agreements that have social protection issues infused into them: Some trade unions have succeeded in obtaining agreements for their members covering injury and permanent invalidity, medical and maternity expenses, children education, among others. This needs to be extended to others as well.

- A demand for ratification of all Social Security Conventions of the International Labour Organization including Convention 102 of 1952;

- A demanding for the signing of all SADC instruments relating to social protection including the operationalization of Social Charter and Code on Social protection;
- A campaign for the strengthening of the family structure, provision of free education (formal and vocational), shelter, health care, access to land and credit facilities, supportive mentoring and counselling of vulnerable children and creation of employment opportunities;

- A campaign for the creation of adequate incentives to retain qualified professionals particularly nurses, social workers, counsellors and community home-based care volunteers to support social protection programmes;

- A campaign for appropriate legislation should be put in place to address issues of co-ordination of programmes on social protection;

- A demand for the development of labour market responses to deal with the impact of HIV/AIDS;

- A campaign for the strengthening of the human resource capacity of key personnel: Academic institutions should be requested to increase enrolments in key fields and to offer relevant and appropriate courses to mitigate effects of HIV/AIDS.

- Advocacy for the National Strategic Framework on HIV/AIDS that will provide for a comprehensive response to mitigate the impact of the pandemic: This plan must be fully implemented to ensure that resources are mobilized to finance social protection programmes.

- A campaign for the increase of access to funding sources by NACA and development partners by simplifying procedures for applying for these funds.

Summary, Conclusions and Recommendations

The summary, conclusions and recommendations of the Botswana study on social protection schemes are discussed below.

Summary

In summary, the following points can be made:

- The changes and developments in the social protection schemes have evolved with the country's socio-economic growth over the years driven by the boost in diamond revenues. However, this overreliance on diamond mining as the main source of income has severely impacted Botswana during the economic crisis and has affected social spending. This has been further worsened by the breakdown in the once supportive traditional extended family, deepened by the devastating HIV and AIDS.

The policy framework on innovative strategies that underscore the nexus of poverty, social protection and development through successive national development plans, the Vision 2016 and current Presidential development pronouncement is evident.

The role of the State is well pronounced with an elaborate universal social protection schemes financed through tax revenues complimented with formal employment related schemes financed through contractual pension funds for most organisations and some traces of informal personal schemes through the burial societies, for example. The State provides Old Age pension universal coverage at low cost (annual direct cost of approximately P235m (US$ 34m) and 1% of total government spending), and supports the incomes of the elderly - but this does very little to reduce overall poverty or the poverty trap.

The coverage of formal employment related pension schemes is good in the public sector but poor in the private sector

The gratuity system/ severance pay though recognized within Employment Act for contract employees is fraught with compliance problems. No investment return is earned on accruing entitlements and recipients do not save gratuity payments to provide future (pension).

The social protection system is reactive, indirect, unsystematic, fragmented and hidden in the various hidden expenditure of the State on social protection.

The informal sector and particularly domestic and agricultural workers are not covered in the current social protection system.

The schemes seem not well designed to empower, educate and reintegrate beneficiaries through the re-design of the schemes and allocation of more resource to enable the poor to get out of the poverty trap.

There is some trade union involvement through representation on the boards of some pension schemes, but the challenge remains in terms of technical capacity of these representatives.

- There was little evidence of how effective most trade unions were collectively bargaining for social protection in their unions.

Conclusion

In conclusion, it is often argued that the role of the State in Botswana can be said to be an interesting one given its dual nature. The State in Botswana has over the years adopted liberal/capitalist democracy but has also made some attempts to have welfare/developmental systems as well. Thus, the government has over the years facilitated the provision of essential services such as housing, telecommunication, water, electricity and transportation through government departments and parastatals. The result has been the dominance of government in the economy, in terms of contribution to national output and employment. This combination of ideologies has, at times, made it difficult to define the position of the State on matters of social justice such as social protection and protection.

This country report has provided an overview of the current social protection schemes that have been and continue to be implemented in Botswana. What is clear from this analysis is that some of the very poor in Botswana are provided with basic essential services to sustain their livelihoods. However, these schemes are not intended to enable the poor to get out of the poverty trap. The only program that has an exit mechanism is the destitute scheme. But due to various constraints, the rehabilitation component of this program has not been successfully implemented. What remains a challenge is finding innovative strategies that would eradicate poverty in line with Vision 2016. Such strategies would need to be preventive and holistic in nature and therefore target at eliminating risk and vulnerability. Creation of an enabling and supportive environment is critical to achieve this goal. This would begin with the strengthening of the family structure, provision of free education (formal and vocational), shelter, health care, access to land and credit facilities, supportive mentoring and counselling of vulnerable children and creation of employment opportunities. The role of trade unions in such an issue of social justice in Botswana cannot therefore be overemphasized.

Recommendations

The following are some of the recommendations arising from the study:

- There is need to advocate social protection policy that is integrated, inclusive and participatory through the creation of a National Social protection Commission.

- There is a need to conduct a comprehensive review of social protection system and assess its impact on labour.

The social protection system strategies would have to be preventive and holistic in nature, targeted at eliminating risk and vulnerability.

There needs to be advocacy for the replacement of severance/ gratuity scheme with a national employment pension scheme at modest cost

There is need for collective labour agreements to have social protection issues infused in them.

There is need to demand for the ratification of all conventions that relate with social protection with emphasis on ILO Convention 102 of 1952.

The informal sector, particularly domestic and agricultural workers need to be covered in the current social protection system.

The schemes need to be well designed to empower, educate and reintegrate beneficiaries through the provision of skills and enable the poor to get out of the poverty

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SOCIAL PROTECTION IN GHANA

By

Clara Osei-Boateng

Introduction and Background

The 2010 provisional census results estimated Ghana's population at 24,233,431, made up of 11,801,661 males (48.7 %) and 12, 421,770 females (51.3 %). Ghana's population growth rate declined from 2.7 percent per annum to 2.4 percent (Ghana Statistical Services, February 2011).

In Gross Domestic Product (GDP) terms, Ghana has achieved a significant economic growth in the past 25 years. Over this period, GDP growth rate has averaged 5 percent. In the last three years, average growth has exceeded 6 percent. According to the Ghana Statistical Services[35], Ghana's GDP growth in 2008 was 8.4 percent; declining to 4 percent in 2009 but rising again to 7.7 percent in 2010.

A recent rebasing of the economy by the Ghana Statistical Services saw Ghana move from a developing country to low middle income country with a per capita income of GHc 1,843.00 (US$ 1,289)[36]. The rebasing also saw the services sector taking over as the largest contributor to GDP from agriculture. Ghana's traditional export products include cocoa, gold, timber and manganese. In December 2010, Ghana began production of oil in commercial quantities.

The Ghana Living Standard Survey V (GLSSV, 2005/2006) conducted by the Ghana Statistical Services (GSS) showed that seven out of every ten of the working age population (15 to 64 years) is economically active. Males recorded a higher activity rate (54.9 %) compared to females (53.4 %). Economic activity rate is also higher in rural areas (58.6 %) compared to urban areas (47.3 %). The majority of the employed are concentrated in three major sectors of the economy, namely: agriculture (55.8 %), trade (15.2 %) and manufacturing (10.9%). Other industry groups employ about 18 percent of the employed.

Employment in Ghana is predominantly informal. More than 80 percent of the employed are engaged in the informal sector. Over half of the employed (55.9 %) are own-account workers (self-employed) 20.4 percent are employed in family enterprises and 17.6 percent are wage employees. The majority of the employed (80 %) operate in three main

[35] Ghana Statistical Service News Brief: Highlights of Rebased Series of GDP, Formal Press Release on 5 November, 2010.

[36] fbid, 5 November, 2010

occupational categories such as agriculture/fishery (55.1 %), craft and related trades (13.4 %) and services/ sales (13 %). More urban workers are engaged in non-agricultural activities (43 %) whereas their rural counterparts work mainly in agriculture (75 %) (GSS, 2008).

Among the working age population (15-64) there are more males (25%) in wage employment compared to females (8.2 %). About one-third of urban workers (33.8 %) are in wage employment. The corresponding proportion in rural areas is 7.3 percent. Two thirds (66.7 %) of working people are employed in the private sector and the remaining in the public service (28.5 %). Apprentices constitute about 2.3 percent of the employed population.

The GLSS5 (2006) estimated unemployment rate at 3.6 percent for the working age population (15 years and above) and underemployment rate of 7.3 percent. Unemployment rate is about the same for males and females but it is much higher in urban areas (6.3 %) particularly Accra (8.9 %) compared to rural areas (1.6 %).

In the last two decades, Ghana has made significant progress in reducing poverty. Between 1991/1992 and 2005/2006, the share of the population living in poverty declined from 51.7 percent to 28.5 percent. Poverty in Ghana is a rural phenomenon with majority (85.7%) of the poor living in rural areas. However, nearly a third of the population of Ghana living in poverty is a major challenge that must be addressed with appropriate economic and social interventions.

Evolution of Social Protection in Ghana

The traditional Ghanaian society has depended on the extended family for social protection. Extended family members provide for the aged and the disabled, the sick and the unemployed members of the family, the new born child and the mother, the orphaned and even the complete stranger (Kumado & Gockel, 2003). Strong family cohesion has shielded many from economic and social hardships which could arise from loss of income.

An institutionalized form of social security was first introduced by the colonial administration in Ghana by the Chapter 30 of the Pensions Ordinance of 1946. The "CAP 30" scheme as it came to be known was employment-related and non-contributory pension scheme that covered pensionable officers in the Civil Services and the Armed Forces. By 1955 the scheme had been extended to cover certified teachers.

A private superannuation scheme was also instituted to provide social security to retired lecturers at the University College of the Gold Coast (now University of Ghana). In addition, foreign firms operating in the country also instituted provident fund schemes which paid benefits to their employees upon retirement.

After independence in 1957, the first Government of Ghana introduced free health care for all. In 1960, a compulsory savings scheme with universal coverage was instituted. The compulsory saving scheme was replaced by a provident fund scheme in 1965 (Act 279,1965), which extended social security coverage to all establishments that employed five or more workers. Those covered under the "Cap 30" scheme were however excluded from coverage by the 1965 Act.

In 1972, the "Cap 30" scheme was closed to new entrants by a decree. All civil servants employed on or after January 1st 1972, were to be covered by the new social security scheme which operated as a provident fund. Existing members of the CAP "30" were given the freedom of choice between the two schemes following the passages of decrees. A public trustee called the Social Security and National Insurance Trust (SSNIT) was established to administer the pension scheme.

In 1991, the passage of the Social Security Law 247 (PNDC Law 247, 1991) transformed the Provident Fund into a full pension scheme. The scheme became known as Social Security Pension Scheme (SSPS). Although the "CAP 30" continued to close to new entrants, it was allowed to run concurrently with the SSPS until the passage of the Act 766 in 2008, which replaced all other forms of formal social security schemes and established a Three Tier Pension Scheme. The Three-tier Pension scheme began operation in January 2010.

On health, a free medical care policy introduced in 1960 was replaced by an out-of-pocket system (the "Cash and Carry" system) in the 1980s. In 2004, a National Health Insurance Scheme was established by Act 650 and has since been running concurrently with the out-of-pocket system.

The Government of Ghana has also over the years provided relief to sections of the population through social assistance programmes. These include subsidies for farmers, emergency aid to victims of natural disaster and the vulnerable under certain circumstances. On education, government has introduced free compulsory basic education supported by a capitation grant. Currently, the government provides free school feeding to selected basic schools and free school uniform and text books to children from deprived communities.

As part of the objectives of the Growth and Poverty Reduction Strategy II, the Government of Ghana introduced a conditional social grant programme, the Livelihood Empowerment Against Poverty (LEAP). The LEAP is a social assistance programme providing monthly cash transfers to the indigent, mainly the disabled, the aged and the orphaned children.

Social Protection Legal Framework in Ghana

Article 37(6a) of the 1992 Constitution states that " *the state shall ensure that contributory schemes are instituted and maintained that will guarantee economic security for self-employed and other citizens of Ghana and (b) provide social assistance to the aged such as will enable them to maintain a decent standard of living"*. In spite of the constitutional provision, Ghana does not have a universal social assistance programme providing support to the elderly. The ILO Convention 102 on social security has not been ratified by Ghana.

The legislative framework for the provision of social protection in Ghana has largely focused on formal social security. Based on the social insurance principle, social security laws in Ghana establish contributory schemes for the provision of benefits against contingencies such as old age, invalidity, death and medical care.

In 2008, the National Pension Act (766) was passed by parliament to establish a Three Tier Pension Scheme. The Act 766 mandates the unification of all existing social security (pension) schemes by 2014. The National Health Insurance Act (Act 650, 2003) established the National Health Insurance Scheme in 2004. The LEAP, a social assistance programme was established by an executive power in 2008.

The provision of social security contingencies such as sick leave, maternity leave and work injury compensation are established as employers' liability by employment legislations. The Labour Act (Act 651, 2003) provides for the provision of paid sick leave, paid maternity leave, and severance pay by employers to their employees. The Workmen Compensation Act (PNDC Law 187, 1987) also mandates employers to compensate employees who suffer injury in the course of discharging official duties.

In principle, formal social security schemes in Ghana are open to every person resident in Ghana. The Pension Act 766 (2008) mandates all employers to make monthly social security (pension) contribution on behalf of employees. Self-employed persons can voluntarily join the scheme and make the appropriate contribution based on the declared earnings. The NHIS is a voluntary scheme based on premium subscription for all class of Ghanaians except personnel of the Armed Forces and the police. However, access to social security has practically been limited to formal sector workers.

Regulatory Framework of Social Protection Schemes ***The***

Three Tier Pension Scheme

The 2008 National Pensions Act established a Three Tier Pension Scheme made up of mandatory two-tier and voluntary third-tier. The first-tier is earnings-related defined benefits Basic National Pension scheme; the second-tier establishes a defined contribution privately managed as occupational pension's scheme. A voluntary provident fund and personal schemes supported by tax benefits incentives forms the third-tier.

The Pensions Act established for the first time a National Pensions Regulatory Authority (NPRA) to regulate registered pension schemes in the country. The Authority has a Secretariat and a ten member Board composed of representatives from government, employers and organised labour.

The SSNIT Pension scheme has transformed into the first tier (Basic National Pension scheme). The scheme is governed by a tripartite Board of Directors made up of representatives from government, employers and organized labour. The Chairman of the Board is appointed by the President upon consultation with Board members. Chairmanship of the Board rotates among the three social partners: government, employers and organized labour.

The second and third tiers would be managed by private funds managers, custodian and trustees. The Act provides for the Authority to approve, regulate and monitor private pension fund managers, trustees, custodians and any other financial institution participating in the pension schemes. Trustees, Custodians and Pension Fund managers must be registered with the Security and Exchange Commission (SEC) before they can be approved by the Authority. The Authority would set allowable services fees and charges by private fund managers.

The third-tier is defined benefits and it is open to all persons including formal sector workers (as supplementary scheme), the self-employed and operators in the informal sector. Informal sector workers can participate as individuals or as organized groups (e.g. Tomatoes Sellers Pension Scheme) under the third-tier. Corporate Trustee companies or insurance companies could establish as individual or group pension schemes to operate under the third-tier.

The NPRA began registration of existing provident funds under the third tier in 2010. A temporary license was issued to corporate trustees (e.g. the SSNIT Informal Sector Fund[37]) in 2010 while awaiting the passage of the Legislative Instrument. The pension's legislative instrument was passed by parliament in March 2011 fourteen (14) months after the implementation of the scheme began. The Legislative Instrument would guide the implementation of the scheme. The Authority may also develop guidelines and codes for operation.

The NHIS

The National Health Insurance Act (Act 650) establishes three forms of schemes. They include a District Mutual Health Schemes, Private Mutual Health schemes and Private Commercial Health Schemes. The Act requires the establishment of a Mutual Health Insurance Scheme in every district and this must be facilitated by the District Assembly. A private mutual health insurance scheme can be established by any group of people resident in Ghana. The scheme may be for the benefit of the group members only. Private commercial health insurance schemes are established as business ventures.

The NHIS Council registers and regulates all schemes. A total of 145 District Mutual schemes, 3 private mutual schemes and 4 private commercial schemes have been registered by the Council[38]. A license to operate a scheme is subject to renewal every two years. The Council is made up of representatives from government, private mutual schemes, private commercial schemes, organized labour and beneficiaries. The Chairperson to the Council is appointed by the President of Ghana.

Each NHIS scheme is governed by a Board. The size of the governing Board of District Mutual Health schemes is prescribed by the Act to have a minimum of seven (7) and a maximum of fifteen (15) members. Private schemes determine the size of their Boards. The governing body of each scheme appoints the Manager who must have the minimum

qualification prescribed by the Act. The Act also prescribes the hiring of certain professionals such as a Claims Manager and an Accountant as well as the minimum qualification required of these office holders.

Social Protection Coverage in Ghana

The Three Tier Pension Scheme

The Basic National Pension scheme (tier one) managed by SSNIT began implementation in January 2010. By the provisions of the Act, all members under the SSNIT aged 55 years or below have been transferred unto the new scheme. The Act also provides for the transfer of members of other schemes such as the security personnel (except the armed forces), University lecturers and members of CAP 30

[37] The SSNIT Informal Sector Fund was established in 2008 to meet the peculiar needs ot informal sector workers. The Fund is believed to have informed the design ot the third-tier

[38] Source of Data: Interview with NHIS in July 2010 as part of the study.

aged 55 years and below onto the three tier scheme by 2014. Existing members aged over 55 years can voluntarily join the new scheme.

Contributors to the first tier become members of the second tier. Workers who join the pension scheme after age 55 become members of the second tier but not the first tier. Contributors to the second tier would join registered fund managers and trustees of their choices.

Active membership (contributors) of SSNIT Pension Scheme stood at 880,760 by December 2009[39]. The number had increased to 891,678 by May 2010 (SSNIT, July 2010). Table 1 below shows the rate of growth in SSNIT membership since 2000.

Table 1: Growth in membership of SSNIT from 2000 to 2010

Year	No. of contributions			No. of Beneficiaries		
2000	Absolute	Growth in Contributors	% in growth	Absolute	Growth in Beneficiaries	% in growth
2000	634,724	-	-	41,301	-	-
2001	661,165	26,441	4	64,693	23,392	57
2002	576,841	-84,324	-13	51,576	13,117	-20
2003	570,131	-6,710	-1	57,447	5,871	11
2004	619,270	49,139	9	63,030	5,583	5
2005	720,529	101,259	16	68,925	5,895	9
2006	784,294	63,765	9	73,311	4,386	6
2007	803,582	19,288	2	80,952	7,681	10
2008	843,676	40,094	5	88,857	7,905	10
2009	880,760	37,084	4	98,658	9801	11
May 2010	891,678	10918	1	-		

Source: Computed from Survey Data from SSNIT

The percentage of the total workforce that has access to SSNIT pension is only about 10 to 11 percent, an indication that close to 90 percent of workers in Ghana are not guaranteed pension and related benefits such as survivors' and invalidity. The total membership of SSNIT is also a reflection of the size of the formal sector[40].

Table 1 also shows that growth in SSNIT's membership has been marginal over the ten year period. In 2002 and 2003, SSNIT suffered a decline in contributors. SSNIT registered a total of 116, 625 new workers in 2009, a decrease of 2.7 percent over the

'9 Total registered membership ot the scheme was 1,308,086 ill 2009

m SSNIT membership excludes personnel ol the public security apparatus, University lecturers and those covered by the CAP 30. However, these workers only constitute a minute proportion ot the workforce. University lecturers belong to a superannuation scheme while workers ot the security apparatus retire on state funded pension benefits

2008 figure of 119,748 (SSNIT Annual 2009 Report). Given that SSNIT is the main pension scheme for formal sector workers, the data can be indicative of slow growth in the formal sector employment.

The percentage increase in SSNIT beneficiaries have been above that of contributors with the exception of 2002 which saw a higher decline in beneficiaries (-20%) compared to the decline in contributors (-13%) as shown on Table 1. If the trend continues, we may come to a situation where less people contribute for more beneficiaries resulting in deficits; and this threatens the sustenance of the scheme.

The old SSNIT pension as noted earlier was in principle open to workers in the informal sector including self-employed workers on voluntary basis. However, out of the total membership of SSNIT by December 2009 (880,760) 70,000 representing 8 percent were informal sector operators. The SSNIT Informal sector by June 2010 had a total membership of about 68,000 of which about 85 percent are informal sector operators[41]. This had increased to 83,448 by the first quarter of 2011 as shown in Table 5. Together, pension coverage in the informal sector is about 2 percent.

Table 2: Growth in Membership of the SSNIT Informal Sector Fund

Period	New Member Registration	Contributions collected (GH4)
June to December 2005	6,577	105,597
2007	2,822	414,889
2008	8,442	889,692
2009	32,424	4,488,068
2010	24,046	7,528,758
2011*	4,821	2,335,190
Total	**83,448**	**16,408,889**

Source: SSNIT Informal Sector Fund (May 2011)

The data confirms that access to pension in Ghana is almost confined to formal sector workers. A respondent noted that as long as the legislative framework makes it voluntary for informal sector workers, coverage would remain low. The respondent quickly added that low earnings in the informal sector, however, present a challenge to expand coverage to operators.

> *"We cannot force self-employed persons to contribute to social security. They earn and manage their own income. It is only persuasion that can get them to contribute. They need education to understand the importance of pension to every economically active person"* the respondent added.

[41] Source: Interview with officials of SSNfT Informal Sector Fund in June 2010 as part of the study

Table 3 shows that over half (54 %) of contributors by December 2009 work for private establishments, followed by 38 percent government workers as shown on Table 3 below. The total number of establishments covered by SSNIT in 2009 included 31,946 private and 88 public establishments.

Table 3: Types of Establishments contributors of SSNIT are employed as at December 2009

Type of Establishment	No. of Contributors	Percentage
Private Enterprises	473,523	54
Government establishments	334,127	38
Subvented	27421	3
Centralized Agencies	45,689	5
Total	**880760**	**100**

Source: Survey Data (July, 2010)

The total amount collected as contributions in 2009 was GH<t667.60 million, an increase of 59 percent over the amount of GHC418.75 million for 2008. Total arrears owed by establishments

amounted to GH<t267.19 million (2009), compared to GHT71.54 million in 2008, an increase of 273.5 percent. For this same period, total value of benefits paid amounted to GFK223.24 million, recording an increase of 36.6 percent over that of 2008 of GHC163.43 million (SSNIT Annual 2009 Report).

The culture of pension arrears common with the SSNIT pension scheme is worrying. This is particularly important for the second and third tiers which are defined benefits. Any delay in submitting pension contributions would translate into lost returns for beneficiaries on retirement. High inflation in Ghana could also derail the value of pension benefits if funds are not invested on time.

Another important aspect of pension coverage in Ghana is gender disparity. Out of a total of 880,760 contributors as at December 2009, 29 percent were females compared to 71 percent males. For the same period, 85.1 percent of beneficiaries were males compared to the 14.9 percent females. A respondent and women's activist stated that women as majority of informal sector workers in Ghana have not been adequately catered for by the Pension's Act. The respondent noted that the new pension scheme like its predecessor is tilted to formal sector workers. Contribution patterns of the first and second tiers are compatible with income patterns of formal sector workers. The third tier though accommodates operators in the informal sector, public awareness is low, the respondent added. The respondent bemoaned that:

> *"It is good to make laws but it is government's duty to create awareness of its existence and the benefits of the scheme. Most informal sector workers have low education in general and hence limited appreciation of social security. It is government's responsibility to embark on extensive public sensitization among operators in the informal sector on the third tier and the need for pension in general".*

The NHIS

The membership of NHIS is open to all persons resident in Ghana by subscription. However, the Act 650 exempts some sections of the population from paying premiums to access the benefits provided by the scheme. They include:

- Children under 18years: Children are registered under the subscription of their parents or guardian.
- Residents aged 70 years and above: They are required to register without paying premiums to access benefits
- The indigent (poor): A person is considered indigent if:

  o He/she has no visible source of income o He/she does not have fixed place of abode o He/she is unemployed
  o He/she does not have a consistent source of support from another person

In 2008, a free maternal care policy was instituted to provide free ante-natal and post-natal care to all pregnant women.

The 145 District Mutual Health Insurance schemes have a total membership of 14,282,620 representing 60.1 percent of the population of Ghana (Dec, 2009). Membership data of the 7 private schemes was not accessible. A respondent at the NHIA indicated that the Authority has failed to provide its supervisory role over the private schemes. The respondent noted that although the Act prescribes that all schemes submit annual operations report to the Authority,

Table **4:** Categories of Registered Members of the **NHIS**

Membership Type	Absolute	Percentage **of** registered Members (%)
Non-SSNIT members	4,132,783	28.94
Above 70years	960,549	6.73
Under 18years	7,071,270	49.51
SSNIT contributors	876,034	6.13
SSNIT Pensioners	75,444	0.5
Pregnant women	721,943	5.05
Indigent	444,597	3.11
Total	**14,282,620**	**100**

Source: Survey Data from the NHIA (July 2010)

private schemes have not complied.

Table 4 indicates that almost half (49.51%) of the membership of the NHIS are children aged 17 and below. Non-SSNIT contributors (28.94%) who are largely informal sector workers are the second largest group. Thus, in terms of adult subscribers, the non-SSNIT members (informal sector) constitute the largest group, followed by over the 70 years (6.73%) and SSNIT contributors (6.13%).

Traditional and Informal Arrangements for Social Protection

The majority of Ghanaians do not have access to institutionalized forms of social protection. The SSNIT Informal Sector Fund covers about 2 percent of workers in the informal sector. Medical care coverage through the NHIS among informal sector workers is higher compared to pension coverage.

For most Ghanaians, traditional forms or informal arrangements have become the only source of meeting life contingencies. Extended family members provide for the sick, the orphaned, the aged and the disabled. Children provide for their elderly parents and family members and (friends) pull together resources to bury the dead. However, economic globalization and urbanization together have impacted negatively on the ability of many Ghanaians to meet the needs of members of the extended family. As gathered by this study, extended family support under current economic globalization has many competing interests and is thus no longer a reliable source of social protection.

A common form of social security scheme available to the informal sector is the Susu savings schemes. Susu is a micro-finance savings scheme that allows contributors to accumulate funds against future needs. Contributions to Susu schemes can be made daily, weekly or monthly. The Susu collector can be an individual or employee of a Susu company. Accumulated savings are returned to members at the end of the agreed period at a fee equal to a regular amount contributed.

Another type of Susu takes the form of rotating savings. A rotating Susu savings scheme is where a group of people usually located in close proximity (e.g. market women) contribute an agreed sum of money for a specified time period for members to benefit in turns. The cycles can be repeated several times. The rotating savings serve as loans for members benefiting at the beginning of the cycle to be paid over time but savings to those last to benefit. Individual members who require urgent need of funds can be assisted even when their turn is not due. Even though the primary objective of these microfinance schemes is savings, funds accumulated can be used during sickness, unemployment, maternity and invalidity among others.

The Susu concept has been adopted by institutionalized financial and insurance schemes targeting the informal sector. The voluntary third tier of the Three Tier Pension scheme (e.g. the SSNIT Informal Sector Fund) is also based on the Susu concept.

Challenges faced by Informal Arrangements for Social Security Informal sector schemes provide safety nets for workers in the absence of institutionalized social security schemes. However, these schemes are confronted with a number of challenges to include theft, no or low interest on savings, lack of security and pension income to mention but a few.

More often than not, stories of Susu Collectors absconding with contributors' money make the headline of news items. Such acts of thievery among susu collectors are most rampant in the urban centres. By virtue of urban settlement, most contributors may not know the full identify of collectors which makes it difficult for the law enforcement agencies to intervene on their behalf when such incidences occur. Many people in the informal economy have lost huge savings as a result of the activities of unscrupulous 'susu' collectors.

For most informal arrangements, contributors get back the principal amount saved with little or no interests. Most schemes serve as safe keeping mechanisms for contributors for which they are sometimes expected to pay a fee. For those who earn interest, it is often below the commercial rate offered by banks and financial institutions. This practice is worrying given

the high rate of inflation. It also means real value of savings depreciate. Monies collected under these schemes in most cases, are not invested to yield returns.

The essence of social security scheme is to provide safety nets in times of contingencies. Since most of these schemes run on contributors' loyalty, individuals considered disloyal may not benefit when desperately in need of assistance. Also, contributors benefit from their accumulated savings; hence, access depends on one's ability to contribute. In other words, one's membership ceases if rendered incapable to contribute, whether by job loss, sickness or invalidity. In the case of death, survivors may not be able to make claims without documentary proof of contribution, which is usually difficult to find. Thus, informal arrangements do not provide adequate security to contributors and their families and dependants in the event of death.

It stands to reason that the challenges faced with the informal susu arrangement might provide opportunity for high patronage of institutionalized schemes based on the same concepts. Undoubtedly, informal sector workers have shown commitment to saving against life contingencies. Equally, they have demonstrated the need for flexibility with such schemes to enable them draw accumulated savings to boost their businesses as a safeguard against day to day economic shocks. The concept of the third tier which allows withdrawal of part of the savings by contributors (5 months under the SSNIT Informal Sector Fund) might therefore appeal to informal sector workers.

However, operators of the third tier pension scheme would also have challenges to confront. As hinted by a respondent at the SSNIT Informal Sector Fund, mistrust exists among workers due to the fact that a plethora of microfinance institutions aggressively mobilizing customers and the fraught with fraudulent activities.

Financing Social Protection Scheme *The*

Three-tier Pension Scheme

Section 63 of the National Pensions Act (Act 766, 2008) mandates employers to contribute on behalf of employees, 18.5 percent of the employees' gross salary. The contribution is borne between the employer and the employee at 13 percent and 5.5 percent respectively. The employer is mandated to submit 13.5 percent of the total deduction to the tier-one, the Basic National Pension scheme (managed by SSNIT) and the remaining 5 percent to the second-tier. The Act directs that where a person does not qualify for the first tier, all 18.5 percent must be submitted to the second tier.

Contribution to the third tier can be variable. Any amount can be contributed daily, weekly, or monthly. Contribution to occupational based provident funds may be a fixed percentage of employees' gross or net salary. In some establishments employers partly contribute employees' provident fund.

Deducted contributions for tiers one and two must be submitted within 14 days of each month to the SSNIT and the employee's chosen trustees respectively. Failure to submit deducted pension contribution attracts a penalty of 3 percent per month of the total amount due. The SSNIT has since January 2010 been receiving contributions to the first tier. SSNIT also receives the contribution for the second tier which is subsequently lodged in a Temporary Pension Funds Account opened at the Bank of Ghana. Funds in the Temporary Pension Funds Account would be transferred to approved Fund managers and Trustees within 90 days of commencement of operations.

Pension funds received shall be invested by approved Trustees for returns. This is particularly important for the second and third tiers which are defined contribution. Contributors would have the right to choose from the registered trustees under the second and third tiers. Trustees would choose fund managers and custodians. All custodians shall be banks or financial institutions approved by the Authority. Custodians shall receive deductions and dividends on investment on behalf of trustees while fund managers invest pension funds and assets.

Currently, contribution to the second tier is being invested in government treasury bills until trustees, fund managers and custodians begin operation.

The NPRA shall set the maximum limits on fees for service providers such as trustees, fund managers and custodians. The Authority shall also set permitted expenditures and maximum administrative charges. The ability of the NPRA to effectively regulate the schemes would be essential to guarantee workers adequate benefits. This is particularly important for the second and third tiers which are defined contributions and would be managed by private fund managers. However, if the laxity of the NHIA over private mutual schemes is anything to go by, then one may have cause to worry.

The role of social security funds in providing long term funds for investment has been crucial in the development of many countries. According to a respondent at SSNIT, pension funds from the Trust have been instrumental in providing long term capital for establishment of institutions. SSNIT is the largest shareholder on the Ghana Stock Exchange (GSE) with investment in institutions such banks, and insurance companies, among others. SSNIT has provided funds for financing real estate projects to provide affordable housing, student hostels and office spaces for families, students of tertiary educational institutions and corporate entities respectively. SSNIT has continued to be a major lender to the Government of Ghana in financing major developmental projects such as roads and hospitals. In addition, SSNIT has been assisting students in the tertiary institutions with loans at concessionary interest to be repaid when in active employment. In spite of these, SSNIT's investment portfolio/returns as may be seen later reveal issues of great concerns.

The participation of private fund managers which may include foreign companies perhaps presents a threat of flight of pension funds to the offshore market. While this may be good for contributors (if returns are higher), it may deny the country the needed funds for development. At present, it remains unclear the extent to which the NPRA can intervene in investment choices of fund managers.

Contribution to a third tier scheme: The Case of the SSNIT Informal Sector Fund

The SSNIT Informal Sector Fund is a voluntary purchase scheme based on the principal of individual equivalence. Contributions to the scheme are not tied to the income of the member. Members are allowed to pay any amount as contribution (GHC 0.50+) and may vary from one period to another. Contributions can be made daily, weekly, bi-weekly, monthly, annually or seasonally.

The scheme divides each contribution into two equal parts and each half paid into an occupational account and retirement account respectively opened for the member. Funds are invested to yield interest.

Contributions are paid at a branch office of the fund through Organized Groups or Trade Associations, an accredited Marketing agent of the fund, a bank standing order, and payroll deductions or through money transfers. The scheme employs marketing field officers who visit clients for their contribution.

The NHIS

The NHIS is financed through the following sources:

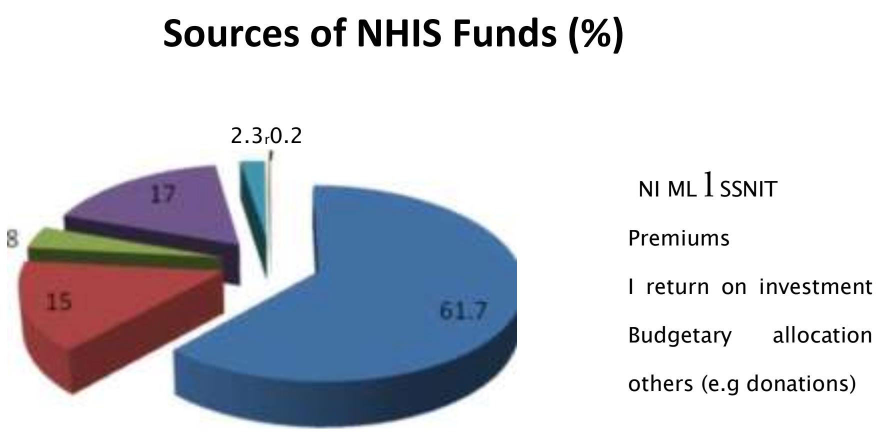
- *2Vi%* of SSNIT contributions
- Premiums from subscribers (Non-SSNIT contributors)
- 2V2% National Health Insurance Levy (NHIL-VAT) on goods and services
- Funds from Government of Ghana as allocated by Parliament
- Returns on Investments and
- Donations.

As noted earlier, 2V2 percent of contributions received by SSNIT from its members are remitted to the NHIS to provide health insurance cover. Non-SSNIT contributors pay annual premium subscription ranging from GH47.20 to GHi 48.00 (US$ 5.14 -$34.29). Parents/guardians pay additional GHi4 (US$2.86) to register each child under their subscription. SSNIT contributors are also required to pay GH<t4 (US$2.86) annual registration

fee to renew subscription. Donations are received from individuals, corporate bodies or development partners to support the scheme. For instance, in 2008, the British government signed a memorandum of understanding with the Government of Ghana to provide a grant facility of £42.5 million to support the free maternal care programme over a five year period through the NHIS.

A major source of the scheme's funds is the 2V2 percent NHIL on goods and services. Figure 1 shows that over half (61.7 %) of the scheme's funds is raised by tax, followed by returns on investment (17 %) and SSNIT contributors (15 %). A proposed reform to make the scheme a onetime premium to afford all people resident in Ghana free access to health care was expected to begin in January 2011. By the onetime premium policy, subscribers would only pay one premium to access health care benefits until their demise. It is believed that the introduction of the onetime premium would afford the poor who otherwise cannot afford to enrol or renew their subscription annually the opportunity to access health care benefits. The NHIS amendment bill was submitted to parliament in 2010 for consideration and passage. By May 2011 however, no legislative amendment had taken place nor any attempt made to implement the policy.

Figure 7: Sources of NHIS Funds (Dec, 2009)



Source: Survey Data Quly 2010)

Benefits of protection Schemes

The two main social security schemes (Three tier pension scheme and NHIS) in Ghana collectively insure against old age, invalidity, survivors' and health care. These fall short of the nine (9) social security benefits defined under the ILO Convention 102 to include medical care, sickness, unemployment, old age, employment injury, family benefits, maternity, invalidity and survivors' benefits.

However, it is important to note that the provisions of some of these benefits are covered as mandatory employer liability under the Labour Act 651 (2003) and the Workmen's Compensation Act as mentioned above. The provision of paid sick leave, paid maternity leave, work injury compensation and severance pay are by these Acts employers' liability. Section 57 (1) of the Labour Act (2003) states that *"a woman, on production of medical certificate issued by a medical practitioner or midwife indicating the expected date of her confinement, is entitled to a period of maternity leave of at least twelve weeks in addition to any period of annual leave she is entitled after her period of confinement"*. Sub-section 2 continues that *"a woman on maternity leave is entitled to be paid full remuneration and other benefits to which she is otherwise entitled"*. The Act specifies that absence from work due to sickness which is certified by a medical practitioner, and pregnancy and confinement shall not affect annual leave entitlement of a worker. Again, these benefits are largely limited to workers in the formal sector, who constitute less than 20 percent of the employed population. Likewise, the Workmen Compensation Law mandates employers to compensate employees for occupational injuries suffered.

The Three-tier Pension Scheme

The first tier, a defined benefit contributory scheme offers monthly pension, invalidity and survivors benefits to beneficiaries. Pension is earned at a compulsory retirement of 60 years but one has the choice of voluntary retirement from 55 years. The minimum contribution eligible for pension is 180 months compared to the 240 months under the old Social Security Pension Scheme.

The formula for computing benefits under the old scheme has remained unchanged under the new scheme as provided below:

Full Pension=Average of Best Three Years Salary X Pension Right

A pension right is earned between 50 percent and 80 percent depending on the number of months contributed at the time of retirement. The minimum contribution of 180 months (240 months under the old Social Security Pension scheme) gives a 50 percent pensionable right. Every additional month over 180 months attracts an additional percentage of 0.125 percent or 1.5 percent for any additional 12 months of contribution.

Reduced pension is earned at early retirement from 55 to 59 years as shown on Table 5 below:

Table **5:** Computation of Reduced Pension

Age (Years)	55	56	57	58	59
% of full pension	60%	67.5%	75%	82.5%	90%

Under the old Social Security Pension scheme, one-forth (25 %) of total pension earned is paid in lump sum. The remaining 75 percent is divided equally in a monthly pension over 12 years[42]. Lump sum payment to beneficiaries in 2009 ranged between GH41.40 and GLW85,278.99. Also in 2009, maximum and minimum monthly pension paid by SSNIT was GHC 1,504.59 and GLK 26.00 respectively. This gives a ratio of 58:1 of the relationship between the maximum and minimum monthly pension, confirming a wide pension income gap. The minimum monthly pension is one-third of the 2010 monthly

minimum wage (GHC 84) and below the international poverty line of US$1.25 per day. This is an indication that some pensioners are living below the poverty line.

Pension was indexed by an average of 21.6 percent in 2009 (SSNIT 2009 Annual Report) compared to annual inflation rate of 19.3 percent. According to discussant pensioners, review of pension benefits is at the discretion of SSNIT. A discussant pensioner stated that:

> *"Because we do not have a collective bargaining certificate, we cannot negotiate with SSNIT. At its own discretion, SSNIT gives an annual increase, usually 5 percent".*

Under the new pension law, SSNIT (Basic National Pension Scheme) would only pay monthly pensions, while the second tier (managed by private fund managers) pays a lump sum. Beneficiaries under the second tier of the scheme would receive a lump sum of total contributions plus investment returns. Beneficiaries can also use their benefit under the second tier as guarantee to secure mortgage before retirement; but the practicability of this provision remains unknown. As a result of the changes in benefits paid by the first tier, SSNIT is required to pay into the second tier of member 25 percent of their total contribution accumulated (past credit) by January 2010. The study gathered that the payout due is so huge and has the potential to bankrupt SSNIT, if it is to comply. Thus, an actuarial study has been commissioned to explore a feasible arrangement..

[42] 15 years under the three tier pension scheme

A member of SSNIT qualifies for invalidity pension when declared permanently invalid and incapable of gainful employment by qualified and certified medical practitioner. The claimant must have made a minimum contribution of 12 months within the last 36 months of the occurrence of the invalidity. Members who have contributed a minimum of 180 months would qualify for full pension when declared invalid.

A survivor's lump sum is paid to the dependants of a deceased member if he/she died before attaining age 60 or 75 (72 under the old pension scheme). A lump sum of the full pension of the deceased would be paid to the survivors if a minimum contribution of 180 months (240 months under the old Social Security Pension scheme) was satisfied prior to the death of the member. However, if the deceased member died prior to satisfying the minimum condition of 180 months contribution, a lump sum based on half the average of the best three years salary would be paid with interest. Survivors of a deceased who died a pensioner but before age 75 would receive a lump sum based on the unexpired pension. The minimum survivors benefit paid in 2009 was GHC 2,175.59. Monthly survivors benefit ranged between GH4 26.00 and GH4 10,965.55 in 2009 (SSNIT 2009 Annual Report).

Under the old pension scheme, one exhausts all pension benefits by 72 years. This has been raised to 75 years by the new pensions Act (Act 766). On exhaustion of pension benefits however, the SSNIT continues to provide for the individual until demise. On the other hand, if one demises before age 72 or 75, the remaining pension benefit is paid as survivors benefit to dependants.

Like the second tier, the third tier is also defined contribution and thus requires good investment choices to yield high returns for beneficiaries. Contributors to the third tier can access part of the funds before retirement. By the provisions of the Act, contributors under the third tier would have two accounts, namely: retirement account and savings account. Accumulated funds in the savings account can be withdrawn before retirement but that of the retirement account cannot be withdrawn until the contingencies insured occur (i.e. retirement, death or invalidity). For example, the SSNIT Informal Sector Funds allows contributors to withdraw all or part of accumulated funds in the savings account after five months of contribution. Funds in the retirement account can only be accessed upon attainment of the pension age.

Accumulated fund in the savings account upon attainment of the pension age is paid in lump sum and that in the retirement account is paid in monthly instalments. Thus, informal sector workers under the third tier would receive a lump sum and monthly instalments just as offered to formal sector workers by the first and second tier.

The NHIS

The NHIS covers about 95 percent of all ailments reported in Ghanaian health institutions and their related drugs for treatment. The exclusions include:

■S Cancer except cervical and breast cancer

■S Dialysis for chronic renal failure etc.

■S Services covered under government vertical programs such as immunization, family planning e. t. c. S HIV/AIDs but covers associated opportunistic illnesses like diarrhoea, tuberculosis among others; and ■S

Cosmetic surgeries

Contributors under the scheme primarily are entitled to:

■S Full Out-Patient- Department and Admissions treatment (surgery and medical) cost including feeding S

Full payment for medicines[43]

■S Payment for referrals (gatekeeper system) up to teaching hospital provided it is within inclusive list.

A beneficiary of the NHIS indicated that the scheme has been very helpful in meeting health care needs.

"Once you have a valid card, every NHIS accredited service provider would attend to you without hassle. Free doctor's examination, as well as drugs are all guaranteed under the scheme. Pregnant women are treated free of charge too. In fact NHIS has been a life saving scheme." a respondent stated.

Social Assistance Programmes

Livelihood Empowerment Against Poverty (LEAP) Cash Transfer Programme The Department of Social Welfare administers monthly cash transfer to a person or persons in households described as extremely poor, vulnerable and excluded under the Livelihood Empowerment Against Poverty (LEAP) programme. A total of 23,000 households in 83 districts spread over the ten regions were enrolled on the LEAP by June 2010. Additional 2009 households from 13 districts were covered under the emergency LEAP. The emergence cash transfer covers communities affected by flood in 2008.

The LEAP is wholly funded by government with (technical and logistical) support from donors and implemented by the Department of Social Welfare. A total of GHT5.8 million was disbursed to 45,000 households from 81 districts in 2010 (The 2011 Budget Statement and Economic Policy, November 2010). Single beneficiaries within a household receive GH<t8; GHC10 for 2 people in a household; GH<tl2 and

[43] There are approved NHIS medications. Contributors are entitled to free medicines on the list.

GH<tl5 for 3 and 4 respectively. Benefits are paid every other month. In addition, persons enrolled on the LEAP scheme are eligible to access free health care under the NHIS.

School Feeding Programme

The Ghana School Feeding Programme (GSFP) started on pilot in 2005 in 10 public basic schools. By October 2009, the programme had reached 656,624 primary school pupils in 1,698 schools across the country. This represents 22 percent of all kindergarten and primary school pupils in Ghana.

The feeding cost per child was GHiO.40 per day in 2010. The total budget for the programme in 2010 was estimated at GHT67 million, expected to cover 1040,000 school pupils in 3,500

schools. The Dutch government is the main donor to the programme and in 2009, provided GHC12.8 million.

Though the implementation of the programme has not been without challenges, it has shown positive impact on school enrolment. The Ghana Education Service (GES) reports tremendous increase in enrolment in beneficiary schools since the start of the programme. In 2007, enrolment target of 10 percent was exceeded in 7 out of the ten regions (GSFP Annual Operating Plan, 2010).

Other social assistance programmes implemented by the government include:

- Providing fertilizer subsidies to small-scale farmers;
- Providing capitation grant (financial support for school fees to basic school pupils);
- Subsidizing electricity tariffs for lifeline consumers; and
- Supporting of persons with disabilities through the District Assemblies Common Fund among others.

Challenges of Social Protection Schemes ***The***

Three Tier Pension Scheme

The New Pension Act was initiated to provide improvement over the existing Social Security Pension scheme which had come under criticisms from sections of the public. A respondent and women's activist mentioned that entrusting the management of the Basic National Pension scheme (tier 1) to SSNIT amounts to maintaining the status quo. The respondent indicated that:

> *"Many formal sector employees if offered the option would not contribute to SSNIT. They would rather find some private competitive retirement schemes such as those offered by banks and insurance companies on specific life contingencies"*

The SSNIT scheme is accused of paying very low pensions. In a focus group discussion, SSNIT pensioners bemoaned that the benefit under the scheme is woefully inadequate. The pensioners believe the meagre pension benefit is a reflection of salary levels in Ghana.

> *"Salaries in Ghana compared to that of other African countries or the sub-region is woefully inadequate"*, stated by a pensioner.

This is confirmed by the SSNIT 2009 Annual Report which showed that the average monthly salary on which contribution was paid was GH<t333.32 in 2009. The respondents added that it is inappropriate to deduct pension from the basic salary. They indicated that some allowances carry more weight and has the potential to increase the value of pension contribution and resultant effect on pension benefits.

The pensioners hinted that many people die shortly after pension due to inadequate pension benefit.

> *"Most people after pension die prematurely due to the meagre pension income. Pension is seen as the last stage of life. Others continue to be in active employment to supplement the pension income".*

The pensioners believe a few people receive adequate pension benefits.

> *"Some people by virtue of their high salaries while in active employment retire on good benefits. Some pensioners receive monthly pension of over GH$9,000 (US$ 6,382.98). That is something to be happy to retire on".*

The Pensioners bemoaned the formula used in calculating the pension benefits and reported SSNIT's deviation from the formula in some circumstances. They believe that some workers, in the last three years to retirement, deliberately contribute huge sums of money besides the

monthly contribution to the social security scheme (SSNIT) to increase the average of the their last three years best contributions used to compute the pension benefit.

> *"[A public company[44]] paid huge sums of three years wage arrears into the social security of their workers who were near retirement. This increased the average of the last three year best contribution and hence their final pension benefits. The Pensioners Association has cautioned SSNIT to desist from accepting such huge sums since they are not part of the monthly contribution but it (SSNIT) has not heeded. Such workers retire on fat pension benefits and that amounts to cheating."*

[44] Name withheld

The pensioners drew a comparison from neighbouring countries such as Togo and Cote DTvoire. They stated that workers in these two Francophone African countries retire on their last monthly salaries.

> "As *pensioner in Togo or Cote DTvoire, you take your last salary home. In addition, the government has put billboards around that pensioners do not buy newspapers. They simply go to a newspaper vendor and read stories of interest free of charge. That is good and something to make pension life comfortable. We have served this country; we have trained some people who took over us. We have contributed to this country to have come this far. Wry should government take its eyes off [ignore] pensioners?"* bemoaned a pensioner.

The pensioners believe the application of the annual increase is also problematic.

> *"Increase in pension is across board and that is unfair. A pensioner on GHC2000 gets 5% [GHC100 increase) which is far more than the total sum earned by someone on GHt40[GH<t42 in total] monthly pension. The association has made several appeal to SSNIT to graduate the increase but it [SSNIT] has refused"*

The pensioners compared their annual rate of increase to the annual inflation rate and bemoaned the inadequacy of the annual increase.

> *"How much is kenkey [local corn meal] these days? GHt40 monthly pension means you can only eat kenkey without fish"*, a pensioner complained.

The SSNIT scheme is also confronted with administrative challenges. An official at SSNIT indicated that lack of advanced technology at the Trust has resulted in double registration and other administrative challenges. High administrative cost has raised public concern about efficiency of the Trust. Table 6 indicates that SSNIT's administrative expenses for 2003, 2004 and 2005 were equivalent to 92 percent, 83 percent and 64 percent respectively of total pension benefits paid.

Table **6:** Pension benefits paid and Administrative Expenses of SSNIT from **2003** to **2005**

Year	Pension Benefits Paid	Administrative Expenses	% of administrative expense as Pension Benefits paid
2003	GHC28,900,000	GHC26,600,000	92
2004	GH<t44,700,000	GHi36,900,000	83
2005	GHC63,000.000	GHC40,100,000	64

Source: SSNIT's report to Public Accounts Committee of Parliament on Thursday February 18, 2010 (Also reported in Daily Graphic, Friday 19 February, 2010).

Contrary to SSNIT's assertion that the average processing period of pension benefits is 41 days, discussant pensioners stated the average processing time as 6 months.

"We all expect that one would receive the pension the very first month of retirement but this is not so. You have to go up and down. SSNIT has been blaming employers over failure to submit the details of their workers who are near pension in time but that is unacceptable. SSNIT has all the records of their contributors and as such knows the time each is due for retirement. A friend of mine died three months after pension. He did not receive even GHCl pension from SSNIT before passing away". A pensioner bemoaned.

The SSNIT Pension scheme has been accused of making poor investment decisions. Between 2004 and 2010, SSNIT earned GH<t820,000 out of a total investment of GH<t51,600,000, representing 2 percent returns in 6 years. It was further noted that only six out of 40 unlisted entities of SSNIT were able to declare and pay dividends for that same period[45]. In 2009, SSNIT's investment had a real return of -7.6 percent compared to 2.4 percent in 2008. The negative real return on investment in 2009 was attributed to the global economic crises. This according to SSNIT led to diminution in the values of most listed companies, which affected dividend payment to stakeholders[46].

Other issues reported include huge sums of unrecovered investments including GFK5.95 million meant to purchase a treasury bill in the 1990s. In addition were reports of SSNIT's tenants (corporate entities) absconding with rent arrears. SSNIT also faces problems with its corporate loan recovery. The total outstanding corporate debt to SSNIT stood at GH<t75,183,578.48 as at January 1st 2005. An additional amount of GH<t29,961,107.94 was advanced, out of which a total of GPR19,328,446.67 was recovered[47].

The interference by government has in some instances occasioned alleged misappropriation of pension funds for purposes that have no identifiable benefits for the pensionable public. Government has on a number of occasions used SSNIT's assets for public purposes. For instance, it was reported that SSNIT paid into government's Consolidated Fund (national budget) a sum of GHC12,700,000, in 2009, GH<tlO,800,000 in 2008 and GPR6,000.000 in 2007[48].

[45] SSNIT's Report to the Public Accounts Committee of Parliament on 19* February, 2010.

[46] SSNIT 2009 Annual Report

[47] SSNIT Report to the Public Accounts Committee of Parliament on 18th February 2010.

[48] SSNIT's Report to the Public Accounts Committee ot Parliament on 18* February, 2010.

A respondent trade unionist hinted that:

"The Government of Ghana dips its hand into SSNIT coffers for public use. Government sold the Social Security Bank wholly owned by SSNIT as part of its financial restructuring policies and used the funds for purposes unknown to us. Somehow, organized labour has kept mute over this issue until date. This is unacceptable."

The respondent believes that the role of government to appoint Chairman of the Board of the Trust has enabled government's manipulation of the scheme through the appointee.

"Governments have always appointed party loyalists as Chairmen of the Board to have allowed room for manipulation at the expense of poor contributors", the respondent added.

The three tier scheme has just taken off and thus too early to predict the challenges that might come with its implementation. However, one will not be too wrong to predict that of the first tier if SSNIT's status quo remains. Already, contributors transferred from the old SSNIT pension scheme are beginning to be anxious about their past credit[49]. SSNIT on the

other hand has raised concerns about the maintenance of the old formula for calculating pension benefits in spite of the reduction in contribution it receives.
The participation of private fund managers in management of pension funds may come with its problems. The legislative instrument for the implementation of the pension was passed in March 2011; fourteen (14) months after implementation of the scheme began. The scheme has four year transition period, during which the NPRA is expected to identify and solve challenges that might emanate from implementation of the law. In this regard, one can only hope for efficiency on the part of NPRA, much of which will also depend on its independence and capacity.

The NHIS
Like the SSNIT Pension scheme, the NHIS has not been without challenges. In the 2008 Citizens Assessment of the NHIS report[50], key challenges noted include:

- Politicization of the scheme;
- Administrative bottlenecks (delay in processing membership and claims);
- Affordability issues;
- Limited health care facilities; and
- Abuse of scheme by both providers and beneficiaries.

A respondent noted that government's pronouncement to make the scheme a onetime premium has generated a lot of anxiety among providers and beneficiaries.

[49] The pension law provides that SSNIT pays to each contributor (to the 2nd tier) 25 % of total contribution as at 1st January 2010.
[50] NPDC (May 2009).

> *"Many people have refused to renew their NHIS subscription because of the confusion surrounding the scheme. Some people believed the new [NDC] government was going to scrap the scheme. Some service providers at the beginning of the new administration [2009] refused to provide services to card bearers for fear that their expenditure would not be reimbursed. One and half years down the new administration, we don't know what they are doing. Every day, all you hear on radio are complains. I think the scheme is collapsing"*, a respondent stated.

High poverty level accounts for low patronage of the scheme in some communities. The 2008 Citizens Assessment of the NHIS as part of the GPRS noted that a high proportion of non-card members attributed their inability to enrol to affordability.

Quality and accessible health care services depend on adequate health infrastructure. Inadequate health care facilities pose a challenge to enhancing accessibility of the scheme. A respondent indicated that accredited NHIS health centres are usually congested. In rural Ghana, patients travel several kilometres to access health services.
Inadequate logistics, staff and low motivation of staff compound accessibility issues. Negative attitudes of health service workers have been noted as a challenge. Staff blames the congestion at health centres on NHIS card bearers and behave negatively towards them. Some health workers are reportedly extorting money from users[51]. Other operational challenges noted by a respondent (an official at the NHIS) included high and sometimes fraudulent claims by services providers, delay in submitting and processing claims, untimely and inadequate releases of funds to schemes as well as low monitoring of service providers by schemes.

Role of Trade Unions in Social protection Scheme

Trade unions in Ghana have assumed positive roles in the provision of social protection. The TUC's policy on social protection recognizes the widespread poverty in Ghana and notes the exclusion of informal sector workers by social security schemes. Thus, the objectives of the policy include achieving a wider coverage, increased number of contingencies and eradicating poverty among pensioners. These objectives have been pursued through direct

and indirect participation in the provision of social security such as participation in governance and policy advocacy.

Trade unions have been part of governance of social protection schemes in Ghana. The governance structures of both the SSNIT and the NHIS have representations of organised labour. Organised labour is also represented on the Board of the National Pensions

[51] GPRS II Participatory M &E: 2008 Citizens Assessment of the National Health Insurance Scheme

Regulatory Authority. The Ghana Trade Union Congress (TUC) was a member of the pension implementation committee established to see to smooth implementation of the new three tier pension scheme.

Organized labour has played a key role in social security reforms in Ghana. For instance, the (TUC) was a constant critic of the old Social Security Pension Scheme and a stakeholder to the reform that led to the passage of the new pension law.

A respondent (informal sector desk officer) mentioned that the TUC had been concerned about the exclusion of informal sector workers from pension schemes.

> *"We noted that a pension scheme based on fixed and regular contribution was not compatible with workers in the informal sector who have irregular and low incomes. So the TUC used every platform to advocate for a special scheme for the informal sector. That informed the establishment of the SSNIT Informal Sector Fund and the inclusion of the third tier in the new Pension law"*

The TUC has shown commitment to promoting access to social protection for all categories of workers including those in the informal sector, the respondent stated. The TUC's stance on provision of social security to the informal sector is captured in its policy to organize the informal sector adopted in 1996 as follows:

> **To** *explore the possibility of SSNIT as well as other insurance schemes as the framework for guarantee against losses during sickness and for workers' compensation and pension"*

Subsequent to the implementation of the Three Tier Pension scheme, the TUC has been organizing sensitization programmes on the third tier for its associate informal sector workers.

> *"We have since the beginning of the year organized four workshops in four regional capitals to educate our informal sector members on the third tier and the importance of pension in general. We also envisaged to recruit more informal sector groups through these sensitization programmes and facilitate their enrolment onto the third tier",* stated an informal sector desk officer at a trade union.

Organised labour has also, through collective bargaining, expanded social security benefits for its members. Data from the GLSS5 (Ghana Statistical Services, 2005/ 2006) indicate that workplaces that have trade unions have more benefits than those without them. Some of these benefits include medical care, paid sick leave and paid annual leave, to mention but a few.

Trade unions have also, through collective agreements, earned workers the benefit of occupational-based provident funds partially funded by employers as supplementary pension scheme. In some private enterprises, collective agreements include payment of End of Service Benefits (ESB) to some class of workers, usually senior staff and management upon retirement.

Trade unions are however faced with many challenges in their interventions to ensure workers have access to social security, in particular for the informal sector workers. Finance and logistics have remained the key challenges, a respondent noted.

"We approached the SSNIT Informal Sector scheme for collaborative educational programme on the scheme but they have failed to commit resources to the programme. We depend on donor funds for such programmes, so once the funds are exhausted the activity stalls. The organization providing financial support to our sensitization programme folds up December, this year [2010]. We hope to find resources elsewhere to continue the programme; else, we would also wind up".

Another key challenge encountered with the informal sector is lack of appreciation of pension by workers, the respondent noted. This is the result of low earnings and low education. Most workers in the informal sector have low or no education and thus have limited capacity to comprehend the purpose of social security. Low earnings in the informal sector limit operators' ability to set part of their income against life contingencies. For some workers in the informal sector, the activity arose as a survival mechanism. A female trade unionist and gender activist bemoaned that:

"In this country there is high poverty level and so little deductions from people's income make a big difference. Most informal sector workers do not even consider what they do for income as employment".

On the other hand, some respondents believe trade unions participation in the governance of social security schemes does not make any positive difference. They believe that mismanagement and interferences of the government occur in the presence of trade union representatives on the governance board of schemes. Some believe the capacity of union representatives on the board is usually low.

"The capacity of many board members is low. Usually, the selection of board members follows internal political order and not the competencies of the individuals. Some board members are just there for sitting allowance," stated by a respondent trade unionist.

Summary, Conclusion and Recommendations

Summary

The provision of institutionalized social protection benefits in Ghana pre-dates independence. The 'CAP 30' was the first pension scheme established for certain categories of government workers in 1946. A compulsory savings scheme was instituted in 1960 but was replaced by a provident fund scheme in 1965. In 1991, the Provident Fund scheme was transformed into full pension scheme called the SSNIT Pension scheme. A pension reform led to the passage of the National Pensions Act (2008) which established a Three Tier Pension Scheme. The 2008 Pension law repealed existing laws that established the CAP 30 and the SSNIT Pension schemes. It also mandates the unification of all existing pension schemes by 2014. The three tier scheme became operational in January 2010.

The Three Tier Pension scheme is made up of two mandatory first and second tiers for workers and employers; and a voluntary third tier for self-employed persons, informal sector workers as well as formal sector workers as supplementary scheme. The first tier is Basic National Pension scheme that replaced the old Social Security Pension scheme. The second tier is an occupational-based pension scheme managed by private trustees and fund managers; and the third tier made up of provident fund and personal schemes also managed by private trustees and fund managers.

By December 2009, active SSNIT contributors and beneficiaries stood at 880,760 and 98,658 respectively. In January 2010, contributors of SSNIT aged 55 years and below were transferred to the first and second tiers of the new pension scheme. Contributors aged above 55 could choose to join the new scheme. Trustees and custodians to manage the second and third tiers are yet to be approved by the Authority. Existing occupational-based provident funds have been registered by the NPRA under the third tier.

Over two-thirds (71%) of the SSNIT's contributors by December 2009 were males compared to females (29%). Likewise, there were more male beneficiaries (85.1%) compared to females (14.9%). Low female access to SSNIT Pension is explained by the dominance of women in the informal sector, where social security coverage is low. About 57 percent of informal sector workers in Ghana are females (Baah, 2007). A declining proportion of male contributors (compared to the proportion of male beneficiaries) may signify a change in the status quo with more females having access to pension benefits.

Contribution to the first and the second tier is 18.5 percent of employees' gross salary borne between the employer and employee at 13 percent and 5.5 percent respectively. Personal pension schemes and provident fund schemes under the third tier do not have fixed contribution.

Pension schemes in Ghana provide old age, invalidity and survivors' pension benefits. The Basic National Pension scheme (tier one) provides additional health care benefits by insuring its contributors and beneficiaries with the NHIS. Other social security benefits such as sickness, occupational injury and maternity have been instituted as employer-liability benefits. However, these benefits like pension are largely available to formal sector workers. Some enterprises (in particular unionized workers) have, through collective bargaining, expanded their benefits to include free medical care, free/subsidized meals and free/subsidized housing or rent allowance to mention but a few..

A major challenge to pension schemes in Ghana is limited coverage. Contribution pattern of pension schemes instituted in the past have had compatibility with workers in the formal sector who have higher and regular income. About 70,000 out of 880,760 SSNIT active contributors were informal sector workers by December, 2009. The SSNIT Informal Sector Fund with designed compatibility with income patterns in the informal sector had 83,448 by the first quarter of 2011. Other challenges confronting social protection schemes include high administrative cost, poor investment returns and low pension benefits, among others. The SSNIT scheme has not been free from government interference, which has in some occasions led to the use of the pension funds for purposes of no direct benefit to contributors.

On health care, a universal free health care policy instituted after independence was replaced by a 'Cash and Carry' scheme in the early 1980s. In 2003, the National Health Insurance Act (Act 650) was passed to establish a universal health insurance scheme. The Act 650 established in 2004 District Mutual Health Insurance schemes, Private Mutual Health Insurance schemes and Private Commercial Health Insurance schemes.

There are currently 145 District Mutual Health schemes and 7 Private Health Insurance Schemes. The 145 District Health Insurance Schemes together cover about 60.1 percent of the Ghanaian population. The District Health Insurance Schemes are financed by a tax income, premiums from subscribers, budgetary allocation as well returns on investment and donations.

The NHIS covers about 95 percent of common ailments reported in health centres in Ghana. The exclusions include rare ailments such as cancer (excluding cervical and breast cancer), and dialysis for renal failures and cosmetic surgery, to mention but a few. Beneficiaries of NHIS are offered free Out-patient services (medical and surgical) including feeding and medicines within the schemes prescribed drug list. The exclusion of HIV/AIDS treatment under the NHIS however raises concern though its opportunistic illnesses such as tuberculosis and diarrhoea among others are included.

Trade unions in Ghana have, through their role in governance schemes and collective bargaining, contributed to expansion in social protection coverage and enhanced benefits. The Ghana TUC, for example, has embarked on activities to ensure operators in the informal sector have access to social protection. There, are however, some perceptions that trade unions' involvement in the governance of schemes does not make any positive difference.

Conclusion

Basic social protection is very instrumental in safeguarding the welfare and future of workers against life contingencies. Funds from contributory social security schemes (particularly pension funds) can also provide long term capital needed for developmental projects in a developing country like Ghana.

Although the Government of Ghana has since independence facilitated the establishment of public contributory social security schemes, coverage have been limited to the formal sector which constitutes less than 20 percent of the Ghanaian working population. The implication is that not only are many Ghanaians without social protection cover, but also a great deal of resources remains untapped in the informal sector.

Low pension benefits have affected the purpose of social security to provide adequate income for workers after retirement. Many pensioners by virtue of low salary while in active employment retire on low pension income below the poverty line. The new Pension scheme was introduced to address the challenges of low pension benefits and low access of people in the informal sector to pension. It is envisaged that introduction of the second and third tier would raise pension benefits. However, the real challenges of low salary among formal sector workers as well as those in the informal sector still remain and this will continue to affect pension values. It is important that efforts to improve pension benefits are complemented by attempts to improve income levels in Ghana.

Low social security coverage is also a demonstration that perhaps employment-based contributing social security schemes are insufficient in the light of the growing unemployment and informalisation of employment characterised by low and irregular income patterns.

Recommendations

Based on the findings above, the following are recommended:

- Government should invest in education. Studies have established a low correlation between high education and informality.

- Attempts should be made by government to formalize informal activities. This may include simplifying requirements for business registration and providing support to micro, small and medium enterprises to grow.
- Government should strengthen the National Pensions Regulatory Authority (NPRA) and National Health Insurance Authority (NHIA) to be able to undertake effective supervisory and regulatory roles over schemes. This is particularly important for the second and third tiers which would be managed by private trustees, fund managers and custodians. Past performance records of SSNIT also hints the need for close supervision to ensure good investment choices are made and administrative cost reduced drastically.
- Organized labour should play key oversight role to mitigate government's interference in the management of pension schemes, particularly SSNIT. They should appoint competent people to serve as board members to be able to play their roles effectively.
- Trade unions should organize informal sector groups and facilitate their enrolment onto the third voluntary tier.

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SOCIAL PROTECTION IN KENYA

By

Jane Masta & Jacob Omolo

Introduction and background information

Kenya occupies the eastern part of the African continent and covers about 592, 909 square kilometers. Kenya's population has more than tripled from 10.9 million people in 1969 to 38.6 million people in 2009 (Republic of Kenya, 2010). Kenya has a youthful population with over 70 % of the population being within the 15-35 age cohorts. This has resulted in a high dependency ratio, currently estimated at 84%. The implication of a high dependency ratio is that Kenya has a big challenge in providing education, healthcare and other services all dependent on a small proportion of tax-paying or working population.

Between 1990 -2005, Kenya's average annual labour force growth rate was about 3%. In 2007, the labour force stood at about 14.6 million, which was largely youthful, with about 58 % being within the 15-34 years age bracket. The policy implication is that creation of jobs should expand at the same rate to forestall increase in unemployment. In 2006 unemployment rate was estimated at about 12.7 % being an improvement over the 14.6 % previously recorded during the 1998/99 labour force survey. Urban unemployment was higher than the rural unemployment at 19.9 % and 9.8 % respectively. With this, Kenya faces five key employment challenges, namely: high youth unemployment, rapidly growing labour force, underemployment, the problem of the working poor and gender inequality.

The informal sector remains the major employer, accounting for over 75 % of total employment. In 2006, informal sector employment grew by 6.5 % creating 418,000 new jobs compared to formal sector employment that grew by 2.8 % thereby creating a paltry 50,600 new jobs. However, a larger number of those employed are the working poor. The services sector is the main source of employment and 2007 accounted for approximately 60% of formal sector employment, while the manufacturing sector accounted for less than 10%. In terms of gender, formal sector employment is still male dominated with women accounting for about 30% of the total formal employment. About 56 % of the women are employed in the community, social and personal services. A significant challenge for employment is that a majority of the labour force in Kenya do not have basic education and technical skills for improved labour productivity.

Kenya's poverty levels are estimated to be on the decline, but there are significant differences within and across provinces. Data available from the Kenya Integrated Household Survey show that national absolute poverty declined to about 46% in 2006 from 55.5% in 2000. Although the proportion of the population living in poverty has declined the number of those living below the poverty line is estimated to have increased from 13.4 million to about 16.6 million. The incidence of poverty is higher in rural areas at 49.1 % compared with 33.7 % in urban areas. There are also regional differentials, with Central Province having the least prevalence while North Eastern and Coastal Provinces showing

increasing poverty levels. The Kenya Integrated Household Budget Survey (KIHBS) conducted by the Kenya National Bureau of Statistics in 2005/2006 set the rural poverty line at Ksh. 1,560 per month and a corresponding line for urban areas at 2, 930 per month. The latest reports of the Kenya National Health Accounts indicate overall improvement in health standards based on government increased expenditure of allocations to the health sectors as part of the Economic Recovery Strategy policy to enhance equity. Nevertheless, the country's performance remains below levels recommended by the World health organization and even the Abuja Declaration. Life expectancy in Kenya is at 53 years, an increase from 45 years in 2002. In previous years, life expectancy for men was higher than for women but today this is almost at the same level. Life in Kenya is under constant threat of numerous contractible diseases including HIV and AIDS, bad living habits and other hazards of life.

Social Protection Provision

Kenya has a low Human Development Index and to work out its way up the ranks, a broad based intervention in social policy is required. The government's response to dealing with this situation has comprised measures of production, reproduction and redistribution of resources as well as protection of vulnerable members of society. Introduction of modern day social security system is one such means. Social security can be defined as the sum of all regulations within a society which aims to guarantee the individual or a group not only physical survival but also general protection against unforeseeable risks which would entail deterioration of the situation and consequences which could be borne by the individual or group without external assistance. The term social security does refer to special category of public interventions made in response to specified risks or needs, which are aimed to ensure the general welfare of a community. The International Labour Organization (ILO, 2006) Convention No. 102 on social security (minimum standards) 1952, identifies nine branches of social security covering most, if not all, of the principal contingencies faced by workers and their families during the course of their lives. They include medical care, sickness benefits, unemployment benefit, old age benefit, employment injury benefit, maternity benefit, invalidity benefit, family benefit and survivors' benefit.

The earliest attempt to put in place a modern day social security system was introduced by the colonial administration. It mainly targeted the white settler community and those within its employment service such as in the civil service, railways, ports and harbours, and a few others. The same structures were inherited by the independent government that came to power in 1964 and the succeeding regimes have made some changes to further build on them. This saw establishment and growth of social security system in the country within three broad categories as follows:

a) public and mandatory schemes;
b) occupational schemes; and
c) private schemes.

Economic globalization and its associated challenges have necessitated the need to broaden the safety nets to accommodate more people and to also meet the changing economic demands. In the case of Kenya, the implementation of neo-liberal economic policies foisted on it by the World Bank and the International Monetary Fund (IMF), created more vulnerable people. Reduction in expenditures in social welfare services by government, deregulation of markets, removal of trade tariffs, and privatization of state corporations all had a net effect of increased vulnerability of the masses (Oyugi, 2000).

Methodology

The study is mainly based on secondary data derived from extensive literature review and supplemented with interviews of identified persons. The paper is organized in six sections as follows: Section one provides a socio-economic context of social security in the country and a brief historical account. Section two outlines the existing regulatory framework and discusses the enabling legislation, eligibility criteria, administration and management of the schemes. Section three is an analysis of coverage of the existing schemes drawing comparisons on the basis of region, gender and age, among other factors. Section four looks into the issue of financing and section five addresses the issue of benefits. Section six summarizes key points and draws conclusions and lessons learnt, as well as offers recommendations.

Regulatory Framework for Social Security

The right to social security constitutes a basic human right and is enshrined in various international conventions, treaties and other instruments. While States may ratify a whole, there is flexibility of application. A State is allowed to accept parts of the Convention according to its own needs and stage of social and economic development.

As a sovereign State, Kenya has been a member of the United Nations since 1964 and has made its own endeavors to construct a legal framework which is functional for its situation in supporting enjoyment of human rights. This has been inspired mainly by guidelines set out in various key standards adopted by the United Nations (UN) and the ILO.

The first of these standards is the *Universal Declaration of Human Rights* (UDHR, 1948). It asserts, in Article 22, that everyone as a member of society has the right to social security. Article 25 specifies this need in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood beyond one's control. This right is reiterated in Article 9 of the *International Covenant on Social and Economic Rights* (ICSER, 1966), which requires States which are party to the covenant to recognize the right of everyone to social security, including social insurance.

Kenya is yet to ratify any one of the ILO social security conventions, even though it is a signatory to the UDHR and the ICSER. However, governments' commitment to supporting social welfare and security can be traced to the Sessional Paper No. 10 of 1965 which sought to establish African Socialism (Republic of Kenya, 1965). The stated objectives of this landmark policy has been kept alive through the years, as they have been reiterated in succeeding social policy documents as could be evidenced, even in the last decade in the following:

- National Development Plan 2002 - 2008
- Sessional Paper No. 1 of 2000 on National Population Policy
- Kenya National Policy on Ageing
- Ministry of Gender- age policy paper
- Ministry of Health - social policy paper

Evidently, Government's response to dealing with the country's social security concerns does not emanate from an official single policy on social security, social insurance or other form of social protection. The existing interventions even as directed by government, do not flow from a central or dominant authority and this sometimes results in duplicative efforts and conflicts. Its administration is directed through an integrated approach and within the wider national social policy framework. The Economic Recovery Strategy for Wealth and

Employment Creation, *Kenya Vision 2030,* all recognize social security to be closely linked to other social services such as education, health, labour and industry, national social security, shelter, housing and HIV and AIDS (Republic of Kenya, 2003; 2007).

Legislative Framework

The Constitution of Kenya gives the necessary guarantee for enjoyment of fundamental rights under Part V and therein social and economic security right is implied. This has a negative implication on the right to access and enjoyment of social security. Persons who have no access, or have inadequate access, cannot make any claim or demand for social security as a matter of right and the State and other actors have no enforceable legal duty to provide that right. Similarly, persons whose right to social security has been violated cannot avail themselves of the substantive and procedural protections afforded by the Constitution such as having an automatic right of audience before the High Court or even obtaining recitative orders. The legislative regime for social security is spread out in various statutes, as discussed here below.

National Social Security Fund Act, Cap. 258

This law was enacted in 1965 and remains in force, with amendments. It is under a management trustee, which comprises representatives of workers, employers and government. The Act establishes a provident fund system which operates on a defined contribution basis. An amendment to the Act in 1997 brought the National Social Security Fund (NSSF) to the regulatory ambit of the Retirement Benefits Authority (RBA). It covers all employees other than those in public service pension schemes for public sector, though voluntary coverage is possible. The qualifying conditions are old age, disability and survivorship. The NSSF is governed by a Board of Trustees appointed by the Minister responsible for matters relating to labour and social security. The composition of the Board is on a tripartite basis with representations from the government, employers and workers.

National Hospital Insurance Fund Act, Cap. 255

This law was enacted in 1966 to provide for hospital insurance and covers medical benefits alone. It establishes a national Fund under a Management Board composed of representatives of workers, employers and government. It covers employed persons who earn at least Ksh. 1000 a month and includes employees of the public sector, self-employed persons and their dependants. The Act provides for in-patient services but under pilot programme with accredited hospitals and health institutions one may have out-patient medical care as well upon production of a National Hospital Insurance Fund (NHIF) card at accredited institutions.

In the latest developments, government's endeavor to provide universal health care through upward review of the NHIF rates has been contested by the social partners. Under the new scheme, members are to register with a health service provider of choice and would have an expanded cover of Ksh. 360,000 for self and family per year. It would also cover out-patient, maternity services including caesarean section. The scheme would also cover general consultancy, prescriptions and laboratory test.

Other health care services covered include ultra sound, X-ray services, diagnosis and treatment of common ailments. It also proposes to have at least one accredited institution in every constituency. There are currently 500 accredited institutions. The qualification requirement for every institution is that they must have at least a qualified clinical officer, a functioning laboratory and a pharmacy stocked with basic essential drugs.

Employment Act 2007

Section 29 of the Employment Act (2007) provides that a female employee shall be entitled to three months ***maternity*** leave with full pay at 100 % earning. A woman shall only be entitled to this if she gives not less than seven days notice in advance or a shorter period as may be reasonable and also on a production of a medical certificate.

Section 30 (1) of the Act also provides contingency for ***sickness*** for those in employment but who have served for two months consecutively. Employers are enjoined to pay earnings at 100 % for up to seven days to an employee who is sick and unable to work. Section 34 requires that an employer ensures sufficient provision of proper medicine for his employees during illness and if possible, ***medical attention*** attendance during illness. Section 34 (2) further states that an employer shall take all reasonable steps to ensure that he is notified of the illness of an employee as soon as is reasonably practicable after the first occurrence of the illness. The duty to meet the medical costs by the employer imposed by Section 34 (1) and (2) is removed by provision of Section 34 (4) which states that the requirement shall not apply where:

a) the illness or injury to the employee was contracted during a period when the employee was absent from his employment without lawful cause;
b) the illness or injury is proved to have been self-inflicted;
c) medical treatment is provided free of charge by the Government or under any insurance scheme established under any written law which covers employee.

Section 35 (1) (5) provides for an employee whose contract of service has been terminated to be entitled to ***service pay*** for every year worked. However, Section 35 (1) (6) further indicates that this is not automatic for those employees who are members of a registered pension or provident fund scheme under the Retirements Benefits Act, a gratuity service pay scheme established under collective agreement, any other scheme established and operated by an employer whose terms are more favourable than those of the service pay scheme established or a member of the National Social Security Fund.

Pensions Act, Cap. 189

This is the principal law which makes provision for granting and regulating the payment of pensions of pensioners, gratuities and other allowances in respect of public service for officers of the Government of Kenya (GOK). Such employees upon attaining the mandatory age of retirement of 60 years, and having served on a permanent and pensionable service contract, expect payment of benefits. These benefits are non-contributory and are funded solely by the government. The benefits payable to public service retirees could be either one or more of the following: service pension and a commuted pension, service gratuity, marriage gratuity, injury pension, death gratuity, dependant's pension, compassionate gratuity and annual allowance.

Retirement Benefits Authority Act

The Retirement Benefits Act establishes the Retirement Benefits Authority which is a regulatory and supervisory body charged with the responsibility of "regulation, supervision and promotion of retirement benefits schemes, the development of the retirement benefits sector and for connected purposes".[52] However, the Authority is not involved in the day to day administration of the scheme. It only gives broad guidelines as to how scheme funds are to be invested and does not pay any money to the Government. Occupational schemes are schemes set up by employers for the benefit of their staff. Such schemes are voluntary and are established under trust. These are regulated by the Retirement Benefits Authority. There are no minimum requirements in relation to the levels of contributions by employers and staff; nor are there any minimum requirements in relation to the types or levels of benefits other than legislative restrictions in relation to minimum retirement ages, vesting, portability, preservation and accessibility of benefits. There are however extensive requirements in relation to the governance and management of such schemes and for the protection of members' benefits stipulated in the Act and the Regulations made under the Act.

Work Injury Benefits Act, 2007

Employment injury benefits scheme is available to all employees by provisions of the *Work Injury Benefits Act 2007.* The Work Injury Benefits Act (WIBA) avails compensation to employees upon sustaining any injuries while in the course of duty, for both cases of temporary or permanent disablement. All employers are to be insured under the new law and each is expected to obtain and maintain an insurance policy, with an insurer approved by the Minister to cover any liability that may be incurred to any of his/her employees in the

[52] Preamble to the Retirement Benefits Act, 1997. According to Section 5 of the Act, the objectives of the Authority are to regulate and supervise the establishment and management of retirement benefits schemes, protect the interest of members and sponsors of the schemes; promote the development of the retirement benefits industry; advise the Minister for Finance on the national policy to be followed with regard to the retirement benefits industry and to implement all government policies relating thereto.

event of an accident.

Welfare Organizations and assistance Programmes

Support to the most vulnerable groups in the society has long been taken care of by various social groups and organizations, all directed towards securing their access to certain necessities such as food, clothing, shelter and medical care. Although there is no direct legislative regulation for this, indirect control is administered through the Societies Act and Companies Act which look into operations of corporate bodies' socio-economic activities in general. Civil society organizations (CSOs) and Faith Based Organizations (FBOs) are actively involved in providing social assistance to underprivileged members of the society within different parts of the country. Provision of social assistance by government has been

limited for long only in particular situations of natural disaster or public emergency. This includes social assistance programme to the elderly or those living in semi-arid areas.

The legal framework governing social security in Kenya is elaborate. The framework is based on relevant ILO Conventions, domestic labour laws and national development policies and programmes. The country's social security interventions are also anchored on a national legal and institutional framework: National Social Security Act (Cap. 258) and the NSSF. Interviews conducted on trade unions revealed that workers are represented in the governance of the NSSF through representation in the Board of Trustees. This is also true for employers and the Ministry of Labour. The trade unions interviewed observed, however, that their interventions in influencing policies on the provision of social security in the country is hampered by lack of or inadequate statistical information on the mode of payment of the social security benefits and how the rates of payment or benefits respond to changes in the economic fundamentals such as inflation.

Coverage of Social Security Schemes

The ILO defines social security, as "the protection which society provides for its members through a series of public measures against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, invalidity, old age and death; the provision of medical care; and the provision of subsidies for families with children". Provision of social security remains policy priority of the Kenya government (Republic of Kenya 2002). Social security is an integral part of national development and a fundamental requirement for improved productivity and industrial competitiveness.

Kenya operates numerous and un-integrated social security interventions, broadly categorized into state social safety nets, and community and family safety nets. The coverage and magnitudes of these interventions are limited to formal sector employees, thereby exposing the growing majority of informal sector workers and entrepreneurs, unpaid family workers and the unemployed to great levels of vulnerability and destitution. The limited coverage of the social security schemes in the country is mainly because of the manner in which the whole concept of social security was introduced and structured in the country. This has maintained an outreach of mainly those in formal employment, therefore inheriting the historical biases and indirectly propagating attendant inequalities within the labour market on the basis of gender, regions and nationality. The main social security institutions in Kenya are the NSSF and NHIF. As noted in Kenya's 9th Development Plan (Republic of Kenya, 2002), the coverage of the social security institutions is still very low. The systems do not cover all workers particularly those in informal and smallholder farms. Furthermore, the unemployed and the self-employed are also not adequately covered. Below is an overview of the social security system in Kenya.

Contingency for Old Age

In drawing comparison between the nine contingencies on social security, by and large, that with the greatest extent of coverage is the contingency on old age. In Kenya, the contingency for old age is provided by the NSSF. The NSSF was established by an Act of Parliament in 1965. It operates under the NSSF Act (Chapter 258 Laws of Kenya). The objective of the NSSF is to provide security to workers in retirement as well as against other contingencies. These include circumstances such as death, sickness and disability. The NSSF provides social security support to registered workers in the formal sector except for those in government sponsored pension schemes, Local Authority Superannuation schemes and some organizations such as the public universities which operate similar pension schemes. The Fund is a provident fund where members make monthly contributions during their

working lives and receive the accumulated contributions, with interest earned, in a single lump sum benefit.

The NSSF covers formal sector employees in Kenya other than employees covered under the public service pension scheme. All employers are required to register with the NSSF but only employers with five or more employees are required to contribute to the NSSF. The total cumulated membership of the NSSF as per its records is estimated at 3.4 million, but the active contributing membership is currently estimated at a little over one million. The number of registered employers with the NSSF (cumulative) is over 74,000.

The NSSF introduced voluntary membership and contributions in 2006 and embarked on a marketing campaign to attract voluntary membership, particularly from the informal sector. The success or otherwise of this campaign to date is difficult to establish, although the number of such voluntary members is indicated at 13,000. Table 1 gives a summary of the coverage of the NSSF for the period 2004-2009.

Table 1: Coverage of NSSF (2004-2009)

Details	2004	2005	2006	2007	2008	2009
Registered Employers ('000s)	55.7	61.3	57.9	58.8	61.4	72.6
Registered Employees ('000s)						
Male	2,269.7	2,284.1	2,326.0	2,378.9	2,376.8	2,546.6
Female	756.6	761.4	775.3	793.0	792.3	848.9
Total	3,026.2	3,045.4	3,101.3	3,171.8	3,169.0	3,395.4

Source: Republic of Kenya (2009; 2010)

Table 1 illustrates that the number of employers registered by the NSSF increased by 30.3% from 55.7 thousands in 2004 to 72.6 thousands in 2009. The number of registered employees also increased from 3 million in 2004 to 3.4 million in 2009. Overall, the proportion of female employees registered under the Fund remained constant at 25%. This is reflective of the low levels of employment of female workers in the formal sector and the low level of membership of females in the NSSF.

Studies conducted by the World Bank indicate that although NSSF is the single largest provider for this contingency and commands a total of 38 % outreach, it comes second after occupational retirement benefit schemes which holds 61 %. Some of the big occupational schemes in Kenya include Local Authority Pension Trust (LAPTRUST), which covers employees of the local authorities and civic leaders. The LAPTRUST has a membership of over 24,000 contributors. This is followed by individual retirement benefits schemes at 1 % and the remainder under the civil service pension scheme. See Appendix 1.

Contingency for Medical Care

The Kenya government has, since independence in 1963, continued to formulate and implement policies aimed at improving the country's health status. This is based on the recognition that good health satisfies one of the basic human needs and contributes significantly towards maintaining and enhancing the productive potential of the population. Improvement in the health status of the society forms part of an investment in human capital. As reported in IPAR (1999), investment in healthcare is necessary as it impacts positively on longevity of life, adult productivity, earnings, quality of life and a country's socio-economic development.

The goverrvment plays a vital role in financing and delivering health services in Kenya. The Ministries responsible for Health run the majority of the country's facilities, employs a large proportion of the health personnel, and is responsible for close to half of Kenya's total health expenditure. The NHIF is one of the social security institutions put in place by the Kenya government. It is constituted under the NHIF Act, Cap. 255. The NHIF is a contributory scheme open to employed adults either in the formal or the informal sector, the retired and the retrenched workers. The monthly premiums of the Fund vary from Ksh. 30-320.

The current membership of NHIF stands at 1.9 million, with 44,000 employers from the formal sector with a voluntary membership at 39,000. There are a number of occupational and private schemes managed together with insurance companies. The scheme includes an in-patient cover for a contributor, a spouse and children under the age of 18 years[53]. Those dependants, who are over 18 years but have proven evidence of being either handicapped, adopted, or in school (college) or university, can also benefit under the scheme. The NHIF members and their dependants can access any of the Fund's accredited health providers countrywide and enjoy a cover of between Ksh. 400-2000 per day, for a maximum of 180 days. The recognized health providers include government, private, mission and community health providers.

Gender Differentiation in Coverage

The majority of those with access to the social security are men (75 %) owing to the discriminatory effect of the formal sector employment against women. Again, only 18 % of the social security contributors or beneficiaries are females. In Kenya, the proportion of women engaged in the formal sector is low at about 30 %. The need for work for long hours, requirement for high education and skills training leaves out many women with little chance of securing decent jobs. Many are known to work in sectors which have high incidence of violation of fundamental worker rights such as the right to freedom of association, right to equal pay for work of equal value, freedom from forced labour and right to equal treatment in occupations and employment. These are typical within domestic jobs; work in export processing zones and other manufacturing industries and also in agricultural large plantation farms. . The need to meet maternity benefits by employers alone, is deemed as unnecessary costs to business and a result of which many women are denied opportunity of employment and in turn possibility to enjoy social security. Payment of maternity benefits to women is at comparatively better levels than men. Arguably, this is deserves recognition of the practical demands of child care on women compared to men. Whereas women are granted three months paid leave without loss of benefits or privilege, men have been granted less number of days to only 10 days.

[53] Those aged above 18 years but with proven evidence of being either handicapped, adopted, in school (college) or university can also benefit.

Alternative Arrangements for Social Security

The other social security strategies operational in Kenya include compensation to those injured in the course of duty. Such needs are covered under the Work Injury Benefits Act (2007). The Act is administered by the Ministry of Labour. The Ministry of Health only provides medical advice through the Medical Board in the event of a dispute regarding the extent of injury. There are also private sector pension schemes administered by insurance firms. They take the form of defined benefits/entitlement. Their viability and sustainability depend on the managerial efficiencies of the Fund administrators or trustees.

Alongside the aforementioned formal arrangements for social security, there exists informal arrangements, and the dominant and common system is the family and social groups. Women welfare groups constitute a major informal arrangement for social security in

Kenya. These groups operate to support the most vulnerable groups in the society, enabling them to access basic necessities such as food, clothing, shelter, medical care among other financial needs. The extent of coverage can be estimated by the sheer numbers of organizations listed as registered for such purpose by the registrar of societies. Also, the NSSF has worked out an informal arrangement which allows voluntary contributions at a recommended minimum amount of Ksh. 100 per month. The arrangement is also flexible enough such that the payments can be made as and when circumstances allow. Equally, the NSSF scheme has been reformed to allow for contributions from employers with 1-4 employees, which is the core of the informal sector in Kenya.

Interviews conducted on key social security stakeholders, namely: the Central Organization of Trade Unions (COTU), Ministry of Labour and the Federation of Kenya Employers (FKE) revealed that all the stakeholders recognize social protection as an integral part of national development and a fundamental requirement for improved productivity and industrial competitiveness. The respondents noted that Kenya operates numerous and un-integrated social protection interventions, broadly categorized into state social safety nets and community and family safety nets. They noted, however, that the coverage and magnitude of these interventions are limited to formal sector employees, thereby exposing the growing majority of informal sector workers and entrepreneurs, unpaid family workers and the unemployed to great levels of vulnerability and destitution. According to the respondents, to address these challenges, the Government needs to formulate a National Social Protection Policy to provide the necessary framework for development and implementation of a comprehensive social protection system in the country.

The sentiments by the stakeholders are reminiscent of the challenges faced by the scheme. These include high default rates on contribution remittances by employers and employees, lack of proper awareness on the NSSF and its products, false benefit claims, which add to the cost of the Fund and corrupt practices by some Fund employees.

Financing for Social Security

Source of Funding to the NSSF

Statutory contributions to the NSSF are set at 10 % of an employee's pay, half of which is paid by the employer and half by the employee. There is a monetary ceiling on the maximum combined contributions to the NSSF of currently KShs 400 per month (or at only 1.3 % of average monthly formal sector earnings in Kenya of KShs 31,579. There have been only two adjustments to the statutory ceiling on contributions since the inception of the NSSF (i.e. an increase from KShs 80 to KShs 160 in 1977 and from K Shs 160 to 400 in 2001).

The NSSF also accepts contributions from the unemployed or self-employed members. In this case, the contributions are made at a flat rate and there is no matching payment from

Table 2: Membership, Contributions and Benefits of NSSF (2004-2009)

Details	2004	2005	2006	2007	2008	2009
Registered Employers ('000s)	55.7	61.3	57.9	58.8	61.4	72.6
Registered Employees (000s)						
Male	2,269.7	2,284.1	2,326.0	2,378.9	2,376.8	2,546.6
Female	756.6	761.4	775.3	793.0	792.3	848.9
Total	3,026.2	3,045.4	3,101.3	3,171.8	3,169.0	3,395.4
Annual Contributions (Ksh. Mn)	3,773.3	4,421.6	4,655.1	5,358.4	5,368.6	5,341.0
Annual Benefits Paid (Ksh. Mn)	2,513.5	2,548.8	2,540.2	2,566.8	2,575.6	2,773.4

the employer. The NSSF contributions are mostly made on a monthly basis. The payments are made by either cheque or cash. There is no budgetary allocation by the government to the social security. Table 2 provides a summary of the membership of the NSSF, the Fund's contributions and benefits over the period 2004-2009.

Source: Republic of Kenya (2009; 2010)

As illustrated in Table 2, the direct beneficiaries of the NSSF (employees) increased from 3 million in 2004 to 3.4 million in 2009, depicting an increase of 12.2 % over the six-year period. The total annual contributions of the Fund, however, increased marginally from Ksh. 3.8 billion in 2004 to Ksh. 5.3 billion in 2009, representing a growth of 6.9 % per year. At the same time, the annual benefits paid by the Fund increased from Ksh. 2.5 billion in 2004 to Ksh. 2.8 billion in 2009. Overall, the NSSF payouts eased from 66.6 % of the year's contributions in 2004 to 51.9 % of the year's contributions in 2009, manifesting increased liquidity of the Fund.

The NSSF Act provides no explicit framework for investment and custody of the NSSF assets. The investments are currently managed in-house through an Investment Committee and an Investment Department. There is no external/separate custody of the assets. Since the Investment Committee and the Investment Department are functional units of the Fund, they do not have representation of the workers or contributors. However, workers' and employers' representatives influence the decisions of the Committee when their matters are brought in a Trustees' meeting.

The NSSF has had a major portfolio weighting in land and property assets, though this is reported to have decreased substantially since 2000. The proportion of the total assets invested as quoted in domestic equities in 2000 was 47.7 % reflecting a relatively higher weighting in domestic equities compared to other large retirement funds in the country. Further, the NSSF has had a dominant shareholding in a number of companies listed on the Nairobi Stock Exchange and a sizeable portion of the assets invested in Government securities. None is known to be in offshore investment.

Source of Funds at the NHIF

An insured person must make a variable monthly contribution of Ksh. 30 to Ksh. 320 per month. For self employed persons, a variable monthly contribution of Ksh. 30 to Ksh. 320 is required. Voluntary contributors pay a flat rate of Ksh. 160.00 per month. Neither the employer nor government makes contributions to the Fund. The qualifying condition is sickness and maternity. The medical benefit is that voluntary contributors must have at least 60 days of coverage and at least 6 months of coverage for maternity medical care.

Source of Funds for Occupational Schemes

All the schemes are contributory and are funded by both employees and their employers at specified minimum percentage stipulated under RBA but with variations depending on individual circumstances. For example, under LAPTRUST, members contribute 12 % while the sponsor contributes 15 %. In summary, the National Social Security Fund (NSSF) holds the largest quantum of funds which is estimated at 67 %; it is followed by Civil Service Pension Scheme (22 %), then by the Occupational Retirement benefits (11 %) and finally by Individual Retirement Benefits Schemes (a negligible amount).

The dominant social security programmes are of three kinds: social insurance, income maintenance and social assistance. This cuts across the different schemes in existence and specified under statute.

Social Insurance Benefit

This kind of benefit bestows on members a product or service in recognition of contributions to particular schemes. The services offered under such arrangement include provision of retirement pensions, disability insurance and survivor benefits insurance. The insurance system is defined by statutes and serves - a defined segment of the national population. They are generally funded through premiums or taxes paid by or on behalf of participants. Both NSSF and NHIF fall in this category to a large extent.

NSSF Benefits

i. *Old age benefit:* This is accessible at the age of 60 years or in circumstances where one has retired from insured employment, though payment may be paid at age 50 for the latter or at any age if emigrating permanently.

ii. *Disability benefit:* The fund member must be assessed with a total incapacity for performing any work. The disability is assessed by the fund's doctor and the Director of Medical Services in the Ministry of Health.

hi. *Survivor benefit:* This is paid for the death of a Fund member before retirement. Eligible survivors are the spouse and orphans. In the absence of a spouse and orphan, other dependant relatives may benefit.

iv. *Funeral grant:* The deceased Fund member must have made at least 3 months of contributions. The grant is paid to a dependant named by the deceased.

NHIF Benefits

Free care is provided in government hospitals for certain illnesses, including: tuberculosis, sexually transmitted diseases, HIV and AIDS, among others. The maximum duration of benefits is 180 days a year and may only extend in exceptional cases. There is free patient treatment in government hospitals to all who are members in the accredited institutions. There is also an element of cost sharing, where there is refund of expenses for hospital and medical treatment for insured persons. The maximum reimbursement ranges between Ksh. 200 and Ksh. 650 per day, all depending on the medical facility attended.

Income maintenance policy

This programme exists to ensure a guarantee of income in the event of interruption of employment as in retirement, disability and unemployment.

Social Security benefits

Maternity benefits

Both are covered under the Employment Act 2007 and are available to all women in employment without any distinctions whatsoever. The provision secures to female employees the right to earn wages when on maternity leave for three months without loss of earnings, privileges or benefits. This is over and above the entitlement for sick leave, annual leave and compassionate leave. The cost is currently fully borne by employers and it is a cause of strain in bi-partite relations.

Sickness benefits

The Employment Act 2007 requires employers to pay 100 % of earnings for up to seven (7) days as sick leave. The General Wages Order requires employers to pay 100 % earnings for up to two (2) months of sick leave.

Work Injury benefits
This is yet another form of income maintenance policy system and also guaranteed under the WIBA in government hospitals for illnesses, diseases and injuries sustained in the course of work.

Pensions
In this arrangement, an officer may elect to receive ^{3}A of his annual pension, and to receive in lieu of the other one quarter a lump sum gratuity up to twenty times its annual, and therefore receive a reduced pension and a gratuity in lieu of full pension.

a) *Normal retirement:* An employee having served on permanent and pensionable contract service and for a period not less than ten years and attained the age of retirement which is 55 years is eligible to payment of a pension. This is calculated by taking 1/ 480 of the pensionable emolument for each completed year of service subject to the maximum of the highest pensionable salary drawn by the officer in the course of service. Below is the formula:

   Payment of pensions to retired public servants is available in different forms, all provided under the Pensions Act, Cap. 189 as follows: $\frac{\text{(Total Number of years in service X12 months X Last Salary)}}{4800}$

b) *Marriage Grant:* a female employee who resigns from service or with a view to marriage or who is required to retire and has completed at least five years under government and has been confirmed in a pensionable office may be granted a marriage gratuity on production of satisfactory evidence.

c) *Death Gratuity:* This amount is payable to the legal personal representative of an employee following the death of the officer covered. The amount does not exceed the officer's annual payable pensionable emolument or his commuted pension gratuity, whichever is greater. Where an officer who has retired from the service dies immediately thereafter, a death gratuity equal to the difference between what has already been paid to him by way of commuted pension gratuity and monthly pensions on the one hand, and what should have been paid as a death gratuity had he died on the day of retirement would become payable to his/her dependant.

d) *Dependant's pension.* When an officer who has had ten or more years service dies, while already in retirement and granted a pension, a dependant's pension is payable to his widow and children for a period of five years from the date of his death. Where there are no dependants, pension ceases on the date of death. Widows pension is payable to a female spouse while she remains unmarried and of good character. This is payable at the rate of 10/60 of the officer's pensionable emolument. The child's pension is payable at the rate of $1/8^{th}$ of the mother's pension subject to a maximum of six children.

e) *Abolition of office.* This is payable to an officer notwithstanding his age or period of service, but who is caused to lose his job as a result of abolition of office or re-organization of his department or ministry. It is payable at the rate of $1/60^{th}$.

f) *Compassionate Gratuity:* An officer not eligible for pension because he is a holder of a non-pensionable office or who is not confirmed in a pensionable office and who being a male officer was appointed or transferred to the service of the government before 1^{st} April 1966 or being a female officer was so appointed and transferred before 1^{st} April, 1977 is eligible for a grant of compassionate gratuity at the rate of 1/12 of a month's pay at the date of retirement for each completed month of service.

Box **1;** A Pensioner's Experience

/ am Joshua Doho. I was retrenched from the Kisumu Textile Mills (Kicomi) in 1996 having worked for about 17 years. I was working as a machine operator. Being unskilled, my salary was generally low and could not support me with my family of six children and a spouse. The company had an occupational pension scheme for management staff bid for us the lower cadre staff we were members of the NSSF. I used to contribute about Ksh. 80 per month and my employer was also required to contribute a matching amount of Ksh. 80.

When I left employment, I was only 40 years of age. I tried to pursue for my benefits from the NSSF but I was told that I had to wait until I reach the early retirement age of 50 years or mandatory retirement age of 55 years before accessing the benefits. By then, I had no other alternative source of income. To make it worse, two of my children had just completed primary education and had attained good grades to proceed to secondary school. They required school fees. Besides, my aging parents had started ailing and as a first born in the family, I had to take care of their upkeep and medical needs. This was tough!

I pleaded with the NSSF to help but I was told that the Act does not allow for access of benefits by those below the retirement age like me! I even wondered what the savings were meant for when one cannot access them when still alive, energetic to put them in good economic use and more so when one is still alive. Having hit the brick wall, I convinced myself to persevere and painfully watch as my children dropped out of school due to lack of school fees. I, however, knew that the 10-15 years remaining would be like decades and at best would reach when I am already dead. Every time I went to the NSSF office I would ask for my statement, ask the same questions as to how I could access the benefits and pray that I get an affirmative response. But loh! The response remained the same and at times rude and demoralising. I believe that with the high levels of unemployment in Kenya, the low life expectancies and high rate at which people lose jobs, one should be allowed to access their benefits immediately they are out of employment, irrespective of their age. This will alleviate the suffering that some of us went through. At the same time, the government should develop and implement a comprehensive social protection policy that provides unemployment benefits and universal healthcare to its citizens

Social Assistance Programmes

This operates to support the most vulnerable groups in the society and to enable them access basic necessities such as food, clothing, shelter and medical care. Although there is no direct legislative regulation for this, indirect control is administered through Societies Act and Companies Act which look into operations of corporate bodies' socio-economic activities in general. Provision of social assistance by government has been limited for long only in particular situations of natural disaster or public emergency. Civil society organizations (CSOs) and Faith Based Organizations (FBOs) are actively involved in providing social assistance to underprivileged members of the society within different parts of the country, enabling them get access to basic necessities such as food, clothing, shelter and medical care.

Challenges facing social security schemes in the Country

The major challenge faced by the country is the inability to secure universal protection for all. This is rooted in the low status of national economic development and the attendant problem of high unemployment levels. As such only a small percentage of the population has access to some form of modern social security benefit. A number of issues hinder the efforts towards securing universal protection. These include:

a) The lack of a coherent national policy and strategies on promoting social security.
b) The fragmentation and uncoordinated regulatory framework by government. The Ministry of Finance and Ministry of Labour have competing mandates in regulation.
c) Existing schemes do not include unemployed persons and do not adequately cover the informal sector
d) Poor governance structure in the administration of the existing public schemes. Common problems include inordinate delays of payments or total failure to pay benefits, mismanagement of funds and weak/poor administration systems.
e) Benefits payable to members are of inadequate sums not able to meet basic needs.
f) Multiple contributions payable by workers and thereby reducing the expendable incomes.

g) Heavy cost of administration of the schemes against the amounts used to provide benefits.
h) Weak enforcement mechanisms to ensure compliance by unscrupulous employers who do not make remissions and good governance in management.
i) Low level of awareness and understanding of existing schemes, entitlement and benefits by workers and other members of the public.
j) There is significant inequality with regard to incomes distribution and levels, employment status, regions and gender. The aspects of inequality are marked in both public and private systems and various adjustments and improvements have been made by government over the last few years.

Role of Trade Unions in Social Protection

The principle of tripartism is enshrined in Kenya's industrial relations system. The same is grounded within the provisions of the Industrial Relations Charter and ILO Convention No. 144 on Tripartite Consultations, which the Kenyan government ratified in 1990. Involvement and participation of workers' representative organizations in formulation, determination and implementation of labour policies in Kenya is specifically provided for in the country's core labour laws under which a number of tripartite institutions have been set up. Many tripartite institutions in Kenya are established to facilitate the regulation and efficient operations of the local labour market.

In respect of the trade unions' role in social security, Section 4 (1) of the NSSF Act (Cap. 258) require establishment of a tripartite NSSF Board of trustees to regulate and oversee the operations of the Fund. Equally, Section 4 (1) of the NHIF Act (Cap. 255) provides for appointment of an oversight board with tripartite setting. The National Council for Occupational Safety and Health (NACOSH) established under Section 27 of the Occupational Safety and Health Act (2007) provides for representation of workers and employers in the Council. Consequently, COTU (K) is represented on the governing bodies of these social security institutions.

An assessment conducted by Omolo (2007) shows that there were 58 different bodies where workers' representation was enlisted. According to Omolo (ibid), documentation provided by COTU (K) showed that the national workers' body made necessary nominations to all the identified institutions. The number of workers' representatives on the governing bodies of the institutions ranged between one and six. The representatives are COTU (K) officials, staff and associate experts, or officials of the affiliate unions.

It is noted, however, that trade unions' participation and involvement in the social security schemes have not been to the expected levels. Although they sit on the State corporations' Boards and also negotiate payment of service gratuity, they have not been aggressive in promoting expansion of coverage to the entire labour force. The trade unions have made little effort in negotiating better maternity and medical care benefits. Trade unions have also done little to engage the private social security providers on ways to improve benefits for workers.

Apparently, the new labour laws seem to have taken away the rights from the unions to negotiate better terms for unemployment coverage, having placed the minimum payable to 15 days pay for every completed year of service. Review of registered Collective Bargaining Agreements (CBAs) would establish the actual extent to which this has been achieved. This was aptly captured by a trade union leader interviewed as follows:

> *"The biggest challenge facing trade unions is lack or absence of required statistical information on mode of payment and changes In the rate of benefits with respect to variations*

In the economic indicators. Kenyan Trade unions should, through COTU, request the government to amend the National Social Security Fund Act to include a provision for a systematic periodical review at the closest possible intervals taking into account the rise in cost of living. The government has tried to impose decisions which workers representatives have resisted".

It is instructive to note that effective representation of the workers in the established bodies is hinged on both internal and external factors. Internally, the organizational, human and financial resource capacities of COTU (K) and its affiliates are critical in effective advancement of workers' agenda during the deliberations of the identified bodies. Externally, the degree of participation of the workers' representatives in the bodies depends, among others, on the effectiveness of the hosting organization, as the hosts are the ones to provide all the required administrative and complementary logistics. Historically, COTU (K) and the affiliate unions have been known to have inadequate human and financial resources. The inadequate capacities within the unions have tended to cause a strain on their operations (Omolo, 2003). It is acknowledged, however, that the new COTU (K) leadership has embraced professionalism and has, within the organization's financial limitations, facilitated training for affiliates and also employed technical staff at the union. The national trade union centre has also developed a framework for outsourcing experts to help with some activities within the union or in the bodies that require workers' representation.

Summary and Conclusions

This study sought to document the status of social security in Kenya. It has highlighted Kenya's socio-economic context in terms of its population, employment, poverty dynamics and social security frameworks. The study established that Kenya's population has increased over time from 10.9 million people in 1969 to 38.6 million people in 2009. A large proportion (70 %) of the population is youthful. The country has a relatively high dependency ratio estimated at 84 percent. With a fairly high labour force growth of 3 percent, Kenya's level of unemployment was 12.7 percent in 2006 with the youth bearing the greatest brunt of unemployment. The country has also experienced rapid growth in informal sector employment and subdued growth in formal sector employment.

Kenya has several pieces of legislation that govern social security. Social security issues in Kenya are handled through various government Ministries and Departments, and private sector institutions. The coverage of social security, particularly the NSSF is low at about 35 percent of total employment. The social security coverage is mostly concentrated on formal sector employees. The country faces many challenges in promoting universal coverage in social security. Key among the challenges is the lack of a coherent national policy and strategy to promote social security in the country, weak framework for participation of stakeholders in social security system decisions, poor governance structure to promote effectiveness and efficiency in the sector, non-comprehensive nature of the existing social security systems.

On the basis of the findings of the study, it can be concluded that the social security system in Kenya is not a product of a broad-based, participatory, all-inclusive and human rights-centred policy process. . At the same time, the social security system under Kenyan laws is 'employment-centred'. Almost all the benefits that are derivable from the various social security schemes- healthcare, unemployment, sickness etc. benefits - can only be accessed by persons or dependants of persons who were or are in employment. The implication is that the system of social security in Kenya privileges employees and employers who can make periodic contributions

to the social security schemes. In the process, it discriminates against certain categories of employees such as casual workers and others in the informal sector where the majority of Kenyans work. It is also noted that the social protection in Kenya does not recognise or make any provision for vulnerable groups such as people living with disability, refugees, asylum seekers and internally displaced persons. Further, the NSSF and the NHIF, which are the two statutory flagship national social security schemes that ought to be based on the principles of affordability and solidarity as opposed to profit, have a lot of operational problems.

Recommendations

It is thus apparent that the policy and legal framework in Kenya as relates to the right to social security is fraught with shortcomings and is largely inconsistent with international human rights standards and principles. In this regard, the following are recommended:

- that an integrated and holistic social security arrangement be put in place;
- that social protection policy and legislation be harmonized;
- that ownership structures be built within the various schemes;
- that the long waiting period for payment of benefits be reviewed;
- that regulations that encourage safe working conditions and environment be adopted so as to reduce risks and need for compensation;
- that governance structures within management of the various schemes be improved.

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Appendix 1: Structure of the Pension Sector in Kenya

	National Social Security-Fund	Occupational Schemes	Individual Schemes	Civil Service
Schemes	1	1,328	12	1
Legal Structure	Act of Parliament - NSSF Act	Trust Deed - Legally Binding Document	Trust Deed	Act of Parliament - Public Pensions Act
Membership	All employees in private sector establishment with more than 5 persons	Employees of the specific company	Open to the Public, all employees Not restrictive, anyone can join whether employed or not.	Only employees of the Civil Sector
Membership % of total	69%	31%	Less than 1 %	28%
Membership % of labour force	5.6%	2.1%		2.3%
Assets	Shs 79 billion (January 2006)*	Shs 114 billion (June 2005, 941 schemes out of 1328)	Shs 800 million (December 2004, 8 schemes)	None
Funding	Funded Through Joint contributions by Employer and employee	Funded by either employer alone, employee alone or joint contributions of Employer and Employee	Funded by member contributions. In some cases jointly employers and employees	▪ Unfunded. ▪ Benefits provided by Government Budget Allocation
Regulation	Retirement Benefits Authority	Retirement Benefits Authority	Retirement Benefits Authority	Act of Parliament

Source: RBA and Staff

SOCIAL PROTECTION IN MALAWI

By

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Introduction and Background information

Social Protection is one of the four strategic objectives of the Decent Work Agenda. The International Labour Organisation (ILO), to which Malawi is a member organisation, actively promotes social protection policies and provides its member states with tools and assistance aimed at improving and expanding the coverage of social protection to all. Social Protection is a human right, an economic stabiliser, a tool for poverty reduction and wealth redistribution. As of July 2010, the government of Malawi had not ratified the ILO Convention 102 (Social security minimum standards). It is also the only country in the Southern African sub-region which does not have any national social protection system, although there have been some efforts to provide social protection to its citizens. This is manifested by the inclusion of social protection in the Malawi Growth and Development Strategy as the second theme. This study therefore aims at exploring some of the instruments and initiatives that the government has put in place as a way of providing social protection to its citizens. The study's specific objectives were:

- Examining and reviewing the available regulatory frameworks for social protection;
- Assessing the extent of coverage for the available social protection interventions;
- Establishing challenges being faced in the implementation of the available social protection interventions; and
- Suggesting possible interventions by trade unions and the government in providing social protection to the people of Malawi.

Methodology

The study targeted key officials in the Ministries of Labour, Finance, Legal practitioners; NGO's dealing with social security issues, senior trade union officials, pension fund administrators and pensioners.

The study gathered primary data through face to face interviews. Key informants interviewed included officials from the Ministry of Gender and Social Welfare, Ministry of Finance-Pension section, the Commissioner for Workers Compensation Commission, the Secretary General of MCTU and Civil Service Trade union amongst others. One focus group discussion for pensioners was also conducted. The lead researcher also attended a lobbying session for MP's organized by the MCTU and a public talk on social protection organized by Malawi Economic Justice Network (MEJN) in conjunction with Konrad Adenauer (KAS).

The study also used information from the existing literature and reviewed documents such as the Country's Constitution, Malawi Growth and Development Strategy document, Draft Social Support policy, Pension Bill 2010, Employment Act of 2000, Employment Act (amendment 2010), Workers Compensation Act of 2000, Budget statement documents and several other government reports and policy papers, journals and research papers, amongst others.

The study was highly qualitative and the data collected was analysed using both descriptive and quantitative methods.

In carrying out this research, the major limitations encountered included: poor response by some respondents and the unavailability of the required data.

Socio-economic situation of Malawi

Malawi is a small landlocked country in Sub- Saharan Africa sharing borders with Tanzania to the north, Mozambique to the east, south and southwest, and Zambia to the west. It covers a total surface area of 118 484 km^2 of which 20 % is covered by Lake Malawi. It has a population of about 13,077,160 of which 6,718,227 (51.4 %) are females (National Statistical Office, 2008). The country depends on ports of other countries, namely: Nacala and Beira in Mozambique, Dar es Salam in Tanzania, and Durban in South Africa to have transport access to the oceans.

Malawi is a Republic and practices a multi-party democracy. The government has three arms, namely: the Executive headed by the President, the Judiciary headed by the Chief Justice and the Legislature headed by the Speaker. These arms function independently. The President and Members of Parliament are elected directly through general elections which are held every 5 years. The current President is Professor Bingu wa Mutharika who was re-elected on May 19, 2009 on a Democratic

Progressive Party (DPP) ticket and is serving his final term of office. The constitution of the Republic of Malawi limits the President to serve for a maximum of two terms of 5 years each.

Malawi has a relatively small economy, which heavily depends on rain fed agriculture and limited industrial base. It has a Gross Domestic Product (GDP) of US$ 3.5 billion with an average per capita income of US$ 250 (World Bank, 2009). The agricultural sector provides livelihoods to 80% of the population, accounts for 90% of export earnings and constitutes about 35% of GDP. Other major sectors are the services (46%) and the Industry (19%). High economic growth rates averaging 7.5% have been registered in the past 3-4 years, compared to below 3% in previous years. In 2009, Malawi's economy was estimated to have grown by 7.7 %, being among the only 2 non-oil producing countries that grew more than 7%; the other being Ethiopia[54]. This has been influenced by improved macroeconomic management, favourable weather conditions and a supportive donor environment (Goliati, 2010 quoting World Bank, 2009). Since 2007, inflation has been in single digits and was 8.1 % in April 2010. Interest rates have declined from 40% in 2003/2004 to below 15% (Reserve Bank, July 2010).

Despite the registered economic growth, poverty levels in Malawi remain high. About 40 % of the population lives below the national poverty line (National Statistical Office, 2007). Income distribution is extremely unequal, with a Gini coefficient of 0.62. (Kwengwere, 2008). Malawi experiences a high level of unemployment due to insufficient number of jobs available in the formal economy. Hence, there has been a rapid growth in the size of the informal economy (Ministry of Labour et al, 2009). In 2009, the labour participation rate in Malawi was at 8 %, of which the majority (78%) was in non paid employment (subsistence farming).Women comprised 83% of subsistence farmers[55]. The table below shows percentage of employment distribution by industry and sex.

[54] 2010 African Economic Report, reported in the Daily Times of 1/4/10

[55] Welfare Monitoring Survey 2009,

Table 8 : Estimated percentage of employment distribution by Industry

Industr	2005			2007			2008		
	T ot al	**M**	**F**	**T** ot al	**M**	**F**	**T** ot al	**M**	**F**
Agriculture, Forestry and fishing	80	73	8 7	77	7 1	8 4	84	7 7	90
	3	4	1	2	2	1	1	2	0
Construction		5	1	3	4	1	1	2	0
Wholesale, retail, marketing/hotel	8	9	6	6	7	6	7	8	6
		8	3	6	9	4	2	5	1
Social an d community	1	2	0	6	9	4	2	5	1

Source: Study by Mwasikakata (2009)

Evolution of Social Security in Malawi

Social Security arrangements in Malawi for a long time were predominantly based on traditional solidarity and networks based on social relations. As such, extended family ties, friends, the community and neighbours were the main source of social support and security. Under this arrangement, friends or neighbours in a community provided some sort of security.

However, with the passage of time, it has become more evident that the traditional family and its functions have weakened due to various reasons including dependency on cash economy and migration[56]. The dependence on cash influences people to migrate from rural to urban areas in search of employment or from rural to rural in order to work in the estates. Other factors for the weakening of social ties include rapid population growth and the consequent land degradation, rising incidences of HIV and AIDS resulting in many orphans, modernization and economic crisis.

> *"People are poor and their own needs go first. They do not want to share anymore but keep everything for their own house. They do not work together in the field anymore or eat together'*, said one respondent during the focus group discussions.

[56] Emiliana Tembo; 'Survival Mechanisms of the Poor and Social Security: A Social Welfare Perspective', a paper presented on the Social security Systems in Southern Africa, September 1995. P.4

Tango (2004) observes that in Malawi, informal safety nets are breaking down and that the poor are increasingly dependent on formal safety nets provided by the government and NGO's. It is certainly true that formal social protection is increasing in Malawi.
The forms of social protection measures in Malawi pre-dates the country's independence during which it took various forms and came under different banners. However, in Independent Malawi (from 1964), Social Protection initiatives could be categorized in four broad bands as discussed below:

First Phase: 1964-1981

During the first phase, Social Protection took the form of price controls and subsidies. Prices of inputs and outputs were controlled by the government and not market forces. There were universal subsidy for both fertilizers and seed as the government was convinced that

subsidizing production is cheaper than consumption. Input credit facilities mainly through farmers' clubs were readily available for the smallholder farmers.

This period was characterized by very few formal safety net interventions beyond price control and subsidies. However, this period offered protection from exposure to effects of poverty and covariate shocks.

Second Phase: 1981-1990

The period between 1981 and 1990 saw a phasing out of universal subsidies as well as agricultural input/output price de-controls as they became financially unsustainable. This period witnessed the removal of price support and subsidies. As part of the implementation of the Structural Adjustment Programs (SAP) the government was compelled to dismantle the social protection system with no replacements. During this period, there was no effective protection of the poor and vulnerable except in serious emergencies where 'targeted' nutrition programs (food relief) to those in emergency situations were implemented.

Third Phase: 1990-1994

Between 1990 and 1994, interventions under the social dimension of adjustment were introduced. These included 'projectised safety net programs'. New programs, many of which were market oriented were introduced. For example, the Malawi Social Action Fund (MASAF) was established as a mechanism to support the community-based activities that would alleviate poverty. This shift corresponded to a change in government which brought a refined focus on poverty. The policy framework for the poverty alleviation program specifically provided for the work of an institutionalized social action fund and space for the civil society organizations to undertake safety net interventions in aid of the poverty alleviation program. Regrettably, the policy framework did not provide for an effective institutional framework for coordinating the poverty alleviating safety net activities.

Fourth Phase: 1990-2006

The 4th phase (1994-2006) witnessed the emergence of Micro, Small and Medium Enterprises' (MSME) credit schemes, public works programs, cash for work, input transfers (starter pack then targeted input programs), food transfers, school feeding, integrated livelihoods support, cash transfers (pilot) amongst others dominating the social protection mode. These programmes have been dominated by the government and donor initiatives. There has also been a gradual increase from the NGO's offering social security interventions. Most of these interventions have been in the character of safety nets and hence are partial and selective protection.

It is worth mentioning that since the late 1990's; government and developing partners - mainly the World Bank, DFID and EU - have recognized that the safety net interventions have had little impact on poverty[57]. This assertion was also echoed by Smith and Subbarrao (2003), who recorded 15 distinct donor funded social protection programs in Malawi and noted 'that the interventions are generally uncoordinated, poorly targeted and projectised rather that institutionalised'. Thus, despite several social protection programs being implemented in Malawi, in recent years, there is evidence that vulnerability is rising.

With a background of uncoordinated and ad hoc implementation of social security interventions by various players, the government and other stakeholders agreed on the need to shift from safety nets to social protection, hence the inclusion of Social Protection and Disaster Risk Reduction as the second theme in the Malawi Growth and Development Strategy (MGDS)[58]. This has led to the formulation of a Social Protection Policy (referred to

as a Social Support Policy). Though still in a draft form (by June 2010), it provides a holistic framework for designing, implementing, coordinating, monitoring and evaluating social protection interventions.

Legal and Regulatory Framework for Social Protection

Malawi has no clear and comprehensive piece of legislation that guides the provision of social protection to its citizens. However, the labour legislations do have some provisions that have an element of social protection. This section will attempt to highlight some

[5] World Bank 1999; A Safety Net Strategy for the Poorest Africa region.

[58] Malawi Growth Development Strategy (MGDS) is the government's main policy document which is the country's overarching framework for development for the period between 2006-2011. The MGDS provides that its long term goal for Social Protection is 'to improve the life of the most vulnerable.'

sections in the Employment Act and Workers Compensation Act which provide some mandatory frameworks to protect the worker in case of eventualities. The section also discusses the draft Social Support Policy and Proposed Pension Bill of 2010.

The Employment Act number 6 of 2000

The Employment Act of 2000 is generally aimed at guiding the employment relationship between employees and their employers. This Act establishes, reinforces and regulates minimum standards of employment. Amongst others, it provides the minimum level of benefits and conditions which the employer must provide to the employee. For instance, the Act provides for paid sick leave during sickness (Section 46), paid maternity leave every 3 years to women for up to 8 weeks (Section 47), and severance pay upon termination of employment by mutual agreement with the employer or unilaterally by the employer (Section 35). The Act also protects workers through provision of a minimum wage (currently at MK129.00 (U$ 0.84) per day).

The Employment (amendment bill) of 2010 was passed by parliament in June 2010 to amend some provisions in the Employment Act of 2000. The amendment has reduced the "take home" benefits of workers upon termination of service through its change in the formulae for calculating the severance pay as well as circumstances under which it is payable. Trade Unions are contesting the bill and have since written to the President to nullify it until their concerns have been addressed.

Trade Unions were also not amused to note that the amendment bill was passed on its own though the agreement during the tripartite consultative meetings was that the amended bill would be presented and debated alongside the Pension Bill 2010 and both would be passed together since the two are complementary.

> *'Perhaps stakeholders need to know that MCTU is against the Employment (amendment) bill for a number of reasons namely; the replaced first schedule which is used in calculating benefits is offering lesser benefits than the ones people used to get....the bill has violated the agreement signed between the workers and Employers that the two bills will have to be passed and implemented at the same time....the passed bill talks of a Pension Bill which does not exist hence the law is as invalid as before enactment..'* pointed out by the Secretary General of MCTU.

In the absence of a mandatory pension scheme, severance allowance has been the only terminal benefit paid by employers who do not provide pension benefit for their workers. Thus, with the amendment to the Employment Act, workers may leave the workplace

without any terminal benefit since the bill which seeks to make the provision of pension mandatory is yet to be passed by parliament.

The Workers Compensation Act number 7 of '2000

The Workers Compensation Act provides for compensation of all injuries suffered or diseases contracted by workers in the course of their employment or death resulting from injury or disease. Work injury benefits are an employer (single) liability paid directly to the victim through the Workers Compensation Commissioner. Like the Employment Act, the Workers' Compensation Act mainly covers formal sector workers, leaving out the majority who are in the informal sector and the self employed.

It is worth noting that in the absence of a comprehensive legislation regulating the provision of social protection benefits in the country, Malawi does not have any state sponsored national social security scheme. The above notwithstanding, some private companies do manage social security schemes and these are regulated by the Reserve Bank of Malawi as discussed below.

The Banking Act of 1989

The Banking Act of 1989 has been the main legal tool being used by the Reserve Bank of Malawi in regulating financial institutions that manage social security funds in the country. Section 10 of the Act empowers the Minister of Finance upon recommendation from the Reserve Bank to revoke the licence if the licensee supplied false information or fails to comply with any conditions of the licence as well as any provisions of the Act.

Section 14 mandates the Reserve Bank to supervise the banks and financial institutions with the aim of protecting the interests of present and potential depositors and creditors with regard to solvency, liquidity and profitability of financial institutions. Section 18 of the Act requires every bank and financial institution to periodically submit to the Reserve Bank statements of assets and liabilities, returns including such information as the Reserve Bank may from time to time determine. The Act also empowers the Reserve Bank to periodically or at its discretion examine the business of any financial institution in order to determine whether it is in sound financial condition and complies with the requirements of the Act.

The Government of Malawi in recent years has started focusing more on social protection such that it is the second theme of the MGDS which states that *"The long term goal of the MGDS within the sphere of Social Protection is to improve the life of the most vulnerable, while the medium- term expected outcome is to increase assets of the poor to enable them to meaningfully engage in sustainable growth and contribute to poverty reduction"*. As a result, the government has started the formulation of the Social Support Policy and the Pension Bill 2010 which are discussed below.

Social Support Policy

Originating from the MGDS, a draft National Social Support Policy is being finalized as a medium term policy to reduce poverty and vulnerability. The policy has been developed as a prelude to program development and provides a holistic framework for designing, implementing, coordinating, monitoring and evaluating social support interventions. The policy has four themes, namely: welfare support, protection of assets, promotion through productivity enhancement and policy linkages and mainstreaming. This policy also has linkages to the Malawi Constitution, the Vision 2020[59], the MGDS and other sectoral policies and relevant international conventions. It is envisaged that the implementation of a comprehensive social protection policy, integrated with other pro-poor development policies would also contribute significantly to Malawi's economic growth as lessons learnt

from other countries confirm that social protection, far from being a drain on resources, is a driver of economic growth.

The Pension Bill of 2010

The bill seeks to introduce new legislation to provide for mandatory pension in Malawi. This bill was championed by the government with limited input from the tripartite social partners (employers and trade unions) through consultative meetings. Under this legislation, every employer in Malawi other than those specifically exempted[60] by the Minister in certain circumstances will be obliged to make provision for pension for its employees.

The objectives of this bill are to:

i. ensure that every employer to which this Act applies provides pension for all employees;

ii. ensure that every employee in Malawi receives retirement and supplementary benefits as and when due;

iii. promote the safety, soundness and prudent management of pension funds that provide retirement and death benefits to members and beneficiaries; and

[59] Vision 2020 is the government's long term development perspective for Malawi, ft was launched in 2000 and envisages Malawi to be a technologically driven middle economy country by 2020.

[60] Those to be exempted in the bill include those who have worked for less than a year, those below a certain salary threshold which is at MK 10,000.00 at the moment.

iv. foster agglomeration of national savings in support of economic growth and development of the country.

The bill introduces a contributory National Pension Scheme for the purpose of ensuring that every employee in Malawi receives pension and supplementary benefits on retirement. The bill provides for mandatory pension contributions and requires of employers to register their employees with the pension fund.

Under the bill, the National Pension Scheme shall comprise a national pension fund to be established by the Minister or Order published in the Gazette and other pension funds licensed under this Act. The National Pension Fund Administrator shall be established which shall act as the Principal administrator for the National Pension Scheme and set up and manage the national pension fund. There shall also be a Board of Trustees which shall be responsible for the administrative and management policy of the Pension Administrator.

A person shall not operate a pension scheme unless the scheme is registered as a pension fund and the trustee of the fund is licensed. A person shall not operate an umbrella fund unless the fund is registered and the operator is licensed. Those who contravene this are liable to a fine of MK10, 000, 000 (U$ 65, 789.5) and four years imprisonment.

Subject to this Act, benefits in respect of a member of a pension fund shall be payable out of the fund only if, on application, the trustee is satisfied that:

i. the member has reached retirement age;

ii. the member has retired on the advice of a qualified medical practitioner registered with the Medical Council of Malawi or a legally constituted medical board certifying that the employee is totally and permanently disabled from carrying out the functions of his office; or

iii. the member is about to leave or has left Malawi permanently or has died.

Early payment of benefits can only be made if the member has not secured another employment for a period of more than 12 months. Eligible applicants for early payments of benefits receive only their part of the contributions paid by them, excluding the employer's contribution and any investment income on these contributions.

By July 31, 2010, the Pension Bill had not yet been passed into law. When presented in parliament, it was observed that there were a lot of gray areas[61] which needed further scrutiny; hence, the bill was withdrawn and referred back to the Finance and Budget Committee of Parliament to make some clarifications to the observations made by parliamentarians.

Coverage of Social Protection Systems

By July 31 2010, Malawi had only one social security scheme, which was limited to civil servants. Apart from that, there is no national state system of assistance that could be granted to non-civil servants in need when their source of income is interrupted or ceased due to sickness, unemployment or retirement. There is no universal national state machinery to provide for the destitute and those in need; hence, the majority of people are left to fend for themselves. In this section, an attempt has been made to discuss some of the targeted social protection programmes implemented by the state to promote the livelihoods of very disadvantaged people.

Before discussing these social interventions targeted at vulnerable Malawians, it is worth pointing out that government employees (Civil servants) benefit from the Public Pension Scheme (GPPS) which is non-contributory. The GPPS provides a retirement package in a form of a regular income on a monthly basis upon retirement. By July 2010, there were at least 28,000 pensioners on this scheme. Section 4 discusses the GPPS in detail.

Means Tested Schemes

Due to its limited economic capacity to implement national social security programs, the government has from the recent past implemented a number of 'means tested programs to benefit those who are very poor. Most of these programs which target the poor, the unemployed and the rural masses have been supported by donors.

Malawi Free Inputs Program (MFIP)

In order to compensate for the effects of higher prices of inputs following the removal of subsidies and liberalization of markets and production, the Malawian Government introduced the MFIP in 1998/99 to provide 'free fertilizer and improved seed' to small holder farmers who could not afford to buy them. The main objective of MFIP, also referred to as the Starter Pack Initiative Scheme (SPIS), was to increase household food security among the rural smallholder farmers in Malawi. The other objectives were to promote crop diversification, improve soil fertility and enhance the adoption of improved technologies in maize production while stabilizing incomes for small holder farmers. The SPIS's objectives were to be achieved by

The Bill makes constant reference to the Financial Sendees Bill of 2010 which was not yet tabled in parliament by the time the Pension Bill was being debated. . The bill also provides for one to access his pension benefits after reaching 55 years while the life expectancy in Malawi is at 40 years, demands employers and employees to contribute equally towards the pension, and the general observation was that the 'bill seeks to reduce workers benefits and favoured employers and pension administrators'.

issuing each beneficiary household with a starter pack. Levy and Barahona (2003) report that, these starter packs each contained 0.1 ha worth of fertilizer, maize seeds and legume seeds. In essence, 5kg of basal fertilizer, 5Kg of top dressing fertilizer, 2Kg of maize seeds and lKg of legume seeds were provided.

Between 1998 and 2000, the starter pack campaigns covered almost all the small holder households and provided them with a total of 2.86 million packs. Due to high operational costs, the SPIS was scaled down, renamed the Targeted Inputs Program (TIP) which distributed free agricultural inputs to 1.5 million

targeted households in 2000/01. In order to further minimize the administrative and operational costs, the TIP was further scaled down to target about 1 million households in the 2001/ 02 agriculture season. In the TIP, the targeted households were those that looked after orphans, the elderly, the disabled, widows and other vulnerable members of society.

According to an evaluation by Levy and Barahona undertaken in 2002, not all who qualified and were registered by the Targeted Inputs Program Logistics Unit (TIPLU) received the starter packs as expected as shown in Table 2.

Table 2: Comparison of numbers registered by TIPLU and TIP recipients

Region	Received TIP (No. of households)	On TIPLU Register (No. of households)	Recipient as a % of registered
Northern Region	1088	1181	92
Central Region	1237	1619	76
Southern Region	2523	3163	80
	4848	5963	81

Source: Levy and Barahona, 2001-02 TIP Evaluation

While receipt of a voucher always granted receipt of a pack, not all who were registered received the voucher. Table 2 above shows that 81 % received the TIP of the total number of households on the TIPLU register, leaving out 19% of the registered poor. Despite some technical and logistical challenges, the MFIP still managed to positively contribute to food production in the country as indicated in the Table 3.

Table 3: MFIP Contribution to Food (Maize) in the

Year	Mean household	Mean National	% Total	% National^
1999/00	50	140,260	6	6
2000/01	105	302,562	13	13
2001/02	140	210,000	9	9
2002/03				
2003/04	163	163,000	7	7

Source: Starter Pack and Targeted Inputs

Farm Input Subsidy Program (FISP)

The Farm Inputs Subsidy Program (FISP) is being implemented by Government of Malawi. Introduced during the 2005/06 growing season, the FISP aims at increasing food security at household and national levels. Specifically, the program aims at increasing the smallholder farmer's access to improved farm inputs and adoption of improved technologies in maize production systems. Natural disasters, high input prices due to high transportation costs, high levels of poverty and low output prices among other factors often times limit the smallholder farmer's capacity to access inputs for increased production. Before the introduction of FISP in 2005/06, this situation often led to persistent and severe food insecurity in the country.

FISP is a coupon based scheme. Eligible smallholder farmers receive two coupons, one for 50kg basal dressing and another for top dressing, entitling the holder to purchase the fertilizer at MK500.00 (U$ 3.3) per bag in the 2009/10 growing season. The FISP is aimed at raising the small farm agricultural production by the timely use of improved farm inputs and associated cultivation practices. In this way, vulnerability arising from seasonal subsistence food gaps at the household level is reduced, overall grain and tobacco production rises and cash income rises for those farmers who are able to produce a marketed surplus.

It is worth noting that any social cash transfer that requires a minimum payment by its recipient, just as the FISP, does not reach the most vulnerable groups in society who would be unable to pay even the subsidized price. Cases are rife where targeted beneficiaries sell their coupons in order to raise money for buying food for the day. However, an indirect beneficial effect occurs due to lower market prices following higher harvests, benefitting food deficit households while moderating the income gains or surplus farmers. Moreover, higher cash circulation in rural areas is expected to have multiplier effects in the local economy.

It is also important though to note that FISP was not formulated by the government as a safety net, but rather, as a boost to agricultural productivity requiring land, labour and the ability to purchase inputs at the subsidized price in order to qualify for the coupons.

The FISP overall cost has not been static since its inception. The general observation is that the overall costs have been increasing. . Chirwa (2009) reported that the overall cost of the program was MK5.1 billion in 2005/6 (U$ 1=MK 152.00). It rose to the highest levels of around MK40 billion in 2008/ 9 and dropped to around MK25 billion in 2009/10. These increases have been due to increasing subsidy volumes as a result of increase in demand for inputs and the increasing prices of fertilizers at the world market. Table 4 summarises the number of beneficiaries and cost targeted annually for the program.

Table 4: Targeted Program Beneficiaries and Cost

M »]	eneficiaries(FF)	Planned Cost(MK)	Cost Achieved(MK)	% Overl Planned Budget
	1.5 million	5.1 billion	7.2 billion	41.2
	1.5 million	7.5 billion	12.729 billion	69.7
2	1.5 million	11.5 billion	16.346 billion	42.1
2	1.7 million	19.48 billion	39.848 billion	104.6
2	1.6 million	25 billion		

Source: Chirwa (2009), Farm Inputs Evaluations

The economic rationale for both starter packs and subsidies is that subsidizing food production in Malawi is up to five times more cost-effective than subsidizing food consumption through food aid. This is demonstratively true as it is the substantial contribution that starter packs made to the national maize harvest (see Table 3). Conversely, one of the most damaging consequences of scaling down the starter pack, from the universal distribution to the targeted inputs program was a raise in market dependence for food and a tenfold increase in maize prices[62].

The case against subsidized or free fertilizer and seeds is that they distort the markets, undermines the private sector, and is fiscally not sustainable. They are also retrogressive and Teak' to wealthier farmers, estates and neighbouring countries;

[62] IDS Discussion paper 387, p 88.

they are subject to targeting errors (inclusion and exclusion), politicization and 'elite capture'; and that a 'projectisised' approach to inputs delivery is not an institutionalised solution.

Public Works Programs (PWPs)

Public Works Programmes (PWPs) refers to activities which entail the payment of a wage in return for the provision of labour in order to; *i) enhance employment and ii) produce an asset,* with the overall objective of promoting social protection. In Malawi, PWPs goes back to at least 1995, when the Malawi Social Action Fund (MASAF) was created. Public works are popular with policy makers because they offer the potential of

simultaneously creating useful assets and transferring food or income to the poor because of the work requirements.

In Malawi, a wide range of public works programs; food for work, cash for work and inputs for work have been implemented by the government, donors and NGO's since the 1990's with the objective of providing an *'employment based safety net'* for the households facing chronic or transitory food shortage. In terms of social protection objectives, well-timed public works employment can smooth incomes and consumption in contexts where seasonal under-employment is a severe constraint on livelihoods. According to Kambewa (2005), recent public works activities in Malawi include:

- Food-for-work: following the food crises of 2001/03, the Joint Emergency Food Assistance Program II (JEFAP II) and the Consortium for Southern Africa Food Security Emergency Program (C-SAFE) implemented road rehabilitation projects, cassava planting for hunger mitigation, reforestation, fish pond construction and manure production with support from the WFP and USAID's Food for Peace Program.
- Cash-for-Work: under EU funded Public Works Program, the Government of Malawi implements a labour intensive food security projects, construction and rehabilitation of rural feeder roads and transport infrastructure, and planting of community woodlots. Under MASAF Public Works Program, various cash for work projects were implemented through Local Authority Managed Projects (LAMPS). Most activities were in road rehabilitation (80%) followed by forestations, flood control and agriculture. In 2003/4, almost 95,000 workers (equal numbers of men and women) were employed on MASAF cash for work project.
- Inputs-for-work: small scale activities had been initiated in Malawi in which workers received a 50Kg of Urea and 10Kg of maize seeds after working for 20 days.

During the 2009/10 the Government of Malawi, just as in the preceding year, also implemented cash-for-work in which people in rural areas were being paid MK 200.00 a day and were allowed to work for 5 days only so that they would be able to buy 2 bags of fertilizer which was selling at MK 500.00 each to those with a coupon.

Public works often have a gender equity objective. The MASAF PWP's operated in food deficit rural areas of Malawi, and targeted women and female headed households 'since female-headed households make up a disproportionate share of the poorest' (MASAF 1996:16). On its food for work projects, WFP purposely selects projects that either attract a large proportion of women workers or create assets that benefit women directly, such as woodlots and water points that reduce women's work loads and water collection time (Cammack, 1996). Critics have questioned the implications for women's work loads of requiring them to undertake heavy manual labour, and noted that this also excludes several highly vulnerable groups-orphans, the elderly, and PLWHA.

Again, there is little cross-country evidence that PWP's can produce high quality, useful, pro-poor and durable assets that contribute to sustainable poverty reduction. Few evaluations have attempted to quantify the economic returns to assets created by public works, but McCord (2005) maintains that the value of public works assets intended to promote economic growth in Malawi is less apparent than the value of assets created in response to specific environmental threats and also finds that in the Malawian context of chronic poverty and seasonal underemployment, public works programs are a serious mismatch between problem and policy response.

In comparing the cost-effectiveness of various social protection interventions in Malawi, Smith (2001) calculates a unit cost of MK13.9 to transfer MK1.00 to the poorest through MASAF public works projects and this was significantly more than the MK1.73 required to transfer MK1.00 in the form of cash transfers. SALDRU (2005) makes a similar point, emphasizing the high cost of transferring income through public works (40-70%) relative to cash grants (10-40%), arguing that public works may be highly inefficient unless the assets created have a high socio-economic value. He concludes that 'there is no evidence base (in Southern Africa) which endorses public works as an effective social protection instrument'.

Challenges faced by PWP's

PWPs has a number of well-known flaws that are not unique to the Malawi experience , which mean that they are becoming less popular as a means of delivering social protection to the poor and vulnerable populations. These include:

i) By definition, their recipients must be capable of hard physical work, which means that they are unable to target the most significant vulnerable groups such as the aged, the ill, the disabled, or women looking after orphans and vulnerable children.

ii) There is a risk that their occurrence in the hungry season, which is also the cultivation season for the previous year's crop, diverts labour away from the best cultivation practices.

Hi) PWP's are costly to set up and execute since skilled personnel are needed to design and manage them if they are going to produce useful infrastructure.

iv) For vulnerable people facing inadequate access to food for a few months in the hungry season, timing is crucial; yet PWP's are prone to logistical delays and sometimes miss their critical months[63].

Nevertheless, PWP's in Malawi have delivered food, income and agricultural inputs as well as employment opportunities to underemployed households. Apart from transferring resources to the poor, public works projects also build or maintain assets such as physical infrastructure. On paper, the achievements of public works in Malawi look impressive; hundreds of thousands of people have been employed, and numerous assets have been created (roads, water points, woodlots, school buildings). Concerns about PWPs relate to:

i) whether the assets created have economic value and are sustainable;

ii) what level of payment is fair and poverty reducing, while at the same time self targeting the poor;

hi) whether workers should be paid with cash wages, food rations or agricultural inputs; and

iv) evidence suggesting that public works are not a cost effective measure compared with other social protection instruments such as unconditional cash transfers (Devereux et al, 2006).

Social Cash Transfer Scheme (CTS)

With technical and financial support from UNICEF and the Global Fund, the Government of Malawi is implementing a Social Cash Transfer Scheme in selected districts of the country on a pilot basis. The program was first implemented in one district (Mchinji) and has been scaled up to seven districts, still ran on a pilot basis as has been the case since its inception in 2005 and it is one of the several social support instruments recognised in the draft Social Support Policy document. The CTS targets the 'ultra-poor, incapacitated and labour constrained,'[64] who according to the 2007 Welfare Monitoring Survey, constitutes 10 % of the total people living in poverty in Malawi. By March 2009, a total of 24,051 households had benefitted from this scheme.

> *"Soon after the transfers started in my area, the lives of beneficiaries have changed. Those who used to sleep on empty stomachs are now able to go to bed after a meal."* said a local leader in Mchinji.

REBA Case studies brief number 11, Nov 2007, p 6.

Labour constrained defined as; when there is no able -bodied Head of Household member in the group of 19-64 who is fit for work, has to take care of more than 3 dependants who are under 19 or over 64 or unfit for work because s/he is chronically ill or handicapped.

As indicated in the Social Support Policy document, 250,000 households nationally would require support under the program. This translates into about 1,030,000 individuals.

According to the Malawi Social Protection status Report of 2007, between 2003 and 2006, in terms of outreach, the most extensive programs have been subsidized/free food distribution, subsidized/free agricultural inputs and public works whereas cash for work projects were the commonest, in terms of number and amount of money spent. However, in terms of number of beneficiaries, the most prominent projects were targeted input transfers and subsidies as indicated in the Table 5.

Table 5: Project types 2003-2006

ct type	o P e	f_ roj :ts	of beneficiaries	cts covered	Cost (U$ mill)	1 months	06 (months)	06 cosl (U$

tor work	8	863,328	All	212.5	168	137	202.2
Food transfer	2	199,550	21	128.0	84	51	125.8
Inputs subsidy	1	2,000,000	All	60.0	12	12	60.0
Inputs transfers	2	3,701,350	All	49.5	84	51	49.0
Inputs for work	3	238,857	10	27.4	48	48	27.4
School feeding	3	610,000	14	31.0	78	66	25.0
Sup. feeding	2	64,208	All	11.1	72	60	8.9
Food for work	3	92,293	26	10.1	132	66	8.2
Relief transfers	1	1,225	2	0.9	12	12	0.9
Food and cash	1	5,050	3	0.6	12	12	0.6
Cash t	2	7,065	2	0.5	9	9	0.5

Source: Malawi Social Protection Status Report,

Informal arrangement of Social security

The 2007 Welfare Monitoring Survey indicates that only 10% of the Malawian labour force is in formal employment. As such, 90% is engaged in the informal economy which is largely characterized by the working poor. As a means of social protection, often times, people form groups (between 4 to 10 members), pool their resources together, mainly through periodic contributions and give total contributions of a particular time to a member on a rotational basis.

This arrangement is very popular amongst women and small-scale business owners. This arrangement is not formalised and does not have structures to manage their operations; hence, accurate data on coverage is not available.

Financing for Social Security

It is worth stressing that Malawi does not have a national pension Scheme. The existing few, which are operated by the private firms, are contributory, where both the employer and employee contribute to the scheme. Being contributory, these schemes' coverage is limited to those in formal employment though people in formal employment constitute a minute segment of the population.

The unavailability of a comprehensive social security system in Malawi has made the pension scheme to be regarded as the main source of security to those in formal employment upon retirement.

The Public Pension Scheme (GPPS)

The Malawi Government has a non-contributory system that provides a retirement package in a form of a regular income on a monthly basis upon retirement for civil servants, (government employees). The government contributes 100% towards the scheme and it operates a Pay-As-You-Go (PAYG) pension scheme like most countries in the SADC region.

The PAYG operates under the principle of solidarity where the young and active in the economy sustain the retired. Because it is not contributory, the PAYG pension scheme means that benefits paid at any given year comes out of government revenues (mainly taxes collected in that year). In other words, no funds are set aside in advance to meet future obligations of the benefits of retired officers. However, this is included as part of statutory expenditure in each year's national budget under Vote 30 which caters for pensions and gratuities, separation benefits, ex-gratia payments and death gratuities. Table 6 shows budget performance for 2008/9 and estimates for 2009/10 for Vote 30.

Table 6: Budget Performance 2008/9 and Estimates for 2009/10.

Description	2008-2009 Approved Budget	2008-2009 Revised Budget	2009-2010 Estimates ('000)
	6, 450, 000	5, 450, 000	7,400,000
Other Recurrent Transactions	6, 450, 000	5,450, 000	7, 400,000

Source: Malawi Government; Approved Estimates of Expenditure on Recurrent and Capital Budget for the Financial Year 2009/10. Budget Document No. 5. The 2009/10 budget estimate was MK 7,400 million, an increase of 36% from the 2008/9 revised budget and was a result of the expected pension reform.

Since the money is sourced directly from government income (mainly through tax), it also follows that the authorities face problems in years where collection of government revenue is low or in the event that the cost of pension rises drastically, possibly after massive pay hikes, as was the case in October 2004[65].

However, the Pension Bill 2010 proposes that even the government pension scheme be contributory, such that after a grace period of 2 years from the date it would be passed into an Act of Parliament, civil servants would be expected to contribute 7.5% of their salary to the scheme with the government contributing the same percentage.

The Private Sector Pension Scheme

[65] In 2004, salaries for civil servants were consolidated i.e. basic/core and housing allowance into one clean wage bill, from which retirement package is calculated.

Few companies and organisations that currently provide pension benefits to their employees do it through Insurance Companies. In Malawi, the major companies that are involved in pension administration include: Old Mutual, Nico Life Insurance and Inde Trust Limited.

These companies provide retirement benefits mostly under the 'Defined Contribution' Pension arrangement scheme, which operates on a 'Deposit Administration Contract Basis'. The benefits under these schemes are usually provided on retirement to the employee or on the death of the employee to their dependants.

The Defined Contribution Arrangement

Under this arrangement, employees who are under the normal retirement age of 60 are eligible for the scheme. Usually, the rules governing the fund are made by employers in consultation with employees, clearly stating the conditions under which the funds can be accessed.

All private insurance providers recommend that employees make contributions of 5.0 % of their salary bill to enhance the amount payable on withdrawal, death or retirement which currently is tax free. However, this varies from one employer to the other, mainly being aligned with the conditions of service. At Teachers Union of Malawi, for example, employees contribute 4 % while the employer contributes 11 % to the pension scheme.

With the pending Pension Bill 2010, if passed without amendments, the employee is expected to contribute a minimum of 7.5 % of his/her salary bill.

The employer makes a total contribution rate of between 10-25 % (and more) of the salary bill to cover benefits on the fund either for gratuity funding, or pension and severance allowance. Just like the employee, the Pension Bill 2010 is expects the employer to contribute a minimum of 7.5% to the pension scheme.

Under the defined contribution arrangement, each member has two accounts: member's account and employer's account. The member's account comprises an individual's contribution and interest/bonuses declared by the company. The contributions plus interest/ bonuses accumulate up to the time of withdrawal, retirement or death.

On the other hand, the employer's contributions (less administrative fee) for each member are credited to the employer's account, together with interest / bonuses which also accumulate up to the time of withdrawal, retirement or death.

Payment for these schemes to the Pension Administrators varies from one organisation to the other, with some paying monthly while others opting for quarterly or yearly. However, insurance companies demand that payments be made on a monthly basis and is usually through the check-off system. For the few who deal with the insurance companies directly, their premiums are mostly paid through bank stop orders.

Group Life Assurance Cover

In addition to the Pension Scheme, Insurance companies also provide a Group Life Assurance Cover. Under this scheme, a death benefit is paid upon the death of a member. Unlike the pension in which both the employer and employee contribute to the scheme, it is only the employer who contributes to the Group Life Assurance Cover. The employer pays an 'opted' multiple; for example, four times the annual salary, upon the death of the employee.

Investment for the Pension Funds

Insurance Companies that administer pension schemes do invest pension funds. Returns from these investments are used to pay bonuses and interests to their clients. By December 2008, Nico Life Insurance Company, a leading pension fund administrator in the country had over 140 schemes and was managing a total 'Pension Fund Assets' in excess of MK22.9 billion (U$1=MK 152.00). Table 7 shows how Nico had credited Deposit Administration Schemes under its management from 2001-2008.

Table 9 : Bonuses paid by NICO between 2001 and

1 Year ending 31st December			
31 December 2001	22.5	15.0	37.5
31 December 2002	20.0	12.5	32.5
31 December 2003	17.5	10.0	27.5
31 December 2004	17.5	10.0	27.5
31 December 2005	15.0	12.5	27.5
31 December 2006	15.0	12.5	27.5
31 December 2007	25.0	15.0	40.0
	10.0	15.0	25.0

Source: Nico Life Assurance, 2010

Benefits of the Social Protection

Malawi and ILO Convention 102 (Social Security Minimum Standards Convention)

The Social Security (minimum standards) Convention 102 of 1952 is the flagship of all ILO Social Security Conventions. It is the only international instrument based on basic social security principles that establish worldwide agreed minimum standards. This convention is considered a tool for the extension of social security coverage as it is flexible in its application and also calls for the participation of employers and workers in the administration of social security schemes.

The contingencies covered in this convention include all the nine branches of social security which are: medical care, sickness benefit, unemployment benefit, old-age benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit and survivors benefit. Despite not having ratified Convention 102, Malawi does provide most of the listed contingencies covered in the convention as discussed below;

Medical Care

In Malawi, the provision of basic medical care is free and unconditional for everybody, regardless of employment status. All government hospitals are accessed free of charge and benefits covered include: preventive care, specialist care in hospitals, pharmaceutical supplies as prescribed and hospitalization where necessary. Prenatal, confinement and post natal care by medical practitioners and midwives is also provided where necessary. Medical care is provided to those in need for as long as they need it. There is no prescribed duration for one to be benefiting from the government health service.

In the 2010/11 National Budget, the government had allocated a total of MK 45 billion to the Ministry of Health, of which MK23.8 billion is for health services. However, in the provision of this free medical care, challenges being encountered include: shortage and continued pilferage of drugs and other essential medical supplies, critical shortage of health workers, poor access to health care as a result of geographical factors and inadequate resources to meet the ever increasing demand for referral cases abroad.

Sickness

Through its provisions in the Employment Act number 6 of 2000, workers are covered during sickness. Thus the Act, Section 46(1) provides for at least 4 weeks sick leave on full pay and 8 weeks sick leave on half pay during each year. The Act clearly states that one only qualifies for this benefit after completing 12 months continuous service. It is worth noting that this is just a minimum requirement hence there are modifications in its implementation from one organisation to another.

For instance, civil servants are entitled to up to 6 months sick leave with pay and up to a further 6 months sick leave with half pay in any one year for absence due to illness, injury or dental treatment not occasioned by the civil servants' impropriety of conduct or neglect (Malawi Public Service Regulation; 1: 530).

Employment injury

The contingencies which include a morbid condition, incapacity for work, invalidity or a loss of faculty due to an industrial accident or a prescribed occupational disease are covered under the Workers Compensation Act number 7 of 2000. By its nature, this only covers those employed in the formal sector, leaving out casual workers, domestic workers and those in the informal sector.

The Act provides for compensation of all injuries suffered or disease contracted by workers in the course of their employment or for death resulting from such injury or disease. The scheme is based on an 'individual employer liability' in which the employer pays directly to the victim through the Workers Compensation Commissioner who is under the Ministry of Labour. Most organisations have of late transferred the risk by purchasing a Workers Compensation Insurance Policy from Insurance Companies on payment of monthly premiums. Regrettably, civil servants are not yet insured. The benefits under this scheme are payable under the following circumstances:

i) *Temporary disability benefits: A* percentage of the insured's earning in relation to the degree of the injury after certification by the medical doctor, and according to the schedule of the law is paid.

The Act provides that the benefit be paid after a three day waiting period until full recovery or certification of permanent disability.

ii) Permanent disability (invalidity) benefits: If totally disabled, a lump sum equal to 54 months of the insured earnings is paid. The minimum benefit is 54 times the insured's monthly earnings.

Hi) Partial disability: A percentage of the full benefit according to the assessed degree of disability in accordance the law.

iv) Medical benefits: The employer pays the cost of reasonable medical expenses for medical, surgical, dental, and hospital treatment, skilled nursing services, medicines, prostheses, mechanical aids and transportation.

Table 8 shows cases reported to the Workers Compensation Commissioner for the period January - December 2009.

Table 8: Reported Cases to the Workers Compensation Commissioner (Jan-Dec

					Settl ed	Priva	Pubi ic
	128	110	18	1	36	36	-
February	212	180	32	8	264	148	116
March	367	306	61	20	44	39	5
April	167	161	6	4	46	44	2
May	130	126	4	4	57	27	30
June	177	167	10	1	123	54	69
July	245	200	45	3	217	84	133
	346	297	49	2	134	105	29
September	161	148	13	4	132	37	95
October	147	116	31	3	50	37	13
November	345	309	36		136	84	52
December	138	126	12	6	35	35	
Total	**2433**	**2246**	**317**	**56**	**1036**	**730**	**544**

Source: Workers Compensation Commissioner- May

By April 2010, there were 13,419 unsettled workers compensation cases. The delay has been attributed to the low capacity of the Department of Workers Compensation which is partly due to inadequate funding to enable it carry out its duties.

Survivors benefits

A lump sum equal to 42 months of the deceased's monthly earnings, minus any disability benefit paid before the date of death is usually paid out. Eligible dependants are members of the insured's family; however, a reduced benefit is paid if the survivor was only partially dependent. It is also important to note that some organisations buy funeral cover for their employees so that the insurance company pays death benefits in case an employee dies in service. Under this arrangement, the employer contributes for each member in line with the choice of the multiple to be paid upon the death of the employee as shown in Table 9.

Table 10: An example of Premiums for a Death Cover Benefit

Death Cover Benefit	
1 times annual salary cover	2.10% of salary bill
2 times annual salary cover	4.20% of salary bill
3 times annual salary cover	6.30% of salary bill
4 times annual salary cover	8.40% of salary bill

Source: Old Mutual Malawi Proposal to Teachers Union of Malawi (June 2010).

Maternity benefit

Maternity benefits are also provided for in the Employment Act. Section 47 (1) clearly states that a female employee shall be entitled, within every 3 years, to at least 8 weeks maternity leave on full pay. During this period, when an employee is on maternity leave, her normal benefits and entitlements, including her contractual rights and accumulation of seniority, shall continue uninterrupted and her period of employment shall not be considered to have been interrupted, reduced or broken.

Female civil servants enjoy 90 consecutive days paid maternity leave (MPSR, 1:541). The Act stipulates that no maternity leave shall be granted unless 3 years have elapsed.

Unemployment, Old age and Family benefits

Currently, there is no national program that provides social protection coverage to either the unemployed, the elderly or provides family benefits to support disadvantaged families with adequate food, clothing and housing.

Nevertheless, with the assistance of UNICEF and the Global Fund, the Government of Malawi is carrying out a Cash Transfer Scheme (CTS) as a means of providing social security to the elderly and the unemployed in selected districts of the country. Table 10 shows the scope and coverage of CTS by July 2010.

[redacted]e and Coverage of CTS

		[achi	Sal	Mang ochi	Chi tip a	Phalo mbe	T ot al	M n
		?a	ima	i				
	93		41	17	10	21 1		
group clusters						24 05 1		
Beneficiary household	890	192	4229	268 6 38	162 8			
				4859	1477			

Source: CTS March 2009 Monthly Monitoring Report.

From the CTS report (March 2009), it is quite evident that the major beneficiaries are the female headed households, followed by the elderly headed households and then Child headed households. In terms of individual beneficiaries, children top the list, followed by orphans, the elderly and the disabled as captured in the Table 11.

Table 1: Distribution of Households and Beneficiaries of CTS

District	Elder ly Head	Femal e Head	Child Head ed	Beneficiar ies (head count)	Chi ldr en	Orpha ns	Elde rly	Disab led
	5543	5911	109	35182	218 61	20049	6934	929
A								
Likoma	132	142	1	773	391	369	162	52
Machin	2427	3110	64	18579	130 26	9043	2945	268
Salima	1035	1487	20	7792	461 4	3896	1513	133
Mango chi	3153	3670	61	20260	144 94	10263	3435	336
Chitipa	1204	935	8	5753	360	2165	1160	126

Source: CTS March 2009 Monthly Monitoring

The total monetary value of transfers to households varies from one household to another based on the disbursement criteria that have fixed and variable components as shown in Table 12.

Table 12: Level of Cash Transfers

umber of Household embers	Malawi KwachafMK)/Month	U$/Month
	600	3.9
	1000	6.57
	1,400	9.2
	1,800	11.8

Source: CTS Monthly Monitoring Report

The value of transfers indicated above was based on the following considerations:

a) that the minimum figure should be sufficient to meet the minimum requirements for survival;

b) that the minimum figure should be above the ultra-poverty line computed principally as food poverty compared to the general poverty which is currently estimated at MK47/head/day; and

c) that the amount paid should not exceed the minimum value of a monthly pension for a retired person.

The current exchange rate is U$ 1 to MK 152.00, and cash transfers are not indexed to ensure stability in the consumption patterns of the beneficiaries.

Conditions for Accessing Retirement Benefits (Pension)

a) The Civil Service (Government) Pension Scheme

Government employees qualify for the pension scheme after retirement under the following conditions:

i) That the employee has worked for the public service for not less than 20 years;

ii) That the employee has reached a mandatory retirement age of 60 and has worked in the civil service for at least 10 years, or if on attaining that age, he has not completed 10 years of service, s/he will retire on completion of 10 years of service; and

iii) That the employee is suffering from infirmity of mind or body which interferes with the performance of the duties of his/her office.

Upon retirement, a civil servant receives a non-contributory pension scheme which is calculated as follows:

Full Pension: *Final Salary* X *Service in years* X *0.022 (Grades A-H senior grade;* 0.025 (Grades I-R).

At retirement, one is given a percentage of the full pension (gratuity) ranging from 0-25%, of which the majority prefer 25 %, and the remainder is accessed on a monthly basis till one dies. The Gratuity, also called advance pension is calculated by:

Gratuity: *Full Pension* X *1-25%* X *16.351 with a discount rate of 2%.*

An additional discount rate of 2% on gratuity is factored in since gratuity is considered an advance. This is

Box **1:** Changes in the calculation of Pension benefits since 2000

i Before 2004:

Pension = Final basic salary X Period of Service X 0.033

Gratuity = FP X 25% X 20

RP = FP X 75 % per annum

PM = RP/12

ii July 2005 - August 2006

FP = 5 year average salary X Service in months X 0.033

Gratuity = FP X 25% X 20

RP = FP X 75%

PM = RP/12

iii From August 2006 - October 2009

FP = 36 months average salary X Service in years X 0.025 (0.022 for senior grades)

Gratuity = FP X up to 25% X 13.59 (4% discount rate at 20 years)

RP = FP X 75%

PM = RP/12

iv From October 2009 to date

FP = Final salary X Service in years X 0.025 (0.022 for senior grades)

Gratuity = FP X up to 25% X 16.351 (2% discount rate at 20 years)

RP = FP X 75%

PM = RP/12

Where FP = full pension, RP = reduced pension, PM =pension per month and 0.022 = accrual rates

premised on the fact that the advance pension (gratuity) granted the retiree is money that could have been invested in any of its programs and the recipient should therefore pay a small interest on the advance. Pensioners access their pension on the 14th day of each month. For those who receive theirs through the warrants, they are given 3 vouchers every 3 months. Each voucher has to be used in a month between the 14th and 8th of the following month, failing which, they have to wait for the next 14th. The vouchers need to be cashed within 6 months of their issue, otherwise they become invalid.

By June 2010, the Civil service had up to 28,000 pensioners who access their monthly pension benefit and the figure is estimated to have been increasing by 1,000 pensioners per year since 2004. From the year 2005, due to the consolidation of allowances and basic salary into one wage and pension reforms, the wage bill for the terminal benefits for civil servants increased considerably as indicated in the Table 13.

Table 13: Pension Wage Bill for Civil servants from 1999-2010

Financial Year	Gratuity +Pension (12 months)	Pension months) Only
	1,524,000,000	572,000,000
200[illegible]002	1,499,000,000	580,000,000
200[illegible]003	1,634,000,000	598,000,000
200[illegible]004	1,656,000,000	598,000,000
200[illegible]005	2,106,000,000	500,000,000
2005-2006	2,106,220,000	710,031,000
2006-2007	4,763,000,000	1,180,610,700
2007-2008	5,500,000,000	1,699,221,697
2008-2009	6,450,000,000	1,824,488,059
2009-2010	7,400,000,000	3,304,915,303

Source: Ministry of Finance, Department of Accountant General, Pensions section, June 2010

Upon the death of a pensioner, his/her survivors are paid a death gratuity of up to 60 times his/her monthly pension as a lump sum.

b) The Defined Contribution Pension

On the normal retirement age of 60 (for both males and females), a member receives the pension that can be purchased by the value of his/her two accounts (member and employer) plus the bonuses (interest) attached to the contributions. The member is allowed to take part of the benefit in cash according to the prevailing guidelines. This currently means that a member can take cash up to one third of the total of his/her account at retirement. The retiree is entitled to a monthly pension by way of an annuity purchased by the remaining two thirds. The pension then becomes payable by monthly installments and continues throughout the remainder of the member's life time. In cases where the pension of an employee would not exceed MK120, 000.00 per annum, the employee commutes his/her entire pension for a lump sum cash payment.

In the event of death within 5 years, the balance of the pension that would have been payable is paid as a lump sum to the beneficiaries of the pensioner. In cases where

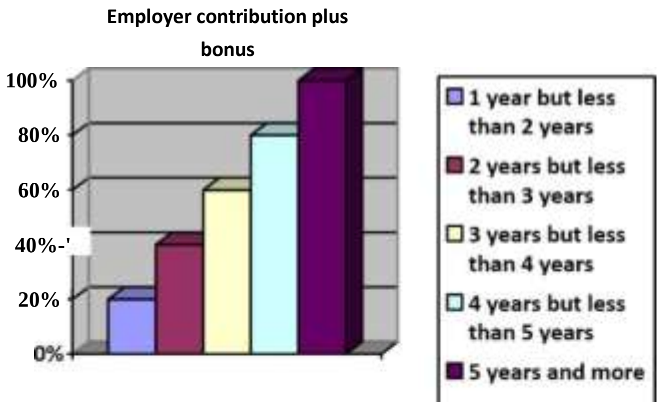
the member retires early[66] due to ill health, supported by medical evidence, the pension is treated in the same way as normal retirement, but of course the accumulated funds in the two accounts becomes somewhat less than the final amounts if the member had worked to the normal retirement age.

Where a member dies in service, the beneficiaries are paid the employee's entire pension benefits accrued to the date of his/her death.

On the withdrawal from this scheme, the member is entitled to a portion of the employers' account, according to scale up to a maximum of 100 %. Any balance to the account is transferred to a General Reserve Account, which does not belong to any individual member, but the fund and may be used by the employer to meet expenses related to the operation of the fund such as administration cost.

Figure 2 shows a proportion which a member may access from the employers' account if s/he leaves the employers service on good standing.

Figure 8 : Proportion of Employer Contribution in relation to Years of Service



Source: Old Mutual Malawi (June 2010)

It however has to be noted that the above scale can be re-structured or removed completely by the employer's choice. However, the agreed schedule has to be included in the Special Rules[67]. Pension is not yet mandatory in Malawi; as a result, apart from the civil service which is arguably the largest employer, very few private companies provide pension benefit to their retired employees. By June 2010, Old Mutual Malawi, one of the big pension fund administrators in the country had 900 pensioners only[68]. The company had 210 pension funds with a total of 65,000 contributors on the scheme by the same period. In the absence of reliable labour data in the country, it has proved to be difficult to come up with a proportion of the working people who are currently on the pension scheme. The other drawback is of course the reluctance of other insurance companies to release such

Early retirement is currently at 55 years for both male and female

Special Rules are rales created by agreement between the employer and fund as being specifically applicable to the employer and his/her employees, which may by similar agreement, be amended from time to time.

data related to their clients.

Challenges facing the Social Protection Scheme (s): Case of Malawi Government Pension Scheme

The non-contributory pay-as you-go public pension scheme is the major single social security arrangement that is available to retired civil servants in Malawi. Being employment related, its coverage is limited only to those who had once worked in the civil service, leaving out the unemployed and those working in the private sector. The provision of pension is not yet mandatory in Malawi; hence, very few private companies have pension schemes for their employees.

Minimum wage and the Government Pension benefit

Minimum wage could simply be defined as the lowest amount of money that is legally given to an employee. Currently, the minimum wage in Malawi is at MK129.00 (U$0.84) per day for workers in both rural and urban

areas. This has been revised upwards to MK 179.00 (U$ 1.18) per day but is not yet operational, pending to be gazetted (by July 2010). Though revised upwards, the minimum monthly wage in Malawi is inadequate to enable one afford the basic necessities throughout the month.

The observation that the current minimum wage and the proposed minimum wage in the Pension bill is below the minimum living wage is heavily supported by the Centre for Social Concern (CfSC), a faith based NGO which carries out research into the cost of living for people mainly in the four (4) major cities of the country. This is done every month through gathering information for the 'Basic Needs Basket'[69]. Table 14 shows a summary of its findings on the minimum cost of living for the family of six (father, mother and four children) for the months of January - April 2010.

[68] Information provided by N. Chikadya; Old Mutual Business Development Officer (employee benefits)

[69] Basic Needs Basket; refers to basic food items and cost of non food items (house rent, utilities etc)

Table 14: CfSC Basic Needs Basket for Lilongwe, Zomba, Blantyre and Mzuzu: Jan-April

Cities	Lilongwe	Zomba		
January	MK52,293.00	MK49,360.00	MK54,962.00	MK47,953.00
February	MK55,612.00	MK51,334.00	MK58,493.00	MK48,681.00
March	MK55,589.00	MK51,689.00	MK55,041.00	MK46,039.00
	MK45,308.00	MK44,784.00	MK51,846.00	MK44,209.00

Source: CfSC Monthly reports for Jan, Feb, March, April 2010.

From Table 14, it is evident that the majority of Malawians live below the minimum living wage. By June 30, 2010, the entry point salary for the lowest paid worker in the civil service - Grade R Industrial class - was at MK10, 027.00 (U$ 65.97) per month. This salary though is very low to support a worker for a period of one month, is ironically above the current minimum wage which is at MK3, 354.00 per month (MK 129.00 X 26 days).

The above notwithstanding, the Malawi Government has in recent years made strides towards improving the pension benefit for retired civil servants. Since 2004 when the government consolidated the salary to have a bigger base for calculating the benefits of the retirees, the pension has also been hedged against inflation. In other words, the government increases the pension by the inflation rate up to a maximum of 10 %. Again, the pension also increases with the same percentage whenever the government raises civil servants' salaries. This is a deliberate strategy aimed at increasing the pensioner's monthly wage which was far below the minimum wage, especially for those who retired prior to 2004. In order to have all pensioners receive adequate income, the government in October 2009, adjusted the pension of civil servants who retired prior to October 2004 to commensurate with a rise in the level of minimum wage. Civil servants who retired after October 2004 whose monthly pension was below the recommended pension also saw upward adjustment in their pension to meet the new minimum pensions (see Table 15).

Table 125: Approved Revisions to Minimum Civil Service Pension (effective October

		Minimum Pension	New Approved Minimum pension
	Head of Public Service	2,163	60,000
	Deputy Head of Public Service	3, 598	55,000
C	Head of Ministry	2,005	50,000
D (P2/S2)	Head of Department	1,600	40,000
E (P3/P4)	Deputy Head of Dept	1,600	30,000
F (P5/S6)	Assistant Head of Dept	1,600	18,000
G (P7/S7)	Principal officer	1,600	13,000
H (P8/S8)	Senior Officer	1,600	10,000
I (PO/AO/CTO)	Officer/ Chief Supervisor	1,600	9,000
J (SEO/STC)	Senior Supervisor	1,600	7,500
K (EO/TO)	Supervisor	1,600	5,000
L (SCO/STA)	Senior Clerk	1,600	3,500
M (CO/TA)	Clerk/ TA/ Trades man	1,600	2,800
N (SCI)	Senior Subordinate	1,600	2,700
O (SC2/SC3)	Subordinate	1,600	2,600

Source: Memo from secretary for Human Resource Management and Development to Secretary for Treasury, dated January 18, 2010. RefNo. HRM/P&G/03/3.

From Table 15, the minimum pension being paid to retired civil servants effective 15th October 2009 is MK 2,300.00 (U$ 15.13) per month while the maximum pension paid is MK 60,000.00 (U$394.73) per month.

Though the minimum pension is below the current minimum wage, it is above the national poverty line which is estimated to be at MK47 /head / day. However, it is below the global poverty line which is at U$ 1.25 a day.

It is important to note that the longer one served in the civil service, the higher the pension benefit upon retirement. This also corresponds with one's grade at the time of retirement.

Though a replacement ratio of between 40 and 60 % is the recommended internationally, a closer look at the current salaries of the civil servants and the current minimum pension of the corresponding grade gives a totally different

picture. The table below shows the current salary against the current minimum pension for retiring civil servants of the selected grades.

Table 16: Salary and Minimum Pension of selected grades as of June 30,2010

				mm
	Head of Public Service	426,980	60,000	14.0
B	Deputy Head of Public Service	330,390	55,000	16.6
D	Head of Department	230,398	40,000	17.3
E	Deputy Head of Department	181,084	30,000	16.5
I	Officer/ Chief Supervisor	50,466	9,000	17.8
K	Supervisor	22,496	5,000	22.2
	Industrial class	10,027	2,300	22.9

Source: Ministry of Finance, Pensions section.

Table 16 shows that senior grades receive a small proportion of their salary as compared to those in the lower grades. However, it is important to note that the number of years served plays a significant role in determining the terminal benefits; as such, it is possible to find a retiree receiving up to over 60 % of his salary as a pension benefit, especially if he is from the lower grades and has served for over 30 years.

Box 2 **A** case **of** a retired civil servant

Kamugholi Zalira, a pensioner worked for 24 years, and retired as a SEO (Senior Supervisor) in the civil service. She is currently receiving MK 7,500.00 (U$ 49.34) as her monthly pension. Actually, this is a big increase from the MK 4,471.12(11$ 29.42) which she was receiving before the pension was increased in October 2009. It took almost a year before she was on the pension scheme. She always receives her pension on time and has never encountered any problem as regards to the receiving of the pension since she was put on the pension payroll.

Sustainability of the Government Pension Scheme

The non-contributory government pension scheme is not sustainable to say the least. This is so because currently, the benefits being paid to pensioners are drawn from the national budget which heavily relies on donor funding (at least 30%). The government is aware of this, hence the proposed introduction of a mandatory defined contributory pension scheme for all workers in Malawi, civil servants inclusive, in the 2010 Pension Bill.

Pension Reforms since 2000 in Malawi

In Malawi, there have been reforms in the government's pension scheme, mainly in line with how benefits are computed. The major of such reforms took place in 2004, from which time benefits paid to pensioners had a massive boost to an extent that during the first few months of the implementation of the policy, many people retired and more others wanted to retire so as to benefit from the huge sums which were being paid as 'advance pension'.

In October 2004, the Government of Malawi consolidated the basic (core) salary and allowances (especially housing) into one clean wage bill, which also became a basis for the calculation of one's retirement benefits. Prior to this, you could have, for example, a civil servant receiving MK 3,000 as a basic salary and MK 9,000 as a housing allowance, taking home a total sum of MK 12,000. But when it came to the calculation of terminal benefits, only a basic salary would be used, leaving the retiree with peanuts at the end of the day. The consolidation of basic pay and housing allowance as basis for computation of terminal benefits resulted in an increased pension benefits.

Prior to the October 2004 pension reform, terminal benefits for civil servants were calculated as:

Full Pension was = *Final basic salary* X *Period of service in months divide by 360.*

The Gratuity (lump sum) was = *Full pension X 25%* X 20, where 20 is the number of years a retired person is expected to live after the civil service while 25% is the maximum lump sum one could get at the time of exit with the remaining 75% (reduced pension) in monthly receipts.

With a consolidated salary as a basis for calculating the retirement benefits, the government, as an integral part of the pension reform, decided to further restructure the retirement benefit system to be in line with the established international standards. Thus, instead of just taking the final basic salary to calculate the pension as was the case in the past, it would take an average salary of the last 5 years leading to retirement. This 5- year average salary was used from July 2005 to August 2006 when it was changed to 3 years (used as 36 months) up until October 2009. It is worth noting that the use of an average salary for computing terminal benefits drew the wrath of trade unions in the country which engaged the government in protracted negotiations until it was abolished in 2009. The trade unions observed that using an averaged salary resulted in the worker going home with less benefit. Thus, effective 15th October 2009, pension for civil servants is calculated as:

Full Pension = *Final salary* X *Service in years* X *an accrual rate* (0.022 for grades A-H, 0.025 for grades I-R).

People who retired immediately after the salary was consolidated pocketed extraordinarily high retirement benefits as the government's accounts personnel wrongly applied the old formulae to the new consolidated salary without consulting[70]. During this period, some pensioners got almost 99% of their salaries as pensions. This is unsustainable as an internationally considered replacement ratio ranges between 40-60%[71]. Unfortunately, the benefits which were wrongly paid during this period became a basis for assessing the introduced formulae as these were being compared with the ones which used the revised formulae taking into account the consolidated pay.

Procedure for accessing Government Pension

Upon retirement from the civil service, a retiree is immediately included on the list of pensioners. However, to start accessing the monthly pension wage, the period varies from one to three months, depending on the mode of payment the pensioner has opted for. For those who have opted to receive the pension through the bank, the pension can be accessed within the first month of being included on the pension payroll.

However, if the pensioner opts receive it through pension warrants; s/he may have to wait for up to three months. This is so because pension warrants are printed every three months, and one has to consider oneself lucky if one's retirement coincides with the printing of warrants to be included immediately. With a pension warrant, a pensioner may exchange it for money either at a nearest Post Office or a government's Treasury Cashier Department.

The major challenge being faced by pensioners is the long distance to the paying points. While those who remain in urban centres after retirement can easily access a bank, post office or treasury cashier department, the situation is not the same with the majority of pensioners who go to their home villages after retirement. In rural Malawi, both banks and post offices are sparsely distributed, making it difficult for some pensioners to access their benefits. Some pensioners have to travel over 20 kilometres to access a nearest post office. This makes them use a great share of their pension for transport, reducing the already little pension.

Again, the government pension system is still being managed manually; as such, record keeping is a big challenge.

[70] Public Relations Consultant for Ministry of Finance quoted in the Nation of May 8, 2008.

[71] Replacement ratio-the proportion of one's pension to the final salary

Role of Trade Unions in Social Protection

As a mouth piece for the workers whose main objective is to promote and defend workers' rights, trade unions have a crucial role in ensuring that every worker is covered by some kind of a social security scheme. As such, trade unions ought to identify the gaps and needs in the prevailing social security schemes and provide options that could result in the increased coverage of the workers. For this task to be effectively executed, trade unions need to have a policy on social security which could act as a guideline. Regrettably, in Malawi at present, trade unions do not have any policy on social security.

Due to the absence of a comprehensive legislation as well as a national social protection scheme in the country, trade unions are not involved in any way in the governance of social security structures, and the few that are available are run by private firms. However, even in the proposed Pension Bill of 2010, trade unions are still not included in the governance structures. Thus, if the bill is passed in its current form, trade unions would be spectators unless they bargain for their inclusion before it is too late.

Trade Union's initiatives towards Social Protection

Since the rejuvenation of active trade unionism in the country in the mid 1990's, trade unions have been central in initiatives which have led to the enactment of statutes which have elements of providing security to the worker. Trade Unions played a crucial role in the consultative process that resulted in the enactment of the Employment Act of 2000, which among other things, provided for severance pay to an employee on termination of employment either by mutual agreement with the employer or unilaterally by the employer.

Trade unions had also been involved in protracted arguments with the government over the calculation of terminal benefits for retired civil servants for at least 3 years, resulting in the government heeding to their demands. It has to be noted that this resulted from the government's unilateral decision to change the formulae for calculating terminal benefits for civil servants without consulting the trade unions. From the time the government started using an averaged salary for calculating pension benefits, trade unions had protested with an initial strike in 2006 which was disrupted by the Police. In the following years, they engaged the government in negotiations which led to initially changing from the 5 - year to a 3 - year salary average and eventually dropping the whole averaging method in 2009. This has since resulted in the better retirement packages.

Trade Unions also played an active role in the formulation of the Pension Bill 2010. The main objective of the bill is to provide for the mandatory requirement for every employer to provide pension for every person in his employment. They were part and parcel of the tripartite task force. However, it is important to note that most of the trade union's demands were not incorporated and that some of the agreed clauses were altered as the final bill was presented to parliament. This was contrary to the agreement reached during the consultative process because the contents of the final draft were to be taken back to the stakeholders for verification before being submitted to parliament. Meanwhile, trade unions under the leadership of MCTU have threatened to drag the government to court if it remains adamant and have the bill passed in parliament in its current state.

> *"It is suicidal to allow government to table the bill in parliament as the proposed law will rip off the employees... the only option, if negotiations fail, is to take the matter to court by way of an injunction. We cannot, and will never, be party to such a bill that oppress employees. Our argument remains the same that our concerns were not addressed"* observed the Secretary General of MCTU.

For the first time in the history of trade unionism in Malawi, the labour movement invited Members of Parliament (MP) to a meeting where they lobbied for their support in amending some provisions of the Pension Bill 2010 which was due to be tabled. A total of 15 MPs, from both the government and opposition attended the meeting which was chaired by MCTU's Secretary General on June 27, 2010. Amongst other things, trade unions called for the support of MP's to fight for the inclusion of workers' representatives on the administrative boards of the proposed pension fund. This meeting proved a success since 2 days later, when the bill was presented in Parliament on June 29, 2010, most of the issues raised during the lobbying meeting were brought up and this compelled the Minister of Finance to withdraw the bill and refer it to the Finance and Budget Committee of Parliament for further scrutiny and was expected to be re-tabled when parliament reconvened in November, 2010. This was a victory for the labour movement as they were provided an opportunity to drum up more support from workers and the general public. This way, many people have been made aware of the contents of the bill. The general public has since joined the debate through the media and the general expectation is that the contents would be amended to the benefit of workers.

Meanwhile, the labour movement, under the leadership of MCTU has launched an awareness campaign about the contents of the Pension Bill 2010, highlighting those clauses that aim at victimizing the worker. The support from the general public has been overwhelming, with some describing the Pension Bill drafters as 'betrayers', others describing it as 'modern day slavery' while others are calling for the President of the Republic to intervene[72]. MCTU has so far written to the Budget and Finance Committee of Parliament to have an audience with them before the bill returned to parliament in November 2010, so that they highlight to them clauses they believe victimize the workers. In addition, the MCTU wrote to the President not to assent to the Employment Amendment Bill which was passed in June 2010. Regrettably, the President assented to this bill. Apparently, the

[72] The Daily Times, Thursday, July 15, 2010 page 7

amendment greatly reduces terminal benefits for the worker as it has amended the schedule for calculating severance pay, according to observations by trade unions.

The absence of an enabling law to guide social security schemes is the biggest challenge for trade unions. As a result, trade unions do not have any legal basis to warrant their inclusion in the administration of the few social security systems that are currently available in the country.

In addition, often times, trade unions' views are rarely considered at the agenda setting fora. During the consultative process which resulted in the formulation of the Pension Bill 2010 and the amendment of the

Employment Act, trade union representatives cried foul because much of their inputs, were ignored. A task force concluded that the consultative process was just a formality in which the trade unions were expected to rubberstamp what had already been agreed on by the other stakeholders (government and employers), and that records should indicate that they were part and parcel of the process. The General Secretary of Civil Service Trade Union, who was a member of the Pension task force, complained that:

> *....The negotiations were not being done in good faith, and that their invitations were just to ensure that our names are registered, to indicate that trade unions are involved. Government and Employers would always bulldoze what they want to be done, no matter what...*

Another case was also highlighted in which the government and trade unions in 2005 had been negotiating for the best way of calculating terminal benefits. The government had asked for a recess so that they could consult further, only to come back a few months later with a 'circular', imposing what they had decided. With such scenarios, it is quite evident that trade unions' views are hardly considered whenever crucial decisions that affect the worker are made.

Summary and Conclusion

Social Security is a human right. Article 22 of the Universal Declaration of Human Rights clearly states that 'everyone as a member of society has the right to Social Security'. However, in Malawi, very little has been done so far to provide social protection to the vulnerable population. Malawi does not have a comprehensive national social security scheme to provide benefits to those in need. The few interventions which have been carried out by both the state and other stakeholders are project-based and have mainly been targeted and hence subject to errors of exclusion and inclusion of beneficiaries. Currently, there is no operational legislation to guide the establishment of a national Social Security fund. The country has not yet ratified Social Security Convention 102.

However, it is important to note that a basic social protection package is affordable, even to countries with low economies and that social protection is a powerful tool in preventing and alleviating poverty and inequality (ILO, 2008). Experience from other countries, both in Southern Africa and beyond confirms that social protection, far from being a drain on resources, is a driver of economic growth. The government of Malawi has recognised this, and is in the process of developing a Social Support Policy that will provide a holistic framework for implementing social support interventions. The formulation of the Pension Bill 2010 also signifies government's initiative towards providing social security for Malawian workers.

Due to the absence of social security legislations in the country, the role of trade unions in social security issues has been very limited, and only confined to negotiations relating to pension and severance allowance calculations. However, their active participation in the deferred Pension Bill 2010 has put them on the front line such that they are currently raising awareness to the masses. Trade unions' participation in the formulation of the Pension Bill 2010 has also helped many Malawians to acquaint themselves with social security thereby creating a more conducive atmosphere for the citizenry to demand the same from the government.

It is undisputable that social security generates growth in a country as transfers made to beneficiaries serve as cash injections to local economies and these have a positive impact on development. By raising the income of the poor, they increase domestic demand and in return encourage growth by expanding domestic markets. Unfortunately, very few people in Malawi, mostly from the formal employment are covered, leaving out the majority who are in the informal sector.

Recommendations:

For a low income country like Malawi, a basic social security system can make the difference between achieving and not achieving the Millennium Development Goal (MDG) number 1, of halving poverty by 2015. As such, the government should consider speeding up in finalizing the Social Support policy, which calls for the extension of coverage of social protection. In addition, the government should put concerted effort and increased political will in allocating adequate resources for social protection programs, as most of these being implemented are donor funded and hence survive on the goodwill of the funders.

On the other hand, trade unions must lobby the government for the establishment of a national social security scheme and come up with legislations for a comprehensive social protection system, in addition to the Pension Bill 2010 which mainly focuses on those in formal employment.

Additionally, Trade Unions must intensify their awareness campaigns on social security to the masses and advocate a universal social protection floor which will extend social security coverage to all; the one which could guarantee access to basic social services, shelter and empowerment of the poor and vulnerable. The current projectisation of social security interventions is discriminatory and often times excludes some of those in need.

Moreover, Trade Unions must partner with other Civil Society Organisations in their call for the provision of social security and social protection. Social security must therefore be viewed as a matter of national interest, not just confined to the workplace.

It is high time trade unions in Malawi started organising workers and communities in order to create institutions, such as workers or solidarity funds which could form alternative sources of financing.

Trade Unions must also consider making social protection an agenda in Collective Bargaining Structures as well as improve the capacity of their negotiators.

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APPENDIX **1**

LIST OF KEY STAKEHOLDERS CONSULTED

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Kapalamula G	NICO Life Insurance Ltd	+265 1 750 987
Masumbu	Ministry of Finance- Dept of Accountant General, Pensions Section	+265 1 788 127
Mawango J	Commissioner for Workers Compensation, Ministry of Labour	+265 1 753 115
Mbanga I	Inde Trust Ltd- Senior Pensions Administration Officer	+265 1 820 455
Mijoya C	Inde Trust	+265 1 820 130
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Mkwezalamba R	Secretary General, MCTU	+265 888 871 871
Msukwa D	Department of Human Resource	+ 265 1 770 786
Mwamlima	Ministry of Finance- Dept of Accountant General, Pensions Section	+ 265 1 789 355
Mwasikakata M	Deputy Commissioner of Labour, Ministry of Labour	+265 1 770 786
Sakwiya	Ministry of Gender and Social Welfare	
Zalira K	Chair lady, MCTU Women's Wing, Pensioner	+265 888 605 369

SOCIAL PROTECTION IN NAMIBIA

By

Risper Auma Kojwang & Hilma Shindondola-Mote

Introduction and Background

Namibia is classified as an upper middle income country with a gross national income per capita of U$4,200 in 2008[73]. The country is divided into 13 administrative regions with an estimated population of 2,180,000 (Central

Bureau of Statistics, CBS). Forty three percent (43 %) of the population is under the age of 15 and less than 4 percent of the population is over the age of 62[74].

With regard to poverty, the Namibia Demographic and Health Survey of 2006/7 reports that 28%[75] of households in Namibia are either poor or severely poor, spending as much as 60% of their incomes on food. Acute malnourishment can be identified in about 7% of children and one in five children younger than five years are regarded as acutely undernourished. This finding was reiterated by the 2008 Review of Poverty and Inequality in Namibia.[76]

Life expectancy in Namibia has over the last 10 years drastically declined from 61 in 1991 to an average of 52 in 1998 and 43 years in 2000. This is still high if compared to the average life expectancy in Sub-Saharan Africa of 40 years for women and 37 years for men. The average birth rate and death rate in Namibia are 34.1 and 19.17 per 1,000 respectively. Similarly, Namibia's infant mortality rate of 49 female and 55 male children deaths per 1,000 remains considerably lower than most sub Saharan African nations with an average infant mortality rate of 99 per 1,000 births.

One of the most daunting development challenges facing Namibia is the high HIV/AIDS prevalence rate. In 2004, the country had an estimated HIV/AIDS prevalence rate of 20% and this has resulted in a large number of children dying before the age of 5 years while many more are orphaned by the death of one or both parents. Currently, an estimated 200,000 people are living with HIV and 15,000

[73] World Bank website: www.web.worldbank.org/wbsite/external/datastatistics

[74] 2001 Population and Housing Census

[75]GRN. 2008. The Review of Poverty and Inequality in Namibia. Windhoek. GRN.

[76]Ndilikokule Thomas 'Infant mortality rate still high in Namibia' in Namibian Sun Newspaper of Thursday June 25 2009

AIDS deaths are recorded annually. About 16.5 % of households in Namibia are headed by children[77].

Namibia's labour force is divided into the economically active and the economically inactive population comprising the employed and the unemployed alike. Economically active refers to the labour force and inactive refers to those outside the labour force; examples are students, homemakers, the aged, income recipients, retired and the severely disabled people. The labour force survey of 2008 noted that 678,680 Namibians could be classified as economically active, of which 331,444 were employed and 347,237 were unemployed. The 2008 labour force survey revealed that Namibia's unemployment rate had increased from about 40% by 2004 to 51.2% by 2008. Unemployment in Namibia has a gender and educational dimension as more women and those with lower educational attainments dominate the unemployment population.

The agricultural sector is still Namibia's largest employer, accounting for almost 53 000 jobs, followed by wholesale and retail and repair of motor vehicles sector with a little over 50,000 and private household employees accounting for almost 36,000. Education is listed as providing more employment than the public administration, defence and social security sectors but it remains unclear why education is categorised outside public administration (Namibia labour force survey, 2008).

Namibia's economy can be described as relatively small, open and fairly free market and intricately linked to South Africa. The Namibian economy is heavily dependent on the economy of its former colonizer, South Africa. The country relies heavily on revenues derived from the extraction and exportation of its natural resources. Natural resources including mineral deposits of diamonds, uranium, copper, zinc and gold account for approximately 25 percent of the Gross Domestic Product (GDP). Namibia is hailed as the fourth largest exporter of non-fuel minerals and the world's forth largest producer of uranium.

The mining, fishing and manufacturing sectors do not significantly contribute to employment although they do contribute to GDP. Mining and quarrying only employs about 7,500 people in stark contrast to its huge contribution to the GDP. Initially, mines were fairly labour-intensive enterprises but this has greatly changed due to technological advancements.

The manufacturing sector, which could be a significant base for employment creation, is severely under - developed in terms of employment generation and employs less than 21,000 people. Namibia, like other former colonies, exports most of its raw materials in unprocessed form and thus denies itself the opportunity to

[77]Wezi Tjaronda in New Era Newspaper Vol. 14 No. 207 of Tuesday, 16 June 2009

contribute to the much - needed employment.

The history and evolution of social protection in Namibia

Namibia attained its political independence in 1990 after 116 years of German and South African colonial rule. The colonial legacies are still visible today and can be witnessed through inequalities based on race, class and gender. The first social protection scheme introduced was the old age pension. This scheme was introduced to Namibia by the South African colonial administration in 1949. However, up until 1973, black Namibians did not benefit from this scheme[78]. Throughout the apartheid period, Namibia's social security system continued to serve only the interest of white Namibians.

In 1965 the Social Pensions Ordinance extended eligibility of the old age pension to Namibians of mixed race (or the so-called coloureds[79]). This change was effected after an extensive debate in parliament as to whether indigenous Namibians should also receive the social pension[80]. Later on, an agreement was reached that all Namibian pensioners should receive the old age grant irrespective of race, gender or ethnic background. The difference was however with regard to how much they were going to receive. The white Namibians continued to receive more than other ethnic groups and there were further divisions within the African ethnic groups as reflected in Table 1.

Ten distinct non-white groups were identified, each receiving a different amount of payment based, apparently, on differences in costs (i.e. standards) of living[81]. White Namibians received R382[82], while the lowest paid Namibians were Kavango speaking Namibians who were receiving R55).

Table 1: A pension payment schedule in Namibia in 1990

Ethnic group	Pension amount per month	Coverage based on ethnic group
White	R382	100%
Colored	R192	50%
Rehoboth Baster	R150	39%
Tswana	R100	26%
Damara	R75	20%
Herero	R65	17%
Nama	R55	17%
Owambo	R55	14%
Kavango	R55	14%
Caprivi	R55	14%

Source: D ever eux, 2001

The end of apartheid signaled the beginning of the transformation of social security system in Namibia. The next section will therefore provide information regarding social pensions after independence.

The social pension system after independence

After coming into power in 1990, the SWAPO government committed itself to specific goals in the area of social policy which included the fight against poverty, achieving an acceptable standard of living for all Namibians and increasing social assistance programmes. In fact, the government even went as far as entrenching the right to social assistance in the Constitution. To that effect, several laws were introduced to confirm government's commitment to social security. For instance, the National Pensions Act of 1992 confirmed independent Namibia's determination to continue with the pension policy introduced by the colonial administration, but also to introduce some reforms to ensure that all aged Namibians benefit in equal terms from the benefits[83].

In this regard the government first tackled issues around eligibility with regard to *age*. The National Pensions Act entitled every 'aged person'- defined as 'any person who has attained the age of 60 years'-who was ordinarily resident in Namibia and either a Namibian citizen or permanent resident to receive a 'basic state pension'[84]. Under apartheid, women qualified for pension at age 60 whilst men were eligible at age 65.

Secondly, at the beginning of 1994, all racial disparities in payments were eliminated through the implementation of the standard rate of N$120 on all social pensioners. This was against the vehement protests of Whites whose social pension income was reduced to one-third of its previous nominal value. In May 1994, the standard rate was then raised to N$135. In 1996 it was raised to N$160[85].

In March 1999, the government once again increased the old age pension benefits from N$160 to N$450 per month[86]. By August 2010, the old age pension had risen from N$450 to N$500 per month (Smith, 2010: 6). To date, the old age pension could be termed as the largest formal safety net in Namibia and also has the oldest and best organised payout structures. This is because overtime, pay-out methods were improved in favour of the pensioners. Many pensioners have now entered the formal banking system into which their benefits are

[78] Ibid

[79] _People of mixed race ancestry with Whites and Sub-Saharan African Descent.
Basters: Descendants *of liaisons between the Cape Colony Dutch and Indigenous African Women.*

[80] Ibid

[81] Devereux, **S (2001)** *Social Pensions in Namibia and South Africa,* Institute of Development Studies, Brighton, England.

[82] Before independence the legal tender (currency) in Namibia was the South African Rand, which in today's terms is pegged one on one to the Namibian Dollar

deposited. They no longer have to stand in long queues to collect their money physically or wait until the following month if they have a bank account.

Legal and Institutional framework for social protection in Namibia

Namibia is one the few countries in Africa which makes provisions in its constitution for public funded social welfare programmes. The country has also enacted several legislations to regulate the administration of the different social welfare programs. The social welfare programs are administered through different public and state-owned enterprises. The section below outlines the different legal and institutional framework for social protection in Namibia.

The Constitution of the Republic of Namibia

Article 95 of the Constitution urges the State to actively promote and maintain the welfare of the people by adopting appropriate measures, such as various policies aimed at ensuring that *'every Namibian has a right to fair and reasonable access to public facilities and services in accordance with the law'*.

The constitution further urges the State to institute measures for ensuring *'...that senior citizens are entitled to and do receive a regular pension adequate for the maintenance of decent standard of living and the enjoyment of social and cultural opportunities"*. It also calls for the *"enactment of legislation to ensure that the unemployed, the incapacitated, the indigent and the disadvantaged are accorded such social benefits and amenities as are determined by Parliament to be just and affordable with due regard to the resources of the State'*.

The National Pensions Act, (Act 10 of 1992)

The National Pensions Act provides for national pensions to be paid to the aged, the blind and disabled persons; and to provide for matters incidental thereto. The Ministry of Labour and Social Welfare administers the Basic State Grant which is a universal pension, provided by the state to citizens or permanent residents who are 60 years of age and above. The Ministry of health and Social Welfare on the other hand administers the disability grant. The latter is grant paid to Namibian citizens who are declared disabled by a medical doctor, including those who are declared medically unfit due to the AIDS pandemic.

The Social Security Act (Act no 34) of 1994

This provides for the establishment of the Social Security Commission (SSC). The Act empowered the SSC to establish the Maternity, Sick and Death (MSD) benefit Fund to provide for payment of maternity, sick leave and death benefits to employees. The Act also makes provisions for the establishment of the National Medical Benefit Fund to administer medical benefits to employees. The Act further makes provision for the establishment of the National Pension Fund to provide pension benefits to retired employees. Finally, the Act provides for the establishment of a development fund for training schemes for the disadvantaged, unemployed persons and to provide for incidental matters.

Child Status Act (Act no.6 of 2006).

This act replaced the children's Act of 1960. The latter was a South African law which was applied in Namibia before independence. The child status act provides for children born outside marriage to be treated equally regardless of whether they are born inside marriage or outside marriage; to provide for matters relating to custody, access, guardianship and inheritance in relation to children born outside marriage; to provide for matters which are in the best interest of all children; and to provide for matters connected thereto. The Ministry of Gender and Child Welfare is responsible for addressing the plight of orphans and vulnerable children. An orphan or vulnerable child (OVC) is a child under the age of 18 whose mother, father, either parents, or a primary caregiver has died, and who is in need of care or protection *(Namibian Government 2002)*. Benefits extended to OVCs are administered under the category of child and family allowances.

Veterans Act, (Act no 2) of 2008

This provides for the establishment of a Veterans Fund for the provision of assistance to veterans and defendants of veterans; to provide for the registration of veterans and dependants of living or deceased veterans; to provide for the establishment of projects for the benefit of assistance to veterans and dependants of veterans; to provide for the integration of pension benefits for veterans; to provide for the constitution and functions of the Veterans Board and Veterans Appeal Board; and to provide for matters incidental to or connected with the foregoing. The

Ministry of War Veterans Affairs is the custodian Ministry responsible for the War Veterans Subvention Grant provided on a monthly basis to those Namibians who are recognised as having contributed towards the struggle for independence.

Maintenance Act, (act no 9) of 2003

The Act provides for the payment of maintenance to provide for the holding of maintenance enquiries and the enforcement of maintenance orders. The basic principle of child maintenance has always been that both parents should contribute to the maintenance of their children in accordance with their means. The child maintenance grant is enforced through the Ministry of Justice.

Motor Vehicle Accident Fund Act, (act no 4) 2001

This provides for the establishment, management and administration of the Fund, payment of compensation to victims of motor vehicle accidents and incidental matters. **The Motor Vehicle Accident Fund of Namibia** is the institution mandated to design, promote and implement crash and injury prevention measures. It provides assistance and benefits to all people injured and the dependants of those killed in motor vehicle crashes in accordance with the MVA Fund Act No.10 of 2007. The Fund operates on a 'no-fault' based system where all people injured in motor vehicle crashes, regardless of who caused the crash, receive fair and reasonable benefits (subject to some limitations and exclusions). Payments are done in accordance with administrative law principles.

The Government Institutions Pensions Fund (GIPF)

The Government Institution Pension Fund (GIPF) was established on October 11989 as a statutory body created by the Namibian Government to provide retirement and other benefits to civil servants in the service of the Namibian Government as well as employees of some institutions established by Acts of Parliament. It is a defined benefit pension fund and its operations are guided by the provisions of the Pension Fund Act and the Income Tax Act.

A defined benefit pension fund provides guaranteed benefits to its members. This means that should the Fund be unable to fulfil its promise to its members, the employer (Government) undertakes to provide the benefits as promised. The benefits are defined in terms of the rules of the fund. The calculations of most benefits are based on final average salary and the number of years that the member was employed by the Government / statutory institution and contributed to the Fund.

The GIPF is controlled by a nine - member Board of Trustees whose members have been drawn from the employer, (which is the Government), Public Service Commission including pensioners and organized labour.

The Board of Trustees is made up of committees that deal with investments, rules and benefits. To fulfil their responsibilities, the committees investigate and monitor fund matters in details to ensure that the Fund achieves unqualified audit reports and promote professional and efficient service to the members. GIPF employs staff members who administer the fund. The operations are headed by a CEO who is the Principal Officer of the Fund. Besides its head office in Windhoek, GIPF has regional Offices in Keetmanshoop, Oshakati, Ondangwa, Katima Mulilo, Rundu and Swakopmund. Membership to GIPF is compulsory and is a condition of employment for all public servants.

Coverage of social security schemes

Namibia has a range of social protection programs in place. However, reliable figures on the nature and extent of coverage have always been missing. Information on coverage of social security programs in Namibia has not always been available or reliable. It is only since 2003, that statistics on how many people are receiving social grants have become readily available. In this section, we will provide some information on the number of recipients or beneficiaries based on available data.

Number of Social Grant Beneficiaries

It is noted that about 12% (+-250 000) Namibians are beneficiaries of various social grants. The number of beneficiaries receiving the old age grant is estimated at 150,893, the war veterans is estimated at 1767, while the child maintenance and the child foster care grant is estimated at 99,493. Social security schemes in Namibia have been able to reach a large majority of recipients. The funeral benefit covers on average about 500 persons a month (Third National Development Plan, 2008). Nationally, over 11% of children receive the child maintenance grant (Ministry of Finance, Namibia).

Table 2: Recipients of Child Grants by region (December 2008)

Region	Child Maintenance Grant	Foster Care Grant	Total Grant Recipients	Target Population (<18yrs)	Proportion of Grant Recipients as against target population (<18yrs)
Caprivi	4716	299	5015	38958	12.9
Erongo	2230	799	3029	66974	4.5
Hardap	2358	1050	3408	37050	9.2
Karas	1787	676	2463	39978	6.2
Kavango	6301	1356	7657	111240	6.9
Khomas	5917	1348	7265	156819	4.6
Kunene	3672	465	4137	42864	9.7
Ohangwena	14865	1641	16506	135948	12.
Omaheke	2429	592	3021	46637	6.5
Omusati	14291	1301	15592	113430	13.8
Oshana	12643	1599	14242	87099	16.4
Oshikoto	10922	1247	12169	106813	11.4
Otjozondjupa	3955	1031	4986	94559	5.3
Namibia	**86086**	**13404**	**99490**	**898651**	**11.1**

Source: Levine et al, 2009:19

In December 2008, 99,490 recipients were registered as beneficiaries of this scheme. Table 5 shows the number of child grants received per region in Namibia. It also shows the percentage of recipients under the age of 18 receiving Child Maintenance Grants and Foster Care Grants as well as the Total Grant Recipients as percentages of the total population of recipients under the age of 18.

Table 3. Recipients of social pension by region (December, 2008)

Region	**Old Age Pension**	**Population >59**	**Coverage ('000)**
Caprivi	5060	4,508	112.2
Erongo	6525	9198	70.9
Hardap	6063	6522	93
Karas	4396	4623	95.1
Kavango	10777	10926	98.6
Khomas	9722	12287	79.1
Kunene	5725	5917	96.8
Ohangwena	18950	21763	87.1
Omaheke	4573	6254	73.1
Omusati	23791	20311	117.1
Oshana	13943	11464	121.6
Oshikoto	13712	14694	93.3
Otjozondjupa	7218	9750	74
Namibia	**130,455**	**114,568**	**113.9**

Source: (Levine et al, 2009:20).

Social Security Commission Coverage

In total, 154,665 workers are registered with the Social Security Commission, of which 68,461 are women and 86,204 are men. There are more men employed in the formal sector and hence higher number of men registered with the social security commission. Conversely, women are often relegated to the most vulnerable sectors of the economy such as the informal economy.

With regard to regional variations, the urban areas boast of the highest number of registration, whilst rural areas lag behind. Membership in urban areas stands at 72.1 % whilst in rural areas it stands at 27.9 %. For instance, 37% of all registered members were in the Khomas region, followed by Erongo (12.2%) and Otjozondjupa (8.3%). The region with the least number of registered employees is Caprivi (2.3 %) [87] as shown in Table 2. This variation is also explained by the fact that many formal sector jobs are concentrated in urban areas.

Table 4: Employed persons registered with SSC by gender and region

Region/Area	Female	Male	Total
Caprivi	1,665 (2.4%)	1,948 (2.3%)	3,612 (2.3%)
Erongo	7,918 (11.6%)	10,880 (12.6%)	18,798 (12.2%)
Hardap	2,537 (3.7%)	3,100 (3.6%)	5,637 (3.6%)
Karas	4,968 (7.3%)	6,289 (7.3%)	11,258 (7.3%)
Kavango	1,821 (2.7%)	3,307 (3.8%)	5,128 (3.3%)
Khomas	25,725 (37.6%)	31,513 (36.6%)	57,237 (37.0%)
Kunene	2,455 (3.6%)	3,368 (3.9%)	5,823 (3.8%)
Ohangwena	4,167 (6.1%)	2,635 (3.1%)	6,802 (4.4%)
Omaheke	2,945 (4.3%)	3,523 (4.1%)	6,468 (4.2%)
Omusati	2,235 (3.3%)	2,011 (2.3%)	4,246 (2.7%)
Oshana	6,203 (9.1%)	4,533 (5.3%)	10,736 (6.9%)
Oshikoto	2,752 (4.0%)	3,320 (3.9%)	6,072 (3.9%)
Otjozondjupa	3,070 (4.5%)	9,779 (11.3%)	12,848 (8.3%)
Rural	19,079 (27.9%)	24,035 (27.9%)	43,113 (27.9%)
Urban	49,382 (72.1%)	62,169 (72.1%)	111,552 (72.1%)
Namibia	68,461 (100%)	86,204 (100%)	154,665 (100%)

Source: Ministry of Labour and Social Welfare, 2008

It is also clear that in sectors where jobs are more secure, social security membership is also higher. For instance, the top three workplaces with the highest number of registered employees are: government (33.5%); state-owned enterprises (12.4%)

[7]Source: Ministry of Labour and Social Welfare (2008) Namibia Labour Force Survey: Report ot Analysis, Windhoek, Namibia.

private sector (44.7%)[88] cooperatives (3.7%), private households (4%) and non- profit making organisations (1.5%) in that order.

Table 5: Employed persons registered with SCC by type of workplace, area and sex

Type of Work	**Female**	**Male**	**Urban**	**Rural**	**Total**
Government	28,919	22,348	30,857	20,409	51,266 (33.5%)
State-owned enterprises	5,698	13,322	16,012	3,007	19,019 (12.4%)
Private Enterprises	24,113	44,353	52,741	15,725	68,466 (44.7%)
A private Household	5,090	977	4,655	1,412	6,067 (4.0%)
Cooperatives	2,561	3,138	4,556	1,143	5,699 (3.7%)
Non-Profit making organisations	1,197	1,132	1,662	667	2,330 (1.5%)
Not recorded	74	33	107	0	107 (0.1%)
Don't know	26	129	26	129	155 (0.1%)

Source: Ministry of Labour and Social We

fare, 2008

[88] The private sector employs more people in Namibia ill comparison to the public sector; however, job security is more prevalent in die public sector.

A deeper analysis of the social security registration based on occupations reveals that that there are more workers falling in the elementary category in comparison to professionals. This is because a large majority of Namibian workers are concentrated in elementary jobs due to low education. For instance, elementary occupations accounted for almost 20% of all registration, followed by services, shops and market sales workers at 15.8 % and the professionals at 15.1% (GIPF annual report, 2010). It is important to note that many professionals by nature of their work are most likely to have private social protection. This is because private social security companies tend to target high income earners.

Coverage of GIPF

The GIPF has an active membership of 83,556. This total amount includes those who are still active in the public sector as well as those who have retired and are below 65 years of age. About (46, 764) 56% of the total membership of GIPF (56 %) are pensioners, (GIPF annual report, 2010).

Financing Social Protection

A major part of funding for social security programs in Namibia is drawn from the central government income taxes. The rest are financed through contributions by employers and employees.

Financing Social Pensions and Child Support Grants

A large number of the social protection programs in Namibia are public funded. The total cost of public funded programs was estimated at 2% GDP and 6% of the national budget in 2008. This represents almost a double in expenditure since the beginning of the decade. The Old Age Pension and the War Veterans Subvention take up two thirds of the resources and earlier predictions were that for the fiscal year 2009/2010 the share of the budget devoted to the War Veterans Subvention would match the Child Maintenance Grant and the Foster Care Grant[89]. A large proportion of government spending committed to the funding of social pensions currently stands at N$880 million between 2009 and 2010, which is 4.05 percent of total government expenditure as shown in Table 6.

[89] Levine et al. (2009) (this should not be footnoted, it should be an in-text citation in the body of the text)

Table **6:** Government expenditure on social cash transfers

Benefits | 04/05 05/06 I | 06/07 | 07/08

Maintenance Grants Social Pensions Veterans Subvention Total grants and Pensions Total expenditure GDP

57 381 13 In million N$

57 252 14

0.13 100 130 660

.19 590 21

450

322

0.03 17

12,245 4

10,302 34,506 In percent of GDP 811

28,992 9

0.22 1.1 0.03 17,827

0.47 3.11 53,564

90

0.55

0.1 44

Maintenance Grants Social Pensions Veterans Subvention Total grants and pensions

2.45 0.73 3.7

3 455

0.13 3.68 0.12

1

3.13 0.17 1.1 2 597 4.55

0.04 14

0.2 0.24

Maintenance Grants Social Pensions Veterans Subvention

0.87 50 4 1.23

0.05 0.04

12,771
13,193
15,279
37,300
41,526
48,228 In percent of total expenditure

57 332 12

0.68

401 3.86

11,399 0.11

33,142

4.63

0.5 0.3

2.91 9 0.21

0.11 3.4 1.22

7 0.04

3.52

0.0

0.17 9

3.95 4.24

0.04

Source: Levine et al, 2009).

Financing of Contributory Pension Schemes

Every employer in Namibia is obliged to register all employees with the social security commission. Such contributions are made towards the maternity, sick and death benefit fund. The fund is available to all employed persons in the formal and informal sectors as long as they receive a basic wage. The informally employed can choose to register themselves or their employees voluntarily with the MSD Fund[90].

Social Security Commission (2010) MSD at a Glance, Windhoek, Namibia.

The contribution rate for the MSD Fund is 1.8 % of the employee's basic wage shared on an equal basis between the employer (0.9 %) and the employee (0.9%) of basic salary. At present, the minimum monthly contribution by members is N$2.70 and the maximum is N$54[91]. Employees earning less than N$300.00 per month are also required to contribute the minimum of N$2.70. In the case of someone who is self-employed, his or her contribution will be a combination of both an employer's and an employee's contribution (i.e. 1.8 % of his or her basic wage/income).

The GIPF is also funded both by the member and the employer. The member contributes an amount equal to 7% of his/her monthly pensionable salary (also known as Emoluments) to the fund while the employer contributes 16%. In total 23 percent of an employee's salary is contributed to the fund.

The MVA is a non-contributory social protection fund which is funded through public funds. Between January and July 2011, the fund paid out N$50 million in claims. This means on average, the fund pays out +_N$100 million per annum.

Social Protection Benefits

Namibia has not ratified convention 102; however, the government makes provision for social protection through a set of public measures. The country has three types of non-contributory social pensions. These are the old age pension, the disability pension and the war veteran's subvention.

The ***Universal old age social pension*** is paid to all citizens or permanent residents who reach 60 years of age, irrespective of sex, past and current employment status and income. The current amount payable is N$ 500 (US$ 58.44) per month[92].

Old age pensioners are also entitled to a funeral benefit. This assistance is provided in the event of a death of an old age pensioner. The package includes: a standard coffin, a grave site and programme for the funeral service, burial preparation service and transport of the body from home to the burial site. The value of all these is estimated at N$2200 (USD+-285.00) which is a one-off payment. There is no reliable information about how many people have benefited through this scheme.

The disability grant is paid to those aged 16 years and above who have been diagnosed by a state doctor as being temporarily or permanently disabled. This may include blind persons or those who are medically diagnosed with AIDS. The recipient should either be a Namibian citizen or a permanent resident if not born in

[91] Media Release (2010) Social Security Commission ups its benefits, Social Security Commission, Windhoek, Namibia.
[92] Presentation to Brazil-Africa Cooperation: Programme on social protection. Available at:
http://wwwIpc-uiidp.org/doc africa brazil/Namibia.pdt

Namibia and should reside in Namibia in order to qualify for the grant. The amount of money paid to persons living with disabilities is N$450 (US$58.44) per month. It is estimated that about 3 percent of the population of

Namibia (44,000) were living with disabilities (Subbarao, 1998). Beneficiaries of a disability grant are also entitled to a funeral benefit. The conditions are the same as for the old age pensioners.

War veterans' subventions grants are paid to those who took part in the struggle against South African colonial rule, irrespective of age, assets or employment status provided that she/he has an annual income of less than N$36,000. The value of this subvention increased from N$ 500 (US$75) in 1999 to N$2,000 (US$300) in 2007. In order to be a recipient the person should be 55 years of age and above, should be a Namibian citizen, should have participated in the struggle that led to Namibia's independence and should reside in Namibia. By 2007, the number of recipients of this subvention stood at 1,767. (Africa Cooperation: Programme on Social Protection, 2008).

Unlike the other grants mentioned, the War Veterans Subvention is the only one of its kind that is restricted to Namibian citizens and is not extended to permanent residents.

The Child Grants

There are five child grants in Namibia, four of which are public funded. These are: the child support grant, the foster care grant, the special maintenance grant and the place of safety allowance. The fifth grant is the child maintenance grant. The latter is not financed by the state directly, but is administered through the state. These are discussed below:

The Child Support Grant is paid to a biological parent of a child under 18 years of age and to those parents whose spouses (i) are receiving an old age or disability grant; (ii) have passed away; or (iii) are serving a prison sentence of three months or longer (Levine et al, 2009). The amount paid is N$ 200 (US$30) for the first child and N$ 100 (US$15) for each additional child for up to a maximum of six children. Certain minimum conditions have to be met to qualify for this grant. For instance, applicants must be earning monthly incomes of less than N$ 1 000 (US$ 150) and have to provide school attendance records, if the child is older than 7 years. The aim is to create a monetary incentive for parents or guardians to ensure that children remain in school.

The Foster Care Grant is paid to any person who for reward or otherwise undertakes to take care of a child temporarily as per section 31 (1) (b) or section 50 (1) of the Children Act, (Act no 33 of 1960). The value of the Foster Care Grant is N$200 (USD 26) per month for the first child and an additional N$100 (USD 13) for every additional foster child. Unlike in the child support grant, there is no limit set in terms of how many children a foster parent can register as beneficiaries (Levine et al, 2009). Additional requirements are that the beneficiary has to be a Namibian citizen or a permanent resident if not born in Namibia. The grant is paid until such time that the Social Assistance Clerk advices otherwise.

The Special Maintenance Grant **for** children

This grant is given to children below the age of 16 years and who are medically certified by a state doctor as temporarily or permanently disabled (this includes blind children and or children with full blown AIDS). To qualify, the beneficiary has to be a Namibian citizen or a permanent resident. There is no reliable information about how many people have benefited through this scheme.

The Place of Safety Allowance

A Place of Safety Allowance is available to any person or institution having custody of a child who is under 21 years of age, placed by the Commissioner of Child Welfare in accordance with the Children's Act (Act No 33) of 1960 or the Criminal Procedure Act (Act No 51) of 1977 in the care of an adult[93]. To qualify for the allowance one needs to complete a Place of Safety grant claim form and an original order/s of detention (if the child is a juvenile delinquent)[94]. The value of a Place of Safety Allowance is N$10 (US$1.30) per child per day.

The child maintenance grant is a grant financed by a biological parent towards the support of his/her biological child. This grant is enforced by the state but is financed directly by the parent. The state intervenes in cases when the father or mother neglects to support his or her child materially. In many cases the complainants are single mothers. The defendant will be ordered to support the child by depositing a certain amount of money on a monthly basis to the courts or to be deposited in the personal bank account of the complainant. There is no

fixed amount as in the case of other child support grants. The amount is determined based on the income and expenditure of the defendant.

The state intervenes if the defendant disputes paternity. In that case, the state will demand that a paternity test be carried out at the cost of the state.

Motor Vehicle Accident Fund (MVA) Benefits

One public funded social protection program is the MVA fund. The MVA provides financial assistance and benefits to all people injured and the dependants of those killed in motor vehicle crashes in accordance with the MVA Fund Act No.10 of 2007. The fund provides 5 benefits as described below.

[93] Presentation to Brazil-Africa Cooperation: Programme on social protection.

[94] Ibid

Medical benefits

Any person involved in a motor vehicle accident is entitled to medical treatment amounting up to N$1, 5 million, which provides for medical treatment, injury management, rehabilitation and life enhancement.

Injury grant

The fund provides an injury grant to the value of up to N$100,000 depending on the degree of injuries sustained. This is a cash grant that serves as compensation for injury in respect of any one injured. The money is paid for pain, suffering and loss of amenities.

The funeral grant

If a motor vehicle accident victim dies, the family receives N$7,000 to cover burial costs.

Loss of income benefit

An injured person who is not able to return to work for a long time is granted a Toss of income' grant to the value of N$100,000 per annum. There has to be proof that the beneficiary indeed paid income tax for the year prior to or for most of the five year-period before the accident. In all other cases, the maximum amount payable will be the proven amount of actual loss suffered.

Loss of support benefit

Loss of support may be claimed by a dependant of a deceased provided that evidence of income tax payment for the tax year preceding the accident or most of the five year- period preceding death is furnished. The share is calculated on income assured to be not more than N$100 000 per annum, otherwise on an income assumed to be not more than the amount set as the tax threshold per annum.

Employment-linked contributory schemes

There are two major employment linked social protection programs in Namibia. These are the Social Security Commission (SSC) and the Government Institutions Pension Fund (GIPF).

Social Security Commission benefits

In accordance with the Social Security Commission Act, the primary purpose of the Social Security Commission is to professionally administer the funds and make recommendations to the Minister of Labour and Social Welfare regarding possible changes and amendments to the Act. The administration of funds involves the collection of contributions, registration of members (employers and employees), and payment of benefits and investment of funds. In line with ILO convention 102, the SSC ensures that employees are taken care of during maternity, whilst they are sick and once they die. As a social security commission member, the employees have access to the following benefits:

Maternity Benefits cover a 12 week period. The pregnant employee is expected to start her maternity leave 4 weeks before date of confinement and to take the remaining 8 weeks after confinement. Maternity claims on the

other hand have to be submitted to the Commission not later than 7 days before the expected date of confinement. A woman on maternity leave qualifies for 100% of her remuneration. To date, the minimum benefits are N$300 and the maximum is N$9000 based on the basic income of the employee.

The Sick Leave Benefit is usually payable after an employee has exhausted the leave period provided for under the Labour Act or contract of employment and is still booked off by a medical practitioner for 30 or more consecutive days. Sick Leave benefits are paid at 75 % of the basic salary for the first six months. The minimum sick leave benefit paid is N$225.00 per month and the maximum is N$6,750.00 per month. A 65 % payment for a further 18 months, of between N$ 195.00 per (minimum) and N$5,850 per month (maximum)[95] is allowed when necessary. Claims must be submitted within 30 days after the expiry date of paid sick leave, as provided under the labour Act[96].

The Death Benefits include a single one -off payment of N$5,000.00 (U$714.28) paid upon the death of a fully paid up member or upon retirement or permanent disability. Applicants must submit claims to the Social Security Commission within 30 days after the member has died.

The Employee Compensation Fund (ECF)

This is a fund established by the Employees' Compensation Act (Act 30 of 1941). Its main purpose is to compensate for disablement caused by accidents or industrial diseases contracted by employees in the course of their employment or for death resulting from accidents and diseases[97]. The fund excludes persons earning more than N$72,000 per annum, a person who sub-contracts others to carry out work he/ she has been contracted to do and persons who work solely for a commission or a share in the takings[98].

In terms of benefits and claims, compensation payable to an injured employee during total disablement is determined at a rate of 75 percent of his/her monthly earnings up to a maximum of N$5,000. The maximum compensation for temporary disablement is N$3750 per month. No compensation is payable in respect of the

55 Ibid "5
Ibid
r Social Security Commission (2010) Employees" Compensation Act, 1941 (Act No.30 of 1941), Windhoek, Namibia. [98] Ibid

first three days of disablement.

The fund caters for medical expenses in respect of injured employees, transportation of injured employees, payment for temporary incapacity (or disablement), permanent disablement compensation, funeral expenses benefit, payment of partial dependency lump sums, as well as compensation to survivors ".

The Civil Servants Pension Fund (GIPF) Benefits

The GIPF offers 8 interrelated benefits as follows:

Retirement benefits

The fund administers two types of retirement benefits. The first is the normal retirement. Members qualify for the normal retirement benefits when they reach the age of 60. Upon retirement, the member would receive a tax free lump sum of one third of the total pension. In addition, he/she would receive a taxable monthly income for life. The calculation of the benefits are determined through a formula that takes into consideration the final salary, a percentage of the member's salary and the number of years of service. The second is the early retirement. This benefit is applicable to employees who choose to retire earlier before the age of 60. An employee qualifies for early retirement from age 55. The employer has to confirm (in writing) that the employee will retire earlier. The early retirement benefits are calculated in the same way as those of normal

retirement but the pension amount is reduced for every month the employee falls short of the normal retiring age.

Resignation and Dismissal Benefits

An employee who is dismissed or resigns would receive his/her accrued benefits based on age, salary and service period. The employee would then be provided with the following options:

- To take the benefit in cash. (The benefit will be taxed);
- To transfer the benefit to a new employer's pension fund;
- To transfer the benefit to an approved retirement annuity;
- To transfer the benefit to an approved preservation fund, or
- To keep the benefit within the GIPF if he/she has been a member of GIPF for an uninterrupted minimum period of 10 years.

Retrenchment benefits

Upon retrenchment, the employee is entitled to a service bonus that is paid by the employer. The benefits are calculated in the same manner as normal retirement

Ibid

benefits plus the shortest of the following periods: 1/3 of service period of the employee, the difference between real date and actual date of retirement and a period of 5 years.

Health benefits

Members qualify for ill-health retirement benefits if they suffer from continuous illnesses such as uncontrolled diabetes, persistent lower back pains, etc. The services of such members are terminated and they become pensioners. To qualify for this benefit, the employee has to be assessed by the Medical Board whose members would make recommendations to the Public Service Commission about the condition of the employee. The member will receive a pension calculated in the same manner as for those who went on normal retirement. The difference between the two benefits is that the service period for ill -health retirees could be shorter than the period of those who went on normal retirement.

Disability benefits

Members who qualify for disability benefits are those who have suffered from traumatic bodily injuries, cancer, stroke, etc. A report from the Medical Board would be required to confirm the condition of the member. Although the services of such employees are terminated, they remain full members of the fund; they contribute to the fund and qualify for death and funeral benefits like any civil service employee. They receive a disability income equal to 75% of the salary they were receiving before they became disabled.

Funeral benefits

GIPF provides a funeral benefit as a lump sum to assist members with funeral costs. N$5,000 is paid on the death of the member or spouse. Deceased children over the age of 1 year qualify for N$1,000 whilst those less than a year old qualify for N$500 as a contribution towards funeral costs. Claims can be made and paid within 24 hours. If a couple are both employed as civil servants, only one can claim the benefits payable per funeral. This benefit does not form part of the contributions towards pension savings. In the case of multiple spouses claiming authenticity to make claims, GIPF will transfer the issue to the court that will decide who the authentic spouse is based on proof of proper documentation.

Death before retirement benefits

If a member dies before retirement, the fund will pay out a tax-free lump sum of two times the annual salary of the deceased employee. The qualifying spouse[100] would receive a pension which is equal to 40% of annual salary for life and children[101] (maximum 3) will receive monthly incomes of up to a maximum of 30% of the annual

The fund recognises traditional marriages provided that they are verified by an affidavit issued by a recognized traditional leader when the member was alive. In the absence of an affidavit, the spouse will not receive the benefits.

salary. Disabled children and students above the age of 18 can also be considered to receive the benefits. The Children Pension can be paid for an unborn child up to the age of 18 years if the mother was widowed during pregnancy. The child pension is only paid up to the age of 18 years. Thereafter the child will access the other portion of the pension preserved at the Master of the High Court at the age of 21 years.

Children can remain beneficiaries up to 25 years of age provided there is proof of an uninterrupted study period up to tertiary education. Disabled children get paid up to the age of 25. The parents of the deceased member are also eligible to receive a lump sum amount as it is a requirement that they are part of the beneficiary nomination list. They will not get a monthly income but will receive 2 times the annual salary of the deceased member as a one - off payment.

Death after retirement benefits

Should the pensioner die within the first 5 years (called the guarantee period) after retirement, the spouse will receive a pension equal to the amount that the deceased pensioner was receiving. This amount will be reduced to 50% once the guaranteed period expires. If there were no dependants, the pension to be paid in respect of the guaranteed period will be paid into the member's estate. If a pensioner dies after the age of 65, the spouse will receive 50% of the amount that the pensioner was getting. In the case where the member had no children or spouse, the pension will cease to exist.

Other public funded programs: Namibia also has other public funded programmes. These include labour-based public works programmes, food distribution in times of humanitarian crises such as the frequent droughts or floods, and a school-feeding programme.

Informal Social Protection

Namibia's population is predominantly rural. There are many adult Namibians who could never secure a formal or informal job due to reasons such as the inability of the economy to absorb too many unskilled workers. Historically, women were left behind in rural areas to take care of the rural family and household. It is for this reason that "informal" social welfare arrangements such as extended family networks, remittances, and sharing of food and other necessities and interest-free loans from relatives and neighbours, continue to play an important role in mitigating poverty. The informal assistance ranges from monetary contributions to provision of goods and general assistance during challenging times such as the ill-health or a death of a family member or an acquaintance. In the era of HIV/AIDS, much of the informal assistance contribution is channeled towards funerals and the payment of school fees.

[101] Qualifying children include biological, legally adopted, and stepchildren under the age of 18.

Informal social welfare arrangements are gradually declining and becoming insufficient due to factors such as poverty, unemployment high mortality rates due to the HIV and AIDS epidemic, high levels of migration to urban areas in pursuit of formal sector jobs, and food insecurity.

Challenges Facing the Social Protection Schemes

The provision of social protection benefits in Namibia faces a number of challenges. These include lack of national documents by potential beneficiaries, lack of information, inadequate monthly grants, urban bias, poor service delivery by payout officials, crime at pay-out points, corruption and concerns regarding sustainability. These are discussed in detail below.

Lack of national documents

To register for some schemes as a beneficiary, several documents are required especially the national identity document (ID), birth certificate or some letter from a local or regional authority or church certifying that indeed the applicant is a resident in a particular constituency.. However, despite some drastic improvements in the provision of national documents by the Ministry of Home Affairs and Immigration there are still a large number of people who do not have such documents especially those residing in rural areas. The difficulties in obtaining the necessary documents result in exclusion on the basis of lack of documents and hence the inability to access welfare grants, enter school or apply for exemptions from payment of school fees or health costs (Third National Development Plan, 2008).

Lack of information

It has been established that some workers in Namibia are not aware of their rights to social security. Research findings clearly indicate that many workers have little understanding of the benefits to be accrued from the Social Security Commission. Workers such as domestic, informal and farm workers have no knowledge of the Social Security Commission and the benefits offered (Shindondola-Mote, 2008). This could be due to lack of recognition of the fact that such workers are also employed and should also be entitled to benefits made possible not only by their employers, but through government funded social protection schemes. But lack of information also has to do with the fact that potential beneficiaries often do not know what the requirements are to be able to benefit from the available services.

Inadequate monthly grants

As earlier mentioned the government has over the years increased the total monthly grants, especially the old age pension. However, due to several reasons such as lack of employment, high living cost and high inflation, decreasing remittances due to lack of jobs and increasing number of orphans due to the HIV/AIDS epidemic, many beneficiaries complain about the inadequacy of the grants. To address this challenge, it may be necessary for the government to consider a Basic Needs Basket Approach (BNB) to social protection. This means that grants should be increased in line with the cost of a BNB. Such basic needs could include food, clothing, shelter and additional needs such as school fees, transport, primary health care services, etc. A mother of a child living with disability bemoaned:

> *Placing my child in a special school is very difficult and I was put on a waiting list for two years. They don't provide meals so I have to pack her something every day and I can only get her uniform at a more expensive store. I believe this is the reason why a lot of disabled kids stay at home since parents can't afford the school requirements. Most children without medical aid do not receive physiotherapy even though they need it. I think they should be exempted so that parents can fend for other children as well. Kids on wheelchairs require a nanny and an escort to hospitals and if the payments were increased, this would be possible.*

Urban biased services

As earlier indicated many of the social protection as well as the social insurance services are easily accessible to urban dwellers. It is also generally the urban dwellers that have easy access to reliable information as well as easy access to the offices and officials that deal with issues relating to the services. It is therefore important that investment in out-reach programs be made a priority so that rural-based Namibians can access such services.

Poor service delivery by pay-out officials

Discussions with some beneficiaries point to the fact that incidence of verbal abuse especially towards beneficiaries who are not competent in the English language were widespread. Some respondents indicated that some officials behave as if they *'own the money and those receiving it do not deserve it'*. Others complained about waiting for too long in queues weathering the hot sun and sometimes cold winds, something they believe could be avoided if the officials carried out their duties with due diligence.

Crime

This challenge is outside the control of the schemes, but it is important to note that some beneficiaries also raised concern about incidences of crime at pay-out points. They indicated that old age pensioners as well as those living with disabilities (especially those confined to wheelchairs and the blind) are easy targets of crime. They

are robbed of their grants at the pay-point centre, on their way home or at home. The culprits were often cited as their own children, grand children or neighbours.

Grant beneficiaries also fall prey to unscrupulous business men and women. Such people target the beneficiaries and promise them some rewards for small investments. It is important that adequate security is provided for old age pensioners to prevent or minimise such incidences.

Corruption

Corruption has also been noted as a serious challenge. Particular reference was made to the child maintenance grant. Some beneficiaries of the child maintenance grant noted that the registration procedures are cumbersome. With regard to maintenance claims, corruption and bribery take place at many levels. Benefiaries complain that sometimes the officials at court who are supposed to summon the defendant do not do so as soon as a case is opened. Employers were also accused of colluding with defendants in making false declarations of income to the courts. Such practices result in complainants of not receiving any payments or the defendant getting away with declaration of false information. Below follows some views of beneficiaries of the child maintenance grant:

1. *The cases take too long to be decided upon. Some men deny paternity and one has to wait for a long time before the DNA tests are released. I think in future such men who play the delay tactics should be punished so that they are used as an example to deter others from behaving the same. In the majority of the cases, the results come back positive that he is the father. In the meantime, his child continues to suffer whilst he is playing mind games.*

2. *I think the men use such excuses so that if the woman is not strong enough or patient enough she will just not pursue the matter. It is kind of humiliating for a child's paternity to be doubted because it is almost as if the men want to show that you do not know whom you had sex with.*

3. *Some men even go to lawyers to avoid paying maintenance. He will admit that he is the father, but instead of paying maintenance for his child, he would rather pay the lawyer an effort to proof that he has no money for child support. This is ironic.*

However, the most prevalent case of corruption is about the GIPF. The board and senior management of the Government Institution Pension Fund (GIPF) were accused of misappropriation of members' contributions. The alleged corrupt activities occurred through the distribution of loans to companies headed by influential people. Loans worth N$659 million were given to some 21 companies. Some of these companies received money without even providing any sort of collateral. Some companies were also mentioned as having received loans without formally applying for them. Others received millions of dollars from GIPF without signed approval by the fund's board of trustees. Some companies received second loans even before paying off the first one (Ndjebela & Heita, 2010). Others closed down without even paying back one dime.

The government has instituted an independent investigation into the matter. In the meantime, some civil servants are concerned about the possibility that they have already lost their pensions before retirement. They are calling for improved control mechanisms to ensure that such loss of workers' money is avoided in future. They are also calling for alternative and flexible benefits that should enable workers to draw from their pension before the official retirement age of 60.

Sustainability

To sustain Namibia's social protection program will depend on the extent to which the national economy is able to absorb as many people in the labour market as possible. There will be a need for a bigger middle class for government to be able to draw enough taxes to distribute to the poor. Even the social insurance programs which depend on contributions from employees and employers can only be sustained if the economy is growing and jobs are being created. Namibia's social protection including social insurance programs may not be easily sustainable in the long run because of the following reasons:

- Large Income Inequality: Namibia is currently regarded as the most unequal society in the world. This means, we have a very small percentage of people who are paying income-based taxes regularly and in large numbers as compared to those who depend on taxes for survival.
- Unemployment currently stands at 51.2%., This means many people have no work and hence are not able to pay income tax or contribute to social insurance programs.
- **HIV** is rife, and the AIDS pandemic is killing many people. This means HIV/ AIDS is severely undermining the productive capacity of the nation.
- Increasing number of orphans and vulnerable children: Namibia's population is generally young. A large number of young people are orphans due to AIDS. The possibility that in future there will be a population that is largely dependent on the State for income is real because orphans and vulnerable children also receive a state grant.

  Besides, some of the orphans might never be able to hold a job for long due to early mortality.

With regard to the MVA fund, there are certain challenges that could pose a threat to the sustainability of the system. In this regard, the Injury Grant or general damages were identified as one of the major cost drivers. This is money paid out to injured persons in respect of the pain and suffering endured as a result of a crash. This particular grant is susceptible to corruption; some people have tried to tamper with medical reports to benefit financially.

This behaviour, which is fuelled by the injury grant, does not add any value to the long-term well-being of Namibians. For this reason, the Fund is considering, with the approval of Parliament, removing the injury grant from its list of benefits to concentrate fully on medical rehabilitation of the injured.

The Role of Trade Unions in Social Protection

Namibia has two trade union federations: the National Union of Namibian Workers (NUNW) and the Trade Union Congress of Namibia (TUCNA). The two federations share more than 30 affiliates with a combined membership of 110 000 - 160 000 and thus represent more than half of all Namibian workers in formal sector employment.

Due to tripartite labour relations in Namibia, trade unions are represented on different bodies that deal with social protection and social insurance. For instance, the NUNW is represented on the Social Security Commission Board, whilst the trade unions that organise the public sector workers, the Namibia Public Workers Union (NAPWU) and the Namibia National Teachers Union (NANTU) are represented on the GIPF board. However, representation alone is not enough if policy changes are not being made in favour of workers. This is because, despite the fact that trade unions are represented on these bodies, the representatives do not necessarily look out for the interest of workers.

Nevertheless, the NUNW continue to show support for broad-based social protection programs. In this regard, the NUNW's participation in the Basic Income Grant Coalition (BIG) provides an example of labour's participation in a broad front of organisations united by the desire to tackle poverty. The BIG results in Omitara were encouraging and the idea of a national BIG seems widely supported by workers across the country. This is hardly surprising as many workers still earn below N$1,000 per month and have to cater for large extended family networks. A national BIG would certainly lessen their financial burden and enable others to engage in economic activities as had occurred in Omitara. Also, the BIG is a tool for (modest) redistribution, as it benefits the poor while the wealthy cross-subsidize it through the tax system (Haarman & Haarman, Jauch & Shindondola-Mote, 2009)

Conclusion and Recommendations

Namibia cannot be described a welfare state, but since emerging from the apartheid era, the government has strived to address socio-economic inequities through a range of social protection programs. The Namibian

constitution is progressive since it requires the government to promote and maintain the welfare of the people by adopting policies to ensure equal opportunities for men and women, access by all to health and education, reasonable access to public facilities and services, a pension to senior citizens, and just minimal benefits indigent. Social protection in Namibia which comprises two major funding streams, public and private funding, could be described as comprehensive. It covers a range of state action programs that protect against risks, vulnerabilities and poverty. The aged, vulnerable children and the disabled are identified as groups that have to benefit from the social protection system.

Social protection is however centred on formal employment, with most financing drawn from the contributions by employers and employees. The informal sector employees are falling out of the realm of formal social protection, unless they are aged, or disabled. It has also been noted that most people who access social protection services with ease are those residing in urban areas. It is therefore important that outreach programs be intensified to be able to reach the Namibians in rural areas.

This paper however notes that Namibia has made dramatic and impressive progress since independence in terms of extension of social protection programs to the needy. Confronted by high levels of unemployment, deep-rooted and deepening inequalities, unacceptably high levels of HIV/AIDS, more and more children becoming orphans, social protection will remain an important tool if we are to address these socio-economic challenges.

It is furthermore important that development partners, government and civil society realise that lack of social protection is one of the leading contributors to socioeconomic inequities in Namibia. It is even more critical that Namibians quickly address the question of how the poorest of the poor can benefit from the country's economic progress and growth. The major challenge Namibia faces in terms of extension and proper inclusion of social protection relates to the fact that its social protection schemes are not able to reach the rural poor and most services are concentrated in urban areas and depend on contributions from employment linked income taxes.

There seems to be a general belief that as long as the person is employed, he/she will be able to sustain himself or herself, and that joblessness is a temporary condition. However, Namibia's unemployment problem has since been recognised to be structural and the achievement of full employment in the distant future is not likely. A large number of people therefore survive outside mainstream economic activities and hence are not able to pay taxes to sustain the government funded social assistance programs. In addition, as long as so many people are unemployed, they will also not be able to contribute to social insurance programs. It is because of these factors that Namibia as a country is urged to explore an alternative social protection system.

Recommendations

The study recommends that:

- Namibia develop a special program to take care of the unemployed, women and the youth;
- Out-reach programs be improved in order to reach the rural areas
- Namibia explores the universal social protection programs. One of the best ways to narrow the gap between the rich and the poor, to use social protection as a developmental tool, to ensure that social protection lift Namibians collectively out of poverty, and to stimulate investment in the productive capacity of the people is by introducing a universal Basic Income Grant. The idea behind such a scheme is simple. Every Namibian will qualify to get a monthly grant, whether rich or poor. Of course, the rich will not see the benefit of such a grant as compared to the poor. However, the trickle down effects will be wide-ranging. Such a grant could be financed through taxes. The higher income earners will be expected to pay a bit higher in income tax for government to be able to sustain the fund. The old-age beneficiaries will be excluded because they are already receiving a universal old age grant. The only requirement to qualify for a BIG will be to prove that you are indeed a Namibian citizen between the ages 0-59 years.

A BIG pilot project was introduced in Namibia in 2008 by churches and civil society organisations in a village called Otjivero about 60 Km from the capital. This was a very poor community, where unemployment was

unacceptably high, poverty was wide-spread, school enrollment was around 30% and drop out was around 60% and poverty-related crimes were widespread. Child malnutrition was the order of the day. However, a year after the introduction of the BIG in the village, unemployment dropped significantly, school enrollment and pass rates improved dramatically, crime dropped and child malnutrition was almost non-existent (see Haarman, C & D, Jauch, H & Shindondola-Mote, H, 2009).

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CHAPTER 4

SOCIAL PROTECTION IN NIGERIA

By

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Introduction and Background

Nigeria is located along the West African coastal region with an area of 923,768 square kilometers. It has an estimated 4,049 kilometers of land boundaries, shared with Cameroon in the East, Niger republic in the North, Chad in the North East, and Benin Republic in the West. The country is a multi-ethnic Federation divided into 36 states and the Federal Capital Territory (Abuja). There are more than 250 ethno-linguistic groups, but the three dominant groups are the Hausa living in the North, the Ibo in the Southeast, and the Yoruba who mainly live in the Southwest (HDR, Nigeria, 2010).

The country has an estimated population of 150.1 million people, an annual population growth of 2.3% and an estimated labour force of about 67million (FOS, 2009). Until the current global economic crisis began to affect the economy seriously, Nigeria's growth rate had been in the region of 6% annually between 2001 and 2008. However, the high growth rates have not translated into equitable distribution of wealth. Out of 174 countries, Nigeria is placed 151 in Human Development Index (HDI), 62 in the Human Poverty Index (HPI) among 85 countries, and 124 in Gender-related Development Index (GDI) among 143 countries. Currently over 60% of the population is living below the poverty line of less than $2 per day. It has an estimated GDP of about $173 billion (Nigeria HDR, 2010).

Demographically, the population has over 58% young people below 18 years, and an increasing dependency ratio estimated at 87.7%. The rural areas have a poverty incidence of 63.3%, while the urban areas have a poverty incidence of 43.2%. The official unemployment rate is about 20% of the total population (Nigeria HDR, 2010) though this is controversial.

The population displays profound inequities and disproportions with regard to development indicators: there are 21 doctors per 100,000 people; infant mortality rate is 112 per 1000 live births, maternal mortality of over 980 per 100,000 live births, life expectancy at birth projected at 50.1 years; People Living With HIV/AIDS (PLWA) are estimated to be 5.4% of the population (mainly adults aged between 15 and 49 years); while total fertility rate is now 5.2, and prevalence of contraceptive use remains 6%. In the area of education, there is a dearth of vital information; however, adult literacy rate is 61.1% while youth illiteracy rate (15-24 years) is estimated at least at 15.3 % (NBS, 2009).

Nigeria is the biggest oil exporter in Africa, with the largest natural gas reserve in the continent. Out of its fifty years of political independence the country has experienced over 30 years of military rule and the rest has been experimental democracy.

Since January 1984, the neo-liberal perspective of development has been dominant in Nigeria with its corollaries of liberalization, privatization (including those of social services sectors and infrastructure such as health, education, social security, housing, road and air transport, power, energy and roads), and indeed 'downsizing' of the public sector has been a central policy of the government in the last two decades. All these have occurred in the context of slogans such as the 'social safety nets' and 'rationalisation'. In addition, the general weakening of the labour movement has continued through a systematic policy of labour market liberalization as seen through 1996, 1999 and 2005 Amendments to the Labour Act of 1973 and a broad neo-liberal macro-economic policy.

The history and evolution of Social Security in Nigeria

The oldest institution of social security in Nigeria is the family. Traditionally, families, communities and peer groups have always existed to provide social protection to their members in the area of housing, farm work, feeding, naming ceremonies, wedding, burial arrangements, etc.

However, piecemeal social security programs in Nigeria have been in place since 1942 starting with the Workmen's Compensation Act. Others are benefits for temporary and permanent disability, unemployment, maternity and sickness. These have however been implemented albeit ineffectively and with no direct and regular funding.

The history of regulated private sector pension scheme in Nigeria could be traced to 1961 with the establishment of the National Provident Fund (NPF), which was established by an Act of Parliament. Its purpose was to provide income loss protection for employees as required by the International Labor Organization (ILO) Social Security (Minimum Standards) Convention 102 of 1952. The scheme covered only employees in the private sector, and the monthly contribution was 6% of basic salary, subject to a maximum of 1 cent to be contributed in equal proportion of half a cent each by the employer and the employee[102].

In 1993, the National Provident Fund (NPF) was converted to a limited social insurance scheme, administered by the Nigeria Social Insurance Trust Fund (NSITF). A defined benefit of the scheme in the NSITF covers employees

NSITF www.trustfimdpension.com

in the private sector working for organizations with a workforce of not less than 5 employees. In 2004, pension management and administration in Nigeria was transformed, with the enactment of the Pension Reform Act 2004.[103]

Before the enactment of the Pension Reform Act 2004, pension schemes which were an unfunded Defined Benefits Scheme that depended entirely on poor budget allocation whose implementation was weak and vulnerable. On the other hand many private sector employees were not properly covered by the scheme.

The 2004 Pension Reform Act designated the administration, management, and custody of pension funds to private sector companies, the Pension Fund Administrators (PFAs) and the Pension Fund Custodians (PFCs). The Act further mandated the Nigeria Social Insurance Trust Fund (NSITF) to set up its own Pension Fund Administrator (PFA) to compete with other PFAs in the emerging pensions industry, and also to manage the accumulated pension funds of extant NSITF contributors for a transitional period of five years.

In December 2010, an employee compensation Act was signed into law by President Jonathan Goodluck[104]. The Act replaces the 2004 workmen's compensation Act and it has largely addressed the weaknesses of the workmen's compensation Act (2004) in the areas of funding and scope.

Limitation of the study

The principal limitation during this study was the difficulty experienced in trying to gather data and information from government agencies and from trade unions. For the government agencies, it was largely that of bureaucracy while it was quite challenging trying to get interviews with trade union leaders. On the other hand, because the research team was also engaged in traditional trade union schedule of work, it was a challenge trying to create extra time for this study.

There is a general dearth of statistics and data that relate specifically to social security in Nigeria. Therefore, this study relies largely on social statistics from the National Population Census, Federal office of Statistics, Pension commission audited accounts and the World Bank.

103 www.trustfinidpeiision.com

104 President of die Federal Republic of Nigeria

Methodology

The methods used in collecting information are interviews, focus group discussion, questionnaires and the use of secondary materials.

Regulatory/Legal Framework for Social security

Indeed, the majority of the eligible population of Nigerians lives with the reality of social insecurity and hopelessness. This situation, undoubtedly, creates an obstacle in the wheel of the country's development vehicle and was a deciding factor in a recent attempt by the government to develop a comprehensive social security policy for the country. The current policy seeks to place a great premium on the people. The canvassed policy thrust is based on the objectives of a substantial reduction in crimes and corrupt practices, increased productivity through inclusion, reduction of poverty by reducing income vulnerability and promotion of solidarity, patriotism and nationalism. Currently, the relevant laws that govern social security in Nigeria are the Constitution of the Federal Republic of Nigeria and Convention 102 of the ILO.

1999 Constitution of the Federal Republic of Nigeria

The Nigerian social policy is derived from the fundamental principle and objective of state policy which is based *'...on the principle of...social justice'* (Sec 14.1). This is even further highlighted in Sec 16.2.d which obliges the Federal Government with the responsibility of ensuring *'that suitable and adequate shelter ...reasonable national minimum living wage, old age care and pensions, and unemployment, sick benefits and welfare of the disabled are provided for all citizens.'*[105]

The state law is established '...for every employment in the Public Service of the State, a Contributory Pension Scheme (in this Law referred to as the Scheme) for the payment of retirement benefits of employees to whom the Scheme applies under this Law...' (1999 Constitution). The Scheme applies to all employees in the Public Service of the State.

The Nigeria Social Insurance Trust Fund

Nigeria Social Insurance Trust Fund (NSITF) was established to succeed the National Provident Fund as the sole government agency statutorily vested with the function of providing social security, "for the poor, the aged, disabled and disadvantaged members of the population". Section 16 of the NSITF Act, No. 73 of 1993 mandated the fund to provide retirement pension, retirement grant, survivors benefit, death grant, invalidity benefit, and invalidity grant.

105 1999 Constitution of the Federal Republic of Nigeria

The statutory powers of the NSITF as the sole government institution charged with the responsibility of providing social security to Nigerian citizens was reinforced by the Pension Reform Act, 2004 which provides in Section 71 that "... *NSITF shall provide every contributing citizen Social Security Insurance Services other than Pension in accordance with the NSITF Act, 1993"*.

Unemployment

There are currently no statutory benefits provided for unemployment. The 2004 Pension Reform Act provides a legal platform for the National Social Insurance Trust Fund to introduce a social insurance program for unemployment benefits although, the contingencies to be covered and sources of funds are not specified.

However the ***National Directorate of Employment*** Act 1989 ***was established to*** design and implement programmes that would lead to reduction in mass unemployment. Therefore, it essentially provides skills and small grant to the unemployed but it does not substitute for unemployment benefit.

National Pension Scheme

This was enacted through a Pension Reform Act of 2004. It is a unified system of mandatory individual accounts which has been fully implemented for public and private-sector employees and has replaced the former separate systems for public and private-sector workers. When the reform was implemented, workers who were covered by the old social insurance system were required to transfer to the new system unless they were within 3 years of retirement. The contributions of workers excluded from individual accounts are paid to the single publicly operated pension fund administrator. Such excluded workers receive a lump sum benefit or periodic benefits calculated based on the value of contributions paid and life expectancy.

This new pension scheme is fully funded, privately managed with third party custody of the funds and assets, and based on individual accounts. It envisages that everyone who has worked receives his/her retirement benefits as, and when, due.

National Health Insurance Scheme Act

This act was established by decree 35 in 1999 *" ...for the purpose of providing health insurance which entitle insured persons and their dependants the benefits of prescribed good and cost effective health services..."* (NHIS Act, 1999). It requires that an employer who has a minimum of 10 employees must register them to contribute to the scheme.

The formal sector social Health Insurance Program is a social health security system in which the health care of employees in the public and private sector is paid for from funds created by pooling the contributions of employees and employers. In this context the formal sector consists of the public sector, the organized private sector, the armed forces, the police, paramilitary and Allied Services as well as voluntary contributors.

The labor code requires employers to provide employees with up to 12 days of paid sick leave a year and to provide paid maternity leave at 50% of wages for 6 weeks before and 6 weeks after the expected date of childbirth (labour Act,1973)

Workmen's compensation act

In line with the Workmen's Compensation Decree of 1987, all businesses must provide Workers' Compensation coverage for the benefit of their employees who may be injured or incapacitated while on the job. This requirement is satisfied by purchasing Workers' Compensation insurance, which is available from private insurance companies that are licensed by the National Insurance Commission (NAICOM). This law applies compensation to permanent, partial incapacity, permanent total incapacity, temporary incapacity, fatal accidents and death. It is worthy of note that the law creates exceptions to this general rule in cases where compensation cannot be claimed by the affected worker.

National Housing Fund

The National Housing Fund (NHF) scheme was established by Decree 2 of 1992 for workers to contribute 2.5% of their basic salary into the fund to be used to grant mortgage loans to them at very concessionary terms for the purchase, building, expansion or renovation of their houses. The scheme covers all public servants and employees in the organized private sector within the country (NHF, 1992).

A Primary Mortgage Institution accredited by both the Central Bank of Nigeria and the Federal Mortgage Bank of Nigeria accesses the fund on behalf of contributors. This scheme is designed for all contributors to the NHF. Benefits of this product include long tenor of up to 30 years and a low interest rate of 6% per annum.

The idea of a National Housing Fund (NHF) invariably arose out of a logic and understanding that workers, given the socio-economic realities of the day, may not be able to erect houses from their incomes. The National Housing Fund (NHF) was therefore envisaged to mobilize resources from both the workers and private enterprises or building societies under a broad policy outline formulated and regulated by government in the effort to provide shelter for Nigerian workers.

Employees Compensation Act, 2010

The Act, which covers employees of both the private and public sector essentially, seeks to:

- provide an open and fair system of guaranteed and adequate compensation for all employees or their dependants or any death, injury, disease or disability arising out of or in the course of employment;
- provide rehabilitation to employees with work-related disabilities as much as possible;
- establish and maintain a solvent compensation fund managed in the interest of employees and employers;
- provide for fair and adequate assessments for employers;
- provide for an appeal procedure that is simple, fair and accessible with minimal delays; and,
- combine efforts and resources of relevant stakeholders for the prevention of workplace disabilities including the enforcement of occupational safety and health standards.

The new Act provides for the establishment and maintenance of a solvent compensation fund managed in the interest of employees and employers to be pooled from 1% total pay package of employees, but paid by employers to the Nigerian Social Insurance Trust Fund (NSITF). That funds accumulated under the compensation fund will be available for investments gives hope on the strength of resources and sustainability of the scheme.

Coverage of social security schemes The

federal constitution

Section 14(2b) of the 1999 Constitution states that "the security and welfare of the people shall be the primary purpose of government". Section 16(2d) states *"that suitable and adequate shelter, suitable and adequate food, reasonable national minimum living wage, old age care and pensions, and unemployment, sickness benefits and welfare of the disabled are provided for all citizens".* Furthermore, Section 17(3c) states that State policy shall ensure the provision of *"the health, safety and welfare of all persons in employment..."* Sectionl7 (3d) asserted *that "there are adequate medical and health facilities for all persons".*[106]

The fundamental provision of the 1999 Constitution of the Federal Republic of Nigeria requires that social security scheme covers every citizen of Nigeria. In practice, the story is quite different. Most of the provisions are completely ignored by responsible authorities because of their being non-justifiable and because of sectoral disadvantages and contradictions. Indeed the provisions of the various schemes due to their sectoral coverage are biased and therefore in many cases contravene the provisions of the constitution particularly because there is no adequate corresponding compensation to groups not covered by a particular provision.

106 1999: constitution of the Federal Republic of Nigeria

The Pension Reform Act

The current law that provides for old age, disability and survivors' benefit is the 2004 Pensions Reform Act with coverage of 100% for all federal public-sector employees (including the military), public-sector employees in the Federal Capital Territory, and private-sector employees working in firms with five or more workers.

The coverage of this act excludes judges, diplomats, non-citizens covered by an equivalent program in another country, self-employed persons, the clergy, private-sector employees working in firms with fewer than five workers, and employees within 3 years of retirement from the date of the establishment of this decree.

Table 1: Number of pension registrants

S/no	Period	Total Registrants (million)
1.	2006(3quarters)	3,940,800
2.	2007	9,808,603
3.	2008	12,920,775
4.	2009	15,153,540
5.	2010	17,376,994
TOTAL		59,200,712

Furthermore, the unemployed who form more than 20% of the population are left out in the area of pension, maternity, medical and housing schemes except for students of tertiary institutions who form about 10% of the total population and who benefit in the area of access to health. However, the record of registrants indicates that about 88% of the total labour force so far is covered under the membership of the pension commission.

The National Health Insurance Scheme

The contributions paid cover healthcare benefits for the employee, a spouse and four children below the age of 18 years. More dependants or a child above the age of 18 are covered on the payment of additional contributions from the principal beneficiary. However, children above 18years who are in tertiary institution are covered

under a 'Tertiary Insurance Scheme'. Limited and episodic free medical care is available to the population through public clinics and hospitals.

National health insurance policy coverage for students of tertiary institutions can be as much as 100% medical treatment that does not require surgery or major medication. The limit of access differs for different institutions, i.e. colleges of education, polytechnics, universities, state and federal institutions. The limitations with accessing the National Housing Fund and National Health Insurance Scheme are the inadequate presence of mortgage and health institutions.

Because the public sector is present in the rural areas, rural sector public employees are 100% covered by the social security as defined by the national provisions.

However, the organized private sector, irrespective of national provisions does make some form of social security provisions for their employees. For instance, in the banking industry and many corporate organizations, medicals, maternity, injuries and gratuity are some of the common social security facilities that are provided.

Specifically, *"...the banks make it compulsory for their staff to be part of the pension and health insurance scheme. However, other social benefits such as housing and vehicle are given as loan only to a high category of staff usually, from level 3..." (A* bank worker). This level is attained usually after at least 12 years banking experience.

Urban coverage is 100% of public workers and workers from informal sector organisations that employ not less than 5 employees for different schemes.

On fatal accidents and death, *"different banks have different policies and practices which are, oftentimes, informal and un-documented. What this means is that the management decides on what it deems appropriate monetary compensation to the staff or the spouse and children in the case of death..." (Bank worker).* Appropriate monetary compensation is usually arbitrarily decided and where, in the case of death, the deceased has no legal spouse or child, then no compensation is given to other family members. Compensation to children and spouse could include monthly stipend and child education up to tertiary level (FGD, bank workers)[107].

The population that is not covered by NHIS is largely covered through the informal social security scheme of cooperatives, church, mosque, community help programmes, family and personal savings/income.

States Governments Programs on social security

In addition to national policies and programmes on social security, state governments do put in place the following social protection programs under the broad policy of poverty alleviation:

- Financial aid, soft loans and tax relief are provided to those with low incomes or inability to meet basic living costs, especially those who are raising children, the elderly, the unemployed, the injured, the sick or disabled.

- Free or low cost nursing, medical and hospital care, antenatal and postnatal care is provided to those who are sick, injured or unable to care for themselves. This may be available to everybody, and services may be provided in the community or at a medical facility.

- Free or low-cost public education for all children, and financial aid, sometimes as a scholarship or pension, sometimes in the form of a suspensor loan, to students attending academic institutions or undertaking vocational training.

- The state may also fund or operate social work and community-based organizations that provide services that benefit disadvantaged people in the community or the community at large.

Interviews and tocus group discussions

- distribution of handouts to the destitute, especially children;

- Welfare money paid by government to persons who are in need of financial assistance. The federal provision applies to states.

In addition, some States have free medical services and education. For instance, Zamfara, Katsina, Kano and other states that practice 'sharia'[108] legal system provide free medical services for maternity and to children up to the age of óyears.

Kaduna, Kano, Zamfara and Katsina are some of the states that provide free education to children in the first six years of education, while almost all of the 19 northern state governments provide scholarships to indigenous students in tertiary education. We need to note, however, that most of these welfare provisions are most common in the northern part of the country where poverty is at its highest. Starting with inequality measures, the North has a poverty index averaging 0.45, while the south has an average of 0.42. The northern zone has an average poverty index of 42.57, while the south zone has an average poverty index of 24.73. On human development index, the north has an average of 0.414, while the south has an average of 0.522 (UNDP, HDR 2008-2009).

Road Accident Health Insurance Scheme (RAHIS)

[108] An Islamic legal system

This is an initiative of the National Union of Road Transport Workers (NURTW) and its scope is nationwide. It is a Health Insurance cover for road users which constitutes the drivers who are registered under **NURTW,** and their passengers. ".. .the initiative was developed due to the concern of the union on the high level road accidents around the country where members of the union and their passengers are the most exposed to the frequency of road accidents" (GS, NURTW)[109].

Gender Dimesion

The population of the country is about 51% male and 49% female, and women constitute about half of the total labour force. Although sex discrimination is banned under the 1999 constitution, traditional practices still deprive women of many rights especially within the context of the penal code and the Shari'ah law. However, in the area of health both within the context of sharia and statutory laws, women have enjoyed some special attention; this is much so in the area of free access to pre and post maternity services.

Social statistics indicate that inequality in Nigeria is among the highest in the world (0.49 as at 2004)[110]. This manifests in unequal income distribution, differential access to basic infrastructure, education, training and job opportunities and placements between genders as much as between rural and urban communities. Gender inequality is sustained through a patriarchal ideology that manifests through socio-cultural practices and political exclusion which in turn exacerbates poverty within this group.[111]

While the Nigerian social security policy framework does not indicate any discrimination in terms of gender, the fact of its gender neutrality, however, could be a cause for worry. This is much so when due to the reality of gender, women have lower skills, education as well as access to resources compared to the men. Veiled discrimination would likely be in practice for recipients largely due to the existing socio-economic factors in gender power relations and how these affect decision making in the homes. For instance, in the decision to access the NHIS and the NHF, would the man be willing to access the services in the name of his wife who is the contributor or would they have an internal compensation mechanism should, particularly, the woman be the official beneficiary?

Informal Social Protection

[109] interview with comrade Kingsley of NURTW" no

World Bank Human Development Report, 2005 [111]1999,

Human Development Report, Nigeria

There are several informal social protection schemes that include the ones described below.

a. Esusu/Adashi[112]

This is a highly informal arrangement mostly common among small traders, and businesses, e.g. hair stylists, market traders, domestic workers, etc. A daily contribution which ranges between 50 cents and $7.75 is paid to a local collector who at the end of every month or two months as it may be agreed upon pays each contributor her/his worth minus a day's contribution in each month which is her/his service pay. Sometimes, a contributor may borrow from the pool of contribution a reasonable amount with interest.

The same concept/practice (esusu/adashi) also operates in formal organizations among staff, except that here nobody profits for services rendered, nor is any interest deducted. In addition, cooperatives may be formed by group of traders, artisans or workers. The advantage of this system is the guarantee of easy cash at the appropriate time without bureaucratic hurdles or collaterals. The amount involved is usually small but often sufficient to meet basic needs like payment of rent, children's school fees, house furniture and other family related sundry expenses. Indeed some staff of NLC often target collection period in their 'esusu' group to pay rent, children's school fees, and complete payment for vehicle purchase and even as down payment for building project, etc.

The esusu/adashi concept was later formalized by the government in 1987 as 'community bank' to create more reliability and a higher amount of soft loan with little or no collateral but rather relying strongly on established trade groups and using the community as guarantors. A community bank in Nigeria is a self-sustaining financial institution owned and managed within a community to provide financial services to that community. The National Board for Community Banks (NBCB) processes applications for the establishment of community banks. The first community bank commenced operation in December 1990.

Barely two years after a proclaimed 'success story' the banks started suffering from distress which continued until recently when the Central Bank of Nigeria after taking over the supervision of the banks from NBCB announced the revocation of more than 70% of the banks due to acute distress. The supervisory board had suffered from politicization and underfunding until the banks were eventually hijacked and then destroyed by corruption and greed of the elites in government and outside government.

A staff of the National Board for Community Banks who is also an active member of the National Union of Banks, Insurance and Financial Employees (NUBIFIE) Comrade Bukar Ibrahim has this to say *"...the community bank was established to help the informal sector particularly those with small funds to develop interest in banking and to have access to soft loans without the bureaucratic and huge collateral demands of the regular banks. The system encouraged small businesses to bring out monies hitherto hidden under pillows and mattresses to the bank they identified with and thus had easy access to. Unfortunately the policy failed due largely to government inconsistency, shortage of funds and deterioration in supervision..."*

The Unions in the banking and finance sector, in collaboration with the NLC should organise an intensive advocacy campaign to ensure a comprehensive investigation into what went wrong with a concept which was meant to provide an essential social security largely for the informal sector.

b. The extended family system

The extended family has historically played a vital role in the social, economic and political life of Nigerians. This family group has evolved an informal welfare system over the years ameliorating the inadequacies of the formal social security programs. Through this basic and generally resilient economic unit, resources are pooled to cater for basic needs such as the education of children, family health, housing and food.

It is based on principles of solidarity and reciprocity, involving obligations on members to be supportive of one another in times of need. Almost everyone, in one way or another, is a beneficiary of a system that plays a role in the care of children and of the aged, in the provision of assistance at weddings and funerals, in the funding of education, in supporting business ventures, in providing shelter in the city, and so on.

A local vocabulary for informal periodic contribution among a group

Financing for Social Protection

The modes of financing are discussed below. ***Mode of***

payment of contribution

The method for payment of contribution under the pension act is a minimum contribution of 7.5% of gross salary for civil servants and private employees while it is 2.5% of gross salary for military personnel. Employees' contribution is deducted at source. The employer in each case makes a contribution of between 12% and 15%.

Table 2a: Public Sector Pension contribution

Year	Amount (Naira billion)	Percentage of total
2004	15.60	3.85
2005	34.68	8.57
2006	37.38	9.24
2007	80.63	19.92
2008	99.28	24.53
2009	137.10	33.88
TOTAL	404.67	100.00

Source: www.pencom.gov.ng

Table 2b: Private Sector Pension Contribution

Year	Amount (billion)	Percentage of total
2004	—	—
2005	—	—
2006	23.03	8.74
2007	68.34	25.95
2008	80.81	30.68
2009	91.21	34.63
TOTAL	263.39	100.00

Source: www.pencom.gov.ng

(NB: these 2 tables should be commented on or at best explained in the text)

The NHIS contribution is 5% of gross salary from employees and 10% contribution of same from employers.

Payment of pension contribution is transferred to the PFAs but in the case of health it goes to the health centre through the NHIS on a monthly basis.

In informal social security practices, payment is made directly by members of the group on a daily, weekly or monthly basis. However, in the cooperatives, payment could be made from check -off and/ or in addition to direct payment. The check- off payment and additional payment is made monthly.

In Nigeria, the total contribution of social security to the GDP is estimated to be about 0.42% and this covers largely pension and the NHIS. Social security financing can be categorized into the traditional and the modern. While the traditional is largely informal, the modern method of financing which is more common today is largely formal.

The Traditional Financing

Perhaps the oldest form of traditional social protection is the family. Others are 'Esusu'/ 'Adashi', Age grade association, community development levies, town/ ethnic unions of people living outside their places of origin, etc. Others are revolving loan associations, loans from traditional moneylenders, social club contributions, and 'Aaro'/ 'aikin gaiya' where members contribute in kind by providing labour on members' farms or building site until the circle is completed. Contributions in cash or in kind would depend on physical and financial strength, thus it is graduated.

Yet another source of social security financing though old but now becoming very important are religious groups, e.g. the church, the mosque and the other religious groups. Specifically, they provide free or subsidized services to their members in the areas of health, education and personal activities such as marriage, naming ceremony and burials.

Informal and traditional social security practice involves payment of contribution based on an agreed amount for 'esusu/adashi'. Contribution to cooperatives is based on personal choice while the church and mosque largely rely on tithes, levies and voluntary payments by members or associates. Contribution in this case is made on a daily, weekly or monthly basis. The informal groups decide what is suitable for them. One must add, however, that among the small business holders, esusu/adashi contribution is more commonly a daily tradition (Akinkungbe, 2010).

The Modern Financing

The modern method of financing social security today includes: budgetary provisions, special extra-budgetary allocations, employer contribution and deductions from employees' salary, profits on pension and investments as well as personal savings and investment (See Table 3).

Table 3: financing of pension funds

Sources	2005	2006	2007	2008	2009
Accumulated funds	394,821,828	253,935,138	0,522,882	0,102,608	0,323,605
Capital grant	434,975,852	434,975,852	1,636,176	1,636,176	1,636,176
	■829,797,6801	■688,910,9901		■1,738,784|	
			|2,159,058|		

Source: Computed from Pencom annual account 2005-2009

Road Accident Health Insurance

Scheme Contribution to the scheme is by:

- Union members buying premium cards of different financial values per trip depending on the number of passengers they carry in the vehicles;
- adding the cost of the premium cards to passenger fare, usually not more than N100.00.

Investment of social security funds

The pension reform act provides uniform rules and standards for the investment of pension funds assets. Each PFA is mandated to establish an investment strategy committee as well as a Risk management Committee in compliance with section 66 of the PRA, 2004.

Funds are thus invested in bonds, treasury bills and other securities, real estate (backed by mortgage securities), equity and infrastructure bonds.

Table 4: Pension funds investment

Assets	2005	2006	2007	2008	2009
Fixed Assets	108,755,505	480,449,442	1,362,961	1,630,339	1,395,369
Current Assets	769,129,574	232,666,624	1,052,037	0,323,795	0,694,548
Total	480,449,342	769,129,574	2,414,998	1,954,134	2,089,917

Computed from Pencom Annual account 2005-2009

Table 5: Pension Fund Assets as percentage of GDP

Year	Percentage
2006	1.47
2007	3.5
2008	4
2009	6.18

Source: Pencom annual report 2006-2009

The Role of Social Security Funds in Development and Employment

Social security funds are long term investible funds which require financial prudence and strategic management. For instance, the mobilization of savings into the mortgage institutions provides incentives for the capital market and they are subsequently invested in property development. In addition, pension funds collected from employers and employees also provide long term funds which are often invested in real estate, mortgage institutions and stocks.

The profits or dividends from these investments are often shared between the PFAs and employees; more importantly however is the fact that the availability of these funds has also created employment in the area of productive investment. For instance, the availability of social funds and the introduction of PFAs have created jobs and also given workers a choice which therefore makes the PFAs to become strategic in their choice of investment portfolios.

Cooperatives: Monies pooled under this system are often invested through savings, stock, transport or other agreed assets. Members can draw from their savings at a given period and profit on investment or accrued bank interest is shared according to individual savings

RAHIS: Funds pooled under this system are invested through bank deposits, thus creating a larger pool of reserve available for investment and subsequently employment generation.

Benefits

Condition for assessing benefit

The Pay As You Earn (PAYE) income tax system provides allowance up to 1% of income per child for a maximum of four children. Eligibility for men is almost automatic on completing the tax form; however, female workers who are eligible by way of dependants will have to attach proof of responsibility (e.g. court affidavit).

Eligibility for assessing the pension benefit is the attainment of 60 years in the civil service or 65 in the military and paramilitary service. It requires at least 12 months of pension contributions and the payment is a lump sum equal to the final month's contributions multiplied by the number of months of contributions. The pension is based on the insured's contributions plus accrued interest.

The insured may purchase an annuity or receive periodic payments on a monthly or quarterly basis calculated based on life expectancy on retirement.

The eligibility for accessing benefits based on permanent disability is a medically certified report from a senior doctor in a government hospital. The requirement is a total of 36 months of contributions including 12 consecutive months. The monthly benefit is paid for up to 24 months in the following order: 100% of basic pay for 6 months, 50% for the next 3 months, and 25% for the next lonths. A partial lump sum from the accrued contribution can be paid, provided that the remaining balance is sufficient to purchase an annuity or fund periodic payments equal to at least 50% of the annual earnings received at the time the disability began.

What is required to access the **Survivor pension** is that the deceased was eligible for the disability pension or the old-age pension at the time of death. Eligible survivors are the deceased's spouse and children or persons named by the deceased; in the absence of a spouse and children, the pension is paid to the next-of-kin or the administrator of the deceased's estate. The benefit is then calculated based on 100% of the balance of the deceased's individual account plus the lump sum from the employer-sponsored life insurance policy. The survivor has the choice to purchase an annuity or receive periodic payments on a monthly or quarterly basis calculated based on life expectancy.

The survivor can also decide to receive a partial lump sum from the balance in the deceased's individual account, provided that the remaining balance is sufficient to purchase an annuity or to fund periodic payments equal to at least 50% of the deceased's annual earnings at the time of death. The survivor pension is not payable abroad.

The NHIS: Medical benefits include consultancy, hospitalization, medicines and a treatment that does not include major surgery as well as transportation. Only contributors of the NHIS scheme enjoy these benefits as well as students in the tertiary institutions. The NHIS provision can only be assessed for local situations.

When an employee suffers from occupational injury or disease s/he is automatically entitled to receive benefits which may include cash or wage-loss benefits, medical and career rehabilitation benefits, and in the case of accidental death of an employee, benefits to dependants. The negligence and fault of either the employer or the employee usually are immaterial. Contract and casual workers are not entitled to workers' compensation benefits.

Workmen's compensation Act: A worker whose injury is covered by the workers' compensation statute loses the common-law right to sue the employer for that injury, but injured workers may still sue third parties whose negligence contributed to the work injury. For example, a truck driver injured in a rear-end collision by an unemployed third party would be entitled to collect workers' compensation and also to sue the third party for negligence. In such cases a plaintiff who recovers money from a third-party lawsuit must first repay the employer or insurer that paid workers' compensation benefits. Many jurisdictions permit the employer or his/her insurer to sue negligent third parties on the employee's behalf to recover funds paid as workers' compensation benefits.

The condition for accessing the **sickness and maternity** benefits: Although there is no statutory cash benefit for sickness and maternity, the benefit comes only in the form of leave after presentation of a valid doctor's report from a government hospital. However, the 2004 Pension Reform Act provides enabling legislation for the National Social Insurance Trust Fund to introduce a social insurance program for sickness and maternity benefits.

The labour code requires employers to provide employees with up to 12 days of paid sick leave a year and to provide paid maternity leave at 50% of wages for 6 weeks before and 6 weeks after the expected date of childbirth. Currently, employers do not pay for maternity leave. Rather most women in practice take their annual leave during this period and so what they enjoy is the annual leave grant.

At the state level (not federal), many governments especially in the northern part of the country where both infant mortality and maternal mortality are as high as 110 and 100 per thousand respectively juxtaposed with the highest level of poverty in the country, free pre and post maternal services are provided to all women and children have access to free medical services in the first five years of life. These services specifically include: antenatal and post natal services, delivery (without surgical operation and hospitalization), immunization for mother and children under 6 years. Kaduna, Kano, Zamfara, Katsina and Sokoto are some of the states that popularize these services.

Again in Zamfara, Kaduna, Abuja, Kano and Lagos, state transportation has been subsidized to ease movement of workers, women and school children. Taxies and buses were introduced in Lagos, Abuja, Kaduna and Zamfara, while tricycles have been introduced in Zamfara, and Kano as a revolving loan scheme to the "poor" specifically in the informal sector.

Many states, particularly in the northern region, provide free education in public schools for the benefit of the poor. Other benefits these states provide to the poor include assistance to farmers in the areas of subsidies on fertilizer, tractors and seedlings.

Unemployment status does not attract any benefit; however, the 2004 Pension Reform Act provides enabling legislation for the National Social Insurance Trust Fund to introduce a social insurance program for unemployment benefits. Unfortunately, the contingencies to be covered and sources of funds are not yet specified.

Employees' compensation Act 2010

According to the new law, employees are entitled to free monthly compensation when injured at work, including rehabilitation and career guidance until they are able to return to work, unlike before when they were paid one-off lump sum compensation. These benefits are funded by one percent of payroll contribution by the employers including the Federal, state and local government as well as the private sector. Other benefits of the law include a *"no-fault provision"* in which employees are no longer required to prove not guilty of negligence as was the case in the repealed law.[113]

RAHIS

In the case of an accident, victims will be evacuated to the nearest hospital. The insurance covers injuries, permanent disability, and death in the following specifications:

- Permanent disability benefits of N100, 000 . Death benefits of N150, 000
- Medical treatment of up to N1, 000, 000 for NURTW members and N40, 000 for their passengers.

Administration

The Federal Ministry of Labour and Productivity provides general supervision on pension. The pension commission is managed by a board of directors and a management committee; the Nigeria Social Insurance Trust Fund administers the program. The National Pension Commission regulates, supervises, and provides licenses to pension fund administrators (PFAs). Pension fund administrators administer individual accounts.

Trust fund Pensions Pic also administers contributions of workers excluded from individual accounts and administers benefits for those who became eligible before the implementation of, or excluded under, the 2004 law. In addition, Trust fund Pensions Pic also competes with other PFAs to administer individual accounts for new entrants to the workforce

Challenges facing the Social Protection Schemes

The challenges facing the scheme can be summarized as follows: lack of funds, data reliability, uncertainty, inflation, budget, poverty, low education, low income and politics.

The Pension Scheme: One of the fundamental challenges that the scheme is confronted with is insufficient funds which is largely occasioned by poor income. In a country where the minimum monthly wage is $50 and more than 60% of the population earns below $2 per day, juxtaposed with a cost of living index that is as high as $150 in a month, the amount of contribution to both the formal and informal schemes is insufficient to provide an

employees compensation act, 2010

adequate social protection.

Inflation and inconsistencies in policies could also affect the trust and acceptance of the scheme by the general public. A few years ago there were unconfirmed reports about maladministration in one of the big PFAs and the leadership had to be changed. Ultimately, the abuses by PFAs are part of the consequences of the privatization of social security programmes that were formerly in the public sector.

National Social Insurance Trust Fund: Political vulnerability and policy inconsistencies affect the rules and practices in the social security industry. The change from Nigerian Provident Fund, to NSITF to Pencom has the potential to create mistrust. The paucity of reliable data and statistics makes it difficult to design and effectively implement a social security policy that adequately covers the different sectors of the population in terms of age, gender, sector, income and location.

Again the implication of low contribution to pension, health and housing schemes is that there are not enough investible funds and therefore profit from investment is inadequate. Besides, there is insufficiency of gratuity, or pension to meet needs of individual. . For instance, an average worker in the labour union who has put 20 years in service, earning a salary of about $1000 per month is expected to earn a gratuity of about $20,000 as retirement benefit!. Unfortunately, the implication is that more women will earn less since they usually are at the lower rungs of the ladder. For example, a woman secretary who has put up 30 years service in the same organization earning about $500 per month will end up with $10,000 as gratuity.

NHIS: fundamental challenge in this case is the inadequacy of health institutions particularly in the rural areas. There are also very few health centres that provide specialized services such as paediatrics, surgery, etc. Currently, the budgetary provision for pension and health insurance is less than 1% of the budget, which again contributes to low investible funds which affects capacity for productive investment and thus low employment

generation. There appears to be poor attitude to the use of hospitals and clinics ... *I do not subscribe to the policy (NHIS) because the hospitals are not reliable, no qualified doctors and they lack adequate facilities" (Madam Zainab)[114] .. .1 would rather visit the chemist of or use traditional treatment. ..it (traditional) is cheaper and more reliable...*

RAHIS: In some states some of our members are reluctant to participate in the scheme because they claim that it is God that protects (GS, NURTW). Indeed the expression of fatalism may also not be unconnected with some sense of mistrust and poverty. The limit placed on permanent disability (N100, 000) and treatment (N40, 000) for

[114] Interview with a primary school teacher

accident victims is rather very small. But in a situation where it is largely the low income population that travels by commercial transport there may be the need to guard against their already high cost of travels.

National and state level programs: Facilities and programs aimed at helping the poor in our society have always been diverted by a few privileged. For instance in some states, taxi schemes were set up to ease transportation difficulties but the cars were distributed to the rich and privileged after which the poor is employed under harsh conditions as drivers. The vehicles are, in the first place, supplied by contractors at inflated prices!

In the area of farm assistance, again there are many instances where these have been diverted by the rich and privileged, leaving the real farmers to pay for these facilities at high costs.

Traditional social protection: There are significant changes in the extended family system today as we witness an increasing burden on family and at the same time a shrinking of the extended family due to urbanization and increasing high cost of living. These have had an attendant effect on the economy of the households and consequently their ability to continue to render social assistance even where the demand is increasing (Akinkungbe, 2010).

Again, low income and high level of inflation have either reduced the ability to contribute to traditional social protection basket or that the amount of contribution has shrunk significantly for many, particularly in terms of purchasing power.

Gender Dimension

Because of their lower level of skills and education, the female gender forms the bulk of those in the informal sector, those that are unemployed and those in the lower rungs of the office ladder (FOS, 2008, UNDP HDR, 2009). The provision of mortgage and vehicle loan as it is practiced in many organizations including the trade unions is targeted at management staff and in many cases this practices excludes most women.

They are often left at the mercy of community and extended family. Since women constitute the bulk in the informal sector, the implication is that women become the most vulnerable with the least access to social security.

The interview with the president of Non-Academic Staff Union of Universities (NASU)[115] with 70% female membership may summarize some salient but critical issues relating to gender in the provision of social security services in Nigeria:

> *pension scheme is contributory, the union provides staff hospital, maternity leave comes with full pay, hazard allowance, accident free bonus, housing and leave grant..." others are "...permanent salary in case of permanent disability including payment of medical bills, compensation as a percentage of salary to family at death including responsibility for burial. However there is no special provision for maternity and children" (Ladi, NASU).*

These all refer to public-funded universities; the conditions are more precarious in private universities where workers are not allowed to unionise. Health facilities may be provided but no special provision for the reality of the female gender in terms of pre- and post-natal facilities. For instance, only the NLC Headquarters and one bank provide free creche service in the Federal capital territory!

The Pay As You Earn income tax system provides allowance up to 1 % of income per child for a maximum of four children. Whereas a man can easily claim in the tax form that he is married with four children, a woman on

the other hand will have to submit proof usually in the form of a court affidavit that she is the sole sponsor of her children.

Role of Trade Unions in Social Protection Schemes

Over the years, one of the thorniest and controversial policy issues confronting most countries has been the evolution and establishment of a sustainable social security system for its citizens. To come to grips with the situation, several governments have collaborated with stakeholders or non-state actors that include the trade unions. The Nigerian situation had not been different. Led by the Nigeria Labour Congress (NLC) in collaboration with the Trade Union Congress (TUC) and other civil society organizations, the labour movement have robustly engaged employers and the Nigerian government in the evolution of social security programs in the country.

According to the International Labour Organization (ILO), and this is broadly covered in Convention 102 of 1952, social security programmes are defined by *"the protection which society provides for its members through a series of public measures against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, invalidity and death; the provision of medical care; and the provision of subsidies for families with children"*.

Thus, besides negotiation for wages, social security is one the basic pillars of decent work. Without social security, neither work nor life in the formal and informal sectors of the economy can be described as being decent. Accordingly, the promotion of provisions of social security programmes is pivotal to the protection of the welfare of union members who are retired or still in regular employment.

[115] Ladi Ilya, President, NASU

However, trade unions have had a herculean task in properly engaging policy makers in establishing an effective social security system in Nigeria as successive governments have never been interested in the issue. It was not until March 2010, that the government woke up to its responsibilities by setting up a committee to evolve modalities for implementing an integrated social security programme in the country. What hitherto had existed were pockets of programmes without a unified policy. As noted by Aturu (2005:212), despite tantalizing constitutional provisions that enjoin the state to make the security and welfare of its people a primary mandate, mass neglect and poverty are rampant and ubiquitous as social security programmes, particularly pension administrations, have been enmeshed in corruption and gross incompetence.

Hence, like the government, trade unions in Nigeria do not have an integrated policy on social security. What obtains is fragmented, but efficacious policy positions on a number of programmes, which have propelled the state into action. Some of these include the new Pensions Reform Act of 2004, the National Health Insurance Scheme Act of 1999, and the National Housing Fund. Also, through collective bargaining individual unions have succeeded to obtain agreements for their members covering injury and permanent invalidity, medical and maternity expenses, children education, among others. However, our focus here would be on social security schemes that have national impact. Moreover, to properly situate trade unions in the engagement process, the emphasis will be on the new Pension scheme.

On a general note, the new Pension Act introduced a unified economy-wide pension scheme. This replaced the PAY AS YOU GO (PAYGO) defined benefit system previously operational in the public sector by a fully funded defined contribution system, which is now applicable to both the public and private sectors.

Another major change introduced by the reforms is the institutionalization of individual retirement accounts. By this change, noted Dr. Peter Oso-Ezon, Chief Economist of the NLC, *"...the public pension system has become privatized with telling implications for both public and private sector workers. The scheme requires pension funds to be privately managed by Private Fund Administrators (PFAs) and Pension Assets Custodians"*[116].

[116] Interview with Dr. Peter Ozo-Eson

While employees in both public and private sectors are expected to contribute a minimum of 7.5% of their total emolument (basic salary, transport and housing) employers will contribute 7.5%. The military make a contribution of 2.5% and 12.5% from employee and employer respectively. Every employer is also expected to maintain life insurance policy in favour of each employee for a minimum of three times the annual total emolument of the employee.

Though there are exceptions to the rule, generally an employee cannot make withdrawals from his or her account until the age of 50. Existing pensioners and workers that have 3 years or less to retire are exempted from the scheme. Also exempted, are the categories of persons under Section 291 of the Constitution, and existing pensioners.

The Act also establishes the National Pension Commission (PENCOM), to supervise and regulate, as well as ensure effective administration of pension matters in the country. The Commission is expected to ensure the safety of the pension funds by issuing guidelines for licensing, approving, regulating and monitoring the investment activities of PFAs.

Contrary to expectations, the Act did not scrap the social security institution, the Nigeria Social insurance Trust Fund NSITF. It is to continue to provide every contributory citizen social security insurance service other than pension. The Act is also silent on the issue of payment of gratuity either to public workers or workers in the private sector.

Governing structure

Generally, governing structures of social security programmes in Nigeria, though unwieldy, are tripartite in composition. They consist of government, employers and workers representatives, who are saddled with policy formulation and regulation. In the case of the National Pension Commission, membership of the commission includes representatives of Head of Service of the federation, the Federal Ministry of Finance, the Central Bank of Nigeria (CBN), the Securities and Exchange Commission (SEC), the Nigeria Employers Consultative Association (NECA), the Nigeria Labour Congress (NLC) and the Nigeria Union of Pensioners (NUP).

The Commission supervises and regulates, as well as ensures effective administration of pension matters in the country. It is expected to guarantee the safety of the pension funds by issuing guidelines for licensing, approving, regulating and monitoring the investment activities of Pension Fund Administrators (PFAs).

In the governing board of the National Health Insurance Scheme, membership includes one representative each from the Ministry of Finance, Ministry of Health, Management Services in the Office of the Secretary to Government of the Federation, Registered Health Maintenance Organizations (HMOs), private health providers, the Nigeria Labour Congress NLC, and the Nigeria Employers Consultative Association (NECA). Others are two members to represent public interest, a chairman and a secretary; the last two being appointees of the government.

In addition to the regular work of the boards, union members are expected to push for the adoption of the position of trade unions as reviewed periodically by organs of the central labour centre, NLC. Also, they are to continue to press for acceptance of some trade union positions that were not taken on board at the enactment of these schemes.

However, this has tended to be arduous given the unwieldy and lopsided nature of membership of the boards in favour of government and interests sympathetic to employers. Besides dominating the membership of the boards, government appoints key members—the chairmen and secretaries. *"Evidently"*, observed former General Secretary of the Iron and Steel Senior Staff Association ISSAN who was very active in engaging government in the formulation of the scheme, *"some weighty decisions of these governing boards would certainly be skewed to the detriment of workers' interests. To have a meaningful and sustainable voice for change in the interest of workers, there is an urgent need to increase the membership of trade unions in the governing boards"*.[117]

Trade Union Initiatives

As noted earlier, the activities of the trade unions led by the NLC was pivotal to the evolution of some of these schemes, especially the new pension reform scheme which became an Act in 2004. In engaging government in the process, the trade unions employed effective advocacy and campaigns with results of mixed efficacy. While the government was virtually confused on how to handle the ever growing arrears of pension and gratuity, which amounted to over N 2 trillion in 2002, it had to also contend with the reactions of workers who were expressing themselves through strikes and protests on the plight of pensioners. The climax of these agitations was the declaration in 2001 to mark December 12 every year as a day of solidarity with pensioners by the NLC and its affiliate, the NUP (*Daily Trust* December 16 2004:3).

This culminated in 2002 with the government setting up the Harmonisation of Public Sector and Private Sector Pension Scheme. Included in this Committee were the NLC representing workers and NECA for employers. Trade Unions also served in two subsequent committees before the bill on the new pension scheme was presented to the National Assembly. When it became apparent that the bill would be passed without some key

[117] Interview with ISSAN, General Secretary

recommendations of the trade unions, the NLC called for a public hearing and presented its position (Oshiomhole)[118]. It also constituted a high-powered lobbying committee to convince legislators to support its views.

However, what emerged as the new Pension Act did not meet some of the expectations of the trade unions. As a climax to their agitations against the new law, the two labour centres and their affiliate unions held a consultative meeting on July 2004, and thoroughly analysed the new Pension Reform Act and came out with their position. In a communique at the end of the meeting presented by the then NLC president Adams Oshiomhole, the unions observed that *"despite the public hearing by the National Assembly and the sustained involvement of labour and other stakeholders in the Pension Reform discourse, the Pension Act lacked critical stakeholders' inputs".*

The unions reiterated some of their earlier positions canvassed in the course of the public hearings, particularly the unconstitutionality of the National Assembly to enact pension laws for the private sector, and the need to restore lump sum gratuity. They argued that denial of gratuity to public workers would further weaken morale and productivity and undermine the fight against corruption, as the lack of expectations for lump sum resettlement after service would make unethical practices attractive.

The position paper considered the deduction of *7Vi* per cent from workers monthly basic salary as too high and favoured 5%. This is given a plethora of existing monthly deductions such as income tax, National Housing Fund, and the National Health Insurance Scheme, among others. The Labour movement also noted that the law does not adequately address existing Pension liabilities, and there is unclear rationale for the 5% Redemption Bond under the Transition Provision.

The unions in their position further reiterated the need to retain pension schemes in the private sector and in some parastatals stating that the problem of non-funding of pension was largely peculiar to the public sector, especially the mainstream civil service. Though 3 slots were provided for trade unions and employers on the board of the National Pension Commission out of 13, it argued that the law still falls short of the imperatives of stakeholders' control.

The trade unions' submission to government also strongly claimed that there were unfinished matters as far as the pension reforms in the country were concerned and it would continue to engage the National Pension Commission and the National Assembly with a view to amending the Act. This, Oshiomohle concluded in the union's position paper, *"was with a view to allaying genuine fears of workers and pensioners, and*

[118] Oshiomohle, Adams was the President ofNLC until 2007.

ensuring that the desired objective of a funded and efficient pension regime was realized".

However, some have questioned the initiative of the labour movement after the enactment into law of the various social security schemes. The Head of Industrial Relations and Organisation of the NLC, Comrade Owei Lakemfa, has noted that whereas the social security institutions were receptive to suggestions from labour,

unions seem not to have taken sufficient advantage of these gestures. Thus, it could be surmised that *"trade unions seem to lack the capacity to initiate and do follow-ups contrary to the promise of vigorously engaging these institutions and the National Assembly".* For example, the issue of lump sum payment of gratuity which was not captured in the Pension Act, but discussed with PENCOM and some understanding reached are yet to be implemented.[119]

Also, the provision of 300% life insurance coverage for the contribution of workers in the Act, is yet to be carried out by most employers. Comrade Lakemfa further observed that "... *the 7.5% contribution of both employers and workers was not sacrosanct, as the law allows workers to pay less or the full contribution of workers paid by employers... before the new contributory pension scheme, public sector and most private sector employers had fully paid employees' pension and gratuity, and a struggle to regain this or have employers contribute more should be a worthwhile engagement".*

Trade Union Challenges

It is apparent that trade unions face several challenges in their engagement with government for the provisions of social security. This has been more daunting given the fact that despite substantial wealth accruing to the country, about 70 per cent of Nigerians are basically poor. According to Dr. Oso-Ezon, *"this has been engendered by mismanagement of the economy through stupendous corruption and misguided public policy. Thus, the pressure on trade unions by their members to deliver has been most intense. While trade unions are virtually in a hurry to establish viable social security programmes to mitigate the poverty of its members, public authorities have been slow if not indifferent to the issue".*

One of the most significant challenges, noted Comrade Lakemfa, had been that the various social security schemes are new, and so capacity to fully engage them by unions has been slow if not weak. "Unions *are more visible in holding workshops in collaboration with the institutions running the schemes as part of capacity building and popularizing the schemes".* Again, he further noted that though the law allows migration of workers from one PFA to the other, PENCOM is yet to be ready to carry this out; thus, frustrating those who would want to exercise that right against an inefficient PFA.

Even as committees and boards set up to either evolve or run social security schemes are most times tripartite, government overwhelming membership has often subsumed the position of the trade unions. Following this,

[119] Interview with HOD Industrial relations, 2010

according to Comrade Ali Abatcha[120], is the fact that *"...despite a robust engagement of the social security process by trade unions, some key positions of the unions were largely missing in the emergent laws. These include the reluctance of government to commence lump sum gratuity as later agreed after enactment of the Pension Act and refusal to reduce workers contribution to the scheme from 7.5 per cent to 5 percent, as well as increasing trade union membership in the governing boards".*

Another challenge has been the existing yawning gap between policy formulation and institutional framework. The three main institutions responsible for supervising and administering the new pension scheme was established two years after Government commenced deductions from workers' salaries. These institutions are: PENCOM, the Pension Fund Administrators, and Pension Fund Custodians. Between July 2004 when the Pension Act was passed and January 2006 when these institutions became operational, a whopping N 13 billion was deducted from workers' emoluments and domiciled in the Central Bank of Nigeria (Also quoted in Uyot, Lakemfa, Odigie 2004).

Possibilities for Trade Union Intervention

As earlier highlighted, the trade unions were of the view that the Pension Act did not fully accommodate some key concerns of stakeholders, and were determined to continue to engage PENCOM and the National Assembly with a view to amending the Act. Following these efforts, the NSITF which the unions insisted should not be scrapped, has had its assets transferred to the Trust fund Pension, while being transformed into a more integrated social security regulatory agency.

The new social security scheme, explained former President of the NLC, Comrade Paschal Bafyau who is a member of the committee set up by government on the scheme, *"will be a non-contributory national social assistance scheme to cover retired workers above 65 years in both public and private sectors. The possibility of quick commencement and expanding this scheme to accommodate the unemployed is an area that should engage trade unions in the coming years",* he stated.

Another theatre of potential union intervention will be in the states as only a handful have embraced social security schemes by the Federal government. To meet the goal of a comprehensive social security for all its members, trade unions need to explore getting more states to buy into national programs such as the pension,

120 President, National Union ot Pensioners and board member Pension Commission

national health insurance and the national housing schemes.

It is evident that trade unions see the enactment of the pension scheme into law as an unfinished business, and have vowed to continue to engage the process. Some of those areas of engagement would include a struggle for the payment of lump sum gratuity and implementation of insurance coverage for workers' contributions, as well as increasing the ratio of contribution by employers.

Invariably, as noted by Comrade Ivor Takor, NLC representative at PENCOM, unions have lamented that

> *social security is underutilized in national anti-poverty and development strategies,* while he canvassed for *its expansion to cover basic health for all, child benefits and compulsory education for all, self-targeting social assistance, universal benefits in old age, disability and loss of bread winner, among others*

These areas of intervention will continue to be in the agenda of trade unions in Nigeria, if they are to meet the yearnings of their members and continue to remain relevant.

Summary, Conclusion and Recommendation

Nigeria is the largest black population in sub-Saharan Africa. It is the largest producer of oil and has the highest deposit of gas in Africa. Ironically, more than 65% of its population lives below poverty line of less than $2 per day with a current Human Development Index (HDI) of 0.42 (ranking 142 out of 169).

Though the country has always experienced a very informal social security and protection practices, a piecemeal formal social security program started in 1942 with the establishment of the workmen's compensation act. A more organized and coordinated program on social security and protection began with a regulated private sector pension scheme in 1961 through the establishment of the National Provident Fund (NPF).

The NPF was converted to a limited social insurance scheme, administered by the Nigeria Social Insurance Trust Fund (NSITF) in 2004. Again, the legal framework that regulates the practice of social security in Nigeria is premised on the principle of social justice as provided by the federal constitution. The practice and policy on formal social protection and services cover pensions, sickness, health, housing, work and employment, transport and handouts. In various ways the informal practices cover largely the area of individual and personal interests such as private ceremonies, and personal basic needs.

The informal process is often financed through personal savings and family/communal contribution while the formal programs are financed from direct wage deductions, profits from investments and employer contribution. Trade unions participate in the administration and provision of social security and protection of their members and for their members.

Conclusion

The extent of insecurity, poverty, destitution and vulnerability in Nigeria makes it pertinent that social security policy is integrated within the overall development strategy of the country rather than implemented as individual programs. While Nigeria is yet to have a comprehensive document or policy on social security, there have been in practice series of programs both at the national and state levels that address different forms of social security and protection in Nigeria. These range largely from Poverty alleviation programs (transport loans, handouts, skills training, subsidies pension scheme, health insurance, etc. In spite of these, however, there has

been a steady decline in the standard of living and in our ethical values as a people, over the years which can largely be attributable to widening income inequality, mass unemployment, mass poverty and social exclusion.

Successful implementation of social security/protection programs has been bedevilled by institutional weaknesses, paucity of data, poor planning, unstable funding, and maladministration and of course policy inconsistencies.

Recommendation

The social protection policy should aim at the protection and promotion of both human and physical capital and should include better health support, better access to clinics and hospitals, health insurance policies, better nutrition, improved access to quality and comprehensive education.

There is the need to carry out needs assessment and research to investigate the type of social security best suitable for different groups, financing requirements and suitable delivery channels for different target groups as well as the potential social impact of the different programs. There is the particular need for gender disaggregated statistics especially in the informal sector.

Social security systems are facing new challenges that differ significantly from those experienced decades ago, and which involve major implications for their financing. There is a wide consensus on what is expected from social security systems coverage extension and the provision of adequate benefits.

However, these objectives must be achieved while ensuring mid- and long-term financial sustainability of benefit programmes. This is a particular challenge in several areas of social security, especially in the area of pensions because of the ageing of the population. And, of course, these challenges must be considered in the light of globalization and of an increasingly precarious labour market. In these circumstances, the labour movement must re-invigorate itself comprehensively to rescue itself and to rescue society.

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SOCIAL PROTECTION IN SOUTH AFRICA

By

Adrian di Lollo

Introduction and Background

This Country Case Study forms part of a larger overview of social security schemes in sub-Saharan Africa under the auspices of ITUC- Africa.

Social security benefits and schemes developed alongside the commodification of labour and the organization of producers through guilds or professional associations, workers' movements and trade unions. In many of its current forms, social security systems seek to replace or substitute for a loss of income streams in the occurrence of certain events, either foreseen (retirement) or unexpected (loss of employment, or a debilitating occupational injury).

In many formerly colonized countries and colonies, the shape and cover of social security was restricted to the members of the administrative civil service, which in certain cases developed into a larger mandatory national retirement fund for formal sector workers. As social security systems advanced in Northern countries after the Second World War, the same developments were seldom applied to the colonial administrations. Thus, the schemes became relatively anachronistic compared to changes to working conditions, especially in relation to the casualisation of employment and the urbanization pull of formerly rural dwellers from the land and subsistence livelihoods to the cities.

The development of the current system of social security in South Africa followed a distinct trajectory as is set out below. A relatively comprehensive system of social security aligned to many of the benefits set out in ILO Convention 102, but specifically for whites. Subsequent schemes were adopted for categories of Black South Africans, with varying values and adequacy based on the position that the needs of whites were greater than those of other South Africans.

A further distinction lies in the development of a powerful private benefit market, ranging from pension or provident funds, disability cover and medical aid cover which is regulated by statute. State provision of social security dominated the tax-funded means-tested assistance. Whilst there have been a number of discussions about introducing a mandatory state administered retirement scheme, to date no national retirement fund exists. There is an extensive means tested cash transfer state old age pension, and of course the Government Employees Pension Fund.

This report attempts to provide the fullness of information as a country case study that will provide for optimal comparative value. This is however subject to the above caveat. It is for this reason that the question of benefits and eligibility has been woven into section three that describes the nature of the benefits and the extent of the coverage.

Finally, given that many of the private insurance and pension schemes operate in a competitive market, details of their beneficiaries and their benefits are not as accessible as the information for the public schemes.

This country report thus begins with an introduction to social security in South Africa and sets out historic developments and current contexts. The following chapters describe the types of systems that exist and the benefits available for both public and private systems. We proceed to consider the role of the labour movement insofar as social security has developed and we conclude with certain recommendations.

In terms of wealth distribution, although classified as an upper middle income country, South Africa is one of the most unequal countries in the world. Whilst the fundamental drivers of inequality are rooted in the policies of racial discrimination, white privilege and deliberate under-investment in the development of black South Africans, the levels of income inequality have grown since the election of the first democratic government in

1994. Inequalities however persist beyond income, and can be found in access to assets, services, spatial development and aspirations.

The challenges of poverty and unemployment in South Africa are structural rather than cyclical in nature. Historically, the economy was built on extractive mining and agriculture. Both of these sectors required cheap, unskilled labour to increase the profits for the owners of the means of production. In order to ensure a guaranteed source of cheap and dependant labour, South Africa saw a slew of laws passed that first restricted the movement of people under the British colonial period in terms of the Glen Grey Act of 1894, but which moved with greater planning and deliberation to the formation of reserves - so called "home lands" that restricted about 80% of the population to about 13% of the land (SPII, 2009). People confined to live in these home lands were then subject to cash taxes that forced households to send men to the mines and to the farms to spend about 11 months working for meagre wages. The official policy position on wages for mineworkers was that wages could be kept low as the cost of social reproduction was covered by the subsistence livelihoods generated in the home lands. In reality, the small scale of the available land soon led to soil degradation. The homelands were not capable of sustaining the majority of South Africans, and consequently poverty became endemic, crossing generations (SPII, 2009).

Integral to this system was the deliberate destruction of the relatively prosperous black African peasantry that thrived at the end of the Nineteenth Century (Bundy). Livelihoods thus became increasingly cash based. The majority of households in South Africa are today dependant on wages for survival income, rather than on their own production. According to the 2005/6 Income and Expenditure Survey (Statistics South Africa), just under 65% of income came from salaries and wages whilst just under 10% came from own businesses. Income also closely follows racial and gendered cleavages. The average annual income of a black headed household in 2005/6 was just under R38 000 ($ 5278), whilst for a white household for the same period this was just over R280 000 ($38 889) (ibid), whilst just over 75% of earned income was earned by male headed households. While the mal-distribution of wealth remains predominantly defined along these lines, there is evidence to suggest that there is widening inequality within race groups and a decline of inequality between race groups (The Presidency, 2007).

Interestingly, the causes of the high levels of income inequality are attributed more greatly to the very high levels of wage inequality in South Africa than to the high levels of unemployment (OECD, 2010). Access to a job does not guarantee a path out of poverty or vulnerability.

A South African Socio-Economic Snapshot

In 2009, 78 % of households had an income of less than Rl, 500 per capita per month. In addition, inequality as measured by the Gini coefficient rose from 0.64 to 0.67 between 1995 and 2008 (World Bank).[121] For 2010 the minimum wage for full-time domestic workers in most municipalities is R7.40 ($1.02) per hour or R1442.86 ($200.39) per month. The 2010-2011 minimum wage for farm workers is R1316.69.

South Africa experiences extremely high levels of unemployment which has been further exacerbated by the current economic crisis during which more than 900 000 jobs were lost (National Treasury, 2010). The official unemployment rate for the second quarter of 2010 is 25.3%. The year on year change was 1.7%, whilst the absorption rate fell by 2.4 % and the labour force participation rate fell by 2% to 54.3% (LFS, Q2, 2010). However, this official unemployment rate does not include 'discouraged work seekers'.[122] If they too were counted as unemployed[123], the unemployment rate would be significantly higher at around 36%. The year-on-year change in the number of discouraged work seekers saw an increase of 51.4% whilst the total number of economically inactive only increased by 8.1%.[124] 83.6% of the economically inactive were Black Africans. This is 48.8% of all the

The Gini coefficient is a measure in which 0 signifies total equality and 1 total inequality. The higher a country's measure, the more unequal it is.

[122] The Quarterly Labour Force Survey of 2010 conducted by StatsSa defines "discouraged work seekers" as follows: '...a person who was not employed during the reference period, wanted to work, was available to work/start a business but did not take active steps to find work during the last four weeks, provided that the main reason given

Black Africans between the age of 15 and 64.[125] Of the 4.3 million people characterized as formally unemployed in the first quarter of 2010, just over 3 million fell between the ages of 15 and 34 years old (StatsSA, LFS, Q2, 2010). The majority of unemployed youth have never held a formal job before.

Unemployment is also gendered. In the second quarter of 2010, 27.6% women were officially unemployed contrasted to 23.4% of men (StatsSA, LFS, Q2, 2010). 5.6 million women were employed in both the formal and informal sectors, compared to a total employment figure of 7, 094 million men (ibid).

The Treasury predicted that Consumer Price Index (CPI) inflation would average at 5.8% in 2010 and 6% over the medium term (National Treasury, 2010, 20). In July 2010, the CPI was 3.7%, whilst the Producer Price Index (PPI) was 7.7% (Statistics South Africa). Real GDP growth was predicted to rise to 2.3 % in 2010 and 3.2 % in 2011. This is an indicator of the economic recovery, as 2009 saw a contraction of 1.8%. Nonetheless, the deficit is predicted to increase to 4.9 per cent in 2010 and 5.8 per cent by 2012 (National Treasury, 2010, 20). The interest rate (repo) is currently at 6.50 and the Prime at 10.00 (South African Reserve Bank, www.reservebank.co.za, 29/09/2010).

History of Social Protection in South Africa

The history of the expansion of social security in South Africa closely reflects the racially discriminatory practices of Apartheid.

Private provision for pensions evolved in accordance with the 'friendly societies' similar to that of the United Kingdom. These friendly societies grew the economic power houses of Old Mutual and Sanlam, both of which still dominate the industry today, and both of which obtained permission to migrate their listing from South

for not seeking work was any of the following: no jobs available in the area; unable to find work requiring his/her skills; lost hope of finding any kind of work.

[123] The Quarterly Labour Force Survey of 2010 defines "unemployed" as follows: 'Unemployed persons are those (aged 15-64 years) who: a) Were not employed in the reference week and; b) Actively looked for work or tried to start a business in the four weeks preceding the survey interview and; c) Were available for work, i.e. would have been able to start work or a business in the reference week or; d) Had not actively looked for work in the past four weeks but had a job or business to start at a definite date in the future and were available.

124 Author's own calculations on the basis of data provided by the Quarterly Labour Force Survey, Quarter 1, 2010, p. xiii. Statistics South Africa.

125 Ibid, own calculations, p. 3.

Africa to the London Stock Exchange shortly after 1994.

The first social assistance was provided under the Pension Funds Act of 1928, and was introduced to address the needs of poor Whites and Coloured people and was payable to men when they reached 65 years, and women when they reached 60 years of age and the cash value of the pensions reflected the racial discrimination of Apartheid. In 1968, the value of the pension paid to urban whites was R322, compared to just R31 paid to black Africans (DSD, 2006). In 1993 however, the values of the diverse grants were equalized by the outgoing government. South Africa has the largest social assistance system on the African continent, and some claim that the proportion of beneficiaries to total population in South Africa is among the highest in the world (Interview, Wiseman Magasela, 5 May 2008). In 2010, over 13 million of a population of 49 million people received some form of social assistance. It is also highly notable that the expansion of social grant coverage in South Africa has occurred during a period in which most countries of the industrialized north have scaled back social assistance programmes.

Whilst social grant expenditure in South Africa is significant, it is also critical for the sake of equity to acknowledge the value of the tax expenditure subsidies that are given to income earners who contribute to private retirement funds. In 2005, the state old age pension grant cost the state R19 486 billion ($2 706 billion). However, the combined Tax Exemption Subsidy for private retirement funds totalled R28 547 billion, ($3 965

billion), or 1.9% of GDP, and R9 061 billion ($1 258 billion) more than the state old age pension (DSD, 2006). In addition, it is important to note that social assistance grants in South Africa are regulated by a means test. The size of the eligible population is a very clear indictor of the extremely high levels of poverty that exist.

Given the very high levels of unemployment and poverty that still exist today and the above Constitutional rights, many civil society formations including the Congress of South African Trade Unions (COSATU) continue to question the absence of any income replacement provisions for working age adults beyond the limited cover of the UIF for formal workers that have contributed to the fund. COSATU raised the call for the universal Basic Income Grant (BIG) at a Presidential Jobs Summit in 1998 to address this need and to promote solidarity across the new nation. This led to the appointment by the Minister of Welfare (now Social Development) of a Committee of Inquiry into a Comprehensive System of Social Security for South Africa (the "Taylor Committee") in 2000. The report of the Committee was published in March 2002 (Department of Social Development, 2002). Built on an extensive analysis of the nature and consequences for national development of the high levels of poverty, low skills base and high levels of poverty in South Africa, the Committee in turn recommended the introduction of a comprehensive system of social security based on a universal basic income grant equal to R100 ($13.88) per person per month in 2000 prices. Over and above it also made extensive recommendations on Pension reform, Health reform, UIF and on the establishment of a Social Security Agency and governance structure - including and adjudication mechanism. There was also a stated view that a universal BIG would address the low levels of social solidarity to build the post-Apartheid state.

The call for a BIG continues to resonate in policy debates between civil society and the state, although the more formal Campaign appears to have been wound down. Many of the former members threw their support behind the call to extend the coverage of the Child Support Grant (se below) from children under seven to children under eighteen, which has since become a formal state policy. The range of the Committee's recommendations were never formally adopted by the state, although the then Minister of Welfare, Dr Zola Skweyiya, endorsed aspects of the report in his personal capacity, most notably the introduction of a universal basic income grant to address poverty. Formal state opposition to this initiative first argued that such a system would be unaffordable (despite alternative evidence led by the Committee) and then argued further that social grants would cause dependency and discourage people from seeking employment. More recently, the notion of social security has been rejected as promoting dependency which it is argued is an anathema to the preferred notion of a 'developmental state'.

Legal/Regulatory Framework for Social Security

The rights to social security and social protection assistance (for those unable to provide for themselves and their dependants) were included as a justiciable socioeconomic right under Section 27 of the South African Constitution (1996). While this right of access may be limited to progressive realization in accordance with the state's available resources it does however allow for legal challenges where these rights are not provided for. The South African Constitution is subject to both horizontal and vertical application, and the obligations as set out in Section 7 of the Constitution oblige the state to *'respect, protect, promote and fulfil'* the rights in the Constitution. The complexities of these layers are well illustrated through reference to social security. Whilst the state has an obligation to provide social assistance for those unable to provide for themselves, the state can also (as it does) draw on private sector players to provide some forms of social security including private pension and disability funds and health insurance, which the state regulates in order to protect the interests of members and thus in this way also fulfils its Constitutional mandate. At the date of writing, there are commitments from the state to intervene to establish a mandatory state determined retirement fund and a national health insurance system, suggesting that the private sector's performance as a provider of social services has not satisfied the state.

The overarching policy framework for the provision of social security in South Africa was set out in the *White Paper on Welfare* released in 1997 which gave rise to, inter alia, the Social Assistance Act of 2004 and its regulations. Furthermore, there have been a number of landmark judgments handed down by the Constitutional Court since 1996 that have sought to provide interpretive clarity on the obligations on the state attendant on progressive realization of socio-economic rights.

The White Paper provided a broad outline and road map for social security development. Precise plans in terms of timeframes and targets do not appear in the White Paper, but the principles that it outlines provide the framework to develop a comprehensive social security system. It states that the Government will take steps to

ensure the progressive achievement of social security for all (Principles) and notes that a comprehensive and integrated social security policy is needed to give effect to the Constitutional right to social security (Paragraph 46). (Close up this gap)Social security principles were to be based on four pillars, namely:

- Private savings
- Social insurance
- Social assistance
- Social relief, more specifically crisis funds to individuals or communities (Chapter 7 Paragraph 1).

These pillars were to operate in an integrated way to ensure "universal access to an integrated and sustainable social security system" to ensure that "every South African should have a minimum income, sufficient to meet basic subsistence needs, and should not have to live below minimum acceptable standards" (Chapter 7, Paragraph 27).

Legislation pursuant to Social Security

The Social Assistance **Act of 2004** is the primary law dealing with the provision of social grants and was enacted to provide for the rendering of social assistance to persons who are unable to support themselves. The Act also provides for the mechanisms with which to provide social assistance and establishes an inspectorate for social assistance.

The Social Assistance **Amendment Act, 2008,** was promulgated in July of that year and had the effect of progressively lowering the age eligibility threshold for older persons' grant from 65 years to 60 years over a two-year period. This Act also ensured that all appeals made by applicants against social grant decisions would be considered by an independent tribunal.

The South African Social Security Agency **Act, 2004,** established the SASSA as the government agency for the administration and payment of social assistance to those who need it. Some secondary pieces of legislation impacting to some degree on social grants include:

- the Children's Act of 2005 which needs to be considered in making policy and/or regulations concerning social grants for children;
- the Refugees Act of 1998 which provides the definition of a refugee and this is important in terms of eligibility for some social grants in particular circumstances;
- the Older Person's Act of 2006;
- the Maintenance Act of 1998 which deals with the responsibility of a noncustodial parent to help maintain his/her child/children;
- the Disaster Management Act of 2002; and
- the Promotion of Administrative Justice Act of 2000 and the Promotion to Access of Information Act of 2000.

The Government Employees Pension Law of 1996 governs retirement provisions and other benefits for employees of government departments and creates the Government Employees Pension Fund (GEPF).

Social Insurance

The legislative framework of social insurance includes:

- Pension Funds Act, 1956
- Compensation for Occupation Injuries and Diseases Act, 1993 (COIDA)
- Road Accident Fund, 1996
- Medical Schemes Act, 1998
- Unemployment Insurance Act, 2001 (UIF)

The Pension Funds Act provides for the registration, incorporation, regulation and dissolution of pension funds. A pension fund consists of money contributed by employers and/ or employees, and earnings to provide benefits to retired employees of a corporation, government entity, or to other organizations.

The Compensation for Occupational Injuries and Diseases Act (COIDA) provides the basis for compensation of disability caused by injuries or diseases sustained or contracted by employees in the course of their employment. The Act also ensures that dependants are provided for in the event of the death of the employee resulting from such occupational injuries or diseases.

The Road Accident Fund is a public entity that has been set up to pay compensation to people injured in road accidents or the dependants of people killed in road accidents. The fund is financed by way of a fuel levy in respect of all fuel sold within the country, and by raising loans.

The Medical Schemes Act consolidates the laws relating to registered medical schemes and provides for the establishment of the Council for Medical Schemes as a juristic person. The Act also provides for the registration and control of certain activities of medical schemes, and aims to protect the interests of members of medical schemes.
Unemployment Insurance Fund (UIF)

Social Security support for the unemployed in South Africa is based on the principle of insurance and not assistance, so that only those who have contributed to the statutory fund may claim benefits.

Coverage of social security protection schemes and Benefits

South Africa is a signatory to several international conventions that help define the legal environment for social security entitlement. Among these is the International Convention on Economic, Social and Cultural Rights (ICESCR) which defines a core function of the state as to provide individuals and families in need with access to social security. By August 2010 South Africa had signed, but had not ratified the treaty. Van Rensburg & Olivier (2004) note the importance of international agreements relating to social security in South Africa including the Convention of the Rights of the Child. South Africa has not signed the ILO Convention 102 on Social Security Standards.

The multi-faceted and multi-sectoral nature of the South African social security protection system makes it difficult to accurately analyse the issue of coverage from a single perspective or standard. There is not, for example, a national public pension system to analyse but rather a haphazard private system with a host of measures and even public sector social security coverage is bifurcated between tax-funded social grants and contributory funds (e.g. UIF, Compensation Fund). Lack of reliable information on private sector coverage (as noted by the Treasury, 2007 and Cameron, 2010) also complicates this task. However, solid statistical information is available on public sector coverage and, to the extent that timely and accurate information from several sources is available on private coverage, the range of benefits and the extent of coverage can also be examined.

An attempt to illustrate the nature of the South African social security system is made in Table 1. A social contingency in which a person requires assistance is matched with types of social security measures in two categories. These are 1) benefits from government schemes available to qualifying members of the public (both social assistance and contributory funds) and 2) benefits provided through private sector institutions or closed public sector funds which provide benefits to clients or members.

Table 1: Public and Private Sectoral Benefits

Contingency	**Publicly** available **benefits**	**Private or** sectoral **benefit**
Unemployment	Unemployment Insurance via (UIF)	Possible retrenchment packages
Old age/retirement	Older persons' grant (SASSA)	Occupational funds (Private, State, Umbrella, etc.), Retirement annuities (tax deferred), Insurance, Savings
Children	Child Support Grant (SASSA), Foster Care Grant (SASSA), Care Dependency Grant (SASSA), Unemployment insurance	Possible collective agreements
Disability	Disability Grant (long term) (SASSA), Grant-in-Aid (SASSA), Compensation Fund if occupational	Disability & accident insurance
Maternity	Unemployment insurance (Dept of Labour) Various benefits through Dept of Health	
Sickness	Unemployment insurance (Dept of Labour), Disability grant (SASSA), Compensation fund (if occupational)	Private schemes Statutory entitlement to sick leave (short-term)
Destitution through crisis event	Social Relief of Distress (SASSA) Feeding schemes (Dept of Basic Education)	Insurance (life coverage, emergency income replacement, death benefits)

Loosely adapted from Mpedi (2004)

Table 2 categorises the total number of social security beneficiaries, claimants or members in six areas: public Social Grants, Unemployment Insurance Fund (public), Compensation for Occupational Injuries and Diseases Fund (public), Road Accident Fund (public), medical schemes (private), and pension / provident funds (private). All categories saw significant growth from FY 2006/07.

Table **2:** Social security beneficiaries, **2006/07 - 2009/10**

Social Security Measure	2006/07	2007/08	2008/09	2009/10	As at 30/6/2010
Social Gran Recipients	11,983,141	12,374,770	13,066,118	13,958,89 4	14,343,110
Unemployment Insurance Fund (UIF): Recipients per month	154,546	140,086	164,301	207,967	
Compensation Fund: Claims registered	213,246	209,830	203,711	234,266	
Road Accident Fund: Claims registered	170,418	267,133	294,771	196,405	
Medical schemes: Members	2,985,350	3,233,490	3,388,582	3,463,642	
Dependents	4,141,993	4,371,746	4,486,244	4,636,935	
Pension and provident funds: Active members (contributing)	7,370,436	7,273,897			
Pensioners	1,971,682	2,138,272	—	—	

Sources: Treasury 2010 Budget Review and SASSA Statistical Report for June, 2010; Data not yet forth coming for pension and provident funds since 2007/08.

Social Assistance Grants

The General Household Survey, 2009 (Statistics South Africa 2010), reports that approximately 28.3% of the South African population were in receipt of a social grant. Disaggregated by race, 31.6% of Black South Africans receive a social grant followed by 21.8% of Coloureds, 14.6% of Indian/Asians and 9.8% of the white population receive grants. Nationally 45.8% of households received at least one grant. The province of Limpopo has the highest percentage of its population receiving social grants with 59.4%, followed by the Eastern Cape at 56.8%, the Free State at 53.9%, the Northern Cape at 52.2% and Mpumalanga (51.3%).

An analysis of social grant benefits in South Africa needs to acknowledge that there are often secondary beneficiaries. Many writers, Olivier et al (2004) among them, note that recipients of Older Persons' Grant in particular tend to share their meagre incomes with family members in need, particularly when there are no other ongoing sources of income. Consistent with the principle of ubuntu in South African social life, many grandparents often take primary responsibility for young children or even for providing bare necessities for an entire household and as Olivier et al (2004) notes, this principle of ubuntu and the extension of support to an entire household can have benefits for an entire community.

A study by the Economic Policy Research Institute (EPRI, 2004) provides evidence that households receiving social grants have a higher success rate of its members finding employment and also have higher labour productivity. A further study by Posel et al (2006) correlates household receipt of a social grant with a much greater ability of working-age female members of that household to

undertake the search for jobs and greater success in securing employment. Other studies correlate receipt of a social grant with higher rates of school attendance and lower incidences of hunger. In this sense, it is important to examine, per Table 3, not only the actual number of social grant recipients but also the number of households which have at least one member receiving a social grant.

Table 3: Percentage of individuals and households benefiting from social grants per province

Province	WC	EC	NC	FS	KZN	NW	GP	MP	LP	National
Grants Persons	19.5	36.0	33.6	30.4	32.8	30.3	17.6	30.8	34.8	28.3
Grants Households	35.6	56.8	52.2	53.9	50.2	48.6	31.2	51.3	59.4	45.8

Source: General Household Survey, 2009 (Statistics South Africa, 2010)

Social Assistance Grant Types

The Child Support Grant (CSG) is aimed at alleviating child poverty and is paid to the qualifying caregiver of children born on or after 31 December, 1993. A previously two-tiered income test has been standardized for both rural and urban CSG applicants. While the maximum level of earnings allowed has increased, the relatively low income means test of R2 500.00 $(347.22) per month for a single caregiver, and R5 000 ($694.44) per month if married, ensures that CSG continues to be targeted to lower income households but not only the very poor. No assets test is applicable. By April 2010, the CSG payment is R250 ($34.72) per month per child.

For many poor South African households with children, the Child Support Grant (CSG) is the one income support entitlement they have which prevents them from falling into utter destitution. This grant was introduced in 1997 to replace the racially exclusive State Maintenance Grant that was available for single poor mothers, predominantly white, for a much higher value than the initial CSG. Originally available only until the child's 7th birthday, CSG was expanded over the 2003 to 2005 period to 8- to 14 olds. Noting, inter alia, that approximately 70% of 14-17 year-olds live in households with expenditure levels of less than R1200 ($166.66) per month compared with 64% of adults, children's advocates demanded a further expansion in eligibility (Martin, 2010). Advocates also argued that limiting the CSG to children younger than 14 amounted to an infringement of the right to equality of children older than 14. Finally, in late 2009, the government agreed to extend the grant to children up to the age of 18. By setting the qualifying birth date as 31 December 1993, the change is effectively phased in over a two-year period and will be completed by 31 December 2011. By30 June 2010 CSG was being paid to 9,848,728 beneficiaries.

The Older Person's Grant (and often referred to as the "state pension") is provided to qualifying persons aged 60 and over. As noted in the previous section, an important eligibility change to this benefit took place in 2008 (via the Social Assistance Amendment Act) which lowered the age eligibility threshold for men 65 years to 60 years over the period of 2008 to 2010. From 1 April 2010, the maximum rate of Older Person's Grant is Rl 080 ($150) per month. This is calculated on a sliding scale so that the more someone earns the more the rate decreases. The maximum income allowed is currently R2 606 ($361.94) per month for a single person or R5 216 ($724.44) per month if married. An assets test is also applied and the maximum value allowed is R518 400 ($72 000) for a single person and Rl, 036,800 ($144 000) for a married couple. Social grant regulations effectively tax non-grant income at a 50 per cent rate, although in practice there are few old age pension beneficiaries who receive less than the maximum grant value (Treasury 2010). By 30 June 2010, 2,599,787 people had received the Older Person's Grant.

The Disability Grant is paid to prime-aged adults unable to work due to a physical or mental disability. A permanent disability grant is paid when the condition is expected to continue for more than a year while and a temporary disability grant is paid if the condition is expected to continue for a continuous period of not less than six months and not more than twelve months. Income and asset tests are the same as for Older Person's Grant of the 2010 rate of R1080 ($150) per month.

The War Veterans Grant is paid to those who served in the First or Second World War or the Korean War. As of 30 June 2010, 1118 people were in receipt of this grant.

Grant-in-Aid may be paid as a supplement to any recipients of Older Person's, Disability or War Veteran's grant who require full-time care. Some Disability Grant recipients with incapacitating AIDS-related conditions claim Grant-in-Aid. The amount is R250 ($34.72) per month and is not means tested. As of June 30, 2010, some 53,297 people were receiving this supplementary payment.

The Care Dependency Grant is provided for the permanent caregivers of children with severe physical or mental disabilities. The beneficiary must be a parent, foster parent or caregiver and a medical assessment must be provided. The benefit is not paid for care of an infant and the child must be one year of age before the grant is paid. The Care Dependency Grant may be paid up to the child's 18th birthday (subject to continuing medical eligibility). An income test limits the benefits to a person earning up to R10 800 ($1 500) per month if single or R21 600 ($3 000) if married. No asset test is applicable.

The Foster Care Grant is paid for the care of children who are placed by a court order in foster care and who are between the ages of 0 and 18 years. Extension orders from court can ensure that the grant is paid until the age of 21 years if the child is still in school. There is no means test applied for the Foster Child Grant (although there is a limit to the amount of income of the fostered child, for example, which they might have inherited) and this may encourage people from differing income groups to consider fostering a child/children. Only adults who are legally appointed as foster parents can access the grant and legal guardians and biological parents are not eligible. Children between 16 and 18 years old who are heading households are not eligible to be appointed as foster parents (even though they may be caring for younger siblings) and therefore cannot directly receive the grant. Such young persons, however, can receive the Foster Child Grant through an adult person mandated by the Children's Court to supervise them.

Social Relief of Distress (SRoD) is an award rather than a social grant and provides immediate but temporary assistance in dire material need. Depending on the practice of the province it may be awarded in the form of money, food parcels or vouchers. SRoD is granted for a period of three to six months and usually requires an assessment by a social worker.

There are many contingencies in which a person or household might qualify for SRoD assistance such as the death of the breadwinner, sudden loss of employment with no UIF qualification or waiting for a social grant application to be determined. Yet some advocates argue that SRoD is extremely underutilized and that potential

beneficiaries are often not informed of this important entitlement. To be awarded, SRoD the applicant must usually have undergone an assessment by a social worker. But in many areas social work services are scarce or inaccessible. Eligibility is understood to be occasioned by an action - e.g. loss of a breadwinner - that advances the 'distress' and is not for general destitution.

Table 4 illustrates the numbers of social grant recipients by type from Fiscal Year 2005/06 through 2009/10 and the percentage of growth in recipient numbers in that period. Numbers as of 30 June, 2010 are also shown in the last column. Particularly notable is the drop (since 2007/08) in the number of recipients of disability pension, quite possibly due to fewer people becoming severely ill with AIDS due to anti-retroviral drugs becoming increasingly accessible through the public health system.

Table 4: Social Grants by Type and Number

R Million	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**% growth (average annual)**	**As of 30.6.2010**
Old age	2144 117	2 195 018	2 218 995	2 343 995	2 534 082	4.3%	2 559 787
War veterans	2 832	2340	1963	1599	1 248	-18.5%	1118
Disability	1 319 532	1 422 808	1 413 263	1 371 712	1 310 761	-0.2%	1 232 502
Foster care	312 614	400 503	433 191	476 394	569 215	16.2%	497 982
Care dependency	94 263	98 631	101 836	107 065	119 307	6.1%	109 696
Child support	7 044 901	7 863 841	8 195 524	8 765 354	9 424 281	7.5%	9 848 728
Total	**10 918 263**	**11 983 141**	**12 374 770**	**13 066 118**	**13 958 894**	**6.3%**	**14 343110**

Sources: Source: Treasury 2010 Budget Review and SASSA Statistical Report for June, 2010

Table 5 illustrates the numbers of social grant recipients by province over the same period as Table 4. All provinces have shown significant growth spurred primarily through Child Support Grant (CSG) expansion.

Table 5: Social Grants by Province

Province	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**% growth (average annual)**	**As of 30.6.2010**
Eastern Cape	2 094 642	2 244 303	2 291 898	2 346 773	2 498 410	4.5%	2 516 001
Free State	678 522	723 698	755 665	765 553	814 991	4.7%	844 052
Gauteng	1 318 981	1 406 445	1 451 967	1 537 795	1 638 747	5.6%	1 735 415
KwaZulu-Natal	2 498 888	2 931 722	3 033 463	3 317 229	3 478 811	8.6%	3 584 885
Limpopo	1 640 032	1 751 512	1 798 859	1 894 038	2 019 849	5.3%	2 071 881
Mpumalanga	836 451	901 386	925 171	977 704	1 037 971	5.5%	1 053 990
Northern Cape	213 512	232 102	307 095	326 516	357 971	13.8%	367 613
North West	888 065	1 001 629	980 018	1 014 571	1 089 135	5.2%	1104 138
Western Cape	749 170	790 344	830 938	85 938	1 023 463	8.1%	1 065 135
Total	**10 918 263**	**11 983 141**	**12 374 770**	**13 066 118**	**13 958 894**	**6.3%**	**14 343 110**

Sources: Treasury 2010 Budget Review and SASSA Statistical Report for June, 2010

Costs of the administration of grants remains higher than the state would like and it is still considering ways to reduce these.

Table 6: Social grants expenditure as a percentage of GDP, 2006/07 -2012/13

R Million	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**
				Revised estimate	**Medium Term Estimates**		
Social Grants Transfers	57,032	62,467	70,715	80,080	89,368	98,594	106,808
SASSA administration	4,192	4,143	4,630	5,169	5,631	6,098	6,153
Total	**61,224**	**66,610**	**75,345**	**85,249**	**94,999**	**104,692**	**112,961**
As percentage of GDP	3.3%	3.2%	3.2%	3.5%	3.5%	3.5%	3.4%

Source: Treasury 2010 Budget Review, page 105.

Unemployment Insurance

The Unemployment Insurance Fund provides short- term unemployment, illness and maternal/adoption benefits to workers who qualify for unemployment related benefits as defined per the Unemployment Insurance Act (2001). Unemployment benefits may be claimed through the UIF in the event that a qualifying person due to the loss of a job. Lower income workers are entitled to a higher pro-bono rate than higher-income workers (Olivier & van Kerken, 2004).

In addition to assisting beneficiaries in the event of job loss, the UIF also provides financial support for workers in the following contingencies (Actuarial Society, 2009):

a) Sickness - if employees are unable work for two weeks or more due to illness;
b) Maternity - benefits are claimable during maternity leave;
c) Adoption - employees can make a claim if they legally adopt a child younger than two years and leave work to care for the child; and
d) Death - the spouse or child of a deceased member can claim from the fund.

The scope of UIF is narrow and provides only limited income protection to those with a recent record of formal employment; in effect approximately five percent of those unemployed at any one time. Yet, as illustrated by Table 6 the actual and projected number of contributors to and beneficiaries of, the fund is growing. Treasury (2010 B) reports that the fund had registered 72 893 new employers on its database by 30 September 2009 and that this increased the pool of contributing employers to 1, 239, 360. By extension, this brought a further 238 206 additional employees raising the total number of employee contributors to 7 678 760. The UIF claims that

improvements implemented in the fund's business processes and communications resulted in an approval rate of 97 per cent of all benefit claims (Treasury, 2010 B).

Table 7: UIF benefits and recipient numbers, 2006/07 - 2012/13

UIF Beneficiaries (thousands)	2006/7	2007/8	2008/9	2009/10 rev. est.	2010/11	2011/12	2012/13
DDDDDDDDD	Outcome				Medium-term estimates		
Unemployment							
Illness	421	397	475	529	590	658	734
Maternity/ adoption benefits	30	25	26	26	26	27	27
	96	89	94	98	102	106	110
Dependant							
benefits	25	16	16	18	19	21	23
Total	**572**	**572**	**611**	**671**	**737**	**812**	**894**

Source: Treasury 2010 Budget Review

The Social Security Retirement Second Discussion paper (Treasury 2007) recognizes the limitation of the UIF in its current form and notes there is still a substantial income security gap in the labour market, particularly for work-seekers without past employment experience.

The Compensation for Occupational Injuries and Diseases Fund

The Compensation Fund's prime objective is to provide compensation for disability, illness and death resulting from occupational injuries and diseases. Revenue is generated from levies paid by registered employers calculated, for the most part, on the basis of a percentage or fixed rate of the annual earnings of their employees (an annual assessment is undertaken to determine the rate). The Compensation for Occupational Injuries and Diseases Act (1993) makes provision for a minimum level of payment to ensure that the assessment is not less than the administration costs incurred.

New business processes have been developed and a proof of concept is under way for the implementation of an integrated claims management system that will improve turnaround time and efficiencies in service delivery. Testing has been completed and a pilot is in progress. The new system will facilitate the electronic submission of claims, the final decentralisation of the remaining functions, and the business process automation and organisational structure redesign. To enhance the quality of and access to services, the fund plans to decentralize its functions to four provinces by March 2010, a process that began with a pilot in Limpopo in July 2009 (Treasury 2010).

Health Care

Government-funded health care services in South Africa are provided by local clinics and public hospitals. Public funding for health care amounts to approximately 14 percent of the government budget and about 4 percent of the GDP (Treasury, 2010). In addition to budget constraints the high prevalence of AIDS and deaths through violence and road accidents, which are both amongst the highest in the world, place enormous pressure in the South African public health system (Actuarial Society, 2009). Severe shortages of skilled staff and lack of infrastructure increase this burden. Treasury (2010) reports that approximately 40 percent of South Africans rely on the public sector for their health care needs.

Approximately 8 million South Africans are insured through medical schemes (Treasury, 2010), but the South African Health Review calculated in 2008 that less than 20 percent of South Africans had such cover. The South African Health Review (2008) estimates that the private sector accounts for some 25% of hospital beds and accounts for that 40% of people using medical services use the private sector.

Public Sector Employees

Retirement provisions for public sector employees in the national and provincial spheres of government are provided through the Government Employees Pensions Fund (GEPF). The fund was created in 1996 as amalgamation of various public sector pension funds and as of mid-2010 it had approximately 1.2 million active members and 300 000 pensioners and other beneficiaries (Government Employees Pensions Fund, 2010). Audits are conducted every three years and according to the last assessment the value of the fund was R778 billion ($108 billion) as of 31 March, 2010. That audit found the GEPF to be 100 percent funded.

Private retirement funds

Retirees in South Africa generally receive income from either the Older Person's Grant (i.e. "state pension") or through a private pension scheme. There is no need to contribute to the state pension as it is entirely tax-funded and targeted at those who have not other means of income, and there is no statutory obligation to contribute to a private scheme. In this sense, the retirement benefit system in South Africa is one based on voluntary participation (although some employers may insist on participation in a company plan as a condition of employment).

According to Treasury's (2007) Social Security and Retirement Reform Second Discussion Paper, the 88 largest private-sector funds in 2006/07 covered about 73 per cent of private-sector members and pensioners. The Discussion Paper calculates overall coverage rates for formal- sector employees to be at about 60 per cent. Treasury (2007) notes that this is a significantly high level of coverage even compared to countries with compulsory participation and argues that it reflects the

extent to which membership of an occupational fund is commonly accepted as an obligatory condition of employment in South Africa.

Treasury underlines that that in South Africa, the ratio of pension fund assets to gross domestic product (GDP) is about 63 per cent and notes that this compares favourably with countries such as the highly industrialized Australia, Singapore, Chile, the United Kingdom and Malaysia. However, estimates on the extent and quality of private scheme coverage must be interpreted with caution. The 60% overall retirement pension coverage claim does not match finding by Statistics South Africa's Labour Force Survey (2006) which, as indicated in table 7 below, calculates overall coverage at only 51 %.

Table 8: **Occupational pension scheme coverage by income**

Annualised income	**Percent of workers With income in range**	**Employer contribution to pension/retirement fund**
R0-R6 000	7.9%	6.2%
R6 001- R12 000	16.9%	14.0%
R12 001- R18 000	13.1%	28.2%
R18 001 - R 30 000	16.3%	48.2%
R30 001 - R42 000	9.8%	73.8%
R42 001 - R54 000	7.0%	79.6%
R54 001 - R72 000	6.5%	83.0%
R72 001 - R96 000	5.4%	89.1%
R96 001 - R132 000	4.9%	89.2%
R132 001 R192 000	3.1%	89.2%
R192 001+	2.9%	85.3%
Total	**51.1%**	100.0%

Source: Labour Force Survey 2006 Exchange rate was $1:
R7.2 as at 29/09/2010.

Table 9 shows the breakdown of all pension types by the total number of schemes, members and by total assets (also all shown by active and inactive status). The pension types are categorised as Corporate and Individual, the latter having two sub-categories: Retirement Annuities and Preservation Funds). Corporate funds are further disaggregated into Standard and Specialised (Bargaining Council and Industry Funds) and Standard Funds are broken down further still into Standalone (Defined Contribution and Defined Benefit Funds) and Umbrella funds

Table 9: Breakdown of pension fund types by numbers of schemes and members and by total assets

		Corporate					**Individual**	
		Standard			Specialised			
		Standalone						
		Defined Contribution	Defined Benefit	Umbrella (P.E Schemes)**	Bargaining Council	Industry Funds (P.E Schemes)**	Retirement Annuities	Preservation Funds
Total Schemes	Active Inactive	2,168 1, 903	206 73	15, 428 52) 3, 311 (8)	13	1,534 (17) 29 (1)	10 1	16
Total Members	Active Inactive*	1, 790, 867 281,024	34,131 34,625	786,101 108,477	36,487 21, 606	278,416 122,320	2, 988, 955 121,291	87,360
Total Assets (R billion)	Active Inactive	384.6 3.3	50.9 1.4	54.2 2.4	0.6	22.9	189.4 0.2	29.0

Source: ASISA via Compass Publishing BV (August 27, 2010) * The inactive members are in both active and inactive schemes

** The Umbrella Funds and Industry Funds are shown with Participating Employers and Registered Schemes

ASISA (2010) estimates that (per the total numbers of members represented across pension types in Chart 8) approximately 5.9 million individuals were members of retirement pension funds in South Africa in 2010. Noting that the combined assets of all such schemes are estimated to be in excess of R1.6 trillion, ASISA claims that this ranks the industry among the top 15 internationally.

Old Mutual (2010) notes that there is a gradual shift in South Africa to a higher level of member level investment choice. This assertion is backed up by the Old Mutual Retirement Funds Survey (2010). The survey shows, inter alia, that more company funds introduced member level investment choice in 2009 than was the case in 2008. A further 10 per cent of funds indicated their intention to introduce member level choice in the coming year. Both Old Mutual (2010) and the survey, however, note that the vast majority of members in all types of funds still chose the default option for their fund investments.

However, matters such as investment choice are irrelevant for those workers, even in the formal sector, who have no pension coverage. Research undertaken by Old Mutual (2010) on the extent of pension coverage disaggregated by income evinces a very uneven picture. Not surprisingly, the very lowest income earners of all, those earning less than R12, 000 per year have a very low level of coverage, with approximately 350,000 workers in some form of retirement scheme as opposed to 1.5 million with no coverage. For those earning between R12, 000 and R75, 000 per annum, approximately 2.7 million workers have pension coverage and 4.5 million do not. In the R750,00 to R150,000 bracket the proportion of coverage is higher (possibly because of the large numbers of civil servants at this level) with just over 1.5 million people in pension schemes as opposed to just under 1.5 million not covered. Interestingly, the next higher income bracket, R150, 000 to Rl million per annum shows a lower level of coverage with approximately 1.25 million in schemes and 1.7 million not covered. Many self-employed people are in this category. While it is clearly critical to increase coverage for lower-income earners, the large gap for the R150, 000 to Rl million earners is also a concern. People in this category may use up their assets after retirement, become impoverished and come to claim Older Person's Grant and their only steady source of income

Disability Insurance

It is extremely difficult to calculate the extent of coverage of private disability insurance in South Africa. This is because, although insurance companies are required to report a range of figures annually to the Financial

Services Board, the category of Disability (or accident or illness) insurance is not disaggregated from the much broader of long-term insurance. However, there seems to be broad agreement within the insurance industry that disability / accident insurance levels are low.

A survey by Sanlam cited by Genesis (2007) shows that approximately 49 percent of disability insurance policies would pay a lump sum upon a claim being approved, 41 per cent would pay a monthly income while 10 percent would pay a combination of these two.

Masilela (2010) notes that personal disability insurance coverage levels continue to be significantly low in South Africa (as are other types of insurance classified as *risk benefits)* despite a growing pool of people who could afford such coverage. He argues that there are three basic reasons for this. Firstly, the returns on selling disability policies for intermediaries in the industry are lower than for pension schemes and this fact does not provide a good incentive to promote them. Secondly, such policies can be multifaceted, greatly varied and complex, and are therefore confusing to consumers. Thirdly, Masilela (2010) identifies a cultural aspect which may limit uptake of disability insurance. He notes that Black Africans have a strong history of taking out funeral benefit policies but have had very little historical exposure to disability insurance.

International Labour Organization (ILO) Convention C102

As noted in Section 2, South Africa is a party to several international conventions that help shape the legal and policy environment for social security. However, the ILO Convention C102 which deals with social security minimum standards, is not among these and as of 2010, South Africa is yet to ratify it.

Coverage for non-South African nationals

Olivier (2010) identifies in South Africa immigration law is superimposed onto social law in this situation. By implication, this means that many migrants are excluded from social rights There is currently no real policy framework on the issue of migrant (i.e. non-citizen/non-permanent resident) access to social security whether in principal or by category. The Constitutional Court did however in the case of K7iosa_extend eligibility for social assistance to permanent residents. The Social Assistance Act provides that the Minister may regulate access to groups of refugees should the need arise, but this has never, in fact, been used.

This lack of legislative action has resulted in a significant policy void into which only the occasional jurisprudence has had any impact at all. But by and large, non-nationals are excluded from public social security programmes. One exception is that people with refugee status are able to claim Foster Care Grant and Disability Pension if all other requirements for such benefits are met. However, the eligibility for these would cease if the beneficiary's legal refugee status lapsed. Also, non-nationals are excluded from some forms of emergency assistance such as Social Relief of Distress (SRoD).

Olivier (2010) argues that migrant worker exclusion from the Unemployment Insurance Fund (UIF) has negative consequences, not only for the workers and their families, but also for the entire region. It is notable that South Africa has no bilateral agreement on social security with any other country, not even within the region.

Informal sector

Workers in the informal sector are, *ipso facto*, excluded from any employer-based pension schemes or benefits and are specifically excluded from the Unemployment Insurance Fund (UIF). They are also in effect largely excluded from private retirement pension schemes (such as tax deferred retirement annuities) and disability/accident insurance measures. However, Olivier (2010) argues that it is not just those who work in the informal sector who are excluded from UIF and employment-based measures but also those who do not fit the traditional employer-employee relationship. He notes that there has been much less thought given to the definition of an employee in social security law than there has in labour law.

The issue of social security coverage for informal sector workers has not been addressed in-depth at the policy level in South Africa. In the recent discussions around social security reform (which include the development of a national contributory retirement fund system) the preponderance of opinion seems to be that a solid system must be created and consolidated before it is extended to those working in the informal economy.

Using information from the Labour Force Survey, Masilela and Kaniki (2009) calculated that less than 10 per cent of workers in the informal sector were contributing towards a pension in 2008. They note that the capacity to

save for retirement is substantially lower in the informal sector compared to the formal sector and conclude that specifically targeted measures are needed to stimulate retirement saving by those participating in the informal economy.

Financing for Social Security Protection

Any assessment of social security finance in South Africa must be contextualised by reemphasising the two tiered public-private nature of the South African social security system. Even within the public system it is important to distinguish between social grants which can be classified as non-contributory social assistance (i.e. funded through general taxation revenue) and benefits paid from contributory funds. A prime example of the latter is unemployment insurance which is funded by employee and employer contribution via a statutory fund.

Social Assistance Grants

Table 10 indicates social grant expenditure, actual expenditure and estimates from Financial Years (FY) 2006/07 to FY 2012/13 and also estimates such expenditure as a percentage of GDP. The expenditure includes both the value of the social grant transfers themselves plus the administrative costs of the government agency (SASSA) in distributing the grants. In FY 2010/11 expenditure on social grants represented 3.5 percent of the Gross National Product (GDP).

Table 10 Social grants expenditure as a percentage of GDP, 2006/07 - 2012/13

R Million	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**201^13**
				Revised estimate	**Medium Term Estimates**		
Social Grants Transfers	57,032	62,467	70,715	80,080	89,368	98,594	106,808
SASSA administration	4,192	4,143	4,630	5,169	5,631	6,098	6,153
Total	**61,224**	**66,610**	**75,345**	**85,249**	**94,999**	**104,692**	**112,961**
percentage of GDP	3.3%	3.2%	3.2%	3.5%	3.5%	3.5%	3.4%

Source: Source: Treasury 2010 Budget Review

Table 11 tracks actual budget expenditure on social grants by type and identifies the average percentage in annual growth in expenditure for each.

Table 11 Social grants expenditure by type 2006/07 - 2012/13

R Million	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**%growth (average annual)**
Old age	21,222	22,801	25,934	29,991	34,058	37,521	39,973	11.1%
War veterans	25	22	20	18	15	13	12	-11.5%
Disability	14,261	15,280	16,474	16,853	17,379	18,012	19,432	5.3%
Foster care	2,851	3,414	3,934	4,362	5,232	6,159	6,704	15.3%
Care dependency	1,006	1,132	1,292	1,356	1,580	1,799	1,898	11.2%
Child support	17,559	19,625	22,348	27,273	30,860	34,830	35,513	14.0%
Grant-in-aid	67	87	90	95	10 2	108	115	9.4%
Social relief of distress	41	106	623	132	14 3	151	160	25.5%
Total	**57,032**	**62,467**	**70,715**	**80,080**	**89,368**	**98,594**	**106,808**	**11.0%**

Source: Treasury 2010 Budget Review (format modified) Exchange rate was $1: R7.2 as at 29/09/2010

Unemployment Insurance Fund: Expenditure

Treasury (2010) reports that the UIF paid R3.9 billion in claims to 610 736 beneficiaries in 2008/09. Of this,

- R2.8 billion ($380 million) was paid to 474 793 recipients as unemployment benefits;
- R211 million ($29.5 million) was paid to 25 648 claimants for sickness benefits;
- R537 million ($75 million) was paid to 94 336 claimants for maternity and adoption benefits; and
- R263 million ($37 million) was to 15 959 claimants for dependant benefits.

It was further noted by Treasury (2010) that in Financial Year 2009/10 unemployment insurance claims paid (and other subsidies from the fund) increased by 83.7 per cent in and that this was due to the adverse global economic conditions, which had the effect of increasing unemployment in South Africa. Treasury indicates that this trend will probably continue over medium term and expects the Financial Year 2010/11 claim figures for unemployment benefits to increase substantially.

Table 12: Actual and estimated UIF benefit payments 2006/07 - 2012/13

R Million	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	Outcome			Revised estimate	Medium-term estimates		
Benefits(R million)							
Unemployment							
Illness							
	1 991	2 031	2 834	3 942	4 279	4 879	5 562
Maternity/							
adoption benefits	180	187	212	355	386	440	502
	418	460	538	832	902	1 028	1173
Dependant							
benefits	248	243	264	491	533	607	691
Total benefits paid	**2 837**	**2 921**	**3 848**	**5 620**	**6100**	**6 954**	**7 928**

Source: Treasury 2010 Budget Review (format modified)

Treasury (2010) calculates that UIF revenue has grown at an average annual rate of 8.7 per cent over the 7-year period and that contributions received comprised 75.6 per cent of the fund's total revenue during this period. Interest received from investments comprises an average of 24.4 per cent of total revenue over the 7 years.

Expenditure grew from R3.5 billion ($480 million) in 2006/07 to R8.5 billion ($1.8 billion) in 2009/10 at an average annual rate of 34.9 per cent, and Treasury estimates that expenditure will reach R10.1 billion ($1.4 billion) in 2012/13. Yet the fund is secure and sustainable in the long-term with the accumulated surplus projected to reach R41.3 billion ($5.7 billion) in 2012/13. Some R19.6 billion ($2.7 billion) has been reserved in the fund, pursuant to recommendations by the funds actuaries, for outstanding and future claims (Treasury 2010).

Health Care

A document prepared by the Actuarial Society (2009) forecast that government expenditure on public health care would exceed R80 ($11.1) billion in FY 2009/10. In fact, when defined to include such factors as medical care provided through the Road Accident Fund, Corrective Services, Provincial Departments of Health, Worker's Compensation and other medical needs met through public finance, the revised estimate by Treasury (2010) for 2009/10 is just short of R100 ($13.8) billion. Treasury forecasts that this will rise to R122.5 ($17) billion by 2012/13. The sources that make up the R100 ($13.9) billion are diverse and include general taxation (National Department of Health), contributory systems (COIDA Fund) and local government revenue. But they are all classed as public finance. Table 14 indicates levels of expenditure in the private health sector. Not including donor- and NGO-funded services, the estimated total cost for private health care in FY 200/10 was R121.5 billion ($16.9 billion). Treasury (2010) forecasts that this will rise to R281.9 billion ($39.2 billion) by 2012/13.

Table 14: Health Expenditure in Private Sector

R Million	2006/07	2007/08	2008/0 9	2009/10 Revised estimate	2010/11	2011/12	2012/13
	Outcome				Forecast		
Private sector							
Medical scheme	58349	65468	74089	81128	88754	96653	105255
Out of pocket	26596	31183	34270	36498	36833	41125	43551
Medical insurance	2056	2179	2452	2660	2870	3126	3404
Employer private	982	1041	1172	1271	1372	1494	1627
Total private sector health	**87983**	**99871**	**111983**	**121557**	**131829**	**142398**	**153837**
Donor or NGO's	**2503**	**3835**	**521 2**	**6319**	**5787**	**5308**	**5574**
Total	**150850**	**174011**	**201000**	**227638**	**244085**	**263003**	**281907**

Source: Treasury Budget Review, 2010

The ruling party has indicated their intention to introduce a National Health System, free at the point of use that would be funded from a mix of tax sources. In 2010, their position was that this would be introduced over 14 years. Private 'top up'

medical schemes would continue for those with sufficient income. Many argue that the first critical steps would be to improve the quality of care at state hospitals and clinics which has been severely criticized in recent years.

Private Pensions

Rosconi (2008) calculates that the total combined assets of South African occupational retirement funds had (by 2008) accumulated to the point where they represented approximately three-quarters of the annual GDP. He further notes that retirement investors are the single largest set of institutional investors in the country. According to the most recent information released by the Registrar of Pension Funds (2009) the total combined assets of all retirement funds in South Africa was approximately R1.6 trillion. This information, however, was collected as far back as 2006 and the value may be significantly higher as of mid FY 2010/11.

Treasury (2010) estimates that there are more than 13 500 private pension funds although the Register of Pension Fund's (2009) latest statistics count only 13 143. The types of funds include occupational pension funds, provident funds and retirement annuity (personal plan) funds. The Registrar of Pension Funds records that approximately 9.4 million people belonged to pension funds in 2007, 7.4 million of whom were contributors and 2 million of whom were pensioners. Treasury (2010) and Cameron (2010), however, note that these numbers exaggerate overall coverage as many people belong to two or more funds.

Challenges facing social protection scheme (s)

Adequacy and Living Standards

It is not really possible to contextualize disability and older person's grants in relation to a national poverty line and a national minimum wage in South Africa as neither such measures are legally and universally defined. Officially the poverty datum line has not been defined. There is also no national minimum wage that cuts across sectors. However, the National Department of Labour has the authority to issue regulations pursuant to legislation under its jurisdiction to regulate wages of domestic workers and farm workers.

Results from Old Mutual's Retirement Monitor Report (2010) and Retirement Survey (2010) provide important insight into the question of pension adequacy and ongoing living standards of pensioners. Only 43% percent of funds surveyed by Old Mutual consider that their members think they have enough money to retire, while only 26% of those respondents actually see their members having sufficient benefits to retire.

The Old Mutual Retirement Monitor (2010) reports that 57% of pensioners surveyed said that they had experienced an immediate decline in their standard of living when they retired. For 33% of them the drop was slight while 25% reported a large decline in living standards. Tellingly, only 17% of pensioners say that their pension has kept up with inflation.

SASSA *challenges*

In February 2010, the South African Social Security Agency (SASSA) itself noted that backlogs in processing social grant applications are a significant problem in some areas. The Social Assistance Act, 2004 mandates that a person applying for a grant must be advised of the outcome within 90 days from the application date. SASSA, however, has adopted an internal working definition of backlogs as being any application which has not been finalized within 21 days from the date of application. Using this standard, the picture across the country is an uneven one with, for example, a very low level of backlogs in early 2010 in Gauteng (less than 300) and very high levels in the Free State (over 6,500).

Encouragingly, it must be noted that the overall national average period of time between an application and a notification is a mere 12 days, substantially below either the legal or internal standard. To the extent that major delays exist in most regions, SASSA points to chronic staff shortages, a lack of on-line connectivity in some satellite points and delays in the transfer of records (delaying applications for people in transit). These are important observations because they help locate the problem of social grant application backlog in the broader context of uneven capacity and infrastructure government from region to region which so often can result in vastly different standards of service.

While it must be acknowledged that the agency has made significant strides towards meeting its mandate, SASSA (2009) itself notes that there are still many challenges to confront. In 2009/10 financial constraints forced SASSA to reduce important education efforts via an outreach programme, infrastructure acquisition and the filling of key posts has been difficult. The agency also requires a higher level of information technology to be able to function at a high level (Jehoma, 2010).

The sustainability of tax funded social assistance system

There is a growing concern that the roughly nine million people employed in the formal sector cannot continue to provide sufficient tax to expand the social assistance system that currently pays grants to around 14 million people per month. While grant coverage has grown, tax rates have been cut year on year since 1994, which has been attributed to a deliberate attempt to not alienate the tax base from the function of the expansion. It is frequently articulated by policy makers that the solution to the poverty of working age people cannot be to provide a grant for every unemployed person, and hence the emphasis on expanding the absorption of the labour market and labour intensive economic growth.

Private Pension System

Owing to the enormous variation of quality within the industry, it is difficult to draw universal conclusions about the state of private pension coverage in South Africa. However, there are a number of important policy issues and challenges that can be identified.

Treasury's Social Security and Retirement Second Discussion paper (2007) notes that approximately 80 per cent of funds have less than 100 members, which add considerably to the regulatory workload and raises challenges relating to administration costs, risk-pooling and other administrative costs. Cameron (2010) argues that many of the smaller funds cannot be said to be pension funds at all as they operate more as insurance schemes which, on maturation, may pay out a small lump sum. Identifying an important public policy issue, Cameron (2010) notes that many people upon exhausting the lump sum often, become eligible for the state Older Per on's Grant. In this sense, "pension funds" of this nature not only provide no ongoing security in retirement but ultimately place a greater burden on the public purse.

Treasury (2007) notes that aggregate figures also mask other unsatisfactory features of retirement fund coverage. These include limited access of lower-income employees, (even within the formal sector) or the self-employed to cost-effective retirement vehicles. Such factors, combined with early withdrawals, contribute to inadequate savings accumulated over working people's lives. Treasury also notes an industry survey which suggests that preservation of accumulated funds among those fewer than 40 years old is less than 10 per cent, and may be as low as 1 per cent amongst low-income members. This contributes to inadequate income replacement at retirement. It is estimated that more than half of those who reach retirement age with a funded pension receive a retirement income that is less than 28 per cent of their pre-retirement income. In mid-2010 the Association for Savings and Investment SA (the industry body for pension funds) commenced research to address issues of extent and quality of coverage. The results of the research are expected to be finalised in late 2010 (Smith, 2010).

The Department of Social Development (DSD, 2006) argues that coverage is only one indicator of the adequacy of the current retirement system and that a more important issue is that of the quality of the coverage. DSD cites numerous instances in which events can and do contribute to a reduction in the value of benefits. These include early withdrawals, switching to expensive private annuity products, high administration costs, uneven performance of funds and outright fund failures and significant gaps in contributions over a working life. It is perhaps for these reasons that the Department of Social Development has been steadfast in its demand (in reform discussion) for a public system which defines and protects contributions from the vicissitudes of the market.
The private sector, in particular, feels that the current taxation system is not sufficiently supportive of retirement savings. Melville (2006) of the Metropolitan Employee Benefits states the following in this regard:

> *...the current tax and social benefits environment contains certain paradoxical disincentives for lower- and middle-income employees to save for retirement.*

Melville also claims that:

- The "means test," which is applied by the state to determine eligibility for state pension benefits, discourages private saving - because by saving for retirement, low and middle-income earners lose part or all of their state pension benefits month; and

- Retirement funds pay tax on interest, while lower-income earners are not liable for tax on private savings.

However, Melville (2006) also welcomes the state's decision to cut the tax on retirement funds from 18% by half, as a positive step in addressing the situation. The National Treasury had also recommended the establishment of a National Savings Fund for low-income earners, including employees in the informal sector, part-time and seasonal workers as well as domestic and agricultural workers, to enable them to make provision for their retirement. Melville suggests that financial services products would have to make provision for irregular contributions and withdrawals in the event of a life crisis.

Preservation of funds is indeed a critical issue that must be addressed by pension reform. The Old Mutual Retirement Monitor (2010) reports that of the 91 respondents who changed employers and left their retirement funds in the past 10 years, 52% have withdrawn their benefits as cash. Only 25% of these pensioners indicated that they had transferred their retirement fund benefits to the fund of their new employer, while 4% invested it in a preservation fund.

Reforms since 2000

As outlined in Section 2 the development of a comprehensive social security system is an imperative Constitutional mandate for the South African government. This mandate is succinctly spelled out in the White Paper on Social Welfare (Department of Welfare, 1997) which states:

> *"The Department of Welfare will advocate for a comprehensive social security policy in collaboration with other Government departments which will strive to integrate social insurance, social assistance, social relief and private savings[126]... Disincentives to private saving to meet the social security needs of individuals and their families will be addressed[127]."*

While the White Paper set the framework and the policy tone and the broader goals, it lacked specific objectives. In 2001 the government set up the Committee of Inquiry into a Comprehensive System of Social Security, led by Professor Vivienne Taylor. The "Taylor Committee" was mandated to undertake research and to advise government on social security policy reform process. In May 2002 the Committee released its consolidated report (Department of Social Development, 2002), in which the primacy of the right of access to social security (including social assistance) for reducing poverty was highlighted (Southern African Catholic Bishops' Conference, 2010).

Identifying that the prime function of social security policy should be to protect those most vulnerable to poverty and its effects, the Taylor Report (Department of Social Development, 2002) recommended the development of a broad range of interventions and programmes. Among those recommendations which, since 2002, have been implemented are:

- The extension of Child Support Grant to children up to the age of 18;
- A Foster Care Grant for children in alternate care (not living with their parents); and
- A Care Dependency Grant for children who are physically or mentally disabled.
- Other extensive recommendations include Pension and Health reform; changes to the Unemployment Insurance Fund (UIF)
- The establishment of a Social Security Agency and governance structure-including an adjudication mechanism

The Committee's most fundamental recommendation of a Basic Income Grant (BIG) for all South Africans, however, was strongly resisted in government despite overwhelming support from civil society and carefully developed costing (Basic Income Grant Financing Reference Group, 2004).

[126] Para: 62

[12~] Para: 67

Public Health Insurance

The development of a national health insurance scheme was also recommended by the Taylor Report (Department of Social Development, 2002) this issue has been widely discussed in various public policy forums throughout the 2000s. It was only in the late 2009, however, when a ministerial advisory committee submitted proposals for a national health insurance (NHI) plan to cabinet. Cabinet requested further work which was completed and, as of September 2010, the document is being reviewed by an inter-ministerial committee. While the document has not as of September 2010 been made public, du Preez (2010) reports that there are three key features that is likely to be reflected in the final proposal. Firstly, the tax deduction allowed on private medical aid schemes, amounting to about R12 billion ($1.7 billion) per year and affecting 7 to 8 million people, may be scrapped. Secondly, there is likely to be a stronger focus on primarily health care with measures to reduce referrals to more expensive specialists. Thirdly, NHI benefits may be provided on a capitation basis, that is, health care providers are contracted to provide services for a specific period for a fixed fee.

Retirement/Pension Fund Reform

While there has been broad agreement that South Africa's haphazard system of retirement pensions must be reformed, there has been much less agreement on exactly what this system should look like. As detailed in early sections the current private retirement pension system is problematic in several ways.

One such problem is the level of a range of costs passed onto the contributor. Rusconi (2008) reflects a broad concern when he notes that unreasonable levels of charges make retirement schemes too costly for many. He notes that such costs are generally higher in South Africa than most other countries and that, in particular, self administered funds tend to generate the highest charges at an average of 13 percent. The vast bulk of these costs are attributable to advisor fees and general administrative costs. The Registrar of Pensions Funds (2006) notes that there is a negative relationship between the level of charges passed onto the contributor and the size of the pension fund. That is to say, the smaller the fund the higher the charges. While there are numerous issues to be considered, it is clear that the level of costs associated with pension funds must be dealt with in any package of pension reform.

There are also other administrative problems. Cameron (2010) argues that fraud and mismanagement characterises many of the smaller funds in particular and that this disproportionately disadvantage low income earners. Lack of accurate and timely information about the sector is also notable. The capacity of the regulator to manage these and other problems which inhibit the private retirement pension system is questionable.

The push to reform the pension system began in earnest in 1997 with a retirement forum (Jehoma, 2010), but it was not until 2004 that Treasury released a policy discussion paper on the issue. However, fundamental differences within government arose particularly between Treasury and the Department of Social Development (DSD) on the key provision of the paper. In 2006, DSD released a discussion paper of its own entitled: *Reform of Retirement Provisions* (Department of Social Development, 2006). Central to the paper's recommendations was the development of a mandatory contributory retirement system. Income earners who are beyond the tax threshold and at least 25 years of age would contribute at least 15% of their pre-tax income to ultimately achieve an income replacement rate in retirement of 40% for lower income earners, inclusive of the Older Person's Grant.

In 2007 Treasury released its second discussion paper (which has been widely referenced in this report). The central principles espoused by the paper includes pooling of risks, collective funding, mandatory participation of employees and the self -employed in the formal sector, and encouragement of voluntary participation by those in the informal sector, and minimum benefits assured through continued social assistance grant programmes, financed through the budget (Treasury, 2007). Yet, in the debate that followed the release of the second discussion paper, significant differences in government remained. Representing the views of the Department of Social Development, Jehoma (2010) summarises these differences as follows:

- DSD wanted the certainty of a defined benefit (i.e. the contributor would know exactly how much they would get);
- There is the disagreement on whether there should be a government-run national pension fund;
- DHS opposed generous tax subsidies;
- Treasury wanted wage subsides as part of the package which DSD felt was conflating labour market policy with social security policy;
- DSD felt that what effectively amounted to a R30 billion ($4.2 billion) subsidy in the Treasury proposal for people in employment would be better targeted at assisting the unemployed.

For nearly three years, it seems that differences such as these prevented any solid proposals from being enacted. As of August 2010, however, Jehoma believes that there is much convergence between the two views and says that the government is now on the verge of announcing a set of major social security reforms which will radically change the provisions for retirement.

In concluding the assessment of challenges for the South African social security system, and retirement benefits in particular, it is instructive to consider the comments of Elias Masilela (2010) who has a background in both public and private sectors and was a member of the Taylor Commission. Masilela asserts that the structure or mode of a contributory system, and whatever regulations eventually govern it, are not really the prime concerns. He argues that the only thing that will make a contributory social security system *of any form* work in South Africa is to ensure that as many people as possible are gainfully employed. In this sense, Masilela sees labour market policy and social security policy as inextricably linked. Masilela argues that, ultimately, a sustainable national social security contributory system must be backed up by;

1) a more skilled and flexible labour market which has the capacity to respond to a rapidly changing economy, and
2) a stronger national infrastructure to support industrial development.

From this perspective, retirement security and, indeed, social security generally is primarily dependent on the level of success South Africa is able to achieve in its education and training, economic and infrastructural develop agendas.

Trade Unions' role in Social Security Protection

The Congress of South African Trade Unions (COSATU) has played a leading role in shaping and improving the cover of social security for workers and in leading the calls for the introduction of a national health insurance system to facilitate equal access to quality health care for all. The other labour federations represented at NEDLAC are NACTU and FEDUSA. The positions of COSATU and NACTU are set out below. FEDUSA however advised the authors that their position papers would be only available in 2011 (Personal communication, Conradie).

COSATU, as part of a Tripartite Alliance with the African National Congress (the ruling party) and the Communist Party of South Africa, is tactically well placed to influence national policy in favour of the working class.

COSATU's policies on social security are detailed and transformative. At the heart of these policies is the following vision:

> *"COSATU's vision on social security and social wage derives from the overall vision of the Reconstruction and Development Programme. The RDP advances the need for a comprehensive approach to the meeting of basic needs such as shelter, food, health care, work opportunities, income security and all those aspects that promote the physical, social and emotional well-being of all people in our society, with special provision made for those who have been historically disadvantaged.*
>
> *To reverse the legacy of apartheid requires a comprehensive social security system in South Africa. Complementing this should be the expansion of the provision of the range of social services such as housing, transport, water provision, health care, which improves workers' 'social wage'. Social wage benefits include those types of benefits that should be publicly supplied, even if they are currently privately supplied."*

COSATU has also led and participated in many civil society campaigns around social security. Even before the finalisation of the 1997 Welfare White Paper, COSATU had called for the adoption of a comprehensive social security system that included formal and informal workers and the unemployed.

COSATU has also been at the forefront of the campaign to increase the value and age limit of the Child Support Grant since the late 1990s. It was also instrumental in formulating the call for a universal Basic Income Grant, which was referred to in Chapter One of the 1998 Presidential Jobs Summit. The trade union movement has long

seen social security as central to the notion of 'decent work', which is also a pillar of the International Labour Organisation's Decent Work.

In addition, the trade unions have negotiated successfully around:

- Maternity leave as part of the Basic Conditions of Employment Act;
- The adoption of provident funds for workers through collective bargaining;
- The amendment of legislation to provide for trade union trustees in pension funds;
- Expanded access to Unemployment Insurance Fund for farm workers and domestic workers.

Labour has also been involved in developing a position on the proposed new mandatory national pension scheme that is being debated through NEDLAC. COSATU's Position Paper problematises a number of issues for Labour in this regard, including:

- Occupation funds and the value of employers' contributions have been the subject of collective bargaining victories in the past - how will such victories be successfully maintained in the face of migration to a mandatory uniform national fund?
- How will trade union pension fund trustee representation be replaced in the face of the adoption of a national fund?
- Won't the defined benefit of defined contribution of schemes quite radically affect the support of Labour for such a reform?
- Will the fund be managed by the state or by Capital for a profit?
- Should a worker/ contributor lose their jobs and exhaust their unemployment insurance (if they were eligible for this); they would not be able to draw on their deferred savings until the date of retirement, which would obviously place the unemployed worker in a crisis. The reforms would have to address this, and also consider re-formulating the UIF and introduce a universal tax funded Basic Income Grant.

One of the major challenges faced by trade unions in respect of social security remains the issue of how to ensure that informal workers and atypical workers can be covered through schemes that attune to their realities of erratic work and income, and few points of collective organization of people or of contributions or pay outs. COSATU however has ensured that the ILO pillars of decent work have become main pillars of the ruling party's election manifesto, and it is hoped that Labour will continue to lead the line of larch in respect of expanding access to comprehensive social security both for workers and non-workers to reduce income vulnerability and to promote a sense of solidarity across society.

NACTU (the National Council for Trade Unions) views social security as an essential tool for building an equal, caring and sharing society.[128] They fervently oppose the privatization of parts of the social security system on the basis that experiences in Latin America and Eastern Europe have shown that privatization undermines the societal objectives that social security ought to achieve. The core principles guiding NACTU thinking on social security are universal access (access and benefits for all working people), comprehensive scope of coverage (basic income security, disability and death benefits and the promotion of sustainable livelihoods, including access to housing, medical care and food security), inclusivity in coverage and participation (all participants in schemes should know their rights and duties) and the building of social solidarity (a culture of caring and risk sharing). NACTU ties the necessities for an improved social security system to the larger goal of creating decent work and hence a decent life for all South Africans.

Despite discrepancies between NACTU's thinking on social security and the three-pillar system proposed by Treasury, NACTU nonetheless supports it. However, in addition to the Old Age Grant (pillar 1), the retirement funds in the formal economy (pillar2) and voluntary retirement savings arrangements (pillar 3) NACTU calls for a fourth pillar to be included that will provide comprehensive social assistance to workers who are unemployed, earn low incomes or work in the informal economy. Furthermore, NACTU also promotes the rationalization of contributions and benefits, the pooling of risks, mandatory participation and improved administrative efficiency. More to the point, NACTU supports the idea of introducing a National Social Security Savings Fund, the portability of funds, measures to ensure affordability of policies, the introduction of a national social security administrator for pillars 1 and 2 and improvements to the administration and governance of funds.

NACTU also argues that material differentiation due to difference in contributions should be forbidden. Similarly, contributions to individual retirement funds should only be allowed after contributions to pillar 1 and

[128] National Council of Trade Unions, *Nadu's Approach to Social Security Reform,* position paper, February 2008. The following section provides a summary of NActu's views on social security and reforms thereof as outlined in the paper.

2 funds have been made. However, before proceeding, NACTU would like to see a debate started around whether it is right for funds to invest in high risk assets. Similarly, they would also like a debate around whether to adopt a defined benefit or a defined contribution system.

Conclusion and Recommendations

Social policy has been said to provide a reflection of the dominant values and principles that guide a nation. This by definition is subject to a constant contestation between competing social, economic and political forces.

Social security policy in South Africa bears the imprint of the former Apartheid state which privileged White South Africans and was closely aligned to policies of job reservation and prejudice. Inherent in this is the fact that the right of black workers to organize under recognized trade unions was not recognized for many years.

Social security forms one of the main pillars of the ILO's definition of "Decent Work". The right to social security and social assistance is also recognized under the South African Constitution, not only to South African citizens, but also to everybody living in the country. As this Country Study has set out, although established private insurance schemes exist, and an extensive system of public cash grants has been rolled out, there are still significant gaps of people who are able to access neither. Access to social insurance funds such as the Unemployment Insurance Fund is also restricted to formal sector workers whose employers have registered them.

Despite claims by various parties that South Africa has a comprehensive system of social security, too many vulnerable people fall through the gaps. With rampant unemployment and a growing sector of vulnerable atypical workers, there is an urgent need to reconsider the forms of protection that are made available to South Africans, and to non-nationals.

The past few years have witnessed a "stop-start" approach to social security reform discussions, ranging from deliberations over the establishment of a formal mandatory retirement fund to the introduction of a national health insurance fund. Labour and civil society have been voicing a call for a universal Basic Income Grant for over ten years, only to be met with responses that range from the unaffordability of such a scheme to the notion that social security would only create a dependency that would discourage workers from seeking a job.

As for all developing countries with a limited formal sector, there are questions that arise in respect of the ability of the BIG to cover all poor people with an adequate income replacement. A critical argument that needs to be addressed however is what happens to a nation that faces such high levels of income inequality and unemployment? What type of domestic demand can be harnessed to develop local production where local demand for locally produced goods is so low?

People have advanced theories of 'grafted capitalism' in respect of the economic development of South Africa, an economy developed to support extraction and colonial needs, designed to ensure a system of cheap, surplus labour to keep down the costs of production.

What needs to be agreed on is the vision that people share of the place and scope of social protection in the collective bargaining process that guarantees security against social vulnerability.

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APPENDIX 1: INTERVIEW RESPONDENTS

Cameron Bruce: Interview on 18 August, 2010. Mr Cameron is a financial journalist and has written widely on retirement finance issues.

Jehoma, Selwyn: Interview on 25 August, 2010. Mr Jehoma is Deputy Director General of the Department of Social Development.

Martin, Patricia: Interview held on 28 July, 2010. Ms Martin is a social grant expert and social security advocate and is former director of the Association for Children's Entitlement to Social Security (ACESS).

Masilela, Elias: Interview held on 22 August, 2010. Mr Elias is Head of Corporate Affairs and Retirement Reform at Sanlam.

Old Mutual: Interview on 27 August 2010 with staff member (retirement pension researcher)

Olivier MP: Interview held on 5 September, 2010. Professor Olivier is Director of the International Institute for Social Law and Policy).

Smith, Stephen: Interview held 24 August, 2010. Mr Smith is a Senior Policy Advisor with the Association for Investment and Savings South Africa (ASISA), which is the trade association for private pension advisors.

Personal Communication:

Arlene Conradie, FEDUSA to Thabileng Mothabi, 20 September 2010.

SOCIAL PROTECTION IN TANZANIA

By

E. W. Dungumaro

Introduction and Background

Background

Tanzania is the largest country in East Africa. According to the latest census conducted in 2002, the population was 34 million. Projections based on the annual population growth rate of 2.9 percent indicate that the country's population by 2009 would stand at 43 million people. Tanzania got its independence in 1961 (as Tanganyika) and united with Zanzibar in 1964 to form Tanzania.

Political context

The country was ruled by only one party until the 1990s. The first multi-party elections (for president and House of Representatives) in Zanzibar were held in 1995. Political action in the country is organized around multi-party system. The country holds elections every five years. The last election was in 2005, and currently people are preparing for the general elections later this year (October 31st, 2010). Politically, Tanzania is the most stable of all African countries; as it was ruled by only one party until the 1990s.

Economic context[129]

At the time of her independence in 1961, Tanzania (then Tanganyika) declared war against three enemies, namely illiteracy, poverty, and disease (Nyerere, 1968). During the first ten years after independence, Tanzania witnessed substantial progress in education, health and other social sectors, as well as in the economy. Tanzania has continued to record impressive economic performance with an estimated real GDP growth of 7.4%, up from 7.1% in 2007. Good performance was recorded in industry, construction and services, particularly in real estate and business services.

In terms of industry, agriculture, hunting, forestry and fishing employ more persons than any other industry in other urban and rural areas. There are, however, a far higher proportion of people employed in this industry in rural areas (89.9%) than in urban areas (44.7%). Wholesale and retail trade are the main industries of employment in Dar es Salaam, where it accounts for 29.0% of the employed population, and 31.2% of employed males and 26.0% of employed females. Private households in Dar es Salaam employ 27.6% of employed females, but only 4.8% of employed males.

Unless otherwise stated, information from this section is drawn from Integrated Labour Force Survey, 2006

The informal sector accounts for the highest proportion of self employed persons, particularly those without employees (93.2%), while more than two-thirds (68.8%) of paid employees are in other areas of the private sector. Most unpaid family helpers (non-agricultural) are found in the household-related work sector where they account for 84.4% of employed persons.

Social context

For almost forty years since independence and the declaration of war against poverty, most Tanzanians have still been living in poverty. Despite massive donor assistance, economic problems in Tanzania remain severe and worsening, manifesting in low productivity, high unemployment rates, disintegration of the productive and infrastructural facilities, low agricultural output and consequently a considerable decline on people's standard of living Mwisomba (1997).

In recognition of prevailing deeper poverty, the country is implementing national strategies such as MKUKUTA[130] and the Vision 2025 to reduce poverty. The overall goal of the government is to reduce the proportion of Tanzanians living in poverty by improving their access to quality public services. Fiscal reforms have taken place in the key components that include provision of formula-based funds to LAGs for recurrent expenditures in the six key sectors; education, health, roads, agriculture, water and administration. The country has a new joint donor-Government funded block grant and Local Government Capital Development Grant (LGCDG) for development. Despite the efforts made by the government, the citizens indicated in the 2008 survey that they were dissatisfied with government education and health services (PHDR, 2009) and the majority still live below the poverty line.

The history and evolution of social protection

The social security system in Tanzania dates back to the colonial period. During the colonial times, social security coverage was extended to a few people who happened to be in colonial employment (URT, n.d). This resulted in the exclusion from social security coverage of most people in the country. Among the provisions which existed during the colonial period are:

[130] Acronym of the National Strategy for Growth and Reduction of Poverty in Kiswahili

- a non-contributory defined benefit pension scheme for permanent public servants and members of the armed forces;
- a provident fund for private sector employees and non-pensionable public servants including employees of state owned enterprises which was effectively a compulsory savings scheme based on earnings related contributions paid by members and their employers;
- a range of other benefits such as workers' compensation, sick pay, maternity leave, severance payments provided directly by employers under a legal obligation; and
- a public health care system providing generally free access to health care.

However, a number of weaknesses have been revealed. These include the following:

- Lump sum payments do not provide adequate long-term income security and contributions invested have often failed to produce a positive return. This has tended to result in friction, and in some instances, evasion or discrimination between employers and workers.
- Economic difficulties and structural adjustment programmes have resulted in an inability for public health care systems to deliver adequate health care (Bailey, n.d).

Policies and various measures were introduced after independence to transform the situation that existed during the colonial era. However, the majority of people who are not in the formal sector are still excluded as social security schemes in the country continue to cover only those engaged in the formal employment.

Based on the above weaknesses the country has in more recent years undertaken reforms to address them. Particularly the government of Tanzania has recognized the need for reform to take place within a national strategy to ensure coordination and consistency. Such reforms include the conversion of the National Provident Fund (NPF) which was established in 1964 into a comprehensive social insurance scheme. In addition, a health insurance scheme which recognizes the difficulty in relying on a public health care system was established. This is a compulsory health insurance scheme for civil servants and their families. Community and group based micro-insurance schemes to provide social protection beyond the scope of the above schemes have also been established.

Legal/Regulatory Framework for Social Protection

The Tanzania National Social Security Policy (2003) recognizes the fragmentation of the social security system in the country with respect to different legislations and design of the schemes. The schemes also lack minimum standards to guide their operations (URT, 2003). In other words, security schemes operate differently in regards to standards and terms.

The Social Security System in Tanzania

Currently there are seven institutions that provide social protection on contribution basis and two pension schemes on no contribution basis.

I. The contributory pension schemes are;
   1. National Social Security Fund (NSSF)
   2. Public Services Pensions Fund (PSPF)
   3. Local Authorities Pensions Fund (LAPF)
   4. Parastatal Pensions Fund (PPF)
   5. Government Employees Provident Fund (GEPF)
   6. Community Health Fund (CHF)
   7. National Health Insurance Fund (NHIF)

II. The non contributory pension schemes are:
   1. Political Service Retirement Benefits (PSRB)
   2. Service Pensions and Gratuity (SPG)

National Social Security Fund

This scheme was established in 1997 through the Act of Parliament No 28 of 1997 to replace the former National Provident Fund (NPF). The Government managed to convert NPF to NSSF which is regarded as a comprehensive pension scheme following a close collaboration between International Labour Organization and the United Republic of Tanzania. The Scheme covers private sectors, the self employed, individuals working in government sectors under non pensionable terms, any one in an informal sector and any other person declared by the Minister of Labour, Employment and Youth Development.

Public Service Pensions Fund

The scheme was established in 1999 by the Parliamentary Act No 2. The Act retracted the former ordinance of 1954, which established a pension scheme in that year. Membership is open to all public servants, employees of Executive Agencies and members of the Government Employees Provident Fund who have served for at least 10 years. This means that members of GEPF who have attained a past service of 10 years are shifted to PSPF.

Local Authorities Pensions Fund

The scheme was established through the Parliamentary Act No 9, of 2006 to replace the former Provident Fund. The scheme covers members who are working in different local government departments under the Prime Minister's office. These include the local government authorities, the local government loans boards, an organization under the local government authority, and any institution or self employed person who elects to join the Fund. The membership is also open to any one working in the private sector.

Parastatal Pensions Fund

This scheme was established through the Parliamentary Act No 14, of 1978. The Scheme was established to cover employees who were working in different parastatal organizations. Employees working in the private sector were allowed to join the scheme. The scheme maintained the same condition from 1978 until the year 2000. In the year 2001 the scheme changed the structure of operation when it extended the coverage to the private sector, the self employed and any other person working in the informal sector.

Government Employees Provident

This is the only provident Fund in Tanzania. The fund was established in 1942 through CAP 51 of 1942 and has been modified to ensure smooth operations of the scheme. The scheme is under the Ministry of Finance, and was placed under the patronage of PSPF in 1999. It started to operate on its own in 2004.

Community Health Fund

The Community Health Fund was introduced in Tanzania as part of the Ministry of Health's endeavour to make health care affordable and available to the rural population and to the informal sector (Mtei and Mulligan, 2007). Based on the Community Health Fund Act of 2001 the objectives of the CHF are to: (i) mobilize financial resources from the community for provision of health care services to its members (ii) provide quality and affordable health care services through sustainable financial mechanism; and (iii) improve health care services management in the communities through decentralization by empowering the them in making decision and by contributing to matters affecting their health (URT, 2001). Although around half of all districts[131] in the country participate in the scheme, uptake amongst the community remains low. The reasons for the observed low uptake include perceptions that the quality of service in government facilities is poor; there exists limited benefits package; and there are doubts over the local management of the scheme.

National Health Insurance Fund

[131] Tanzania has 140 districts

The National Health Insurance Fund was established in 1999 by the Parliamentary Act No. 8. The scheme was established to offset the impact of cost sharing which was introduced in the past as a measure of helping the government to implement structural adjustment programs. Membership is open to civil servants and individuals from the private sectors.

Regulatory Framework for Social Protection

The National Social Security Policy of Tanzania states that *'there shall be an act to govern and standardize operations of the social security sector'*. However, social security actors operate on organizational or institutional monopoly. The social security schemes in the country are run by the Social Security Institutions under regulatory measures as narrated in different Social Security Institutional Acts and the Tanzania Social Security Policy. These institutions have the role of offering quality benefits and services, good governance of the schemes, involvement of stakeholders, widening of coverage, creation of awareness and sensitization. They play the mentioned roles differently and with varying terms, conditions and standards due to the absence of a regulator.

The inexistence of a regulatory body to ensure smooth and efficient operations of the sector implies that schemes operate differently. In most cases different schemes are governed by individual Acts. Therefore, the legal or regulatory framework for social security in Tanzania differs from one fund to another. NSSF, for instance, is governed by the NSSF Act No. 28 of 1997; LAPF is governed by LAPF Act of 2006 and GEPF is governed by the Provident Fund Ordinance, 1942. This observation is regarded as a major weakness and creates profound challenges to achieving adequate coverage, timely and significant benefits for members. However, efforts are made by the government to ensure that a regulatory body exists. The National Social Security Policy of 2003 stipulated that there should be a Regulator responsible to regulate all social security activities in the country. In this effect, the Parliament passed the Act Number 8 of 2008 which made it possible to establish the National Social Security Regulatory Authority. This Authority is responsible to remedy the problems and challenges faced by the social security scheme in the country. However, the Authority is yet to function as the government has not yet issued a notice for the Authority to come into operation.

The social security sector also lacks co-ordination at the national level as each fund reports to a different ministry with differing operational rules and procedures. As a result, contribution rates, benefits structure, qualifying conditions as well as plans and privileges differ from one institution to another as shown in Table 1.

Table 1: Reporting Ministry for the Seven Funds in Tanzania

SCHEME	ACCOUNTABILITY / REPORTING CHANNEL
	PSPF
NSSF	
	LAPF
PPF	

NHIF	Ministry of Labour, Youth &Development
CHF	Ministry of Finance Ministry of Finance
GEPF	Ministry of Local Government Ministry
	of Health Ministry of Health Ministry of
	Finance

Coverage of Social Protection Social Protection schemes: Universal, employment related and means-tested schemes

The percentage of the labour force covered by national security schemes in Tanzania has remained low. Bailey (n.d) documented that the coverage is often less than 10 percent. The compulsory social security schemes as at 2008 covered only 2.8 percent (about 2% of the entire population) of the labour force. A majority of the labour force in the informal sector are excluded from social security systems as the schemes exclusively cover those in the formal sector. There are various reasons behind the low coverage of social security in Tanzania. The major reason is that, usually a large proportion of the labour force lies outside the formal sector. It is therefore difficult to monitor the earnings of this population segment because they do not have regular earnings. Besides, the lack of regular earnings does not allow for mandatory contributions to be collected. Moreover, a majority of those in the informal sector are engaged in smallholder agriculture, small-scale mining, fishing and petty businesses whose incomes are not stable. The several social protection schemes and their coverage are discussed below:

Social Assistance Schemes

The social assistance schemes are non- contributory and non-income tested. They are provided by the state to groups such as people with disabilities, the elderly and unsupported parents and children who are unable to provide for their own minimum needs. In Tanzania, social assistance also covers social relief, which is a short-term measure to assist people over a particular individual or community. Definite coverage of the social assistance is hard to establish, given that each of these are supported as the need arises. Limited coverage of the social assistance schemes resulted in the emergence of informal social security schemes.

a. Mandatory Schemes

For mandatory schemes, both the employee and the employer contribute to the fund. Examples are GEPF, PPF, NSSF, PSPF, LAPF and NHIF.

These schemes have limited coverage which serves only a portion of the population due to insufficient funds, legal restriction, administrative challenges and limited access caused by limited geographical coverage. The formal sector schemes in Tanzania cover about only 2% of the entire population. This social security approach seems to be highly insufficient in a country like Tanzania where a large percentage of the population is outside the formal sector and lives below the national poverty line.

b. Private Savings

In private savings, people voluntarily save for retirement, working capital and insure themselves against events such as disability and loss of income. Examples of this form of protection include life insurance under NIC and buying shares from companies. Anyone can join this form of savings as long as they can agree on the terms and are able to pay regularly.

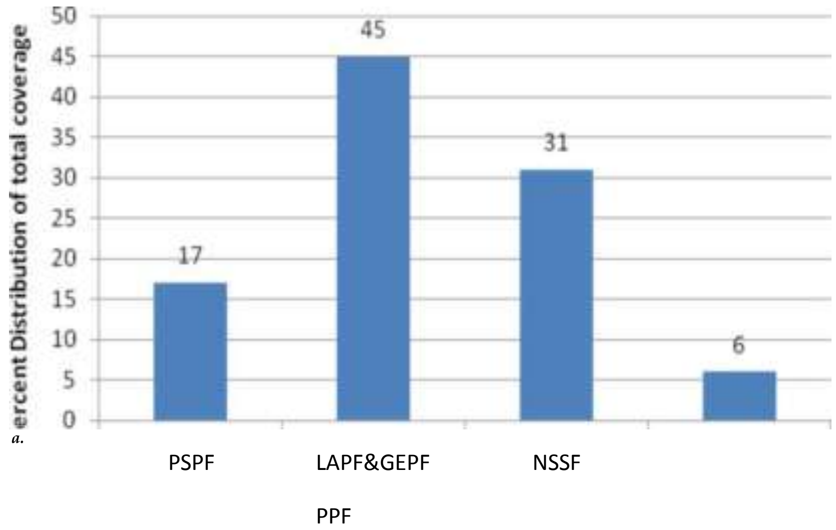
Employed population and Social Security Coverage

The employment for rural areas is 84.0%, with the rural ratio consistently higher than the urban ratio across all age groups. The overall employment for females is 77.6% compared to 80.8% for males. The coverage of social security system in Tanzania is not gender discriminating. Respondents informed that both females and males have equal access to social security on condition that they meet the set criteria of the funds. The distributions between male and female contributors for NSSF are 26 and 16 percent respectively[132]. The observed difference

As percentage of total coverage

could be due to the fact that more men than women participate in the formal sector which is covered by social security. The respondent informed that the coverage of people engaged in the informal sector is about 2 percent which is very low. PPF indicates in fig 3.1 below that 5.6 per cent of the formal sector workers are covered. It was indicated that the percentage of informal sector workers covered by PPF is negligible. GEPF indicates that 5 per cent of the workers in the formal sector are covered by the fund. It also informs that the fund does not cover workers in the informal sector (see Figure 3)

Figure **3.1:** Percent Distribution of Member by Funds as percentage of total coverage



There is a difference in residential (rural and urban) and geographical locations for all the funds in the country. This difference stems from the fact that the majority of those who live in rural areas are excluded from the social security systems as they are exclusively engaged in the informal sector. This observation poses a profound challenge given that the majority of the population and labour force is located in rural areas (ILFS, 2006) as shown in Figures la and lb. The coverage of formal social security in Tanzania is about 871,000 members, distributed as follows: 363,000 for NSSF; 193,000 for PPF and 45,000 for LAPF, representing about 85% of the persons employed in the formal sector (The National Social Security Policy, 2003).

The majority of the population is not covered by the social security systems in Tanzania. This observation is demonstrated by the fact that 93.5% of the labour force is self employed, basically in agriculture while employees in the public and other sectors account for 6.5% of the total employment (see Figure 3.2a and b). In this context deliberate efforts are critical to ensuring that a mechanism is put in place to cover those engaged in the informal sectors.

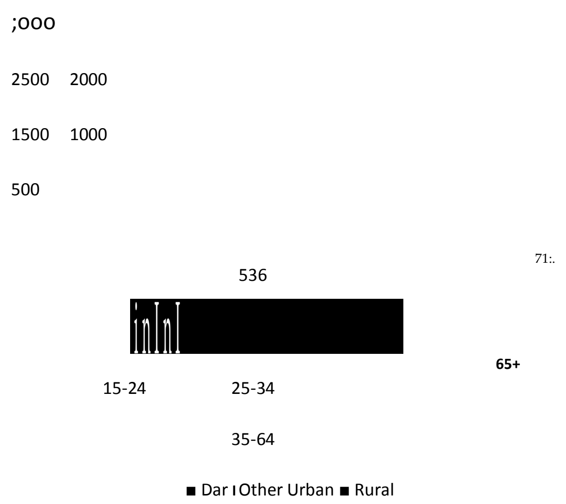


Figure 3.2a: Distribution of female population by age group and geographical area, 2006 (Source, ILFS, 2006)

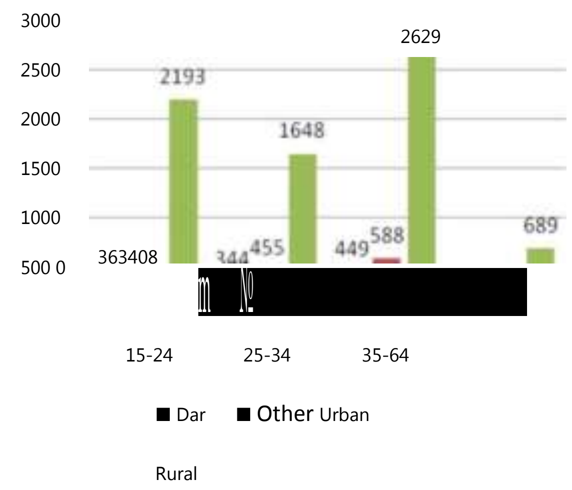


Figure 3.2b: Distribution of male population by age group and geographical area, 2006 (Source, ILFS, 2006)

Social protection in the Informal sector

Social protection in Tanzania does not cover those in the informal sector. Respondents from NSSF mentioned that as a means to providing social security for informal sector operators, the scheme has designed benefits relevant to social needs of the informal sector. Other visited funds did not indicate existence of any initiatives to include the population in the informal sector. This observation is disturbing given that the majority of the population works in the informal sector.

The existence of the informal sector in a country means essentially that, depending on the circumstances, a large proportion of workers do not contribute to the tax revenue as well as social insurance contributions and consequently do not receive any social benefits in return. It is thus advisable to design a suitable voluntary scheme which would enable as many workers as possible to be integrated into a system of social insurance contributions and benefits. In addition, the situation facing workers in the informal sector create formidable challenges to workers, their families and the country at large. These concerns call for deliberate efforts to organize the informal sectors and include it in social security schemes.

The low coverage of social security is a challenge to the Tanzanian population because people are engaged in different types of work and hence face varying contingencies. This premise necessitates different forms of protection. This realization leads to formation of various forms of informal social security schemes in the country which allows those in the informal sector to meet life contingencies. These include
Since the pre-colonial period, the Tanzanian population has depended on traditional social systems to meet their social security needs (Baker 1988). The traditional society is mainly mutual aid schemes or collective arrangements that were set by people to provide enough benefit in time of difficulties. These were quite informal. That tradition, despite having suffered the impact of modernization and urbanization, still exists especially in the light of prevailing poverty and increasing unemployment rates. It has been stated earlier that the majority of the people are engaged in the informal sectors. Their income, more often than not, is not sustainable and reliable. This is one of the many reasons such people need social security systems. Various informal social security systems exist in the country. The common ones are UPATU (means rotating saving and credit group) and SACCOS.

UPATU, which means "Rotating saving and credit group" has an arrangement in which group members pay fixed amounts, after a certain period. The total fund is given to one member and then the sequence is repeated for each member in turn. There are many rotating savings and credit groups and most of them are found in urban areas. Their organizational structure is based on mutual understanding among the group members. The leader of the group is elected to ensure that all contributions are made and that the planned rotation of the lump sum is implemented.

The second category, SACCOS, is the group organized along cooperative principles. The country has credit cooperatives fund, which provides loans that may be used to meet members' needs at the time of difficulties such as death and sickness. In order for a certain group to operate their activities they must be guided by some of the regulations as shown below:

a) An expected member must have a letter from the Chairman of the respective ward;
b) An expected member must pay the entrance amount of 5,000/= Tshs (equivalent of 4USD). However, this amount varies from SACCOS to SACCOS depending on the agreement made among members.
c) A member must have the ability to buy shares. Some SACCOS require a member to buy 10 shares within a year and pay that amount in a respective agreeable amount.
d) A member must open a savings account and deposit any amount that is needed by the SACCOS.
e) A member is to live where she/he has bought shares.

In general, SACCOS have varied qualifying conditions for prospective members, on top of the regulations presented above. The following are the qualifying conditions for persons who want to become members of SACCOS: They must be Tanzanian citizens by birth or registration;

a) They must have their legal business in the respective ward/division
b) They must be hardworking, cooperative and non-racist;
c) They must be at the age of maturity (18 years old) that is acceptable by all rules and regulations under SACCOS and cooperative Unions laws number 20 of 2003;
d) They must have mental fitness and good behaviour;
e) They must be able to pay the entrance fee, to buy shares and to open a savings and deposit accounts; and
f) They must be able to supervise work done for the development of the group (SACCOS).

The mentioned schemes are becoming popular in the country, because of its implicit usefulness to its members. Given the increasing unemployment rates, SACCOS play a vital role in rural and urban economic and social development and serve as safety nets for those engaged in the informal sector. Without SACCOS the large population in the informal sector is left with almost no form of social protection.

Financing for social security

The operation of all social security schemes depends on the principle that their members will pay a prescribed contribution to the scheme. The mode and forms of contribution to these schemes depend on the nature of the schemes. Schemes have set their own rules which enable their members to contribute the prescribed amount. These are described below.

(i) NSSF

The mode of contribution to this scheme is 20% of the member's gross salary as monthly deduction. The employee contributes 10%, while the employer contributes 10%. Once deducted, the employer has to render that contribution to the scheme.

(ii) PSPF

The contribution rate is 20% of the basic salary, shared at a ratio of 5% from employee and 15% from employers.

(iii) LAPF

The contribution rate is 20% of the basic salary shared at the ratio of 5% from the employee's salary and 15% from the employer.

(iv) PPF

The contribution to this scheme is 20% of a member's salary shared at the ratio of 5%: 15% from the employee and the employer respectively especially for those working in parastatal organizations. For those who are working in private sectors, the employer contributes 10% and the employee also contributes 10%.

(v) GEPF

It is a contributory scheme in which the rate of contribution is 25% where the employee contributes 10% and the employer contributes 15%. This scheme covers employees who are working on contract basis (under non-pensionable terms).

(vi) NHIF

The contribution rate is 6% of the basic salary of the member and is shared equally between employee and employer (i.e. at a ratio of 3% to 3%).

There are several modes of payment for different funds. Under PPF, for instance, members can pay by cash, cheque or electronic transfer. The payments are regular and done on monthly basis. The criterion for determining contributions depends on the salary of the member. This is the reason why under PFF some members contribute only 5 percent and the employer contributes 15 percent to make it 20% while other members contribute 10 percent and their employers contribute the same amount. Social security schemes have different sources of funding in the country. They basically include members' contributions and penalties. Funds invest members' money in different businesses such as:

- government securities which include treasury bills and bonds;
- fixed deposits including cash deposits in various banks;
- Equity/corporate bonds including acquisition of shares and other instruments in various companies; and
- Real Estates principally referring to investments in commercial buildings.

Real Estate investment offers employment opportunities and long term capital for development. Funds engage in real estates and rent out buildings which are in most cases located in prime areas. Respondents from Funds indicated that the government does not interfere with funds' investments. However, pensioners do not seem to enjoy the benefits as they receive what they are entitled to and there is no increment regardless of the increase in living costs. Cases of inadequate pensions are posted in Box 6.1.
High administrative cost is one of the factors behind inadequate benefits to members. A recommended figure for administrative cost is 15%. However, the data in Table 4.1 indicates that four out of six funds spend more than 15% of the total contributions. NSSF records the highest administrative costs of all the Funds. The high administrative costs implicitly translate into reduced benefits to members.

Table 3: Administrative cost by Scheme

Social security Scheme	**Ratio of expenses to contributions**
NSSF	20.30%
LAPF	18.80%
PPF	14.50%
PSPF	4.10%
GEPF	9.80%
LAPF	18.8%

Benefits of Social Protection Schemes

Tanzania has not ratified the ILO convention 102. The social protection schemes in the country cover the following benefits:

- Medical care
- Sickness
- Unemployment
- Old age
- Employment injury
- family benefits
- maternity
- invalidity
- survivor' benefit

Conditions and formula for accessing the above mentioned benefits are presented in Table 4. It was not possible to determine the minimum pension in the study. Varied factors made this difficult; they include lack of coordination of the different schemes that exist in the country. Each scheme therefore has its own conditions for beneficiaries to access pensions. In addition, pensions differ from time to time as contributions from members are influenced by salary increments (usually every year).

- Based on the 2002 Population and Housing Census, life expectancy for a Tanzanian is 51 years. However, there are rural and urban differentials. In rural areas the figure is 50 while in the urban is places it is 57 years. The retirement age of 60 years and the life expectancy of 51 years, suggest that there are people who die before reaching retirement age. The majority of those who live to their retirement live in poverty, because pension is inadequate. Minimum wage, for instance, is about TShs 200,000/= (about 133

USD[133]); but it should be borne in mind that this was not the amount when the member started contributing; implicitly the pension would be lower than the 200,000 contribution. A good example is drawn from a university professor who worked for 30 years and retired with a pension of TShs 30 million (equivalent to USD 20,000). This amount is inadequate given that a retiree is not necessarily energetic enough to continue working and also employment opportunities are not many for such category of people. Box 6 provides cases from retiree indicating that pension is not enough. Literature points that about 50% of Tanzanians live in poverty. This also implicitly means that that majority of retirees live in poverty.

[133] Exchange rate of 1USD =1500 TShs

Table **4.1:** Conditions for accessing benefits and formula for computing benefits, NSSF

Benefit	Age	Years	Formula	Time taken into consideration
Old Age	60 years	>15 years	AME (5 years) x 30%	5 years
Survivor Benefit	As old age benefit	>15 years	AME (5 years) x 30%	5 years
Employment Injury				
a. TDB			Ade x 60% x number of days of incapacity where ADE = ***Earningfbr 6 months*** 180	6 months
b. PDB			Earnings (E) for 12 months preceding the month of injury divide by 12 to get AME x 70% x% of assessed disability[134]	One year
MB		3 years	ADE = ***Earningfbr 6>months*** 180 1st instalment =ADE x 28 2nd instalment=ADE x 56	Six months
Invalidity	60 years	>15 years	AME (5 years) x 30%	5 years

Source: Survey Data, from NSSF, 2010

Person is paid up to seven years lump sum

Table 4.2: Conditions for accessing benefits and formula for computing benefits, PPF

Benefit	Age	Years	Formula	Time taken into consideration
Old Age	55 years and above	Minimum contribution is 10 years	CGP=APE x PF x CF x 0.25 Pension = APE x PS x PF x0.75xl/12	Not less than 10 years and up to mandatory age of 60 years
Invalidity	Depends on the time of occurrence	Open	APE x PS x PF xO.75 xl/12[135] 5 x APE x PS x PF[136]	Contributed months
Survivor's benefits	-Children under 18 -widow	Minimum contribution is 10 years	APE x PS x P F x 0.75x1/12	-

The formula applies for members who contributed for more than 10 years The formula applies to members who contributed for less than 10 years

Challenges facing Schemes

Social security system worldwide is facing a number of challenges mostly in coverage where more than half of the world labour force and their dependants are not covered by any scheme. This problem is acute in developing countries where formal social security coverage is estimated at 5 to 10% of the labour force (Wilongela et al, 2007:5). Tanzania is not an exception to the prevailing scenario in developing world. In 2003 only 5% of the labour force in the country was covered by formal social security schemes (National Social Security Policy, 2003:5).

Socio-economic development taking place has resulted in a slow but steady disintegration of the kinship or family-based social support systems on which the majority of the people have depended for protection against contingencies. Economic hardships have made it difficult for individuals, families and kin members to provide assistance to one another in times of crisis and need. There has been increasing fragmentation with families becoming more dispersed thereby eroding the capacity of extended families to function as social safety nets. This has therefore necessitated alternative social security systems. However, such systems are not paying their members enough due to the following reasons:

Lack of regulatory authority

Lack of regulatory authority impacts members of different schemes as there is no established mechanism that can allow benefit rights of a member to be transferred from one scheme to another. This results in employees losing some of their benefit rights when they move from one sector to another. While some schemes treat members' benefits as privileges rather than rights, the reverse is true to other schemes. As explained earlier, usually, members lose their benefits if they leave their employment before attaining their pensionable ages. Due to lack of proper coordination and regulatory framework, there are instances where a member's right is determined by the employer. In such circumstances the benefits that a member enjoys become the employer's decision at his own discretion.

Challenges of Revenue

Revenue is another important challenge facing schemes, especially the CHF. The largest source of revenue to the CHF is member contributions. However, other sources also exist. They include: user fees payable at primary health facilities; the government matching grant (the government tops up the amount collected through membership contributions by 100%); grants from councils, organizations and donors; and any other money lawfully acquired from any source (URT 2001). The revenue generated through the CHF is low and the predominant source of revenue is user fees, rather than CHF premiums, especially where the enrolment is very low. If the CHF is to contribute to the progression towards universal coverage of health care, strategies for enhancing CHF revenue to make it

sustainable are important. The vision should be towards comprehensive financing of health care, meaning that the CHF should not simply end at financing care in primary facilities, but should also advance to funding hospital and referral care. To increase revenue, there is a need for collective pooling of funds.

Limited growth of the formal employment

Public sector reform has resulted in retrenchment of workers, freezing employment in the public sector and privatization of public enterprises. This has led to increased un-employment, which in turn has forced more people to resort to employment in the urban informal sector where earnings are often inadequate and uncertain.

Declaration of low insurable earnings

Some employers provide remunerations composed of basic salaries and allowances, while deductions for social security are based on basic salaries only. This has led to lower benefits from social security institutions upon retirement.

The NSSF indicated that challenges that the fund is facing include inability to extend the coverage. This problem is highly considerable given that the majority of the population work in the informal sectors and is excluded from social security system. PPF indicates that lack of social security knowledge by the public, compliance issues and limited avenues for investments are among the challenges faced by the scheme. It was further indicated that most of the challenges cited does undermine efforts to increase coverage. GEPF also indicated that among their procedural challenges is failure to ensure that clients, as per the scheme's service charter, receive benefits on time. The PPF also admitted delays in payment citing inadequate attention paid by the members to their social security rights in that most members do not inquire keep about their social security until a few months before their retirement. PPF noted that that this situation makes it difficult to ensure timely payment of the pensioners.

Box 6 Beneficiaries Experience* ***Case One:***

I was a member ofPSPF. I notified the Fund six months ahead of my retirement. For this reasons it took only two weeks for me to get my pension. This is the sixth year since my retirement and I am still getting the same monthly pension which is not enough. They use our contributions to invest but we do not benefit out of it.

Hussein Hamis, Male Pensioner, from Dar es Salaam, Tanzania

Case Two:

I retired on 28th October, 2009. I notified the Fund six months ahead of time but received my pension four months later. I had to commute several times to the Fund's office before I could get the benefits. The pension is not enough. I feel this in unfair because I have contributed to the Fund for many years.

Rose Chimalau, Female Pensioner, from Dar es Salaam, Tanzania

Case Three:

I retired in 2009.1 received benefits six months after retirement, although I notified the Fund on time (i.e. six months before retirement). I receive the monthly pension which is not enough to meet the cost of living. I would suggest that when employees get salary increment, pensioners also should have increments.

Lilian John, Female Pensioner, from Dar es Salaam, Tanzania

**names are hypothetical

In Tanzania, it is compulsory for formal sector employees to join the social security system. It was difficult to determine the minimum and maximum pension as salaries are revised on continuous basis (usually yearly) and this changes the contribution (not in percentages but actual amount) and subsequent minimum and maximum pension.

Trade Unions role in Social Security

Form interviews, the study revealed that the Trade Union Congress of Tanzania (TUCTA) and its affiliates do not have a policy on social security. However, they indicated that they have an input in the formulation of the National Social Security Policy through the tripartite negotiations. As for the role of Trade Unions in the governance of social security schemes TUCTA was of the view that:

- They be made to participate in policy formulation;
- They should be made representative in the Board of Trustees of the funds;
- As a tripartite member, trade unions have the role to sensitize their members on social security schemes as well as participate in meetings;
- Trade Unions lobby and campaign through various forums;
- Trade Unions monitor employers so that they register their employees to social security funds; and
- They engage in dialogues with partners including the government on review of social security schemes.

Among the initiatives that trade unions have been taking in ensuring that workers are covered and get adequate benefits from social security funds are:

- Urging the government to review the current social security regime and improve the quantity and quality of benefits;
- Networking with its global federations for solidarity support and capacity building on lobbying and advocacy;
- Ensuring that all members through government revenue are covered;
- Educating workers on the importance of social security funds and directing them to register; and
- Holding discussions on social security matters during workers' council.

The above points are some of the important issues which need adequate attention if social protection in the country is to be improved. However, TUCTA does not seem to take a proactive step in addressing challenges faced by members as well as non members, notably those working in the informal sector.

The following are some of the challenges that trade unions face in their intervention:

- lack of adequate skills in social security dialogue;
- lack of awareness of social security principles;
- lack of knowledge on how to organize informal the sector so that it is covered by social security systems;
- lack of political will to ensure that the government ratifies Act No. 102; and
- inadequate policies and laws on social security system.

Asked of what the union does to address the mentioned challenges, respondents from the unions said:

- they conduct trainings, seminars and workshops on social security issues to their members;
- they advocate amendments of the social security Act on provision of pension benefits and increased coverage;
- they lobbying for amendment of laws so that trade unions can make case against employers who do not remit their contributions; and
- They campaign and advocate raising awareness of workers and the public at large on social security issues.

Potentials for further trade union intervention include:

- organizing workers in the informal economy so that they join the social security system;
- engaging in dialogue with the government so that they improve benefits of the current funds;
- networking with other stakeholders such as NGOs engaged in similar activities;
- lobbying and advocating for improving social security system through parliament

The following were cited as recommendations for reforming the social security funds for the benefits of the workers:

- there should be the establishment of a strong body of trustees;
- There should be only one fund instead of several that exist now. In other words the ones in place should be merged;
- the informal economy should be organised to pave way for social security schemes to be formulated for their social protection needs
- social security funds on pension should be harmonised and benefits provided through a regulator.

Responses gathered from TUCTA and its affiliates suggest that their role and influence on social security is far from realization. This argument is based on the recommendations and areas of potential interventions. It seems that most affiliates are not well knowledgeable about what is going on apart from low coverage and inadequate benefits. Limited understanding of social security issues leads to abstract rather than practical recommendations.

Conclusion and Recommendations

The study covered social protection schemes in Tanzania. It was found that the coverage is poor and that it excludes workers in the informal sector. It has also been revealed that the country lacks a regulator; hence, schemes operate differently and are accountable to different ministries. The schemes lack minimum standards to guide their operations. This highly impacts members in various forms ranging from inability to transfer benefits from one scheme to another to delayed payments. It has also been indicated that social security systems have various sources of income which primarily comes from the members' contributions. This being the case, social security schemes seem to

adequately benefit from various investments. Thus, it would be expected that pensioners would be paid adequately and on time. However, this is not the case. Some of the reasons behind delayed payments include failure of the members to make a follow up on their contributions and rights ahead of time. It was mentioned that they only do so when they are about to retire. This study recommends that social security schemes have a campaign to raise awareness and knowledge of their members on the importance of making a close follow up of their contributions ahead of time. These campaigns should go hand in hand with educating members of their rights and the general public on social security issues.
It is recommended that TUCTA forge an agenda so that schemes are harmonized in terms of conditions and benefits. And that benefit should at all times be regarded as rights and not privileges. However, this cannot be realized if in the first place members of the trade unions are not conversant with knowledge on social security issues.

It was therefore recommended that trainings/workshops should be conducted to ensure that members of trade unions acquire an understanding of social security issues. Sharing of country experiences through the training of trainers' workshop is likely to provide motivation and insights among participants on how to improve their own efforts in their organizations.

It was also recommended that trade unions convince governments and employers of the necessity of setting up social protection systems, pension funds and saving schemes to which both formal and informal sector workers would belong. Relevant stakeholders such as TUCTA, the Ministry of Labour and the social security schemes should work together to set up the necessary conditions for the social security coverage of workers in the informal sector. This exercise should be preceded by a thorough feasibility study which would inform of the challenges and set out options to overcome them.

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SOCIAL PROTECTION IN ZAMBIA

By

Grayson Koyi

Introduction and background

Existing literature suggests that the current context of social protection in sub-Saharan Africa is one based largely on the social insurance model and limited to the provision of protection against the loss or reduction of income resulting from retirement, disability and death (Forgues, 2009:7). Coverage is restricted to workers in the formal economy and only partial initiatives exist to extend coverage to informal economy workers and other citizens in need of social protection. As Forgues observes, "less than 10% of the population in Africa is covered by social protection" (Forgues, 2009:9). Besides, the role of trade unions in matters of social protection in Africa has largely remained weak, at best unclear (ILO, 2009: 18). However, there is an emerging thinking that social protection is a trade union issue. This stems from the understanding that members for whom trade unions exist and represent are the key contributors of funds held by formal social protection institutions. It seems right that trade unions must have an active role to play in the governance of the social protection institutions, including the determination of how pension funds are invested. In the words of Larsen "workers' representatives ought to play a clear and stronger role in the governance structures of social protection institutions and in the systems that sustain their operation" (Larsen, 2009:8).

This study set out to investigate how existing social protection schemes in Zambia and governance structures that facilitate their operation are addressing the challenges of exclusion, discrimination and limited coverage. This was in order to understand what would constitute appropriate strategies for their transformation as well as inform how trade unions can best play their role. Accordingly, the main research question was formulated as follows: to what extent are existing social protection schemes in Zambia addressing the problem of exclusion, discrimination and limited coverage and how best can trade unions play their role in the governance of social protection schemes and in investment decisions of pension funds? The study followed an inductive research methodology[137], combining qualitative and quantitative approaches and relied on both primary and secondary data collection methods.

The results of the study are not surprising but revealing. First, formal social protection institutions in Zambia have not acted on present possibilities to extend coverage to all working people because they are modelled around a notion of work that is premised on an employer-employee relationship and have not innovatively moved in tandem with recent notions of work and work organization. Second, social protection has not been appreciated as a fundamental right of every citizen and so its location in national development in Zambia has remained peripheral. Third, huge funds held by pension funds have not been fully appreciated for what role they can play in leveraging for development finance in Zambia and thus the investment determination for this huge wherewithal for development has escaped the concern and attention of the majority of citizens and policy makers alike in Zambia. Fourth, stakeholder involvement in the governance and oversight of social protection institutions has been limited as is the role of workers' representatives.

Against the background of these findings, the study provides the justification for the argument that the way of governing social protection in Zambia should be transformed and that extending coverage to all is not an option but an obligation that can no longer wait. On this basis, the study proffers recommendations around the following building blocks: harmonizing the legal framework for social protection in Zambia; an active role of the state in social protection provisioning; designing and implementing a comprehensive social protection strategy founded on the principle of universal provision for all vulnerable segments of society; linking social protection to basic services; repositioning the role of the trade union to play a more effective role in the oversight of pension funds; and directing the reservoir of pension funds towards financing Zambia's development.

Inductive method is a contrast to the hypothetical-deductive approach, which requires the specification of the main variables and the statement of specific research hypothesis before data collection (Moonilal,! 998:11).

This report is organized into eight main sections. The first section provides the national context within which the study is located and the history and evolution of social protection schemes in Zambia. The second section provides an analysis of the regulatory and legal framework. The third section discusses the coverage of social protection schemes in Zambia. The fourth section discusses financing of social protection in Zambia while the fifth section discusses benefits and contingencies covered. Section six looks at challenges facing social protection schemes in Zambia. The role of trade unions is discussed in section seven. The last section makes a conclusion and provides recommendations.

Study Context

In terms of study context, Zambia is a country in political and economic transition with a population of 12.8 million and a per capita Gross Domestic Product (GDP) of about US$950 (CSO, 2009:14). Politically, it has moved from a one-party state to a multi-party democracy but still has a long way to go before it

can become anyone's example. The economic performance has been largely chequered, beginning with modestly high growth rates and fairly rapid general development between 1964 and around 1972, but sliding into low growth thereafter. The period between 1974 and 2000 was characterized by low growth, rising poverty and major economic reforms. Since 2000, Zambia has been experiencing positive growth. However, this growth has neither been poverty reducing nor broad based in poverty levels, especially rural poverty, has remained on the high side and the sources of this growth has been localized within defined sectors- mainly mining and services- and thus, by-passing agriculture where the majority of the Zambian population is located. Table 1 summarizes Zambia's recent macroeconomic performance.

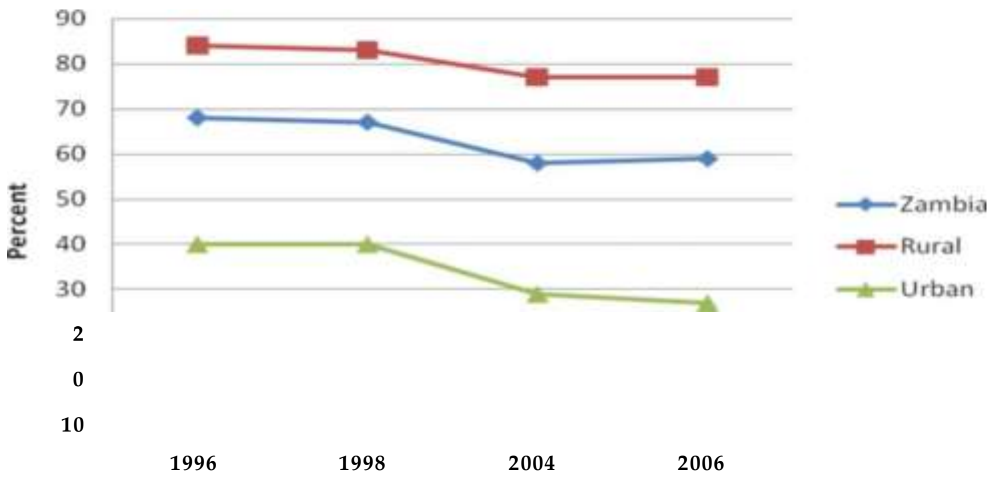
Table **1:** Zambia's Key Macroeconomic Indicators, 2004 - 2009

	2004	2005	2006	2007	2008	2009
GDP (current US$ Bn)	5.4	7.1	10.7	11.5	14.7	12.2
Real GDP growth rate (%)	5.5	5.3	6.2	6.2	5.7	6.3
Inflation rate, annual (%)	17.5	15.9	8.2	8.9	16.6	9.9
GDP per capital (US$)	490	627	907	949	1,174	952

Source: CSO (2010); Budget Address, 2011.

Prospects for growth are still modest as the economy is projected to grow at an annual average of 6.5% over the period 2011 to 2013. However, a major policy challenge in the recent past has been how to ensure that sustained positive economic growth can translate into improved living standards for the majority of Zambians. Otherwise, Poverty levels have remained high. Figure 1 shows the trends in poverty measured by the headcount index.

Figure 1: Trends in Poverty 1996-2006[138]



Source: CSO (2010:12)~

Between 1996 and 1998 rural poverty in Zambia was just over twice urban poverty. After 1998, urban poverty fell substantially while rural poverty reduced only marginally. Thus, rural poverty has remained substantially higher than urban poverty. Consequently, overall poverty in Zambia has only fallen marginally from 68 per cent in 1996 to 59 percent in 2006.

In terms of labour market dynamics, the draft Zambia Labour Force Survey (2008) reports that the labour force is estimated at 5.4 million and that formal employment is at 522,176. However, the report has not yet been released officially and so this study's subsequent analysis largely falls back on the authoritative figures as published in the Zambia Labour Force of 2005. Otherwise, the Sixth National Development Plan (2011-2015) quotes the draft Zambia Labour Force Survey (2008) and characterises the labour market situation as follows: The labour force (population aged 15 to 64 years) increased by 10 per cent from 4.9 million in 2005 to 5.4 million in 2008. Total employment grew by 26.4 per cent to 5.2 million in 2008 from 4.1 million in 2005. This was largely attributed to informal sector employment which grew by 47.6 per cent to 4.7 million in 2008 from 3.1 million in 2005. Formal sector employment grew by 25.6 per cent to 522, 761 in 2008 from 416, 324 in 2005. Although formal employment registered growth, its proportion remained low at only 10 per cent of total employment. In terms of gender, the distribution of males and females in employment was even at about 50 per cent for each gender type. However, in the formal sector, male employment accounted for 71 per cent compared to 29 per cent for females. The level of unemployment remained around 15.5 per cent of the total labour force between 2005 and 2008 of which 30 per cent were in rural areas and 70 per cent in urban areas (SNDP, 2010:13)

History and Evolution of Social Protection in Zambia

Turning to the history and evolution of social protection in Zambia, the country has a long history of social security provision dating back to the pre-independence period of the 1960s and this has shaped the current

At time ot writing this report, the latest figures on poverty in Zambia where those contained in the 2006 Living Conditions Monitoring Survey. While data collection for the 2008 Living Conditions Monitoring Survey has been done the report is not yet out.

institutional and benefit structure. It is based largely on the social insurance model and limited to the provision of protection against the loss or reduction of income resulting from retirement, disability and death. The contingencies covered fall short of the ILO's prescribed minimum standards[139] of social security which should include the following contingencies: sickness, unemployment, old age, work injury, maternity, invalidity, survivors and family/child benefits. Zambia has not ratified any of the ILO's main social security Conventions.

The national social security institutions operating in Zambia are the National Pension Scheme Authority (NAPSA), the Public Service Pensions Fund (PSPF), and the Local Authorities Superannuation Fund (LASF). In addition to these three, several private occupational pension schemes exist. There is also an occupational disease and work injury scheme: the Workers Compensation Fund Control Board (WCFCB). These schemes, which mainly provide social security to persons in formal employment, are described in greater detail in the next section (Cheta, 2005:5).[140] Although three statutory social security schemes currently operate in the

country, a three-pillar social protection system was envisaged by the reform of the social security system which emerged after a protracted period of consultative processes and analytical studies in the 1990s and was finally implemented in 2000 with the transformation of the then Zambia National Provident Fund into the National Pension Scheme Authority (NAPSA).

NAPSA was designed to be a mandatory first-pillar pension scheme providing a *basic* pension income to all formal-economy workers, with an option to include workers not in formal employment (GRZ, 2007:7). The second pillar was to be composed of all private occupational schemes and the statutory ones (Hantuba, 2005:11). The original proposal considered a floor and a ceiling to insurable earnings, so that the contribution would not affect the poorest and at the same time would provide incentives for the well-off to contribute to occupational schemes as a second pension pillar. The idea was that the private schemes would be contracted by the employers to provide supplementary social security. The third pillar would be composed of all forms of private and informal protection that people take, such as life insurance, though this is not widely undertaken in Zambia.

Hence, by design, NAPSA would offer lower replacement rates (and charge lower contribution rates) than those of the public schemes. However, the other statutory schemes are still not operating as second-pillar occupational or complementary schemes. Instead, they are working to restore the previous status quo, which is a very detrimental move, as the workers contributing to NAPSA have accumulated rights which cannot easily be moved (ILO, 2008:7).

[139] C102 - Social Security (Mnimum Standards) Convention, 1952.

[140] The relevant legislation is: The Draft National Social Security Bill, 2007; the National Pensions Authority Act, 1996, the Public Service Pension Fund Act, 1996.

There are non-contributory programmes financed by the Government, private households, communities, church organizations, and donors who target specific, rather small, groups in the population. While these have evolved through different circumstances, Government programmes have largely evolved as part of the Government's social welfare schemes administered by the Ministry of Community Development and Social services.

Micro-insurance in the form of contributory medical schemes is also slowly taking root in Zambia. For instance, an optional contributory medical scheme that is managed by a private institution called Premier Medical Services Limited is available to civil servants. Much of the recent interest in providing insurance to low-income households, however, comes from micro-finance institutions (MFIs) that want to protect their loan portfolios from default caused by death and illness (ILO, 2008:97). Incidentally, as the ILO reports, "formal micro-insurance can be traced to CETZAM, one of the country's leading MFIs, which introduced a funeral benefits insurance scheme in partnership with NICO insurance company in 2000. This product was in response to CETZAM's market research, which indicated that death was the number one risk for its clients" (ILO, 2008:98). A number of MFIs facing similar challenges have also began to provide some informal, internally managed insurance funds. Informal forms of social protection such as the traditional concept and practices of *Chilimba* have existed since time immemorial and remain widespread.

Policy and Regulatory Framework for Social Protection

The policy and regulatory framework for social protection in Zambia has evolved over a period of time as discussed in the subsequent sections.

Policy framework of social security in Zambia

There has not been a policy framework for social security in Zambia. The Government is only now working out a framework in consultation with various stakeholders. Nonetheless, The Ministry of Labour and Social Security (through the Department of Social Security) is the lead Government institution implementing and coordinating social security policies and programmes in Zambia. On the other hand, social security schemes in Zambia are regulated and supervised by the Pensions and Insurance Authority (PIA), which falls under the Ministry of Finance and National Planning. The PIA has more regulatory authority over the private

occupational schemes than over the statutory ones, as these have reporting obligations to their respective government authorities. Besides, Section 2 of the Pension Scheme Regulation Act exempts NAPSA from being regulated by the PI A. Thus, the Ministry of Labour and Social Security regulates NAPSA and WCFCB (Pension Scheme Regulation Act, 1996:8).

Review of relevant laws governing social protection

The relevant legislation governing social security in Zambia comprises the following pieces of legislation: the Pension Scheme Regulation Act, 1996 (as amended in 2005), the Draft National Social Security Bill, 2007, the National Pensions Authority Act, 1996, the Public Service Pension Fund Act, 1996 and the Local Authorities Superannuation Fund Act. The Pension Scheme Regulation Act, 1996 (as amended in 2005) provides for the regulation and supervision of all pension schemes except the National Pension Scheme Authority (NAPSA) and the Workers Compensation Fund Control Board (WCFCB). As at 31 December 2009, 237 pension schemes were registered.

In practice, as ILO writes, "it is difficult to regulate public pension schemes in Zambia as there are conflicts in the laws" (ILO, 2008:35). Key conflicts are the composition of the governing boards, submission of returns, period of actuarial valuation, portability of benefits, investment of funds and penalties for delayed remittance of contributions.

The Pension Scheme Regulation (Amendment) Act, 2005 requires that the governing board of a pension scheme have equal representation of employers and employees, The PSPF, LASF and NAPSA have the composition of their governing bodies dominated mostly by employers and only one seat for workers' representatives. The Pension Scheme Regulation Act, 1996 expressly states that it does not apply to the NAPSA yet; strangely, the National Pension Scheme Act, 1996 states in section 32 that the Authority shall ensure that the Scheme is managed in accordance with the prudential management principles specified in the Pension Scheme Regulation Act (National Pension Scheme Act, 1996:16).

The Pension Scheme Regulation Act, 1996 empowers the Registrar of Pensions and Insurance to ensure that the actuarial recommendations are implemented by the Trustees of a scheme, yet the PSPF Act requires the intervention of the President if the directors fail to implement any of the recommendations from the actuary, while the LASF Act requires the Minister of Local Government to intervene and, in the case of NAPSA the Minister of Labour and Social Security, if the board fails to implement any of the recommendations of the actuary (National Pension Scheme Act, 1996:16; Pension Scheme Regulation Act, 1996:8).

The Pension Scheme Regulation Act (PRSA) also requires that audited financial statements be prepared within three months after the end of the financial year, while both the PSPF and LASF Act have no provision about the deadline for the preparation of audited accounts. NAPSA on the other hand is required to prepare audited accounts before the end of six months (Pension Scheme Regulation Act, 1996:14). It is imperative to note that delayed preparation of audited accounts has serious consequences on the operations of any pension scheme, as tasks such as the preparation of actuarial reports will not be completed on time. For instance, as at January 2010, the PSPF had a draft actuarial report based on 2005 accounts. By the time the final report is prepared, over two years will have passed since the period concerned and, in decisionmaking terms, it may no longer be valid.

In terms of reporting, the Pensions and Insurance Authority has a dual reporting role to the Minister of Finance and National Planning and also to the Minister of Labour and Social Security, The PSPF reports to the President, LASF reports to the Minister of Local Government and NAPSA reports to the Minister responsible for Labour and Social Security. The Minister of Labour and Social Security is absent from the LASF and PSPF Acts, yet he/she is the custodian and driver of social security policy.

The PSPF and LASF Acts do not contain explicit provisions regarding regulation. It is important also to note that the Pension Scheme Regulation Act (PSRA) seems to focus only on the regulation of private occupational schemes. Therefore, for the Pensions and Insurance Authority (PIA) to regulate public schemes, specific regulations for the public schemes will be needed, as operational risks are so different from those managed privately. Further, the PSRA grants full portability of benefits to persons who change employment, yet none of the other three Acts (the NAPSA, LASF, and PSPF) allows members' transfer of accrued benefits. The NAPSA Act makes no provision to cater for members who change employment from a contributing employer to an exempted employer (i.e. Konkola Copper Mines Pic), and PSPF and LASF provide only for

the refund of employees' contributions, without any option of transfer to another scheme or deferring benefits to retirement. It is also worth noting that the fourth schedule of the Income Tax, Cap 323 allows the refund of both employer's and employee's contributions to an employee who leaves employment. The Income Tax Act, Cap 323 of the Laws of Zambia, allows only a maximum commutable amount of a pension, yet a member of LASF or PSPF can commute up to two-thirds of their pension (Income Tax Act, Chapter 323 of the Laws of Zambia quoted in ILO 2008:97).

The Workers' Compensation Fund Control Board has a Board of Directors who report to the Minister responsible for Labour and Social Security. The Board is tripartite, representing Government, employers and employees. The Board is required to appoint an actuary who should ascertain the financial soundness of the Fund at intervals not exceeding three years. Further, the Board is required to have the financial statements for the Fund and a report submitted to the Fund not later than six months after the end of the year. The Workers' Compensation Fund Control Board Act has no section for prudential management and regulation of the Fund. There is no restriction on the level of administration costs or required solvency levels at the end of each period (Workmen's Compensation Act Cap 271, 2005:12).

Of note, however, is that there exists a lacuna in the existing legislative framework in terms of non-contributory social protection schemes that needs to be filled up. Against this background, it becomes imperative that the laws governing social protection in the country must be strengthened, reviewed and harmonized. This will ensure that the legal system governing social protection in the country is sound and consistent, and thus able to facilitate the extension of social protection to a wider population in Zambia.

Coverage of Social Protection Schemes in Zambia

This section describes and analyses the main social protection schemes in the country, according to the conditions required and contingencies covered. The aim is to provide an overall assessment of the social protection system, though not an exhaustive exploration of all the schemes. Incidentally, a small share of the labour force is employed and an even smaller share in the relatively formal economy. This group benefits to some extent from the employment-related contributory schemes. For most of the labour force burdened with heavy family responsibilities, very limited opportunities exist for protection against contingencies such as old age, sickness or death of the main breadwinner. There are non-contributory programmes financed by the Government, private households, communities, church organizations, and donors who target specific, rather small, groups in the population. The most important of these programmes are presented in the second part of this section. The main funding source of non-contributory schemes is the Government, which channels resources from domestic taxation and from donors.

Employment-related social protection schemes

The employment-related national social protection institutions operating in Zambia are the National Pension Scheme Authority (NAPSA), the Public Service Pensions Fund (PSPF), and the Local Authorities Superannuation Fund (LASF). In addition, several private occupational pension schemes exist. There is also an occupational disease and work injury scheme: the Workers Compensation Fund Control Board (WCFCB). These schemes, which mainly provide social protection to persons in formal employment, are here now described in greater detail with a specific focus on their coverage.

The National Pensions Scheme Authority (NAPSA) Coverage
At the end of 2009, NAPSA was the largest pension scheme in Zambia with about 355,200 members drawn from about 15,000 registered employers. NAPSA is a compulsory scheme that covers regularly employed persons in the private, parastatal sectors and all employees who joined the Public Service and Local Authorities on or after February 1, 2000. All members of the discontinued ZNPF became members of NAPSA when it started operating. Additionally, in an effort to streamline statutory pension schemes in Zambia, public-service and local authority employees engaged after 1 February 2000 now make contributions to NAPSA. Civil service and local authority employees engaged before the establishment of NAPSA have continued to be members of the other two statutory schemes that were initially to be converted into fully fledged occupational schemes for workers from the sectors covered (ILO, 2008:68; National Pension Scheme Act, 1996:24).

Nonetheless, employees of Konkola Copper Mines Pic, ZCCM (Smelterco) Limited and ZCCM (Mineco) Limited (now Mopani Copper Mines), were exempted from NAPSA through Statutory Instrument No. 14 of

2000. A possible reason for the exemption may be that contributions to NAPSA could have increased labour costs for the mining companies at a time when copper prices were very low and when the mining companies already had a contributory defined-benefit pension scheme. The implication of the exemption is that employees of the two mining companies have no form of retirement security, as the two employers have now converted to defined-contribution schemes which in practice do not provide annuities at retirement and have no form of redistribution. The minimum entry age into the scheme is 16 years and the worker needs to be employed by a registered contributing employer (National Pension Scheme Act, 1996:11).[141]

According to the NAPSA Act, workers aged under 15 years and those aged over 55 years, as well as those earning less than K15,000[142] (about US$3) per month, and the defence and armed forces are exempt from membership of the Scheme. However, the Minister of Labour and Social Security may provide by statutory instrument for the conditions and procedures under which any person not eligible for membership may become a member.[143] By means of this provision, the scheme can draw its members from the self-employed and workers in the informal sector. The scheme has yet to draw members from the informal sector, as the Minister has not provided the framework or modalities whereby membership can be extended to this group (National Pension Scheme Act, 1996:17).

Public Service Pension Fund (PSPF) Coverage

The Public Service Pension Fund was established in 1997 by an Act of Parliament, as a defined-benefit scheme. The intention was to consolidate the law relating to pensions and other benefits for persons employed in the public service. Prior to 1997, pension benefits for public service employees were handled by the Civil Service (Local Conditions) Pensions Board that came into operation in 1961 following the enactment of the Civil Service (Local Conditions) Pensions Ordinance Cap 48 on 1 November 1961 (ILO 2008:87).

The PSPF draws its membership from its forerunner, the Civil Servants Pension Fund and any other employees of the public service as the Board may prescribe (Public Service Pensions Act, 1996T7).[144] Though the NAPSA Act made it mandatory for newly recruited civil servants to be members, new members still join

[141] See particularly section 11(2) of the National Pension Scheme Act, 1996.

[142] Equivalent to USD 3, at the June 2010 nominal exchange rate of USD f to ZMK 5, 000.

[143] See particularly section 11 (3) of the National Pension Scheme Act, 1996.

[1⁴4] See Section 10 of the Public Service Pensions Act, 1996.

the PSPF from the Zambian Army, Zambian Air Force, Zambian National Security, and the Teaching Service. Employees joining the public service after the age of 45 years cannot join the scheme, but are put on contract and paid a gratuity at the end of the contract (National Pensions Scheme Act, 1996:9; Public Service Pensions Scheme, 1996:14).

As at 31 December 2009, PSPF had 112,479 active members with an average age of 36 years. There were about 58,233 pensioners, attracting an annual pension bill of approximately K70 billion. The average pension was K97, 000 (about US$ 20) per person per month. The Retirement age is 55 years, but members of the defence and security forces are allowed to retire at 45 years, as long as they have been members for more than 20 years. No service beyond retirement age is taken into account when calculating pension benefits, and any contribution paid beyond retirement age is refunded.

Retirement benefits for public officers or civil servants are protected by the Republic's Constitution, in article 124. This constitutional provision preserves the accrued rights by ensuring that members are not made worse off by any amendment to the Act (Constitution of the Republic of Zambia, 1996:124).

Local Authorities Superannuation Fund (LASF) Coverage

The Local Authorities Superannuation Fund was created under Government Notice No. 314 of 1954. It is administered by a tripartite Board of Directors, appointed by the Minister of Local Government and Housing, pursuant to Cap 284 of the Laws of Zambia. Like the PSPF, the LASF is a defined-benefit scheme, based on a definite formula prescribed by the LASF Act (Local Authority Superannuation Fund Act, 1995:3).

The Fund covers employees of the local authorities and water utility companies who joined the local authorities prior to 1 February 2000, including those employed by the Zambia Electricity Supply Corporation (ZESCO) Limited and the National Housing Authority. By the end of December 2009, the total membership of the Fund stood at 21,642 (Local Authority Superannuation Fund, 2009:24).

Workers' Compensation Fund Control Board coverage

The Workers' Compensation Fund Control Board was established by Act of Parliament for the purposes of compensating workers disabled[145] or killed by occupational accidents and diseases. It dates back to 1930 when the Workmen's (Non-native) Compensation Ordinance was passed. Several Amendments have been made since then (Workers Compensation Act, 1999:6)

In 1999, Parliament passed the current Act, repealing the Workmen's Compensation Act Cap 271 and

[15] According to Section 2 (1) of the Workers' Compensation Act, "Disablement means disablement which results in the loss or diminution ot wage-earning capacity or in the reduction ot file chances ot obtaining employment".

the Pneumoconiosis Compensation Act Cap 217, in order to merge the two schemes.

As stipulated in Section 110 of the Workers' Compensation Act, all employers are required to insure their workers with the Fund, other than the State and any other employer exempted by the Minister of Labour. Contribution to the Workers' Compensation Fund is entirely the employer's liability based on the declared earnings of their employees, assessed risks of the work place, cost of compensation payable and requirements of the Fund. Contribution rates, known as assessments, are derived from workers' earnings from enterprises (Workers Compensation Act, 1999:8).

Discussion of coverage of employment related social protection schemes

The data on membership (as at the end of 2009) provided by the existing pension schemes suggest that they cover around 79 per cent of their target group (550,000 out of about 700,000) - that is, all those aged 15-55 years who are in employment. However, results of the draft Labour Force Survey of 2008 suggest that effective coverage by these schemes may actually be lower than that (Draft Labour Force Survey, 2008). This finding not only confirms that most working people in Zambia lack adequate social security coverage but also that even those who could be relatively easily covered by existing social insurance schemes are far from fully covered. As seen from table 2, all social protection schemes combined only cover about 12% of the total labour force in Zambia. Coverage is therefore, only restricted to formal sector workers.

Table 2: Social Security Coverage in 2009

	Active members	*Percent of labour force*	*Percent of paid workers*	*Pensioners*
NAPSA	355,200	8.0	16.1	0
PSPF	106,062	2.4	4.8	46,122
LASF	13,000	0.3	0.6	8,250
Occupational schemes	40,904		1.8	7,173
WCFCB	7,510	0.2	0.3	17,721

Source: ILO (2008:11)

Given this situation, some measures should be taken to give most Zambians some basic old-age income security and to extend basic social insurance coverage for some other contingencies. GRZ (2007:11) argues that the rate of compliance should be increased (many registered members are not active) and that the schemes should extend coverage to workers in the informal economy.

Evidently, a major problem in the social insurance system in Zambia is that all pension contribution schemes have been designed for people in the formal sector, which has tended to disadvantage non-formal workers. This targeting method implies that those working in the informal economy are excluded from contributing

to the scheme. Although there is provision in the statutes relating to statutory pension schemes for voluntary affiliation of the self-employed and other categories of workers in the informal economy, no measures have been put in place to capture those working in this sector owing to the administrative and logistical challenges involved. However, in a country with an existing employed labour force of about 5.4 million people[146] of whom only 522,761 are in the formal sector, there is a case for extending existing social insurance schemes to include non-formal workers.

With the contraction of the formal sector, the informal economy is increasingly the main sure source of employment in Zambia. In terms of disadvantaged groups, most working women in Zambia are excluded from access to social insurance, as a good number of them are engaged in non-formal jobs. A related social, equally disadvantaged, group is young people whose unemployment rate is quite high (over 16 per cent) and most of whom have never worked before, and so have no basis for claiming the social insurance that in Zambia is targeted at those who have work or have worked before. Thus, the case for extending existing social insurance schemes to include non-formal workers would seem justified.

This can be done by embarking on broad-based sensitization campaigns aimed at informal-economy workers who in most cases are not aware of the benefits of affiliating to a social insurance scheme or the dangers of not doing so. The only advantage of this approach is that it would make use of already existing institutional framework, expertise, and experience. Nevertheless, this might entail some crucial reforms for most social insurance schemes that are designed to cater for workers in formal employment. The ILO (2002) gives examples of South Korea, Japan, and Portugal as places where social insurance schemes have been successfully extended to non-formal workers.

This approach has not been attainable in most low-income countries despite their having reformed social insurance schemes and introduced policies that encourage non-formal workers to become members (van Ginneken, 2003). Van Ginneken's explanation is that, "the main obstacles for the extension [using this approach] are that the benefits offered do not correspond to the priority needs of most informal sector workers and that the contributions required are much higher than what informal sector workers are prepared and/or able to pay. There are, as well, some obstacles of quantitative and qualitative nature that further limit the extension of formal sector social insurance schemes" (1997: 6).

[146] Central Statistics Office (2008): Draft Labour *Force Survey 2008*. Lusaka: CSO.

The success of such an approach would therefore require the introduction of deliberate packages targeted at a clientele with the characteristics of informal-economy workers, for which most formal social protection institutions do not have the time and resources. The biggest drawback of this option is the extra administration costs that would be needed to come up with packages for non-formal workers at the same time as the scheme's officials manage the main scheme for members in formal employment. Therefore, the approach is a combined one: sensitization campaigns plus the offer of a new package.

Occupational pension schemes

Private forms of social protection in Zambia usually take the form of private occupational pension schemes with insurance and non-insurance companies. Employers are free, and encouraged by the government, to establish occupational pension schemes for their employees. These schemes are established under trust in accordance with the Land (Perpetual) Succession Act, Cap 186 of the Laws of Zambia. However, under Section 8 of the Pensions Regulation Act No. 28 of 1996, all pension schemes are obliged to register with the Registrar of Pensions and Insurance for them to operate (Pensions Scheme Regulation Act, 1996:8).

The Pensions and Insurance Authority (PIA) in 2005 estimated the number of occupational pension schemes to be about 207 with a membership of 223,813. Of the total membership, 73.3 per cent belonged to the Public Service Pensions Fund and Local Authorities Superannuation Fund. Membership of private schemes under the management of insurance and non-insurance companies accounted for only 26.7 per cent (PIA, 2005). Of note, however, is the fact that occupational pension schemes are mainly supplementary as The National Pension Scheme Act No. 40 of 1996 mandates all private-sector employers to register all their workers with NAPSA.

Non-contributory social protection schemes in Zambia

For the purpose of this study, five non-contributory programmes in Zambia have been identified as the most important in terms of their coverage and impact on social protection. Together, these programmes address major social risks and situations of vulnerability, target relatively large numbers of beneficiaries, and have achieved significant results in terms of securing the well being of the target populations. These are:

- The Public Welfare Assistance Scheme. The Public Welfare Assistance Scheme (PWAS) is the largest and oldest social assistance programme in Zambia. PWAS reaches out to over 150,000 beneficiaries countrywide, providing a range of benefits linked to better nutrition and health, income support, child protection, education and occupational training. PWAS is

implemented by the Ministry of Community Development and Social Services (MCDSS), in collaboration with the Ministry of Health, Education, World Vision, GTZ and other institutions. PWAS is currently being expanded and will soon integrate the Social Cash Transfer scheme (SCTS) (MCDSS/GTZ, 2008:44).

- **A group of Social Cash Transfer schemes** are financed by international donors and implemented under PWAS structures in a few districts of the country. These schemes pay out modest monthly cash benefits reaching close to seven thousand households (30,000 persons). There now exists a joint donor-government strategy for rolling out cash transfer schemes to the rest of the country(MCDSS/GTZ, 2008:48)
- The **Food Security Pack (FSP)** is a government-funded scheme providing basic agricultural inputs, technology transfers and training to vulnerable small-scale farming households across the country. 30,000-160,000 farmers have benefited each year from the programme during the last five years (MCDSS/GTZ, 2008:47)
- The largest **School Feeding Program** in Zambia is funded by the World Food Programme and provides school meals and take-home rations to school-age children from poor families in drought-stricken areas. More than 170,000 children benefited from school feeding in 2006 (MCDSS/GTZ, 2008:49).
- The **Project Urban Self Help** is a government-funded public works programme that originated in the early 1990s and provides short-term employment for up to fifty thousand persons in a given year.

In addition, there exist other non-contributory programmes in Zambia that address one or another aspect of social protection but which are not discussed in this study. Included in this group are programmes considered too small in scale, sporadically implemented programmes such as those in response to emergencies, and programmes exclusively addressed at long-term social and economic empowerment. A summary of main social assistance programmes is provided in table 3 below.

Table **3: Main social assistance programmes**

Population groups	Programme	Main benefit
'Incapacitated' households	Social cash transfer scheme (SCTS) / Public Welfare Assistance Scheme (PWAS)	Cash / In-kind transfers to cover basic material needs
	National Trust for the Disabled (NTD)	Credit facilities encouraging the setting up of business enterprises
'Vulnerable but viable' farm households	Food security pack (FSP) programme	
	Micro-Bankers Trust (MBT)	Farm inputs
People living in food insecure areas	World Food Program	Food
	- School Feeding Programme	Food (also hygiene education, school gardens, etc.)
	- Food-for-assets and food-for-training projects	Food and skills training
Orphans and vulnerable children	Strengthening community participation for the	

Source: ILO (2008:96)

In addition, there are programmes that offer work opportunities or micro-credits to specific groups such as unemployed young people living in the cities, street children, families with housing needs, disabled people and so on. Altogether, government, supported by donors, allocates to these programmes resources smaller than 0.2% of GDP and 1% of the total government spending. Although these existing non-contributory programmes are supposed to provide assistance to a wide range of poor and vulnerable groups, the effective coverage is low due to so limited resources that results in low levels of benefits and inconsistent and ineffective targeting. More effective social assistance would require much higher resources to cover much bigger numbers of beneficiaries. PWAS has objectives to cover the poorest 2% of the population but still has necessary resources missing (not mentioning actual feasibility to identify the most vulnerable 2%). To cover the poorest 10% of the population who are most in need of social assistance would require reaching out and covering additionally around 900,000 highly vulnerable but not now covered individuals each year. A similar number of vulnerable farmers miss out on the food security pack (MCDSS, 2007; MCDSS/GTZ, 2005). Also not covered are the 400,000 persons who would qualify for cash transfers, and between 500,000 and

750,000 informal-sector unemployed workers not covered by existing work-for-aid schemes (MoFNP, 2007; MCDSS/GTZ, 2007; MCDSS, 2007, ILO, 2008).

Looking at the current national Social Protection Strategy it can be foreseen that non-contributory social assistance programmes will play a greater role in the extension of social protection coverage in Zambia, especially if the planned national rolling-out of cash transfers will be implemented.

Micro-insurance and informal forms of social protection in Zambia

There is no explicit Government policy on micro-insurance, though the State has been lending support to micro-finance concepts. The Bank of Zambia has draft regulations for micro-finance institutions. However, micro-insurance aptly falls under the Pensions and Insurance Authority which has not taken steps to regulate it. Nonetheless, the size and number of formal micro-insurance transactions have grown dramatically since 2001. The range of micro-insurance products has remained narrow, with most of the products being closely linked to micro-credit.

Formal micro-insurance in Zambia largely consists of credit life and funeral coverage for micro-finance borrowers and their family members. Micro-insurance in the form of contributory medical schemes is also slowly taking root in Zambia. For instance, an optional contributory medical scheme that is managed by a private institution called Premier Medical Services Limited is available to civil servants. Much of the recent interest in providing insurance to low-income households, however, comes from micro-finance institutions (MFIs) that want to protect their loan portfolios from default caused by death and illness.

Formal micro-insurance can be traced to CETZAM, one of the country's leading MFIs, which introduced a funeral benefits insurance scheme in partnership with NICO insurance company in 2000. This product was in response to CETZAM's market research, which indicated that death was the number one risk for its clients. Most MFIs facing similar challenges have also began to provide some informal, internally managed insurance funds. For example, PULSE, then still a micro finance project under CARE International, introduced its Borrowers Protection Fund (BPF) in 2000. Since then it has been providing micro-insurance in the form of credit life, using a partnership agent model (partnering with Madison Insurance Company Limited.).

In addition, a few examples of informal or unregistered micro-insurance activities, such as funeral funds, can be found in marketplaces and sometimes in church organizations, in which weekly premiums ranging from USD 0.13 to 0.33 are made. The premiums are not based on actuarial analysis but on what the members can afford. In general, however, risk management and insurance *per se* are not widely understood concepts in Zambia. Insurance penetration, which is between 1.0 and 1.5 per cent, ranks quite low (Churchill, 2006 quoted in ILO, 2009). However, based on the traditional concept and practices of *Chilimba*[1], which is widespread, it is reasonably possible that with a good regulatory framework, micro-insurance services could easily be accepted and established as a means to social protection in Zambia.

Financing for social security

Contribution rates

Financing of social security schemes in Zambia is mainly from contributions. For instance, from both employers and employees, PSPF collects 14.5% of wages and LASF collects 33% of wages. NAPSA collects a combined 10 per cent. However, the NAPSA law allows for scaled premium funding, which means that the contribution rate will increase over time to assure full-funding of future benefit payments. Currently, this is not a problem because the scheme is still young. The case of WCFCB is different: instead of contributions, the Fund collects an annual, risk-related premium, so-called assessments, which range from 1.88 to 3.75 per cent of insurable earnings (Cheta, 2005:6).

More specifically, the contributions rate to NAPSA is 10 per cent of total gross earnings for each year up to a ceiling of four times the National Average Earnings (NAE). This is shared equally between the employee (the insured) and the employer, i.e., 5 per cent each. Pensions accrue at the ultimate rate of 40 per cent of career earnings over a maximum of 30 years.

Contributions to the PSPF are made by the employer and the employee, each at the rate of 7.25 per cent of insurable earnings. Pensions claims for members who leave the scheme prior to attaining 55 years but qualifying for benefits are settled using the government grant. In such instances, the PSPF acts as a paying agent for the State. The greatest challenge that the PSPF faces, in terms of contributions, is that the Government as an employer has not kept its contribution payments up to date. This situation was exacerbated by stringent fiscal reforms that the Government was pursuing from the early 1990s in order to

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This is a system where group assistance is provided to a member ot a social network or workplace in one month and then the following moirth another member of the scheme benefits and so each member will wait for there turn. This is done informally but

stabilize the economy. By the end of 2008, 46 per cent of net assets were contributions in arrears (ILO, 2008:102).

For LASF, the Act specifies the contribution rate at 10 per cent for members and 23 per cent for the employers. This means that even after actuarial recommendation, any change in contribution has to await the change of the law.

Over the years, however, it has been observed that higher contribution rates do not ensure that public pension schemes have significant inflow of financial resources to honour accrued pension rights on time. Actually, the public pension schemes rely on government transfers to be able to fulfill their obligations which the Government, as an employer, has been failing to remit in a timely fashion,

every mouth each member of the scheme contributes to the benefit ot the member whose turn it is to be given the group contributions.

and has thus accumulated a huge debt with these schemes that it is slowly liquidating. In 2006, pension arrears amounted to 4.4 per cent of total domestic debt or 1.0 per cent of GDP (MOFNP, 2007:78). This unfortunate situation has contributed significantly to the delayed payment of pensions to pensioners.

Financing mechanism

In practice, the schemes have slightly different financing mechanisms, as shown in Table7. Currently, the LASF and the PSPF are Pay As You Go (PAYG) while the new NAPSA is partially funded PAYG, with a scaled premium financing system. In all cases, however, the payments are by a check-off system deductible every month.

Table 4: Comparison of financing regimes and statutory pension schemes

Pension scheme	Financing system *(1)*	Retirement age	Early retirement	Contribution rate (per cent) Self-employed	Employee	Employer
NAPSA	Partially funded, scaled premium	At age 55 *and* with 15 years of service *(2)*	- At age 50 *(3)*	10.0	5.0	5.0
PSPF	Pay-as-you-go, unfunded	At age 55 *and* with 10 years of service	- Illness - From age 50 *(4)* - At any age with 20 years of service	n. ap.	7.25	7.25
LASF	Pay-as-you-go, unfunded	At age 55 *or* with 22 years of service	- At age 50 with 10 years of service - At any age with 22 years of service *(5)*	n. ap.	10.0	23.0

Note: 'n. ap.' = not applicable.

(1) Refers to the current situation because the LASF and the Civil Service Pensions Board (CSPB) - predecessor of the PSPF - were fully funded. Deficiencies in the design and management and the economic crises affected the schemes (GRZ, 2007).

(2) Those who aged 40 or over on 01/02/2000 require a minimum of 5 years.

(3) If the person has at least 180 months of contributions and the resulting reduced pension is at least equal to the minimum pension.

(4) 'Early retirement on grounds of marriage for a female officer at any time within 5 years of pension age' (Cheta,2005).

(5) Mandatory

Source: ILO (2008:98)

Investment and role of pension in national development

As social security institutions in Zambia have grown and their portfolios of assets become increasingly more significant, the subject of the investment of these assets has become topical. Unfortunately, In the Zambian case, the law neither prescribes investment guidelines nor asset allocation rules. Arguably, this can lead to unwarranted exposures or lack of protection for the investing social security institutions. Besides, whereas elsewhere, offshore investments may be prohibited, offshore investments are allowed in Zambia even though acceptable investment destinations have mainly been restricted to OECD (Organization for Economic Co-operation and Development) countries or to those countries governed by statutes similar to those applicable in the United Kingdom.

Incidentally, the funds mobilized by the pension schemes are large by comparison with the total market capitalization (fixed-income securities andstocks) and the gross domestic product. In 2008, for instance, indicators of fund reserves suggested that pension schemes in Zambia altogether held funds to the tune of 7.2 per cent of Gross Domestic Product (GDP) (ILO, 2008:102). Besides, as the ILO report observes, "pensions funds in Zambia are generating significant revenues from investments which are equivalent to one-third of the contributions collected" (ILO, 2008:112). Given the magnitude and importance of such funds it is necessary to ensure sound investment policies that protect the entitlements of future pensioners and guarantee adequacy of benefits and also directs these resources to meet development financing gaps in Zambia.

In the Zambian case, however, the legal framework for the operation of pension schemes comes short of prescribing neither investment guidelines nor asset allocation rules. Investment policy determination is therefore left to the boards constituted to provide oversight of the pension institutions who in turn appoint an investment committee that then takes charge of investment determination (Musenge, 2005:7).

Often, it is the case that investment plans that such investment committees have come up with have had no connection with national development plans. A content analysis of the investment plans of all the three pension schemes in Zambia,

for instance, reveals significant inconsonance. Besides, it was found that participation of workers in investment decisions was limited.

While data limitation did not allow for in-depth analysis of funding, investment trends and budget allocation towards social security schemes, it nonetheless can be said that there exists urgent need to not only strengthen but also to streamline supervision and governance of these social security institutions by drafting appropriate legislation that protects and guides the investment of social security funds and ensures connection between such investment decisions and national development plans. In addition, deliberate steps should be undertaken to address the negative investment performance of the funds that was previously attributed to concentration of assets in particular areas such as in financial securities.

Benefits of Social Protection Scheme

As Indicated earlier, the social protection system in Zambia is based largely on the social insurance model and limited to the provision of protection against the loss or reduction of income resulting from retirement, disability and death. The contingencies covered fall short of the ILO's prescribed minimum standards[2] of social security which should include the following contingencies: sickness, unemployment, and old age, work injury, maternity, invalidity, survivors and family/child benefits. Zambia has not ratified any of the ILO's main social security Conventions. The benefits provided by the three main social protection schemes are provided in the next three sections.

National Pension Scheme Authority

Benefits

The Fund is designed to provide income security in the event of retirement, permanent invalidity and survivorship. Apart from paying pensions and gratuity (lump sums) to retirees, the Fund acts as a paying agent for the government with regard to death and early retirement cases. The Fund thus relies entirely on the government to clear the latter.

Level of benefits

Calculation of the benefit is based on the last annual salary multiplied by the years of service divided by 660 (previously 720). Two thirds of the pension is converted into a lump sum (increased from one third).

Qualifying conditions

Benefits are payable to members of the scheme who meet the following conditions: (a) reaching the retirement age subject to 10 years of pensionable service, (b) early retirement on grounds of ill health, (c) death of a member, (d) early retirement on grounds of marriage for a female officer at any time within 5 years of pension age or after 20 years of pensionable service, and (e) retirement of an officer in the public interest.

Retirement age

The normal retirement age for both men and women is 55 years. Early retirement provisions apply as outlined in (b) and (d) above.

Contribution rate and ceiling

Contributions are payable by the employer (government) and members at a total rate of 14.5 per cent of pensionable earnings shared equally between employer and employee.

System of financing

The system of financing is full funding ***Public Service Pensions***

Fund

Benefits

The Fund is designed to provide income security in the event of retirement, permanent invalidity and survivorship. Apart from paying pensions and gratuity (lump sums) to retirees, the Fund acts as a paying agent for the government with regard to death and early retirement cases. The Fund thus relies entirely on the government to clear the latter.
Level of benefits

C102 - Social Security (Minimum Standards) Convention, 1952.

Levels of benefits for PSPF is the same for those of NPSA .Calculation of the benefit is based on the last annual salary multiplied by the years of service divided by 660 (previously 720). Two thirds of the pension is converted into a lump sum (increased from one third).

Qualifying conditions

Benefits are payable to members of the scheme who meet the following conditions: (a) reaching the retirement age subject to 10 years of pensionable service, (b) early retirement on grounds of ill health, (c) death of a member, (d) early retirement on grounds of marriage for a female officer at any time within 5 years of pension age or after 20 years of pensionable service, (e) retirement of an officer in the public interest.

Retirement age

The normal retirement age for both men and women is 55 years. Early retirement provisions apply as outlined in (b) and (d) above.

Contribution rate and ceiling

Contributions are payable by the employer (government) and members at a total rate of 14.5 per cent of pensionable earnings shared equally between employer and employee.

System of financing

The system of financing is full funding.

Local Authorities Superannuation Fund

Benefits

The Fund is designed to provide income security in the event of retirement, permanent invalidity and survivorship.

Level of benefits
Benefit computation is based on the last salary and commutation factors increased to match those applicable under the Public Service Pensions Fund.

Qualifying conditions
In addition to the age requirement of 55 years, local authorities have the discretion to retire employees at age 50 with a minimum of 10 years of service. In
1991 the government made retirement mandatory for local authorities' employees who had completed 22 years of service.

Retirement age
The normal retirement age for both men and women is 55 years in addition to a mandatory provision for early retirement for employees with 22 years of service.

Contribution rate and ceiling
Contributions to the scheme are at the rate 23 per cent of earnings by the employers and 10 per cent by employees.

System of financing

The system of financing for the scheme is full funding.

Table 5 shows the monthly pensions for each of the three schemes discussed in the preceding sections as at September 2010:

Table **5** Comparative Analysis of some retirement benefits, September **2010**[149]

	PSPF	LASF	NAPSA
Monthly pension	201,432[1]	217,659[2]	406,528[3]

Lowest pension	50,000	41,667	304,896
Highest pension	1,300,000	1,166,667	1,472,191
Lumpsum	62,460,305	60,413,568	36,587,760

i Calculation based on an average salary of ZMK 923,234 as stated in the 2006 Formal Sector Employment and Earning Inquiry Report by the Central Statistical Office. Calculation based on an average salary of ZMK 997,606 as stated in the 2006 Formal Sector Employment and Earning Inquiry Report by the Central Statistical Office. Calculation based on the National Average Monthly Earning of ZMK 1,524,480.

Other employment-related benefits

Workers are entitled to other benefit packages, as provided for in various pieces of legislation. For example, the Employment Act, Cap 268 of the laws of Zambia provides for: severance payment paid maternity leave, paid sick leave and a funeral grant (Employment Act, Cap 268 of the Laws of Zambia).

The Minimum Wages and Conditions of Employment (General) Order further sets out remuneration and benefit package applicable to workers that are neither

In order to transform these figures to US dollar equivalents as at September 2010, please divide each of the figures by 5,000.

unionized nor in managerial positions. Statutory instruments which provide for these minimum wages and conditions of employment are normally reviewed every two years by the Minister of Labour and Social Security. Unionized workers have their packages negotiated annually and stipulated in Collective Bargaining Agreements, while those in management positions have them specified in their respective contracts of employment (GRZ, 2002). There has however been some deliberate misapplication of the provisions on the minimum wages and conditions of employment statutory instruments by some people in managerial positions when awarding themselves a gratuity, which they usually base on three months' pay for each year, served. The Ministry of Labour has endeavoured to clarify the correct interpretation but the trend seems not to have diminished.

According to the 2006 Statutory Instrument on the Minimum Wages and Conditions of Employment (General) Order, employees without collective bargaining agreement protection have the right to sickness leave with three months of full pay and three additional months of half pay, if necessary. In the case of pregnancy, women are entitled to 120 days of paid maternity leave -only for those with a minimum of two years at work. On the other hand, employers can provide health care and medical coverage through private providers and usually both employers and employees contribute equally (ZIC, 2006, p. 35). However, there are no data on actual coverage by these arrangements. The norm also regulates paid holidays (not less than 24 days per year) and special paid leave (e.g., due to death of a family member). Results of the LFS 2005 discussed in the previous chapter show that many employees are not actually able to enjoy these entitlements.

If the employee is declared redundant before the end of his/her contract (with at least one month's notice), the employer has to pay the equivalent of two months of basic salary for each completed year of service (i.e., redundancy benefit).

Challenges facing social protection schemes in Zambia

Social protection for all in Zambia continues to be a major challenge. There are a wide variety of stumbling blocs on the path of endeavours to extend social protection to all present in Zambia. These challenges, which pose a serious threat to the future viability of the current social security schemes, are mainly of a social and economic nature.

Poverty and Inequality

On the social side of things, the first challenge is poverty and inequality in Zambia. The majority of Zambians live below the poverty line and this poverty phenomenon is rife in rural areas than in urban areas (Living Conditions Monitoring Survey, 2006:7). This is mainly because rural areas are, generally, isolated from urban areas where there are some industries (and supposedly job opportunities). But people who are unemployed, excluded and marginalized bythe formal security system are, in most instances, concentrated in rural areas. Besides, the categories of the poor and informally employed mentioned (in particular the rural poor) fall within the lower end of the income inequality spectrum, contributing significantly to the existing Gini coefficient of 0.57 in 2004[3]. It is clear, therefore, that the present social security

[3] Living Conditions Monitoring Survey (2006:90): Lusaka: CSO

system in Zambia is challenged in meeting the needs of the rural and urban poor and the informally employed in need social protection (LGV1S, 2006:90).

HIV/AIDS

The second major issue and challenge affecting the social security system in Zambia is the high prevalence of HIV/AIDS. Through its demographic and economic effects, the HIV/AIDS pandemic poses a huge challenge to the financial management of the national social security system in Zambia. For example, increased mortality owing to HIV/AIDS continues to reduce the number of contributions to pension schemes. And although the share of contributions reaching retirement age has been declining, the number of surviving dependents entitled to benefit has increased (Cheta, 2004:8). At the same time, the demand for health services has increased, thereby placing severe stress on the existing social security system.

Unemployment

Burgeoning unemployment is increasing, proving to be the worst enemy of social protection in Zambia. As more and more people join the ranks of the unemployed, the continued financial viability of many formal social security schemes and the continued existence of informal schemes and other informal transfer arrangements (e.g. kinship based transfer etc) are turning out to be uncertain. In 2008, the Draft Labour Force Survey revealed that national unemployment rate was around a figure of 16 percent but rose to about 43% for females residing in urban areas in the youth cohort aged between 20-24 years[4]. Arguably, the social protection measures in Zambia, which are insurance-based and mainly linked to formal employment, are deficient in offering unemployment benefits for the majority of the unemployed - meaning that unemployment in Zambia (especially among youths who have not worked before) is almost equivalent to being poor.

Changing forms of employment practices

On the economic side of things, the main challenge has been the changing form of work. The nature of work has, for example, undergone striking changes as observed by Hoffman E and Walwei, (1999) quoted in Olivier and Mpendi (2003):

> ...the institutional form of gainful employment is in a state of flux, for the relationship between labour supply and labour demand is repeatedly being organised by new and altered contractual forms. Employment relationships that were hitherto considered regular, i.e. permanent full-time relationships in employee status are visibly becoming less significant.

Consequently, due to the non-permanent nature of new forms of employment, the labour market is shading the workforce in droves, many less skilled and less educated who have to suffer from social distress and this, as a result, exerts more pressure on the social security system in Zambia.

Non-remittance of employers' contributions

Another economic challenge facing the social security system in Zambia is the non-remittance of contributions. This has mainly affected the operations of the two public sector - based pensions schemes, leading to a host of problems: poor liquidly positions, delayed payment of retirees' benefits, lack of investment and diversification and deferment of capital projects. In 2008, for instance, the Superannuation Fund received only 29% of its expected contributions from associated employers portion of the contribution (GRZ Budget 2009:18).

Effect of the NAPSA ACT on other Pension schemes

Another challenge affecting the social security system in Zambia is the creation of the National Pensions Scheme Authority, which has brought various developments in the pensions industry. The challenge has been the continued existence of statutory pension schemes and other occupational schemes since all new employees commencing employment on or after 1 February 2000 are required to contribute to NAPSA on a compulsory basis. The implication of this can be identified as: the uncertain legal position of all other pension schemes, especially in the long run, the uncertain liquidity position of the other pension schemes since they will not have any more new members, making it uncertain how they will meet benefit payouts to their members.

Role of Trade Unions in Social Protection

Available information suggests that trade unions in Zambia have no policy on social protection. Generally, therefore, the role of trade unions in matters of social protection in Zambia has largely remained weak, at best unclear. Their

[4] Draft Labour Force Survey 2008:57: Lusaka: CSO

involvement has mainly been restricted to being members of governing boards of employment related social protection schemes. For instance, the General Secretaries of the Civil Servants and Allied Workers' Union of Zambia and the Zambia National Union of Teachers are members of the Public Service Pensions Fund Board. The Zambia Congress of Trade Unions sits on the board of the National Pension Scheme Authority (NAPSA).

More recently, however, the Public Service Pension Fund Board has entered into a partnership with the Civil Servants and Allied Workers Union of Zambia and the Zambia National Union of Teachers. This partnership has entailed that the provincial offices of the two unions are helping with the facilitation process of information gathering and record keeping related to matters of pension administration and issues affecting pensioners.

It is also the case that unions in Zambia do include issues of social security in their collective bargaining agreements (e.g. paternity leave and funeral grant) but their sphere of influence does not include such areas as mutual funds nor voice over the use of pension funds. There is therefore room for trade unions in Zambia to extend their sphere of influence over such matters and the determination of the use of pension funds, including how such funds are being invested and at what terms. Box 1 summarises how the union is playing its role in the running of the Public Service Pensions Fund. Evidently, the role of the union has remained very limited, at best peripheral.

BOX 1: Trade Union Role in Social Protection: Case of Public Sector Unions

According to Darision Chaala, General Secretary of the Civil Servants and Allied Workers Union of Zambia, the Union has no social security policy for members as well as union employees and relies on the state social security schemes. Accordingly, he stated that "CSA WUZ is currently facilitating the introduction of a social security scheme for union workers which is being arranged with Madison Insurance. When a Union employee is separated, there is a formula applied to calculate and pay terminal benefits for the employees."

In terms of the trade union's role in the governance structure of social protection schemes, Mr Chaala indicated that for the public sector, two trade unions are represented on the board of the Public Service Pensions Fund, namely, CSA WUZ and ZNUT. Besides, he stated that trade unions, through representatives, help in monitoring the remittance of contributions from employers and employees. He added that the union has "encouraged scheme fund managers to invest contributions into ventures that would bring immediate returns. The Union has also been involved in encouraging managers to review the pension benefits upwards for members and has also been helping to monitor investments to see if they are productive or not. The trade unions have also encouraged fund managers to find ways of reducing administrative costs of the fund so that more money is spent on retirees. The union has also been advocating for the introduction of loan facilities, medical scheme andfuneral service scheme for retirees.

Extract from Interview with Darison Chaala, General Secretary CSAWUZ and Board Member, Public Service Pensions Fund conducted on 10 September 2010.

Conclusion and Recommendations

This report has aimed to present results of the review of social protection schemes in Zambia undertaken in the framework of the African Labour Research Network study on social protection systems in Africa. A major finding is that only about 10 % of the population is formally covered by the existing social protection system in Zambia. These are mainly in the formal employment sector, with 90% of paid employees with un-enforced or no social protection entitlements. The role of the trade union in social protection was also found to be unclear, at best weak. Hence, the study reaches the conclusion that social protection in Zambia only benefits a limited number of the population and is within that context restricted to a limited number of contingencies that also fall short of the international conventions on social protection.

Against this conclusion, the study makes the following recommendations:

(1) High level of political commitment.

The primary responsibility for social protection lies with the state, which acts in collaboration with other stakeholders. This study therefore recommends an active role of the state in social protection provision. In other words, Zambia needs an ethical, responsible and accountable developmental state in order to ensure social protection for all.

(2) Development of a comprehensive legislative framework.

Much of what the legislative framework recognizes as social protection is restricted to the social insurance model, but this has limitations and urges the need for a review of the legislative framework to facilitate the development of a national

social protection strategy that addresses the country's peculiar situation determined by factors which include, among many, the proportion of persons who are poor, affected by HIV and AIDS, plagued with disability, and weakened by old age etc.

(3) Inter-ministerial collaboration and co-ordination of all the ministries and stakeholders

A comprehensive social protection strategy will need to be anchored on an elaborate inter-ministerial collaboration and coordination of all the ministries and stakeholders involved in the implementation of the social protection strategy (i.e. ministries of labour, social welfare, health, education, gender, agriculture, finance and economic planning and others).

(4) Linking social assistance to basic services:

Further, in order for social assistance programmes to have both long and short term impacts, it will be imperative that these are linked to basic services. For instance, linking cash transfers to education on child and maternal health, prevention and treatment of illness, and provision of nutrition; agricultural extension or immunization will need to be of essence.

(5) Collection of disaggregated data for monitoring implementation and evaluating the impact and progress on social inclusion.

In order to address the challenge of limited scope of coverage in relation to access to social protection, this study also recommends collection of disaggregated data

covering such variables as gender, age and other spatial dimensions for monitoring and evaluating the impact and progress on social inclusion.

(6) Sustainable funding for social protection from both domestic and external resource mobilization, in particular resources that can facilitate scaling up of effective interventions.

A major challenge established in this study relates to official government funding of social protection which was found to be woefully inadequate. Currently, social protection remains low on the government social pyramid of priorities. This paper recommends improved and sustainable funding for social protection from both domestic and external sources, in particular resources that can facilitate scaling up of effective interventions

(7) Role of trade unions in the governance of social protection systems

This paper reveals an existing weak role played by the trade unions in the governance structures of existing social security institutions. This calls for a more effective role by the trade unions, especially in safeguarding the funds against speculative tendencies by pension fund managers.

(8) Extension of social protection to informal workers

Given the limited coverage of social protection in Zambia, the discussion that has ensued in this paper further has pointed to the need to extend coverage to the majority of the people that are currently excluded. A useful starting point would be to develop specifically targeted programmes for the vulnerable groups in a comprehensive and coordinated fashion. Creating universal social benefits, for example, through universal health benefits, old-age pensions or child-support payments would be one such example of this avenue for extension of social protection. The second avenue would be to extended coverage to informal workers.

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SOCIAL PROTECTION IN ZIMBABWE

By

Prosper Chitambara

Introduction and background

The Zimbabwean economy cannot be fully and comprehensively understood without first highlighting the anatomy of the economy from a retrospective perspective. At independence in 1980, Zimbabwe inherited a relatively developed and diversified economy by African standards. The manufacturing sector consisted of some 1,260 separate units producing 7,000 different products. This export base was also broad with agriculture accounting for 41 per cent of export earnings in 1984, followed by manufacturing at 32 per cent and mining (27 percent). The inherited economy was however predicated on a philosophy of white supremacy that resulted in the evolution of a relatively well-developed and modern formal sector, employing about 1 million people (a fifth of the labour force) existing alongside an underdeveloped and backward rural economy, the home of 70 per cent of the black population (Kanyenze, 2006). Thus, the 'formal sector' was the enclave part of the economy, which was developed on the basis of the ruthless dispossession of the source of livelihood and in particular access to land of a majority of the people, forcing the black majority into wage employment. Movement across these sectors was strictly controlled such that the prevailing relationship between the two sectors was an exploitative one. The dualism that characterized the economy, and continues to do so, accounts for the perennial problem of underutilization of resources, implying underdevelopment. Past and present economic policies have failed dismally to comprehensively address these structural distortions and bottlenecks. In fact, the dualism and enclavity have been entrenched, as most of the policy propositions are aimed at the formal economy.

Socio-Economic Context

Over the period 1997-2008 the Zimbabwean economy was mired in a severe vicious cycle of economic regression and paralysis. From a peak of 9.7 per cent in 1996 economic growth slumped to a record -14.8 per cent in 2008. This economic regression and paralysis brought about increased poverty which in turn increased social and economic marginalisation and distress of already disadvantaged groups. By 2003, 72 per cent of the population was below the poverty line, up from 55 per cent in 1995. Female-headed households had a higher incidence of poverty at 68 per cent compared to male-headed households at 60 per cent - poverty has 'a rural face and a woman's face' (Zimbabwe, 2006).

The percentage of the population employed in the formal sector declined from 14 per cent in 1980 to 10 per cent by 2004 and about 6 per cent by 2007. Statistics from the ILO indicates that at least 4 out of 5 jobs in Zimbabwe are currently informalized. This therefore implies that approximately 80 per cent of the labour force does not have access to formal security coverage in Zimbabwe.

The rapidly declining socio-economic and political environment culminated in the formation of an Inclusive Government (in February 2009) following the signing of the Global Political Agreement (GPA) in September 2008. The Inclusive Government launched the Short-Term Emergency Recovery Programme (STERP) on 19 March 2009 as a short-term economic stabilisation blueprint. The salient features of STERP included: adoption of a cash budgeting system; use of multiple currencies as legal tender and adoption of the rand as a reference currency; and the dismantling of foreign currency controls among other measures.

The adoption of dollarization (through the multi currency regime) had the immediate impact of eliminating hyperinflation. Annual inflation declined from an official figure of 231 million in July 2008[5] to 0.5 per cent in December 2009. There has also been a significant improvement in product availability in retail and wholesale outlets, with capacity utilization having markedly improved.

However, though the economy has been on a general recovery and stabilization trajectory since the formation of the Inclusive Government, the stabilization remains very tenuous and tardy. The major

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The New Hyperinflation Index for Zimbabwe (HHIZ) estimated in mid-November 2008 that Zimbabwe's monthly inflation rate was 79,600,000,000 percent which gives an equivalent daily inflation rate of 98.0 percent and the annualised inflation rate of 89.7 sextillion percent, www.cato.org/zimbabwe. [152].

challenge to the attainment of full economic recovery remains the highly volatile and unstable political phenomenon (which increases the political/country risk premium). There are also economic uncertainties emanating from the implementation of the indigenization and empowerment regulations which were gazetted with minimal stakeholder involvement and participation.

Consequently, there has been very little inflow of investment and capital into the country as most potential investors and cooperating partners adopt a wait and see attitude. Foreign Direct Investment (FDI) marginally rose to US$60 million in 2009 from US$52 million in 2008 (UNCTAD figures released in July 2010).

The aforementioned political and economic uncertainties have contributed to a general dearth of competitiveness in the economy. The 2010-2011 Global Competitiveness Report compiled by the World Economic Forum (WEF) has ranked Zimbabwe 136 out of 139 countries. In the 2009-2010 rankings Zimbabwe was ranked 132 out of 134 countries. According to the Report a combination of dilapidated infrastructure, limited healthcare, education services and poor institutional frameworks have conspired to render Zimbabwe less competitive in the global marketplace. The country also fares badly in the World Bank's Doing Business Report where it was ranked 159 out of 183 countries in the 2010 Report. This therefore means that the country is rated very unfavourably as a potential business and investment destination.

Evolution of Social Protection in Zimbabwe

Social protection is considered a basic human and socio-economic right in the Universal Declaration of Human Rights (1948) and the International Covenant on Economic, Social and Cultural Rights (1966). Social protection helps to reduce the risks of socio-economic insecurities resulting from unemployment and poverty to individuals and society. Social protection can also play an instrumental role in helping developing countries to achieve the Millennium Development Goals (MDGs). In a number of countries, social protection has proved effective in reducing the incidence of poverty.

In Zimbabwe, like in most African countries, the evolution of social protection was shaped to a great extent by colonial considerations as initially the colonial regime extended social protection to white expatriates. Coverage was later extended to African workers although this was mainly concentrated in urban areas and in the formal sector leaving the majority of the workers beyond the scope of such coverage.

The extended family has traditionally played an important role in the provision of social protection in Zimbabwe. With the advent of the colonial regime the traditional informal social protection system has weakened. The subsequent migration of able-bodied men from rural to urban areas in search of formal employment necessitated new arrangements for meeting social protection needs. The exodus to urban areas further depleted the country-side of much-needed labour and weakened a social protection arrangement which was anchored on the land and the extended family.

From the period of colonialism until the attainment of independence in 1980 there have been virtually no formal social protection extended to the indigenous black majority. In 1936 the colonial regime enacted the Old Age Pensions Act of 1936. This Act sought to provide old age pensions to non-Africans over 60 years only who had been resident in the country for 15 years or more. Though a pension scheme for agricultural workers was introduced by the Rhodesian National Farmers Union (RNFU) in 1975, it had very limited beneficiaries. This is because the eligible age was set at 60 when life expectancy during the time was only about 50 (Dhemba *et al*, 2002).

Social protection in general was only a preserve of the white settlers. Though there were also a number of private occupational pensions during the colonial era, again these catered, to all intents and purposes, for white workers. According to the Whitsun Foundation study (1979), less than 50 per cent of the Africans in formal employment in 1976 were participants in these programmes. The indigenous blacks were viewed as temporary migrants in urban areas who would eventually relocate to their rural homes at the end of their working life. The white settler government was also supposedly motivated by the desire to attract and retain white immigrants by providing conditions and services comparable to those obtainable in Great Britain.

Incidences of discrimination on the basis of gender were also rampant among African women, resulting in their marginalisation. Riddell (1981:172) observes that the "demand for male workers in the wage sector, coupled with the belief that a woman's role lies in childbearing, has led to the extreme imbalance in access to

schooling for African men and women." This also explains why there are few African women in formal employment. Those women fortunate enough to be in formal employment were rarely considered permanent workers because they had to break service in order to go on maternity leave. As a result, many women especially in Zimbabwe could not be members of occupational pension schemes.

The indigenous blacks were expected to take their own initiative or use traditional social support systems such as the extended family and hence during the colonial era the indigenous blacks relied heavily on the extended family for social protection. The family unit, with its extended relationships, offered social protection in the form of support to its orphaned, aged, sick and destitute members. In this setup the right to social protection depended on the strength of relations among kinsmen.

Following the attainment of independence in 1980 the African government led by ZANU PF sought to redress the aforementioned colonial imbalances in the provision of social protection and other social services through their extension to the hitherto marginalised blacks. The highly discriminatory Old Age Pension Act was repealed. This repeal however had the unfortunate effect of denying Africans the opportunity to benefit from old age pension as it was not replaced by an inclusive old age pension scheme (Kaseke, 2003).

Occupational pensions remained largely exclusionary as there is no law which makes it mandatory for employers to provide occupational pensions for their employees. As a result, a number of employers have chosen not to have occupational pension schemes in an effort to minimise cost. Moreover, the few occupational pension schemes in place only cater for the workers in the formal employment. Consequently, informal sector workers were and are excluded. Thus, occupational pension schemes have become a preserve only of the few workers employed in the formal economy. This represents a new form of discrimination and exclusion (Kaseke, 2003).

Kaseke (2003) argues that the introduction of the Pension and Other Benefits Scheme in October 1994 provided an opportunity to achieve inclusiveness in social security coverage by extending social insurance to all formally-employed workers in the private sector. This was after the realization that a number of formally employed workers were being consigned to a life of destitution and penury upon retirement. Coexisting with the Pensions and Other Benefits Scheme is the Workers' Compensation and Accident Prevention Scheme and Private Occupational Pension schemes. Government has also introduced a separate pension system for civil servants.

It was originally envisaged that the Pension and Other Benefits Scheme would be incrementally and gradually introduced in phases in an effort to keep a tight rein on expenditures - a key conditionality of Enhanced Structural Adjustment Programme (ESAP). In the first phase, coverage was extended to all employed in the formal sector, excluding civil servants and the military. In the second phase, coverage was to be extended to civil servants, the military and domestic workers whilst the self-employed would be covered in the third phase. Although coverage has now been extended to civil servants, the self-employed and informal sector workers will remain excluded for a long time as there are no concrete plans in place to cover them (Kaseke, 2003).

Anecdotal evidence also shows that a number of workers who are supposed to be covered by the Pensions and Other Benefits Scheme are not being covered because of non-compliance by their employers. This non-compliance by employers creates social exclusion in social security.

Social assistance in post-independence Zimbabwe has also undergone massive changes over the years. In the 1980s social assistance was based on a system of social safety nets under the aegis of the Department of Social Services within the Ministry of Labour and Social Services. The concept was however expanded following the adoption of ESAP in 1991 with the establishment of the Social Dimension of Adjustment (SDA) programme that was designed to mitigate the impact of adjustment on vulnerable groups. Consequently a Social Development Fund (SDF) was created under SDA programme. The SDA programme had the following components: an employment and training programme, including support for informal small-scale enterprises and public works; targeting of food subsidies; provision for exemption from cost recovery measures for vulnerable groups; and monitoring and evaluation of developments.

The SDA programme however failed to achieve the desired noble objectives outlined. By mid-1993 for instance, the SDF had reached only 4 per cent of its target population for food money and only 20 per cent for school fees. The employment and training programme had created less than 1,000 jobs (Kaseke, 1993). The SDA programme was only introduced as an afterthought and as a subsidiary objective (i.e. it was not

integrated ex ante into ESAP). The SDF was seriously underfunded and centralized in Harare. The intended beneficiaries failed to benefit as the programme failed to cope with the rising incidence of poverty.

In an effort to address the deficiencies of the SDA programme, government replaced it with the Poverty Alleviation Action Plan (PAAP) in 1995. The main objective of PAAP was to alleviate extreme poverty in the country. The key components of PAAP were: community development through social mobilisation, community infrastructure, and capacity building; micro enterprise and informal sector development through credit and technical assistance; poverty monitoring and strategic planning, and social safety nets to deal with problems in health, education and food security of poor families.

As was the case with the SDA programme (its forerunner) PAAP suffered the same fate as it largely failed to achieve its objectives. Following extensive consultations with stakeholders the following factors were identified for the dismal performance of both SDA and PAAP:

o Failure by the macro-economic policies to deliver on the social front; o The uncoordinated, incoherent and sectoralization of social protection
(even under the Ministry of Public Service, Labour and Social Welfare,
two parallel management structures exist - the Department of Welfare
and SDF, creating a bureaucratically complex situation); o Lack of mutually supportive and clear policy objectives has led to
disjointed approaches; o Inaccurate targeting of needy communities and individuals due to the
absence of clearly defined selection criteria; o Inadequate per capita benefits/rewards, especially in the context of
lack or irregular review of benefits; o Minimum community participation in decision-making resulting in
most of the poor being unaware of the existence of social protection
programmes and of their benefits; o Limited political will and commitment as verbal policy statements and
policy objectives were not followed by effective and tangible support,
especially in the annual budgets; o Inadequate monitoring and evaluation to facilitate prompt remedial
actions;

o Weak management and organisational structures, exacerbated by cumbersome, tedious and costly procedures and manual programme operations;

o Limited programme coverage;

o Inadequate human resources as a result of poor working conditions in the public social protection schemes;

o Non-demand driven programmes and poor customer services;

o Lack of public confidence in social protection programmes due to lack of transparency and accountability and the perceived prevalence of corruption, politicisation of the programme, non-adherence to agreed selection criteria and undue pressure from persons of influence;

o High public dependency, especially as a result of increased unemployment, poverty, breakdown of traditional social and family relationships, HIV/AIDS, etc; and

o Non-supportive and conducive economic environment (see Ministry of Public Service, Labour and Social Welfare, 2002:16-18).

In January 2001, following technical assistance from the World Bank, the Government introduced the Enhanced Social Protection Project (ESPP). ESPP has the following components:

- Basic Education Assistance Module (BEAM), which aims to reduce the number of people failing to attend school because of hardships, and providing school fees waivers to reduce the rate of drop outs. The BEAM programme replaced the then Department of Social Welfare school fees assistance programme.
- Children in Especially Difficult Circumstances (CEDC), which aims to identify and assist children in difficult circumstances through community support and implementation of component;

- Public Works Component (PWC), which seeks to put in place labour-intensive public works that offer employment to the poor;
- Emergence Drugs and Medical Supplies component; and

- Social Protection Strategy (SPS), which sets studies, analyses, consultations and technical assistance aimed at improving strategic planning, monitoring and implementing programmes in the Ministry.

External assistance for this enhanced social protection programme was made conditional on government paying the arrears on its debt with the World Bank. Failure to do so resulted in the programme being suspended in 2000. As the relationship between government and the international community deteriorated, government decided to go it alone, fast-tracking the BEAM component.

Social protection interventions have remained largely inadequate and exclusionary. There is also a lack of predictability, consistency, transparency and durability in most of the schemes. The lack of predictability is as a result of improper co-ordination and a lack of a guiding framework for social protection in Zimbabwe. In general, inconsistencies have been caused by the country's vulnerability context that has seen programmes either cutting back on the support or in worst cases closing down. For government, programmes inconsistencies have been driven by lack of funding as in the case with support to the destitute such as the elderly, disabled and families in distress (Gandure, 2009:43-44).

Owing to the above, non-formal systems have become a major institution in providing social protection. Such institutions include the extended family, mutual aid groups like burial societies, savings clubs, credit schemes and church groups, the Zunde raMambo as well as remittances from relatives living in the diaspora. The International Fund for Agricultural Development (IFAD) reported that Zimbabwe received US$361 million in monetary remittances in 2007, excluding hand-in-hand transfers. This represented 7.2 percent of the country's 2007 GDP.

Legal/regulatory Framework for Social Protection

The Public Service Pensions Scheme is governed by the State Services (Pensions) Act Chapter 16:06. This is a contributory pension scheme which provides for the payment of pensions, gratuities and other benefits to or in respect of persons employed by the State on retirement, discharge, resignation, death or other termination of service. Their dependents also receive benefits except where the member employed by the state resigns before pensionable age. Under this Act the employee contributes 7.5 per cent of pensionable emoluments towards the Public Service Pension Scheme while government contributes 15 percent. Government contribution is deposited into the government Consolidated Revenue Fund. The money paid is not invested as it is used to pay pension benefits to those who retire from service.

The sustainability of this scheme is, however, compromised by a number of factors. First government does not invest the funds that it collects from employees (the funds are only deposited into the Consolidated Revenue Fund). Funds contributed by current employees are used to pay pensions to those who retire or have retired from service. Assuming that there were to be a massive downsizing of the civil service fewer contributors will be left to sustain the scheme. Government contribution is also not legally enforceable implying that employees in a given moment would meet any shortfalls that may arise. This shortfall would increase over time as the number of pensioners increases while the number of employees decreases.

The HIV/AIDS scourge is also weakening the civil service due to the high morbidity and mortality of the economically active population. This has the effect of progressively reducing contributions to the pension scheme each year. Besides, civil servants who leave the civil service before retirement to join private companies and organizations are unable to have their invested benefits transferred to other pension schemes such as National Social Security Authority (NSSA). This principle inhibits the mobility of workers between government and other employers (see Dhemba et al, 2002).

The NSSA Act of 1989, Chapter 17:04 constituted and established NSSA, a parastatal tasked with implementing and administering social security services to the nation. According to the Act the functions of NSSA are to: administer every scheme and fund established in terms of this Act; and advise the minister on all matters concerning the operations of schemes and on matters relating to social security in general.

NSSA began operations in 1994 with two schemes covering employees in formal employment. These two schemes are the National Pensions Scheme (NPS) and the Workers' Compensation Insurance Scheme (WCIS). The NPS was established, and is administered, in terms Statutory Instrument (SI) 393 of 1993. The NPS is based on a 50/50 contribution from both the employer and the employee. It is compulsory that every

formally employed above the age of 16 and below the age of 65 join this scheme and contribute towards it. The workers are entitled to a number of benefits after contributions for a minimum set period and having met the qualifying condition of each of the benefits.

The Workers' Compensation Insurance Scheme (WCIS) was established and is administered in terms of SI 68 of 1990. The objectives of this scheme are: providing financial relief to employees and their families when an employee is injured or killed in a work related accident or suffers from a work related disease or dies thereof; encouraging adoption of health and safety legislation through factory and machinery inspection; and providing rehabilitation services to disabled employees so as to reduce their disablement and enable them to return to their former employment or otherwise prepare them for a useful and meaningful place in society. The WCIS is employer funded; employees do not contribute. Currently, all employers, except the Government, are required by law to contribute to the Scheme.

The sustainability of the NSSA schemes is affected by a number of factors. Firstly there is limited coverage as the schemes only cover those employed in the formal sector leaving the majority of the labour force subsisting in the informal economy uncovered. The schemes also offer limited protection in terms of the contingencies covered; for example, there is no health insurance coverage. Finally the benefits paid out have remained largely inadequate especially during the period of hyperinflation.

The Pension and Provident Funds Act Chapter 24:09 was passed in 1976 and has been revised a number of times since then. This Act provides for the registration, administration and regulation of private pension funds in Zimbabwe. According to the Act any one employer shall register and operate not more than one active fund in respect of permanent staff. Furthermore, all pension funds are required to have a Board of Trustees whose main function is to administer the pension fund business. The Local Authorities Employees (Pension Schemes) Act (Chapter 29:09) provides for the establishment of the Local Authorities Pension Fund covering employees of local authorities.

The state runs a number of non-contributory schemes for civil servants. These schemes are wholly funded by the government. Under the State Service Disability Benefits Act (Chapter 16:05) compensation is provided as a result of death or injury to persons employed by the State. The death or injury should have arisen in the course of official duty. This Act covers all the civil servants including the Police, Armed Forces and the Prison Service. The War Pensions Scheme is also another non-contributory scheme. This scheme is governed by the War Pensions Act (Chapter 11:14) whereby compensation is provided to those injured while providing military service during the Second World War. In 1999 there were 167 pensioners benefiting from this scheme (see Dhemba et al, 2002:9).

Under the 1998 Social Welfare Assistance Act, limited public assistance is provided by the Department of Social Welfare to destitute persons incapable of working and to persons aged 65 or older or with a disability. The Social Welfare Assistance Act also makes provision for the placement of the needy and vulnerable elder persons in homes where they receive social assistance through government grants as well as other assistance from Non-Governmental Organisations (NGOs).

The Disabled Persons Act (Chapter 17:01) enacted in 1991 provides for the welfare and rehabilitation of disabled persons as well as for the establishment and functions of a National Disability Board. The composition of the Disability Board is mainly from Disabled Person's Organisation (DPO) and the chairperson is always a person living with disability. Under the Disabled Person's Act, a Disabled Persons Fund is to be created into which annual appropriations through the budget are made. The Disability Act was revised in 1996. The revised edition makes provision for the welfare and rehabilitation of disabled persons and provides for the creation of a public office for the Disabled Persons Affairs. However, there is still no such office in Zimbabwe. There are also concerns of chronic and acute underfunding from government.

The War Veterans Pensions Scheme is another non-contributory scheme covering war veterans who took part in the liberation war from 1962-80. This scheme also provides pension benefits to dependants of deceased war veterans. This scheme is governed by the War Veterans Act (Chapter 11:15). The War Victims Compensation Pension Scheme, another non-contributory scheme provides compensation to persons who sustained injuries as a result of the liberation war. Dependants of those who died as a result of the war also receive pension, allowances and other benefits in accordance with the War Victims Compensation Act (Chapter 11: 16). The pension scheme benefits both ex-combatants and civilians. The benefits are calculated using the degree of disablement in relation to income earnings received prior to sustaining the disability. In 1998, there were 54,485 beneficiaries under this scheme.

In March 1997, the War Victims Compensation Fund was suspended pending an investigation that high-level government officials and their relatives looted more than 112 billion Zimbabwe dollars (US$450 million). Violent demonstrations and riots by the liberation war veterans, a key constituency of the ruling ZANU-PF party, prompted the government to pay out more than ZWD 501 billion dollars (US$2 billion) in unbudgeted funds to placate the war veterans.

For quite some time, war veterans have been complaining about being left out in the political landscape of Zimbabwe, to which the President would respond by challenging them to compete with others for consideration. However, during the first half of 1997, the war veterans organized themselves and undertook demonstrations to put their case forward. While at first government chose to ignore them, the demonstrations became increasingly raucous, culminating with the war veterans interrupting the President's speech at the Heroes Acre in August 1997. These demonstrations had, by then, become too loud and dangerous to ignore. Realizing that the game was up, the President reached an agreement with the war veterans in November 1997 resulting in the unbudgeted massive payouts to the estimated 50,000 ex-combatants. Since this was not budgeted for, government sought to introduce a war veteran's levy, which was rejected by workers through ZCTU-organized demonstrations. Government had to resort to borrowing to meet its obligations.

Coverage of Social Protection Schemes

NSSA statistics indicates that as at December 2009 142,835 people had benefited from pension payouts and allowances, with the bulk being surviving pensioners at 63,045, followed by children's allowances 36,865, retirement pension, 33,105 and invalidity pension 9,820. Table 1 below shows the National Pension Scheme Active Membership disaggregated by sex as well as the corresponding expenditure and revenue between 2000 and 2006.

Table 1: National Pension Scheme: Active Members, Benefits, Contributions and Old Age Protection Ratio

Year	Active Members			Benefit Outlay	Contri bution Reven ue	Old Age Protection Ratio	
	Male	Female	Total	US$ million	US$ million	Male	Female
2000	590,767	167,567	758,334	3.22	27.93	38.9	9.7
2001	635,905	180,370	816,275	5.16	36.96	42.1	10.5
2002	906,629	257,158	1,163,787	8.12	69.26	59.1	13.9
2003	958,624	271,906	1,230,530	1.37	16.78	63.4	14.9
2004	1,006,577	285,508	1,292,085	6.85	30.04	43.3	10.4
2005	1,044,444	296,249	1,340,693	1.67	5.93	45.1	11.1
2006	966,331	274,092	1,240,423	-	-	45.2	11.3

Source: NSSA

In terms of active membership, males far outnumber their female counterparts by a ratio of about 3:1. This confirms the fact that most females are found in the informal economy. The swings in the values for benefit outlays and the contribution revenues reflect volatility in the exchange rate during the period. In terms of old age protection the ratio is also highly skewed in favour of the males.

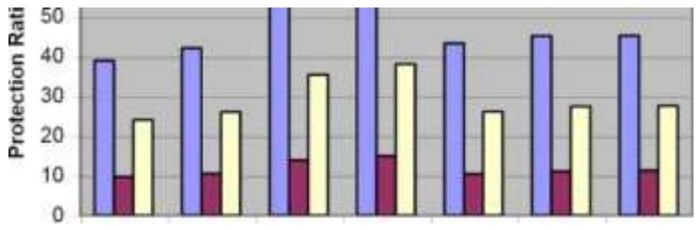
Figure 1 below shows the old age demographic protection ratio for contributors affiliated to the scheme. This indicator reflects the extent to which the current working-age population is protected in old age. It is calculated as the number of current affiliates to a social security institution providing benefits in old age as a proportion of the working-age population. Indications are that while this ratio improved between 2000 and 2003, it deteriorated in subsequent years. Generally, protection is higher among males than females.

Figure 1: Old age Demographic Protection Ratio of Affiliated Members

□ Male ■ Female □ Total

70

60



2000 2001 2002 2003 2004 2005

2006 **Year**

Source: NSSA contribution data

Under occupational schemes, employees contribute towards their occupational pensions with the employers usually matching the employee's contribution. These pension schemes are often underwritten by private insurance companies. Those covered by occupational pensions constitute a very small percentage of the labour force as coverage is restricted to workers in formal employment. Furthermore, in Zimbabwe, occupational pensions are not mandatory and as a result some workers often retire into poverty.

At the end of 1984 there were 617,824 persons covered by occupational pensions as compared to 338,775 members in 1979 (Report of the Registrar of Pensions, 1984). Table 2 below shows the active contributors and pension payouts for the occupational schemes between 2000 and 2006. The number of active contributors was at a peak in 2002 with 910,229 contributors. The number has however declined over the years as the crisis has deepened with companies retrenching workers. As indicated above, the volatility in pension payments is a result of fluctuations on the exchange rate (and the overvalued exchange rate) that prevailed during the same period.

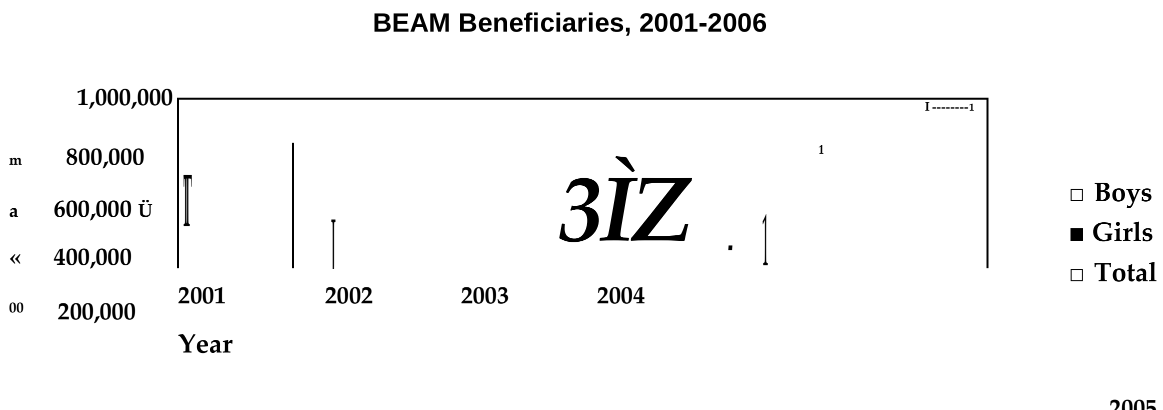
Table 2: Active Contributors and Pension Payouts for Occupational Schemes, 2000-2006

Year	Number of Active Contributors	Pension Payments (US$)
2000	626,896	85,073
2001	881,456	143,746
2002	910,229	258,873
2003	898,932	27,350
2004	846,669	42,974
2005	853,869	9,359
2006	843,492	157,490

Source: Insurance and Pensions Commission (IPEC)

The Basic Education Assistance Module (BEAM) aims to reduce the number of vulnerable children dropping out of school due to economic hardships. The program targets children at primary, secondary and in special schools, and intends to cover 25 per cent of total enrolment at these levels. Its main development objective is to prevent parents from withdrawing children from school (i.e. extreme coping mechanism) in response to increasing poverty. It targets children of school-going age (ages 6-19). Figure 2 below shows the number of BEAM beneficiaries over the period 2001 to 2006.

Figure 2: BEAM beneficiaries 2001 - 2006



Source: Ministry of Labour and Social Services

Some of the challenges encountered by BEAM include: low coverage of the population at risk; late disbursement of the funds to schools resulting in the funds being eroded by inflation and also in the disruption of the schools' budgetary processes. The scheme also suffers from poor targeting and sometimes loss of continuity of support before the student sits for examinations. A UNICEF study noted that BEAM support has been fluctuating, with numbers of pupils declining sharply in some years (see table 6), due to macro-economic challenges (UNICEF, 2008). The HIV/AIDS scourge has also resulted in an upsurge in the number of orphans and vulnerable children requiring social assistance.

Under the Health Assistance Programme, government pays health fees for very poor households through the Hospital Referral System. The total number of people assisted declined from 25,000 in 2007 to 9,625 in 2008. A major challenge the programme has faced over the years is that the Assisted Medical Treatment Orders (AMTOs) does not cover treatment at private health institutions. As the Ministry of Public Service, Labour and Social Welfare aptly observed, 'With shortages of drugs at referral hospitals, the purpose of the programme has been defeated as patients find themselves stuck with prescriptions of drugs they cannot afford to buy,' (Ministry of Public Service, Labour and Social Welfare, 2008:5). In this regard, the availability of drugs in public health institutions is critical to the provision of safety net to indigent individuals.

Financing for Social Protection

A major source of savings and a key driver of investment in a number of countries are social security and pension funds. In January 2008, The Economist reported that Morgan Stanley's estimation that pension funds world-wide hold over US$20 trillion in assets, the largest for any category of investor ahead of mutual funds, insurance companies, currency reserves, sovereign wealth funds, hedge funds or private equity.

In Zimbabwe, pension funds account for more than 75 per cent of the total investments on the Zimbabwe Stock Exchange (ZSE) and more than 50 per cent of the total investments on the property (real estate) market. Social security and pension funds can play a pivotal role in economic development in Zimbabwe in a number of ways through the provision of funds as a source of capital, provision of funds as a source of working capital and provision of funds for infrastructure development (financing of housing projects, construction of commercial properties, etc).

Under the Public Service Pensions Scheme, the employee contributes 7.5 per cent of pensionable emoluments towards the Public Service Pension Scheme while government contributes 15 per cent. The money paid is not invested as it is used to pay pension benefits to those who retire from service. The other social assistance programmes in place are funded wholly by the government.

The NSSA National Pensions Scheme (NPS) is financed through defined benefits - scaled premium method - where equal monthly contributions are made by both employers and employees. As of 1 May 2010 the new contribution rate by both the employer and employee has been as follows: 3 per cent of basic wage/salary by employee and 3 per cent of basic wage/salary by employer.

Hitherto the contribution was fixed at 4 per cent apiece making a total contribution of 8 per cent.

Table 3: Example of computation

Maximum Insurable Earnings Salary for highest earner	US$200 per month
Employee Contribution: 3 per cent of US$200	US$ 6
Employer Contribution: 3 per cent of US$200	US$ 6
Total Contribution: 6 per cent of US$200	US$ 12

Earnings below US$200 per month apply 3 per cent on actual salary as presented below.

Table 4: Example of computation

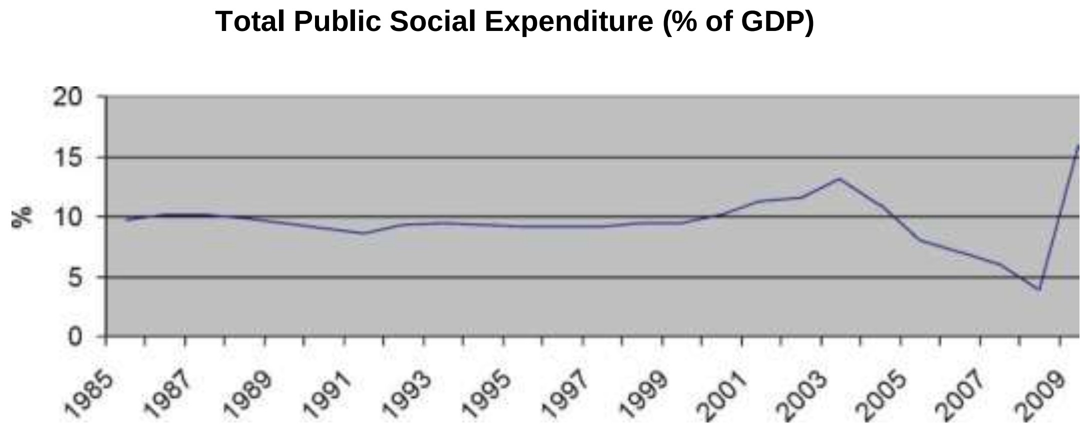
Employee's actual salary e.g.	US$150 per month
Employee's Contribution: 3 per cent of US$15	US$ 4,50
Employer's Contribution: 3 per cent of US$150	US$ 4,50
Total Contribution: 6 per cent of 150	US$ 9

The Government gazetted US$200 as the insurable earning ceiling per month, implying that anyone who earns US$200 or more will contribute the same and will earn the same from the benefit. This is a departure from the past where workers contributed according to their gross. The worker would contribute four per cent of his gross while the employer contributed an equal percentage of the workers' gross earnings. That would make high earners earn more because their contribution would be big. This time, there is no difference for all people earning more than US$200. The total of 6 per cent of basic salary is payable to NSSA before the 10th of each following month. The maximum insurable earnings limit of US$200 means that any income above this ceiling is not NSSA insurable. This means that both employers and employees will now pay less under the NPS.

Under the Accident Prevention and Workers' Compensation Scheme, employers contribute while employees do not contribute anything. If a worker is injured in a work related accident, the employer is required to: immediately provide first aid before promptly transferring him/her to the nearest medical centre; report the accident to the nearest NSSA Office after filling in the relevant details on form WCIF No. 14, which he/she should keep at his/her work premises at all times; in cases of serious/fatal accidents the employer should contact the nearest NSSA Office and the police within 24 hours.

Zimbabwe spends considerably less on social expenditure in general and social protection in particular when compared with other countries. Public Social Expenditure as a percentage of GDP averages 25 per cent for Europe and about 20 per cent for North America. Figure 3 shows the total public social expenditure a percentage of GDP.

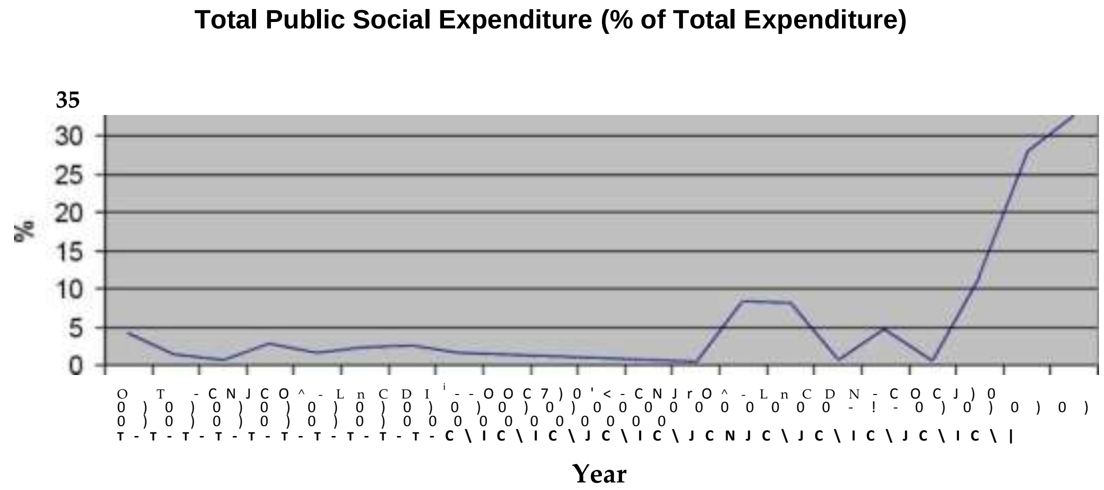
Figure **3:** Total Public Social Expenditure (% of GDP), 1985-2009



Source: calculated from various National Budget statements.

Figure 4 shows the total public social expenditure a percentage of total government expenditure.

Figure **4:** Total Public Social Expenditure (% of Total Government Expenditure)



Source: calculated from various National Budget statements.

Table 3 below shows the State Pension Benefits and Compensation as a percentage of National Budget and GDP. Budgetary allocations to social protection have generally been low. Between 2009 and 2010 for instance, there was a decline in budgetary allocations as shown below. The budgetary allocation to State Pensions and Other Benefits, for example, declined from 4.67 per cent in

2009 to 4.13 per cent in 2010. This trend reflects the fact that the government does not prioritize issues of social protection. This is exacerbated by the lack of fiscal space in the country.

Table **5:** State Pension Benefits and Compensation as a % of National Budget and GDP

	2009		2010	
	%of Budget	**%of** GDP	**%of** Budget	**%of** GDP
State Pensions and Other Benefits	4.67	1.24	4.13	1.68
Funeral Assistance	0.00072	0.00019	0	0
State Service Disability Benefits	0.09	0.024	0.086	0.035
Old Age Pensions	0.001	0.00037	0.00036	0.00015
War Pensions	0.0016	0.00042	0.0010	0.00042
War Victims Compensation	0.33	0.089	0.32	0.13
War Veterans Pensions	2.35	0.63	2.41	0.98

Source: Calculated from National Budget Statements.

The 1991 UNDP Human Development Report (HDR) came up with four Human Development Expenditure Ratios namely: The Public Expenditure Ratio (PER) which is a ratio of public expenditure to national income - (necessary to distinguish between current and capital expenditure); the Social Allocation Ratio (SAR): the percentage of public expenditure earmarked for social services -(necessary to include essential infrastructure - dichotomy between social and economic self defeating); the Social Priority Ratio (SPR): the percentage of social expenditure devoted to human priority concerns and the Human Expenditure Ratio (HER): the percentage of national income devoted to human priority concerns. The Report further stated that a Public Expenditure Ratio at around 25 per cent, Social Allocation Ratio at 40 per cent, Social Priority ratio at 50 per cent, and Human Expenditure ratio at least at 5 per cent are necessary to ensure adequate resources for human development priority sectors in an average developing country.

The challenge going forward is for the government to be able to raise fiscal space for social protection through a number of channels. There are various ways and sources via which fiscal space can be created including: tax policy and administration (by improving administration, collection performance and compliance, and broadening the tax base); reallocation and rationalization of expenditures (by shifting resources from less to more efficient uses, making ongoing spending programs more efficient, and cutting or phasing out inefficient programs); expansion of government spending financed restructuring/privatization proceeds and internal non-tax revenues such as minerals. Reprioritization based on the extent expenditures contribute to MDGs and value-for-money considerations

Financing of social protection must be planned through carefully determined comprehensive national strategies that embrace the entire needs of the population. These must aim at both preventing poverty and assisting those already in poverty. A sound review of the current situation requires inputs from local-level administrations, enterprises, workers' representatives and other community groups that are likely to have a better knowledge of the specific realities faced by the population. National priorities for the provision of social insurance and social assistance can then be better designed in close coordination with national employment and economic policies.

Benefits of Social Protection Schemes

Zimbabwe has not yet ratified the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102).

The NPS offers 4 main types of benefits, namely: the Retirement Pension and Grants; the Invalidity Pension and Grants; the Survivors' Pension and Grants and the Funeral Grant.

The above benefits are payable either in the form of a grant which is a one off pay off payment or a pension paid on a monthly basis in arrears. The retirement benefit is paid to qualifying contributors upon retirement. The benefit may be paid out in the form of a grant if the contributory period is more than 12 months but less than 120

months or a pension if the period of contribution is 120 months or more. Those members who were 49 years and above at the inception of the scheme and began contributing towards the scheme in October 1994 will be credited with a maximum of seven years depending on their age as at 1994. This was done in order to increase their contributory period so that they earn a pension or a grant. To qualify for this scheme contributors should have attained 60 years of age for normal retirement and are no longer employed.

The retirement pension is calculated by multiplying 1.33 per cent by monthly insurable earning at the date of retirement by the number of years contributed up to a maximum of 30 years. The amount paid out for the retirement grant is calculated by multiplying 1/12 of the annual insurable earnings immediately prior to retirement by the number of contributory years including credits.

NSSA started paying pensioners in foreign currency in April 2009. Following actuarial evaluations, NSSA currently pays a minimum pension of US$ 25 (for pensioners already on payroll before 1 April 2009). This figure was based on the CSO Food Poverty Line per person per month of US$27 prevailing September 2009. The highest pensioner receives US$388 per month. This is way below the prevailing Poverty Datum Line (PDL) of around US$500.

The invalidity benefit is paid out to contributors who become permanently incapacitated because of illness or injury. In order to qualify for the Invalidity Benefit contributors must satisfy the following criteria: they must be below the age of 60 years and they should have contributed for at least 12 months; and they must be medically certified as being permanently incapable of working as a result of continuous ill-health, physically or mentally.

In order to qualify for the Invalidity Grant, contributors must satisfy the following criteria: they must be below the age of 60 years and they should have contributed for at least 6 months; and they must be medically certified as permanently incapable of work as a result of physical or mental ill-health.

In terms of Statutory Instrument 393 of 1993, the claim application must be submitted within 5 years of invalidity. The Survivor's Benefit is paid out by NSSA to the surviving dependants of a deceased contributor to the scheme. The funeral grant is a benefit paid in the form of a lump sum upon the death of the contributor or pensioner. It is paid out to any person who meets funeral expenses for the deceased contributor. Currently it stands at US$200.

There is also a maternity benefit scheme which caters for those who are lowly paid and the unemployed, who get free medical care in hospitals. For the employed, the scheme takes care of 75 per cent of one's salary for 45 days before and 45 days after delivery.

The WCIF scheme pays out both short-term and long-term benefits. The short-term benefits of the scheme include periodical payments, which provide income where it has stopped due to work-related accidents/injuries. The scheme also pays for all medical fees that include transport, drugs, hospitalization, and prosthesis. Currently, there is no ceiling on medical expenses.

The Accident Prevention and Workers' Compensation Scheme offers short term and long term benefits. The short term benefits include: periodical payments in respect of loss of earning; a funeral grant in the unfortunate event of a member losing his/her life as a result of a work related accident; and a lump sum if an employee's injury results in permanent disablement. The scheme pays long-term benefits in the form of employees' pensions, dependants' pensions and rehabilitation services. Table 4 below shows the number of short term benefits beneficiaries for 2008.

Table **6:** Short Term Beneficiaries

Short term Benefits	
Type of Benefit	Number
Funeral Grant	59,595
Invalidity Grant	16
Retirement Grant	6,188
Survivor's Grant	390
Total	66,189

Source: NSSA

Challenges of the Social Protection Schemes

The collapse of the economy over the past decade, which gave rise to downscaling and retrenchments and consequent low levels of formal sector employment, rendered most occupational pension schemes and the social security scheme unviable and unsustainable. Moreover, the benefits that were being paid out became irrelevant and meaningless in the light of chronic high inflation.

The introduction of dollarization came as a big relief to a number of schemes with most of them beginning to pay out benefits in US$. NSSA began making payments in US$ beginning in April 2009. However, the US$ denominated pensions still lag behind the Food Poverty Line (FPL) and the Poverty Datum Line (PDL). The minimum pension is US$25 with a maximum pension of US$388 (see box 1 below).

The social security scheme is also still relatively young as it is less than 20 years. Actuarial evaluations reveal that at 20-30 years the scheme would be at its medium term and from 40 years upwards the scheme will have reached a mature stage. It is anticipated that when the scheme matures, benefits to members will improve. During the hyperinflation era, all the monetary assets that NSSA had were decimated by inflation. The scheme also carried 160,000 pensioners from the Zimbabwe dollar era into the multi-currency system. This therefore exerted extra pressure on the nascent scheme.

The continued informalization of the economy and the fall in formal sector employment mean that fewer and fewer people are contributing to social security in Zimbabwe. For instance, the social security scheme only covers 1.2 million (i.e. 17 per cent of the labour force) compared to 6.9 million in the labour force, according to the 2002 Population Census. On the other hand, the occupational pension schemes cover only about 840,000 of the working population. This is exacerbated by the HIV/ AIDS scourge which is impacting disproportionately on the economically active. These factors have a negative bearing on the future sustainability and viability of the scheme. The HIV/ AIDS has also resulted in an increase in the number of orphans requiring social assistance. This has put severe pressure on social assistance programmes such as BEAM.

Generally, social protection in Zimbabwe is dominated by ad hoc, uncoordinated and short term interventions to emergencies and not on a comprehensive and long term approach that addresses structural vulnerabilities. This short term and ad hoc approach does not build the capacity of vulnerable communities and households to deal with the various shocks they are exposed to. The uncoordinated, incoherent and sectoralization of social protection is amply demonstrated by the existence of two parallel management structures within the Ministry of Labour and Social Services, namely: the Department of Welfare and the Social Dimensions Fund (SDF), creating a bureaucratically complex situation. This is exacerbated by the inaccurate targeting of needy communities and individuals due to the absence of clearly defined selection criteria.

There is also a general lack of political will and commitment to prioritize social protection in Zimbabwe as demonstrated by the budgetary allocations over the past years as indicated in Figures 3 and 4 and Table 3 above. Political will and commitment are pre-requisites for comprehensive and durable social protection. Low budgetary allocations to social protection have also rendered social protection interventions unpredictable, inconsistent and not durable. Moreover, the current thrust on macroeconomic policies does not place social imperatives at the core.

The lack of integration of social protection into short-term and medium-term economic plans (such as the National Budget and the Medium Term Development Plan) also presents a major challenge. Consequently,

social protection continues to be seen as afterthought and not as an integral part of economic and development strategies. This is exacerbated also by the lack of clearly defined development priorities in the country.

There is little community participation in decision-making, resulting in most of the poor being unaware of the existence of social protection programmes and of their benefits. There is also a dearth of public confidence in social protection programmes due to lack of transparency and accountability and the perceived prevalence of corruption, politicization of the programme, non-adherence to agreed selection criteria and undue pressure from persons of influence.

There is a general lack of effective targeting of the recipients and a general bias against the rural and informal areas. Poverty in Zimbabwe is disproportionately distributed in the rural areas where about 70 per cent of the total population resides and hence social protection interventions should be more concentrated in the rural and informal areas. There is also lack of synergy and collaboration in the provision of social protection among the various agencies that are providing social protection throughout the country. In most cases these various agencies

lack the technical and institutional capacity to administer some social protection programmes.

There is also limited capacity under the Department of Social Services, which has been hard hit by brain drain. This has seriously affected the department's capacity to administer and coordinate social protection programmes at the local level where the vulnerable present themselves seeking assistance. As at May 2008, the department had failed to fill 36 posts of social welfare officers. Furthermore, the department does not have vehicles at district levels making it difficult for officers to assess households that need assistance. In this event, those seeking assistance, including the sick, have to travel to the district office for means testing (see Ministry of Public Service and Social Welfare, 2008: 6-7).

Finally most social protection programmes have a narrow focus and a myopic nature. As a result they fail to have a meaningful and significant impact on poverty. Social protection should be a vital part of a holistic strategy to deal with the identified structural distortions pervasive in the economy.

Box 1: Zimbabwe Pensioners Struggle to Survive on a Pittance in Dollarized Economy

http://wwwl .voanews.com

Abednico Ndlovu, member of the board of the National Railways of Zimbabwe Pensioners Association, said survivors of deceased workers are worse off, getting just US$10 dollars monthly.

Gibbs Dube | Washington 29 April 2010

Dollarization of the Zimbabwean economy since early 2009 has worsened the plight of pensioners living from hand to mouth with most receiving US$20 a month.

Abednico Ndlovu, who sits on the board of the National Railways of Zimbabwe Pensioners Association, said the survivors of deceased workers are even worse off, receiving just US$10 dollars monthly.

Ndlovu told VOA Studio 7 reporter Gibbs Dube that most Zimbabwean pensioners are suffering economically and are in urgent need of food assistance.

"It's a mystery how these people are surviving but indications are that many pensioners cannot afford to have a decent meal per day," Ndlovu said.

Government pensioner Lulu McKenzie, 80, has gotten help from a South African organization, but said she has had to return to work to make ends meet.

McKenzie said that although she worked for the government for more than 35 years, she stopped getting her pension a couple of years ago due to hyperinflation, which was ultimately vanquished by the adoption of a mix of hard currencies - but which left those on the margins almost locked out of the cash economy.

Samaritan Johannes Botha of the Zimbabwe Pensioners Supporters Fund said his group is helping about 1,000 elderly Zimbabweans survive. His group supplies them with food, clothing and basic medicines every three months from Mpumalanga, South Africa.

"A lot of pensioners don't receive their pensions, some get little pensions and the most serious problem is that the majority of these pensioners have

Role of Trade Unions in Social Protection

ZCTU has adopted a three pronged strategy to issues of social protection namely: research and analysis; education and training; and engagement and lobbying through social dialogue, among others. ZCTU through its research arm LEDRIZ is actively involved in carrying out research on alternative development strategies (including social protection). For example, in 1996 ZCTU published a book titled 'Beyond ESAP: Framework for a Long term Development Strategy in Zimbabwe beyond the Economic Structural Adjustment Programme (ESAP).' The book offered a comprehensive analysis of the impact of ESAP on the economy and offered detailed alternative policies on a sectoral basis.

The book was extensively used by Government during the development of the post-ESAP economic policy blueprint, 'Zimbabwe Programme for Economic and Social Transformation, 1996-2000.' One of the far-reaching recommendations of the book which was adopted by Government is the creation of an institutional framework for stakeholder participation in economic decision-making processes, which saw the establishment of the National Economic Consultative Forum (NECF) in 1997 and later the Tripartite Negotiating Forum (TNF) in 1998.

LEDRIZ is currently finalizing a seminal study on pro-poor and inclusive development strategies in Zimbabwe as a sequel to the Beyond ESAP book of 1996. In this forthcoming groundbreaking publication there is a dedicated chapter dealing with social protection. This research and analysis work helps to shape and inform ZCTU's policies and positions on pertinent issues such as social protection.

A ZCTU and LEDRIZ delegation also undertook a study tour of South Africa in November 2010 to explore and learn best practices on investment of worker capital in South Africa in order to motivate and influence such initiatives in Zimbabwe. Overall, the main aim is to empower workers in Zimbabwe to effectively control their own resources and to put in place mechanisms that ensure that they also benefit from the investments, drawing from their pool of funds.

The ZCTU played an active and key role in the establishment of the National Social Security Authority (NSSA). Initially, there was a lot of resistance from business as they viewed it as an additional cost to their businesses. Subsequently, ZCTU has been at the forefront campaigning for a comprehensive and holistic reform of social protection in Zimbabwe to extend coverage into the informal economy and to improve the quantity and quality of benefits being paid out.

ZCTU has already been organizing workers in the informal economy. To this end, in 1993, ZCTU in conjunction with UNDP, established an employment creation unit, where capital or seed money was provided for retrenches to sustain their livelihoods by starting self help projects. This was followed by a study and mapping of the Informal Economy in Zimbabwe by the then ZCTU Economics Department (now LEDRIZ). This study was presented at a tripartite meeting hosted by the ILO where the key stakeholders (Government, Business and Labour agreed to embark on the Decent Work Agenda and the labour body was mandated to facilitate organizing the Informal Economy workers and recommend strategies for transformation. This culminated in the establishment of the CTUC / ZCTU Informal Economy project. In 2002, upon the birth of Zimbabwe Chamber of Informal Economy Association (ZCIEA), the ZCTU commissioned the informal Economy Project to organize workers in the informal economy. ZCIEA is a positive and important step forward towards the process of extending social protection and social dialogue to the informal economy.

Following the 6th ZCTU congress, the ZCTU bemoaned the absence of a sustainable social protection system and the appallingly low pensions being paid to retired and injured NSSA. ZCTU has also come out strongly against the lack of transparency and lack of effective involvement by the workers in the investment strategies and decisions of the social security funds. In most occupational schemes, for instance, worker representatives are not even on the boards and so the workers do not have a say in the way their funds are invested. The ZCTU has also been playing an active role in ensuring the regulation and supervision of compliance of contribution. The ZCTU also continues to lobby the government for the adoption of ILO Convention 102.

The NSSA board is composed of representatives from Government, business represented by the Employers Confederation of Zimbabwe (EMCOZ) and the Zimbabwe Congress of Trade Unions (ZCTU). However, on 20 January 2004, the ZCTU withdrew its representatives from the NSSA board. This decision was taken at a General Council meeting on 12 December 2003. According to the ZCTU Secretary General, the issues of concern to ZCTU were the following: 'amendment of the NSSA act in order to give more say or powers to the social partners; démystification of NSSA operations; NSSA records and Audited Accounts; investment of funds; and NSSA benefits.'

There is a need to continuously develop and strengthen the capacity of Trade Unions so that they are able to effectively engage the other social partners as well as effectively and efficiently represent the interests of their members.

Summary

Even though the economy has been on a general economic recovery mode, the prevailing limited fiscal space has however meant that social protection has not been prioritized in terms of budgetary allocation. This is in spite of the fact that there has been an increase in the incidence of poverty and inequalities following the adoption of the multi-currency regime. The average monthly salary of USD200 is way below the Poverty Datum of Line of about USD500 implying that the average worker is subsisting in poverty. There has also been a growing informalization of the economy. Economic policies have also not been consciously targeted at the non-formal economy which now implies 85 per cent of the total labour force.

The evolution of social protection in Zimbabwe was significantly shaped by colonial considerations. During the initial phase of colonialism, social protection was only provided to white expatriates. Coverage was however later extended to African workers although this was mainly concentrated in urban areas and in the formal sector leaving the majority of the workers beyond the scope of such coverage. The extended family therefore played an important role and continues to play in the provision of social protection in Zimbabwe.

Following the attainment of independence in 1980, the African government led by ZANU PF sought to redress the colonial imbalances in the provision of social protection by extending it to the hitherto marginalised blacks. The introduction of the Pension and Other Benefits Scheme in October 1994 was meant to provide an opportunity to achieve inclusiveness in social security coverage by extending social insurance to all formally-employed workers in the private sector. Anecdotal evidence however shows that a number of workers who are supposed to be covered by the Pensions and Other Benefits Scheme are not being covered because of non-compliance by their employers thereby creating social exclusion in social security.

To all intents and purposes, social protection interventions have remained largely inadequate and exclusionary. There is also a lack of predictability, consistency, transparency and durability in most of the schemes. The lack of predictability is as a result of improper co-ordination and a lack of a guiding framework for social protection in Zimbabwe. In general, inconsistencies have been caused by the country's vulnerability context that has seen programmes either cutting back on the support or in worst cases closing down. Social protection has also been underfunded. The situation has also been worsened by the lack of a comprehensive social protection strategy in place.

Conclusion

In the light of the rising incidence of poverty and the growing informalization of the economy it is imperative to strengthen the existing social protection programmes and to integrate and consolidate the splintered and ad hoc interventions into a synergistic and coordinated National Social Protection Strategy. There is therefore the need to strengthen the existing three levels of intervention to assist the poor and those at risk of serious welfare losses.

Given that social protection is paramount, especially in the context of endemic poverty and the HIV/AIDS pandemic, it is necessary to ensure that adequate resources are provided to cushion the populace and mitigate the impact of the HIV/ AIDS pandemic. With the excess of 85 per cent of the population below the poverty line, social protection is the only recourse for the majority of people. The educational assistance to vulnerable households and the urban public works programmes also need to be restructured to achieve

efficiency, effectiveness, relevance and sustainability. There is a need to involve other stakeholders in the implementation of such programmes.

The intervention assisting vulnerable groups with access to medical care has failed to deliver, especially in the context of cost recovery. Involvement of the relevant stakeholders at all levels is therefore crucial to ensure that delivery reaches the needy, in an efficient and effective manner. Overall, the whole Social Protection Programme needs to be reviewed. A good example of synergetic relationships between Government and the other stakeholders in poverty eradication programmes is the example from South Africa where Government provides the policy framework, leaving the implementation to NGOs and other stakeholders. Uganda, which has been able to sustainably reduce overall poverty, is another outstanding example.

Recommendations

The ILO (2000:226) observes that, 'Given the small size of the formal sector in low-income developing countries, it is imperative to give priority to schemes specially designed to meet the needs of informal sector workers.' The ILO therefore, suggests the use of micro insurance schemes to provide social protection to informal sector workers, domestic workers and the self-employed. In order to reduce the administrative costs, the potential beneficiaries can organise themselves into groups which will be used as the medium through which contributions are collected from the membership. This would prevent the insurance company from incurring unduly heavy administrative costs. Initially, the scheme can be made optional but could be made compulsory later after public awareness has been created.

Social protection needs to be a part and parcel of a strategy of rural development, geared towards increasing the productivity of the poor. An institutional and administrative framework should be set up to enable the rural population to participate in social protection. This therefore requires the strengthening of the existing social protection programmes and to integrate the ad hoc interventions into a comprehensive National Social Protection Strategy. This should be preceded by a comprehensive baseline study to provide information and data on the scope and extent of poverty in Zimbabwe.

Countries that have successfully reduced income poverty and improved social conditions on a broad scale have developed comprehensive social protection policies that are grounded on claimable entitlements (derived from rights or contribution payments), covering the majority of the population. In order for social protection to contribute effectively towards poverty reduction it has to be provided on a universal basis and the state has to assume key responsibilities in terms of financing, administration and regulation. Increased coverage of formal social insurance schemes can contribute to achieving several of the MDG targets

Zimbabwe also needs a strong and advanced financial sector to provide profitable investment opportunities to invest social security and pension funds. 'When financial sectors are weak, concentrating fund reserves in public hands to protect them often leads pension institutions to try and become financial intermediaries, with dismal results, including the further weakening of the financial institutions (Barbone, L. and Sanchez B. Luis-Alvaro, 1999:2.'

There is need to ensure that the programmes and objectives of key agencies involved in social protection are effectively integrated, mutually supportive and reinforcing. There is also a need to provide a coherent policy and programme framework for linking social protection to the broad economic development programmes, including social and poverty assessment of all programmes (see Ministry of Public Service, Labour and Social Welfare, 2002:26). Schemes should be operating free of political pressures through tripartite management that is accountable on the basis of clearly defined performance indicators and benchmarks

Reorientation of the Role of the State

There is also a need for a redefinition of the role of the state, focusing priorities on the provision of adequate social security frameworks and limiting direct management and financial exposure.

Since 1991, Zimbabwe has largely followed a market-based approach to development, with basic social and economic rights in terms of food security, access to health care, education, shelter, transport and basic utilities (mainly electricity and water) becoming market-driven. Because even basic rights have been put onto the market, the majority of Zimbabweans, who are living in poverty, cannot access them. It is therefore important to return to a basic needs approach (or a rights-based strategy), which begins and ends with people, the real object of development. It is imperative to ensure that there is a human-centred approach to development, and that a people-oriented budget is adopted. Such a shift entails upholding the following principles:

- Gender-sensitivity;
- Stakeholder participation in the formulation, implementation, monitoring and evaluation of development programmes and budgets at all levels;
- Sensitivity to the needs of special groups such as children, youths, those with disabilities and those living with HIV/ AIDS;
- Prioritizing people's needs first and ring-fencing expenditures thereto;
- Shifting from supply-based to more demand-driven systems of delivery; and
- Adopting a holistic approach to issues of development (realizing everything depends on everything else and taking advantage of synergies).

Such a strategy requires the prioritization of basic needs such as food security, health care, education, housing, transport, basic utilities (water and electricity) and social protection. This approach is also often referred to as a human rights approach to development. The South African Government has consciously adopted a human-centred approach, through adopting a people's contract to deliver basic social services such as health care, education, transport, housing, food security, electricity and water.

In Zimbabwe, the focus is on supply driven provision of social and other services. Thus, service delivery is concentrated on Ministries, resulting in a national budget that is recurrent and hence consumptive. Other countries have since moved to the more efficient and effective demand-driven systems.

Zimbabwe can learn from its past where, at varying times, the Governments strategically manipulated policy instruments to achieve desired goals. The economic management of the period 1966-75 is particularly outstanding in that through strategic import substitution industrialization, much of the manufacturing sector was built against the background of international sanctions and war. During the 1980s, following a modest land redistribution exercise, Government provided strategic support to the new farmers in the form of subsidized inputs, finance and extension services, and the result was what became known as an agricultural revolution and earned the country the title of 'regional bread basket.' The President won international accolades for the successful 'revolution.'

The strategic role of state in development needs to be strengthened as a basis for transforming it into a developmental state and promoting good governance as well as expanding and strengthening the national institutional framework for broad-based stakeholder participation in decision-making, implementation, monitoring and evaluation.

Begin reference on a fresh page, indent all lines except the first line of every entry and remove the full stop at the end of each entry.

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1. Zimbabwe Congress of Trade Unions (ZCTU)
2. National Social Security Authority (NSSA)
3. Ministry of Labour and Social Services
4. Insurance and Pensions Commission (IPEC)
5. Zimbabwe Association of Pension Funds (ZAPF)
6. Employers Confederation of Zimbabwe (EMCOZ)
7. Ministry of Finance

APPENDIX **1:** List of Organisations Contacted

CHAPTER 4 (FRENCH VERSION)

CAS DE LA REPUBLIQUE DU BENIN

Anselme C. AMOUSSOU, Georges Mahougnon LEGBA, & PulchérieA .ODOULAMI,

Résumé

La mise en place du système de protection sociale du Bénin a commencé avec la colonisation. Il a subi diverses mutations à travers le temps et compte aujourd'hui quatre régimes de couverture sociale qui sont le Fond National des Retraités du Bénin (FNRB) qui s'occupe des fonctionnaires, la Caisse Nationale de Sécurité Sociale (CNSS) pour le compte des travailleurs du secteur privé, la Mutuelle de Sécurité Sociale du Bénin (MSSB) destiné aux travailleurs de l'informel et les compagnies privées d'assurance. Le constat général est que la couverture sociale des travailleurs béninois reste encore assez faible surtout dans le secteur de l'informel. Malgré les mesures sociales ponctuelles de renforcement initiées par l'Etat, le taux de couverture sociale des travailleurs de l'informel n'atteint pas 5%.Le système de protection sociale est encore affaibli par le non respect et la violation des textes réglementaires en la matière.

Liste des abréviations :

INSAE :	Institut National de la Statistique et de l'Analyse Economique
PIB :	Produit Intérieur Brut
AOF :	Afrique Occidentale Française
FNRB :	Fond National des Retraités du Bénin
CNSS :	Caisse Nationale de Sécurité Sociale
MSSB :	Mutuelle de Sécurité Sociale du Bénin
OIT :	Organisation Internationale du Travail
DGT :	Direction Générale du Travail
IPTS :	Impôt Progressif sur Traitement Salarial
SMIG :	Salaire Minimum Interprofessionnel Garanti
UEMOA :	Union Economique et Monétaire Ouest-Africaine
CIPRES :	Convention Interafricaine de la Prévoyance Sociale
CSA-Bénin :	Confédération des Syndicats Autonomes du Bénin
ALRN:	African Labour Research Network

Introduction et état des lieux

Contexte socioéconomique

La République du Bénin est un pays de l'Afrique occidentale, limité au nord par le Niger et le Burkina-Faso, à l'est par le Nigeria, à l'ouest par le Togo et au Sud par l'océan Atlantique. Selon une évaluation de l'Institut National de la Statistique et de l'Analyse Economique (INSAE) réalisée en 2007, le Bénin compte une population évaluée à plus de 9 millions d'habitants dont plus de 52% de femmes. La population est en majorité jeune et la force de travail compte environ 5 millions de personnes. L'économie béninoise est essentiellement basée sur l'agriculture et le commerce avec un tissu industriel presque inexistant. Les données statistiques significatives sur les réalités économiques du Bénin montrent:

Indicateurs économiques et financiers
PIB : 7,2 milliards USD PIB par habitant :
812,23 USD Taux de croissance : 2,695 % Taux
de chômage : non disponible Taux d'inflation :
2,163%
Répartition sectorielle de la population et du PIB
Part de la population rurale dans la population totale : 58,7% Répartition
sectorielle de la population active
Secteur primaire 54% Secteur
secondaire 10% Secteur tertiaire
36%
Part de la population active dans les secteurs formel et informel
Secteur informel 95,0% Secteur formel
de l'Etat 02,6% Secteur formel privé
02,4%
Contribution des secteurs à la formation du PIB nominal
Secteur primaire 32,2% Secteur
secondaire 13,3% Secteur tertiaire
54,5%

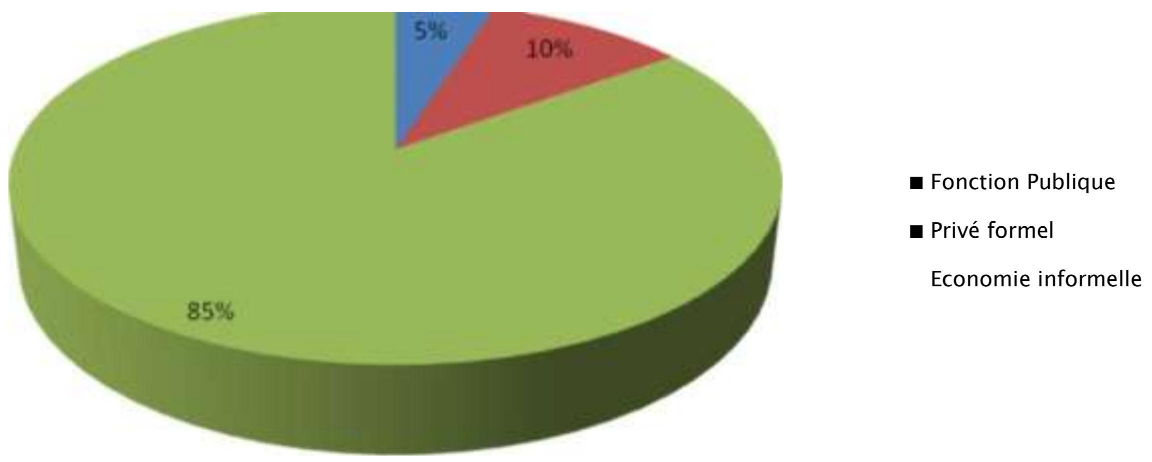
Source *: statistiques industries canadiennes (2010), Institut National de la Statistique et de l'Analyse Economique (2009).*

Comme dans la plupart des pays en voie de développement, le monde du travail en République du Bénin se compose de deux secteurs : les secteurs de l'économie formelle et de l'économie informelle.
L'économie formelle comprend la fonction publique et les entreprises privées légalement installées. On y retrouve, environs trois cent mille (300.000) employés dont deux cent trente-huit mille cent trente-huit(238.138) pour le secteur privé et para public.

L'économie informelle quant à elle regroupe toutes les unités de production qui exercent en marge de la législation réglementaire (absence de registre de commerce et/ou non paiement d'impôt). Ce sont, essentiellement, les artisans, les petits commerçants des marchés, les agriculteurs, les pêcheurs, les taxis motos, les employés de maison, etc. L'économie informelle béninoise occupe la grande majorité des citoyens en âge de travailler. L'effectif des travailleurs à ce niveau n'est pas connu avec exactitude. Une évaluation faite par les services techniques de l'Institut National de la Statistique et de l'Analyse Economique (INSAE) en 2002 avance le pourcentage de 95% de la force de travail.

Le diagramme suivant illustre les proportions de travailleurs de chaque secteur d'activités au Bénin.

Graphique 1 : Pourcentage des effectifs des travailleurs par secteur



Source : INSAE, enquête 2008

Dans le secteur formel, 70 à 80% des travailleurs bénéficient d'une protection sociale même si celle-ci est partielle et nécessite une amélioration. Par contre, au niveau due secteur informel qui occupe environ 90% de la force de travail du Pays, seuls 5% des travailleurs bénéficient d'une couverture sociale et des prestations qui ne sont pas toujours de bonne qualité.

Historique de l'évolution de la protection sociale au Bénin

La protection sociale peut être définie comme l'ensemble de la protection que la société accorde à ses membres grâce à une série de mesures publiques, contre le dénuement économique et social où ils pourraient être plongés, en raison de la disparition ou de la réduction sensible de leur gain, la maladie, les accidents de travail et les maladies professionnelles, la vieillesse, le chômage, la maternité, le décès du soutien de famille et les charges de famille (O.I.T). La protection sociale s'adresse à toutes les couches sociales de la nation, contrairement à la sécurité sociale, qui, elle, a été réduite à l'origine aux travailleurs salariés du secteur privé et para public.

L'histoire de la protection sociale en République du Bénin date de janvier 1956. Avant cette date, les travailleurs dahoméens, comme tous ceux de l'Afrique Occidentale Française (A.O.F), relevaient d'un système de sécurité mis en place à Dakar (au Sénégal) par la France colonisatrice sous la pression conjuguée des travailleurs et de l'Organisation Internationale du Travail (OIT).

Les premiers régimes de sécurité sociale mis en place au Bénin sont ceux destinés aux personnes exerçant leurs activités professionnelles dans le secteur formel. Il s'agit essentiellement du régime général de sécurité sociale administré par la Caisse Nationale de Sécurité Sociale (CNSS) et du régime spécial destiné aux fonctionnaires civils et militaires géré par le Fonds National de Retraite du Bénin (FNRB).

Depuis 1956, le système dahoméen de protection sociale a connu un certain nombre de mutations qualitatives. En effet, à l'origine, ce système ne prenait en compte que les prestations familiales et de maternité au profit des travailleurs en activité. En 1959, un système de réparation des accidents de travail et des maladies professionnelles a été mis en place et, à partir de 1970, la branche de retraite précédemment basée à Dakar, a été délocalisée pour prendre en charge l'assurance-vieillesse, l'invalidité et le décès du travailleur, consacrant ainsi la mise en place des trois branches de prestations conventionnelles de tout système de sécurité sociale.

Ces deux régimes de sécurité sociale ont été ensuite renforcés par les systèmes privés des compagnies d'assurance à partir de 1990.

Depuis une quinzaine d'années, une autre forme de sécurité sociale est née au profit des travailleurs de l'économie informelle. Il s'agit des mutuelles de sécurité sociale dont on dénombre aujourd'hui plus de deux cents(200) opérant dans tout le pays (statistiques DGT 2010). Elles fonctionnent grâce à une collaboration entre l'Etat béninois, les organisations professionnelles de travailleurs et l'appui financier de partenaires étrangers. Faute de moyens, elles se réduisent, pour la plupart, à des mutuelles de santé à l'exception de la Mutuelle de Sécurité Sociale du Bénin (MSSB) subventionnée par l'Etat.

Cadre juridique de la protection sociale au bénin Politique de

protection sociale au Bénin

La politique de protection sociale au Bénin reste encore assez limitée. Elle est gérée par le Ministère de la Fonction Publique (à travers la Direction Générale du Travail-DGT) et le Ministère de la Protection Sociale. Quatre régimes

formels de protection sociale coexistent. Ces régimes formels sont complétés par des formes de solidarité informelles traditionnelles et des mesures gouvernementales exceptionnelles.

Le régime général géré par la Caisse Nationale de Sécurité Sociale (CNSS)

Il couvre les travailleurs salariés des secteurs privé et para public qui sont soumis au régime du Code du travail. Il prend en compte également les personnes à leur charge. Ce régime est régi par la loi n°98-019 du 21 mars 2003 portant code de sécurité sociale en République du Bénin. Il couvre les trois grands risques liés à l'exercice du travail qui sont les prestations familiales, les risques professionnels et les prestations de retraite.

La CNSS fonctionne comme un système d'assurance où le travailleur souscrit obligatoirement à la police couvrant les grands risques sus visés. Il est financé essentiellement par les cotisations des employeurs et des travailleurs assujettis à la caisse. La CNSS a un mode de gestion et d'administration tripartite. Ainsi, au sein du Conseil d'Administration de la CNSS, on retrouve les représentants de l'Etat, ceux du patronat et ceux des travailleurs. La présidence de ce Conseil d'Administration est assurée de façon rotative par chaque composante. L'Etat nomme le Directeur Général.

Le régime spécial des fonctionnaires civils et militaires

Dans le domaine de la protection sociale, les agents permanents de l'Etat (fonctionnaires civils, personnels militaires) et leurs ayants droit bénéficient des allocations familiales qui sont considérées comme des accessoires de salaires, des pensions et des rentes viagères. Il convient de noter que des dispositions existent en matière d'assurance maladie et de prestations d'accident de travail, mais sous formes diffuses à travers des mécanismes de prise en charge des soins de santé prévoyant le remboursement aux fonctionnaires assurés de 80% des dépenses, à l'exception des frais pharmaceutiques.

Le régime des fonctionnaires est géré par le Fonds National de Retraite du Bénin (FNRB). Il est régi par la loi n°86-014 du 26 septembre 1986 portant code des pensions civiles et militaires de retraite. Il est financé par les cotisations, les versements effectués pour rachat des services accomplis sous d'autres régimes, les versements pour validation des services auxiliaires et d'autres ressources apportées par l'Etat employeur. Il a un budget annuel de plus de 70 millions de Dollars US *(source, Direction Générale du Budget. Budget général de l'Etat exercice 2010).* Le FNRB est administré comme une direction du ministère des Finances. En tant que telle, il est géré par l'Etat sans la participation des travailleurs.

Le FNRB ne paie aucune assurance maladie. Il n'offre aucune prise en charge sanitaire ni aucune allocation familiale pour le fonctionnaire en activité. Ces deux prestations sont prises en charge par l'Etat employeur qui paie 80% des soins dans les centres de santé publics au profit du travailleur et de sa famille et qui alloue mensuellement environ 5 Dollars US par enfant mineur (06 enfants maximum).

Les régimes privés de sécurité sociale des compagnies d'assurance

A la faveur de la libéralisation économique des années 1990, les compagnies privées d'assurance mettaient sur le marché béninois différents types de produits comme l'assurance maladie, l'assurance vieillesse et l'assurance décès. La particularité de ces compagnies d'assurance privées est qu'elles sont ouvertes théoriquement à toutes les couches sociales de notre pays. Mais en réalité, ce sont les travailleurs les plus nantis qui veulent compléter leur assurance obligatoire qui vont vers l'assurance privée.

En effet, la population ayant un fort besoin de couverture sociale est incapable de supporter les coûts élevés des prestations proposées par ces compagnies. Ceci constitue la source première des faiblesses de ces régimes privés de protection sociale. Mais, étant donné que par essence, la sécurité sociale est destinée à épargner à l'individu l'état de besoin dans lequel peut le mettre un événement heureux ou malheureux de sa vie, les pouvoirs publics et un certain nombre d'initiatives privées ont mis en place des mécanismes pour couvrir les travailleurs de l'informel.

Les Mutuelles de sécurité sociale des travailleurs de l'informel

L'expérience des mutuelles au Bénin date des années 1995. Pour la plupart, ce sont de petites structures mises en place par des associations professionnelles et qui sont en réalité des mutuelles de santé et non des mutuelles de sécurité sociale. De véritables mutuelles de sécurité sociale pour les travailleurs de l'économie informelle ont été

initiées par l'Etat à partir de l'année 2000 pour enrayer la pauvreté en permettant à ces travailleurs de se faire soigner en cas de maladie et de bénéficier des pensions de vieillesse, d'invalidité ou de survivants.

Ces mutuelles s'intéressent aux associations professionnelles d'artisans, d'artistes, d'agriculteurs, d'éleveurs, de pêcheurs, de commerçants, des travailleurs indépendants, des coopératives et aux personnes à la charge de leurs membres. Toutefois, les populations déjà affiliées aux régimes existants peuvent souscrire pour une meilleure prise en charge sanitaire et une retraite complémentaire. Le financement de ces mutuelles de sécurité sociale provient d'une subvention de l'Etat béninois, des cotisations des membres, des droits d'adhésion, de souscriptions des membres honoraires, des dons et legs et toutes autres sources de financement attribuées auxdites mutuelles par leur statut.

Ce régime de Sécurité sociale ne fait pas de la prévention des risques, mais il offre la branche Assurance Vieillesse et la branche Assurance Maladie. La MSSB fonctionne avec la participation des représentants des travailleurs. Elle a un Conseil d'Administration qui est bipartite et qui est présidé par un délégué des travailleurs. En appui à l'organe national de gestion, la MSSB a implanté des antennes dans cinq départements sur douze à travers le pays. Le fonctionnement de la MSSB repose sur des accords de prestations (agréments) avec des centres de santé qui accueillent les affiliés et leurs familles en cas de maladie.

Revue des textes essentiels qui régissent la protection sociale au Bénin

Le cadre juridique de la protection sociale au Bénin est régi par deux types de textes. Il y a d'abord les instruments internationaux ratifiés par le Bénin au nombre desquels on peut citer la Déclaration universelle des droits de l'homme qui, en son article 22, reconnaît le droit à la protection sociale comme un droit humain, la Charte africaine des droits de l'homme et des peuples de 1981, les Conventions de l'OIT notamment la Convention №102 relative à la sécurité sociale, la Convention № 118 sur l'égalité de traitement en matière de protection sociale et la Convention 157 relative à la conservation des droits en matière de sécurité sociale.

La deuxième catégorie de textes est constituée des textes et lois pris au plan national et qui sont des textes relatifs au fondement, à l'administration, au financement et aux prestations de la protection sociale en République du Bénin. On peut énumérer dans cette catégorie la Constitution béninoise, la loi 98-004 du 27 janvier 1998 portant code du travail en République du Bénin, le statut général des Agents Permanents de l'Etat, etc....

Le cadre juridique et réglementaire de la protection sociale au Bénin reconnaît que l'Etat reste le garant de la protection sociale des citoyens et des travailleurs en particulier. Il rend obligatoire la protection sociale du travailleur par l'employeur. Il précise les contenus des prestations et en définit les conditions de financement et de jouissance.

Une remarque fondamentale par rapport à ce cadre juridique est qu'elle privilégie le travailleur de l'économie formelle. Cette situation de discrimination s'explique par la raison que, les différents textes de lois, décrets, arrêtés et autres ont été pris à une époque où l'économie informelle n'était pas aussi prépondérante. Malheureusement, cette réglementation, même discriminatoire n'est pas rigoureusement mise en application.

Par ailleurs, les Conventions essentielles de l'OIT relatives à la Sécurité sociale (notamment la Convention 102) ne sont pas ratifiées, à ce jour par le Bénin. Cela constitue un retard en matière de protection sociale des travailleurs béninois. La veille syndicale devrait rapidement s'organiser à ce propos. Voici quelques textes basiques de la politique de protection sociale au Bénin :

- La Convention Inter africaine de la Prévoyance Sociale (CIPRES) du 21 septembre 1993.
- Le Règlement № 07/2009/CM/UEMOA/ portant réglementation de la mutualité sociale au sein de l'UEMOA.
- La constitution béninoise du 11 décembre 1990.
- La loi 98-004 du 27 janvier 1998 portant code du travail en République du Bénin.
- La loi 86-014 portant statut général des Agents Permanents de l'Etat.
- La loi 98-019 du 21 mars 2003 portant code de sécurité sociale en République du Bénin.
- La loi №86-014 du 26 septembre 1986 portant code de pension civile et militaire de retraite.
- Le décret n° 2001-129 du 4 avril 2001 portant conditions de jouissance de la pension de veuf.
- L'arrêté n° 128/MTEAS/DC/SA du 15 juin 1992 portant modalités de détermination de la rémunération moyenne mensuelle pour le calcul des pensions relevant de l'Office Béninois de Sécurité Sociale.

Couverture sociale des travailleurs au Bénin

Les taux de couverture

La couverture sociale des travailleurs béninois est assez faible. Selon les statistiques de l'Institut National de la Statistique et de l'Analyse Economique (INSAE, données statistiques protection sociale des travailleurs, 2009), la main d'œuvre est couverte à environ 10% par les systèmes de protection sociale en place. Ce chiffre signifie que près de 90% des travailleurs restent en marge de la sécurité sociale. On note cependant des disparités en fonction du secteur économique.

Dans l'économie formelle qui regroupe les travailleurs du privé et les fonctionnaires de l'Etat, le taux est variable. Les fonctionnaires de l'Etat sont tous couverts. Les statistiques indiquent une couverture comprise entre 70 et 80% pour le privé formel, car il y a encore des employeurs qui se refusent à accomplir les formalités de déclaration de leurs employés ou qui ne reversent pas les prélèvements opérés.

L'économie informelle est le parent pauvre de la protection sociale au Bénin. Le taux de couverture avoisinerait 5% selon 1TNSAE. Ce pourcentage tient compte des travailleurs du formel qui font une incursion dans l'informel à la recherche de revenus complémentaires.

Selon 1TNSAE, moins de 1% des travailleurs en zones rurales sont couverts par la sécurité sociale. Or le besoin en protection sociale est assez fort dans les villages où la plupart des travailleurs sont des paysans sans revenus stables. La majorité des travailleurs béninois couverts par la sécurité sociale vivent en zones urbaines.

Les formes de discrimination

La protection sociale en République du Bénin est handicapée par une variété de discriminations.

- Au plan géographique, on peut noter :

la répartition inégale des mutuelles (5 départements sur 12 sont couverts).

La quasi inexistence des structures de protection sociale dans les zones rurales.

les régimes de protection sociale ont plus de moyens et plus de visibilité dans la région méridionale du pays.

La concentration des hôpitaux de référence dans les grands centres urbains.

- Selon le sexe

En dehors du handicap certain que constitue leur faible pouvoir d'achat et leur taux élevé d'analphabétisme, les femmes sont victimes de quelques discriminations légales dans la couverture sociale. En effet, elles ne peuvent pas bénéficier des allocations familiales sans autorisation préalable de leurs conjoints.

De plus, pendant longtemps, les ayants-droit ne bénéficiaient pas de la pension de veuf ou d'orphelins en cas de décès des femmes salariées. Heureusement, cette situation a été corrigée depuis l'adoption du nouveau code des personnes et de la famille. Les femmes bénéficient néanmoins d'une discrimination positive en matière de sécurité sociale. Il leur est accordé une majoration de leur pension de retraite et une réduction de l'impôt sur le salaire (IPTS), en fonction du nombre d'accouchements subis.

- Autres discriminations

Contrairement à l'économie formelle, la loi ne rend pas, de façon spécifique, la sécurité sociale obligatoire pour les travailleurs de l'informel. On note aussi une différence de traitement entre affiliés de la CNSS et du FNRB. Les pensions les plus faibles sont payées par la CNSS qui octroie également une allocation familiale inférieure de 1 Dollar US par enfant.

Mesures et pratiques informelles de protection sociale au Bénin

Cette faiblesse de la protection sociale au profit des béninois a conduit les populations à inventer ou à s'approprier des pratiques originales de solidarité. Comme pratiques on peut citer :

Le système de tontine (appelé *sù* en langue fon gbé) : Il s'agit d'un système d'épargne mise en commun au sein d'un groupe et qui profite à tour de rôle et ponctuellement à un membre dans le besoin. Le système de tontine est très répandu dans tout le pays.

Le placement d'enfants : appelé encore *vidomègon* en langue locale, il consiste à recueillir des enfants de parents démunis et à s'en occuper entièrement afin de leur assurer une éducation de qualité. Cette pratique est aujourd'hui décriée car objet de déviances condamnables. Mais elle reste un formidable élan de solidarité et permet de soulager des familles dans le dénuement.

L'Etat aussi est amené parfois à prendre des initiatives de mesures exceptionnelles « informelles » en vue d'une amélioration substantielle de la protection sociale des Béninois. On peut citer dans ce cadre:

L'aide aux indigents : initiée en 1997, elle consiste en la mise à disposition des hôpitaux publics d'une ligne budgétaire pour faciliter l'accès aux soins d'urgence aux plus démunis. Elle s'élève à deux (02) millions de Dollar US (cf. Budget général de l'Etat) et devrait permettre aux hôpitaux de soigner gratuitement les malades démunis qu'ils reçoivent.

La gratuité de la césarienne : Le gouvernement met à disposition des hôpitaux une subvention pour amoindrir le coût de l'opération de la césarienne aux femmes enceintes. Cette subvention est de 200 Dollars US par femme césarisée. C'est une mesure qui date de 2009.

Le programme de micro crédit aux plus pauvres : C'est un programme gouvernemental qui permet d'octroyer aux femmes des villes et campagnes de petits crédits de 60 Dollars US, remboursables sans intérêts. Ce programme phare de réduction de la pauvreté a permis jusqu'à présent d'aider plus de 500.000 femmes à avoir une activité génératrice de revenus.

Ces mesures et pratiques informelles sont handicapées dans leur impact par un certain nombre d'insuffisances :

- Le caractère informel des systèmes de tontine conduit parfois à des dérives de la part des initiateurs.
- Le risque de détournements des fonds de l'épargne
- La défaillance des membres du groupement de tontine.
- les enfants placés sont de plus en plus considérés et utilisés comme des esclaves dans les familles d'accueil.
- Il n'existe pas d'études quantitatives et qualitatives préalables sur des groupes vulnérables qui puissent permettre des actions ciblées
- Les montants alloués sont insuffisants pour couvrir les besoins de protection sociale exprimés car il y a beaucoup de salariés qui peuvent paradoxalement être classés comme indigents.
- La répartition des fonds ne prend en compte que les grands centres urbains excluant du coup la grande majorité des personnes concernées par la mesure.
- Le contrôle de la gestion n'est pas assez rigoureux pour en assurer l'efficience. On note parfois des problèmes de gestion dans l'utilisation des dotations.

  L'hypertrophie de l'économie informelle érode l'impact des efforts budgétaires du gouvernement.

Financement des régimes de sécurité sociale au Bénin

L'examen des statistiques et données sur le financement du système de sécurité sociale au Bénin révèle des disparités suivant le régime considéré.

Les taux de cotisation

Dans le régime de la CNSS

Le financement du régime de sécurité sociale géré par la CNSS est assuré essentiellement par des cotisations des employeurs et des travailleurs d'une part, des produits des placements et des loyers d'autre part. Les cotisations sont versées au titre de chacune des branches de sécurité sociale gérées par la CNSS suivant les taux suivants :

- *Prestations familiales* : 9 % à la charge de l'employeur ;
- *Risques professionnels* : 1 à 4 % à la charge de l'employeur, le taux des risques professionnels varie selon la nature de l'activité de l'entreprise ;
- *Pension* : 10 % dont :

- o 6.4 % à la charge de l'employeur ; o 3.6 % à la charge du travailleur.

NB : L'assiette de cotisation est l'ensemble des rémunérations perçues par le travailleur y compris les primes, indemnités et autres avantages en nature et/ou en espèces.

Dans le régime du FNRB

Pour accomplir sa mission, le Fonds National de Retraite du Bénin dispose de huit (08) sources de recettes prévues à l'article 78 de la loi no 86-014 du 26 septembre 1986 portant code des pensions civiles et militaires. Il s'agit des retenues prélevées sur le traitement des agents permanents de l'Etat civils et militaires affiliés et des contributions correspondantes des employeurs.

Les autres sources de recettes sont les versements effectués pour rachat des services accomplis sous les régimes de retraite coordonnés avec le présent régime, les versements effectués pour la validation des services auxiliaires et des stages, les revenus des capitaux, les dons et legs, les ressources accidentelles, et toutes subventions éventuelles de l'Etat destinées notamment à assurer l'équilibre financier du Fonds.

L'assiette de cotisation reste le salaire de base. On a donc 20% répartis ainsi qu'il suit :

- 6% à la charge du salarié civil ou militaire ;
- 14% à la charge de l'Etat-employeur.

Dans les Mutuelles de sécurité sociale

Le financement des mutuelles de sécurité sociale provient d'une subvention annuelle de l'Etat béninois (entre 200000 et 300000 Dollars US *uniquement au profit de la MSSB),* des cotisations des membres (entre 0,2 et 1 dollar US par mois), des droits d'adhésion (entre 1 et 15 dollars US), des souscriptions des membres honoraires, des dons et legs, des taxes spécifiques de sécurité sociale prélevées par les pouvoirs publics locaux (inexistantes pour le moment), des produits de placement des fonds, des majorations de retard et toutes autres sources de financement attribuées auxdites mutuelles par leurs statuts et règlements intérieurs. En général, les mutuelles de sécurité ont de faibles moyens. Cela réduit considérablement leur marge de manœuvre et les paquets de prestations qu'elles proposent.

Mode et périodicité des paiements des contributions

Le mode de paiement des cotisations le plus répandu, aussi bien dans le régime de la CNSS que du FNRB, reste le prélèvement à la source. Un pourcentage prédéfini du salaire est retenu par l'employeur qui y ajoute sa part de contribution avant de reverser le tout à la structure de protection sociale. Cette forme de cotisation est aussi valable pour les compagnies d'assurance.

Pour les salariés, les prélèvements sont mensuels et opérés directement sur les bulletins de paie. Cette périodicité varie suivant la taille de l'entreprise quand il s'agit de reverser les cotisations salariales et patronales.

- Le versement des cotisations est mensuel pour les employeurs occupant au moins 20 salariés.
- Le versement est trimestriel pour les employeurs occupant moins de 20 travailleurs.
- Les cotisations sont versées par l'employeur à la CNSS dans les quinze (15) jours qui suivent la période pour laquelle elles sont dues.

Par contre, au niveau des mutuelles, l'instabilité des revenus ne permet pas ce type de prélèvement. La cotisation est versée, en espèces, périodiquement par l'adhérent lui-même.

Les critères de détermination des cotisations

Dans le formel, à savoir le secteur public et le secteur privé, les taux de cotisations sont prédéterminés et imposés aussi bien pour les salariés que pour les employeurs. Il est toutefois permis aux salariés de souscrire une assurance complémentaire dans une autre structure (compagnie d'assurance ou mutuelle privées) pour avoir accès à un paquet de prestations plus fourni ou plus consistant.

Par contre, dans le secteur de l'économie informelle, le travailleur a le loisir de choisir le montant des cotisations relatives à l'assurance-vieillesse (entre 4 et 100USD). Pour les autres prestations, les cotisations ne s'expriment pas en termes de pourcentages du revenu mais en montants fixes déterminés et s'imposant à tous les membres.

Dans les compagnies privées d'assurance, les deux formules sont proposées au souscripteur qui peut autoriser le prélèvement d'un pourcentage de son salaire ou verser un taux fixe convenu.

Les autres sources de financement de la sécurité sociale au Bénin La CNSS est autorisée par ses statuts à faire des investissements pour accroître ses capacités d'intervention. Ainsi, la CNSS investit dans l'immobilier, dans l'achat de terres, dans l'acquisition de parts d'actions de sociétés ou dans l'achat de bons de trésor, etc. Cela lui procure des revenus supplémentaires pour faire face à ses obligations vis-à-vis de sa clientèle.

Le FNRB qui s'occupe de l'assurance-vieillesse des fonctionnaires n'a pas le même statut que la CNSS. Il est juste un démembrement de la Direction Générale du Budget. Il ne fait donc aucun investissement parce qu'il n'y est pas autorisé et surtout parce qu'il n'en a pas les moyens financiers. Mais il reçoit chaque année une aide du Budget national pour combler le déficit de sa caisse de retraite. Cette aide est évaluée à plus de 34 millions de Dollars US pour le compte de l'exercice budgétaire 2010 *(source, Direction Générale du Budget).*

Les mutuelles de sécurité sociale, par leur statut actuel, ne sont pas autorisées à effectuer des investissements sur leurs ressources. Elles n'ont donc aucun revenu additionnel à ce propos. Mais elles peuvent recevoir de l'aide de l'Etat ou de donateurs de toutes sortes.

Il n'existe pas pour l'instant au Bénin de taxes spécialement destinées à soutenir l'offre de sécurité sociale. Mais il est institué par décret une quinzaine de solidarité nationale au cours de laquelle il est organisé une collecte de fonds pour soutenir les actions de protection sociale.

Rôle de l'aide à la sécurité sociale dans la constitution d'un capital pour le développement ou la création d'emploi.

De nombreux éléments attestent des effets bénéfiques certains d'un système de protection sociale fiable sur l'économie et le marché du travail. Que ce système soit complet ou embryonnaire, il permet dans tous les cas d'impliquer dans le tissu social un nombre supplémentaire de personnes qui en sont plus ou moins exclues de par leur situation de précarité. Il s'agit des chômeurs, des handicapés, des personnes âgées, etc..qui peuvent contribuer à stabiliser la consommation et soutenir ainsi la production.

Surtout en ce moment où des innovations s'effectuent en matière de diversifications des produits offerts par les mutuelles de sécurité sociale qui sortent de plus en plus du cadre classique originel pour proposer des activités génératrices de revenus ou des activités d'alphabétisation, ou des séances de sensibilisation sur des thèmes cruciaux comme le VIH-SIDA, le travail des enfants et la scolarisation des filles, etc. Le développement, c'est d'abord la croissance économique qui est une conséquence de l'amélioration de la productivité. Si le travailleur et sa famille ont moins de problème de santé, si lui-même n'est pas inquiet pour son avenir, il se consacrera mieux à son travail et donc au développement de son pays. Sans oublier que les services sociaux génèrent eux-mêmes de nombreux emplois.

Le développement, c'est aussi l'équité dans la distribution de la richesse. La protection sociale favorise en partie cette justice et contribue ainsi à la paix indispensable à tout développement véritable. Elle combat l'exclusion et élargit le cercle de ceux qui participent à la création de richesse dans une nation. La sécurité sociale peut donc aider à stabiliser l'économie du pays grâce à la stimulation de la demande et au renforcement de la cohésion sociale.

Au Bénin, le système de protection sociale est loin d'assumer véritablement la fonction décrite ci-dessus. Cela est dû au fait que ce système exclut pratiquement les travailleurs de l'économie informelle. La marginalisation de plus de 80% de la force de travail empêche la sécurité sociale béninoise de jouer pleinement ce rôle de développement socio-économique.

Par ailleurs, ni la CNSS, ni le FNRB, ni les mutuelles ne font d'investissements en vue de la construction d'infrastructures socio-économiques. On peut citer une seule expérience d'investissements dans la construction de logements mis en location-vente au profit des populations. Cette expérience est l'œuvre de la CNSS qui est la seule structure autorisée à faire des investissements de cette nature. La prise de part de marché dans des entreprises et les gros achats dans l'immobilier sont les investissements habituels de la CNSS.

Quant au FNRB et les mutuelles de sécurité sociale, il n'y a pas de cas d'investissements opérés pour soutenir l'Etat central dans sa politique de développement socioéconomique. D'ailleurs le statut du FNRB ne le permet pas puisqu'il est entièrement dépendant de la subvention du budget national. De même les moyens très limités des mutuelles les empêchent d'avoir ce type d'ambition.

Les prestations couvertes par les régimes de sécurité sociale au Bénin

En matière de Normes internationales du Travail, le Bénin a ratifié vingt-six(26) Conventions dont les huit(08) fondamentales, mais n'a pas encore ratifié, à ce jour, la convention 102 de l'Organisation Internationale du Travail, sur la protection sociale. Toutefois, certaines branches de la protection sociale telles que définies par l'OIT, sont

couvertes par les régimes de sécurité sociale existant au Bénin. Les prestations offertes et les conditions d'accès pour les travailleurs varient d'un régime d'assurance à un autre.

Au niveau de la CNSS

o La maladie et les soins médicaux : La prise en charge sanitaire pour le salarié et sa famille comprend les soins, l'hospitalisation, certaines analyses médicales, et même l'évacuation sanitaire au besoin. Cette prise en charge est valable dans les hôpitaux publics ou dans le centre médical de la CNSS à hauteur de 80%.

o L'assurance-vieillesse

Elle comprend :

- La pension de vieillesse. C'est la pension de retraite qui est octroyée à un salarié qui atteint l'âge de 60 ans et qui cesse de travailler après avoir totalisé 180 mois de cotisations à la CNSS. Elle représente 30% du salaire moyen des 5 dernières années d'activités. Ce taux est majoré de 2% par année d'activité effectuée au-delà des 180 mois requis.
- La pension d'invalidité. Pour en bénéficier, il faut avoir accompli 60 mois au moins de cotisations dont 06 au cours de l'année précédent l'invalidité.

  Ces conditions tombent en cas d'invalidité accidentelle. Cette pension est temporaire en attendant une pension normale. La détermination du montant est analogue à la pension de vieillesse sauf qu'ici, chaque année qui sépare l'âge de l'invalide des 60 ans requis est comptée pour moitié.
- La pension de survivants. Elle est accordée aux héritiers de l'assuré en règle de ses cotisations. Il s'agit de la veuve et des enfants mineurs. Elle représente 40% pour la (ou les) veuve(s) et 20% à 30% pour les orphelins.
- L'allocation de vieillesse. Elle se fait sous la forme d'un versement unique à l'assuré qui atteint l'âge de 60 ans sans avoir totalisé 180 mois effectifs de cotisations. Elle représente le produit du salaire moyen par le nombre d'années de cotisations accomplies
- L'allocation de survivants. Elle est versée aux héritiers d'un assuré ne remplissant pas les conditions de pension mais qui totalise au moins 06 mois de cotisations. Elle se partage à parts égales entre le veuf ou la veuve et les enfants.

o Les prestations familiales **Les** allocations prénatales : ce sont des montants attribués à la femme salariée ou conjointe de salarié qui est enceinte et qui subit les examens prénatals du 3ème, 6ème et 8ème mois de grossesse. Ces montants varient de 2 Dollars US à 4 Dollars US par examen subi. Par ailleurs, toute femme salariée perçoit à l'occasion de congé de maternité une indemnité journalière, représentant 50% de son salaire, reversée à son employeur. Ce congé est de 14 semaines au moins.

Les allocations familiales : Elles sont octroyées aux enfants du travailleur salarié. Elles sont de 4 Dollars mensuel par enfant de moins de 21 ans. Le nombre d'enfants pris en charge est limité à six (06).

Les prestations **en** nature : Elles comprennent les consultations médicales, les soins médicaux, la fourniture de produits pharmaceutiques, les analyses médicales, les vaccinations offertes dans les centres médico-sociaux de la CNSS.

Au niveau du FNRB

Pour les fonctionnaires, la gamme des prestations n'est pas aussi fournie. Le FNRB offre la pension de vieillesse au salarié qui totalise au moins 15 années de cotisations. Il offre aussi la prise en charge sanitaire (soins, hospitalisation, ...) pour le retraité et sa famille à hauteur de 80% et les allocations familiales de 5 Dollars US par enfant et par mois.

Au niveau des Mutuelles de sécurité sociale

Dans la plupart des mutuelles, les conditions d'octroi d'une pension de vieillesse sont simples : avoir cotisé pendant 15 années un montant compris entre 4 Dollars US et 100 Dollars US. A la retraite, l'affilié perçoit une pension équivalente au double de sa cotisation mensuelle. En dehors des fonctionnaires et des travailleurs affiliés à la CNSS, les travailleurs de l'économie informelle ne bénéficient pas de protection contre les risques de travail, ni d'allocations familiales, ni de préventions.

Pour F assurance-santé, les montants mensuels de souscriptions varient entre 0,2 Dollar US et 2 Dollars US selon les mutuelles. Cela donne droit à une prise en charge des soins, de l'hospitalisation, des médicaments, des analyses à hauteur d'un pourcentage compris entre 50% et 80%.

Aucun des régimes de sécurité sociale au Bénin ne propose d'assurance-chômage. Le tableau suivant récapitule les variétés des prestations offertes par les différents régimes de sécurité sociale qui existent au Bénin.

Tableaul : Prestations des régimes de sécurité sociale au Bénin

		Diverses prestations offertes			
		Assurance-santé	Assurance-vieillesse	Assurance-risques	Prestations familiales
Régimes de sécurité sociale	CNSS	Prise en charge à 80% pour retraité et salarié et leur ayant droit	Pension normale, d'invalidité et de survivants	Prévention de risque, pension d'invalidité	Allocations familiales et prénatales, prestations en nature
	FNRB	Prise en charge à 80% uniquement pour retraités et leur ayant droit	Pension de vieillesse, d'invalidité, de survivants, de reversions, rente viagère, allocation de vieillesse et de survivants	Aucune prestation	Allocations familiales pour enfant de retraité
	Privée	Prise en charge de 50% à 100%	Retraite complémentaire	Multi risque	Aide à la scolarité
	Mutuelles	Prise en charge à 70% (y compris pharmacie)	Pension normale, d'invalidité et de survivants	Non	Non

Prestations des régimes de sécurité sociale (source : équipe d'enquête)

L'évolution des effectifs depuis 2000

La faible informatisation de la gestion des différents régimes ne facilite pas la disponibilité d'informations relatives à l'évolution des effectifs. Néanmoins, on peut relever comme statistiques les données du tableau suivant qui indique la progression des effectifs des affiliés de la CNSS, du FNRB et des MSSB sur les dix dernières années.

Tableau **2** : évolution des effectifs des affiliés par régime de sécurité sociale de **2000** à **2009**

Artnée Type\ régime \	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Accroissement (%)
FNRB	25877	26622	28067	29013	30657	31289	32055	33421	35444	37240	43,9
CNSS	112997	115059	120351	126738	138456	145581	153127	166232	185265	238138	52,54
appuyées par l'Etat											
Privées	Informations non disponibles										
Mutuelles	1215	1592	1826	2013	2156	2871	5689	6423	7894	8371	588,9

Sources : Statistiques août 2010, services techniques CNSS, DPRV, MSSB

Le tableau indique une progression importante du nombre des affiliés des différents régimes de sécurité sociale sur une période de dix (10) ans. Elle varie de 43,9% à plus de 500% pour les mutuelles. Cet accroissement des effectifs des affiliés et des bénéficiaires des prestations de sécurité sociale est une avancée considérable qu'il faut saluer et encourager. Il est la résultante de plusieurs facteurs combinés :

Le rôle de plus en plus important des syndicats dans l'éveil des consciences des travailleurs.

La prise de conscience des travailleurs qui s'organisent de plus en plus pour défendre leurs droits légitimes

L'augmentation du nombre d'entreprises privées formelles.

Le recrutement massif de jeunes travailleurs dans la Fonction publique notamment dans les secteurs de l'Education et de la Santé.

Une plus grande rigueur dans la mission des inspecteurs de travail.

L'extension de la Mutuelle de Sécurité Sociale du Bénin à travers le pays.

Toutefois, cette progression laisse en marge de la protection sociale la majorité des travailleurs de l'informel. Il faut également préciser que les chiffres des effectifs des affiliés comportent beaucoup de cas d'arriérés ou de cessations des cotisations qui empêchent la jouissance des prestations par les intéressés. De plus cela n'est pas suivi d'une amélioration de la qualité des prestations proposées aux travailleurs et à leurs familles. Surtout au niveau des mutuelles de sécurité sociale destinées aux travailleurs de l'économie informelle où la gamme des prestations est assez limitée comme l'indique le tableau des prestations ci-dessus.

Les défis liés au système de sécurité sociale

La question des pensions

Selon l'examen des information et données disponibles sur les deux principaux régimes de pensions déjà opérationnels au Bénin (ceux de la CNSS et de la FNRB), les pensions payées sont insuffisantes pour de nombreuses personnes. Dans beaucoup de cas, les pensions perçues représentent 59% du SMIG estimé à 63 dollars US.
En ce qui concerne les mutuelles où la majorité des actifs, les travailleurs informels représentant plus de 90% de la force de travail, ne pourraient bénéficier de pensions, leurs régimes de pensions ne seront opérationnels qu'à partir de 2015. En outre, au niveau de ces régimes, les montants des pensions sont très faibles car se situant entre 8 et 80 dollars.
Le tableau suivant montre les montants mensuels minima et maxima payés par les différents régimes de sécurité sociale au Bénin.
Tableau **3** : Valeur minimum et maximum des pensions payées par les régimes de sécurité sociale au Bénin

	Pension minimum (en USD)	Pension maximum (en USD)
CNSS	38	1000
FNRB	77	512
Mutuelle	8	80

Source: services financiers des régimes de sécurité sociale

La totalité des retraités que nous avons interrogés ont exprimé beaucoup d'amertume vis-à-vis des différents services de pensions. Pour la plupart, ils vivent leur retraite comme une descente aux enfers. La procédure administrative, pour disposer du livret de pension, est fastidieuse et longue. Le temps d'attente est compris entre trois mois et un an voire deux ans parce qu'un problème d'archivage oblige l'administration à réclamer une multitude de pièces à l'agent. Par ailleurs, ils se plaignent que cette procédure n'est pas toujours connue des personnes appelées à faire valoir leurs droits à la retraite. Tout cela empêche généralement les retraités qu'ils sont, de percevoir à temps leur pension. Toutefois, ils reconnaissent que dès que le paiement de la pension commence, ils la perçoivent régulièrement tous les mois sans grande difficulté. Les plus grandes plaintes ont été enregistrées auprès des pensionnés de la CNSS qui paie les pensions les plus basses. Des pensions inférieures au SMIG sont versées à des retraités qui, généralement, ont encore à charge leurs enfants diplômés sans emploi.
La loi rend déjà obligatoire la sécurité sociale pour toutes les couches de travailleurs. Mais, rien n'est prévu, de façon spécifique, pour les travailleurs de l'économie informelle qui semblent être abandonnés à leur sort. Par ailleurs, les discriminations à l'égard des femmes existent encore, soit officiellement, soit dans la pratique. L'inégalité de traitement ici réside dans le fait que les femmes sont souvent recrutées à des postes moins bien rémunérés que ceux occupés par les hommes. En plus, elles accumulent moins d'années de service du fait des interruptions (pour élever les enfants par exemple). Mais, leurs pensions sont calculées de la même façon que celles des hommes. Par ailleurs, bien que les femmes puissent prétendre à des droits de pension de réversion en cas de décès de leur conjoint, ces droits sont subordonnés au maintien du lien de mariage et sont inférieurs aux prestations dont bénéficiait l'homme de son vivant. Il existe cependant une pratique de discrimination positive en faveur des femmes qui touchent une pension majorée en fonction du nombre de maternités.
Le manque de visibilité des services offerts par les régimes de sécurité sociale et l'absence ou la vétusté du système d'archivage constituent un handicap à l'amélioration des prestations de pensions offertes aux retraités béninois.

Viabilité des régimes de sécurité sociale

Des évaluations des différents régimes de sécurité sociale ne sont pas fréquentes. Il n'y a pas de périodicité établie pour ausculter leur fonctionnement et procéder à des réaménagements. Une évaluation est actuellement en cours au niveau du FNRB et aussi des mutuelles de sécurité sociale. Les résultats ne sont pas encore rendus publics.

Dans l'ensemble, la viabilité des régimes dans leur forme actuelle est fortement compromise par la dégradation continue du rapport actifs/inactifs. Les retraités vivent plus longtemps, les prestations sont plus onéreuses, tandis que les actifs cotisent de moins en moins. De plus, les mutuelles de sécurité ne faisant pas d'investissements risquent de connaître, à terme des défaillances dans le paiement des prestations. Le caractère inapproprié de certaines prestations, l'absence d'informations actualisées concernant les affiliés, l'ampleur des coûts administratifs contribuent à la détérioration des résultats.

Malgré ces constats d'ensemble, les risques qui apparaissent varient parfois suivant le régime.

Le FNRB se retrouve un peu à la croisée des chemins. Il est juste un Fonds domicilié au trésor public. La question de son autonomisation se pose pour lui permettre de se priver de la tutelle de l'Etat. Le principe d'unité de caisse ne permet pas de prêter une attention particulière aux dépenses rattachées au Fonds National de Retraite du Bénin. Une telle situation a largement contribué au défaut d'une adéquation entre les recettes et les dépenses dudit Fonds. Cette disproportion importante entre les charges et les recettes effectives risque de mettre en cause la survie même du Fonds National de Retraite du Bénin sur lequel les fonctionnaires affiliés ont eu pourtant tout leur espoir pendant longtemps.

La CNSS a une situation moins difficile puisqu'elle fonctionne aujourd'hui sans aucune subvention de l'Etat. Seulement, elle fait face à un certain nombre de problèmes préoccupants :

o Un nombre important de personnes ayant la qualité d'employeurs sont insolvables. Les conséquences d'une telle situation sont graves, car l'institution se retrouve face à un dilemme, soit payer des prestations pour lesquelles elle n'a pas reçu les cotisations en contrepartie, provoquant ainsi un déséquilibre financier entre ses ressources et ses charges, soit pénaliser l'assuré en ne lui faisant pas bénéficier des prestations auxquelles il a droit et pour lesquelles la part ouvrière lui aurait été retenue.

o Le vieillissement des travailleurs affiliés n'est pas compensé par le rythme lent des recrutements.

o Le mauvais arbitrage des dépenses caractérisé par une surliquidité avec une réserve de fonds sur dix ans au lieu de trois ans recommandés par la CIPRES.

o Par ailleurs, la nomination du Directeur Général porte trop souvent une empreinte politique fondée sur la convoitise que suscitent les ressources financières disponibles dans les banques.

Les mutuelles de sécurité sociale, quant à elles, sont confrontées aux difficultés suivantes:

o l'insuffisance d'information qui entraîne un manque d'engouement des populations vis-à-vis de ces projets; o l'incompréhension qui naît, parfois, entre les centres de santé et les mutualistes qui ne disposent pas généralement de la grille tarifaire des actes;

o la faiblesse de la quote part des adhérents au système, entraînant ainsi une faiblesse du niveau des prestations; o La faiblesse du pouvoir d'achat des travailleurs du secteur de l'économie informelle qui ne sont pas souvent en mesure de s'acquitter de leurs obligations vis-à-vis des mutuelles ; o l'absence de coordination entre la multiplicité de dispositifs de protection sociale existant dans le pays; o Le manque de motivation du personnel qui accumule parfois plusieurs mois d'arriérés de salaire ; o L'absence d'une structure nationale de coordination des mutuelles ; o les membres du Conseil d'administration ont tendance à confondre leur statut à celui des membres des Conseils d'administration des autres institutions publiques à budget autonome. De ce fait, ils réclament des rétributions pour les responsabilités qu'ils assument et dont le non-versement les conduit à accorder peut d'intérêt à la vie de ces mutuelles. Pour remédier à toutes ces insuffisances, un certain nombre de réformes ont été entreprises. Ainsi, l'âge de la retraite est prolongé. Mais il importe d'engager des réformes en profondeur pour conserver et renforcer les services de protection sociale.

Les ingérences subies par les organismes de gestion de la sécurité sociale au Bénin Au Bénin, plusieurs facteurs témoignent de l'intervention ou de l'ingérence excessive de l'État. Dans les années 1980, des décisions politiques ont reversé des centaines d'agents dans la fonction publique sans la contrepartie des cotisations antérieures au FNRB.

L'Etat a un droit de regard sur la composition et la nomination des comités directeurs ainsi que des conseils d'administrations de la sécurité sociale, sur la gestion des caisses et sur les décisions d'investissement. S'agissant des ressources de la CNSS et de la mutuelle subventionnée par l'Etat, les pouvoirs publics ont souvent utilisé et tentent encore d'utiliser ces ressources à des fins autres que celles définies dans les textes fondamentaux de ces institutions.

Les ingérences au niveau des syndicats sont presque inexistantes et souvent assez mineures. Elles ont lieu surtout au niveau de la CNSS pour défendre les intérêts professionnels du personnel et pour s'opposer aux exagérations de l'Etat.

Rôle des syndicats dans la sécurité sociale au Bénin

Les syndicats béninois ont-ils une politique de sécurité sociale ?

Au niveau des Confédérations syndicales, la politique en matière de sécurité sociale au Bénin est surtout orientée vers la promotion des droits sociaux des travailleurs vulnérables (les femmes par exemple) et vers le renforcement des capacités des travailleurs en matière de santé et de sécurité sur le lieu de travail. Dans ce cadre, il existe au niveau de certaines confédérations syndicales (CSA-Bénin et UNSTB) des projets visant à l'amélioration des conditions de travail, à une meilleure connaissance des facteurs de nuisance au sein des secteurs d'activités à risque comme l'industrie, l'agro alimentaire, l'artisanat ,les marchés, etc.

Trois axes constituent la trame de la politique des syndicats en matière de sécurité sociale. Il s'agit de :

- Renforcement du cadre institutionnel à travers la mise en place de lobbying et de plaidoyer pour la ratification des conventions de l'OIT et la maîtrise des dispositions réglementaires en matière de sécurité, de santé au travail ainsi que des droits sociaux. Dans ce cadre, les confédérations initient depuis 2001 des rencontres annuelles avec les parlementaires pour les convaincre de la nécessité de ratifier des conventions de l'OIT ou d'œuvrer au vote de lois en matière protection sociale des travailleurs. Les mêmes actions de persuasion sont menées en direction des gouvernements pour une synergie de mesures en faveur du mieux-être du travailleur. Toutes ces actions ont abouti, entre autres, à la levée de l'obligation de mariage civil pour les femmes de travailleurs sous régime de la CNSS avant toute prestation. La création de la MSSB est également le résultat de l'implication active des syndicats.
- Sensibilisation et formation à travers l'installation et le fonctionnement des comités d'hygiène et de santé et des rencontres périodiques avec les acteurs des économies formelle et informelle. Ainsi la CSA-Bénin a eu à aider les syndicats de base au sein des entreprises à élaborer ou à reprendre les conventions collectives qui prennent en compte les préoccupations liées à une meilleure protection sociale des militants. Par ailleurs, depuis 2004, la CSA-Bénin avec l'appui de partenaires belges a initié un projet destiné aux conducteurs de taxi-moto de Cotonou pour une sensibilisation de cette catégorie de travailleurs à la sécurité et à l'hygiène au travail.
- Suivi-évaluation des actions menées et de leur impact sur l'amélioration des conditions de travail dans les unités de production. Un suivi est fait des actions initiées dans ce cadre pour apprécier les effets induits sur le comportement des groupes cibles et l'amélioration de leurs conditions de travail. Les résultats obtenus de cette évaluation ont été satisfaisants et ont abouti au renouvellement dudit projet.

Rôle des syndicats au sein des structures de gestion de la protection sociale

Sur la base du principe du tripartisme et du bipartisme, les organisations syndicales sont représentées dans les Conseils d'Administration de la CNSS et des mutuelles de sécurité sociale. Elles ont même déjà eu à assumer la présidence de ces organes. Elles interviennent ainsi dans la gouvernance de ces organismes en participant à la

définition des orientations politiques. Elles veillent au respect des normes de gestion et des intérêts des assurés. Mais la réalité est que leur marge de manœuvre est assez réduite au sein de ces organes de gestion. Cela s'explique par la méconnaissance de leur rôle au sein de ces organes par les délégués syndicaux ou par leur inféodation aux groupes de pression par des jeux de corruption. Cela s'explique aussi (surtout au niveau de la MSSB) par le manque de formation, le manque de motivation et de conviction quant à l'importance d'une couverture sociale de qualité. Au niveau de la CNSS le syndicat-maison n'est pas représenté au Conseil d'Administration et le représentant de la confédération ne semble pas toujours maîtriser les problèmes pour des actions idoines. Le FNRB, lui, est géré comme un service de la Direction Générale du Budget et fonctionne sans une participation des organisations syndicales. Cette situation conduit souvent les syndicats à initier des actions parallèles de sensibilisation et d'éveil des travailleurs pour mieux défendre leur droit à la sécurité sociale. Les mouvements de grève apparaissent, ainsi, comme la forme la plus efficace de lutte pour la prise en compte des points de vue des syndicats au sein des organes de gestion de la protection sociale.

Les diverses initiatives des syndicats

Trois principales initiatives sont à l'actif des organisations syndicales et concernent :

- la réalisation d'une étude (en 2006) sur les conditions de travail et les facteurs de nuisance dans huit (08) secteurs d'activités regroupant 54 entreprises.
- l'appui méthodologique à la mise en place des comités d'hygiène et de sécurité et au renforcement de leurs capacités opérationnelles.
- la réalisation, en 2007, d'un recueil sur les textes législatifs et réglementaires relatifs à la sécurité sociale et sa diffusion à une large échelle.

Toutes ces actions ont permis d'informer et de former depuis trois ans plus de 1300 travailleurs du secteur formel et du secteur informel.

Section 8 Conclusion et recommandations

La présente étude montre la faiblesse du système de protection sociale au Bénin. Cette faiblesse s'explique par la réduction du champ d'application, majoritairement, aux travailleurs de l'économie formelle alors que le marché béninois du travail est caractérisé par une forte proportion de travailleurs relevant de l'économie informelle. Les réalités de cette économie ne facilitent pas la transposition du système de sécurité institutionnelle classique.

Cette faiblesse est également due à la qualité des prestations offertes aux salariés et quelques fois à des problèmes de gouvernance. Que ce soit au niveau du FNRB, de la CNSS et surtout des Mutuelles de sécurité sociale, des réformes originales importantes s'imposent pour assurer une protection sociale de qualité aux populations en général et aux travailleurs en particulier. Il s'agira sans doute aussi de réglementer et d'améliorer les diverses pratiques sociales et les mesures gouvernementales ponctuelles de solidarité nationale. Tous les acteurs sociaux doivent jouer leurs partitions.

A cet effet, nous formulons les recommandations suivantes à l'intention du Gouvernement et des organisations syndicales de travailleurs et d'employeurs.

Pour atteindre le noble objectif d'offrir une protection sociale de qualité aux plus grands nombres de travailleurs béninois, il est indispensable de renforcer prioritairement l'impact des mutuelles de sécurité sociale (surtout la MSSB). Cela passe par une restructuration de la MSSB et son extension à chaque commune puis a chaque arrondissement. Cette restructuration et cette extension doivent impérativement être soutenues, d'une part, par la mise en œuvre d'une politique de communication et de sensibilisation à l'intention des travailleurs de l'informel et, d'autre part, par une amélioration de la gestion des différentes antennes de la MSSB. A cet effet nous suggérons de renforcer les capacités financières de la MSSB et la mise en place d'un meilleur mécanisme de contrôle de la gestion. Par ailleurs un système de mise en réseau des antennes de la MSSB permettrait aux travailleurs de bénéficier des prestations partout dans le pays quelque soit le lieu de leur inscription.

En ce qui concerne le FNRB qui s'occupe essentiellement des fonctionnaires de l'Etat, si rien n'est fait pour modifier le mode de gestion actuel, il court le risque d'une asphyxie financière. Le FNRB ne propose aujourd'hui qu'une gamme réduite(en quantité et qualité) de prestations à ses affiliés. Il faut que cette gamme s'étende et que le FNRB s'affranchisse de la tutelle du Trésor public et ne soit plus dépendante de la subvention de l'Etat. Sa restructuration s'impose donc pour le rendre progressivement autonome financièrement en procédant à sa recapitalisation. Cette restructuration incombe surtout au Gouvernement qui doit la mettre en œuvre de façon concertée avec les partenaires sociaux du secteur.
La CNSS fait l'objet de nombre de critiques par rapport à la qualité de ses prestations et son indulgence relative vis-à-vis des employeurs indélicats. Il faut, non seulement qu'elle améliore ses prestations, qu'elle en étende la gamme mais aussi et surtout qu'elle étende ses activités vers les travailleurs de l'informel. Il faut un mécanisme de réajustement des pensions selon une périodicité à déterminer. L'extension vers l'informel peut se faire par la mise en place d'une politique de communication sur les activités de la Caisse et par un allégement des conditions et procédures de jouissance des prestations. Il faut également une amélioration de la gestion de la CNSS sans les ingérences négatives du Gouvernement. Une astreinte de la CNSS à une étude actuarielle triennale aiderait à cette amélioration de gestion.

Tous les régimes de protection sociale au Bénin doivent veiller à la vulgarisation et à l'allégement des procédures administratives de mise à la retraite et veiller à les faire engager suffisamment tôt pour éviter une interruption de revenu pour le retraité. L'informatisation totale des systèmes de gestion des prestations s'impose à eux pour conserver la mémoire des adhérents et des bénéficiaires et accélérer les procédures.

Les systèmes traditionnels informels de solidarité nationale ont prouvé leur utilité dans l'allégement des difficultés des populations. Pour améliorer et accroître leur impact, le Gouvernement doit prendre les mesures suivantes : les réglementer et les mettre en réseau, les contraindre à domicilier les fonds des épargnants dans les établissements financiers, renforcer les capacités de gestion des responsables de tontine.

Au-delà de toutes ces mesures, le Gouvernement doit songer à des mesures fortes comme la création des orphelinats et des centres d'accueil dans toutes les localités à l'intention des enfants en difficultés, faire prendre une loi qui étende la sécurité sociale obligatoire aux travailleurs de l'informel, élargir la marge de manœuvre des mutuelles de sécurité sociale en renforçant leur articulation avec les mécanismes étatiques de couverture sociale, renforcer ou établir des règles de discrimination positive à l'égard des femmes dans l'accès à la sécurité sociale, octroyer une assurance chômage aux sans-emplois et mettre en place le régime d'assurance maladie universelle.

Les syndicats ne doivent pas se cantonner dans un rôle de dénonciation. Ils sont en mesure d'influencer le cours des choses en formulant des propositions et en agissant pour contribuer à l'amélioration de la protection sociale de leurs militants.

La première bataille des syndicats doit être de veiller à la vulgarisation et à l'application de la réglementation en matière de protection sociale. Pour ce faire un système de lobbying en direction des travailleurs, des employeurs et de l'Etat en vue de la promotion du travail décent s'impose pour bannir toute les formes de disparités (surtout pour les femmes) et pour étendre la protection sociale à toutes les catégories de travailleurs. Les syndicats doivent donc être à l'avant-garde de la bataille pour une harmonisation des dispositions réglementaires entre secteurs public et privé ou entre informel et formel.

De plus, notre étude a révélé que la viabilisation des systèmes formels de protection sociale passe également par un renouvellement et un élargissement des cotisants doublés d'un assainissement de la gestion. Cette réalité oblige les syndicats à œuvrer pour le recrutement de jeunes travailleurs susceptibles de cotiser pour renflouer les caisses des régimes de sécurité sociale et à renforcer leur présence et leur participation effective au sein des organes des gestion de la protection sociale.

Les syndicats doivent également se donner les moyens d'initier la mise en place de mutuelles de sécurité sociale gérées entièrement par eux-mêmes, s'approprier pour défendre le projet de mise en place de Régime d'Assurance-maladie Universelle et formuler et accompagner des réformes utiles.. Il est tout de même important que les organisations syndicales donnent l'exemple et s'obligent à respecter les dispositions légales en matière de protection sociale en mettant en place (par exemple) des organes d'auto censure pour rappeler à l'ordre les structures indélicates.

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