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**The adequacy of current social
security benefits**

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1. Background

Social security benefits refer to a contract between an insured person and the insurer. The insurer in this context refers to a public programme designed specifically to provide protection against loss of income due to a defined set of contingencies.

The Social Security (Minimum Standards) Convention, 1952 (No.102), is the flagship of all ILO social security conventions, as it is the only international instrument, based on basic social security principles, that establishes worldwide-agreed minimum standards for all nine branches of social security. These branches are broadly divided into short and long term:

Short-term branches include:

- medical care;
- sickness benefit;
- unemployment benefit;
- employment injury benefit;
- maternity benefit;
- family benefit.

Long-term branches include:

- old-age benefit;
- invalidity benefit;
- survivors' benefit.

The major characteristics of the branches of social security schemes under the ILO Convention No. 102 include the following:

- the focus is to provide social protection to a nuclear family of spouses and minor children;
- social protection concentrates on the formal sector and leaves out the ever growing informal sector;
- financed through contributions which is a percentage of employees' wages shared between the employer and employees;
- focuses on future risks with the assumptions that current and immediate needs could be addressed by other equally strong arrangements.

This paper therefore presents the analysis of adequacy of social security benefits in the African context, a case of Tanzanian social security schemes.

2. Social security institutions in Tanzania

The structure of social security institutions in Tanzania is characterized by fragmentation in terms of the number of institutions, sectoral coverage, the number of benefits, financing arrangements (contributions), and governing bodies.

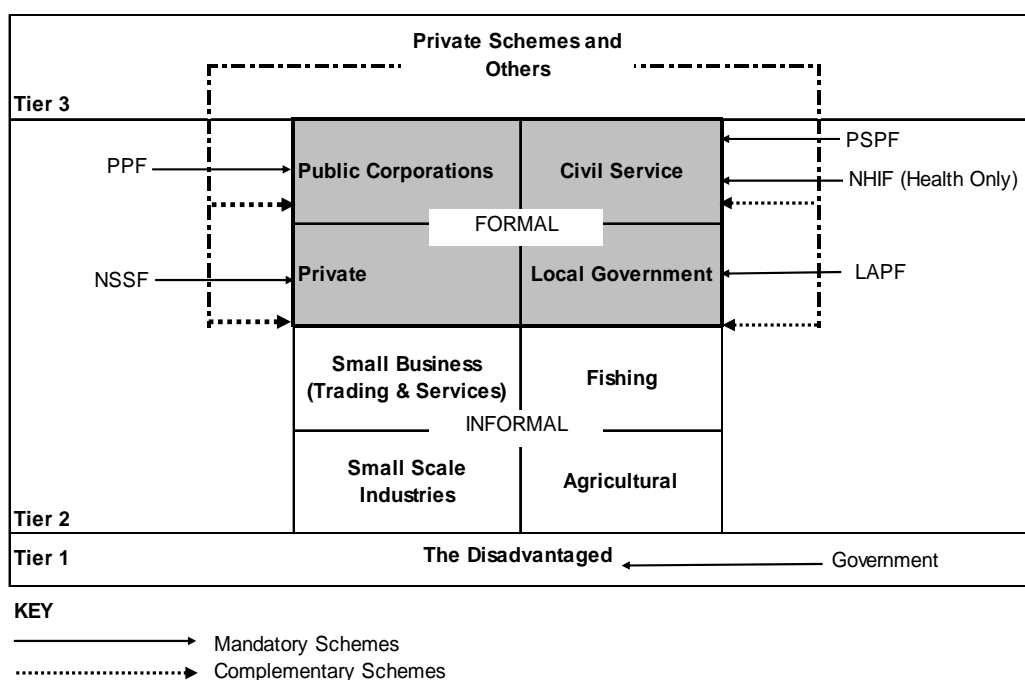
The current status indicates that Tanzania has a total of seven social security institutions out of which six institutions operate in Tanzania mainland, while the Zanzibar Social Security Fund (ZSSF) operates in Tanzania island (Zanzibar). The profile of social security institutions in Tanzania is as specified in the table below.

Table 1. *The profile of social security institutions in Tanzania mainland*

Name	Year established	Coverage	Membership	Contributions		
				Rate (%)	Employees	Employers
NSSF	1964	Private	400,000	20	10	10
PPF	1978	Parastatal	60,000	20	5	15
PSPF	1999	Central Government	193,000	20	5	15
LAPF	1944	Local Government	40,000	20	5	15
NHIF	2000	Government	193,000	6	3	3
GEPF	1942	Police and Army	15,000	25	10	15

Source: Social Security Institutions' Annual Reports.

Social security institutions in Tanzania can be presented in the following model as per the ILO framework of a social security system based on a three-tier structure:



3. Benefits offered by the social security institutions in Tanzania

Social security benefits offered by the existing social security institutions in Tanzania are in line with the defined contingencies under the ILO Convention No. 102. The type of benefits and quantum offered by each institution is discussed below.

National Social Security Fund (NSSF)

Old-age, invalidity and survivor's pensions

- Minimum replacement is 30 per cent and the maximum is 67.5 per cent of the average insurable monthly earnings.
- Initial lump sum is equivalent to a monthly pension multiplied by 24 months.
- Special lump sum to non qualifying members which is equal to last contributions multiplied by the number of pension credits.

Maternity benefits

- Replacement is 100 per cent of daily earnings for 12 weeks.
- Medical care for maternity related diseases from the 24th week of pregnancy up to 48 hours after childbirth.

Employment injury benefits

- Temporary disability is payable at the rate of 50 per cent of daily earnings for a maximum of 26 weeks.
- Permanent disability is payable at the rate of 60 per cent of the monthly insurable earnings for a maximum of 84 months.
- Assistance allowance is equivalent to 25 per cent of the benefits payable.

Funeral grants

Refund of funeral costs at the rates determined by the Board from time to time.

Health insurance benefits

Health care services to the insured person, a spouse and up to four children.

Parastatal Pension Fund (PPF)

Old-age and disability benefits

- Commuted pension gratuity (CPG). This is a lump sum granted immediately on ceasing employment.
- Monthly pension is granted upon attaining retirement age (55 years).

Death benefits

Granted as a lump sum to the administrator of the deceased estates; it is either the deceased member's annual pensionable emoluments or commuted pension gratuity.

Survivor's benefits

Granted in the same way as a monthly old age pension for 36 months to the deceased member's dependants.

Education benefits

Each child is granted an amount not exceeding $\frac{1}{12}$ of the deceased member's annual pensionable emolument; payment is made directly to the school's bank account at the beginning of each academic year.

Gratuity benefits

Granted as a lump sum immediately on ceasing employment to the member with less than 120 months contributing period.

Withdrawal benefits

Granted as a lump sum immediately upon ceasing employment.

Public Service Pension Fund**Old-age, invalidity and survivors pensions**

Amount payable equals $\frac{1}{540}$ x complete number of months of services x last annual salary.

Death benefits

Amount payable equals $\frac{1}{540}$ x complete number of months of services x last annual salary x 5 (payable once).

Withdrawal benefits

Amount payable includes employer's and employee's contributions.

Local Authorities Provident Fund (LAPF)**Withdrawal, retirement and survivors benefits**

Lump sum payment which includes total contributions plus the applicable interest rates.

Government Employees Provident Fund (GEPF)

Withdrawal, retirement, and survivors benefits

Lump sum payment based on the total balances at the end of the employment period:

- 50 per cent of the balances paid to a member who has been given a summary dismissal.
- 100 per cent of the balances paid to a member who resigned or retired from employment.

National Health Insurance Fund (NHIF)

The National Health Insurance Fund provides medical coverage to government pensionable employees. The medical services are provided through the accredited medical providers that have entered into agreement with the Fund.

4. Adequacy

The analysis of adequacy of benefits can be made in a number of dimensions. For the purpose of this paper, the adequacy has been analyzed in terms of maintenance of the value of benefits against inflation, limited coverage, and applicability of ILO Convention No. 102 in the African environment.

Maintaining value of benefits against inflation

The laws establishing social security institutions in Tanzania provide that benefit rates may be reviewed from time to time by the Board of Trustees and adjusted in line with actuarial valuation. However, the laws do not provide an automatic mechanism to adjust benefit rates in line with inflation and continuous rise in wages.

The absence of an automatic adjustment to cushion the effect of price movements implies that at times the value of benefits offered by the social security institutions in Tanzania get eroded by the level of inflation. This is demonstrated by a sample of minimum pensions offered by three institutions for the past four years as compared to the level of inflation

Table 2. *Trend of minimum monthly pensions (in US dollars) in relation to the National Consumer Price Index*

Year	Name of social security institution			Exchange rate (TZS/USD)	National Consumer Price Index
	NSSF	PPF	PSPF		
2002	24.51	15.32	21.45	979.11	101.0
2003	22.87	14.29	20.01	1,049.58	104.5
2004	30.16	13.62	19.07	1,100.92	108.9
2005	29.10	18.41	18.41	1,140.95	113.6

Source: Social Security Institutions' Annual Reports and Bank of Tanzania Economic Bulletin.

Limited coverage

Social protection in Africa is characterized by limited coverage in terms of membership, number of benefits, and the access to benefits.

The Tanzanian experience indicates that, the social security coverage is less than 1 per cent of the entire population and about 5 per cent of the formal working population. Almost the entire informal sector is not covered by any social security scheme. This implies that a large proportion of the population is left without any social protection and thus lacks access to social security benefits.

Even for the small proportion of population covered, there is limited access to short term benefits because such benefits are accessible to members when they are in employment. For instance, the social health insurance benefits are limited to contributing members, the retiree has no free access to such benefits unless they forego a certain percentage of their meagre pensions.

Relevance of the ILO Convention No. 102 to Africa

The application of ILO Convention No. 102 in African countries has been very limited due to the inherent nature of the African life style in relation to the main characteristics of the Convention.

While defined contingencies under the Convention focus on the nuclear family, its application in Africa may not be very relevant because of the very nature of the African way of life where a family includes extended family members.

The Convention focuses on the formal sector while the African economy is characterized by the ever growing informal sector. Such a situation widens the coverage gap.

The defined set of contingencies under the Convention has not taken into consideration the covariance risks which are rampant in the developing world and in Africa in particular. Such risks include famine, HIV/AIDS, floods and ethnic clashes just to mention a few.

The Convention is skewed to consider future contingencies while African societies are concerned with immediate needs including the basic needs such as shelter and education for which governments cannot meet the overall demands.

5. Conclusion

It is apparent that social security benefits in Africa and in Tanzania, in particular, are inadequate due to the following reasons:

- the ILO Convention No. 102 provides some of the benefits which are irrelevant in the African context;
- covariance risks like famine, HIV/AIDS, civil wars, etc. are not covered;
- the benefits provided do not address the immediate needs of members such as food shortage, shelter, school fees, etc.;
- the benefit quantum are too small to satisfy the member's daily basic needs;
- short-term benefits provided by the schemes cease after retirement from remunerated employment.