# SOCIAL PROTECTION IN TANZANIA

*By*

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## *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**

- ***S*** a non-contributory defined benefit pension scheme for permanent public servants and members of the armed forces;
- ***S*** 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;
- ***S*** a range of other benefits such as workers' compensation, sick pay, maternity leave, severance payments provided directly by employers under a legal obligation; and
- ***S*** a public health care system providing generally free access to health care.

However, a number of weaknesses have been revealed. These include the following: ***S*** 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. ***S*** 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 |
|---|---|
| NSSF | PSPF |
| PPF | LAPF |

| | |
|---|---|
| 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.

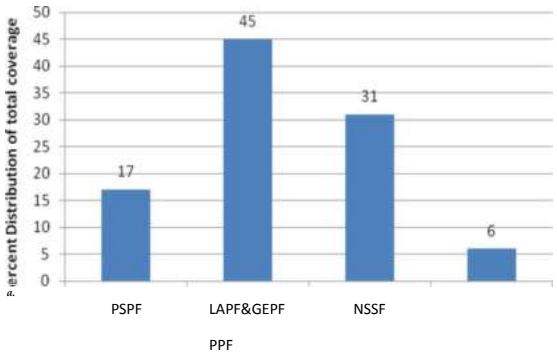
### *Employed population and Social Security Coverage*

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.

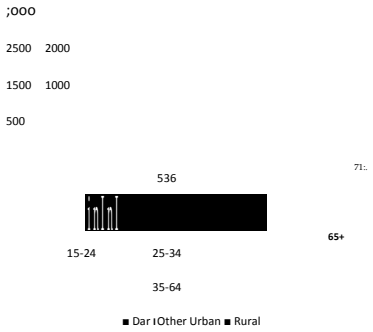



Figure 3.2a: Distribution of female population by age group and geographical area, 2006 (Source, ILFS, 2006)

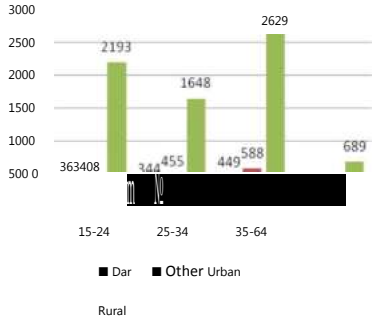



Figure 3.2b: Distribution of male population by age group and geographical area, 2006 (Source, ILFS, 2006)

## *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<br>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/12i[35] 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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