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Towards a Comprehensive Social Protection System in Mozambique

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Summary

- Towards comprehensive social protection in Mozambique: policy developments
- The extension of social insurance scheme to own account workers
- The expansion of the basic social security system;
- Final considerations towards comprehensive social protection in Mozambique
Towards comprehensive social protection in Mozambique: policy developments
In the last year the Government of the Republic of Mozambique:

- Extended the contributory social insurance scheme to own account workers;
- Adopted of the National Basic Social Security Strategy (2016-2024), which seeks to expand non-contributory social transfers to an estimated 3.3 million.

To what extent will these developments contribute to comprehensive social protection?

- Contributory social security: +300,000 individuals receiving pensions or subsidy
- Basic Social Security: 535,000 households
“All citizens have the right to Social Protection, regardless of the color of their skin, race, sex, ethnic origin, place of birth, religion, educational attainment, social class, the marital status of their parent or profession.”


Three pillars of Mozambique’s social protection system:
- Mandatory (contributory) social insurance;
- Basic (non-contributory) social security;
- Complimentary social insurance.
<table>
<thead>
<tr>
<th>Pregnancy and infancy</th>
<th>School age</th>
<th>Active Age</th>
<th>Elderly</th>
<th>Functional incapacity and chronic disease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic social services</td>
<td>Maternity kits; Maternity homes; Crèches</td>
<td>Orphanages</td>
<td>Old age homes</td>
<td></td>
</tr>
<tr>
<td>Social insurance</td>
<td>Maternity subsidy</td>
<td>Survivors pension</td>
<td>Sickness subsidy; Hospitalization subsidy</td>
<td>Old-age pension; Survivor’s pension</td>
</tr>
<tr>
<td>Social assistance</td>
<td>Infant grant; Foster grant; Food kits;</td>
<td>Foster grant; Grant for child headed HH; Food kits</td>
<td>Public works grant</td>
<td>Old-age grant</td>
</tr>
<tr>
<td>Complimentary interventions</td>
<td>Free primary healthcare</td>
<td>Free primary healthcare for the poor; Free primary education</td>
<td>Free primary healthcare for the poor; Free maternity care</td>
<td>Free primary healthcare</td>
</tr>
</tbody>
</table>
The extension of the contributory social insurance scheme to own account workers
Legal basis

- The social protection law of 2007 provides for the extension of social insurance coverage to own account workers on a voluntary basis through the National Institute for Social Action:
  - Progressive expansion,
  - Sector by sector

Decree 14-2015 establishes a contribution rate of 7% of workers’ income, to be paid by own account workers on a monthly basis:
  - Own-account workers are responsible for declaring their income;
  - Their income must not fall below the sectoral minimum wage for their sector.
  - The lowest monthly minimum wage is 3298,00MT (USD 50) for agricultural workers.
Benefits

- Permanent Benefits:
  - Old-age pension
  - Disability pension
  - Survivor’s pension (wife and children)

- Short-term benefits
  - Sickness
  - Hospitalization
  - Maternity
  - Death
  - Funeral
Approach

- Focus registration in urban centers;
- Focus on particular sectors: market vendors, domestic workers;
- Collaborate with informal operators’ and workers’ organizations such as AEIMO, SINED, Mukheru;
- Disseminate and recruit through:
  - television advertisements
  - market place and taxi ranks
  - domestic workers’ gatherings
Figure 3: Distribution of economic activities, by position in the labor process, in urban and rural areas (IOF 2014/2015)
Limitations: contributory capacity

Figure 4: Per capita income distribution (MTs), by quintile
Limitations: lack of trust in the INSS

To benefit from permanent benefits, workers must contribute for between 5 and 10 years; to benefit from short-term benefits, workers must have contributed for between 6 months and three years.

Trust in the INSS is therefore essential, BUT often lacking because of:

- The contributory periods required;
- Limited experience with social insurance;
- Historically poor and unaccountable service delivery;
- Weak enforcement of employers’ contributions;
- Past financial scandals.
Limitations: cumbersome registration and payment processes

- Registration: ids are required however the process to get an ID in Mozambique is cumbersome and time consuming.
- Payment: workers must deposit their contributions at the INSS office on a monthly basis. However, many workers cannot afford to take the time out of their days.

“"I won’t register. The state is always charging us. We have to pay the market tax, the initiation of activity tax, and now the INSS? And what do we get in return? Nothing. And with the queues you can spend the whole day at the INSS waiting. And I don’t have all day.”

- (Interview a market vendor, 2016/02/12)
Centralized meetings to disseminate information, with dj’s, t-shirts;
- Engage market vendors who receive pensions in promoting the scheme;
- Compliment centralized meetings with stall-to-stall recruitment;
- Allow own-account workers to self-declare their income, without having to show any proof of income or registration of initial activity;
- Strengthen service delivery and transparency through an information management system;
- Forcibly register contract workers and their employers into INSS.
Unresolved questions

- Coverage of own-account workers?
  - What about rural areas?
  - What about other sectors?
  - What about own account workers who do not have the contributory capacity? (e.g. Cross subsidization by the state)

- How can administrative processes be strengthened and enforced?
  - Remote contributions and access to contributory history;
  - Enforcement of employers’ contribution to the INSS

- How are contributions calculated and what are the implications for benefits eligibility?
  - e.g. casual workers?

- What is the relationship between the contributory and non-contributory system?
The expansion of the basic social security system in Mozambique
The National Strategy for Basic Social Security 2016-2024 is a coordinating instrument for basic social security, which provides for an expansion of the current system through:

- A shift in the selection focus from household to the individual;
- A reformulation of the means test from poor to non-poor;
- An emphasis on the promotional role of social protection (e.g., Infant grant):
- The institution of annual increases in the value of transfers based on established indicators;
- The strengthening of institutional capacity and cross-sector coordination;
- The strengthening of basic social services and case management;
- Improved coordination across sectors;
- The definition of indicators for monitoring and evaluation;
### Projected coverage of basic social security in Mozambique 2024

<table>
<thead>
<tr>
<th>Program</th>
<th>Direct beneficiaries</th>
<th>% of target group</th>
<th>Indirect beneficiaries</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old-age grant</td>
<td>1,009,500</td>
<td>90</td>
<td>1,310,362</td>
<td>0.66</td>
</tr>
<tr>
<td>Disability grant</td>
<td>190,073</td>
<td>90</td>
<td>420,695</td>
<td>0.12</td>
</tr>
<tr>
<td>Nutritional supplements</td>
<td>45,000</td>
<td>n/a</td>
<td>n/a</td>
<td>0.06</td>
</tr>
<tr>
<td>Infant grant</td>
<td>1,401,937</td>
<td>90</td>
<td>5,111,383</td>
<td>0.92</td>
</tr>
<tr>
<td>Child HH head grant</td>
<td>30,772</td>
<td>90</td>
<td>30,772</td>
<td>0.04</td>
</tr>
<tr>
<td>Foster grant</td>
<td>17,753</td>
<td>90</td>
<td>40,955</td>
<td>0.01</td>
</tr>
<tr>
<td>Rural public works</td>
<td>497,358</td>
<td>20.3</td>
<td>998,045</td>
<td>0.19</td>
</tr>
<tr>
<td>Urban public works</td>
<td>199,644</td>
<td>27.6</td>
<td>362,577</td>
<td>0.11</td>
</tr>
<tr>
<td>Graduation</td>
<td>487,902</td>
<td>14.4</td>
<td>253,804</td>
<td>0.11</td>
</tr>
</tbody>
</table>
The regulations for the ENSSB II have yet to be approved and it is far too early to analyze its impact. However, the following components are key if the ENSSB II is to be implemented:

- **Political commitment/leadership:**
- **Adequate funding of basic social security and increased fiscal space:**
  - Budget allocations have increased from 0.21% of GDP in 2011 to 0.58% of GDP in 2015. However a greater prioritization of social protection will be required.
- **Institutional strengthening:**
  - Information management system
  - Payment systems
  - Social action personnel at the district level
  - Grievance mechanisms
- **Greater coordination:**
  - At the local level: between health, education, social action and NGOs;
  - At the national level through the National Council for Social Action.
Final considerations: towards comprehensive social protection in Mozambique
Mozambique has made significant strides towards a comprehensive social protection system. Beyond the questions of implementation, which are crucial there are some conceptual considerations if the Government is to fulfill its commitment as laid out in the Constitution:

- How to fulfill the commitment of universality established by the Constitution and the Labor Law of 2007?
- How to respond to the social welfare needs of able bodied adults?
- How to increase the fiscal space for social protection?
- How to strengthen the links between contributory and non-contributory social security?
- Beyond cash transfers, how to connect basic social services and social protection; social protection and labor protections?
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