Friedrich Ebert Stiftung Colloquium
Social Protection, Lusaka, 15\textsuperscript{th} July 2015

- Social Protection Developments In Zambia
- Ngosa Chisupa
- University of Lusaka
Overview

• Social Protection in the National Policy Agenda
• Social Cash Transfers
• From Social Protection to Social Security
• Social Security Developments
• Critical Issues
• Conclusion
Definitions (Social Protection)

• **Social protection** consists of policies and programs designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, and enhancing their capacity to manage economic and **social** risks, such as unemployment, exclusion, sickness, disability and old age.
CURRENT SOCIAL PROTECTION SYSTEM

• Social Protection system in Zambia consists of:-

1. Contributory Schemes;
   - Financed through contributions (payroll deductions)
   - Covers workers in formal sector
   - The schemes include NAPSA, LASF, PSPF, WCFCB and occupational pension schemes

2. Non – Contributory Schemes:
   - Tax Financed programmes
   - Covers 10% of extremely poor (poverty targeting), elderly 60+ years (pilot) and children under age 5.
   - Social Assistance schemes includes – Public Welfare Assistance Scheme (PWAS), Social Cash transfer, Social Pension and Child grand and social pension
Social Protection in the Revised SNDP

• Vision: A nation that promotes and provides sustainable social security against deprivation and extreme vulnerability by 2030.

• Goal – Improved social protection to persons with disabilities, low capacity and incapacitated households in order to live decent live lives by 2016
Policies and Reforms under the Revised SNDP

• National Social Protection Policy approved
• The intention is to create an enabling policy environment for the establishment of a well defined, coordinated, systematic, equitable and sustainable national protection system.
Social Cash Transfers

• Social Protection has gained prominence in the last decade and social cash transfers are considered as one of the most effective tools of social protection.

• The number of districts covered social cash transfers increased from 19 to 50 districts out of the total number of 103 districts (2014)

• Beneficiaries of the scheme more than doubled from 60,000 households in 2013 to 190,000 in 2014.
Evidence on Social Protection

- “Social protection is a way to produce equality and to give options for families that have economic and social disadvantages. If done properly it can also provide incentives for human development to for example improve nutrition indicators, preventive health, education outcomes and give people some meaning to move away from poverty in the long run”, Hermosillo, World Bank).
Building National Floors of Social Protection in Southern Africa

• This joint initiative is a 3 years project (2014-2016) which aims to implement basic social protection guarantees in the three pilot countries: Zambia, Malawi and Mozambique.

• **Major Outcomes in Zambia,** the National Social Protection Policy (NSPP) was adopted and launched in 2014 creating a sound and comprehensive basis for Social Protection.

• The Government is working in the development of a Single Registry, that it is expected to incorporate the MIS developed for the Social Cash Transfer.
Priorities of the Zambia Decent Work Country Programme and expected outcomes

Priority 1: Effective application of fundamental principles and rights at work to support equitable and inclusive economic growth in Zambia

- Enhanced application of fundamental principles and rights at work through revision of key legislation and policies
- Increased observance of labour laws and application of fundamental principles and rights at work
- Enhanced Social Dialogue through a functional, effective and more relevant Tripartite Consultative Labour Council administrative structure
- Enhanced industrial harmony through Social Dialogue
- Increased decent employment opportunities for target beneficiaries within MSMEs in sectors with growth potential for enhanced human development
- Enhanced local development and employment by multinational enterprises
- Enhanced utilization of Labour Market Information (LMI) for policy planning and implementation
- Enhanced application of Social Security policies and laws in Zambia
- Extension of social security coverage to the informal economy
- Increased access to HIV services by women and men workers in key economic sectors

Priority 2: Effective social dialogue contributes to sound industrial relations and sustained economic growth in Zambia

- Increased access to HIV services by women and men workers in key economic sectors

Priority 3: More and better employment opportunities created, with focus on targeted groups

- Enhanced application of Social Security policies and laws in Zambia
- Extension of social security coverage to the informal economy
- Increased access to HIV services by women and men workers in key economic sectors

Priority 4: Strengthened social protection systems including enhanced HIV and AIDS workplace response
From Social Protection to Social Security

• Decent Work Country Programme (2013-2016).

• Labour Law Reforms

• National Social Security Reforms
Characteristics of the Zambian Social Security Systems

• Social security is predominantly of a social insurance model.

• Limited to the provision of protection against loss or reduction of income resulting from retirement, disability and survivorship.

• The informal sector at the moment is not covered by any social insurance institution and yet most vulnerable to destitution.
Social Security Overview
(4 Pillar System)

- **Welfare (PWAS)**
  - Targets the most vulnerable
  - Coverage is very low

- **Mandatory Scheme (NAPSA) / LASF / WCFCB / PSPF**
  - 4 Statutory schemes
  - Regulated under various ministries

- **Occupational schemes**
  - About 250 in-house pension schemes
  - Regulated under PIA

- **Individual**

...
## Social Security Overview

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Financing System</th>
<th>Retirement Age</th>
<th>Contribution Rate</th>
<th>Self employed</th>
<th>Employee</th>
<th>Employer</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAPSA</td>
<td>Partially funded, scaled premium</td>
<td>55 &amp; 15 years of service</td>
<td></td>
<td>10</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>PSPF</td>
<td>PAYG</td>
<td>55 &amp; 10 years of service</td>
<td></td>
<td>N/A</td>
<td>7.25</td>
<td>7.25</td>
</tr>
<tr>
<td>LASF</td>
<td>PAYG</td>
<td>55 or 22 years of service</td>
<td></td>
<td>N/A</td>
<td>10</td>
<td>23</td>
</tr>
<tr>
<td>WCFCB</td>
<td>Assessments</td>
<td>Upon risk</td>
<td></td>
<td>N/A</td>
<td></td>
<td>Assessment rate</td>
</tr>
</tbody>
</table>
## Social Security Overview - Benefits

<table>
<thead>
<tr>
<th>SCHEME</th>
<th>BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAPSA</td>
<td>▪ Retirement</td>
</tr>
<tr>
<td></td>
<td>▪ Invalidity</td>
</tr>
<tr>
<td></td>
<td>▪ Death/survivors + Funeral Grant</td>
</tr>
<tr>
<td>PSPF</td>
<td>▪ Early retirement</td>
</tr>
<tr>
<td></td>
<td>▪ Early retirement in national interest</td>
</tr>
<tr>
<td></td>
<td>▪ Retirement on medical grounds</td>
</tr>
<tr>
<td></td>
<td>▪ Survivors benefits</td>
</tr>
<tr>
<td>LASF</td>
<td>▪ Retirement due to age</td>
</tr>
<tr>
<td></td>
<td>▪ Retirement due to ill health</td>
</tr>
<tr>
<td></td>
<td>▪ Retirement due to re-organisation</td>
</tr>
<tr>
<td></td>
<td>▪ Death</td>
</tr>
<tr>
<td></td>
<td>▪ Dismissal</td>
</tr>
<tr>
<td>WCFCB</td>
<td>▪ Compensation for injury/disease</td>
</tr>
<tr>
<td></td>
<td>▪ Pensions</td>
</tr>
<tr>
<td></td>
<td>▪ Survivors</td>
</tr>
</tbody>
</table>

• In-house pension schemes have are various combinations
# Social Security Overview – Benefits 2011

<table>
<thead>
<tr>
<th></th>
<th>NAPSA</th>
<th>PSPF</th>
<th>LASF</th>
<th>Private pension Schemes</th>
<th>Retirement Annuities provided through insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of pensioners</td>
<td>4,417</td>
<td>32,746</td>
<td>10,450</td>
<td>8,827</td>
<td>9,658</td>
</tr>
<tr>
<td>Highest monthly pension</td>
<td>K2,303</td>
<td>Not available</td>
<td>K2,792</td>
<td>K20,000</td>
<td>K5,412</td>
</tr>
<tr>
<td>Lowest monthly pension</td>
<td>K533</td>
<td>K100</td>
<td>K62</td>
<td>K2,000</td>
<td>K 664.02</td>
</tr>
<tr>
<td>Moderate Poverty Line (Individual) as per LCMS, 2006</td>
<td>K94</td>
<td>K94</td>
<td>K94</td>
<td>K94</td>
<td>K94</td>
</tr>
</tbody>
</table>
## Structure of Zambian Pension Industry

<table>
<thead>
<tr>
<th></th>
<th>Public Service Schemes</th>
<th>National Pension Scheme (managed by NAPSA)</th>
<th>Occupational Pension Scheme</th>
<th>Individual Schemes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Structure</td>
<td>Act</td>
<td>Act</td>
<td>Trust Deed</td>
<td>Trust Deed</td>
</tr>
<tr>
<td>Membership</td>
<td>All public sector employees employed before 1st Feb 2000</td>
<td>All formal sector employees with a few exemptions</td>
<td>Formal sector employees with companies with have schemes</td>
<td>Individuals formal/informal sector join voluntary</td>
</tr>
<tr>
<td>Funding</td>
<td>Should be funded but operating on PAYG</td>
<td>Partially funded (scaled premium for funding)</td>
<td>Fully funded</td>
<td>Fully funded</td>
</tr>
<tr>
<td>Regulation</td>
<td>Subject to PSRA</td>
<td>Exempt from PSRA</td>
<td>Subject to PSRA</td>
<td>Subject to PSARA</td>
</tr>
</tbody>
</table>
Retirement Age

• Statutory Instrument No. 24 of May 2015 revised the retirement age under the Public Service Pensions Fund to provide for the following:-
  – 60 years Normal Retirement
  – 55 years Early Retirement
  – 65 years Late Retirement (Discretion of the Employer)
• The National Pension Scheme and the Local Authorities Superannuation Fund Acts are currently being amended to be harmonised the PSPF.
Challenges facing Today’s Pension schemes

• Bringing schemes to full compliance
• Adequacy of retirement benefits
• Uncertainty of investment returns from the capital markets (market volatility)
• The increasing costs of providing promised benefits (most employers have shifted to DC schemes)
• Good Governance
Conclusions

• Adoption of National Social Protection Policy is a major step in the right direction
• National Agenda to upscale social policy programs
• This has spurred developments with the social security realm
• African countries have made progress in adopting and implementing social protection programmes. Evidence (Levers and Hickey) reveals that the commitment to social protection has been as a result of the interaction of domestic political economy and transnational ideas. This approach has situated social protection within a broader policy context, as well as highlighting the influence of underlying power relations in society.
• Regional Interventions on Social Protection SADC Codes, SASPEN
• Post 2015 development Agenda... Transition from Millennium development Goals (MDGs), which did not fulﬁl the promise to the Sustainable development Goals (SDGs), with a promise not to Leave anyone behind..
Sources

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• ILO, Social Protection Expenditure Report, 2008
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• Revised Sixth National Development Plan, 2013
• Tom Lavers and Sam Hickey, Investigating the Political Economy of social protection expansion in Africa. Working Paper No 47, Esid , 2015