

SOCIAL SECURITY SYSTEM IN TANZANIA: A QUEST FOR CHANGE

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Abstract

The need for a comprehensive social security system in Tanzania is in response to the inadequacy of the existing system. The inadequacy of the existing social security system is viewed on two counts, first, its coverage which leaves larger sections of the population (peasants, casual labourers, self-employed outside agriculture) uncovered. Second, its administration not only gives monopoly to the administering agencies but also limits clients (those covered) the rights to choose the type and form of social security scheme to be under. What is required in Tanzania is, a social security system which not only provides different schemes for differentiated needs of the different sections of the population but also a system which will provide wider choice to the differentiated sections of the Tanzania population. The proposed comprehensive social security system will be achieved through reforms in the formulation and administration of social security policy in Tanzania. The policy reformulation process calls for institutionalisation of a social security making body with wide ranging knowledge of the various contingent aspects of social security. It is the aim of this paper to examine the inadequacies of the existing social security system in Tanzania as well as its administration, and to propose for a comprehensive social security system. In so doing the paper focuses on the genesis, scope, administration and limitations of the existing system in Tanzania, the context of social security system and the proposed comprehensive social security system.

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Social security system in Tanzania

Social security refers to the whole range of measures taken by the state or any of its authoritative organs to avoid deteriorations of the living conditions of members of the society in the case of social contingencies, if these deteriorations cannot be averted by the affected members themselves (Weisser cited in Bossert 1988, 1). Central to the conventional forms of social security is the protection an individual or groups receive from the public or social fund in case of any contingencies recognised by the state to require such protection. The commonly identified contingencies in the conventional form of social security are, unemployment, illness, disability, death and old age (Getubig and Schmidt 1992, 1). The social security system obtained in Tanzania does not fit wholly in the conventional definition. What we have in Tanzania is a combination of (i) measures or protection offered to a section of the population that is in wage employment sector through contributions by members themselves and their employers. With reference to state recognised contingencies, the recognised contingencies in Tanzania are three namely old age, disability and survivorship. Unfortunately unemployment is not recognised as a contingency worth protection by the state in Tanzania. Indeed as reported in the government owned newspaper

We in Tanzania must also reject the nonsense about so called unemployment in practical way. No Tanzanian should be allowed to loiter about in town or village under the pretext that he or she is jobless (Daily News 19th November, 1975)

Although the social security schemes obtained in Tanzania do not fit the categorisation of the conventional social security, for lack of a better word, social security in Tanzania will refer to (1) pension schemes-where members receive benefits from both their contributions and their employers contributions. Thus, the discussion will cover all existing forms of social security including institutionalised forms of social security namely, the National Provident Fund, the Parastatal Pension Fund, Public Pension Scheme, Local Government Provident Fund and the Political Leaders Pension Fund.

The existing schemes of social security in Tanzania, although somewhat modified, owes their existence much to the colonial

governments social policies (Bossert 1988,106). Since the existing social security systems in Tanzania are historically linked to colonial governments social policies, it is pertinent to review briefly the emergence of social security system in the imperial countries.

Historically social security in the developed world emerged as a response to the consequences of the industrial revolution. Massive unemployment, redundancy, and poverty that accompanied the industrial revolution, as well as the great depression following the first world war in the 1930s prompted governments in Britain, West Germany and United States of America to pass legislations and hence public programs to protect the unemployed, the retrenched and the poor crop within the time of hardships. During these periods, the famous legislations such as the Poor Law Amendment act, and the Beveridge Plan of 1834 and 1942 respectively in Britain came to being. The passage of such legislations in the developed world was an acknowledgement by the state that it had failed in its duty to provide employment and hence protection to society (Room 1979, 15). Such realisation made the State to institutionalise social security systems in the developed countries have wider coverage. From their emergence to the present, the social security systems in the developed countries have gone through so many changes in appreciation of the changes in their economic, political and social structures.

The same however, cannot be said with reference to the social security systems that were introduced in developing countries particularly in Tanzania. For, although some scholars writing on social security systems in developing countries associate the emergence of social security systems mainly with the UN Declaration of Human Rights of 1942 (Bossert, 1988; Magangila, 1975), the systems particularly in Tanzania, were among other things, a response to factors within the colony. This is justified by the fact that first, the colonially imposed social security system in Tanzania was different in coverage and content. Its coverage was limited to those in wage employment only. In addition, even within the wage employment sector the coverage

varied according to race and ones position in the hierarchy of either public or private office. All non-blacks (Asians and Whites) who were in the private and public service regardless of their levels or positions, were covered under pension schemes funded from the social or public funds.

In the meantime, blacks were covered under two different schemes determined mainly by their hierarchical positions in the public and private service. Those blacks who held higher positions in the public service were covered under pension schemes, while the rest were under provident funds. In principle, Provident funds provide benefits from members contributions and not from the social or public funds. The fact that very few blacks held higher positions in the public and private service during colonial period, it is pertinent to say that majority of blacks were not getting any social security from the colonial government. In addition, majority of women who due to the nature of the colonial education system were encouraged to train in professions which (for the purposes of social security) are categorised low cadres, could not qualify to receive protection from social fund and remained permanent members of the provident funds (See Mbilinyi 1976 for further reference). Conclusively, one can argue that, among other things, the colonial social security schemes were elitist in nature because the policies provided social security to the elite group of the wage sector employees.

Second, the content of the colonially imposed social security legislations such as the Revised Labour Regulation 1909, Master and Native Servants Ordinance 1923 revised in 1948, Workmen's Compensation Ordinance 1948, and the Employment Ordinance 1955 were not measures of protection and security to those in the wage employment sector, but pragmatic measures of the colonial governments to attract natives (Africans) to enter the labour market and to provide conducive environment for the maintenance and reproduction of African labour (Beck, 1977). For example, in explaining the reasons for the introduction of medical services for Africans in 1887 Beck argues that;

"the motives which led the European colonisers to build up medical services for the Africans were, firstly, to

prevent the transmission of infectious diseases, secondly, Western medicine was essential to progressive civilisation and should be available to all those who were not able to help themselves." (Beck 1977,46)

It is no wonder that most of the schemes introduced during colonial period were intended to, firstly, improve terms of employment by providing medical services to employees, compensation in case of occupational accidents; secondly, provide provident funds to cater for public servants in lower positions. Lastly, to provide pension funds for the holders of high positions (Africans) in the public service (Bossert 1988,108). Thus, unlike in developed countries where social security programmes emerged as a public response to the problems of unemployment, in Tanzania social security schemes emerged in response to the labour shortages that characterised the colonial period (Bakari,1988).

The limited coverage of colonial social security schemes was premised on the prevailing colonial mode of economy which had not fully articulated the pre colonial modes of economy. With reference to social security schemes this meant that the majority of the population who were left uncovered were assumed to be protected and covered under the traditional forms of social security (See Furtado, 1973). In reality however this was no the case because, the colonial capitalist social relations and relations of exchange, introduced monetary exchange relations which were gradually beginning to replace traditional relations of exchange upon which the whole idea of mutual assistance was premised. This however, does not suggest that the traditional forms of social security schemes were non existent. Rather this entailed the coexistence of both the traditional and modern forms of social security. For example, tribal associations remained to be the main provider of mutual assistance for contingencies such as disability, death, illness and unemployment in most areas of urban Tanzania (Bakari 1988,159). The situation was different in rural areas, where the traditional institutions of chieftainship were left intact to continue with activities including organising for mutual assistance in case of disability, famine, sickness and death. For example, in many chieftainships, members would

submit part of their harvest to the chief to be used to assist members in famine periods.

Social security system in Tanzania: Post-colonial experiences

The advent of independence in 1961 did not transform the social and economic structures that were created during colonial period. However, the political and administrative reforms that followed thereafter had impact on both the provision and administration of formal social security in Tanzania. The case in point was the abolition of chieftainships in 1963. The abolition of chieftainships automatically left the functions of organising traditional social security in limbo (Bossert, 1988; Bakari, 1988). To substitute the chieftainship political and administrative structures the independence government institutionalised division and ward secretaries (Ingle 1972, 148). The division and ward secretaries assumed governing duties of the abolished chiefs but did not assume duties with respect to organising, and administering social security. In the same period settlement schemes were established in the rural areas to regroup and resettle people on favourable soils for purposes of increasing agricultural production. However, settlement schemes as well as division and ward secretaries had no obligation on matters of social security. Development was viewed in terms of economic growth and social security matters were secondary in the post independence government development policy agenda. Due to this, the division and ward secretaries as well as the settlement schemes were not assigned traditional or modern social security functions.

In 1964 the government established the National Provident Fund (NPF) arguably to rationalize the social security system in Tanzania (Magangila, 1975). The NPF did not alter the pattern of social security introduced during colonial periods. This was due to the fact that, its origin, coverage and content was directed towards providing to the proportion of the population that was in wage employment in both the private and the public sector. Three main contingencies were identified by the government, these were old age, disability and survivorship. Similar contingencies were identified and covered in the colonial

governments' social security schemes mentioned above. The principle of compulsory contributions from the employer and the employee became the main source of benefit to the contributing member. The government had no direct liability whatsoever through its social fund, to provide protection and security to the members of the fund. The government contributed to the fund just like any other employer. What should be mentioned however, is that, immediately after independence the government in Tanzania became the main employer through its employment policies.

In 1967 the political leadership in Tanzania adopted *Ujamaa* a socialist policy as a frame work for economic, social and political development in Tanzania. Central to Tanzania's *Ujamaa* policy was a restoration of a pre-colonial African society which was egalitarian. The state assumed a primary role not only in planning and implementing economic and social development programs, but also in providing protection against all social evils to all Tanzanians. In translating *Ujamaa* policy, the State passed policies that were aimed at providing shelter, food and clothing for all. Thus programs such as free education, water and health for all were started. Various political and administrative structures were created to translate the policies and programs to reality. In rural areas, *Ujamaa* villages were established. Life in *Ujamaa* villages was to be guided by both the principles of communal production and distribution, and cooperation among members. In addition, traditional forms of social security were to be revived and according to Nyerere (1974, 352):

In a village community a man who is genuinely sick during the harvest period would not be left to starve for the rest of the year, nor would the man whose wife is ill find the children uncared for as he might do if he farms on his own. Traditional African socialism always made such questions as those irrelevant and our modern socialism by resting on the same foundations will also make them irrelevant. For in each ujamaa village the man who is sick will be cared for; a man who is widowed will have no difficulty in getting his children looked after; the old, the unmarried, the orphans and other people in this kind of trouble will be looked after by the village as whole, just as was done in traditional society

Thus, *ujamaa* villages automatically assumed responsibility of providing and administering social security to its members.

In urban areas of Tanzania, the government expected that massive industrialisation policy would provide employment for the growing urban population. It was assumed that, with growth in formal wage employment, the urban population would be covered under modern social security schemes. There is ample evidence that from 1967 up to 1979 (the period after the Arusha Declaration) the country experienced unprecedented growth in employment following the establishment of numerous public corporations-parastatals. Following the Arusha Declaration the number of parastatals increased from 43 in 1966 to 380 in 1979 and 425 by the end of 1980s (Bagachwa and Malyamkono 1990, 38). However, despite parastatals increase in numbers, their dismal performance did not result in economic growth as well as employment (Mukandala, 1988).

Equally true in rural areas, the expected increase in agricultural production did not occur (Van Donge, 1992). This resulted in massive poverty in rural areas which pushed a lot of people to urban areas. Statistically, by 1967 only 5 percent of the population lived in urban areas. By 1990 the levels had risen to an increase of 11.5 percent per annum (Stren 1975, 21; UNHCS, 1987). The projection made by the World Bank suggest that by the year 2000, 40.5 percent of the population will live in urban areas in Tanzania (World Bank Report 1992). At the same time, the country experienced higher rates of natural population growth. The increase in natural population growth (3 percent per annum), and urbanisation accompanied with poor agricultural and parastatal performance, has increased the percentage of population living below poverty line both in rural and urban areas. Increase in urban population growth and subsequent decline in parastatal and agricultural employment has left a number of people in Tanzania out of wage employment. Malyamkono and bagachwa (1990, 35-36), basing on the 1978 population census report found that by 1978 the working population age (15-64 years) constituted about 48.5 percent of the total 17.5 million population, and was estimated to be growing at 3.5 percent per annum. At that rate, the average annual increase of potential labour force was about 380,000. Whereas the number of jobs created between 1983-1986 declined from 27,083. in 1983, to

1,129 in 1986. Although national figures are not available it is estimated that in urban centres in Tanzania, a large percent of the population is engaged in the non wage sector. This means therefore a great many of the urban population are not covered by the formal social security schemes. In total it is estimated that over 25 million people in Tanzania are not protected by any social security scheme (Sunday News October 10, 1993:4).

In an attempt to deal with the economic and social problems of the wage sector employees, the state in Tanzania in 1970s and 1980s, introduced two more social security schemes, the Parastatal Pension Fund (PPF) in 1978 and the Political Leadership Pension Fund. Despite government attempt, the introduced schemes did not change the colonially inherited elitist approach to social security in Tanzania. This is because the introduced schemes were for those who were in the formal wage employment. Moreover the schemes particularly the Specialised Political Leadership Fund for the first time defined certain political positions as special categories of formal wage employment. While the state introduced measures to improve social security for a fraction of the population that was in wage sector employment, it also introduced draconian measures against many who were in the non wage employment sector. These were measures such as the Human Resources Deployment legislation of 1982, which required all able bodied men and women in urban areas not engaged in "gainful employment" to be returned to rural areas where they could be more productive (Magoho, 1991). The Human Resources Deployment Legislation was a measure against those in non wage sector employment. This is because the legislation in principle equated gainful employment with participation in formal wage employment. Consequently, the introduction of the Human Resources Deployment Legislation undermined the mode of economy which formed the basis of the non formal social security schemes which majority of the population depended on. Because of this, a number of people mainly in urban areas have resorted to criminal activities such as robbery, and prostitution.

Scope and Administration of Social Security schemes in Tanzania.

Although it has been argued that traditional social security systems still provide cover for various contingencies, its efficacy is highly questioned. The abolition of chieftainships seriously eroded the social basis and legitimacy upon which such systems were based. Furthermore, the declining agricultural production in rural areas, as a consequence of government rural development policies seriously damaged the ability of providing for various contingencies. The other factor was the replacement of traditional rulers by government agents who had no legitimacy amongst rural societies. The use of force to collect various government dues undermined the very basis of the traditional reciprocal exchange. As a consequence, traditional social security were statized and hence lost traditional meaning. This, it can be argued, has led to demobilising of surplus to the needy. Thus it is doubtful whether the traditional social security systems are as effective as they were in the pre independence time.

As has been argued elsewhere in this paper, both the content and the coverage of the various social security schemes in Tanzania leaves much to be desired. With the exception of the Specified State Leaders Retirement Benefits Scheme, the schemes do not provide realistic benefits to their members. For instance, while the interest rates earned by the NPF member at the maturity of their schemes have been growing at a very low rate of between 0.5% and 2.5% between 1966 and 1991. General Price Index or inflation rates have been growing at an unprecedented rates of 2.5% in 1960s to 22.3% in 1990s (Bank of Tanzania, 1993). Thus, for the schemes to be meaningful to members, benefits should keep up to date with changes in economic conditions of the members.

Similarly are the inadequacies of the investment policies of the institutions charged with administration of social security schemes in Tanzania. Both the manner in which investment policies are arrived at and the nature of investments made leave much to be desired. With reference to the manner in which investment policies are arrived at, the organisational set up of the

institutions charged with the administration of the social security schemes in Tanzania do not provide opportunity for members participation in the decision making process. As a result enormous amount of members contributions have been invested in projects which are not of direct benefit to the members. A case in point is the NPFs' decision to invest substantial amount of funds in building quarters for government officials majority of whom are pensionable staff and not contributors to the fund (*Mfanyakazi December 25, 1993: 2*). The same can be said for the PPF whose investments are concentrated in government bonds and projects which are not of benefit to members. Indeed, as correctly put by Kaare (1994) these social security institutions are nothing but cheap sources of capital for the central government.

Furthermore, is the problem of monopoly enjoyed by the institutions administering social security schemes in Tanzania. The monopoly position has left members hostage of their own contributions. As such members do not have choice even where the services of a particular institutions are not up to their expectations. In addition, members do not have choice of the type of scheme(s) that they want to belong. This is because what determines their cover is the form of employment and position in the hierarchy of their organisations.

In addition to the above, is the problem of orientation of the existing social security schemes in Tanzania. The various social security schemes are oriented and structured to behave like financial institutions. Thus the organisational set up of these institutions is directed toward compliance rather than meeting the changing demands of their external environments. In both the NPF and PPF organisational structures there is no section or department that deals with research and development on matters of social security. Both the NPF and the PPF have research and planning departments and directories which deal with technical matters of project planning but not social security schemes

development^{**}. As a consequence both NPF and PPF have failed to come up with comprehensive policies which could have covered the burgeoning unemployed youths and the poor.

A quest for change:

In view of what is argued above, it is necessary for Tanzania to reformulate social security policy into a more comprehensive and flexible policy which takes into account the changing and contingent needs of the Tanzanian socio-economic conditions. This requires thorough grasp of the Tanzanian socio-economic conditions. This requires thorough grasp of the social security needs of the various social categories. Also is a need to redefine the various contingencies to be covered in the policy by including such contingencies like unemployment and poverty. This is in realisation of the fact that, in developing countries and by implication Tanzania, poverty remains to be the main source of social insecurity of the majority of the people (Getubig and Schmidt 1992, 13). Similarly, the government has to come to terms with the fact that above all, social security is a social cultural phenomenon. Therefore thorough account of the changing social cultural circumstances have to be addressed in determining favourable policies for Tanzania. One way of attaining this is to form a social security policy making body with wide ranging knowledge of the various contingent aspects of social security. The existing social security institutions can remain to cater for the contingencies they cover. But, they should be under a supreme body which will oversee other bodies covering other social security schemes.

Conclusion

It has been argued in this paper that the existing social security schemes reflect the colonial inheritance of labour relations. That

^{**}This information is based on the author's collection of reading materials on organisational set up and working arrangements of the NPF and PPF in the subject 'Management principles and policy' at the Institute of Finance Management.

these schemes were formulated by the colonial governments to meet the burning needs of the colonial administration for labour. As such the schemes were limited in scope in that they were focused to a small proportion of the population needed for colonial administration. The spirit of these schemes was to entice labour rather than introduce social security policies directed to alleviate social contingencies. The inheritance of such policies by the post-independence government seriously undermines the very principle of social security as a measure for alleviating social problems within the framework of the socio-economic conditions of the society at large. It is further suggested that to achieve the required changed approach to social security there is a need to make reforms in the formulation and administration of social security policy in Tanzania. The reformation should take into account the broader needs of the various categories of **society at large**. Moreover, the assumption that traditional **social security** systems cater for the unemployed is questionable given the changing economic conditions and ability of the traditional networks to adequately cater for the contingencies. It is only when all these factors are taken into account that one can start pondering about comprehensive and adequate social security schemes in Tanzania.

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