Social security systems in Zambia

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ABSTRACT

This survey of social secruity provision in Zambia starts with a sketch of the historical and economic background since the late nineteenth century to the present, showing how traditional social security arrangements were destroyed and the people mpoverished by a series of governments, starting with the colonial State and continuing through to the late 1990s. It describes current and recent arrangements under the following headings: both State-provided and private formal social security and non-formal social security schemes. Under the latter heading are considered the traditional security provided by the extended family and semi-formal schemes such as reciprocal urban networks, the church, chilimba and *market associations. The latter two are singled out for detailed study and assessment in terms of their viability and potential for strengthening, in Phase II.*

Phase I: Overview

ZAMBIA BECAME INDEPENDENT in 1964. The country is landlocked, occupying an area of 752,614 km^2 with a population density of 10.6 persons per square kilometre in 1993. The country's estimated population in 1998 was 10 million, with about a 2.7% annual growth rate and with 47% of the population below the age of 15 years. Dependency ratios and the

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potential for future population growth are, therefore, very high. Zambia is also one of the most urbanized countries in Africa. In 1963, roughly 20% of Zambia's population lived in urban areas. In 1998, the proportion of urbanization had dropped to 38% from 47% of 1991, mainly because of the economic restructuring which brought about business closures and job losses (GRZ/UNDP 1997:20).

This accelerated urbanization resulted from the country's copper-based economy that started in the mid 1920s, together with the government's plan, from 1964 to 1985, to develop a modern industrial economy at the expense of agriculture and rural development. This led to the concentration of people along the line of rail and especially on the Copperbelt. Many able-bodied young men and women have migrated to urban areas in search of a better standard of living, even though industrial development has been insignificant, a situation that has also negatively affected agriculture.

At Independence Zambia was one of the richest countries in the region. This promise was, however, shattered in the 1970s by the collapse of copper prices (copper having been for a long time the mainstay of the economy and the main foreign exchange earner) and inappropriate ideological and macro-economic policies.

In 1972 Zambia entered two decades of one-party state rule. This meant the suppression of political opposition, the erosion of the distinction between the ruling party and the apparatus of the State and a swelling party bureaucracy, which served only to duplicate and further confuse the work of the civil service. This all led to stagnation for many years. The people's living conditions declined and popular discontent increased, resulting in the 1991 elections with a resounding vote for a new government.

The two decades of decline have caused tremendous poverty and hardship. This poverty includes a low life expectancy, low educational opportunities, inadequate access to resources for a decent standard of living (such as income and consumption, housing, health, clean water and sanitation and productive potential) and the lack of freedom to exercise choice and participate in the society. About six million people (or two-thirds of the population) live below the poverty line.

The more remote an place from urban areas, the poorer it is. Thus the urban provinces of Lusaka, the Copperbelt and Central Province, located along the main line of rail, have lower levels of poverty than others. These urban provinces have been the beneficiaries of the policy and practice of industrialization and of government subsidies from 1964 to 1991. They also have better social amenities and support better lifestyles than those in rural areas as most schools, piped water facilities, employment and health facilities have been concentrated here.

Poverty in urban areas, however, has been increasing at a faster rate than in the rural areas because of high unemployment, mass lay-offs of workers (as part of the structural adjustment programme), low salaries and the inadequate coverage and benefits of existing formal social security schemes. At the time of the study, more than three-quarters of the population were suffering from social insecurity because the social security schemes instituted from 1964 to 1991 were limited in scope, cover, adequacy and benefits.

By 1991 Zambia was among the world's poorest countries. The total external debt in December 1992 stood at US$7.04 billion (386% of GNP) and the average economic growth rate between 1980 and 1992 was 0.8%. The total fertility rate was 6.5% and the maternal mortality rate was 600 for every 100,000 live births. The total expenditure on health as a percentage of GNP was 3.2% in 1990 and only 48% had access to safe water supplies.

Pre-Independence to 1964

Looking further back we can see that colonial policies and the advent of capitalism laid the foundation for this poverty. Before 1890 Zambia consisted of independent ethnic subgroups that were mainly agricultural (Daniel 1979). In 1890 colonialism reached Zambia. The British South Africa Company signed a treaty with a Zambian chief which purported to give it mining rights and control of mining development in the whole of Zambia. For 34 years Zambia remained under indirect rule until the Colonial Office instituted direct rule, which remained in place for the next 40 years.

By 1926 the first copper mine had started production, marking the beginning of urbanization and industrialization in Zambia. At this time the population density on the Copperbelt was 2.2 persons per square mile (Daniel 1979). As this was clearly insufficient to provide enough labour locally, labour began to be recruited from other areas. An industrial colour bar and State-entrenched, institutionalized racism ensured that black miners could not benefit from their labour. They had no right to negotiate their wages, working conditions or welfare. They were paid lower wages than white miners and, though not formally barred from education (Berger 1974:46), it was only in 1930 that the first government school for Africans was started. There was no policy to train Africans to perform skilled labour and African apprenticeship was illegal until the 1960s.

By 1965 there were still only 158 African apprentices in training, compared with 488 non-Africans; of the African apprentices, 114 were apprenticed in metal mining industries (Daniel 1979:129). At Independence Zambia was one of the least educated countries in Africa. Skilled and educated manpower were among Zambia's scarcest resources.

Taxation contributed to both rural and urban poverty. It forced mostly young, able-bodied men to leave their homes and families in rural areas to take up waged employment in the Copperbelt. Subsequently they were obliged by the colonial government's return migration policy to return to their rural homes while others replaced them in the towns. Among the arguments for this policy was that, if African workers lost their rural ties, a slump in copper production and export would cause serious unemployment. More importantly for this paper, by constantly changing the labour force, companies reduced the costs of labour in the areas of housing, health, school and social security. They thus made sure they would not have to award the salary increases that are due to experienced and long-serving labour. The cost of housing and feeding wives and children was also avoided and mineworkers received bachelor's rations. The companies took no responsibility for workers' compensation, especially during the Second

World War. Integral to these racially-motivated policies was the belief that the African mineworkers should look to the village for support and social security in sickness and old age.

The development of rural poverty and urbanization

Before colonialism the absence of money or cash as a medium of exchange in rural Zambia did not entail poverty, as cash was not necessary for survival. The traditional economy was sufficiently open and self-contained to support the rural population. But the combination of the emerging cash economy, labour migration and State taxation policies disrupted the entire social structure, depriving subsistence rural economies of their most valuable asset, strong young men. There was a correlation between coercion and rural impoverishment and between rural–urban migration and the impoverishment of rural Zambia. In the northern region of Zambia, for instance, which was used as a labour pool for the mines, the impoverishment of the Bemba people was due to the absence of some 50% of able-bodied men (Richards 1932). Production fell in areas where the labour of men could not be easily substituted by that of women.

Stitchter (1985) shows that structural underdevelopment of the peasantry was the consequence of labour migration. The government lacked an African agricultural policy: in 1962, "there were only 350 tractors in use on African farms" (Daniel, 1979:14). In areas and times when migration was coupled with the outbreak of locusts, famine prevailed, forcing more to migrate. As a result of all this production declined substantially.

Migration contributed to the independence of young men in relation to their elders as traditional social controls were loosened and tribal sanctions ceased to be fully effective. Divorce, which earlier had been rare, increased and villages started splitting up into small family groups. The ethnically heterogeneous town became the focus of political life and innovation. New urban institutions, particularly the Western church, replaced traditional social control mechanisms in setting urban moral values and norms to regulate social behaviour. Urbanization in the Copperbelt accelerated in spite of tough pass laws, enforced identification certificates, tax receipts, visitor's permits, night passes, police raids, the repatriation of women and children living in towns without a male guardian and, of course, denial to Africans of permanent citizenship in the urban areas.

Permanent settlement ("stablilization")

During the Second World War the demand for copper increased substantially, but this did not benefit the African mineworker whose wages had been cut during the Depression. By 1940 the ratio of European to African earnings was 34:1 compared with 28:1 in 1937 (Daniel 1979). When white mineworkers left to serve in the war, however, a temporary labour shortage was created and the mining companies were obliged to start accepting Africans in some skilled jobs which earlier had been exclusively reserved for white workers. Africans exploited this situation to their advantage by demanding wage increases, unionization and a general improvement in their working and living conditions. The efficiency of African labour increased as a result. The growing demand for copper also encouraged the companies to expand and implement technological advances. As mechanization in the industry increased it was realized that training Africans on how to use the machines and allowing them to stay longer, so that training was not wasted, might actually be cheaper than not doing so. This was a turning point in the African labour situation in the Copperbelt (Berger 1974).

Finally, however, when the stabilization policy for the African migrant workers in the Copperbelt was established it brought its own problems of unemployment, urbanization and political agitation. Despite the prosperity of the copper mining industry at this time, it was impossible for the mining companies to absorb all of those who migrated to the towns in search of work and unemployment resulted. Although this trend continued up to the Independence, its effects were mitigated by the small population of the country and that of the Copperbelt itself, and by the high demand for copper which brought revenue. The copper-driven economic boom continued until the early 1970s.

Post-Independence

Four years after Independence the Mulungushi Declaration signalled the beginning of direct intervention by the United National Independence Party in the economy. When this was fully implemented, between 1972 to 1989, it established restrictive policies, limiting the degree of competition to which the domestic economy was exposed; suppressing the role of market mechanisms in guiding the allocation of resources and over-extending the role of the public sector (World Bank 1994:11). The government took these steps because the national economy was dominated by non-Zambians and profits were being sent outside the country.

As a result the public sector expanded through the creation of parastatal organizations such as the Industrial Development Corporation (INDECO), the Financial Development Corporation (FINDECO) and the Mining Development Corporation (MINDECO), to run these specialized areas, together with the mother holding company, Zambia Industrial and Mining Corporation (ZIMCO). A protectionist trade regime was imposed and government gradually showed its inability to adapt to a changing environment.

While this move appealed politically to the electorate and was consistent with the new self-determination that came with Independence, the inefficiencies of State-run commercial enterprises created serious social problems. The economy was mismanaged; health, education, nutrition, infant mortality and life expectancy deteriorated and access to safe drinking water and sanitation declined, high unemployment and underemployment grew, together with inflation, the public debt, poverty and inequality in the distribution of income and wealth. A considerable part of the social service infrastructure fell into disrepair. At the same time copper started experiencing falling prices at the world market.

Since expanding the agricultural sector and rural development had received mere lip-service by government, the downturn of the economy was complete. If the colonial government had not neglected agriculture and rural development in its reign of 27 years, this downturn would not probably have been so devastating. But:

> Despite the availability of land and the end of colonial policies restricting smallholder cash-crop agriculture, there was no transformation after Independence, as that experienced in post-independence Kenya. The competition with the urban labour market, which drained many of the most energetic members of the rural labour force to the towns was one factor holding back agriculture. A trading system that de-emphasized the development of competitive marketing channels and instituted pricing policies that discouraged the development of an efficient pattern of crop specialization was another. (World Bank 1994:13).

By the mid 1970s government had started to address the country's own structural problems but these attempts were neither comprehensive nor sustainable. The three attempts to stabilize its economy in the IMF/World Bank-supported stabilization packages of 1973/74, 1976/77 and 1978/80 failed. Government was faced with serious political discontent which resulted in the food riots on the Copperbelt and a loss of life in 1986, all of which paved the way for the discourse on multi-party democracy and market reforms and led to a new government by the Movement for Multiparty Democracy (MMD). Since 1991 the MMD government has undertaken bold steps with a vigorous structural adjustment stabilization package.

The typical structural adjustment programmes Zambia were, in theory:

> based on an economic model of private ownership, competitive markets and outward development strategy. Developing free and competitive markets and liberalizing the price systems are necessary for allocational and operational efficiencies. A stable macroeconomic environment is also essential to allow markets to operate efficiently and investors to make correct decisions based on market signals (World Bank 1996:7).

The new government aimed at attaining macro-economic stability and redirecting public expenditure to the social sector in order to alleviate the short-term negative effects of its structural adjustment programme on the poor and vulnerable groups of society, especially women and children. These processes and activities, however, initially brought about unprecedentedly high levels of job losses from business closures, unemployment and social insecurity and poverty.

As the new macro-economic situation has not yet been able to reverse the downturn of the economy, poverty and social insecurity levels have been on the increase both in all areas. While many of the activities implemented under economic structural adjustment were desirable and sound they seriously lack the complementary role of a productive agricultural sector to provide food, employment and income, raw material for industry and investment capital for other economic sectors as well as foreign exchange. Overall, the result of this transition from a command economy to a liberalized economy has been increased levels of poverty and social insecurity among the majority.

The study

Problem statement

It had been widely recognized that the formal social security system in Zambia is inadequate in terms of its capacity and coverage and that the majority of people rely on non-formal social security systems and schemes. However, there are still gaps in available knowledge, especially about non-formal social security systems and schemes because no previous comprehensive study on social security has analysed and documented them. These gaps include an understanding of their structures, capacity, functions, contingencies covered, viability and conceptualization of social security itself. This study, therefore, seeks to analyze both the formal and non-formal social security systems.

Research design and methodology

The study was conducted in Lusaka, the Copperbelt, Eastern and Luapula provinces. The first two urban provinces were selected for the study because they had an adequate mix of both formal and non-formal (particularly semi-formal) social security schemes while the rural Eastern and Luapula provinces were selected to find out what non-formal social security schemes exist there and how well they are functioning.

Formal and informal social security systems

There are two systems of social security: formal social security for workers employed in the formal sector of the economy and the non-formal social security system for the majority who do not participate in

Year	Scheme	Number covered	Protection against
Public schemes			
1966–2000	Zambia National Provident Fund (up to Jan, 2000)	341,000	Old age, retirement, invalidity,survivors, emigration supplement saving, homeownership, maternity and funerals
2000	National Pension Scheme Authority (beginning Feb 2000)	290,000	Retirement, invalidity, survivors and funerals
1968	Public Service Pension Fund	101,000	Retirement, invalidity, survivors and funerals
1954	Local Authority Superannuation Fund	14,000	Retirement, invalidity and survivors
1964	Workers Compensation Fund	385,000	Employment injury
1952	Pneumoconiosis Compensation Board	18,000	Invalidity arising from hazardous working conditions for miners
Private Schemes			
1982	Mukuka Pension Fund	18,000	Retirement, invalidity, survivors
Other private		20,000	Retirement, invalidity, survivors

SOURCE: *NATIONAL PENSION SCHEME AUTHORITY, RESEARCH AND DEVELOPMENT SECTION AND CENTRAL STATISTICAL OFFICE, QUARTERLY EMPLOYMENT AND EARNINGS ENQUIRY, 2000.*

the formal sector employment. Each of these two systems has its own schemes.

Formal social security since 1964

Soon after Independence in 1964 the new government realized the need to institute social security schemes, particularly for its rapidly growing formal employment sector, especially during the economic boom years (1964–1974). The assumption was that, with the advent of a money economy and the accelerated migration of people from rural to urban areas in search of work, the extended family system, kinship and group help, which had hitherto provided their social security, would significantly weaken. A new social security system was needed to protect formal sector employees and their dependents against the loss of income through retirement, disability, maternity and sickness. Subsequently, a two-tier system of social security was developed, mandatory and statutory public social security schemes and private and voluntary occupational pension schemes.

The five mandatory and statutory social security schemes are indicated in Table I. These statutory social security schemes, together with private social security schemes, cover about 450,000 employees, corresponding to more than 90% of the formal sector labour force but to only 13% of the total labour force and 5% of the total population. The remaining 95% rely on non-formal social security arrangements. The total assets of all statutory funds correspond to about 1.6% of GDP, down from well over 10% in the 1980s.

Mandatory and statutory public social security schemes

Zambia National Provident Fund (up to January, 2000)

The Zambia National Provident Fund, which was administered by the Ministry of Labour and Social Security, was established in 1966 as a compulsory savings scheme. It was the largest public social security scheme and membership was compulsory for all formal sector employees except civil servants, members of the defence forces, teachers, employees of local authorities, the National Housing Authority and the

Zambia Electricity Supply Corporation. Zambia National Provident Fund paid lump sum payments to its members against the contingencies of old age, retirement, survivors, invalidity, emigration, disability, maternity and funeral expenses. The contribution rate payable to the fund was 7%, consisting of 3.5% for employees and 3.5% for employers.

Statutory provident fund provision was not tried in Zambia alone, but was started by many African countries as a means of compulsory saving. Employees and their employers would pay into a central fund regular contributions which would be credited to a separate account to which interest was periodically added. In times of old age, invalidity, sickness or death, the total credit accumulated would be paid to workers or their heirs. In some funds, earlier partial withdrawal was permitted in the event of sickness, unemployment or for other stipulated reasons.

The Zambia National Provident Fund operated a defined contributions scheme, which meant that the fund had no predefined obligations with respect to the level of benefits. It provided flat rate funeral and maternity grants to members who had contributed for at least two years. It also offered a home ownership withdrawal scheme which allowed members to withdraw on one occasion, up to 60 contributions.

Membership of the fund grew steadily from 5440 in 1966–1967 to about 570,000 in 1992–1993. This figure, however, included members' accounts which had been inactive over an extended period of time without further contributions or benefits claims. The total number of active contributors was estimated to be around 350,000, corresponding to about 70% of formal sector employees. About 14,500 private sector and parastatals employees were registered with the fund. Evasion and non-compliance by employers, often with the collusion of employees, was a serious problem. Although there were no accurate records to identify compliance levels, enquiries suggest that only about 60% of employers were up to date with their payments and at least 30% were more than 7 months in arrears. Although prosecutions were conducted, fines were low and thus did not deter would-be evaders.

The Zambia National Provident Fund was unable to provide adequate retirement benefits to its members. In part, this was due to weaknesses in the provident fund system itself which had no insurance element to protect members. For most people, a lump sum benefit represented an unsound basis for long-term income security. But these inherent weaknesses had been compounded by problems in the management of Zambia National Provident Fund. Firstly, the contribution ceiling was not regularly adjusted to take into account of inflation. Until 1995 employers and employees were each required to contribute 5% of their gross monthly earnings up to a ceiling of about US$15.00, resulting in a maximum monthly contribution of about US$0.75. The level of average earnings, however, increased by 700% between 1992 and 1994 alone. Due to the failure to revise the ceiling regularly, the Zambia National Provident Fund had been operating on a flat rate basis with very low real contribution receipts and consequently low members' balances. The volume of contribution fell by about 90% in real terms between 1981 and 1995.

From the introduction of Zambia National Provident Fund in 1966 until 1992–1993, a nominal interest rate of only 4.5 to 5.5% was credited to the statutory contributions in members' accounts. But over the same period, annual inflation increased from 33% to 200% and commercial deposit interest rates rose from 15% to 84%. In 1993–1994, the 5000 Zambia National Provident Fund retirees received on average a lump sum of about US$10.00. The credibility of the scheme has suffered considerably from such low levels of benefit.

Concerns about the low balances in members' accounts led to a decision to revalue the real estate owned by the Zambia National Provident Fund and the yields obtained from investment on Treasury Bills, but investment income was still insufficient to meet current administrative and benefit expenditure. The administrative expenses of the Zambia National Provident Fund had increased substantially. The administrative and management expenses of the fund were supported out of investment income. Measured as a share of investment income, they reached a peak of 254% in 1992. As a share of total revenue from contributions, administrative expenditure peaked in 1995 at 102%. In spite of personnel reductions later, the Zambia National Provident Fund was still considerably overstaffed, with more than 1300 employees at one point. Steps to speed up the process of reducing expenses through a retrenchment programme imposed a severe financial burden on the fund, particularly since its staff pension fund was also believed to be considerably under-funded.

National Pension Scheme Authority

The government realized the inadequacy of the country's formal social security schemes as early as the 1980s and decided to reform them in order to meet the needs of the people. However, because of the deteriorating economic situation at that time, the implementation of the social security reforms was postponed.

In 1992 the new government established a Department of Social Security in the Ministry of Labour and Social Security. Two years later, in 1994, the National Social Security Reform Implementation Committee to oversee the reforms was created. In November 1996 a new Act (the National Pension Scheme Act) was passed to repeal the Act of 1966. This Act sought to make the scheme autonomous from government, to make membership compulsory for all formal sector workers, to operate within the principles of prudential management and to adjust benefits to inflationary fluctuations as well as to ensure that political interference, low benefits and the other problems which weakened the Zambia National Provident Fund were minimized or removed.

The reforms aimed to:

- Dissolve the Zambia National Provident Fund (completed in 2000);
- Merge the Workers Compensation Fund Control Board and the Pneumoconiosis Compensation Board (not yet accomplished at the time of the study);
- Set contribution levels;
- Put in place a regulatory system for private occupational pension schemes through the Pension Schemes Regulation Act of 1996, to be administered by the Ministry of Finance and Economic Development;

- Promote public awareness of the new National Pension Scheme;
- Train staff in actuarial sciences, social security, administration, computerization and other relevant areas and
- Plan and organize the National Pension Scheme and put in place a technical and procedural administrative structure.

Membership of the National Pension Scheme Authority is compulsory for all regularly-employed persons, including all new entrants to the civil service and local authorities. Contributions to the scheme are paid at the rate of 10% of pensionable earnings, divided equally between the employer and employees. The pensionable age is 55 for both men and women employees. The contingencies protected against by the National Pension Scheme Authority are listed below.

Retirement benefit

The retirement pension is payable to a member who has: attained the minimum age of 55 years or has contributed for a minimum of 180 months (15 years) and has qualified under the reduced criteria for those between the ages of 39 and 48 years at inception. Members who do not meet the minimum eligibility criteria to receive the pension are entitled to a lump sum payment made up to the number of contributions made by themselves and their employers, plus interest calculated on their indexed contributions.

Invalidity pension

The invalidity pension is intended to cushion members against the loss of capacity to engage in substantial gainful employment. As invalidity can occur at any point in one's working life the minimum criteria to be eligible for this benefit are therefore lower than for retirement benefit. A member can qualify for invalidity pension if insured as described above. However, there is a further condition: members claiming this benefit should be certified disabled by a medical board appointed under the Act. The invalidity pension is payable to members who fulfil the following obligations: they have been certified as to incapacity; they have reached the pensionable age and they have paid at least 60 months' contributions.

Survivors' pension

The survivors' pension is aimed primarily at protecting spouses and children of deceased members in the event of their death. The National Pension Scheme Authority will pay a survivor's pension only to surviving spouses and children, regardless of whether the marriage took place under statute or customary law. Surviving spouses are eligible for a pension until death or until they remarry, if they are caring for one or more children of the deceased member. If the surviving spouse is less than 45 years old and does not have children of the deceased to care for, he or she will receive a pension for only two years.

In order for surviving children to be eligible for a pension, they have to be under the age of 18 years, or 25 years if they are in full-time education. The Act also provides for unborn children and those who are disabled by the age of 18 at the time of death of the member. Since a survivor pension is based on the work record of the deceased member, the member must have qualified for a retirement or invalidity pension for the survivor to be eligible. The National Pension Scheme Authority divides the available pension among the survivors according to a formula, without regard to whether any of the resultant shares fall below the minimum pension or not.

Funeral grant

The funeral grant is an *ex gratia* payment to survivors of the deceased member to enable them to undertake a dignified burial. The amount of the funeral grant has been set at 10 times the minimum pension in the year of the member's death. If a member dies without leaving a spouse, parent or sibling, the National Pension Scheme Authority will pay the funeral grant to whoever is liable to pay the funeral expenses. In order to qualify for a funeral grant the member should have either been receiving a retirement pension or invalidity pension or, in the case of a member who is still in employment, should have made at least 12 months contribution in the previous 36 months of his employment.

Although the government's intention was to produce the new social security scheme that gave Zambians a better system of social protection than before, the new scheme faces a number of challenges and constraints. The poor performance of the economy and the lack of financial resources militate against the effective functioning of a comprehensive social security system. The National Pension Scheme Authority needs to use its investments from contributions, not relying solely on the contributions of employees and their employers. This is because contributions are generally low, as the earnings of the average worker are low. It is, therefore, a serious challenge to have an effective national social security scheme with an insufficient number of wage earners who received very low incomes.

One major weakness of the new scheme, which had been inherited from the Zambia National Provident Fund, is limited coverage. The coverage of the National Pension Scheme Authority is also limited to formal wage earners, whose numbers have significantly decreased. The new scheme has also shown that Zambia must provide some other form of social protection to the majority who are outside the formal wage-earning sector.

Public Service Pension Fund

The Public Service Pension Fund, administered by the Cabinet, was established in 1968 to provide retirement pensions to permanently-employed civil servants. It also administers pension funds for teachers and members of the defence forces. The contribution rate payable to the fund is 14.5%; half from the civil servants and half from their employer, the government. At the time of the study the Public Service Pension Fund had about 101,000 members. Since 1993 the operations and finances of the Public Service Pension Fund have been separated from Government. A new Secretary was appointed and a new Board established under the chairmanship of the Permanent Secretary of the Cabinet Office. The administrative expenses of the fund were not met by the Public Service Pension Fund itself but by government. Since no updated audit had been conducted at the time of the study, accurate information on administrative expenditure was not available.

The total assets of the Public Service Pension Fund were approximately 0.4% of GDP in 1994. The principal legislation covers a range of situations relating to the termination of service which entitle members to benefit from their payments. The original intention was that the

Public Service Pension Fund would only be directly responsible for financing pensions for retirement at 55 years, subject to 10 years of pensionable employment; early retirement on grounds of ill health and dependent survivors, including death benefits. But there was also a provision for early retirement of an officer on abolition of a post in the interest of the economy, efficiency or the public interest.

Local Authorities Superannuation Fund

The Local Authorities Superannuation Fund, administered by the Ministry of Local Government and Housing, was established in 1954 exclusively for expatriate workers to provide for old age, retirement and disability. In 1963 the membership was extended to all employees of local authorities between ages of 18 and 50. After Independence it was further extended to cover the employees of the National Housing Authority and the Zambia Electricity Supply Corporation. Initially, the contribution rate was 14% of pensionable salary, equally divided between the employer and the workers. It was subsequently increased to a total of 33% in 1989 with employees paying 10% and employers contributing 23%. At the time of the study the Local Authorities Superannuation Fund had approximately 14,000 contributing members. The fund is administered under a general manager appointed by a board. Administrative expenditure was 12.4% of contributions received in 1992; this figure, however, did not necessarily indicate a high level of administrative inefficiency, since revenue from contributions had declined due to non-compliance.

The fund has operated predominantly as a defined benefit scheme which provides old age retirement, invalidity and survivors pensions and funeral grants. The retirement age is 55 years and local authorities may retire employees aged 50 with a minimum of 10 years of service. In 1991 the Government made retirement mandatory for employees of local authorities who had completed 22 years of service. The Local Authorities Superannuation Fund suffered from three problems; non-compliance, low investment income and increasing expenditure and the scheme was experiencing difficulties in collecting contributions. In 1994 local authorities were making contribution payments of only 29%. The high evasion can also be interpreted as a reaction to the dramatic decline of benefit levels through inflation, the lack of the scheme's credibility and the high degree of political interference in the management of the scheme.

Although the fund has theoretically operated as a funded pension scheme, the income from the investment has been very low due to the erosion of reserves through inflation and the prescribed investment in non-performing assets. The obligation to retire after 22 years of service led to a significant increase in pension expenditure. This provision alone generated liabilities of about US$4.8 billion between 1992 and 1994 but only about US$823,000 million was provided by government. Over 100 claims were outstanding, with the majority of benefit payment being delayed by more than a year. During the waiting period benefits were not adjusted for inflation.

The last actuarial analysis of the Local Authorities Superannuation Fund was conducted in December 1993. The actuaries encountered serious data deficiencies, particularly with respect to dates of birth and accumulated contributions. Furthermore, no reliable data on the volume and contingencies covered by pension payments were available at the evaluation date. Thus the analysis had to be based on several assumptions with respect to the composition of members' age groups, income and contributions as well as pension payments. The actuaries concluded that the fund was substantially under-funded, even considering only minimum funding levels.

Workers' Compensation Fund Control Board

The Workers' Compensation Fund Control Board, administered by the Ministry of Labour and Social Security, was established in 1964 as an employer liability scheme to compensate workers for occupational accidents and diseases when they were injured or contracted diseases during the course of duty. There were 385,000 members in 2000.

Pneumoconiosis Compensation Board

The Pneumoconiosis Compensation Board, also administered by the Ministry of Labour and Social Security, was established in 1952 as an employer liability scheme to compensate miners for invalidity arising from hazardous working conditions in the mines. This compensation was specifically for those who had contracted pneumoconiosis and tuberculosis in "Scheduled Areas". At the time of the study the Board had 18,000 members.

The Board has always been associated with the mines because the expansion of copper production played an instrumental role in the emergence of pneumoconiosis (a disease of the lungs caused by habitual inhalation of irritant mineral or metallic particles) in the mines. The most serious disease is silicosis, caused by the inhalation of fine dust particles which contained silica. Although silicosis is incurable it can be managed through preventive measures.

Before the establishment of the Pneumoconiosis Compensation Board in 1952, the increase of cases of pneumoconiosis in the mines alerted the Colonial Office in London, which called upon the Northern Rhodesia Government and mining companies to enact legislation and institute compensatory measures for miners who contracted such a disease. By 1944 several miners were suffering from the disease at Luanshya Mine. At Mufulira mine in 1949 a significant number of African and European miners were suffering from silicosis, with or without TB.

Pressure from the British government resulted in the promulgation in 1945 of the Mining (Prevention) of Silicosis) Regulation. After 1945 all mines were obliged by law to compensate African mineworkers who were suffering from silicosis, in accordance with the Workmen's Compensation law. In 1950 a Silicosis Bureau was established in Kitwe on the Copperbelt and in 1952 the Pneumoconiosis Compensation Board was formed.

Private and voluntary occupational pension schemes

Private and voluntary occupational pension schemes, usually administered by insurance companies and in-house arrangements, form the second tier of the formal social security system. These are supposed to complement the Zambia National Provident Fund (up to January, 2000) and, at the time of the study, the National Pension Scheme Authority. About 40% of formal sector employees are enrolled in these private and voluntary occupational pension schemes. Employees and employers belonging to these schemes may also become members of the National Pension Scheme Authority.

Most of these private pension funds (about 75%) are managed by the Zambia State Insurance Corporation (ZSIC), which was the only insurance company between 1964 and 1991. The largest private occupational pension scheme is the Mukuba Pension Fund, originally owned and managed by the then State-owned Zambia Consolidated Copper Mines (ZCCM). The Mukuba Pension Fund was established in 1982 and membership was originally obligatory for all permanent employees of ZCCM, but in 1985 membership became voluntary and fell sharply. It has since recovered and amounts to more than 18,000 members at the time of the study. The scheme is now administered by the Mukuba Pension Trustees Limited. Board members are appointed by the ZCCM and the Mineworkers Union.

In March 1994 the fund had assets of US$5.3 million, of which US$1.5 million was invested in Treasury Bills and government bonds. Most of the funds were invested in property of high quality, which yielded high rentals and the scheme therefore performs well compared with all other formal social security schemes. Contribution rates are 10.7% of basic monthly payment for the employer and 5% for employees. The retirement age is 55 for both men and women.

The private schemes managed by the Zambia State Insurance Corporation were subject to prescribed investment under the previous socialist-inclined government before 1991. Their performance was, therefore, not much better than that of the statutory social security schemes. However, their performance has improved considerably due to the investment of the bulk of these funds in Treasury Bills. More private social security schemes have invested in real estate than statutory social security schemes have done.

The Zambia State Insurance Corporation, which manages about 75% of private social security funds, also offers three types of social security schemes, a defined-benefit final salary scheme, a money-purchase annuity scheme and a group annuity scheme.

The experience of the Zambia State Insurance Corporation with the annuity schemes had been unsatisfactory because of unfavourable investment policies, inflation and an inability to change the annuity factors. Most of these schemes are being converted into fully-funded defined benefit schemes. The pension age is usually 55 years and for early retirement there is an actuarial benefit reduction. The schemes are not indexed for inflation and the contribution rates vary but typically they are 12.5% for the employer and 6.25% for employees.

The Corporation has experienced great difficulty in collecting contributions from some employers. There has also been dissatisfaction with the low levels of benefits in real terms and with the lack of opportunity for the employer to influence investment decisions. At the time of the study the Zambia State Insurance Corporation managed schemes covering 28,000 active employees and about 3000 pensioners.

The dependency ratio for private schemes is low because the numbers of pensioners compared to contributors is low. The reason for this is simply that very few people in private companies meet the eligibility conditions for pension because of frequent changes of employment. This would not arise in the case of the new National Pension Scheme Authority as pension rights will be preserved, irrespective of the number of times an individual changes employment.

In conclusion, the above review indicates that the formal social security system has many problems which have made its coverage inadequate. The low levels of people's income, the absence of physical and social infrastructure and the limited administrative and human capital have inhibited the implementation of a strong and viable social security system that can effectively protect its members from falling into absolute poverty.

Statutory and private social security schemes have all suffered, to various degrees, from constraints that include the following:

On the part of the contributors: evasion and non-compliance; low fines for evaders; lack of opportunity for the employers and members to influence investment decisions.

On the part of the schemes: members' benefits are inadequate and lump sum benefits are too low to be useful. Many schemes lack an insurance element and pension rights cannot be transferred. There are high actuarial deficits.

On the part of management: deficiencies include unfavourable investment decisions, especially before 1991 and unrealistic interest rate policies. As a result of the failure to adjust contributions to the inflation index, investment income has been low. Ill-thought out schemes such as early retirement placed a huge burden on the pension schemes and reduced the balance invested. There was a high degree of political interference in the management of the schemes. The schemes have been under-funded as a result. Administrative expenses arising from overstaffing, as many of the statutory (parastatal) schemes are also used for employment creation, have been high; auditing has been irregular and human resources are low, leading to data deficiencies.

Macro-economic features contributing to the problems include the unwillingness of banks to deal with pension payments because they have not been backed by real funds; an insufficient number of regular wage-earners; a narrow tax base and limited coverage.

Future formal social security schemes such as the new National Pension Scheme Authority should learn from the limitations of previous formal schemes and from elsewhere in the world in order to improve on them and serve the people better. This would make a significant contribution to society by going beyond a mere reorganization of a State-run social security monopoly. It would help to promote adequate pension coverage while enabling government to reduce spending and relieving it from the burden of running a huge, centralized, State-funded bureaucracy.

In spite of the problems and limitations discussed, however, the formal social security schemes which do exist provide some benefits to

Table II: Profile of non-formal social security schemes in Zambia

Schemes	Contingencies covered
Traditional schemes	
Extended family	Births, initiation, marriage, famine, sickness, old age, death
Semi-formal schemes	
Urban reciprocal networks and	Accommodation, sickness, lack of money foodstuffs, death
Church	Famine, sickness, old age, death
Chilimba	Sickness, education, accommodation, death
Market associations	Sickness, education, accommodation, business, death

their members who would otherwise have had to depend on non-formal social security schemes.

Non-formal social security systems

The study found two types of schemes of non-formal system, traditional schemes based on extended family, customary and kinship ties; and semi-formal schemes. These non-formal social security schemes shown in Table II, protect 95% of the total population. Other small and insignificant schemes like credit and saving clubs and women's support groups are not popular and widespread and were not, therefore, included in the study.

Traditional schemes: the extended family

Most people, especially in rural areas, depend on the extended family for their social security needs. In rural areas consecutive years of drought, economically and environmentally unsustainable agricultural policies and practices and the emergence of new market realities have created an environment characterized by rapid change, uncertainty and extreme poverty and many farmers lack the basic information and skills to adapt to these changes. In these circumstances the extended family, although weakened by social and economic pressures such as the structural adjustment programme, rural–urban migration, HIV/AIDS and poverty, is called upon to address many contingencies. Many people, particularly in rural areas, depend on the extended family as their only social security provider. More than 60% of the country's population live in rural areas; which have higher levels of poverty than urban areas and formal social security schemes scarcely exist there.

The extended family is built on the cardinal principles of reciprocal aid among members, accompanied by complex rights and responsibilities. It is the basic unit of social cohesion and harmony and is designed to satisfy its members' human needs in face of the harsh and sometimes dangerous natural environment. It strongly values the following:

- The importance of the larger kin group;
- Co-operation among relatives;
- Strong parental authority and importance of children;
- Respect for the elderly;
- Family care for the elderly, sick, infirm and orphaned; and
- Child-rearing undertaken by a large number of relatives.

The extended family has been in itself a social security system for all its members. Collective solidarity through mutual assistance within the family, clan and the tribe, as well as the care by family members for one another in times of need, constituted the boundaries of the traditional social security system for most people.

> The extended family has been a noble characteristic of African society especially at time of death, during disputes and in production and the up-bringing of children...At times of death, the children of the deceased were looked after by extended family...The children brought into the household of relatives were treated equally with those of that household...The members of the extended system participated in the production of what they consumed (Kayongo-Male et al., 1984:63).

This system is stronger in rural than in urban areas because the rural subsistence economy is essentially derived from land which is still communally owned and administered by village heads and chiefs for the benefit of all. In rural areas the extended family supports a long-lasting unit including parents and their children, grandparents, cousins, nephews and other relatives living in the same household. Traditional social security is organized around the strong nucleus of kinship systems on the basis of mutual responsibility, reciprocity, altruism and compassion (Masiye 1995).

This support is based upon culturally-determined patterns of mutual assistance. Each person within the family can expect support from other members but is at the same time obliged to help all others. If obligations are not met by individuals, they can expect sanctions from everyone else. The redistribution of goods forms a substantial element of this system where poorer households or persons can expect support by others. Survival in such circumstances depends less on one's own economic viability than on the economic situation of the community as a whole and on the relations one can turn to (Kirch et al., 1995). The extended family also helps to provide school fees, loans and savings, to construct homesteads and with communal tasks. People employed in urban areas send remittances in cash or kind to relatives in the rural areas and in return, rural relatives also send remittances in kind to their urban relatives.

One threat to traditional social security has been the limited resources of rural households. As their resources dwindle, kinship and family no longer provide sufficient support to their members and in conditions of general deterioration even the richer members of the community have nothing left to spare. The urbanization process also contributes to the weakening of the extended family in many ways. For example, the density and heterogeneity in towns encourage greater human contact and impersonal relationships. In turn, these impersonal and sometimes contractual urban relationships lead to deviations from traditional norms and customs which have bound the extended family together for generations.

Furthermore, the long distances between rural and urban areas preclude frequent visits among family relatives, while the high cost of living in urban areas made it impossible for townspeople to help or look after a large extended family. This has weakened the mutual aid and inclusiveness of the traditional extended family.

Viability

The extended family is a viable non-formal social security scheme, especially for rural people with no other alternative. Its viability depends on members' reliance on the natural pattern of personal relationships rather than impersonal institutions. If the factors that endanger and weaken the extended family can be addressed it could play a significant role in meeting the social security needs of its members, who constituted the majority of the population.

Potential for strengthening

The main factors which undermine the efficacy and viability of the extended family include: rural–urban migration; unproductive agriculture; poverty and HIV/AIDS. The strengthening of the extended family is, therefore, equal to the revitalization of the rural areas, particularly through productive agricultural investment and promotion of healthy practices and lifestyles. Productive agriculture, for instance, would provide food, employment, income, raw materials for industry to generate further employment, investment capital for other sectors of the economy and foreign exchange through the sale of surplus agricultural products. If people in rural areas had adequate food supplies, employment and income the pressure to migrate to urban areas would be reduced, the health of the people would be improved, reciprocal aid relationships would increase and individualism would be discouraged.

Semi-formal schemes

Although this report has treated urban reciprocal social networks, the churches and *chilimba* as non-formal social security schemes these do not, however, qualify as social security schemes in the real sense of the term, even though they meet some of the social security needs of their members. This is because their protection against a deterioration in standards of living is not guaranteed and because the payment of premiums, in cash or in kind, is either weak or non-existent in all three systems. For this reason, therefore, only two schemes, namely, the extended family and market associations qualify to be considered non-formal social security schemes because they meet the criteria discussed above in the conceptualization of non-formal social security.

Reciprocal urban social networks

When wives and children move into town from the village, extended family relations are affected, especially when visits to the village or caring for the family members left behind are reduced because of the high cost of travel and urban life. These families build new social networks at the place of work, church, clubs and within their neighbourhoods.

> ...wage labour often resulted in the formation of non-kinship groupings which began either to fulfill family functions or to force families to change their functioning. These groups include the more informal social networks...and voluntary associations and labour unions. Wage labour, whether in urban or rural areas, often drew together people from many different ethnic groups. Once communication was eased by the adoption of a standard language for all workers or by the creation of lingua franca, the formation of non-kinship groups was rapid. Labour unions were affected in a number of ways: first replacing some economic functions of the family but also forcing families to change internal sex roles and authority patterns (Kayongo-Male et al., 1984:39).

These urban social networks largely replace some of the roles of rural extended family, particularly during temporary crises like sickness, death or the loss of a job.

Epstein describes these sometimes close-knit urban social networks as being made up of:

> pairs of persons who interact with one another in terms of social categories and regard each other, therefore, as approximate social equals, ignoring the slight differences in social status there may be between them...The urban extended social network makes greater allowances for the gradation of social status and tends to

> cut across ethnic or other divisions. It provides covert or informal structure composed of inter-person links which spread out and ramify in all directions, criss-crossing not only the whole of the local community, but knitting together people in different towns and country" (Epstein in Mitchell 1969:110–111).

Some of the relationships in urban social networks derive from ethnic systems while others are a product of more open organizations that exist in urban areas, such as reciprocal support groups and friendship networks. These networks provide informal social security to urban people who may have no links to any other social security system.

Members of urban networks help one another in a variety of ways. They borrow and lend each other money or food. They put up one another's in-laws so as to observe the traditional rule that in-laws may not sleep in the same house and they exchange favours and support one another in times of need, such as accommodation, during sickness, on death and for ceremonies. In the process they develop general obligations to help one another. In contrast with extended family obligations, urban network relationships tend to be contractual in nature and therefore, depend strictly on mutual aid, obligation and reciprocity.

Urban social networks have been used to cover many contingencies including job loss, funerals, sickness, political support and disputes. The study found that most of these networks assume an informal structure. However, those which are work-related, school-related, church-related and club-related tend to have semi-formal structures. Which social network the individual turns to for support depends on the nature of the problem. In some crises, however, more than one type of social network is mobilized to render specific support. In some cases different social networks combine to deal with or mitigate the effects of a crisis on an individual or family.

While in rural areas traditional social security is sustained by and depends upon the extended family system, in urban areas non-formal social security schemes are largely sustained by and depend upon non-kin reciprocal social networks.

Many urban people have learned to support one another in order to survive the harsh and sometimes dehumanizing urban environment. For the urban poor, these networks are the only provider of social security and some are even afraid of returning to their villages of origin because they feel relatively secure with their new "extended family", based on urban social networks.

Viability

The networks described are viable as a provider of social security to urban people who do not have access to any formal social security schemes. However, such viability depends on the economic capacity of the urban residents themselves. During the period of economic boom (1964–1974), the provision of social security by urban social networks was much higher than it was in the 1980s and 1990s when people had little money. It follows, therefore, that the increased economic capacity of urban residents gives them extra money and resources to spend on social networks.

They have the capacity to be mobilized quickly in response to a particular problem. The mix of different types of networks, such as neighbourhood and work-related social networks, increases their ability to support members in times of need. In spite of the reduced real incomes of the people in urban areas, however, most urban people depend on impersonal social networks at the place of work, church, clubs and neighbourhoods.

Potential for strengthening

Like the extended family in rural areas, these networks also have the potential to be strengthened; for example, by expanding the employment opportunities of urban people and increasing their purchasing power. The cornerstone of this strategy is to create employment and income-generating opportunities and for government to support to promote community-based social security initiatives.

Church

In both rural and urban areas, but especially in the latter where the extended family system is weak, the church contributes to the social security of its members. Among the contingencies which the church addresses are hunger, homelessness, sickness, old age and death.

Besides encouraging and supporting the development of non-kinship ties and networks, churches and non-governmental organizations have also been expanding their work into development fields, thus serving as intermediaries for small self-help and community development efforts, especially in the areas of poverty-reduction and social development.

Viability

This is another viable, non-formal social security scheme. However, a church, as a congregation or group, is only as strong as its component parts. If most of its members are poor the strength and capability of the church is equally limited and poor.

Potential for strengthening

There is a need to strengthen the capacity of individuals, households and communities in terms of improved access to adequate food supplies, employment, income, health and other life-sustaining and life-enhancing resources and services so they can build strong churches capable of supporting their weak members.

The study found that the most people belong to one non-formal social security scheme or another, since formal social security schemes are limited both in quantity and quality. However, the non-formal social security system in Zambia is weak and loosely organized. Only two non-formal social security schemes meet the criteria of being social security providers. These are the extended family and market associations.

The burial societies and market associations that had existed in the Copperbelt during the colonial days were discontinued after the country's Independence. The philosophy of Humanism, entailing an elaborate system of the free provision of social services, combined with policies directing all employers to provide their employees with loans and funeral grants, combined to discourage the continuation of the pre-Independence burial societies. These also undermined other non-formal schemes such as the *chilimba* scheme and market associations. As a result, the study was unable to find exhaustive information on non-formal schemes in the country, apart from relatively new and loosely organized ones.

The role of informal social security systems must be understood as a response to the many problems of vulnerability and social insecurity. Thus the community-based lending of money; the role of religious groups to help members through illness, bereavement and hunger; the support of the clan, market associations, informal relations and support networks based on the workplace and the reciprocal assistance in non-family based social groups should all be seen in this light. For a long time to come, these non-formal schemes will continue to provide limited social security to most people. They therefore need to be strengthened so that they can play this role effectively and even expand.