PROMOTION OF INDUSTRIAL REALTIONS THROUGH SOCIAL SECURITY SCHEMES: THE CASE OF TANZANIA

By Krishna Kishore Padala
From Andhra University

INTRODUCTION

In case of conflict between employer and employees, the government will invariably be called As a sort of arbitrator in order to achieve industrial peace. Responsible governments should therefore take a proactive role in reducing social and industrial conflicts by acting on its source, that is by improving the institutional arrangements to welfare of labour. An area of employee welfare where governments would like to take measures to ensure industrial peace is in the employee social security scheme. Generally, social security schemes are imposed and controlled by government units for the purpose of providing social benefits to the community like employees. With employees, social security schemes generally involve compulsory contributions by employees or employers or both and the terms on which benefits are paid to recipients are determined be a government unit.

This paper highlights efforts made by the government of Tanzania to promote prevalence of industrial peace by addressing the differences that existed among the different pension funds in the country.

SOCIAL SECURITY SYSTEM IN TANZANIA

The social security system in Tanzania has had the following key elements

- Social assistance schemes which are non-contributory and income-tested, and provided by the state to groups such as people with disabilities, elderly people and unsupported parents and children who are unable to provide for their own minimum needs. In Tanzania social assistance also covers social relief, which is a short term measure to tide people over a particular individual or community crisis.
- Mandatory schemes, where people contribute through the employers to pension or provident funds, employers also contribute to these funds;
- Private savings, where people voluntarily save for retirement, working capital and insure themselves against events such as disability and loss of income and meet other social needs

Despite the existence of this framework, services delivery has not reached the majority of Tanzanians due to inadequate financing and fragmented institutional arrangements. About 70 percent of the Tanzania population is in the rural areas, while the rest are in the urban areas. About 2.7% of the total population is covered by the mandatory formal social security system. In addition, 93 percent of the capable workforce is engaged in the informal sector in both rural and urban areas; out of that 80 percent is in engaged in the agrarian economy.

Currently there are six major formal institutions that provide social security protection in Tanzania. These are

1. The National Social Security Fund(NSSF) offering social security coverage to employees of private sector and non-pensionable person and government employees,

2. The public service pension Fund (PSPF) providing social security protection to employees of central Government under pensionable terms
3. Parastatal Pension Fund (PPF) offering social security coverage to employees of the both private and parastatal organizations,
4. The Local Authorities Provident Fund (LAPF) offering Social Security coverage to employees of the Local Government
5. The National Health Insurance Fund (NHIF) offering health insurance coverage to pensionable employees of central Government
6. The Government Employees Provident Fund (GEPF) providing social security to employees of the government who are in operational services and who under contact.

SHORTCOMMINGS IN THE SOCIAL SECURITY SYSTEM IN TANZANIA

The social security system in Tanzania was characterized by a number if shortcomings, which had to be addressed by government;

1**. Limited Coverage**:- Persons covered by the social security schemes were those employed in the formal sector which was only about 5.4% of the whole labour force. This meant the remaining 94.6% engaged in informal sector and comparatively more vulnerable were not covered by the formal and social security protection

2. **Fragmentation and lack of co-ordination**:- The social security sector lacked co-ordination at the national level as each Fund reported to a different ministry with differing operational rules and procedures. As a result, contribution rates benefit structure, qualifying conditions as well as plans and priorities differed from one institution to another.

3. **Lack of mechanism for portability of benefit rights**:- There was no established mechanism that allowed benefit rights of a member to be transferred from one scheme to another. This resulted in employee losing some of their benefit rights when they move from one sector to another.

4. Social Security benefits:- In some of the social security schemes, members benefits were not rights but privileges. Members lost some of their benefits if they left employment before attainment of their pensionable ages. In other circumstances, members benefit rights were determined by the employers, depending on the nature of termination.

5. **Non- contributory social security benefits**:- There was a great of salaried workers who were getting social security benefits fully financed through tax revenues; this was a strain to the government budget.

6. **Investment of social security funds:-** There was inadequate guidance on investment of social security fund at national level. As such the administrators of the pension fund could invest in any type of opportunities of their choice. This exposed the funds to risky ventures.

A responsible government cannot run a blind eye on the aforementioned shortcomings observed in the social security system of the country. Consequently, the government embarked on the move to address the problems by formulating a comprehensive national social security policy that would address the needs of employed people in the formal sector, self employed population in the informal sector, the elderly, people with disabilities and children in need of special protection.

INTERVENTIONS BY THE GOVERNMENT

The government of Tanzania addressed the issue by first of all formulating a social security policy. This was accomplished in

2016. The policy was formulated in order to address all matters that were considered problematic in the way social security activities were conducted in the country. The policy was formulated with the general objective to ensure that every citizen is protected against economic and social distress resulting from substantial loss in income due to various contingencies. Arising from the policy, some legislations were amended and others enacted by the parliament.

THE SOCIAL SECURITY REGULATORY AUTHORITY

The Social Security Regulatory Authority (SSRA) was established under the Social Security (Regulation Authority) Act no. 8 of 2008 (as amended by Act No. 12 of 2012) with the main objective of regulating the social security sector. The Authority started its operations at the end of the year 2010. The Act of parliament establishing the SSRA provides a number of functions and duties among them being registration of fund managers, Custodians and schemes, regulating and supervising the performance of managers, Custodian Schemes and protecting and safeguarding the interests of members. The task of fund registration was an important one since it ensured that only pension and provident funds that met specific conditions would be registered and allowed to operate in the country. SSRA issued guidelines to pension and provident funds that aimed to ensure that the shortcomings observed in the social security system were corrected.

MEMBERSHIP REGISTRATION GUIDELINES

The SSRA issued Social Security Schemes (Membership Registration) Guidelines in 2016 aimed to set out conditions to operate as a social security provider in the country. These guidelines made massive changes to the industry of social security provision in the country. Among the important requirements include:

REGARDING SOCIAL SECURITY EDUCATION TO EMPLOYEES

1. It shall be the duty of the employer to accord all scheme equal opportunity to meet with the employees for purposes of providing public education on their benefits plans to employees.
2. Every scheme shall provide public education and conduct awareness campaigns designed to educate members on their rights, duties, 0bligationns, procedures and mechanisms with public education requirements regards to their benefit plans.
3. The schemes shall provide public education and conduct awareness campaigns designed to solicit members form amongst the public with particular emphasis to informal sector workers and self-employed persons.

EMPLOYERS ARE PROHIBITED FORM CHOSSING A SCHEME FOR THEIR EMPLOYEES AS FOLLOWS:

1. The employer shall not choose a scheme for any of its employees.
2. The employer shall not force an employee to join a scheme which is not for his choice.
3. The employer shall not be allowed to issue policies or circulars requiring employees to be members of a particular schemes.
4. The employer shall not have employment contracts indicating specific scheme membership registration requirement.

In addition, the membership regulation guidelines prohibit schemes from degrading the benefits provided by others schemes.

Indeed, schemes are not allowed to talk ill of benefits plans provided by other schemes. The guidelines also address other shortcomings like portability of benefits from one scheme to another and others.

THE SOCIAL SECURITY SCHEMES INVESTMENT GUIDELINES

The Bank of Tanzania, which is the country's central bank issued Social Security Schemes Investment Guidelines in 2012 with the general objective of guiding the Boards of Trustees of the schemes to undertake investment decisions in line with the best practices and provisions of the Act. The specific objective of the Guidelines include

1. Prescribing limits for investments in various asset categories to foster risk diversification and limit excessive concentration of risk
2. Safeguarding and protecting the interest of the members of the scheme by directing investments in safe and high yielding investment opportunities without compromising diversification and social economic utility criteria.
3. Ensuring sound governance structure, which is essential for the effective investment of social security funds
4. Ensuring that there s sufficient liquidity to meet maturing obligations.
5. To ensure a high level of integrity and professionalism in the governance and administration of the investments of social security schemes.

The investment guidelines addressed the observation that fund managers had the lee way to invest in any opportunity of their choice. This was considered undesirable as failure of a fund to the extent of being insolvent would be catastrophic to the nation.

CONCULSION

The social security system in Tanzania was not in good shape and soon or later would create choice and the benefits differed significantly for no explainable reason. The government has intervened to ensure that shortcomings that existed are minimized or eliminated. The Government of Tanzania has not addressed the globalization issues of social security system that appear to be a concern for many nations, both in the developed world and in the developing countries.

REFERENCES

1. Asper, A.G (2001) Role of government in improving industrial relations Roundtable discussion on Furthering Workers welfare, Manila.
2. Beacon, B (nd) Socially Responsible Globalization: The Challenges for social Security Finnish ISSA
3. BOT (2012) The Social Security Schemes Investment Guidelines
4. Dolezalova, J (nd) Impact if Globalization on systems of Social Security, Paper presented in the 9th NISPA Annual Conference, Prague

*****