SOCIAL SECURITY FUNDS INVESTMENT AND THE ECONOMIC STATUS OF THE RETIREES IN TANZANIA

A CASE OF NSSF- DAR ES SALAAM
SOCIAL SECURITY FUNDS INVESTMENT AND THE ECONOMIC STATUS OF THE RETIREES IN TANZANIA: A CASE OF NSSF- DAR ES SALAAM

By

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Dissertation Submitted in (Partial) Fulfillment of the Requirements for the Award of the Degree of MSc. in Procurement Supply Chain Management (PSCM) of Mzumbe University

August, 2013
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled Social Security Funds Investment and the Economic Status of the Retirees in Tanzania: A Case of NSSF- Dar es Salaam in partial fulfillment of the requirements for the award of the Degree of MSc. in Procurement Supply Chain Management (PSCM) of Mzumbe University.

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Special thanks are due to the NSSF’s management for allowing me to pursue my studies. I also thank the management of NSSF for allowing me to conduct my research in their institution. Lastly, I thank members of my family for their constant love, prayer and support.
DEDICATION

This work is dedicated to my beloved Wife, Azaleah Uiso, my lovely Daughter Nancy Felix, my parents, Mr. & Mrs. Zacharia Uiso as well as my uncle Mr. & Mrs. William Uiso who contributed a lot in shaping my behaviour during early childhood, and has been a source of encouragement and support throughout the entire period of my academic development. Their struggle has made me who I am today.
# ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>URT</td>
<td>United Republic of Tanzania</td>
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<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
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<tr>
<td>NSSF</td>
<td>National Social Security Fund</td>
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<tr>
<td>PPF</td>
<td>Parastatal Pension Fund</td>
</tr>
<tr>
<td>LAPF</td>
<td>Local Authority Provident Fund</td>
</tr>
<tr>
<td>NHIF</td>
<td>National Health Insurance Fund</td>
</tr>
<tr>
<td>GEPF</td>
<td>Government Employees Provident Fund</td>
</tr>
<tr>
<td>NPF</td>
<td>National Provident Fund</td>
</tr>
<tr>
<td>SSF</td>
<td>Social Security Fund</td>
</tr>
<tr>
<td>NGO</td>
<td>Non Governmental Organisation</td>
</tr>
<tr>
<td>ICT</td>
<td>Information Communication Technology</td>
</tr>
<tr>
<td>EAC</td>
<td>East Africa Community</td>
</tr>
<tr>
<td>IGG</td>
<td>Inspector General of Government</td>
</tr>
<tr>
<td>KCK</td>
<td>Kituo Cha Katiba</td>
</tr>
<tr>
<td>RSSB</td>
<td>Rwanda Social Security Board</td>
</tr>
<tr>
<td>HQ</td>
<td>Head Office</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Science</td>
</tr>
<tr>
<td>MIMS</td>
<td>Members Information Management System</td>
</tr>
<tr>
<td>CFMS</td>
<td>Core Fund Management System</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
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This study investigated the extent to which the contribution of the members to the Social Security Funds influenced their economic status when they retired. It was conducted at NSSF Head Quarters and three Dar es Salaam Regional Offices. It used case study design including the qualitative and quantitative researches as dominant paradigms. Data was collected through four data collection techniques namely; interview, questionnaires, non-participant observation and documentary review.

More specifically, it examined the ways social security funds keep members contributions records, it identified challenges facing retirees when accessing services from social security funds and evaluated strategies used by social security funds to improve the benefits of the retirees. Finally, it established the relationship between the contribution made by the members to Social Security Funds (SSF) before retirement and the benefit they receive after retirement.

Findings revealed that electronic systems are used to keep members’ contributions records. The second objective shows that formal Social Security Schemes are riddled with problems such as; delay in payment of benefits, employers’ averting paying contributions, insufficient members’ benefit, small interest rate, inflation and bureaucracy. As regard the third objective several strategies are used including: Development of investment policy, training employees to enhance their working capacity and use of indexation to adjust retirees’ payment. Finally, findings show that relationship between the contributions made by the members to SSF before retirement is directly proportional to the benefit they receive after retirement.

It can be concluded that NSSF uses computerized system and well trained staff to easily track, identify, capture, process members’ payment and overcome the challenges faced by customers. It was apparent that the relationship between the contributions made by the members’ retirement is directly proportional to the retirement benefit they receive.

Based on the findings and conclusions, it is recommended that the Government should regulate the relationship between the contributions made by the members to NSSF before retirement to be proportional to the benefit they receive after retirement. The SSF should also train, on regular basis, the workers on indexation and ensure the sustainability of the computerised systems.
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CHAPTER ONE

PROBLEM SETTING

1.0 Introduction

In recent years, a great deal of attention has been given to the reform of social security systems in developing as well as in developed countries (Jütting, 1999). Formal social security system in Africa and other developing countries is a product of colonialism (URT, 2003). According to article 22 of the Universal Declaration of Human Rights, access to adequate level of social protection is a basic right to all the people. This right is not realized by 80 percent of the global population. With very few exceptions (Mauritius, Botswana, and to a certain extent South Africa), formal social security institutions have not been successful in fulfilling their main mission, broad-based coverage of the population (Barbone Luis-Alvaro).

As reflected by the ILO study in Tanzania this is caused by limited coverage in terms of membership, scope and access to the social protection benefits. The existing schemes cover less than 1 percent of the entire population and only 6.5 of the labour force of the total working population. This figure refers to the most prominent institutions like the National Social Security Fund (NSSF), the Parastatal Pensions Fund (PPF), the Local Authorities Provident Fund (LAPF) and the Public Service Pension Fund (PSPF) and does not include the population covered by the National Health Insurance Fund (NHIF). Other authors estimate that the formal security schemes cover only 6 % of the population and about 5 % of the active labor force (including NHIF) (Mchomvu et al. 2002).

1.1 Background to the problem

Formal social security in Tanzania can be traced back to the period of colonial penetration, first, by the Germans (1885-1918) and then by the British (1918-1961), when a new political system was established alongside the introduction of plantations and the imposition of a hut tax which forced the African people either to migrate into
various economic enterprises or to participate in cash crop production (Bossert, 1987).

It was during this period that some social security measures were introduced, such as pensions schemes, compensation payments to workers injured while performing their duties, the distribution of food to the rural population during years of poor harvest and the provision of health services and education for serving colonial government officials, thus forming a nucleus of the present formal social security system (Mchovu, et al 2002).

In Tanzania during the colonial era, social security coverage was extended to the few people who were in the colonial employment. Most of the people were excluded from any type of public social security scheme. The majority of the Tanzanian people depended upon the traditional social security system for their protection, which is still the case to date, though effects of urbanization and difficult economic environment have weakened the same. After independence, the Government of Tanzania introduced a series of policies and measures to reverse the situation that prevailed during the colonial era. The measures included access to provision of social welfare services to marginalized groups such as the elderly as well as establishment of statutory social security schemes (URT, 2003).

Despite the above efforts by the government, the large majority of the labour force in Tanzania lacks any kind of social security protection at all. In addition, many people have insufficient coverage. This, according to the findings from a study by Dau (2003) is caused by the poor general performance of the existing social security institutions in terms of coverage, provision of quality benefits and efficiency. As a result, many elderly people lack significant elements of protection (such as health care or pension) or have the protection that is low or declining. Tanzania does not have a general social pension program, and there is no reliable data available with regard to the coverage of older people by one of the existing schemes. There are many problems that limit provision of adequate social protection including lack of
budgetary provision. Findings from a study by Spitzer, et. al (2009) show that the government faces serious financing problems and fails to allocate sufficient budgetary means to adequately meet the needs of older people. Spitzer further points out that Government based social security systems face management problems. Experience shows that people are willing to contribute to social security benefits that satisfy their priority needs (ILO, 2001).

1.2 Statement of the problem
Although the focus of the formal social security schemes in Tanzania is on the protection of workers against contingencies associated with temporary or permanent loss of income, the benefit provided by these schemes is insufficient to provide adequate social protection to retirees (Mchomvu et. al, 2003).

This is reflected by the small rates of interest awarded annually to members by these schemes, the evasion of payment of premiums by employers, lack of transparency, the delaying of benefits and disparities in risks covered as cited in Mangangila (1976), Mataba (1983) and Mlyansi (1991) by Mchomvu et. al (2003).

Nevertheless, in Tanzania, social security systems are gaining importance. Notwithstanding the fact that service delivery has not reached the majority of Tanzanians due to small coverage of only 2.7% of the total population by the mandatory formal social security system. Service delivery has not reached the majority of Tanzanians due to inadequate financing, fragmented institutional arrangements and lack of comprehensive and integrated approach (Spitzer, et. al, 2009; Tanzania Social Security Policy, 2003).

The existing social security policy is not elaborate enough to guide effective functioning of the industry. Not only that but also there are some structural, operational and policy weaknesses inherent in the social security system (Tanzania Social Security Policy, 2003). This clearly demonstrates the need to study the problem. This study, therefore, investigated the extent to which the contribution of the members to the social security funds (SSF) influence their economic status when they retire.
1.3 General and specific objectives

1.3.1 General objective
To investigate the extent to which the contribution of the members to the social security funds influence their economic status when they retire.

1.3.2 Specific objectives
(i) To examine the ways social security funds keep members contributions records.
(ii) To identify challenges facing retirees when accessing services from social security funds.
(iii) To evaluate strategies used by social security funds to improve the benefits to retirees.
(iv) To establish the relationship between the contribution made by the members to SSF before retirement and the benefit they receive after retirement.

1.4 Research Questions
(i) What are the ways social security funds use to keep members contributions records?
(ii) What are the challenges facing the retirees when accessing services from social security funds?
(iii) What are the strategies used by social security funds to improve the benefits to retirees?
(iv) Is there any relationship between the contribution made by the members to SSF before retirement and the benefit they receive after retirement?

1.5 Significance of the study

Body of knowledge
The findings of this study will contribute to the existing body of knowledge on the adequacy of the benefit provided Social Security Schemes in providing adequate social protection to retirees based on their contribution to SSF before retirement in Tanzania.
Policy makers
Findings will be a basis for influencing creation of policies and guidelines to improve the provision of social security services to the retired employees and elderly.

Government, Local Government Authorities, Financial institutions, and other stakeholders
Likewise, the findings of the study provides other stakeholders, financial institutions, Local Government Authorities, NGOs, the Government and researchers with information on the possible challenges that face retirees when accessing services from social security funds.

The significance of the study arises from the fact that it sheds light on strategies that SSF, the government and other stakeholders to improve the benefits to retirees and minimize or eliminate problems they are facing in accessing services from SSF.

1.6 Outline of the Dissertation
The dissertation is organised in five chapters. Chapter One sets the scene. It introduces the research study, provides a background, the statement of the problem, objectives and research questions of the study. It in addition includes the significance, justification for the study and limitations.

Chapter Two reviews the literature related to the area of study. The review builds on the experiences of others. The review of literature reveals what has previously been done on the topic, what remains to be done and what is proposed in this study. The review is based on the specific objectives of the study. It focused on the ways social security funds keep members contributions records, challenges facing retirees when accessing services from social security funds, strategies used by social security funds to improve the benefits to retirees and the relationship between the contribution made by the members to SSF before retirement and the benefit they receive after retirement. Finally, it establishes the gaps that exist in the literature on the topic under study. Chapter Three presents the procedures and methods used to carry out the study. It generally includes sections on the research methodology, the areas of study, the population and how it was obtained, instrumentation used, step-by-step
procedures in gathering and processing data, and statistical treatment of data. Technically, this would enable another researcher to replicate the study.

The findings, discussion and interpretation of the results that pertain to each research objective are presented and analysed in Chapter Four in accordance to the research objectives. Chapter Five is the final chapter. It discusses the conclusions, recommendations and implications of the findings for the field. Finally, the chapter speculates on future research that might be stimulated by extending this study. Appendices are at the end of the thesis and they include questionnaires and observation checklists and other documents that are referred to in the text, that are too distracting or voluminous to have been included within the text.

1.7 Summary of Chapter One
This chapter delineates the research problem this study assesses, that is, the extent to which the investment of the contribution of the members to the social security funds influence their economic status when they retire by providing the introduction and the background to the problem. It has also presented the statement of the problem, objective of the study and research questions based on the research problem. The chapter has also, defined and presented the justification and significance of the study.

1.8 Justification for the Study
Although studies on the social security funds have been carried out in other parts of the world, there has not been comprehensive research on the extent to which the investment of the funds contributed by the members to the social security funds influence their economic status when they retire in Tanzania. The most essential part of the study is the survey results and the recommendations. The survey results are bound to have a profound impact on social security and training programmes in the SSF and education sectors. If the recommendations of the study are implemented they are likely to lead to the improvement of the actual practice of improving the retirees’ economic status when they retire in Tanzania. In fact, the lack of research
into improving the retirees economic status when they retire has remained the main handicap to setting up sustainable social security programmes and facilities in Africa.

This study recognizes that investing funds contributed by social security members is an important idea that protects the value for money. However, the value of this investment of members’ contributions can only be realised when they are properly used to improve the economic status of the members when they retire. Research on use of benefits accrued from the investment of funds contributed by members in social security schemes is likely to yield reliable empirical data that could be useful for improving the economic status of the members when they retire. Therefore, this study serves as an input to producing data that can be used in the Tanzania’s context.

Although, the study applies models and theories from other studies, the findings are peculiar to the Tanzanian context and the results are relatively original. The study is going to add scholarly research and literature in the field of social security.

1.9 Scope and limitations of this study

The study focused on how the investment of members’ contributions improves the retirees’ economic status in terms of the amount of the pension they receive. This study was conducted at NSSF Head Office and Dar es Salaam Regional Offices. The decision to invest members contributions are made at NSSF Head Quarters. This is also where policies and circulars are being made. A major limitation of this study is that most of the respondents had a low level of awareness and knowledge on how the investment of members’ contributions improves the retirees’ economic status in terms of the amount of the pension they receive, hence affecting the quality of the data collected. To address this problem, prior to the interview, the researcher explained to the respondents the rationale of investing the funds contributed by the NSSF members to preserve the value for money and why it was important for members to contribute and for the Social Security Fund to invest the money.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides a theoretical perspective of the problem under study. The purpose of reviewing the literature is to find out what has been done, what remains to be done, what methodologies have been used and existing gaps. The reviewed literature relates to members contributions records keeping in social security funds, challenges facing retirees when accessing services from social security funds, strategies used by social security funds to improve the benefits to retirees and the relationship between the contribution made by the members to SSF before retirement and the benefit they receive after retirement.

The chapter presents theoretical and empirical literature with a view of examining how other scholars investigated the problem of how members’ contribution to the social security funds (SSF) influence their economic status when they retire and provide greater insights by adding knowledge to readers and make both government leaders and workers/ citizens aware of the concept of social security services in Tanzania.

2.1 Definition of terms

Social security

Social security means any kind of collective measures or activities designed to ensure that members of society meet their basic needs and are protected from the contingencies to enable them maintain a standard of living consistent with social norms. This study adopts the ILO definition of social security as the protection measures which society provides for its members, through a series of public measures against economic and social distress that would otherwise be caused by the stoppages or substantial reduction of earnings resulting from sickness,
maternity, employment injury, unemployment, disability, old age, death, the provision of medical care subsidies for families with children (URT, 2003).

**Indexation of Benefits**

Indexation of Benefits is an adjustment of pensions and other cash benefits to take account of price movements and protection against inflation to the beneficiaries. Indexes may include prevailing statutory minimum wages, yearly average earnings of the contributors e.t.c (URT, 2003). This study adopts this definition.

**Investment**

Investment in this study refers to the members contributions committed into the Fund’s projects as input and the maximised returns on investments payable to the retirees as benefits.

**2.2 The need for social protection: A global view**

The global demographic picture shows that the world population aged 60 years and above is increasing enormously. In most African countries an almost unnoticed but dramatic demographic change will take place in the next decades. In some countries the older population will increase six-fold by 2050. For the United Republic of Tanzania it is estimated that the absolute number of older persons will increase from 1.95 millions in 2005 to 7.16 millions in 2050. This equals with an increase of 270 %. The percentage of older people in the population of Tanzania is currently the highest in the East African region (5.1 % in 2005) and will increase up to 10.7 % in 2050 (Aboderin & Gachuhi, 2007; United Nations Population Division, 2007).

However, in most African countries these demographic projections do not correspond with the plans and existing programs to address the needs of older people. As a consequence the majority of older people continue to live at risk in the face of abject poverty and lacking social protection. Social and economic disintegration processes tend to exclude a high number of older people from social participation and expose them to highly vulnerable living conditions. Rapid modernization processes such as urbanization, rural-urban migration, coupled with
the breakdown of traditional family support networks and the devastating effects of the AIDS-pandemic and chronic poverty in the country pose a real and important challenge which the Tanzanian society and government has to face and address immediately. The effects of the AIDS-pandemic are devastating on sexually active age groups but little has been done to explore its effects on older people. Yet the older generation plays a particularly important role caring for people affected with HIV in general and orphaned children in particular. In Tanzania 64% out of a total number of 2.5 million orphans are living in a household headed by a person over the age of 55, and there is a strong tendency that the number of children living with grandparents increases in relation to those living with other relatives (HelpAge International, 2004). For sub-Saharan Africa it is estimated that at least six million children are cared for by their grandparents (Gorman, 2004).

The international community set a milestone when the United Nations gave birth to the International Plan of Action on Ageing emanating from the Second UN World Assembly on Ageing in Madrid 2002. Through this document a policy framework coupled with concrete recommendations to adequately address the forthcoming demographic and structural developments has been designed.

However, it has to be noted that older people are not explicitly mentioned in the Millennium Development Goals (MDGs) setting the aim of halving the world’s population living in extreme poverty by 2015. Yet the link between social protection and the achievement of the MDGs is evident since the key objective of social protection is to reduce the vulnerability of the poor (Devereux & Sabates-Wheeler, 2004; Schubert & Beales, 2006). The African Union has also put ageing issues on the agenda and recommends its member states to develop and implement strategies that extend the coverage of formal and informal social security systems for their older populations (African Union/HelpAge International, 2003). In 2006 an agreement made among 13 African countries in Zambia (“Livingston Call for Action”) recognized social security as a basic human right and cash transfers as a highly effective yet under-used development resource in the region (Schubert & Beales 2006).
2.3 Social security in Tanzania

Formal social security system in Africa and other developing countries is a product of colonialism. In Tanzania during the colonial era, social security coverage was extended to the few people who were in the colonial employment. Most of the people were excluded from any type of public social security scheme. The majority of the Tanzanian people depended upon the traditional social security system for their protection, which is still the case to date, though effects of urbanization and difficult economic environment have weakened the same (URT, 2003).

Social security has existed in Tanzania well before independence; whereby various policy statements have been made and Acts passed in regard to the protection of the population against contingencies like injury, loss of employment and old age. These include the Master and Native Ordinance Cap 78 as amended by Cap. 371, Provident Fund (Government Employees) Ordinance Cap 51, Provident Fund (Local Authorities) Ordinance Cap. 53 and the Workmen’s Compensation Ordinance Cap 262.

After independence new legislations were enacted and others amended. These include the Severance Allowance Act No. 57 of 1962; the National Provident Fund Act No. 36 of 1964 amended by Act. No. 2 of 1975 which was later repealed and replaced by the National Social Security Fund Act No. 28 of 1997; the Parastatal Pensions Act No. 14 of 1978, the Public Service Retirement Benefits Act of 1999, the National Health Insurance Fund Act No. 8 of 1999 and Local Authorities Provident Fund Act. No. 6 of 2000.

Currently, there are five major formal institutions that provide social security protection in Tanzania. These are the National Social Security Fund (NSSF) offering social security coverage to employees of private sector and non-pensionable parastatal and government employees, the Public Service Pension Fund (PSPF) providing social security protection to employees of central Government under
pensionable terms, Parastatal Pension Fund (PPF) offering social security coverage to employees of the both private and parastatal organizations, the Local Authorities Provident Fund (LAPF) offering social security coverage to employees of the Local Government and the National Health Insurance Fund (NHIF) offering health insurance coverage to pensionable employees of central government. The formal social security total coverage in Tanzania is about 871,000 members distributed as 363,000 for NSSF, 193,000 for PSPF, 180,000 for NHIF, 90,000 for PPF and 45,000 for LAPF. This represents about 85% of the persons employed in the formal employment sector (URT, 2003).

2.3.1 The Impact of Social Security System in Tanzania
Efforts by the government to provide social security protection in the country have brought about significant development. However, there are still some structural, operational and policy weaknesses inherent in the social security system.

Achievements
i) Investment of Social Security Funds
Social security institutions in Tanzania have been investing in portfolios such as commercial loans, real estate, government securities, loanable funds, bank deposits and equities; all of which have contributed to social and macro-economic development of the country.

ii) Awareness on Social Security Matters
There has been an increase in the level of public awareness on the social security system in respect of benefits offered, coverage, investments and general operations of the sector.

iii) Organized Self-help Groups
Informal social security scheme in the form of self-help groups has been more organized than before.

2.3.2 Use of state of art technology
Empirical findings from Rwanda reveal that a recent actuarial valuation identified deficiencies in recordkeeping and use of information technologies in the contribution
remittance process. The social security system is still scattered, costly and not coordinated and characterised by a number of weaknesses including low application of information technologies which negatively affects the contribution remittance (Republic of Rwanda, 2009). In Tanzania the social security concept has been changing with time from the traditional ways of security to modern ones. The use of ICT has increased in almost all areas. Many offices including SSF use computers, networks, Internet and World Wide Web to simplify work (URT, 2003).

2.4 Challenges facing SSF and retirees in the Current Social Security System

The existing social security system in Tanzania is characterised by a number of shortcomings. Among these shortcomings are:

i) Limited Coverage

Findings from EAC's social security indicate that Uganda, Tanzania, Rwanda and Burundi cover less than 10 per cent of their populations while Kenya's coverage is relatively higher at 15 per cent (Bamuturaki, 2011). Persons covered by the social security schemes are those who are employed in the formal sector and are estimated to be slightly over 1.0 million. This is only about 5.4% of the whole labour force of over 16 million Tanzanians. This means the remaining 15 million labour force, engaged in informal sector and comparatively more vulnerable are not covered by the formal social security protection (Bandawe, 2010; URT, 2003). Even the formal sector that is covered is only partially covered and the depth of social protection is very shallow. The percentage of employees covered excludes most employees in the private sector. In the other hand, the risks or contingencies covered are limited. The public service pension schemes usually provide for an old age or survivors/dependent's pension but other elements such as medical care, housing, unemployment, education or maternity benefits are not covered (Bamuturaki, 2011). Similarly, findings from NSSF show that extension of coverage to the informal sector continued to be a big challenge. However, an interesting finding shows that there is an increasing awareness among the people in the informal sector on the benefits vested in social security and introduction of sweeteners, i.e., supplementary benefits, the Fund expects to overcome the existing challenges (NSSF, 2010).
ii) Inadequacy of Benefits Paid (Number and Meaningfulness)

In Tanzania, findings show that the number of benefits offered by most of the existing schemes fall below the ILO Minimum Standards in terms of number, quality and indexation to the current levels of earnings (URT, 2013). Similarly, findings from Uganda show that the Inspector General of Government (IGG), Justice Faith Mwondha, submitted a report to President Yoweri Museveni, calling for the overhaul of the Fund because of the problem of insufficient members benefits, mismanagement, poor leadership and corruption, which the IGG said had affected NSSF performance in service quality and return on members savings (Kasita, 2010). The financial efficiency of Kenyan pension funds, both public and private, has come under increased scrutiny. Although retirement income accounts for 68% of the total income of retirees in Kenya, 45% in Australia, 44% in Austria and 80% in France, 75% in South Africa, 82% in the United States of America still the pension Funds are not managed efficiently to ensure higher retirement income for pensioners (Anorlds and Njuguna, 2010; Alliance Global Investors, 2007; EBRI, 2007a and Kakwani, Sun and Hinz, 2006).

iii) Different contribution rates and benefit structures

Contribution rates among SSF vary considerably and are very high for the SSF in Tanzania--20 percent of salaries. Contributions to the Uganda provident fund stand at 15 percent--10 for employers and 5 for employees. Kenya’s contribution stands at 10 percent, but with an effective ceiling for most workers--around three dollars, half for the employees and half for the employers.

This extremely low level is the result of contribution rates fixed in nominal terms during the years. The overall contribution rates covering pensions and other benefits reach up to 31/35 percent of salaries in Senegal; 3, 4 and 4.5 percent respectively in Mauritania, Côte d’Ivoire and Madagascar. The low pension contributions follow from the fact that initially the resources needed to pay pension benefits were small. The receipts from higher social security contribution rates have gone to finance generous family benefits. As pension outlays have grown at a rate faster than the allotted contributions, internal transfers have been necessary to finance pension
obligations. Employers pay the bulk of the contributions, both for overall social security and for pensions (Barbone and Luis-Alvaro Sanchez, 1999).

In Tanzania, for long time, the social security sector lacked co-ordination at national level as each Fund reported to different Ministries with differing operational rules and procedures. As a result, contribution rates, benefit structures, qualifying conditions as well as plans and priorities differed and still differ from one institution to another. This is also justified by a study by Bandawe (2010) who maintains that of all the SSF National Social Security Fund (NSSF), Parastatal Pension Fund (PPF), Public Sector Pension Fund (PSPF), Local Government Provident Fund (LAPF) charge 20% contribution rate, National Health Insurance Fund (NHIF) charges 6%, Government Employees Provident Fund (GEPF) charges 25% and Zanzibar Social Security Fund (ZSSF) charges 15% (Bandawe, 2010). Of all the Social Security Fund, GEPF has high contribution rate of 25% (See Table 4.1).

Implicitly, this means that GEPF retirees/ members get the highest benefits. Conversely, findings from URT (2003) showed that some employers provide remunerations composed of basic salaries and allowances, while deductions for social security are based on basic salaries only. This leads to lower benefits from social security institutions upon retirement.
Table 2.1 Different contribution rates

<table>
<thead>
<tr>
<th>Name</th>
<th>Year</th>
<th>Coverage</th>
<th>Membership</th>
<th>Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Rate (%)</td>
</tr>
<tr>
<td>NSSF</td>
<td>1964</td>
<td>Private</td>
<td>400,000</td>
<td>20</td>
</tr>
<tr>
<td>PPF</td>
<td>1978</td>
<td>Parastatal and private</td>
<td>60,000</td>
<td>20</td>
</tr>
<tr>
<td>LAPF</td>
<td>1944</td>
<td>Local Govt</td>
<td>40,000</td>
<td>20</td>
</tr>
<tr>
<td>NHIF</td>
<td>2000</td>
<td>Government</td>
<td>275,000</td>
<td>6</td>
</tr>
<tr>
<td>GEPF</td>
<td>1942</td>
<td>Police and prisons</td>
<td>15,000</td>
<td>25</td>
</tr>
<tr>
<td>PSPF</td>
<td>1999</td>
<td>Central Govt</td>
<td>215,000</td>
<td>20</td>
</tr>
<tr>
<td>ZSSF</td>
<td>1998</td>
<td>Govt and private</td>
<td>46,000</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Bandawe, 2010

Generally, drawing from Dau presentation, the NSSF (2010) Annual report showed that still there is unfair competition among the Social Security Funds in the registration of members.

iv) Lack of Mechanism for Portability of Benefit Rights

Portability of Benefits is a system which ensures that members accrued benefits are not lost by a member changing employer, changing employment from one sector to another or by migrating from one country to another. The system ensures continuity of benefit rights accrued.

Anecdotal evidence from Tanzania, show that there is no established mechanism that can allow benefit rights of a member to be transferred from one scheme to another. This results in employees losing some of their benefit rights when they move from one sector to another (URT, 2003). Similarly, findings from Kenya revealed that there are no mechanisms to enable portability of benefits from one scheme to another and from one EAC country to another. An employee cannot have real free movement
of labour without portability of benefits. Realising this, under the EAC, there is a committee on Capital Markets Insurance and Pensions which is handling issues of harmonisation (Bamuturaki, 2010).

**v) Inadequacy of social security benefits provided**

The number of benefits offered by most of the existing schemes fall below the ILO Minimum Standards in terms of number, quality and indexation to meet the basic needs of beneficiaries; in terms of the number of benefits, magnitude and indexation to the current levels of earnings.

Is one of the big challenges facing SSF retirees (URT, 2003). In some of the Tanzania’s social security schemes, members’ benefits are not rights but privileges. Sometimes, members loose some of their benefits if they leave employment before attainment of their pensionable ages. In other circumstances, members’ benefit rights are determined by the employers depending on the nature of termination. However, anecdotal findings show that NSSF has been ensuring customers do not loose their benefits when they leave employment before pensionable age. They increasingly continue to pay premature withdrawals at a decreasing rate and the amount paid by the Fund for these withdrawals still accounted for a significant portion of total benefit payments. More specifically withdrawal amounted to 89,814,592,000 and 106,221,067,000 for 2009/10 and 2010/11 respectively (NSSF, 2010).

**vi) Investment of Social Security Funds**

Findings from Rwanda showed that investment earnings and members' contributions are the most important funding source for the Fund. SSF have developed investment policies and strategies to guide the Fund's stakeholder’s eligible investments, asset class weights and the amount of discretion given to management (Rusibana, 2009). In Tanzania, findings show that there has been inadequate guidance on investment of social security fund at national level. Safe and profitable investment avenues are still limited. Realising this NSSF developed an investment policy to guide all matters related to investment. Furthermore the Fund uses its own efforts to explore other
investment avenues which were previously not traditional to the Fund. The additional risk to be taken is mitigated by encouraging joint venture arrangements to implement such investment plans (NSSF, 2010 and URT, 2003).

2.5 Strategies used by social security funds to improve the benefits to retirees

2.5.1 Investment Policy
As a coping strategy of improving members’ benefits, SSFs have established investment policies. The aim of these policies is to improve social and economic wellbeing of the members of the Fund. For example, one of the objectives of the investment that NSSF is doing is to enhance the capacity of the fund to pay meaningful benefits to its members (NSSF Operation Guide, 2010). Findings from Rwanda showed that Investment earnings and members’ contributions are the most important funding source for the Fund. Therefore, SSFs have developed investment policies and strategies which are vital to guide the Fund's stakeholders. Investment policy establishes eligible investments, asset class weights and the amount of discretion given to management.

As such, investment policy plays a crucial role in determining the extent to which benefit obligations can be offset by the Fund's investment earnings. On a long-term basis, a low risk investment policy for the Fund will earn low rates of return. On the other hand, a high-risk policy would be expected to provide a higher rate of return but may lead to unacceptable levels of return volatility. It is therefore critical that the investment policy establishes a balance between the Fund's risk tolerance and return objectives. The goal of this investment policy statement is to establish guidelines, which ensure that the Fund is managed within a return on investment at a high level (Rusibana, 2009).

2.5.2 Social security policies
Findings from a survey by Kituo Cha Katiba (KCK) - the Eastern Africa Centre for Constitutional Development (KCK), shows that only two countries- Tanzania and Rwanda have formal national social security policies (Bamuturaki, 2010). The
Tanzania National Social Security policy is a product of a series of consultations with stakeholders which started in year 2001. The formulation of the National Social Security Policy came at a time when Social Security Providers were reorganizing their activities to respond to the market demand as related to free market economy. The policy was adopted by the government early in year 2003. The aim of this policy is to realize the goals and objectives set out in the vision 2025 by extending social security services to the majority of the Tanzanians. Under this policy social security sector will be liberalized (URT, 2003). Findings from Rwanda show that the objective of social security is to provide for all Rwandan population with adequate protection against the adverse consequences of various “life cycle” events and risks (Republic of Rwanda, 2009).

An interesting finding show that, all EAC countries have in recent times been giving thought to social security and social protection issues and have either put on the table some policy options or bills for debate governments (Bamuturaki, 2010).

2.5.3 Legal framework
A legal framework has been prepared to ensure coverage initially of all employees in the formal sector (public and private) and eventually the whole population. This will ensure social security is made a right rather than a mere component of social welfare programmes of the governments (Bamuturaki, 2010). In Tanzania already there is an act to govern and standardize operations of the social security sector. The law has enabled the establishment of a regulatory body that ensures smooth and efficient operations of the sector. These Legal Frameworks provide minimum standards that guide the operations of the Schemes. The framework also eliminates the fragmentation of social security system in the country with respect to different legislations and design of the schemes.

2.5.4 Indexation
Because the number of benefits offered by most of the existing schemes fall below the ILO minimum standards in terms of number and quality, SSF’s indexate benefits to the current levels of earnings. More specifically, realising the fact that retirees get
meagre benefits, some SSFs in Tanzania indexate benefits by adjusting pensions and other cash benefits based on price movements and protect retirees against inflation. Indexes may include prevailing statutory minimum wages and yearly average earnings of the contributors (URT, 2003).

2.5.5 Staff Training
Training is one of SSFs Corporate Objectives. It is done to enhance capacity building. Funds continue to enhance the working capacity of their employees by providing sponsorship to pursue long and short courses both within and abroad. Apart from that in-house tailored courses are organised for specific needs of the Fund.

Training is a very important aspect in some cases even the definitions of suitable employment include the rate of pay for the job being offered in relation to previous earnings; distance from the worker’s home; relationship to the worker’s previous occupation, capabilities, and training. In some countries, long-term unemployed workers may also be obliged to undertake employment retraining programs. Some countries also provide the unemployed with access to educational placements. If an unemployed worker refuses a place on a retraining program or fails, without good cause, to attend an educational placement, benefits can be temporarily or permanently suspended (Social Security Programs Throughout the World: Africa, 2011).

2.5.6 Awareness creation
Empirical findings indicate that SSF in Tanzania continue to provide education to the general public on the importance of social security and advantages of being a member. This creates more awareness and a wider acceptability of the Schemes. Basically, there has been an increase in the level of public awareness on the social security system in respect of benefits offered, coverage, investments and general operations of the sector (NSSF, 2010; URT, 2003). As far as Rwanda is concerned, evidence show that the Rwanda Social Security Board (RSSB) provide members
with sufficient and easy-to-understand information about the scope of the social security programs, the responsibilities of employers, employees. Stakeholders are conscientised on the importance of protection of social risks as a major component of inclusive social economic Development (Republic of Rwanda, 2009).

2.6 Mission Statement of the Fund
The fund is committed to promptly meet members evolving social security needs using competent, innovative result-oriented and dynamic human resources and state-of-art technology.

2.6.1. Funds Vision
The Fund envisions becoming a leading provider of social security services in Africa

2.6.2 Core values
The Fund will provide services to its members and the general public on the basis of respect, integrity, innovation, promptness, reliability and accountability

2.7 Social Security Institutions (SSIs) in Tanzania
The social security system in Tanzania comprises six social security institutions (SSIs) in the mainland and one scheme in the isles. Each of these schemes covers a defined category of People or Sector and each scheme was established by a different legislation. The existing SSIs cover less than a million people out of 34.5 million (National Census Report, 2002). That is, the majority of Tanzanians, which include the self employed and the Informal sector employees (ISE) remain without any form of social protection. Implicitly, most of Tanzanians are vulnerable to social and economic insecurity. Thus, unless measures are taken to ensure that they can access some kind of social protection, they will continue to be vulnerable and mostly affected by pangs of poverty. A crucial policy issue is therefore, how lives and livelihoods in developing countries such as Tanzania can be made more secure against adversity and deprivation (Stern & Burgess, 1991). For example, the SSIs have been for years offering conventional benefits namely; old age pension, invalidity, survivors and withdrawal benefits. These benefits are not responsive to the
social security needs of their respective members and particularly those who are vulnerable to social and economic insecurity in the Informal Sector (IS).

The challenges facing Tanzanian social security system include uneven benefit packages among the existing SSIs, inadequately regulated investment activities, limited coverage and the role of SSIs in the fight against poverty. In responding to these challenges, some of these SSIs have implemented parametric reforms in an attempt to adapt to changes brought about by the changing socio-economic environment. Consequently, the scope and depth of benefits have increased. Others have amended their respective legislation to cover sectors previously not covered by these schemes. The recent reform initiative involves the formulation of Social Security (Regulatory Authority) Bill of 2008, which was enacted in 2008. The Act established the regulator of social security.

2.7.1 The Benefit Packages Offered By NSSF

According to the NSSF Act of 1997, Part V Section 21, the following classes of benefits are payable, namely;

(i) The Retirement pension

This is payable to an insured person who has attained a pensionable age, and has paid at least 180 monthly contribution [Sec23 of the Act].

This pension amounts to 30% of average monthly earnings of the retired insured person supplemented by 1.5% of his monthly earnings for every twelve months of pension additional to the 180 months, to a maximum of 67.5% of average earnings which is calculated over the best 5 years in the last 10 years prior to pensionable age. The minimum monthly pension is 80% of the minimum wage.

(ii) Invalidity pension

This is payable to an insured person who;

(a) Is suffering from permanent invalidity. This is the permanent loss of two thirds or more of the earnings capacity because of the physical or mental invalidity.
(b) Is under pensionable age, and
(c) Either has made 180 contributions or at least 36 monthly contributions have been paid in respect of him of which twelve or more were paid in the period of 36 months immediately preceding the date of commencement of invalidity.

The monthly rate of invalidity pension is 30% of the average monthly earning of the insured person, supplemented by 1% of average monthly earning for every twelve monthly between whichever is the later of the pensionable age and the date the date of entitlement to invalidity pension or the date of completion of 180 months contributory employment. The minimum monthly invalidity pension is 80% of the National minimum wage [sec 29 (3) of the Act].

(iii) Survivors Pension

According to sec 33(1), where an insured person dies, a survivors pension is payable to his dependants if at the time of death, the insured person would have been entitled to an invalidity pension. If deemed to have been suffering from permanent invalidity at the time of death, or had attained pensionable age and would have been entitled to retirement pension, had made a claim to such pension provided that if at the time of death the insured person was in respect of retirement or invalidity pension. Then his departments are paid a lump sum equal to the insured persons monthly pension times twelve.

Amount of survivors pension differs among various cases, without prejudice to the relevant laws of inheritance but subject to any will of deceased is prescribed in percentage:

(a) In case of a widow or widower 40% of the pension, and where there is more than one widow, the amount is divided equally among the widow
(b) In case of widow or widower, and there are no dependant child, the widow or widower is paid 100% of the pension.
(c) In case of dependant child under 18 years or under 21 years receiving a full time education as the case may be is 60% of the pension, to be divided equally among such children.
(d) Where there is no widow or widower 100% of the person is divided equally among the children.

(e) In case where there are no dependant children or spouse, parent of the deceased is 100% of the pension for life [sec 34].

(iv) The Funeral Grants

The Act pays the funeral grants as reimbursement to a family member who incurred expenses for the burial of a deceased insured person. The board from time having regard to the general economic conditions determines the amount.

(v) Employment injury benefit

The benefit for the employment injury includes commuting accidents; accident sustained during working hours; at the work place; or at the place where one would not have been except for his employment. Payment is on medical care as prescribed by a qualified medical practitioner consisting of the general practitioner case at hospital, essential pharmaceuticals or hospitalization. There is cash payment in case of temporary disability benefit which is payable after certification of a medical board on the disability, this is 60% of his average daily earnings for up to 26 weeks. Also, cash is paid for permanent disability on certification by a medical board that an insured person has suffered a permanent disability at the rate of 100%. He/she is paid a maximum of 70% of the average monthly earnings, which is paid monthly throughout the period of the disability. An attendance allowance of 25% of that benefit is payable to the helper where the recipient of the permanent disability benefits requires constant attendance of another person. The average daily earnings is calculated on the total earnings the six months preceding the month in which the injury occurred divided by 180.[sec38-40 of the Act].

(vi) The maternity benefit

This is paid to an insured person who has made at least 36 monthly contributions of which 12 contributions are made in the 36 months prior to date of confinement; upon the receipt by the director general of a medical certificate from an accredited medical
provider, certifying that the woman expects delivery of a child; after three years from the day when the last payment was made to the insured person unless the child dies within a period twelve months; and to an insured person, for one month only, in the case of still-birth. The benefit includes cash at the rate of 100% of the average daily earnings for a period of 12 weeks; medical care during pre-natal and post-natal period by an accredited medical practitioner or midwife; provided that where prolonged medical care is required after delivery, the post-natal medical care shall be limited to 12 weeks.

(vii) Health insurance benefit

This is paid to an insured person, the spouse and four children of the insured if the insured person has contributed to the fund for a minimum of three months of which three months of contributions were paid to the fund in three months immediately preceding the medical contingency. The benefits are provided by accredited hospitals having such agreements with the fund.

There are preventive and curative care, essential drugs, simple pathology and X rays, laboratory tests hospitalization where need and minor surgery. This is limited to the medical services provided by doctors, nurses and other medical providers in the accredited hospitals (sec41 & 42).

2.8 The ILO framework of social security

The ILO framework of social security is based on a three-tier structure, which seeks to utilize various funding sources for provision of better protection to the country’s population. This structure also seeks to address needs of different groups in the society with respect to income and degree of vulnerability. The structure consists of the following: -

a) Tier One – Social Assistance Schemes

This constitutes provision of services such as primary health; primary education, water, food security and other services on a means tested basis. These services are usually financed by the government and Non Governmental Organisations (NGOs.
b) Tier Two - Mandatory Schemes

These are usually compulsory and contributory schemes financed by both employer and employee during the working life for terminal and short-term benefits.

c) Tier Three - Voluntary or Supplementary Schemes

The schemes under this tier include personal savings, co-operative and credit societies, occupational pensions schemes and private schemes; managed by employers, professional bodies, community based organizations and other private sector actors.

2.9 Research gap

The review of literature shows that very little has been written on how members’ contribution to the social security funds (SSF) influence their economic status when they retire in Tanzania. There is inadequate literature on the topic in Tanzania. This is the gap that this study is intends to fill.
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction
This chapter explains the way in which the research was carried out. It is organized under the following sub sections; area of the study, the research design, the population, sampling techniques, research instruments, and data collection procedures and data analysis.

3.1 Areas of the study
This study was conducted in Dar es Salaam Region. The area was selected because it where the Headquarters and Regional Offices (Temeke, Ilala and Kinondoni) are conveniently located. Another factor which was taken into consideration in selecting the area was closeness to the work station where the researcher was able to continue with normal duties abreast with the studies including this research. The area was also selected to cut down travelling costs.

3.2 Research Design
Research design is the overall plan with a set of rules that enable the researcher to conceptualise and understand how the problem under study will be conducted, what and how evidence will be gathered, analyzed and interpreted based on the research questions (Easterby-Smith, 2008). This study used a case study research design. According to Yin (2009) case study is a research method based on an in-depth investigation of a single individual, group, institution or event. It may be descriptive or explanatory.

Yin (2003) adds that case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. Yin (2003) notes, however, that case study methods may be used for the “evaluation” of
businesses and government programs with the goal of identifying potential explanations for their successes or failures. This study is both qualitative and quantitative. In qualitative research the focus was on data in the form of words, pictures, descriptions, or narratives to describe reality as experienced by the marginalized women entrepreneurs and FMIs workers. On the other hand, in quantitative research the study focused on the use of numbers, counts and measures of things to establish percentage or number of items. It is based on strict sampling (Monette, 2008).

3.3 Population
Respondents in this study were staff and pensioners drawn from NSSF HQ and three Dar es Salaam Regional Offices namely; Kinondoni, Ilala and Temeke. More specifically, staff and pensioners were selected because they are key sources of information on how members’ contribution to the social security funds (SSF) influence their economic status when they retire.

3.4 Sample and sampling techniques
3.4.1 Sample size and sampling technique
Sixty respondents participated in this study. Sixty respondents who participated constitute 5% of the population or sampling frame (see section 3.3.3). Scientifically, a population of the study is supposed to be between 5% and 10% of the total population (Monette, 2008). The respondents were selected using convenient and purposive sampling techniques. Purposive sampling is a non probability sampling technique where the researchers use their judgment and prior knowledge to choose people to be included in the sample who best serve the purpose of the study (Kothari, 2009 and Monette, 2008). In this sampling technique a researcher purposely selected respondents who were thought to be well informed about the subject and were willing to participate in the study voluntarily. Convenient sampling involves the sample being drawn from the population because it is readily available and convenient. Also, convenient sampling was employed because it allowed the drawing of representative data by selecting people because of the ease of their volunteering or
selecting units because of their availability or easy access. The advantages of this type of sampling are the availability and the quickness with which data can be gathered. Therefore, a reasonably larger sample size represented the respondents accurately. Thus, a proportional number of respondents from the NSSF HQ and three Dar es Salaam Regional Offices of Kinondoni, Ilala and Temeke were selected using purposive sampling.

3.4.2 Sampling Frame
About 1200 respondents constituted the sampling frame. Out of which 60 were drawn for the sample. More specifically, the population of staff in NSSF HQ constituted of 10 respondents, Kinondoni 12 respondents, Ilala 6 respondents and Temeke 12 respondents. Also, 15 Respondents were pensioners drawn from Kinondoni regional office at Urafiki Post Office where they receive their payments, 3 respondents were from Temeke and 2 from Ilala Regional offices respectively. Sampling frame refers to a listing of all the elements in a population. In many studies, we draw the actual samples from this listing. The adequacy of the sampling frame is crucial in determining the quality of the sample. The degree to which the sampling frame includes all members of the population is of major importance (Monette, 2008). In this study the List from computerised GILO system was used to select respondents using convenient and purposive sampling techniques as pointed out in 3.4.1. In this study, convenient sampling was used to selecting pension centres in most post offices because of their availability or easy access. In this regard, the researcher visited Urafiki, Ilala and Temeke Post Offices to meet the pensioners.

3.4.3 Selection of Respondents
Sixty (60) respondents participated (See Also section 3.4.1). These were selected using purposive sampling. This enabled the selection of information rich cases. The sample included both males and females.

3.5 Methods of Data Collection
This study used a combination of methods to collect data including a standardised questionnaire with both open and close ended questions supplemented by in depth
interviews with key informants and observations. Questionnaires were administered to 80 respondents but only 60 were returned. This gives us a return rate of 75%. In research, return rate refers to the number of people who answered the questionnaire divided by the number of people in the sample. It is usually expressed in the form of a percentage (Kothari, 2009).

3.5.1 Data collection instruments
The use of multiple instruments ensured validity and reliability of data collected. Two sets of data were collected as follows;

3.5.1.1 Primary Data
Primary data were collected using a questionnaire with both open and close ended questions which were administered in face to face interviews as well as through indepth interviews with experienced NSSF HQ staff and long served retirees. Also primary data were collected through observations of the records keeping and payment systems (GILO system) used and observation of economic status of the retirees.

(i) Questionnaire
A questionnaire refers to a set of written questions that people respond to directly on the form without the aid of an interviewer (Monette, 2008). A standardized and structured questionnaire with open and close ended questions was administered directly to respondents for them to fill in data. The major advantages of a questionnaire is that it allows a researcher to collect data from a large audience located in different geographical areas cost effectively. In addition, face to face interviews tend to increase high response and return rates.

(ii) Interview
Interview is a technique in which an interviewer reads questions to respondents and records their verbal responses (Monette, 2008). In depth face to face conversation/ Interviews between the researcher (interviewer) and interviewee were conducted with ten key informants from each of the categories of respondents including
managers, officers and pensioners with the aim of gathering data. The purpose was to solicit in-depth information which would not be forthcoming from ordinary citizens who are not key decision makers. The method was preferred because it enabled the interviewer to understand the respondents’ inner feelings about the problem. The method also gives respondents freedom to ask for clarification in case of any difficulty.

(iii) Observation Guide
Non-participant observation was used to get first hand information on the spot on the real situation in selected regional NSSF offices. The following was observed: types of records and pension payment (GILO) system used, professional code of ethics among the NSSF officers and economic status of retirees. Field notes were used to record facts.

3.5.1.2 Secondary data
Secondary data was collected through library research and documentary review. Both published and unpublished materials like books, theses, journals, articles, research reports, budgets, project documents and e-resources etc. were reviewed and major points summarized.

3.6 Pre-test
Prior to the main survey, as drawn from Kimeme et. al (2011) a pilot study was conducted in the selected areas. The instruments were pre-tested on a smaller sample (Five (5) respondents, one from each category of respondents. Findings from the pre-test were used for reviewing the instruments. Questions that did not yield useful information were either revised or discarded.

3.7 Data analysis
Quantitative field data were organised into categories, labelled, edited and coded. A Statistical Package for Social Scientists (SPSS) for Windows Version 19 was used to derive, frequencies, percentages, tables and charts etc. Excel package of the Microsoft office 2007 was used for drawing figures. Qualitative data from interviews
and open ended questions were organised into meaningful themes and analysed using content analysis.

3.8 Ethical issues
Respondents were informed that confidentiality and anonymity would be maintained and that findings would be used for academic purposes only.

3.9 Conclusion
In this chapter, the researcher has applied the scientific methods in order to save time and funds while collecting more data and ensure that any useful information is not omitted by using different methods. The researcher also used observations so as to have the actual data which are typically first hand for accuracy. Therefore the researcher obtained the real information presenting the situation of the research.

3.10 Limitation of the study
Like any other social study, several limitations posed a hindrance in data collection. These included the following:

**Time constraints**
This study was limited by time in a sense that the researcher was supposed to conduct the study abreast the normal school and work routine. Data were collected and a report was written in a tight schedule. Realizing this limitation, the researcher used most of the free time according to the timetable for accomplishing this study.

**Financial constraints**
Financial constraints constrained the conduct of this study. Therefore, the deficit was covered by the researcher. Also, this compelled the study to cover a small area. It only covered Dar es Salaam excluding other regions. Moreover, a few respondents constituted the sample. They were purposively drawn from NSSF Dar es Salaam only. However, this did not affect the study because the researcher was obliged to take only a small sample group to represent the whole population and worked extra hours.
Unwillingness to fill in the questionnaire

Another limitation in the study was unwillingness on part of the respondents to fill in the questionnaire on time as expected by the researcher and poor response rate as some of the questionnaires were returned completely unfilled due to a number of reasons from the respondents not being conversant, lacking time, being unwilling to collaborate and to disclose necessary information for the study or not being interested with the subject matter. The denial of access to information which organization and employee considered confidential like; organizational policy, memos, circulars and various members contributions records that related to the topic was another snag. To overcome these, the researcher had to explain that this study is purely academic and data collected would be used for such purposes only and be treated confidentially and that the highest level of anonymity of respondents would be maintained.

A Conceptual Framework

This study is guided by Anorlds and Njuguna (2010) modified Open System Theory and Pension Funds Efficiency Conceptual Model. Drawing from this model, NSSF like many other organisations, can be viewed as an open system which receives inputs, converts them into outputs and deliver these outputs to stakeholders who in this study are referred to as the retirees. More specifically, NSSF receives inputs (scarce financial resources in the form of contributions and investment funds) and convert these inputs to outputs (pension fund value and retirement benefits) (Davis, 2005). Drawing from this model, this study observed how NSSF converts the investments drawn from the members’ contributions to retirement benefits. In fact, a pension fund would be regarded as efficient if it succeeds in maximising financial outputs by the efficient use of the financial resources (inputs) (Chansarn 2005).
Figure 3.1: Pension Funds Efficiency Conceptual Model

More specifically, using the above model this study established the extent to which NSSF, which is conceptualised as a an open system, transformed financial inputs (asset values at the beginning of a financial year, investments, contributions and payments) into gains or outputs (retirement benefits and asset values at the end of the financial year) for members at the lowest cost possible and maximised its returns on investments and benefits payable to the retirees.
CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction
This chapter presents and analyses the major findings. The analysis, discussion and interpretation of the data collected are very important as they help to test the research questions and verify their validity. As argued by Mugenda and Mugenda (1999) cited by Meda (2011), once the questionnaires or other measuring instruments have been administered, the mass of raw data collected must be systematically analyzed, discussed and interpreted in a manner that they will bring meaningful information required by the researcher from the study undertaken. It is from the result of such analysis and discussion that researchers are able to present the meaningful findings.

Therefore, in order to accomplish this task, this chapter is organized into five sections including; demographic profile of the respondents, social security funds’ records keeping systems for members contributions, challenges facing retirees when accessing services from social security funds, strategies used by social security funds to improve the benefits to retirees and the relationship between the contribution made by the members to SSF before retirement and the benefit they receive after retirement. Sixty (60) respondents participated in this study. Their selection was done purposively. The presentation of findings is based on research objectives.

4.1 Demographic profile of respondents
In this study, it was considered important to know the age, gender, education and experience of respondents. There was an assumption that these variables would facilitate the conceptualization of the problem of how members’ contribution to the social security funds (SSF) influence their economic status when they retire in Tanzania.

4.1.1 Distribution of Respondents by Age
A question on age was asked. Findings revealed that 07% of the respondents were aged between 26 and 31 where as 42% were aged between 32 and 45. Finally,
findings show that 51% of the respondents were 45 years and above. Of these 31% were pensioners. Drawing from the data 50% of respondents were 45 years and below (See Table 4.2). This implies that, the majority of the respondents were young and are actively involved in production and proper strategies were put in place to facilitate them in their day to day service delivery. This correlates with a study done by Mazinge (2009) who revealed that the age structure shows that NSSF is mostly composed by young and highly energetic workforce. These employees will more likely stay in the organization for a long time and play a very important role for its future performance.

Table 4.1 Respondents by Age

<table>
<thead>
<tr>
<th>S/No</th>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>26-31 years</td>
<td>4</td>
<td>07.0</td>
</tr>
<tr>
<td>2.</td>
<td>32-45 years</td>
<td>25</td>
<td>42.0</td>
</tr>
<tr>
<td>3.</td>
<td>45 years and Above</td>
<td>31</td>
<td>51.0</td>
</tr>
<tr>
<td>4.</td>
<td>Total</td>
<td>60</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Field Data, 2013

4.1.2 Distribution of respondents by gender
A question on the gender of the respondents was asked to ascertain their sex and get their responses regarding the adequacy of the benefit provided by Social Security Schemes in providing adequate social protection to retirees based on their contribution to SSF before retirement in Tanzania

In most cases women in the society are vulnerable to the problem of discrimination in almost every area including work places. For instance anecdotal evidence from a lawsuit presented by the U.S. Equal Employment Opportunity Commission in Philadelphia in America show that the owner of a Checkers restaurant in West Philadelphia was cited for gender discrimination (Allen, 2013). This reveals that women are still given low paying jobs because they lack adequate education and awareness of their rights and fenced from owning the means of production. However,
the data (See Table 4.3) shows that 40 (67%) of the respondents were males out of which 27% were the male retirees and 20 (33%) were females. Of all the females who participated in this study 27% were NSSF staffs.

Based on the data, more men than women participated. However, this was not by design but by choice. According to NSSF 2010, 2011 Annual Report, Annual there were 426 female and 515 male employees country wide. Men were more accessible and available for interviews than women.

Table 4.2 Distribution of respondents by gender

<table>
<thead>
<tr>
<th>SEX</th>
<th>NUMBER</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>40</td>
<td>67%</td>
</tr>
<tr>
<td>Female</td>
<td>20</td>
<td>33%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Data, 2013

4.1.3 Distribution of respondents by level of education

A question on the educational background of the respondents was asked. The assumption was that employees’ performance and decision making when it comes to offering adequate social security packages is influenced by adequate education and information on the real life situation. Education is power. It provides knowledge and skills that are fundamental for social, technological, economic and political innovation. Knowledge and skills are necessary for effective decision making and utilization of resources. Findings from questionnaire show that in terms of education, 15% of the respondents completed primary and certificate level of education. 12% of the respondents completed secondary education, 28% completed Diploma, 33% completed first degree and 12% of the respondents completed master’s degree. Of all these, 17% of the respondents were retirees who had Diploma, first degree and
master’s degree level. Based on the data, the majority of the respondents had adequate education (See Figure 4.4 below).

Table 4.3 Distribution of respondents by level of education

<table>
<thead>
<tr>
<th>Response</th>
<th>NSSF Staff</th>
<th>Retirees</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than or = Std 7</td>
<td>0</td>
<td>4</td>
<td>7%</td>
</tr>
<tr>
<td>Certificate</td>
<td>4</td>
<td>1</td>
<td>8%</td>
</tr>
<tr>
<td>Secondary education</td>
<td>2</td>
<td>5</td>
<td>12%</td>
</tr>
<tr>
<td>Diploma</td>
<td>11</td>
<td>6</td>
<td>28%</td>
</tr>
<tr>
<td>First Degree</td>
<td>17</td>
<td>3</td>
<td>33%</td>
</tr>
<tr>
<td>Master Degree</td>
<td>6</td>
<td>1</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40</strong></td>
<td><strong>20</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Field Data, 2013

Looking at the above data, it is evident that nearly 75% of the respondents had tertiary level of education. Only 25% had secondary, certificate level of education and below. These findings correlate with the findings by Mazinge (2009) who revealed that NSSF has a strong base of qualified staff.

4.1.4 Distribution of respondent by working experience

The assumption of this study was that NSSF staff had adequate experience they gained while working in this field. This would help the researcher to get ‘a feel for professional working’ from these staff given their various experience. The data was therefore collected from people with different experience. This removed bias.
The findings revealed that 7% of the respondents had been working in the company for less than five years. In addition, the findings show that 13% of the respondents served between six and ten years whereby 60% of the respondents worked between eleven and twenty years. Finally, 20% of the respondents worked above twenty-one years (See Table 4.5).

Experienced workers had knowledge or skill of something or some event gained through involvement in or exposure to that thing or event. Experience is one of the conditions for selection to a particular job in Tanzania. This is similar to the Finnish Government which has a set of statutory qualifications and general qualifications. Statutory qualifications are job specific qualifications, while general qualifications are those rules that apply to civil servants, they include ethics, wide-ranging government experience and knowledge to mention but a few (Nassor, 2010).

Table 4.4 Respondents by working experience

<table>
<thead>
<tr>
<th>Working experience</th>
<th>No. of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>03</td>
<td>7%</td>
</tr>
<tr>
<td>6-10 years</td>
<td>05</td>
<td>13%</td>
</tr>
<tr>
<td>11-20 years</td>
<td>24</td>
<td>60%</td>
</tr>
<tr>
<td>21 years and Above</td>
<td>08</td>
<td>20%</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field data, 2013

4.2 Members contributions records keeping systems

Employers’ records in connection with employment, payroll, wages and remittance of contributions to the Fund should be well managed to avoid inefficient service delivery and delays in timely payment of members’ benefits including pensions to retired workers. Therefore, a question was asked to ascertain if NSSF has a proper system of members’ remittance record keeping. This was addressing the first objective.
NSSF Vision among other things is to use state of art technology. Therefore the Fund is changing its service delivery by using computerized systems and taking its services to where customers are rather than having customers seeking services at NSSF offices (NSSF Operational Guide, 2010).

In establishing ways Social Security Fund keeps members contribution records, findings show that the fund has a system of keeping members’ remittance record. More specifically, that data show that 56% of the respondents revealed that electronic system is used to keep members’ contributions records while 38% of the respondents said that manual system is still used to manage members’ contributions records (See Fig. 1).

Figure 4.1 Type of Records Keeping Systems Used in SSF

![Graph showing percentage of respondents using electronic and manual systems.](image)

Source: Field data, 2013

Findings from interview show that the use of computerised systems is increasing in NSSF. The Fund has installed and uses an integrated Members Management
Information System (MMIS) which can easily track and identify members’ age, names, next of kin, employment date, number of credit contributed. Another system that is used is called Core Fund Management System (CFMS). This is used for capturing members’ contribution as well processing members’ payment.

Because of the increased computerization, National Social Security Fund members have started accessing information on their accounts electronically using Fund’s Identification Management System. This system was introduced in 2010 and now has become fully operational. This system relieves members from the problem of queuing for long hours at NSSF offices for a service they would get in minutes.

According to Controller and Auditor General 2010/2011 Report, NSSF spent 251.62 million for procurement of Information Kiosk (See Fig. 2). An interview with NSSF Principal Systems Officer (Networking) revealed that NSSF members now have smart cards used in the “info-kiosks”. Information kiosks are self-service terminals placed strategically in high profile public areas where they provide easy access to information and remote services for many hours. The info-kiosks, use the biometric system (Automated Finger Print Identification System) and are available in 23 NSSF’s Regional Offices, 14 district offices and 11 sub-district offices countrywide. More specifically the officer said:

Smart cards are a must for members to access their information in the kiosks and in all NSSF offices...

For the past five years NSSF has embarked on a countrywide exercise to replace old membership cards with the current electronic ones. To ensure that all members have smart cards the fund visits its members at their respective workplaces. Up to now 70 per cent of NSSF members already have smart cards.
It is apparent that the use of electronic record keeping systems is advocated in NSSF. These systems provide members with easy access to information like statements, employers’ remittances of employees’ contributions to the Fund and general information about the Fund without involving NSSF workers. This is a self service module. The biggest advantage of this system is that employees whose contributions were not remitted to the Fund would be able to make quick follow-ups with their employers before it got too late.

Experience shows that some employers deduct money from their employees’ salaries for NSSF contributions but don’t take the money to NSSF. This correlated with observation made by the NSSF Director of Information Technology that the new technology, already in use in more than 11 countries in Africa, is widely expected to cut the incidence of inefficiency mainly the perpetually “missing files”, corruption and mismanagement commonly affecting national social security funds. Customers can also use website visitor, without the need to register, to submit a complaints and receive email confirmation. The relevant department within NSSF handle the complaint and reply as soon as possible.
Conclusively, the first objective indicates that the manual system synonymous with NSSF has increasingly been retired in favour of modern registration systems. NSSF has been strategically modernizing its ICT infrastructure to facilitate quality and efficient service delivery to its members against global benchmarks. As part of the ICT integration project, NSSF has successfully completed a major Information technology systems upgrade project covering the installation of Information Kiosks and Core Fund Management Systems (CFMS). It has also established a Directorate of Information Technology with data processing hub for the fund. The Directorate of Information Technology is expected to enhance NSSF’s service delivery capacity through systems and process automation.

With the use of these systems, NSSF has scaled up its members’ identification method and records management. With the integration and modernisation of the funds ICT infrastructure, NSSF is systematically, making a historical shift from the inefficient NSSF of yesteryear to a modern Social Security fund, which provides value to its members through centralised modern IT systems. NSSF has been actively stepping up its ICT infrastructure.

4.3 Challenges facing retirees when accessing services from social security funds

The main aim of social security is to help individuals maintain a reasonable standard of living when faced with social and economic contingencies. However, this is not realized. As pointed out by Mchomvu et. al (2002) formal social security schemes are riddled with problems that negatively affect retirees when accessing services from these social security funds. The second objective, therefore, was identifying the challenges that the retirees encounter. The following challenges were identified:

4.3.1 Delay in payment of benefits

Findings from the field showed that delay in payment of pension to the retirees is a challenge that encounters the Fund and the retirees. It is caused by the following reasons:
(a) Retirement age not tallying with the original date of birth

Data from interview show that over half (60%) of the respondents said that sometimes some of the members’ age is under or overstated at the time of registration. 40% of the respondents said this was happening rarely. The findings, revealed that in most cases employees write a different original date of birth at the beginning of employment and they most likely forget this when they finally qualify for retirement. Such employees when they are notified of retirement they complain about their age being overstated and they may likely want to fill in their correct age, which definitely will not tally with the original date of birth. This causes delays in processing their payments.

(b) Failure to secure NSSF numbers

Data from interview with one third (33%) of the respondents showed that employees secured their NSSF membership numbers. About two third (67%) of the respondents showed that some members never bothered to secure NSSF membership numbers. They, thus, worked without NSSF Numbers. Nevertheless the problem is becoming rare due to close supervision of the Benefit Administration and Compliance Departments which ensure that the unregistered members are registered and issued with numbers. In cases of loss of membership identity cards, some of the irresponsible members never bother to report this in order to secure duplicates. In a circumstance where this does not occur may cause unnecessary delay in processing of payment/ pension.

(c) Approving next of kin

Findings from interview with 70% of the respondents show that processing and payment of pension can sometime delay in the case of death of member. This is complicated by difficult arising in identification of all the spouses and children of the deceased which may take a while especially in the polygamous families of some of the members. This is aggravated by the lack of information by the surviving spouses that may be due to illiteracy and ignorance. The remaining 30% of the respondents
who were mostly retirees never knew anything about this. No wonder they are the victims of the circumstance.

(d) Double or triple registration
There are cases of double or triple registration whereby due to loss of cards, change of names or for change of employment for some member or members having registered more than once. At the time of benefit payment many of the members with double registration only declare the most recent account number. This often raises questions for the unexplained gaps ending into delays in the payment of benefits. However this has been controlled by the use of computerised systems as one respondent pointed out:

*With the use of MIMS, NSSF has scaled up its members’ identification method and records management. Incidents of double registration are eliminated.*

(e) Failure to indicate where members would like to be paid from and falsification of supporting documents
Data from an exclusive interview with the Senior Benefit Administration Officer showed that although rarely occurring sometimes members do not indicate where they would like to be paid from or in cases where they do, they change their minds without informing NSSF. This results in benefit cheques being sent to the offices/areas indicated in the card, hence causing delays as it may become difficult to trace the claimant. Another of the infrequently occurring challenge is of falsification of documents. Falsification of supporting documents attached to the benefits claim form often leads to investigation and rejections.

4.3.2 Employers averting paying contributions
Findings show that the majority of respondents (80%) indicated that employers make deductions without making remittances while 20% of the respondents said that employees deduct and remit funds to NSSF (See Table 4.6). Findings from interview with the majority (95%) of the respondents show that there are cases of employers who make deductions without making remittances thus
leading to unexplained gaps in schedules. Employees are conscientised to ensure that their employers send their contributions to NSSF every month. By using CFMS employees whose contributions were not remitted to the Fund were able to make quick follow-ups with their employers before it got too late. Very few (5%) of the respondents did not see this as a problem.

Table 4.5 Employers averting paying contributions

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>48</td>
<td>80%</td>
</tr>
<tr>
<td>No</td>
<td>12</td>
<td>20%</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field data, 2013

4.3.3 Insufficient benefits paid

In acknowledging if insufficient benefit is still persistent in the Fund. Findings show nearly all (100%) the retirees interviewed said that insufficient members’ benefit was one of the problems affecting SSF. However, realising the issues raised above, NSSF has been fixing them or is in the process of putting them right. Much of the members grievances have been addressed in the Fund’s five-year strategic plan.

4.3.4 Inflation

Findings from the interview with the retirees show that the shilling is ever depreciating. Inflation is skyrocketing and even the taxes have gone up. This makes life harder on their part. However, for the past three years they have noticed the Fund starting paying members according to the value of the shilling contrary to the situation in the past. At least the members’ benefits reflect the actual living standards in the country and give a relief to the low income earners. One respondent said that:

*Retirement is regarded by some employees as a killer ghost.*

*However, NSSF is preparing members psychologically for life after retirement before the retiring age. This is very useful to most retirees who need something more than money. Without good plans, retirees cannot succeed after retirement life.*
4.3.5 Small interest rates
As regard the interest rate, findings from interview with two fifth of the respondents show that the rates of interest awarded annually to Social Security members are small. This implies that the amount of benefit provided by Social Security Schemes is insufficient. Small interest rate can also be due to small amount of contributions remitted to the Fund. Small interest rates are also paid to insured persons or members who are under the old and defunct Provident Fund (NPF) who receive payment on premature withdrawals or who terminate membership before 60 years. Employers avert paying contributions and retirees sometimes delaying getting their benefits.

However, on probing further, the interview with the NSSF management showed that the Fund continued educating its members and the general public on the importance of retaining their social security memberships.

4.3.6 Bureaucracy
Findings from documentary review show that a popular economist and a stakeholder in Social Security Prof. Ibrahim Lipumba once revealed that Social Security Funds are very important and critical for the social well-being of the retirees and the community. However, bureaucracy is a deep-rooted problem that is in these Social Security Funds. Due to bureaucracy it is difficult for the members to promptly reclaim their contributions and obtain their funds after resigning, retiring from work or dying. This has made the members unable to benefit from their own contributions. Commenting further, he disclosed that while members of the funds were living in a hard way, those working in the Funds were wallowing in luxury. It is as if these funds were meant to benefit the few workers in the Social Security Funds and not the retirees and other beneficiaries who contribute their money (Guardian Reporter, 2011).

Drawing from Lipumba, this is contrary to the benefits workers in Singapore enjoy from their Social Security Funds. More specifically, he pointed out that the Social Security Funds members in Singapore get a lot of benefits ranging from homes, enjoying excellent health services and ability to fund their children’s education.
NSSF recognises that members’ needs are more than money they get as the initial lump sum and monthly pension. This is why NSSF through its investment policy aims at improving social and economic welfare of the members of the Fund and the nation at large. Due to this NSSF is implementing the following projects that commenced during the 2009/10 and 2010/11 financial year:- Kinyerezi housing, Kigamboni and Mtoni Kijichi thirty six Affordable Housing Scheme, Phase II – Dar es Salaam. In an exclusive interview the NSSF Principal Planning Officer said that:

NSSF Satellite town at Dunga Farm and Twangani in Kigamboni will have 3,000 houses constructed. The town will comprise essential social services including schools, hospitals, shopping malls and a police station. The residential housing unit (See Fig.3) will be affordable and will cater for low, middle and upper income earners. Priority will be given to NSSF members to buy through cash payment or mortgage arrangement.

The implication of the above scheme is that retirees, other members and the general public will be provided with affordable homes, excellent health services and excellent social services.
Additional interview with NSSF’s Director of Projects and Investments revealed that Tanzania ranks third in Africa for having many unplanned settlements in its major towns and cities. About 75 per cent of all residential urban houses lie in unplanned settlements and areas not yet surveyed making our cities look dirty. The situation also compromises sanitation and rescue services and making it difficult to contain criminality.

NSSF embarks on an ambitious project to eliminate slums and unplanned settlements in all urban centres in the country. The ambitious programme will start in Dar es Salaam covering Temebke, Kinondoni and Ilala districts where the scheme will build temporary houses or camps in which residents of unplanned areas will be shifted into while their homes are being upgraded. Once shifted into the makeshift structures the NSSF shall demolish their slum dwellings replacing them with better planned modern buildings that are again to be sold to the same people at cheapest price possible or on mortgage arrangement. He added that once phase one is done, they will move to the other part of the city.
4.4 Strategies used to improve payment to pensioners

The third objective was on strategies used to improve payment to pensioners. A question on whether there are any strategies to improve payment to pensioners was asked. Findings from respondents show that several strategies have been developed including the following:

4.4.1 Investment policy

In a series of sub questions addressing the third objective, a question on whether the Fund has investment policy was asked. Findings show that 20 (50%) respondents strongly agreed that NSSF has an investment policy and 15 (37.5%) agreed, 5 (12.5%) respondents disagreed. There was no respondent who strongly disagreed. The findings reflect that there is an investment policy though some of the staff were not certain (See Table 4.7).

Additional findings from interview show that to ensure that members’ payment is improved; NSSF has developed an investment policy aiming at improving social and economic welfare of the members of the Fund and the nation as whole. On probing further, it was established that one of the objectives of the investment that NSSF is doing is to enhance the capacity of the fund to pay meaningful benefits to its members. This is achieved through investment. Findings revealed that the Fund continued to adhere to investment guidelines stipulated in its Investment Policy which requires the Fund to invest not less than 75% of its total annual sources. All of the investible funds available during the 2010/2011 were invested in the traditional investment avenues namely Government Securities, Fixed Deposits, Corporate Bonds, Loans, Equities and Real Estates.
Table 4.6 NSSF has an investment policy

<table>
<thead>
<tr>
<th>Response</th>
<th>No. of respondents</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>20</td>
<td>50%</td>
</tr>
<tr>
<td>Disagree</td>
<td>5</td>
<td>12.5%</td>
</tr>
<tr>
<td>Agree</td>
<td>15</td>
<td>37.5%</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>0</td>
<td>00.0%</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field data, 2013

The above findings correlated with the National Social Security Policy which stipulates that although investment of social security funds is an inseparable function of social security institutions, the sustainability of the schemes and improvement of benefits depend on investment income (URT, 2003). The implication of this is that unless you invest you cannot adequately improve the payment made to retirees and members. Therefore, through the investment made by social security schemes in areas with the stimulation of economic growth the quality and quantity of benefits and payment offered to the retirees will be improved and poverty will be reduced.

4.4.2 Training

Another question was asked to check whether there are mechanisms or strategies for improving the implementation of the objective of enhancing the benefits and payments given to members and retirees. Almost 75% of the respondents said that that training is one of the various strategies used for improving the payment given to retirees. Only 25% of the respondents said training is not given (See Fig.4).
Findings from interview show that capacity building is one of the NSSF’s Corporate Objectives. The Fund, therefore, trains its employees to enhance their working capacity. Different types of training programmes are employed including both long and short term courses. The trainings are done both domestically and externally. The Fund also organises in-house training courses tailored for specific needs of the Fund, seminars and on the job training. Workers in the Department of Benefit Administration have been trained on adjustment of income payments by means of a price index to relieve the retirees from meagre pensions and economic hardship. To confirm this one respondent said:

.. the Fund provide sponsorship to its staff to pursue further studies. During the 2010/11, the Fund sponsored 2 members of the Board to attended external course on leadership and 2 staff who attended a course on Management Development. 7 staff were sponsored to attended domestically organised courses while 963 staff were accorded opportunities to attend various in-house courses. In the 2010/2011 FY Tsh 2,497,438,000 was used for training.
The implication of the above findings is that training is regarded as a crucial and an integral part of the NSSF’s management. It is particularly important in ensuring that staff adequately deliver services. Not only that but also training is important in ensuring that Social Security schemes’ officials are aware of the unique management issues related with social and economic welfare of members. Government officials also need to be conscious of their responsibilities to enhance the capacity of the fund to pay meaningful benefits to its members and diligently carry out their duties to ensure that the Fund’s investments are done in lawful way and investments are made in areas with the stimulation of economic growth. Trained staff are an essential infrastructure in improving the Fund’s sustainability and in ensuring compliance with legislation.

4.4.3 Indexation
Findings from over three quarters (80%) of the respondents show that NSSF uses indexation to adjust retirees’ payment. Only 20% of the respondents were not certain of the use of this technique (See Fig. 5).

Findings from an exclusive interview with the Benefit Administration Department staff revealed that NSSF indexiates retirees’ income payment on regular bases at the interval of every three years to curb the sky rocket inflation. More specifically, respondents revealed that indexation is a technique to adjust income payments by means of a price index, in order to maintain the purchasing power of the retirees after inflation. The interview also revealed that the pension funds are reviewing the outdated members’ payment systems.
4.4.4 Awareness

Findings from interview showed that for the purpose of creating more awareness and a wider acceptability of the Scheme, the Fund provide education to the general public on the importance of social security and advantages of being a member of NSSF. As a strategy of increasing awareness, NSSF sponsors the NSSF Media Cup that brings together staff in the media industry and in this way awareness and acceptability of the NSSF scheme to the public is created.

Also, NSSF has increased awareness among the people in the informal sector on the benefits vested in social security and introduction of sweeteners, i.e., supplementary benefits. In this way NSSF overcomes the challenges of extension of coverage to the informal.

4.4.5 Legislation amendment

The government ensures that the operations of the Social Security Schemes are more efficient to enable members to be the main beneficiaries. It has amended their respective legislation to cover sectors previously not covered by these schemes. The

Source: Field data, 2013
recent reform initiative has formulated Social Security Regulatory Authority Act, which is enacted in most SSF including NSSF. The Act establish the regulator of social security. The Social Security regulator harmonises the benefits paid to the members.

Based on the data, various strategies are used not only to address the challenges facing the NSSF but also those facing members and retirees. More specifically, in responding to the challenges pointed out in the second objective, NSSF has implemented parametric reforms in an attempt to adapt to changes brought about by the changing socio-economic environment. Consequently, the scope and depth of benefits and pay package have increased.

4.5 The relationship between the contribution made by the members to SSF before retirement and the benefit they receive after retirement

A question on the relationship between the contribution made by the members to SSF before retirement and the benefit they receive after retirement was asked. It was addressing the fourth and last objective. Essentially, the findings revealed that there is a positive relationship between the money deposited and services received by the members.

Findings from documentary review showed that older individuals enter old age in poverty. They do so essentially because of being myopic, that is, they saved insufficiently during their working lives, and they lacked self-control, underestimated their life expectancy or lacked the ability to plan appropriately. Because they might not be able to do paid work any longer, so they might have to rely on family support, charity or the government if they have insufficient savings to care for themselves (Bozio, 2010). Realising this situation, the government intervenes and makes it mandatory for the employers to remit not less than 20% of the employee’s salary as a monthly contribution for the member. The contribution made by members will enable them to live securely and protected after retirement.

By implication the above argument shows that without a pension, a retiree and his/her spouse would live insecurely and austerely. Further, not knowing how long one
may live, the retiree and his/her spouse will always be anxious that they will outlive their entire life's savings. With a pension, however, the Retirees is assured of additional income which would enable him and his family to enjoy a meaningful and comfortable retirement.

Another important advantage for the Retiree is that contributions to the pension fund by his employer are non-taxable during his period of employment when he is in a higher income bracket, and earnings of the fund are tax-free until final distribution. At retirement, his tax bracket is usually lower and his pension payments might hardly be affected. Also, some, or perhaps all, of his retirement payments may be classified as tax-free parsonage allowance. The tax-favored benefits make it possible for a Retiree with a moderate income to provide for a proper standard of living when he is no longer working.

Findings from interview show that realising the old-age poverty and the fact that the retiree might not be able to do paid work any longer the National Social Security Fund (NSSF) through its compulsory scheme provides a wider range of benefits which are based on internationally accepted standards. The Fund provides short term benefits such as funeral grant, maternity benefit, employment injury benefit and health insurance to enable a member to retire strong and in a good health. The Fund also provides long term benefits such as retirement pension, invalidity pension, and survivors’ pension when a member retires, is incapacitated or dies. NSSF recognises that members’ needs are more than money they get as the initial lump some and monthly pension. Through its investment policy NSSF improves social and economic welfare of the members of the Fund and the nation at large. NSSF has invested members contributions in the following projects that commenced during the 2009/10 and 20010/11 financial year:- Kinyerezi housing, Kigamboni and Mtoni Kijichi thirty six Affordable Housing Scheme, Phase II – Dar es Salaam. Furthermore, the project of NSSF Satellite town at Dunga Farm and Twangani in Kigamboni will have 3,000 houses constructed. The town will comprise essential social services including schools, hospitals, shopping malls and a police station to ensure social security and people’s well being. The residential housing unit (See
Fig. 3) will be affordable and will cater for even low income earners. Priority will be given to NSSF members both through cash payment or mortgage arrangement. The implication of the above scheme is that retirees, other members and the general public will be provided with affordable homes, excellent health services and excellent social services.

All these show that the benefits are increasingly being improved to provide adequate social protection to retirees. The implication of this is that a relationship between the contributions made by the members to SSF before retirement is directly proportional to the benefit they receive after retirement. On the contrary without being a member and contribute to the Fund, a retiree and his/ her spouse would not receive the pension, housing facility and live insecurely, unprotected and austerely.

Because of the strength of the Fund to convince new joint and existing members retain their membership, more members were registered with the Fund and thus more contributions and investment income were collected and service delivery plus benefits payable to members were improved. Also, the benefits range through introduction of sweeteners, i.e., supplementary benefits which meet the evolving needs of the members was expanded.

However, only 3.5 per cent of over 40 million Tanzanians are currently registered with social security funds. The percentage is not healthy for many Tanzanians. The implication is when they get older they would not be able to receive any security protection.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This study investigated the extent to which the contribution of the members to the Social Security Funds (SSF) before retirement influenced their economic status when they retired. More specifically, it examined the ways social security funds keep members contributions records, challenges facing retirees when accessing services from social security funds and strategies used by social security funds to improve the benefits to retirees. Finally, it established the relationship between the contribution made by the members to SSF before retirement and the benefit they receive after retirement. This chapter presents the summary of findings conclusion, recommendations and areas for future research.

5.1 Summary of findings

5.1.1 The ways social security funds keep members contributions records

In general, key findings of this study revealed that electronic system is used to keep members’ contributions records. More, specifically, the Fund has installed and uses an integrated Members Management Information System (MMIS) which can easily track and identify members’ age, names, next of kin, employment date, number of credit contributed. Another system that is used is called Core Fund Management System (CFMS) used for capturing members’ contribution as well processing members’ payment. Also, NSSF members now have started using smart cards in the “info-kiosks.”

5.1.2 Challenges facing retirees when accessing services from social security funds

Findings reveal that formal social security schemes are riddled with problems that negatively affect retirees when accessing services from these Social Security Funds. The challenges include; delay in payment of benefits and employers averting paying contributions and insufficient members’ benefit was another problems affecting SSF. Findings also show that the majority of respondents (80%) indicated that employers
avert paying contributions. They make deductions without making remittances. Furthermore, small interest rate and inflation makes retirees life hard. Lastly, bureaucracy is a deep-rooted problem Social Security Funds which caused by unclear information provided by employers and employees.

5.1.3 Strategies used to improve payment to pensioners
Findings from respondents show that several strategies have been developed including the following: Development of investment policy, training employees to enhance their working capacity on adjustment of income payments by means of a price index to relieve the retirees from meagre pensions and economic hardship, use of indexation to adjust retirees’ payment and awareness creation among the people. Lastly, NSSF enacts Social Security Regulatory Authority Act.

5.1.4 The relationship between the contribution made by the members to SSF before retirement and the benefit they receive after retirement
Findings show that relationship between the contributions made by the members to SSF before retirement is directly proportional to the benefit they receive after retirement. On the contrary, without being a member and contribute to the Fund, a retiree and his/ her spouse would not receive the pension and live insecurely, unprotected and austerely.

5.2 Conclusion
Based on the findings it can be concluded that NSSF uses a state of art technology such as computerized system and well trained staff to easily track, identify, capture as well processing members’ payment. NSSF uses several strategies to overcome the challenges faced by the Fund and customers at large.

5.3 Recommendation
5.3.1 To NSSF

(a) Sustainability of the computerised projects for record keeping

NSSF should ensure the sustainability of the use of computerised systems to easily track, identify, capture, processing members’ payment and keep members records.

(b) Overcoming challenges

Although there are several challenges facing the Fund and customers, NSSF should turn those challenges into business opportunities and develop strategies to overcome them and render better services to the members.

(c) Policies and regulatory frameworks

NSSF should develop and review on regular various policies, rules and regulations standards governing the Fund.

(d) Awareness creation

For the purpose of creating more awareness and a wider acceptability of the Scheme, the Fund should continue to provide education to the general public on the importance of social security and advantages of being a member of NSSF.

5.3.2 To employers

(e) Employers should remit promptly the contributions they deduct from their employees’ salaries to NSSF.

5.4 Areas for further studies

This study was limited to the relationship between the contributions made by the members to SSF before retirement and the benefit they receive after retirement in Tanzania. A topic on NSSF’s benefits is broad. This study only covered old age pension and is not representative of all the SSF benefits. It could be tested in the withdraw benefit that was paid under the old and defunct system of NPF. In withdraw benefit customers terminate prematurely. Therefore, there is a need of conducting a study to establish a Cost Benefit Analysis and come up with a strategy of maintaining their membership and active accounts by either the former employers,
government or the Fund to subsidise a token amount that will be maintained in the members’ account. Thus, researchers who are interested in the study should unveil further details which may be missing in this research for the aim of helping in redressing the problems facing members with regard to benefits they are entitled to.
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APPENDICES

QUESTIONNAIRE

The objective of this study is to investigate the extent to which Social Security Funds Investment influence the Economic Status of the Retirees in Tanzania: NSSF- Dar es Salaam has been selected as an area of study. Since you have been identified as one of the stakeholders, you are requested to fill this questionnaire which will assist the researcher in collecting data for the aforementioned topic. Please note that the information you provide will be treated confidentially and will only be used for the purpose of this Master’s study. I appreciate your participation.

A. DEMOGRAPHIC PROFILE OF RESPONDENTS

1. Respondents by Age

<table>
<thead>
<tr>
<th>Age</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>26- 31 Years</td>
<td>[ ]</td>
</tr>
<tr>
<td>32- 45 Yrs</td>
<td>[ ]</td>
</tr>
<tr>
<td>45 years and Above</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

2. What is your gender?

<table>
<thead>
<tr>
<th>Gender</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>[ ]</td>
</tr>
<tr>
<td>Female</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

3. What is the level of your education

<table>
<thead>
<tr>
<th>Education</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than or = Std 7</td>
<td>[ ]</td>
</tr>
<tr>
<td>Certificate</td>
<td>[ ]</td>
</tr>
</tbody>
</table>
3. Secondary education [  ]
4. Diploma [  ]
5. First Degree [  ]
6. Master Degree [  ]

4. For how many years have you worked?
1. Less than 5 years [  ]
2. 6- 10 years [  ]
3. 11-20 years [  ]
4. 21 years and Above [  ]

B. MEMBERS CONTRIBUTIONS RECORDS KEEPING SYSTEMS
5. What type of system of members’ remittance record keeping does NSSF use?
   1. Electronic [  ]
   2. Manual [  ]
   3. Both [  ]
   4. Please mention the systems……………………………………………………………. 

6. *1 Is the use of ICT increasing in your Fund?………………………………………

……….................................................................

* Not for Retiree. Please go to the next question
C. CHALLENGES FACING RETIREES WHEN ACCESSING SERVICES FROM SOCIAL SECURITY FUNDS

7. What are the challenges that the retirees encounter? Please Mention.................................................................................................................................

8. Do employers sometimes make deductions without making remittances?
   1. Yes [   ]
   2. No [   ]
   3. Other. Please Explain.................................................................................................................................

D. STRATEGIES USED TO IMPROVE PAYMENT TO PENSIONERS

9. * The Fund has an investment policy
   1. Strongly Agree [   ]
   2. Agree [   ]
   3. Strongly Disagree [   ]
   4. Disagree [   ]
   5. Other. Please Explain.................................................................................................................................

10. * What can you say about the training strategy used by NSSF?
    1. There is a training strategy [   ]
    2. There is no training strategy [   ]
11. Does NSSF use indexation to adjust retirees’ payment?

1. Yes [ ]
2. No [ ]
3. Other. Please Explain……………………………………………………………

E. THE RELATIONSHIP BETWEEN THE CONTRIBUTION MADE AND THE RETIREMENT BENEFIT

12. In your opinion do you think there is any relationship between the money deposited and services received by the members when they retire?...................

THANK YOU FOR YOUR TIME

Not for Retiree. Please go to the next question