

Review article

Retirement policies and economic security for older people in Africa

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Abstract

Major features and limitations of social insurance and retirement programmes in Africa are examined. The relationship between formal and informal security systems is explored and the role of communities, non-governmental organizations and employer-based private pension schemes for retired older Africans is highlighted. In addition, social, health, gender inequity and long-term care services are discussed, the provision of which could enhance the well-being of older Africans.

The number of persons in Africa aged 60 years and over is growing rapidly, even though the ageing of Africa's population is not expected to get under way until after 2025. In 1996, with the exception of northern African countries (Arab Africa) and a number of countries in the southern African region (Botswana, Lesotho and South Africa), the population aged 60 years and older in sub-Saharan Africa was estimated to be below five per cent (US Bureau of the Census, 1997). By 2025, the older population in Africa is projected to be between 5 and 12.4% in most parts of Africa (US Bureau of the Census, 1997). Within Africa, the southern African region has the highest percentage of older persons: in 1997 about 6.6% of the population was estimated to be 60 years or older (Kinsella & Ferreira, 1997). The older population of Africa itself is expected to grow older as more people survive to 75 years and beyond. The number of octogenarians is expected to increase by 543% in East Africa, by 475% in Central Africa, by 410% in southern Africa and by 610% in West Africa (Okojie, 1988). The demographic changes in the elderly population raise a number of critical social questions regarding the care and well-being of the elderly. On a continent where state-based insurance policies are limited, the economic protection of an increasing number of older persons becomes a major challenge to governments and society.

Social insurance programmes exist in a number of African countries for a limited cross-section of workers in the formal sector. The programmes insure eligible participants against unemployment, the death of the family breadwinner and physical disability. However, the coverage of such programmes is limited and restricted to government employees. The major challenge in Africa is how to deal with the limitations inherent in formal insurance programmes, as well as to create programmes to cover persons operating in the informal sector.

This paper examines the major features and limitations of current social insurance and retirement programmes in Africa. It explores the relationship between the formal and informal security systems on the continent and highlights the role of communities, non-governmental organizations and employer-based private pension schemes for retired Africans. In addition, social, health and other long-term care services which could be provided to enhance the well-being of older Africans are discussed. Gender inequity in pension and retirement policies in Africa is also addressed.

Social insurance programmes in Africa

Social insurance programmes in Africa vary in terms of the grounds which they cover, the criteria for eligibility, the methods by which they are administered and financed, the types of benefits which they provide, and the history of implementation of the programmes. The principal programmes provided are workers' compensation (compensation is paid to workers who are victims of work-related accidents or occupational diseases); sickness and maternity leave (cash benefits are provided to cover loss of wages due to sickness or maternity); unemployment insurance (cash benefits are provided to normally employed workers for a limited number of months of involuntary unemployment); family allowances (limited financial assistance is provided to families with dependents); and social security (protection is provided to workers and their families against loss or stoppage of earnings resulting from retirement in old age, the death of the family breadwinner, or disability). Social security appears to be the most widespread social insurance programme offered in most African countries (Braun, 1991). While it functions as a provident fund in some countries (e.g. Nigeria and Kenya), in other countries it operates as a pension scheme (e.g. Ghana and Côté d'Ivoire) (Kludze, 1988).

Eligibility for each of the programmes varies from country to country. In general, a beneficiary must have a prior attachment to the labour force to qualify for assistance under any of the social insurance programmes. For example, an individual may become eligible for social security after attaining a specified age, usually 60 years in most African countries.

However, some countries have different retirement ages for men and women, with women qualifying for benefits at an earlier age than men. In terms of the administration of the programmes, almost all are administered by a government

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bureaucracy, with all programmes financed with a contribution from employers and employees. The implementation of social insurance programmes dates back to the days of colonial rule. Colonial governments provided coverage to individuals in the formal labour force, while individuals in the non-wage sector were often excluded.

Limitations of social insurance programmes in Africa

Pension programmes in Africa have several limitations. The main limitations are inadequate coverage, low benefits, minimal redistributive effect and gender inequities. It is difficult to estimate the proportion of the African population not covered by statutory social insurance programmes. Estimates differ and vary from one African country to another. In general, coverage is restricted to a small percentage of individuals in regular wage employment in the formal sector and who live in urban areas (Adamchak, Wilson, Nyanguru & Hampson, 1991; Cattell, 1993). Jenkins (1993) estimates that about 90% of the population is without any formal protection. Graut (1990) found that the extent of coverage ranges from 1% in Chad, Gambia and Niger, to 22% in Egypt and 24% in Tunisia.

Payments tend to be low and are often not adjusted to reflect the cost-of-living index. The lump sum paid under the provident fund is very susceptible to inflation, and often fails to protect workers against the contingencies of everyday life.

The redistributive effect of social insurance programmes in Africa is very low. The programmes do very little to bridge the income gap between high- and low-income earners. Benefits are not adjusted to favour low-income earners. Often, payments fail to meet the post-retirement financial security needed by retired workers. Low pre-retirement wages, rising inflation, and the social cost of structural adjustment policies have further worsened the economic plight of those who receive retirement income.

A further limitation are gender inequities. The majority of insurance programmes were modelled after the Beveridge Report (cf. Baldwin & Falkingham, 1994). The prevailing norm at the time was that women would be dependent on male breadwinners. Today, women increasingly enter the labour market and earn social insurance credits in their own right. In spite of this, very little has been done to streamline the scheme to conform to current realities.

Social insurance/protection programmes in the informal sector

Most African countries have well-developed informal social protection programmes. Prior to the advent of modern social security, whatever security and protection that existed came from the traditional protection systems. Non-formal welfare systems may be family or kin-based (the largest category); cultural- and/or religious-based (such as rotating credit societies, funeral societies and informal saving societies); or geared toward the promotion of community welfare through co-operative endeavours (Midgely, 1997). Two widespread mechanisms of social protection in the informal sector are the extended family and rotating credit systems.

The extended family as a form of social protection

The African extended family has always operated as a social welfare system (Apt & Grieco, 1994). Family ties are still strong in Africa, and the extended family continues to be a source of security and insurance to most people. However, changes are being seen in family welfare, such as changes in the social role of women, the increased migration of the youth from rural to urban centres, and the effects of population ageing (Engman, 1986; Nabila, 1986; Peil, 1991). An increasing

number of women work outside the home for pay, and this new role has affected their ability to provide informal caregiving. The increased migration of youth from rural to urban centres in search of a better life deprives older individuals of the physical support and services which they may need from them (Peil, 1989). Professional effort may be needed to complement family caregiving. The challenge confronting the indigenous welfare system is how to adapt it to deal with the changing problems.

Rotating credit associations

Rotating credit associations are widespread in Africa and in other parts of the world. Ardener (1964: 201) defines a rotating credit association as "an association formed upon the core of participants who agree to make regular contributions to a fund which is given in whole or in part to each contributor in rotation." The associations are known by many different local names in Africa: *ensusu* in Liberia and Nigeria, *susu* in Ghana, *chilemba* in Tanzania, Uganda and Malawi, *gameya* in Egypt, *umagelo* clubs in South Africa, *temo* in Congo, and *ekub* in Ethiopia (Miracle, Miracle & Cohen, 1980). They are operated as an informal financial institution. Varying in the size of the group, the associations fulfil several social, economic and cultural functions within African societies, and exist in both rural and urban areas. Under the schemes, participating members agree to contribute a fixed amount of money (or goods) to the group. The funds are used by the receiving member to meet various welfare objectives. Based on mutual trust, redistribution, and reciprocal and market exchange (Velez-Ibanez, 1983), the schemes are a basis of capital accumulation among the poor in a number of African countries (Soen & Comarmond, 1979).

Other informal arrangements which meet welfare objectives are share-cropping (where individuals are allocated a portion of land to cultivate for personal use); mutual/economic self-help associations (where a group of people who perceive themselves as having a common interest pool resources for mutual support); co-operatives (where members rely on one another for the performance of various tasks); and the levirate system (a marital arrangement where widows are remarried into the families of their deceased husbands).

Limitations of informal protection programmes

The small number of insurance programmes in the informal sector makes individuals who derive their livelihood in this sector more vulnerable and susceptible to social problems after they can no longer function as productive members of society. To offer formal insurance programmes to those in the informal sector, a number of obstacles have to be addressed. Most African countries lack the prerequisites essential for the effective operation of a Western-styled social-security system. Institutions such as an operational money market, a functioning administrative infrastructure, an effective taxation system, and adequate revenue-generating avenues are often lacking (Tracy, 1991). This means that the formal scheme can only be expanded within limits. With only a small proportion of the population engaged in full-time wage-related employment, earnings tend to be erratic and often difficult to monitor. These limitations pose problems in developing contributory insurance programmes to cover people in this sector. A major challenge to policy makers is how to overcome practical limitations to extend formal social insurance programmes to the informal sector. In spite of these limitations, African governments can no longer ignore the needs of the large percentage of people not covered by any social insurance programmes. How then do we overcome the

practical limitations in providing adequate social protection to retired Africans.

Responding to the limitations of social insurance programmes in Africa

To date, policy makers have not adequately responded to the needs of Africans through policies, programmes and services. Among the policies that have the potential of providing a broad range of economic security and social protection to Africans are (i) the extension of coverage to those not currently covered; (ii) adjustment of the benefit formula to enable people to qualify for social insurance benefits before the mandatory retirement age; (iii) adjustment of benefits in favour of low-income earners; (iv) ensuring gender equity by making adequate provision for women to earn social insurance credits; and (v) the development of non-contributory-based supplemental welfare programmes. Even though these proposals are laudable, governments have to overcome a number of obstacles to implement them. A major obstacle is the lack of resources. Resources (human, financial and administrative) are simply not available to institute all the above proposals. However, a number of potential sources could be explored to generate additional funds to pay for social welfare programmes in Africa. Among these possibilities are (i) the redirecting of a percentage of the money collected from state-controlled marketing monopolies to meet welfare objectives by redefining their role; (ii) exploring alternatives for investing accumulated social security funds; and (iii) encouraging the establishment of employer-based private pensions schemes as a supplement to social insurance programmes. Sources which have the potential of raising additional resources to pay for social welfare programmes are discussed below.

Reinforcing traditional security/welfare programmes

Traditional sources of social protection have the potential of providing complementary safety nets for older people in Africa. Invariably, African countries would have to enact a double-decker social insurance system, to provide for people operating in the rural areas on the one hand and for people predominantly operating in the formal sector in urban areas on the other hand. People operating in the formal and non-wage sectors have different needs and risks. Formal social insurance programmes are designed to meet the perceived needs of urban-based wage earners, as are reflected in the formulae for estimating benefits, conditions surrounding contributions and the administration of the programme (Jenkins, 1993). Indigenous welfare systems are designed to deal more with challenges of everyday life than with post-retirement economic security issues. The fact is that individuals in the non-wage sector hardly retire. Informal institutions (such as the extended family, kin and neighbours) are inseparable from their everyday lives. This is why a number of policy analysts in both developed and developing countries have called for the reinforcement of informal structures and the integration of formal and informal security systems to better address the needs of the elderly (Gilbert, 1977; Midgely, 1994; Rathbone-McCuan, 1982). A non-contributory need-based supplementary insurance scheme financed by general revenue appears to be an appropriate programme for those in the informal sector. The programme should be residual in orientation and should cover those who experience difficulty in meeting their daily minimum needs.

The creation of specialised contributory insurance schemes, such as crop insurance (to insure farmers against crop failure) and animal insurance (to insure livestock breeders against disease and loss of livestock) could be explored.

Under the proposed scheme, farmers would contribute a percentage of their income (monthly, quarterly or annually) to a central fund and become eligible for benefits when they can no longer work. To ensure the effective administration of the programmes, governments could rely on established agencies (such as rural banks and marketing boards) in rural areas. Marketing boards are widespread in most African countries and have structures in most parts of rural Africa.

Supplemental health care and social services

African governments should attempt to provide a wide array of health and social services to supplement pension and insurance programmes. So far, little effort has been made to develop long-range programmes to cater for the health and social service needs of older Africans. In fulfilling the goals of the Alma-Ata declaration of health for all by the year 2000, African policy makers might explore the possibility of providing some form of basic and preventive state-subsidised national health service for all older Africans, regardless of income level, ability to pay, or prior labour force history. To pay for the service, a special health tax could be levied on all medications and luxury items. The money collected could then be earmarked and deposited in a special health insurance trust fund to be used to finance the health care of older individuals. The money accumulated through this means could be invested to generate additional revenue. With this mode of financing, the provision of a near universal health-care programme for older people is less likely to impose heavy demands on government revenue.

Community-based social services

The provision of community-based social services needs to be explored. A "one-stop community-based elder service centre" could provide recreational, transportation, day-care and nutritional services under a single roof. Recreational centres could provide a single setting in which older persons can take part in social activities as well as have access to essential services. Transportation services could be provided under contract with private social service agencies to transport older people to places where their specific needs can be met (such as the hospital or social gatherings). Reduced fares could be offered to older users on all government-operated transportation services.

Adult day-care centres could provide care and supervision during the day to older people whose primary caregivers work, or who need non-family-based services to support them in their caregiving role. Adult day care affords caretakers some respite time which they may crucially need. This service will go a long way to complementing family caregiving.

Long-term care services

Traditionally, family members have provided care to their elderly relatives. However, social forces have brought about pronounced changes in the traditional family structure and its ability to support its elderly members. Social change has weakened the capacity of the extended family to provide care and support to its older members. There is a need for alternatives to family caregiving, such as the establishment of community-based long-term care services, especially to address the needs of chronically-ill older Africans.

Social housing

A critically-needed long-term care service is housing. Few African governments invest in social housing. When housing

is provided, houses tend to go to senior employees within the government establishment. It is time that African countries invest in the provision of affordable and low-income housing for their people. Since retired people often lack adequate incomes and collateral to qualify for credit, governments could consider investing a percentage of the social security funds in low-income housing for workers. Currently, the reserve is invested in government treasury bonds. The promotion of co-operative housing could be encouraged by African governments. The initiatives of community groups and developers who are interested in addressing the housing problem could be financially supported. Funds raised by such groups could be matched by the government. Non-governmental organizations should be provided with incentives to team up with community groups to help develop social housing for people within their communities. What is being advocated is a cost-sharing in the provision of housing between governments, local authorities, businesses and community groups.

Principle guiding the provision of health and social services

Due to limited resources, there is a need for all identifiable sectors to pool and share resources to meet the welfare needs of the elderly in Africa. I advocate for a redistribution of responsibilities and resource-sharing in the performance of these tasks.

Redistribution of responsibilities

The redistribution of responsibility between the government, labour and occupational groups, religious institutions, the private sector, and communities in the provision of programmes and welfare services would go a long way towards addressing the needs of older Africans. Businesses have a social responsibility toward their employees and the communities in which they operate. Policies which encourage occupational groups to provide comprehensive welfare benefits to employees and their dependents could be considered. Employee assistance programmes, such as increased fringe benefits, better financial remuneration, and child and elder care, should be provided.

Apart from insurance and welfare incentives for employees, businesses could be encouraged to provide services for the dependents of employees. For example, businesses could provide adult day-care services for employees who need such a service. This will go a long way towards relieving employees from the caregiving burden during working hours. Businesses have an obligation to contribute to the welfare and overall development in areas where they operate.

Corporate social responsibility should be vigorously promoted and mandated by governments. So far, the corporate sector has failed to become involved in committing resources to the development of areas where they operate. To correct this social injustice, policies could be enacted to ensure that each business entity operating in a given area devotes a percentage of resources generated within a given community to fulfil social welfare objectives. A council comprising representatives from community leaders, businesses and the government could be established in areas where such companies/corporations operate. The council could conduct a needs assessment, as a first step in determining the needs of a given community. Welfare responsibility should be redistributed among identifiable agencies.

Religious institutions must share in this responsibility in meeting the welfare needs of older Africans. A sizeable percentage of older persons in Africa have an affiliation to a religious institution and make cash and in-kind contributions

to assist the growth and development of their religious institution. These contributions should be recognized by the religious bodies. It is time that religious institutions establish social welfare programmes to address the health, social, emotional and economic needs of their members and the larger community. Some religious institutions could assume a more instrumental role in providing social services, given the magnitude of resources which they control. Some of the religious establishments (e.g. the Catholic Church) have a well-developed hierarchy that cuts across national boundaries, which can facilitate the institutionalization and co-ordination of religious-based welfare services. Religious institutions could provide transportation, adult day care, in-home visits and housing for older people.

In addition to organized groups, communities have a shared responsibility to provide care and social service to older persons. To facilitate the promotion of community-initiated welfare services, African governments might explore the creation of matching-funds programmes, whereby a government matches revenues raised by community groups earmarked for the provision of social services for elderly citizens. This step would mark a new experiment in government-community partnership in Africa, which could go a long way towards supporting traditional protection programmes. A scheme of this nature could galvanize the energies of local communities to raise money to support their community.

Resource-sharing

Resources could be shared among identifiable groups. A number of institutions have resources that may not be fully used, or are under-utilized. For example, churches are empty most of the time; school buildings are not utilized after school hours and when closed for vacation; and organizations have means of transportation which may be ideal when not used to transport workers. Such resources could be shared and used to provide services to older people. For example, schools could be used as adult day-care centres; vehicles belonging to organizations could be used to transport older persons to identifiable points; church buildings could be used to provide services to older persons.

The need for reciprocity

Older persons themselves have an important role to play in this crusade. The receipt of services should be reciprocated by channelling their talents in life-enhancing activities. For example, older Africans could use their story-telling skills to benefit young persons in the school system. The establishment of innovative intergenerational programmes which link older adults and youth groups in mutually beneficiary ways will go a long way to ensure that assistance is provided in reciprocal ways. Involving older Africans in productive activities at various levels will increase their performance and capacity in old age and could benefit others.

Conclusions

Social insurance programmes in African countries have a number of limitations. A major challenge for governments is how to ensure adequate coverage to a sizeable proportion of the population which is not covered by any insurance scheme. This challenge calls for a re-evaluation of the basic tenets which underpin current social insurance schemes. All identifiable sectors have a moral obligation towards the welfare needs of older citizens. I argue therefore that there should be a redistribution of responsibility to ensure that identifiable sectors of a society are involved in the provision of programmes and services to meet the needs of older persons.

Programmes in the informal sector need to be reinforced by government policy. A matching-fund programme could harness the energies of communities into raising substantial revenues to be used in the provision of social services for older people and the community at large. There is a need to expand and develop economic security programmes to protect people against the hardships brought about by retirement and changing demography. A supplemental welfare programme financed by general revenue could provide financial and in-kind services to individuals in the informal sector.

Any reform of social insurance and welfare programmes in Africa should extend coverage to individuals in the informal sector who are not covered by the current system, be comprehensive and institutional in orientation, ensure gender equity, reflect the notion of social adequacy, and provide a near universal health-care scheme for the elderly. In addition, the provision of alternative mechanisms to support older persons should be explored. The provision of social assistance programmes to supplement formal insurance programmes should be the cornerstone of new initiatives aimed at providing economic protection to older Africans.

In sum, we need to redesign our social insurance and welfare systems to fit realities. A single approach may not be adequate – but a mix of social insurance, specialized contributory programmes, informal protection programmes and non-contributory programmes will help to ensure that retired Africans are better provided for in old age.

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