

ADMINISTRATION OF SOCIAL SECURITY SCHEMES IN ZAMBIA:  
A CASE STUDY IN ADMINISTRATIVE AND OPERATIONAL  
PROBLEMS OF THE ZAMBIA NATIONAL PROVIDENT FUND (ZNPf)

BY

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Declaration

I Benjamin Kasongo Mwaba solemnly declare that this dissertation represents my own research and study work and that it has not previously been submitted for a degree at this, or another, University elsewhere.

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December 27, 1987

Approval

This dissertation by Benjamin Kasongo Mwaba is approved as fulfilling part of the requirements for the award of the Degree of Master of Public Administration (MPA) by the University of Zambia

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## ABSTRACT

Social Security entails the provision of incomes to individuals to enable them maintain a reasonable and socially acceptable standard of livelihood. Where social security is administered on a contributory basis individuals in paid employment save some of their money with private or public social security organisations or schemes which specialize in looking after such money and paying it back to owners when they retire from active, regular paid jobs for whatever reasons, and a good many of such schemes exist in Zambia for this purpose.

In Zambia these schemes are important basically for two reasons. For one, the majority of working Zambians earn so little that after spending on their essential and immediate needs people do not have enough money left for them to save voluntarily with banks. This means that many people are poor without means for them to fall back on when they are no longer earning. Such schemes should provide money to cushion the hardships of unemployment. For another, moneys accumulating in these schemes are used by the state for its social and economic development programmes. We will postulate in this study that the Zambian Government has been laying emphasis on the application of funds from these schemes more for socio-economic development of the country than on social security needs of individuals who contribute money to the schemes. This proposition will be clearer here when we understand something about the way money is raised from the people; how such money is managed; paid back to the people and some problems met in the whole of that process.

At least five features will be prominent in this case study to explain everything we have been saying here. These are: persons protected by the ZNPF; contingencies against which they are protected; income benefits available to those so protected; socio-economic services

ABSTRACT (cont'd ...)

provided by the ZNPF and management and its problems. Zambia National Provident Fund is the largest social security scheme in Zambia in terms of membership or people covered by it who are more than a million, and its problems must, therefore, be generalisable.

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## CHAPTER I

### THEORETICAL FRAMEWORK

This study is about administration and operational problems of the Zambia National Provident Fund (ZNPF), a social security organisation introduced by the Zambian Government in 1965 after independence in 1964. The typical nature of a Provident Fund is that it is a compulsory savings scheme for employees in either public or private sector. In some cases senior Civil Servants and other specified categories of workers who may belong to Pension or Insurance Schemes, which are specifically run for them by their own employers, are occasionally excluded from coverage. A Provident Fund is almost always a national or centralized scheme, established by legislation, and is administered either directly by Government or by a statutory board on behalf of Government and covers a variety of workers in various industries. A worker contributes to a Provident Fund through his employer monthly deduction of a specified amount of money from an employee's salary and that amount is remitted to the Fund together with employer's own contribution share in favour of an employee. An account is maintained in the Fund for that employee and the money credited therein is withdrawn later on the occurrence of a specified contingency which may be old age, disability, sickness, unemployment or death of a contributing employee.<sup>1</sup>

Provident Funds have so far been operating as social security schemes only in former English colonies of Africa, Asia and the Caribbean which are independent today. By 1982 these schemes had operated in at least twenty such countries<sup>2</sup> and seven of them in Africa.<sup>3</sup> The objective of the Zambia National Provident Fund is to provide a savings scheme for all regularly employed persons in Zambia so that such people should have a useful capital sum of money to live on permanently once they retired on reaching old age.<sup>4</sup>

But some people like Parrot have observed that provident funds are not reliable social security schemes as they often fail to offer their members permanent social security protection.<sup>5</sup> Parrot further points out that these schemes are popular in developing countries only because of their familiarity with people there as savings banks, are administratively simple to run and are safe as they do not provide risks to Government revenues because a member is paid back only what he contributed to the scheme with no additional expense from Government funds. This theory is shared by Gobin, too, who reports that people who had once received their terminal benefits from provident funds in eleven Caribbean countries became destitutes soon thereafter and reverted to public assistance programmes for their welfare as money received in social benefits from provident funds was too little for them to live on permanently.<sup>6</sup> Ofori shows that the same fate occurred to members of the Social Security Insurance Trust which was run in Ghana on Provident Fund lines.<sup>7</sup>

Zambia National Provident Fund had been operating in the country for twenty years. Our problem in this study was to discover the extent to which the ZNPF was fulfilling its social obligations in twenty years of its work, and also to assess its administrative and operational problems and the impact of such problems on efficiency of the Fund and on members' happiness.

Available literature on the Zambia National Provident Fund and on other provident funds established elsewhere is in the form of articles in periodicals and in professional journals of the International Social Security Association (ISSA). All this literature reflects problems which are common to many provident funds in their planning and administration. Dixon points to the low monthly contributions which members make to

Provident Funds as one reason for failure of these Provident Funds to protect their members adequately against social contingencies.<sup>8</sup> Godfrey adds that, Provident Funds are, afterall, not social security schemes because their membership is restricted only to the working people who contribute to them.<sup>9</sup> Mulozi and Mwendapole confirm that casual workers, members of co-operatives, marketeers and the unemployed are not covered by the Zambia National Provident Fund.<sup>10</sup> Mouton regrets that it is a trend in African countries to restrict social security protection only to the working few while the majority of citizens remains unprotected.<sup>11</sup> Mulozi refers to poor record keeping as a major constraint in administration of many Provident Funds. Membership and money contributions cannot be properly accounted for because records are inefficiently kept.<sup>12</sup> Wadhawan agrees to this and also cites employers' lack of compliance with their legal obligations as another major difficulty facing India's three Provident Funds.<sup>13</sup>

Ranivo has illucidated employers' bitter feelings against Provident Funds in Africa. Many Provident Fund Schemes have been accused of taking too much money away from employers in favour of employees even when employers' businesses were dwindling in the economic crises faced in the Third-world in the 1970s and the 1980s. The author also echoes employees' complaint against Provident Fund schemes which pay them too little in social benefits when their money had been serving the interests of Governments in countries where Provident Funds operate. Ranivo, too, identified compliance difficulties by many employers and employees but he attributed such difficulties to those grudges against Provident Funds.<sup>14</sup> The General Secretariat of the ISSA blames this grudging situation on poor public relations between Provident Funds and contributors of money. The author says that this

latter group is suspicious of the Fund Management personnel because they are not fully informed of the significance of other social and economic uses to which their money invested in such funds is often put.<sup>15</sup>

#### Objectives and rationale of the study

Theoretical work has shown thus far that Provident Funds are inadequate because they do not provide their members with adequate social security protection required. The objective of this study was, therefore, to understand some administrative problems which the ZNPF may have had in its operations and which may be making it difficult for the Fund to provide efficient social security services to its members. The study tried to achieve this objective by inquiring into the organisational structure and channels of communication between the ZNPF and contributors of money to it, legal controls on the management of the Fund, protection of members' funds in the ZNPF and any other social and economic services provided by the ZNPF to the country besides social security provision.

Part of the rationale for this study, however, is that the majority of workers in Zambia contribute for their social security protection to the ZNPF and only a few more contribute to other pension schemes. This means that the ZNPF is a crucial social security organisation whose problems should require study and understanding. Furthermore, social poverty due to low incomes is a critical problem in Zambia and the International Labour Organisation (ILO) in one of its reports to the Zambian Government once commented thus: "The problem of the working poor (urban or rural) is ... the most serious symptom of Zambia's past pattern of development and is one which deserves the highest priority in the years ahead."<sup>16</sup> Besides, care of the handicapped, the aged, the widowed and other survivors of the

deceased is one of the basic needs identified by the ILO and for which the Zambian Government was called upon to plan.<sup>17</sup> So, part of that planning to relieve Zambians of this social poverty will have to be done through social security schemes such as the ZNPF. Problems associated with social security administration must, therefore, be studied and understood in a project such as this one for good solutions to be found. Another part of the rationale is that despite all those limitations, the study is the first of its kind in Zambia to our knowledge at present. It is hoped that this study will provide some insights into Zambia's current social security needs and management problems; in this way the study has laid a foundation for further and better research studies by future writers on Zambia's social questions.

#### Limitations

There were some limitations which may affect the quality of this study. President Kaunda appointed the Florence Mumba Commission of Inquiry in October, 1984 to probe grievances and the strikes of the ZNPF workers over allegations of maladministration by the Fund's Board Secretary, Mr. Christopher Mundia. Press publicity of the 1984 strikes by the ZNPF workers, the existence of the Commission of Inquiry and the press coverage of some public evidence submitted to this Commission sensitized many people to the maladministration and problems of the ZNPF. This study was conducted at the same time as this Commission was carrying out its inquiry work so that it is probable under that excitement for some people to choose to use the occasion to slander the ZNPF by giving to the researcher some inaccurate information or data against the organisation. Yet other respondents in the Fund's management and in some government offices were suspicious of the intention of the research and failed to

co-operate adequately in bringing out issues of importance concerning the work of the ZNPF. They mistook the study for another investigation into extra faults of the Fund and feared that the information given to the researcher might later be used against them, or that it might be prejudicial to the inquiry work of the Mumba Commission. This, coupled with the usual bureaucratic confidentiality, made it extra hard sometimes for one to obtain additional, clarifying information regarding some issues. Research data obtained in these or similar circumstances is likely to be either partial or overblown and may lead one into wrong conclusions of the study.

The interviewing languages in the study were English, Bemba and Nyanja. This means that some probably better information or data could not be available to the researcher from the other would-be more knowledgeable respondents but who were cut off from participation in the study because they did not speak one of the three languages. This is a significant limitation as it is a restriction of the study. However, there could be no alternative to a student conducting research in a multi-lingual and tribal Zambia. Furthermore, my interpretation of English terminologies used by the ZNPF management in their work into Bemba, and especially into Nyanja, might be unclear or inaccurate to some interviewees who did not speak nor understood English language at all. This might affect the accuracy of their responses to study questions and may, in turn, affect the researcher's accuracy of information analysis and conclusions.

Some technical difficulties associated with blindness as my own disability or disadvantage arose during the study. These were, for example, problems of mobility for me to reach research participants and places in time; delays in finding voluntary readers to tape-record

the required study materials; sitting and listening time required to edit and code information from numerous cassettes into braille and coupled with the usually slow braille writing process; loss of some information or data once some recorded cassettes snapped and the occasional break-downs of my special study aids such as the type-writer, braille writer, and the tape recorder which could not be repaired sometimes for longer periods if relevant spare parts were not found immediately in the country. These, and relevant problems, brought pressure to bear on my energy and time. All these are hereby acknowledged as limitations likely to affect the quality of this study and the validity of its conclusions.

### Methodology

This survey was conducted in Lusaka between July and December, 1986. The methodology applied included interviewing and the use of printed materials in reports, papers, journals and any other publications. Respondents included the Minister of Labour and Social Services and his Permanent Secretary, Permanent Secretary in the Ministry of Finance and Development Planning, ZNPF Management officials, fifty organisations as employers, fifty ex-members of the ZNPF who had already claimed their contributions from the ZNPF and fifty current members of the ZNPF who were still in employment. Not all ex and current members of the ZNPF interviewed were drawn from the fifty interviewed employers because in some cases employers were interviewed only without necessarily talking to any one of their current or ex-employees.

ZNPF Headquarters assisted with residential or occupational addresses of the fifty ex-members for me to reach them. Personnel Officers, or their equivalents, helped with the identification of workers in their organisations to participate in the interviews. In this way,

sampling was random as the researcher had no influence in the choice of respondents. Interviews with all these groups of people were unstructured, oral and tape recorded in every case.



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## CHAPTER II

### BACKGROUND TO THE ZAMBIA NATIONAL PROVIDENT FUND (ZNPF)

#### THE NEED FOR SOCIAL SECURITY

The law to establish the Zambia National Provident Fund (ZNPF) was enacted by Parliament in 1965 to provide a facility for social protection of all regularly employed workers in Zambia. Before this time there had been no comprehensive social security system for both employed and non-employed Zambians except for civil servants, teachers, members of the Police and Defence Forces, railway workers and miners who, each, belonged to their own pension schemes which had been provided for them by the Northern Rhodesia Government. For example, railways workers belonged to the Rhodesia Railways Pension Fund Trust while miners belonged to the Mines Local Pension Fund run for them by mining authorities. However, under the Workmen's Compensation Fund Control Board there has been since 1929 a provision for compensation of workers injured at work. This scheme has always been financed by employers' contributions on behalf of their employees.<sup>1</sup>

The Government Department of Social Welfare commenced its work in Zambia in 1950 and there had, since then, been some assistance available in form of food reliefs, temporary accommodation, clothing, medical and educational allowances to the aged persons, the handicapped, alcoholics, unmarried women, orphans, neglected children and other social destitutes especially in urban areas. But assistance under this scheme was very limited and only few people benefited from it. For example, only some 3,481 Africans received assistance from the department in the period 1951-1959.<sup>2</sup> At the end of 1960 this figure fell down to 2,464.<sup>3</sup> The Northern Rhodesia government did not want to encourage destitution and its policy was, therefore, in the main to repatriate urban destitutes home to be cared for by their own relatives in villages as one way to

reduce people's dependency on the Social Welfare Department for their living.<sup>4</sup>

Between the 1940s and the 1960s when many Zambians were employed on copper mines and in a few other industries for money wages it was realised that the mutual aid concept and the extended family system under which villagers shared community resources and cared for their own needy members of the family, were weakening substantially and few people were prepared to look after their retired relatives who became destitutes because they were aged, had become disabled or were simply poor and brought nothing with them on their return home after many years of work in urban areas. Many Zambians changed their consumption patterns and their traditional ways of living as a result of urbanization to which they were exposed. Many became more and more dependent on money for their livelihood and Godfrey reported that:

Individuals in urban areas who occasionally lost their jobs became stranded without resources to meet their basic needs of life. Some failed to return to their villages and they became town vagrants, while most of those who return to the village lived there in abject poverty.<sup>5</sup>

Under these circumstances the need for a social security scheme to take care of people who became destitutes after their working life was, therefore, recognized by the Northern Rhodesia government prior to Zambia's independence day, October 24, 1964. The need for such a scheme was formally debated for the first time in the Northern Rhodesia Legislative Council (LEGICO)<sup>6</sup> in December, 1958. But nothing was immediately done about it because of problems caused by political parties which were active at the time fighting for independence of the country.

Equally aware of the social security problems in Zambia, the United National Independence Party (UNIP) also addressed itself to the issue and pledged in its 1958 political manifesto that once it formed a government it would provide for social benefits to the aged, the sick,

survivors of the deceased, allowances to people with more dependants and to those whose working life did not provide them with pension facilities.<sup>7</sup> This pledge was repeated once more by UNIP in its 1962 political manifesto when events showed clearly that UNIP would form an African Government in Zambia.<sup>8</sup>

In August, 1961 the Northern Rhodesia Government, through its Minister of Local Government and Social Welfare, announced its readiness to consider measures aimed at solving social security problems in the country. Shortly after this announcement the Minister of Local Government and Social Welfare appointed a Working-Party chaired by the Director of Social Welfare to examine the problems of social security in the country and to recommend solutions.<sup>9</sup> The working-party reported in August, 1962 but its recommendations were not considered immediately until September, 1963 when they were considered and accepted in principle and this time, by the Zambia coalition government. Action was delayed because the new coalition government which took over in 1962 was too preoccupied with constitutional and other governing changes in the wake of the 1962 first General Elections.

The Working-Party recommended the establishment of the Northern Rhodesia National Provident Fund for workers only as this was simpler and cheaper to run than would be a complicated social security insurance scheme for all citizens. An insurance scheme would require demographic records for actuaries to determine the incidence of disability, age and sex distribution in the nation; trained administrators and heavy financial outlays from the state coffers. But all these were not adequately available to the government just achieving independence at the time and because of this the government accepted the Provident Fund idea as a first step towards establishment of a better pension scheme for Zambians.

George Forggon, adviser on labour matters, from the British Department

of Technical Education, visited Zambia shortly after the government had accepted the recommendation of the working-party to establish a National Provident Fund. The government accepted Forggon's offer to recruit a specialist to advise on practical steps required before such a Fund could be operational and to help with the drafting of the necessary legislation to establish the Provident Fund. James Grieve was, therefore, recruited for this task. Grieve came from the British Ministry of Pensions and National Insurance and he arrived in Zambia in November, 1964. In his report Grieve proposed the following:

- (i) Membership of the Fund to be open to all regularly employed persons aged 18 and above; but coverage of all Zambian workers to be achieved in stages.
- (ii) Both employer and his employee to contribute to the Fund at ten percent of an employee's monthly wages and such contributions to be credited to an employee's account in the Fund to earn interest.
- (iii) Benefits to be claimed in respect of old age, permanent retirement from regular employment, unemployability because of permanent disability, survivorship of a deceased member of the Fund and permanent emigration of a Fund member out of Zambia.
- (iv) Contributions to the Fund to be invested for promotion of development in Zambia.
- (v) Administrative expenses of the Fund to be met out of incomes from investment.
- (vi) Administration of the Fund to be vested in the statutory board on which employers and employees in Zambia should be represented.
- (vii) The Board to be advisory to the Minister of Labour and Social

Services who has legal responsibilities to Parliament for operations of the Fund.<sup>10</sup>

The Government accepted Grieve's report in May, 1965 and thereafter the Zambia National Provident Fund was enacted into law No. 78 of 1965 under (Cap. 513) of the laws of Zambia; but practical operations of the Fund had to wait until 1966 after the Zambia National Provident Fund Act received presidential assent on January 10, 1966.<sup>11</sup> To implement the policy, the Ministry of Finance authorized the Ministry of Labour and Social Services to advance the Zambia National Provident Fund Board with K150,000 for recruitment of staff, purchase of offices for the Fund's Headquarters in Lusaka, furniture and other necessary office equipment between January 10 and July 1, 1966 before the Fund could start its operations of receiving members' contributions.

#### How the Fund was received

The arrangement was for all employers of ten or more regularly working persons aged eighteen and above to register with the ZNPF within a month of the Zambia National Provident Fund becoming operational in order for accounts to be opened for those employers and their employees prior to July 1, 1966 when the ZNPF was scheduled to commence practical operations of receiving members' contributions. But the ZNPF was viewed with suspicion by many people especially those living and working along the Line of Rail.<sup>12</sup> Because of bad rumours associated with the Fund many employees were unwilling to identify themselves with it and employers hesitated to register themselves with their employees as was required of them by law. Miners on the Copperbelt, for example, went on strike in May, 1966 because they did not wish to contribute to both the Zambia National Provident Fund and to the Zambia Mines Local Pension Fund (which was, for brevity, referred to as ZAMINLO). Miners demanded a pay-out of their previous credits in the ZAMINLO before they could start to contri-

bute to the compulsory ZNPF scheme.

A publicity campaign was mounted by officials of the ZNPF and by politicians in the country to convince workers that the Fund was for their own social security and not for harm to them in any way. For example, Acson Chalikulima, Presidential Public Relations Assistant based in the Office of the Resident Minister for Copperbelt, spoke to an estimated crowd of 9,000 people in Luanshya to dispel rumours "spreading on the Copperbelt that the Government was using National Provident Fund as a means of making profits from the workers because it was likely to go broke."<sup>13</sup> Munukayumbwa Sipalo, Minister of Labour and Social Services, went on Radio to assure workers that the Fund was not another "form of taxation" as was felt by some people. In the same radio broadcast the Minister announced the postponement of practical operations of the Fund from July 1, 1966 to October 1, 1966 to give employers more time to register with the Fund.<sup>14</sup> Several weeks after October 1, 1966 the same Minister, Sipalo, complained to businessmen and Trade Unionists in Lusaka that "very few employers had registered with the Fund." He threatened to prosecute delinquent employers unless they hurried to register.<sup>15</sup>

Employees of Zambia Railways, too, demanded a pay-out of their previous contributions in the Rhodesia Railways Pension Fund Trust before they became members of the ZNPF. The government was unhappy with these demands but it reluctantly complied. Miners were given two options: to be paid out their total individual credits in the ZAMINLO; or to have those credits transferred to the ZNPF for purchase of "annuities" in the Fund to enable them, on retirement, to receive monthly pension payments equivalent to their pension from the ZAMINLO had it not been dissolved. Railwaymen were allowed a 40% pay-out of an individual's total contributions in the Rhodesia Railways Pension Fund Trust and the



remaining 60% to be transferred to the Zambia National Provident Fund. The Rhodesia Railways Pension Fund Trustees were very happy with these arrangements as they were anxious to abrogate their pension responsibilities for employees of Zambia Railways following the break up of the unitary railway system between Rhodesia and the independent Zambia. The Rhodesia Railways Pension Fund Trustees were looking for an opportunity to transfer the pension rights of the railwaymen to a Zambian pension scheme. This opportunity was now available in the Zambia National Provident Fund.

Some of the compromise arrangements between the government on one hand, employees and their previous pension holders on the other, could not be practical as they were against some provisions of the Zambia National Provident Fund Act. Those arrangements had, therefore, to be legalised and the following events took place in the process. First, on October 5, 1966 the President signed the Zambia Mines Local Pension Fund (dissolution) Act No. 50 of 1966 which had been passed to wind up the affairs of ZAMINLO.<sup>16</sup> Second the Zambia National Provident Fund Act was amended in November, 1967 by Statutory Instrument No. 395 of 1967 creating the Annuity scheme within the Fund. This enabled the ZNPF to receive miners' credits from the now defunct ZAMINLO and to pay those credits as monthly pension to retiring miners, otherwise miners would claim their money in lump sums as is required under any Provident Fund Scheme.<sup>17</sup> Third, in May, 1969 the Zambia National Provident Fund Act was again amended to make it possible for the Zambia National Provident Fund to place contribution credits of Railwaymen from the defunct Rhodesia Railways Pension Fund Trust into the Supplementary Savings Account within the ZNPF under which a member could withdraw part of the money saved for him by his employer without necessarily becoming aged or without having to retire from regular employment.

The amendment also made it possible for the Minister of Labour and Social Services to authorise the Zambia National Provident Fund by Statutory Instrument No. 294 of 1969 to pay Railwaymen 40% of individual credits which had been paid for them into the ZNPF by the defunct Rhodesia Railways Pension Fund Trust and to save 60% in the ZNPF.<sup>18</sup> Under the auspices of this amendment the remaining 60% of funds belonging to railwaymen was placed in the Supplementary Savings Account, a special scheme created in August, 1967 within the ZNPF to receive this money as capital sum payments which were made by the defunct Rhodesia Railways Pension Fund Trust in favour of 1,000 railway workers and a total of K1,000,461 was paid into the ZNPF Supplementary Savings Account in respect of these workers.<sup>19</sup> This money, too, was to be withdrawn later and a railwayman had two options in the matter; to keep his money in the ZNPF and continue to accumulate interest, or to withdraw it all in instalments and to save it in any other commercial schemes of one's own choice. The Minister of Labour and Social Services told Parliament at one time that the compromise arrangements reached between him and railwaymen were not good but that he had accepted them reluctantly as they were in the national interest.<sup>20</sup>

In this Chapter we have shown that the idea of a National Provident Fund for workers was conceived by the Northern Rhodesia Government as a solution to what was recognized as a big social problem especially for urban dwellers. The Zambian Government approved of this idea, too, and proceeded to establish the Fund, but many Zambian workers and employers expressed misgivings towards this Fund and did not accept it immediately as shown in the examples quoted here. One possible reason was that the Provident Fund idea was new and objectives of the Zambia National Provident Fund were not widely publicised and there is no evidence here to show that the government had consulted with employers and workers through their associations prior to establishment

of the Fund. However, the Government was determined to make the Zambia National Provident Fund a vehicle for social security of all regularly employed Zambians. The next Chapter deals with people covered by the Zambia National Provident Fund scheme and those exempted from coverage.

N O T E S

1. S. L. Mulozi and M. R. Mwendapole: 'Measures of Social Protection in Zambia', Ibid, Page 263.
2. Ministry of Local Government and Social Welfare, Social Welfare Division: Annual Report for the Year 1959, Page 14.
3. Ministry of Local Government and Social Welfare, Social Welfare Division: Annual Report for the year 1960, page 18.
4. This policy continued even after independence and the current policy of the Zambian government states that it aims at:"Encouraging and assisting communities to care for their own needy and disadvantaged members, especially in rural areas, but also in town as far as possible": Department of Social Development: Policy and aims, (undated but current at the time of study) Page 2.
5. V. N. Godfrey: 'The ability of Provident Funds to meet Social needs: The Zambian experience', Ibid, Page 53.
6. LEGICO has now become Zambia's National Assembly or Parliament since Independence in 1964.
7. UNIP: UNIP's Policies: Path to National Salvation, (1958 UNIP Manifesto) paragraph 3 (f) and (g).
8. UNIP: When UNIP becomes a Government, (1962 UNIP manifesto) P. 4.
9. First Annual Report of the Zambia National Provident Fund Board, (October 1, 1966 to June 30, 1967) page 2.
10. First Annual report of the Zambia National Provident Fund Board, op. cit. Page 2. Also, see ZNPF Supplement to the Tenth Annual Report: The Fund's Operations, October 1, 1966 to October 1, 1976, page 3.

11. This is the same Act referred to as Act No. 1 of 1966. Section 7 of the Acts of Parliament Ordinance (Cap. 2) of the laws of Zambia, requires the numbering of Acts to begin afresh each year. Zambia National Provident Fund Act No. 78 of 1965 did not receive Presidential assent until January 10, 1966. This law, therefore, became Act No. 1 of 1966 and the Clerk of the National Assembly accordingly notified the public in a Government Gazette Notice No. 114 of 1966.
12. In Zambia the term "Line of Rail" is used to refer to the area stretching from the Copperbelt in the north to Livingstone in the south where the railway line passes through from Zaire to Zimbabwe and this is the most industrialized and heavily populated area in the country.
13. 'Provident Fund "held" to workers', in Times of Zambia (June 16, 1966) page 1.
14. 'Sipalo explains Provident Fund', in Times of Zambia, (June 16, 1966) page 7.
15. 'Register with ZNPF within a month', in Times of Zambia (October 20, 1966) page 1.
16. See Gazette Supplement: Statutory Instrument of 1966, page 311.
17. First Annual Report of the Zambia National Provident Fund Board, op. cit. page 1.
18. Zambia Railways Benefit Regulations 1969.
19. Fourth Annual Report of the Zambia National Provident Fund Board, (April 1, 1969 to March 31, 1970) page 4.
20. 'Support for railways pension bill (pay-out on the way)', in Times of Zambia, (April 19, 1969) page 2.

### CHAPTER III

#### TARGET GROUPS

##### COVERAGE AND EXTENT OF THE ZNPF PROGRAMME: CLIENTS AND NON-CLIENTS

Zambia National Provident Fund is meant for all regularly employed workers who are its members and contribute to it in return for social benefits which are paid on the occurrence of specific contingencies. ZNPF also covers employers who contribute to it in favour of their own employees. Legislation refers to such workers and their employers as "eligible employees" and "contributing employers".<sup>1</sup> Zambians working inside the country but whose employers are outside the country are covered by the Fund, too, and their foreign employers are liable for statutory contributions to the Fund in respect of those employees.<sup>2</sup>

At the outset of the Fund in 1966 only employers of ten or more persons were required to register as contributing employers and only employees aged eighteen years and over were accepted for membership of the Fund as eligible employees. Later the Fund detected that it was being cheated out of its revenues by some employers who falsefied that they had nine or fewer employees in their service when, in fact they had ten or more. Other employers said they had ten or more workers in their service but who were aged below eighteen and, therefore, ineligible for membership in the ZNPF when, in fact, those workers were aged eighteen years and over.<sup>3</sup> To avoid cheating the Government amended the Zambia National Provident Fund Legislation through statutory instrument No. 337 of 1967 wherein employers of fewer than ten workers were ordered to register themselves and their employees with the Fund within two months to become contributing employers effective from January 1, 1968.<sup>4</sup> In March, 1873, the Government altered the age requirement for membership of the Fund when it abolished

eighteen years as the minimum age for eligibility. This change made every worker eligible for membership of the ZNPF irrespective of age and nature of work done unless a person was an exempt employee under the law.

These eligibility changes brought some misunderstandings regarding employment and employability of people in Zambia. ZNPF legislation now requires every Zambian at any age to be employed and become member of the Fund; but Employment Act (Cap. 512) does not authorise employment of persons who are aged below fifteen unless they are recruited on daily basis as casual workers;<sup>5</sup> but casual workers are not eligible members of the ZNPF under its legislation. Further, the Minister of Labour and Social Services introduced a "No Card No Job" policy in February, 1972 when he directed all employers not to recruit any person for a job who had not yet obtained a National Registration Card.<sup>6</sup> But the National Registration Act (Cap. 434) does not authorise a Zambian to obtain a National Registration Card if he is aged below sixteen years. These legal and policy tangles mean that although the legal minimum age for employment in Zambia is fifteen years, a person employed at that age cannot qualify for membership of the ZNPF as he will not have obtained the National Registration Card yet. Employers may not even accept him for a job at that age because he has no national registration card for ZNPF purposes. This, in turn, means that the de-facto age for employment and membership of the ZNPF is, therefore, sixteen years and it cannot just be any age as purported by the ZNPF Legislation under which every employed person of any age is required to be member of the Fund.

Some target categories of workers have had each a special history of their coverage by the Fund because of the special, differing circumstances under which they were brought into the scheme. One

such group is that of domestic servants in private dwelling houses. This group was originally excluded from ZNPF membership because of the unstable nature of their employment. It was argued that domestic servants are not permanent and regular workers as they are employed on flimsy, one-man conditions of service under which most of them are often dismissed at the will of their employers and at short, or no formal notice. Some domestic servants, too, at times leave the service of their masters at short notice or not at all once they found what they consider to be better and greener pastures with other employers elsewhere. Employment of these workers was, therefore, seen to be too erratic and, therefore, workers themselves so mobile that their employers would find difficulties in maintaining accurate contribution data records in respect of such workers as required by law.

However, legislation was amended and domestic servants were brought into the scheme under the Domestic Servants (Regulations) 1973, and a stamped card was prescribed as a method of contribution for these workers. Under this method a domestic servant obtains free of charge a special contribution card from the ZNPF offices. His employer buys from any Post Office a special, monthly contribution stamp and affixes it on to the servant's contribution card; the card is kept by employer as long as a servant remains in the service. The servant is required to inspect and sign the contribution card before leaving the service to ensure that his card had been correctly stamped by the employer covering the whole period of service there. On leaving his master's service, a servant is required to retrieve the card and surrender it to the next employer who should continue affixing more contribution stamps on to it in respect of the servant. Finally, the domestic servant would present this card to the ZNPF office when claiming his benefits once they fell due.<sup>7</sup>



Initially the cost of a contribution stamp was K1.75 of which K1.50 was credited to a servant's own account in the Fund, 15n to the ZNPF covering the administrative costs for running this scheme on behalf of the domestic servants and 10n to the Workmen's Compensation Fund Control Board as an insurance of the workman in the event of injury occurring in the normal cause of the servant's duties in respect of the Workmen's Compensation Fund Control Board Act (Cap 509)<sup>8</sup> In 1986 the monthly cost of this stamp was K3.00 of which K1.00 was the servant's own contribution share deducted by employer from his pay while K2.00 was a liability of the servant's own employer.

However, ZNPF legislation does not provide for comprehensive coverage of all domestic servants in the country. Section 24 of the ZNPF Act requires only employers of domestic servants in urban areas to register as contributing employers while it is "voluntary" for such employers in rural areas to do so. One reason for this is that in some rural areas of Zambia Post Office facilities are either non-existent or are too far away from areas where some employers live. Such employers would find difficulties in buying contribution stamps for their servants and compliance with the law would be thus difficult. It is assumed that rural employers living within reach of Post Office facilities would be faithful to the law and honest with themselves. The problem of limited Post Office facilities in Zambia is understandable and acknowledged here, but the arrangement for rural employers to register voluntarily and those in urban areas to do so compulsorily is weak, unfair and, therefore, unsatisfactory for a social security scheme expected to be for all citizens in the nation. For one thing, a rural employer of a domestic servant in a house situated adjacent to a Post Office may not choose to register because the decision to do so is voluntary for him and there is nothing a poor domestic servant will do to cause his employer to register

in respect of him because that employer has no legal obligation to the ZNPF or to the servant. It is possible that in this way some bad employers may deliberately refuse to register and, therefore, depriving their domestic servants of membership of the Fund and benefits available under the scheme which are enjoyed by domestic servants in urban areas. For another, an urban employer may wish to complain that he is contributing K2.00 monthly in respect of his servant who is doing more, or less, the same job for him as that done for a rural employer by his own domestic servant, and yet the rural employer is spending no more than paying wages to the servant. This is unfair to urban employers.

One possible solution would be to have the legislation amended to include a proviso requiring rural employers living within a specified geographical distance of the Post Office to register as contributing employers and to leave voluntary registration for rural employers living out of easy reach of Post Office facilities. This arrangement may give domestic servants some legal basis upon which to ensure that their rural employers register and contribute to the ZNPF for their social security. Their numbers have been increasing since 1973 when these workers were brought into the scheme. For example, 14,969 domestic servants were recorded in the 1973-74 ZNPF report year, 18,975 in the following year (of whom 230 were registered in rural areas) and 48,358 by March, 1985 when latest figures were available.<sup>9</sup>

Another group covered by the Fund is that of holders of constitutional, parliamentary and other political offices. These, too, were initially excluded from coverage because they were appointed or elected into offices temporarily and were, therefore, not permanent and regular employees. But in 1968 Members of Parliament began to express concern about lack of social security to help them live decently on retirement

from public life. The matter was not adequately supported but was sent to Cabinet for further scrutiny. Early in 1970 Members of Parliament continued to recognize the need for social security protection and persisted in calling for their inclusion in the ZNPF membership. Honourable Mulenga who initiated this debate in Parliament in 1970 put it thus:

This question came up in 1968 in the National Assembly and the answer was that Ministers could not be allowed. This Fund, to me, is a very good national scheme whereby all of us, nationals, should be given an opportunity to contribute something to this Fund and the Government as our temporary employer at present moment. Although we are not permanent employees, but being a national scheme, I think that it is important that the Government looks into this question. We are growing old and we would like something also to be done.<sup>10</sup>

It took at least a year for Cabinet to consider this question and in November 1970 came the announcement by the Minister of Development and National Guidance, Mr. Justin Chimba, to a Provincial Political Seminar in Livingstone that the idea of introducing a pension scheme for politicians had been rejected by the Government as politicians were not employed but elected and could be kicked out by the people any time.<sup>11</sup> One ANC Opposition Member, Mr. Peter Munga, at this seminar supported that Cabinet decision and explained that such a pension scheme would only serve to attract people into politics "to make money instead of to serve the people."<sup>12</sup>

In 1972 President Kaunda, too, voiced concern about social security for retiring party leaders; but his opinion was that such leaders should be taken care of by members of their own families in accordance with the extended family system. He said that no old person should be thrown "to dogs or to institutions like Old People's Homes".<sup>13</sup> But in the same breath the President contradicted himself when he said:

I would like to propose here that the state should work out a

system under which those who die in the loyal and faithful service of the state the state itself will provide their families with simple, but reasonable shelter... Those who retire or cease to hold office should be assured of accommodation in each city, municipal or township council where they wish to settle.<sup>14</sup>

The point being pressed here is that the President had changed his mind from that held by the Government in 1968 and was now as much concerned as were others for social security needs of politicians and their survivors. The President's problem now would appear to be that he did not yet know for sure what was to be done in reality to offer the required social protection to this group of people. This problem was solved in 1973 when legislation was amended authorizing the President to direct constitutional officers and party politicians to become eligible members of the ZNPF by special presidential order if he deemed it necessary.<sup>15</sup> The President exercised this prerogative in 1975 when he ordered Constitutional Officers, Ministers, Members of Parliament, Members of the Central Committee, District Governors and many others in senior political party ranks to become members of the ZNPF effective from January 1, 1975.

The third special group of covered workers is that of Ministers of Religion and other workers in the Church sector but their membership is discretionary. Church denominations or organisations may, if they wish, apply for the Director of the ZNPF for themselves to become contributing employers in respect of their ministers or any other workers. At least three explanations are available for this discretion. First, some priests, especially Catholics, do not receive salaries directly but are given welfare provisions and all supplied for their personal upkeep from their mother Church division abroad. Even where priests are full-time workers in secular organisations such as the University, Colleges, schools and hospitals, their salaries are, in many cases, directed to Church sectors or divisions where priests belong. Such priests regard themselves as employees of God and not

anyone else's. Besides, some priests at their consecration have taken sacred vows for personal chastity; they need not plan for their future because God will take care of them at all times.

*Second, religious organisations in Zambia are known to be financially weak as they do not have strong, reliable financial sources. It is, therefore, believed that such organisations will not have adequate financial ability continuously to support their employees as is required of all contributing employers. Third, religious organisations have a big social and moral responsibility as Shepherds of God's people in society and it would be morally unfair to have to bother such Shepherds of God's people with financial obligations, and sometimes with legal suits for non-compliance and yet society is already aware of their weak financial standing. All these are understandable and valid explanations in a Christian Society where religion and its officers are regarded in esteem. But it would be even better here to provide these Shepherds of God's people with adequate social protection so that a minister who dedicated all his life to this vital Ministry should not live poorly and wanting on ceasing to be active in the Ministry because of old age, disability or any other contingency; nor his family craving if he died. The scope of this study did not make it possible for one to establish statistics of religious organisations in Zambia which were contributing to the Fund in respect of their ministers and other workers by 1986.*

Membership of the ZNPF from these and other unspecified groups of workers has been steadily growing over the years. For example, there were 209,532 members and 3,553 contributing employers registered by the Fund by June 30, 1967 who contributed to the ZNPF K4,891,632.00 in revenues.<sup>16</sup> By March, 1985 ZNPF had registered 23,500 contributing employers and 1,083,758 members with accumulated contribution revenues

standing at K535,689,000 excluding K177.8 million paid to members in social benefits over the years.<sup>17</sup>

Other groups of workers have been legally excluded from coverage of the ZNPF either because Parliament has created statutory pensions for them or because they are foreigners in Zambia. One such groups included civil servants, members of the Police and Defence Forces and teachers who contribute to government pension schemes under various laws. Others are employees of district councils who contribute to the Local Authorities Superannuation Fund and Senior Officers of the University who contribute to the University of Zambia Superannuation Scheme. Benefits under this scheme are almost standardized with those enjoyed by academic and administrative staff of universities in other parts of the world.<sup>18</sup> Universities recruit international staff especially to direct their academic programmes. For this reason features of the University of Zambia Superannuation Scheme are relative to those of the Superannuation Scheme run by Hog Robinson and Collinhood Life Pension Group.<sup>19</sup>

Another group comprises members of the Diplomatic Corpse in Zambia. These are government employees in their own countries and it is believed that they have been adequately provided for at home. Others are expatriates working in Zambia on employment permits and contracts. Another group consists of casual workers who are employed on daily rates and for not less than a month at a time. One reason for exclusion of these workers from coverage of the ZNPF is that they are constantly in and out of work and are, therefore, too mobile for their employers to keep efficient records of deductions and remittances in a systematic manner in respect of those workers. ZNPF administrators, too, would find it difficult to maintain contribution accounts systematically for workers who are sometimes out of work for

longer period when their accounts in the Fund would be dormant. However, employers of this labour are required to pay to the Fund a special contribution of 15n for every K2.00 of the total wage bill paid to all casual workers at a time. For example, an employer of ten casual workers who are each paid K50.00 monthly will pay K37.50 to the ZNPF in respect of those workers. This is employer's own contribution as casual workers do not contribute and have no liability to the Fund. This money is placed in the "Reserve" Account to support any social obligations which ZNPF may choose to assist in Zambia provided a request for such assistance to a social programme is approved by the Minister of Labour and Social Services. For example, grants-in-aid were paid from this scheme to various organisations of charity in the period 1973, when this social support programme commenced, to 1985 as illustrated in the following table:

TABLE I: GRANTS-IN-AID FROM THE ZAMBIA NATIONAL PROVIDENT FUND TO ORGANISATIONS FOR CHARITY OR SOCIAL PROGRAMMES, 1973-1985

<u>YEAR</u>	<u>GRANT</u>	<u>DONATED TO</u>	<u>UTILIZED FOR</u>
1973	K100,000	Department of Social Welfare	Establishment of a Geriatric Unit at Ndola known as Profund Centre
1974	K 5,000	Zambia Flying Doctor Service	Establishment of a Clinic in a rural area
1975	K 5,000	Zambia Council for the Handicapped	Establishment of a Family Farming Scheme for the Disabled at Mimosa
1976	K 5,000	Mental Health Association of Zambia	Purchase of a new bus for the mentally handicapped children at Chainama Hills Hospital
1977	K 757	Kasisi Orphanage School	Construction of a school shelter
1977	K 200	Ministry of Health	On World Health Day
1978	K 6,000	Zambia Flying Doctor Service	"Financial Assistance
1978	K 1,010	Unknown	Unknown

<u>YEAR</u>	<u>GRANT</u>	<u>DONATED TO</u>	<u>UTILIZED FOR</u>
1979	K 20,000	Government of the Republic of Zambia	Bridge reconstruction in Zambia during the Zimbabwean Liberation War
1979	K 5,000	International Year of the Child	"Financial Assistance"
1979	K 1,220	Unknown	Unknown
1980	K 19,000	Department of Social Welfare	Financial Assistance to Mitanda Home for the Aged
1980	K 7,000	Commission for International Year of Disabled People	Financial Assistance
1981	K 10,000	Cheshire Home	Financial Assistance
1981	K 8,000	Zambia Flying Doctor Service	Financial Assistance
1982	K 19,000	Unknown	Unknown
1983	K125,000	Unknown	Unknown
1984			
to			
1985	<u>K 26,000</u>	Unknown	Unknown
	<u>K365,187</u>		

SOURCE: Compiled from 8th to 19th Annual Reports of the Zambia National Provident Fund (April 1, 1973 to March 31, 1985).

It is a pity that large sums of money as shown in this table were donated as grants to the service of people but their destinations and utility not shown.

Students in vaction employment and others who have found temporary employment while awaiting results of their past examinations for admission to other institutions of learning are also not eligible members of the ZNPF. Workers in all these excluded groups discussed above are legally referred to as "exempt employees" and are, therefore, not legal clients of the ZNPF.

Other workers not specifically mentioned, but who are also exempt employees, are those working in the informal sector. This group



includes members of many co-operatives and other self-employed persons such as marketeers, craftsmen, fishermen, farmers and similar groupings. These are not covered as their incomes are not regular and their contribution records would be difficult to maintain and administer in the ZNPF. In the next chapter we shall study social benefits which are available to persons covered by the ZNPF and how such benefits are meant to help those recipients.

N O T E S

1. Zambia National Provident Fund Act (Cap. 513) Section 10(v) and Section 14(i).
2. 'Employers' Guide to the operations of the Zambia National Provident Fund', (October , 1983) Section 97, Page 24.
3. Second Annual Report of the Zambia National Provident Fund Board, (July 1, 1967 - March 31, 1968) Page 6.
4. Zambia National Provident Fund Act (Cap. 513) Section 10.
5. Employment Act (Cap. 512) Section 12(i) and (ii).
6. Sixth Annual Report of the Zambia National Provident Fund Board, (April 1, 1971 - March 31, 1972) Page 5.
7. Zambia National Provident Fund (Domestic Servants) Regulations 1973, Regulation 5.
8. In Zambia Workmen's Compensation Fund Control Board is a statutory organisation as is the ZNPF but it specializes only in a compensation to some categories of workers injured at work or dead while carrying out their normal duties. This Board is financed through compulsory contributions of employers.
9. Eighth, Nineth and Nineteenth Annual Reports of the Zambia National Provident Fund Board, (April 1, 1973 to March 31, 1975 and April 1, 1984 to March 31, 1985) Pages 6-7, 3 and 8 respectively.
10. Honourable Mulenga, MP: In a Parliamentary debate on the Zambia National Provident Fund, in Hansard, No. 21, Second Session of the Second National Assembly, January 7 to March 15, 1970,

(recorded February 25, 1970) Page 1821.

11. 'Politicians' Pension Plan Thrown Out', in Times of Zambia (November 27, 1970) Page 9.
12. African National Congress was the Opposition Party to UNIP before the introduction of the One-party rule in 1972. Politicians from both ruling and opposition parties in Southern Province attended this seminar.
13. K. D. Kaunda: 'A Nation of Equals: Kabwe Declaration', addressed by His Excellency President Kaunda, to the UNIP National Council, in Hindu Hall, Kabwe, (December 1 - 3, 1972) Page 38.
14. K. D. Kaunda: 'A Nation of Equals: Kabwe Declaration', op. cit., Page 39.
15. Zambia National Provident Fund Act (Cap. 513) Section 11.
16. First Annual Report of the Zambia National Provident Fund Board, Ibid, Pages 11 and 17.
17. Nineteenth Annual Report of the Zambia National Provident Fund Board, op. cit., Pages 8 and 17.
18. University of Zambia Superannuation Fund Scheme for senior staff: Members' Explanation Booklet (undated) Page 1.
19. According to explanations obtained from the University of Zambia Insurance Office.

## CHAPTER IV

### BENEFITS, CONTINGENCIES COVERED AND CLAIM PROCEDURES

Contingencies for which benefits are available in the ZNPF are old age, retirement, physical disability, mentally disability, death, funeral, home ownership, emigration and maternity confinement. Benefits are also available under the supplementary savings scheme and the annuity purchase scheme which are not attached to any specified contingency. We shall now study each one of these benefits and contingencies in turn and the administrative procedures available for claiming such benefits.

#### Old age and retirement

At the onset of the ZNPF an age benefit was paid to a member upon attaining the age of 55 years whether one chose to retire from regular employment or not. A retirement benefit was payable at the age of 60 as this was the official retiring age in Zambia at the time. But people rejected these ages as being too high because a recipient of the money may not have much time left for him to use it productively before death. So, the government unwillingly gave in and reduced the old age qualification to 50 years and retirement to 45 for both male and female members. But when Messrs. Carson and Partners, as actuaries of the ZNPF, made their first quinquennial evaluation of the ZNPF Act for the period 1966-71, they disqualified these new ages as being too low to enable the Fund to introduce a National Social Insurance for citizens at a later date.<sup>1</sup> The government accepted this advice in 1973 and raised age qualifications for benefits once more, but also decided not to disturb old members who had earlier protested. The 1973 changes, therefore, affected the newly joining members only.

A person who joined membership of the ZNPF before April 1, 1973 should claim an age benefit at 50 years and retirement benefit at 45; but a person joining the Fund on, or after, April 1, 1973 may claim an age benefit at 55 years and a retirement at 50.<sup>2</sup> These ages have been accepted by members as there have never been mass protests as was the case in 1966. ZNPF management views this quiet acceptance of the new age qualifications as people's acceptance of the Fund because they have now understood the social objective of the organisation. ZNPF management has designed a special claim form to be completed in respect of each benefit being claimed. This makes easier administration, processing of claims and filing records. So, forms NPF 31 and NPF 31A are used by claimants for age and retirement benefits respectively. Age and retirement particulars have to be provided in these forms for claiming to be accepted by ZNPF management.

The ZNPF policy of claiming a retirement benefit first and an age benefit later is unsatisfactory because many people who claim retirement benefits at 45 years do not actually retire; a lot of them are still in regular employment and there is no law to force such claimants into retirement; this makes mockery of the whole purpose of retirement benefits. The best would probably be to have old age and retirement combined as one contingency and a person to be paid his benefit only once at retiring age of 55 years provided that a person wishing to retire earlier on health or other personal grounds can be paid his benefits on retirement. In most social security arrangements old age and retirement contingencies are treated as dependent variables because in the majority of instances people retire only on age grounds. This is especially true in developing countries where many individuals are still poor even though they may have been working and paid regularly for many years. They are lowly paid and have not saved

enough or anything on which to fall back when they retire. Such people usually retire very late in life unless on the occurrence of some unfortunate circumstances such as disabilities making them unemployable and thus forcing them into immediate retirement.

Physical disability and mental disability

Benefits are paid to members who are unable to continue in their regular paid employment if suddenly struck by a physical disability or by a mental disability. These are paid whether a disability arose out of the worker's normal course of employment or outside provided a member concerned has become permanently disabled and unemployable. Where a member's mental disability is so serious that he had lost the capacity for personal care and responsibility, a relative may claim the money on the understanding that the claimant has accepted responsibility for welfare of the disabled person and his dependants. Applications for both physical and mental disability benefits must be supported by certificates from medical doctors confirming that victims have become permanently disabled and are incapable of any work.

There is duplicity of contingencies here and it is difficult to understand why a mental disability should be treated as a separate contingency and a physical disability as another. Victims of both disabilities have become disabled and unable to work to earn money for their living and this is the only reason for giving each one of them a social benefit. A contingency here is, therefore, disability, otherwise all disablements as blindness, deafness and others should be classified as separate contingencies for coverage of the ZNPF. Such contingencies may be separated in an insurance scheme or in a workmen's compensation scheme where a benefit is determined based on the cause of a disability, but not in a provident fund where

this is not applicable and where the duty of the Fund is only to return the money for an individual when required. Meanwhile, however, forms NPF 32 and NPF 32M are used when applying for benefits in respect of a physical disability and a mental disability respectively. Once these are combined into one contingency there should be only one form provided that a particular disability will have to be entered in the form for records and for medical doctors to certify the disability.

#### Death

A survivor's benefit is paid to any dependant or survivor of a deceased member of the Fund. A member is required to nominate, in a special nomination form, a person who should claim a survivor's benefit in the event of that member dying before claiming his money in age or retirement benefits. Where a deceased member did not nominate any person the director of the ZNPF will pay the survivor's benefit to a widow or widower with whom the deceased member cohabited at the time of death provided eligibility for a benefit is proved by a marriage certificate or any other good evidence. Also, this benefit can be paid to a guardian of a nominated child where that child is aged below 21 years. In other cases, the director will hold the money in trust until the nominee is ready to claim and utilize it if that was the will left behind by the deceased member, or if that is a decision of the nominee or guardians of the nominee. Someone else who is neither a widow, widower nor nominee of the deceased member may also claim this benefit on production of the Order or Appointment from the District Executive Secretary or a Magistrate to be administrator of the estates of the deceased member.

Where a nominee who appears in the records of the ZNPF is dead or cannot be found to claim the money within three months of the member's death, nomination of that person is deemed to have ceased prior to the member's death and another person should be found to claim the benefit. If a claim is not made by anyone within five years from the date of the member's death the money will be transferred to the Reserve Account in the Fund.<sup>3</sup> Problems with some of these policies are notable here. Cancelling the nomination within three months of the member's death is doing it prematurely and it is unfair to the nominee. Problems may occur in the family following the death of that member which would make it difficult for the nominee or any relative to file an immediate claim for the money. For example, a widow who had been harrassed by relatives of the deceased husband during, and after, the funeral may be hesitant to file an immediate claim for the money of her deceased husband on fear that this would invite extra trouble for herself. She might wish to delay this to give herself some time to recover from the anguish of loss of the husband and harrassment during the funeral. It would, therefore, be better to have legislation amended here to extend this waiting period to a year to allow nominees or relatives of deceased members more time to sort out problems of this nature once they occurred. Furthermore, the current legal silence on whether or not the deceased member's money transferred to the Reserve Account after five years could be retrieved thereafter if an eligible claimant was subsequently found is equally unsatisfactory because that policy must be explained clearly for protection of members' funds in the ZNPF. However, form NPF 35 has to be completed by a relative of a deceased member claiming a survivor's benefit; form NPF 36 is for any dependant, widow or widower or a member while form NPF 37 is for use by a guardian who is claiming a benefit on



behalf of a nominated child who is aged below 21.

#### Funeral Grant

In 1973 a funeral grant was introduced to help with expenses over the funeral of a deceased member.<sup>4</sup> This money is not deducted from the deceased member's account because it is a ZNPF grant from a Special Reserve for the funeral of its dead member provided that the deceased had been a ZNPF member for a minimum of 24 months and the claim made within six months of the member's death in form NPF 44. The grant was K50.00 in 1973, K80.00 in 1977 and K120 in 1984 where it stood in 1986. This grant is payable as a reimbursement to a widow, widower, relative or last employer of the dead member provided the claimant had been responsible for paying all funeral expenses.

But all employers interviewed for this study said that it was socially undesirable for an employer worth his salt to have to claim reimbursement of such a small amount of money over the death of a former employee who had contributed so much to the service. Claims Officers at the ZNPF Headquarters said they did not remember ever handling reimbursement claims of this nature from employers. This means that funeral grants have always been paid to relatives of deceased members only and not to employers as no employer takes joy in such claims.

Claims for both survivor's benefit and the funeral grant must be supported by Burial Certificates for ZNPF to prove death of a member in whose name a claim is being raised. This is necessary to prevent falsefication of death by a member who is actually not dead but claiming a benefit or a grant because he is in financial difficulties. This is understandable because falsefication problems exist even in developing countries such as the United States where adequate legal

and administrative network exists for fraud detection.<sup>5</sup> In Zambia legislation exists requiring registration of all deaths and births with the Registrar General's Office or his agents.<sup>6</sup> However, registration facilities are available only at Provincial and District Headquarters or in urban centres where hospitals, police stations and commissioners of Oath exist. Many people who die in remote, rural parts of Zambia are buried there without registration. Relatives of such people may, therefore, have difficulties in claiming benefits without proof of death and this must be an inconvenience.

While the policy of proof of death should remain to check possible cashing-in by some members through forgery of death, the policy should be modified by permitting traditional chiefs to certify deaths of ZNPF members who die in remote, rural places, where authorized registration facilities are not available. A letter may be preprinted by ZNPF itself and a traditional chief or his Court Clerk to administer one by filling in the necessary details, stamping it with the Court's official date stamp and then validating it by the signature of the Chief concerned. This may allay problems for the people.

#### Emigration

A Zambian or non-Zambian who chooses to emigrate from Zambia permanently to settle elsewhere claims an emigration benefit irrespective of age of the claimant and period of membership in the Fund. The money is intended to help the emigrant with problems of settling in a new country but the money is paid in kwacha and the beneficiary has to make own arrangements to externalize it. Following the economic difficulties of the 1970s and the 1980s, exchange control regulations in Zambia have been tightening up and it has been hard sometimes for would-be emigrants to transfer money to countries of their destination. ZNPF officials said that they knew of a few

people who had claimed emigration benefits some years ago but failed to obtain in time the necessary exchange control permission to externalize the money because of the strict, bureaucratic formation in the banking system. In the process of waiting, the money was used up and the would-be emigrants sought employment in Zambia and started contributing to the ZNPF once more. The reality of this problem has been recognized by the ZNPF and something was being done about it. ZNPF has been trying to negotiate social security conventions between itself and similar schemes in neighbouring countries under which foreign nationals working in Zambia may emigrate at once bearing necessary contribution documents to be paid their benefits by social security schemes in their own countries and the same to apply to Zambians working and contributing to such schemes in foreign countries. One such reciprocal agreement was signed in 1985 between ZNPF and its counterpart scheme in Zaire; but this agreement was not yet in force by 1986 as it was awaiting ratification by Governments of the two countries possibly in 1987. In April, 1980 an important international development occurred in similar directions. This was the opening of the Social Security Regional Centre for Africa in Lome, Togo, which was to act as a clearing house for exchange of information and documents of intra-african social security programmes in Anglo-phone and Franco-phone countries.<sup>7</sup> Forms NPF 33 and NPF 33A are relevant in applying for emigration benefits. The emigrant's last employer must sign a declaration in Form 33A certifying that his employee has resigned to leave Zambia permanently, although there is no way here for an employer to be sure that his employee has resigned because he is emigrating permanently. After all, this is mainly the duty of the Department of Immigration under the Immigration and Deportation Laws (Cap. 122).

### Maternity Grant

This is paid to a female member who receives a new baby and becomes confined from her normal employment. This payment was introduced in 1973 to help mothers regarding expenses on layette and other incidentals related to the care of a newly born baby.<sup>8</sup> The grant is paid whether the baby is born still or alive provided the mother can prove by pre-natal documents that her pregnancy lasted 28 weeks as a normal gestation period. There is only one grant per each pregnancy and confinement so that giving birth to twins or triplets does not entitle a mother to two or three grants because she had only one pregnancy and was confined once. The grant was K50 in 1973, K65 in 1977 and K100 in 1984 where it stood in 1986. A member's account in the ZNPF is never debited with that grant once it was paid because the money is a gift of welcome to a baby who is likely to become a Fund member once he grew up and regularly worked to contribute, and the money is paid from a Special Reserve provided a mother has been a Fund member for at least 24 months; the claim made within six months from the date of delivery or miscarriage and supported by documents from hospital or clinic where birth or miscarriage had taken place or by a birth certificate issued by the Registrar General or from any other authorized office.

Some male interviewees in this study felt that the maternity benefit had better extend to them, too, if their non-member or member wives gave birth because a husband is as equally responsible for the creation and birth of a baby as is the wife or mother. In 1969 Mushing-ko reported the existence of this practice in the Republic of China (Taiwan) when he said: "When an insured person's wife gives birth to a child the insured person is entitled to a confinement allowance equal to one-and-a-half of his average monthly wages".<sup>9</sup>

But the ZNPF has rejected this because in the first place, ZNPF membership is individual and it is based on a worker's own contributions and someone else who is not a member cannot enjoy a benefit meant for members only. In the second place, it is not the husband but the wife who carries the baby in her womb and becomes confined from her own job because of that and thirdly, all the hazards of health beginning from conception to the birth of a baby are with a woman and none with a husband. These are logical points which would be difficult to refute. But we noted earlier that the main reason for this grant is to welcome to earth the baby as a potential ZNPF member. It is, therefore, safe to reason that a husband who helped in the creation of that potential Fund member should not just be swept away and ignored; something ought to be worked out showing gratitude to both husband and wife for bringing to earth that baby and potential member of the ZNPF. However, this is a controversial issue and we shall have to await further research studies in the matter to learn more.

#### Home Ownership Withdrawal

This scheme is meant to assist members acquire dwelling houses for their own occupation and the scheme began on October 1, 1974.<sup>10</sup> A member is allowed to withdraw for purchase or house building up to 60 of his total contribution credits in the Fund irrespective of the cost of the house needed. One must have been contributing to the Fund for a minimum of 84 months because he has to leave at least 24 contributions in the account to enable him receive an age or a retirement benefit when he qualified for one. A member holding a supplementary savings account in the Fund may also choose to withdraw up to 60 of his contribution credits in the account to make up for the difference in the cost of the house. A wife who is also a ZNPF

member may withdraw part of her savings on the same conditions to enhance the benefit of the husband for ownership of the house needed.

This benefit is claimed in form 38C showing purchase or building details such a vendor or builder of the house, title deeds to the land and purchase price of the property. Later the Fund sends an inspector to the site for verification of the deal, and when the claim is finally approved the money is paid to a building contractor, house vendor or to a legal practitioner appointed by the claimant himself to handle legal purchase conveyances on his behalf. This pay arrangement is meant to avoid possible misdirection of funds and abuse of the benefit by a member who may be pretending to acquire a dwelling house when, in fact, he is not trying to own one. One major policy here is that only those wishing to own houses in approved urban areas should benefit from this scheme because people in villages have no title deeds to land and any property which they hold. People have complained that this policy does not encourage them to return home in rural areas where they did not build houses when they worked in urban areas. Home Ownership is the most popular of all benefit schemes under ZNPF because it provides some people with a shelter and a lasting security in form of a house which they may, as many often do, let for rent to raise incomes for survival when they are no longer in regular paid employment.

Inadequacy of the benefit is another problem of concern to many ZNPF members. Sixty contributions at the highest monthly rate of K30.00 amount to K1,800.00, but it is impossible today for anyone to purchase or build himself a sizeable house with that amount of money having a good space for membership of his family to share comfortably. Home Ownership policies will need to be revised to inject in them some flexibility for those seeking to acquire houses in rural areas to be

equally assisted. Also, there is need for ZNPF to introduce another Special Reserve from which to assist members with free financial grants towards the cost of houses. Such grant would be determined up to a certain percentage of the cost of the house.

#### Supplementary Savings Scheme

This scheme is not attached to any contingency and its purpose is to improve on the member's financial position at present or in the future and it is a voluntary one. An interested member may request his employer to deduct a specified sum of money from his monthly pay, remitting it to the ZNPF and a separate supplementary savings account opened up for the member. A member may choose to withdraw all or part of the money saved in this account on leaving the service of his current employer to join another one without necessarily having to wait for age or retirement qualifications,<sup>11</sup> and this is the basic difference and advantage between this and other benefit schemes already discussed here. An employer, too, may volunteer to contribute in favour of a worker who is currently in the service, a former employee or any survivor of a deceased employee as a token of an employer's appreciation for a faithful and exemplary service rendered to him. An employer's contribution may either be on a monthly basis provided that such contribution is not less than five percent of his employee's monthly pay, but there is no upper limit; or it can be a one-time capital sum payment of any amount.

Form NPF 45 is used to apply for a benefit under this scheme and very few workers and employers are aware of the existence of this scheme. However, the scheme is very popular with miners and other workers in mining related industries and ZNPF runs a special savings programme for miners under this scheme which is referred to as Supplementary Retirement and Resignation Gratuity (SRG).

### Annuity Purchase

Annuity is the amount of money assured to a member in the form of pension for a specified period or lifelong. Here again, this scheme is not attached to any contingency but the scheme is intended to provide a member or his nominee or his survivor with a continuous source of income instead of lump sums payable once-and-for-all under other benefit schemes.<sup>12</sup> A member may make a voluntary, but irrevocable option to be paid any part of his savings in a lump sum on retirement and to convert the remainder into annuities which he will be receiving in monthly instalments and this action is referred to as the Annuity Purchase. As in the Supplementary Savings Scheme, any employer may offer to purchase annuities for his current employee, former employee or for any survivor of a deceased employee to enable that person to have a permanent source of income.

Annuities are in two forms. One is the Immediate Annuity which matures at the annuitant's age of 45 years or earlier if he retires. This can also mature any time if the annuitant dies before retirement or before the age of 45 and his nominee or his survivor will immediately start receiving monthly pension instalments. Another is the Deferred Annuity which matures only when the annuitant is aged between 56 and 60 years if male, or between 50 and 55 years if female. The annuitant himself or herself chooses one age within these age ranges say, 52 or 57 years, at which annuities will mature for him or her to commence receiving monthly incomes. An employer offering to purchase annuities for a former or current employee or for a survivor of a deceased employee may select a maturity age in consultation with the annuitant. The minimum cost of annuities which a person should pay to the ZNPF is K240. This amount enables the annuitant to receive a monthly income of K4.00 for five years; this payment is referred



to as the purchase price, but there is no upper limit and the bigger the purchase price the higher will be one's monthly income. All 1,938 annuitants on records of the ZNPF in 1986 were miners, ZNPF workers and workers in other mining related industries as demonstrated in this short table. The scheme is, therefore, not popularly known or appreciated by many Zambians.

TABLE II: ANNUITY HOLDERS IN THE ZAMBIA NATIONAL PROVIDENT FUND AND THEIR EMPLOYERS AS AT SEPTEMBER 30, 1986

<u>NATURE OF ANNUITY</u>	<u>ANNUITANTS</u>	<u>EMPLOYER</u>
Deferred	1,225	Zambia Consolidated Copper Mines
Immediate	345	Zambia Consolidated Copper Mines
Deferred	158	Anglo-American
Deferred	32	AMCO
Deferred	6	Consolidated Lighting
Deferred	13	Deep Drilling
Deferred	15	Diacarb
Deferred	35	SCAW
Deferred	70	Zambia National Provident Fund
Total deferred annuities:	1,593	
Total immediate annuities:	345	
Grand total	1,938	

SOURCE: Records kept by Annuity Officer at the Headquarters of the ZNPF.

Under the deferred annuity scheme, monthly pension payments will be available first for a period of ten years, referred to in legal language as "A term certain". This period is five years in the case of an immediate annuity. If the annuitant dies within this critical period one's nominee or survivor will continue receiving incomes until

expiry of that period when the pension ceases. But if the annuitant does not die and lives beyond this "term certain", pension will now become lifelong. Calculation of receivable monthly incomes is done so carefully by ZNPF officials that the annuitant, his nominee or survivor will receive and exhaust the paid purchase price within the "term certain"; but if the annuitant still lives, then ZNPF obligingly takes over the pension burden by paying the annuitant lifelong from its own resources and this privilege cannot be transferred to any one else. A nominee or survivor of a deceased annuitant may opt for a one-time lump sum payment of the remaining annuities, or he may elect to receive them monthly until exhausted up. Annuity pension payments never flow automatically because they have to be applied for each time in form NPF 43, which is also referred to as life certificate.<sup>13</sup> In this form only the annuitant's usual names and the national registration card number are entered and the form is then signed either by a labour officer, social welfare officer, minister of religion, legal practitioner, medical practitioner, commissioner of oaths, postmaster, school headmaster, immigration officer or a local court justice. This certificate is an evidence of survival of the annuitant to prevent frauds. For example, the Fund may be remitting money in life pension to someone else when the annuitant proper died several years ago, annuity purchase price exhausted and pension must have ceased.

One major problem notable here is that there is no flexibility in this scheme to permit occasional, upward adjustments of monthly income payments to annuitants in relation to the rising cost of living as a result of inflation once it occurred in the country. The annuitant continues to receive K4.00 monthly today as received for the past five years although K4.00 in 1986 was only capable of buying a toilet roll or a bath soap. Of course, this is a problem of most Provident

Funds world-wide as their benefits are not adjustable to inflation trends of the time. The situation is very bad for countries like Zambia where no periodical adjustments are undertaken to reflect inflationary changes.

As well as all these benefits discussed here, the ZNPF also provides money for socio-economic development of the country. In the following Chapter we shall be studying sources of revenues for the Fund to honour such obligations and paying social benefits to its members. Also, we shall be seeking to understand something about the extent of support which the ZNPF gives to the government in its financial commitments to some specific programmes which would otherwise have to be financed directly from Government's own coffers.

N O T E S

1. Report of the actuaries, Messrs. J. A. Carson and Partners, to the Minister of Labour and Social Services, on the operations of the Zambia National Provident Fund Act from January 10, 1966 to March 1971, London, (September 15, 1971) Paragraph 26.
2. ZNPF: 'Objectives of the ZNPF and benefits offered', Ibid, P. 2.
3. Zambia National Provident Fund Act Section 28 (4), (5)(c) and 6.
4. Statutory Instrument No. 192 of 1973.
5. Social Security Handbook on old age, survivors and disability insurance, second edition, U. S. Department of Health, Education and Welfare: Social Security Administration, Washington D.C., (January 1963) Paragraph 145.
6. Marriages, Births and Deaths (Registration) Act, (Cap 210).
7. Fifteenth Annual Report of the Zambia National Provident Fund Board, (April 1, 1980 to March 31, 1981) Page 4.
8. Statutory Instrument No. 193 of 1973.
9. Mushing-ko: 'Social Insurance in the Republic of China', in International Social Security Review, No. 2, (1969) Page 259.
10. Statutory Instrument No. 136 of 1974.
11. Zambia National Provident Fund Act, Sections 19 to 20.
12. Statutory Instrument No. 395 of 1967: ZNPF (Annuity) (Amendment) Regulations.

13. This form should not be confused with another one NPF 43 used for maternity claims.

## CHAPTER V

### FINANCING OF THE ZAMBIA NATIONAL PROVIDENT FUND AND SPECIFIC SERVICES BY THE ORGANISATION

In this Chapter we will concentrate on how the ZNPF is financed in order for it to be able to carry on its statutory functions of providing social security protection to the citizens through benefit payments, and to sustain its administration and other services run by the organisation. We shall also try to explore other specific services provided by the Fund besides social security protection to members using its accumulated resources. ZNPF has at least six (6) sources of revenues which include statutory contributions by members and their employers, investments, annuity purchase, supplementary savings, penalties on erring employers and special contributions made by employers in respect of their casual employees who are not eligible members of the Fund. Statutory contributions and investments together account for well over 95 percent of the moneys of the ZNPF. The organization is, therefore, financed entirely by its members and their employers and by its own initiatives through investments without any help from the Government.

#### i. Statutory contribution by members and employers

Statutory contributions include money paid by employees and their employers. Weekly or monthly deductions are made by employers from their employees' salaries and remitted to the ZNPF together with employers' own contribution shares in favour of employees. These are referred to as members' funds, and it is this money which accumulates and later paid in benefits to members as shown in Chapter IV. There is a ceiling sum of the salary of an employee which is taken into account for assessing contribution rates payable by individual workers. The employee's monthly contribution rate has always been five percent

of the ceiling sum of one's monthly salary and his employer pays in the equivalent. For example, until March 31, 1973, the ceiling sum of the salary considered for assessing a worker's monthly contribution used to be K80.00 which means that a worker earning K80.00 or above per month contributed to the ZNPF K4.00 as five percent of K80.00 while a worker earning K79.00 contributed K3.95 being five percent of that salary. This means that the total monthly contribution made to the Fund by each member was K8.00 at the most or 10 percent of K80.00 including employer's own contribution share. The lowest contribution then came from a low wage earner defined at the time as one earning K33.00 per month in a regular five-day week employment.<sup>1</sup> This worker contributed K3.30 including employer's own contribution share. Since April, 1973 the Minister of Labour and Social Services has had legal powers, in consultation with the Minister of Finance, to prescribe any amount as a ceiling sum of the salary on which Provident Fund contributions can be assessed.

The Minister applied this prerogative immediately when he changed the ceiling sum from K80.00 to K120.00 from April 1, 1973, K200.00 from April 1, 1980<sup>2</sup> and K300.00 effective from October 1, 1985<sup>3</sup> where it stood in 1986. Accordingly, workers earning these salaries or above contributed K12.00, K20.00 and K30.00 respectively in that period. The 1985 changes also raised the contribution status of a low wage earner who was now defined as someone earning K51.00 per calendar month of five-working days per week. This worker now contributed a total of K5.10 including employer's share. Changes in the statutory contributions over the years have followed salary rises for many workers and the performance of the national economy. But it is unfortunate that salaries of low wage earners, especially in the public sector, have not risen substantially. This means that statutory contributions from people in this group have been so low

that they cannot expect better benefits and better social security protection from the ZNPF. In the first nine months of the life of the ZNPF, October 1, 1966 to June 30, 1976, the Fund collected K4,891,632.00 in statutory contributions;<sup>4</sup> but on March 31, 1985 these members' funds stood at K535,689,000 excluding K177.8 million paid back to members in 401,261 benefits since beginning of the ZNPF.<sup>5</sup> There is no doubt that more and more money will continue to accumulate from this source as membership in the Fund continues to rise eventhough the national economy is performing badly these years.

ii. Income from Investment and Interest rates

Section 33 of the Zambia National Provident Fund Act requires the Director of the Fund to invest all surplus moneys from existing investments which are not required by the Fund for immediate use. There is an investment committee appointed by the Minister of Labour and Social Services which has legal powers to give general or specific instructions to the Director on how and where moneys which are surplus to current needs of the Fund should be invested. The Director must always be competent to advise or supply any necessary information to this Committee for proper discharge of its investment functions. Originally, this Committee comprised the Permanent Secretary from the Ministry of Finance (Chairman), Deputy Governor of the Bank of Zambia and the Director of the Fund himself. But in 1973 the Minister of Labour and Social Services nominated his Permanent Secretary to represent him on this Committee as one way to control the investment policies of the Fund. In 1974 this control was further tightened upon when President Kaunda directed that membership of this Committee be widened to include his own personal representative and two other people representing employees and employers in Zambia; and legislation was amended accordingly to effect these changes.<sup>6</sup> In 1986 the



investment committee comprised seven (7) members who included the Permanent Secretary from the Ministry of Finance and Development Planning (Chairman), Permanent Secretary from the Ministry of Labour and Social Services, Special Assistant to the President on Economic Affairs, General Manager of the Bank of Zambia, Deputy Chairman-General of the Zambia Congress of Trade Unions, Executive Director of the Zambia Federation of Employers and the ZNPF Director himself.

The investment policy has always been for the Fund to direct 85% of investible funds to the Government and state controlled organisations through loans for development programmes, through purchase of Government stocks and through real estates such as residential quarters and office buildings held by the Fund itself for rental. The remaining 15% has to be channelled to the private sector through loans to support newly-emerging economic enterprises. This policy has been modified occasionally over the years in response to the economic fluctuations of the 1970s and the 1980s; but the Fund does not generally favour giving loans as development capital to support old, or the already working projects sponsored by organisations in the private sector. The Fund prefers to support the private sector with new economic projects which add to the economic dimensions of the country. However, the policy of supporting only new, emerging projects does not apply to the Government and state controlled organisations. Many such organisations and government ministries have been receiving giant loans from the Fund for such projects as building or extending office blocks and conference chambers; replacing worn-out machinery for breweries; building or extending supermarkets, warehouses, shopping centres, industrial plants and housing estates; buying passenger or cargo aircraft; and many more assorted schemes.

At least on two occasions, the Fund provided money to assist the

government in its international commitments. In 1981 the Fund released K2.5 million to enable the Government pay for vehicles and equipment under a commodity loan agreement between the Zambian government and the government of the German Democratic Republic. A further K5 million was released to the government in 1984 to purchase the Zambia Chancellery in Tokyo, Japan. Also, the Fund has been making an annual average contribution of K15 million to the government budgets since 1975; the Fund contributed K20,000 to the Government sponsored bridge reconstruction fund to repair bridges destroyed by the Rhodesia security forces in 1979 during the Zimbabwe Liberation War. In the same year K3.5 million was made available to the Zambia Industrial and Mining Corporation (ZIMCO) to enable it to acquire Triton House in London to house the London based ZIMCO subsidiaries. K9 million was made available to the government towards building costs of the Pamodzi Hotel; the Central Province Co-operative Marketing Union received K4 million as part of the K50 million consortium loan secured for re-lending to farmers in the Province; National Housing Authority has been loaned K1.7 million towards construction of forty residential houses for rental along Great East Road while Zambia Airways received K4 million for the purchase of the DC 10 passenger aircraft.<sup>7</sup> These are just a few of many examples of how resources of the ZNPF have been employed to the service programmes sponsored by Government and public organisations. It may, therefore, not be wrong for one to conclude here that the ZNPF has been helping in creating or sustaining job opportunities for many Zambians who work in such programmes or organisations where its money has gone in loans and grants. Residential houses and office blocks erected by the ZNPF for rental in provincial and district centres are of great help to many people who face residential and office accommodation problems there, and this, too, is an important

socio-economic service to the country.

Prior to 1984 the interest rates charged by the Fund on its loans varied between 6.5 and 10 percent depending on the nature of the venture for which a loan was obtained. But these rates were found to be too low for profit making as compared with those charged by other financial institutions such as commercial banks, Zambia National Building Society and the Zambia State Insurance Corporation. ZNPF interest rates were, therefore, raised in 1982 to between 8.75 and 9.5 percent on loans to government and district councils. Loans to the Agricultural Sector were ratable between 8.75 and 10 percent, 9.5 and 11 percent on loans to parastatal organisations and 10 to 12 percent on loans to private organisations.<sup>8</sup> Loan rates were revised upwards once more in 1984 when loans to the Government, District Councils and the Agricultural Sector were ratable on par at between 14.5 and 16.0 percent while loans to parastatal and private organisations, too, were ratable on par at between 16.5 and 17.5 percent.<sup>9</sup> We just found out earlier in this Chapter that the investment policy of the Fund aims at helping out the national economy through loans to parastatal and public enterprises. Besides, Zambians are aware of the great emphasis which the Government has been placing on the need to diversify the mainstay of the economy from copper to agriculture.<sup>10</sup> But it is difficult for one to reconcile government policy of giving high priority to the development of the agricultural sector and the economic public enterprises than those charged for loans to the Government and district councils. These policy contradictions in Zambia are amazing and difficult to understand.

As at June 30, 1967 total investments held by the Fund amounted to K4,570,774, but in March, 1985 investments stood at K484,534,000 in

loans to government, district councils, public and private enterprises and in real estates. Out of this total, government loans amounted to K155,344,000 representing 32.06 percent. Government Stocks amounted to K15,891,000 or 3.28 percent while loans to District Councils amounted to K39,322,000 representing 8.12 percent with the remainder shared between public and private organisations and in real estates held by the Fund itself.<sup>11</sup> Part of the income accrued from investments is used to pay annual interests on members' accounts; another part is applied to pay for administrative expenses of the Fund itself and another is channelled into five special reserves and one other general reserve which are maintained as accounts in the Fund for various purposes.

First of these special reserves is the equalization reserve which is used to ensure stable annual interest rates on members' accounts should the investment yield be poor in any one year to necessitate a reduction in the interest rates payable. Second is the claims contingency reserve from which benefits may be paid to a member whose employer or employers never remitted money to the Fund during a member's employment lifetime although deductions from wages had regularly been made and efforts to trace the employer or employers fail. A member may be paid benefits from this reserve if he did not receive his benefits sent to him by the Fund because they were stolen or lost in the mailing process, because of a misaddress or because of any other unfortunate circumstances. A third one is the benefit development reserve. This is used for payment of benefits covering new contingencies which the Fund may decide upon and approved by the Minister of Labour and Social Services. The last two are the maternity and funeral reserves from which maternity and funeral grants are paid to those who qualify for them. All these special reserves have existed since 1973 when the ZNPF Board was legally empowered to establish

these and any other reserves which may become necessary. Into the general reserve are channelled special contributions paid by employers in respect of their casual workers and any surplus income from investments after annual allocations have been made and set aside for administrative and operational expenses of the Fund, interests on members' accounts paid and appropriations to special reserves made. Penalty fines on delinquent employers who fail to pay statutory contributions to the Fund in due time are deposited in this general reserve, too. All money kept in this general reserve is, therefore, referred to as a general income and grants-in-aid to charitable organisations discussed in Chapter III are paid from this revenue.

### iii. Annuity Purchase

Annuity purchase by members is another source of revenue for ZNPF. Here a member pays to the Fund any amount of money, either at his retirement or before, to purchase annuities which he would receive as monthly incomes for five years, ten years or lifelong in the form of pension instalments instead of receiving his money in a lump sum. The monthly income to be received by the annuitant is dependent on the purchase price that member is prepared to pay for his annuities. Schedules exist showing contribution rates or purchase prices payable by female and male members at various ages. By June 30, 1967 ZNPF had received K4,039 from this source mostly from mining companies. But in 1985 the annuity account stood at K2,198,000 excluding payments made back to members in previous years.

### iv. Supplementary Savings

Another source of revenues for the Fund is the Supplementary Savings scheme. Extra contributions are paid into this scheme either by

N O T E S

1. ZNPF: 'Employers' Guide to the operations of the Zambia National Provident Fund', (October 1983) contribution table for low wage earners.
2. Zambia National Provident Fund contribution (Amendment) Regulations 1980: Statutory Instrument No. 49 of 1980.
3. Statutory contribution (Amendment) Regulations 1985 (conveyed by the ZNPF Director to employers in Zambia in his circular No. 14 of 1985) (September 24, 1985).
4. First Annual Report of the Zambia National Provident Fund Board, Ibid, Page 11.
5. Nineteenth Annual Report of the Zambia National Provident Fund Board, Ibid, Pages 7 and 17.
6. Nineth Annual Report of the Zambia National Provident Fund Board, Ibid, Page 10.
7. As according to records kept by the Loans Officer in the Investment Section, Finance Department, at the ZNPF Headquarters.
8. Seventeenth Annual Report of the Zambia National Provident Fund Board, (April 1., 1982 to March 31, 1983) Page 10.
9. Nineteenth Annual Report of the Zambia National Provident Fund Board, Ibid, Page 8
10. An outline of the Transitional Development Plan January 1965 to June 30, 1966, Pages 31 to 40.  
First National Development Plan (FNDP) July 1966 to December

1970, Pages 5 to 10.

Second National Development Plan (SNDP) January 1972 to December 1976, Pages 14 to 29.

Third national Development Plan (TNDP) 1979 - 1983, Pages 21 to 22. 'The National Policies for the Decade 1984 - 1995: Aims and objectives of the third phase of the Party', (Office of the Secretary General of the United National Independence Party (UNIP) Freedom House, Lusaka, 1984) Pages 25 to 26.

11. First and Nineteenth Annual Reports of the Zambia National Provident Fund Board, Ibid, Pages 11 and 9 respectively.
12. Third Annual Report of the Zambia National Provident Fund Board, Ibid, Page 4.
13. Figures of Supplementary contributions compiled from the Second to Nineteenth Annual Reports of the Zambia National Provident Fund Board.
14. Zambia National Provident Fund Act, Section 22.

## CHAPTER VI

### ORGANISATIONAL STRUCTURE AND MANAGEMENT OF THE FUND

#### Accountability and Control

ZNPF is responsible to the Minister of Labour and Social Services who is, in turn, accountable to Parliament for all its operations especially those which are related to broad policy issues and to activities of the ZNPF. Parliament is informed on the work of the Fund in three ways. One is through periodic ministerial statements which the Minister may wish to make if he felt that there was an important issue worth informing Parliament about. Second is through answers which the Minister gives to questions put to him by back-benchers who wish to have some information or clarifications on any matter related to the activities of the Fund. Third is through annual reports written by the Fund itself covering its annual activities for the period April 1 of the current year to March 31 of the following year abreast with the income tax charge year of the Government. The Minister is required to table one such report annually before the National Assembly for it to be able to follow the activities of the ZNPF and, in this way, to control on the work of the organisation.

Unfortunately, annual reports of the ZNPF are often sent to Parliament some seventeen months after expiry of the year under review in one report.<sup>1</sup> This practice of late reporting has the effect of weakening the efficacy of Parliamentary control over the affairs of the ZNPF. Parliament would achieve little or nothing at all by giving corrective instructions in retrospect to the Minister about an error just noted in one annual report but which was made by the ZNPF seventeen or more months ago.



This late reporting should be understood as a common feature in the Zambian government as a whole probably because of the 'I don't care attitude' apparently cherished by some Zambian bureaucrats. Parliament has provided that:

The annual report of the year preceding the financial year which has ended immediately prior to the consideration of the current estimates for every government ministry, province, department or any company, association, statutory board or institution of learning in which the state has a majority, controlling, or any interest, and/or which the President may, by statutory order, declare to be a parastatal body, irrespective of whether its estimates are considered by the House or not, shall be laid on the table of the House within six months from the date of the end of the financial year of each body.<sup>2</sup>

But a total of 212 government organs and institutions which included 21 ministries, 89 departments, all 9 provinces, six service commissions, four institutions of higher learning - University of Zambia being one of them, and 89 statutory or parastatal organisations did not write, or had failed to submit, their annual reports to the National Assembly for the years 1977 and 1983.<sup>3</sup>

This situation prompted Parliament on February 27, 1980 to adopt a private member's motion deploring Government failure to lay annual reports of Government bodies on the table of the House within six (6) months from the date of the end of the financial year. The motion called on the Government "to fully comply with the provisions of Standing Order 79(2)".<sup>4</sup> In 1982 Reverend Ben Zulu, MP for Kapoche, asked the Prime Minister in Parliament to explain this non-compliance by the Government. The MP said: "We are getting concerned that the nation today is always approving estimates of bodies whose expenditure this House has no knowledge of".<sup>5</sup> Prime Minister, Nalumino Mundia, replied that the reasons for Government failure were many, but he cited "personal failure" and "lack of disciplinary action against erring officers" in Government organs as being outstanding reasons. He said that steps had already been taken to restore officers' accountability

to Parliament through annual reports.

But on February 28, 1983 the Secretary to the Cabinet circulated a Memorandum calling for submission of annual reports to the National Assembly which many Government organs had not yet done.<sup>6</sup> In 1985 the Secretary to the Cabinet wrote several letters, this time, to individual permanent secretaries in ministries which, together with their parastatal organisations, were in arrears of annual reports. Zambia National Provident Fund was among the defaulting organisations named under the Ministry of Labour and Social Services.<sup>7</sup> Furthermore, on February 28, 1986 the National Assembly office circulated an even longer list of Government organs who were in arrears for annual reports for several years.<sup>8</sup> All these details here serve to explain why ZNPF has not been adequately accountable for its work to Parliament.

#### The Board

Administration of the ZNPF is, by law, vested in the Zambia National Provident Fund Board which is appointed by the Minister and is accountable to him for its work.<sup>9</sup> This is an advisory body to the Minister on all matters relating to the operations of the Fund. Board members are appointed on part-time basis for a three-year renewable term and membership is ascriptive as it is mostly based on positions people have in organisations of their employment. There are sixteen members on this Board of whom five are public officers representing Government ministries, five representing employers, five representing workers as members of the ZNPF and the Director of the Fund himself. In 1986 public officers sitting on this Board were Permanent Secretaries from the Ministries of Labour and Social Services (Chairman); Decentralisation (Vice Chairman); Finance and Development Planning; Power, Transport and Communications; Agriculture and Water Development.

Representing employers were the Commissioner for Workmen's Compensation Fund Control Board; Executive Director of the Zambia Federation of Employers; Director of Personnel in the Zambia Consolidated Copper Mines (ZCCM); Executive Director at the Zambia Industrial and Mining Corporation (ZIMCO) and one other person from the Farm Employers' Association. Those representing employees and members of the Fund came from the Zambia Union of the Financial Institutions and Allied Workers; Zambia Railways Workers' Union; Union of Transport and Allied Workers; Mine Workers' Union of Zambia and the Zambia Congress of Trade Unions (ZCTU) which was represented by its Deputy Chairman General.

The Board is capable of suing to courts of law any person or organisation contravening laws or regulations which relate to its functions. It acquires and disposes its property and holdings in the manner deemed appropriate to it without reference to any authorities. It appoints senior management personnel of the Fund and determines salaries and conditions of service for such personnel. The Board may, or may not, approve policy proposals submitted to it by the Director of the Fund on the operations of the organisation. It regulates its own meeting procedures and may sit as frequently as there is business to deal with in any one year although the current policy is for the Board to meet quarterly in any one year.

#### The Staff Committee

Personnel functions have been delegated by the Board to a staff committee which is responsible for appointment, demotion, dismissal, transfer, promotion and retirement of all senior officers receiving a salary scale of K11,000 and above per annum. Employees earning below this scale per annum are unionised workers and are a responsibility

of the ZNPF management. The committee comprises six members who are all members of the Board. Until 1982 this committee was chaired by the Permanent Secretary in the Ministry of Labour and Social Services; but early that year Member of Parliament for Kawambwa, Honourable Titus Mukupo, caused a storm in Parliament when he alleged tribalism in the selection, promotion and deployment of staff in the Fund. After investigations the Minister of Labour and Social Services, Mr. Basil Kabwe, admitted in August, 1982 that the staff committee had abused its powers. But the Minister also said that charges of tribalism were "conceptual, abstract, subjective and extremely difficult to prove".<sup>10</sup> In an apparent fit of frustration and disappointment resulting from such serious allegations made against the committee which had been chaired by his own Permanent Secretary, the Minister withdrew his Permanent Secretary from membership of the committee, reconstituted the committee and transferred its chairmanship to a none civil servant member.

Accountability of this committee to the Board has been difficult sometimes especially when both the staff committee and the Board were chaired by the same Permanent Secretary. For example, in the just narrated case, the Board should have been able to investigate the validity of tribal charges made against its committee and to clarify matters to the public. Contrariwise, the Board was not even mentioned in the matter and no-one made reference to it for solutions.

Another instance showing control and accountability problems can be seen in the widely known case of the Fund's Board Secretary, Christopher Mundia, in 1984. The trouble began on May 3, 1984 when 900 workers at ZNPF Headquarters went on strike accusing the Board Secretary of maladministration and rigidity towards them and demanded his removal from the ZNPF system. Workers returned on May 8 after

ZNPF management had sent Mr. Mundia away on forced leave. He was brought back when the Fund's Director, Mr. Jones Nyirongo, told workers that both the Ministry of Labour and Social Services and the Commission for Investigations had cleared the Board Secretary because allegations brought against him could not be proved.<sup>11</sup> Workers went on strike again but were now sucked instantly and their jobs advertised in the press. Meanwhile, the investigator-General, Justice Robert Kapembwa, denied that his commission for investigations had ever cleared Mr. Mundia.<sup>12</sup> The strike spread to other financial institutions such as banks and many people in the country became worried. But throughout this period there was no report of the Board sitting to review matters to seek solutions to what was recognized by many people as a crisis. President Kaunda intervened on October 25, 1984 when he appointed the Florence Mumba Commission of Inquiry to probe strikes and recommend solutions.<sup>13</sup> Mr. Mundia remained suspended and workers reinstated while the Commission did its inquiry work. This commission had not yet reported by December, 1986.

Delegation of duties is normal everywhere and the Board had done well to delegate some to the staff committee. The problem notable here is the Board's apparent failure to keep the staff committee adequately answerable to the Board for its maladministration of personnel. Abdel-Hamid once made a telling comment on the essence of delegation when he said that: "the act of delegation does not, in any sense, free the delegator from his responsibilities should any irregularities arise in the course of executing that particular job. More important, delegation should not be for the sake of parting with part, or the whole, of one's responsibilities, but a pre-determined act of inviting others to share, help and contribute more to the well-being of the organisation".<sup>14</sup> ZNPF Board here appears to have transferred other than delegating, its personnel functions to the committee and this

must be unsatisfactory management of public affairs.

#### Director and Deputy Director

As we have already said, the Minister of Labour and Social Services should, by law, appoint a suitable person to be director of the ZNPF and member of the Board for a three-year renewable term of contract.<sup>15</sup> This was the situation until 1975 when President Kaunda took over and appointed Mr. Jones Nyirongo, who was still in post, as director at the time of this study. This practice is recognized in Zambia as one way for the head of state to ensure personal loyalty of all public officers<sup>16</sup> to him for political expediency and national unity. Many Chief Executive of statutory organisations have been appointed by the President even where Parliament has legally vested appointing powers in relevant Ministers. We may refer to this here as an expropriation of legal powers from Parliament by the President. However, this cannot be challenged because executive powers of the republic are vested in the President alone.<sup>17</sup>

ZNPF Director is the head of the organisation and his responsibilities include: advising the Board and the Minister on the assessment of contributions to be paid by workers and employers; utilization of surplus funds from investments which the ZNPF administration cannot put to immediate use, proposing schemes in which the investible funds should be invested for profit making; advising on the type of new benefit schemes to be run and on any other services to be offered to Zambians for socio-economic development. He has to account for all funds received and paid out by the ZNPF annually; planning and directing expenditure for management of the organisation in the following year. He has to plan for manpower, buildings, machinery and other resources which are necessary for expansion of the work of the ZNPF.

The Board appoints a Deputy Director who is in charge of all routine co-ordination of work in the organisation. Except for the Chief Internal Auditor who is answerable to the Director, the two regional directors and all heads of department at the headquarters report to the Deputy Director who co-ordinates their work. The Deputy Director works closely with the Director on all matters of the organisation. He sits on the Board but cannot vote in Board meetings because he is not a Board member. He may act in the office of the Director if appointed to do so by the President when the Director himself is away from office for a long time or when, for some reasons, the President does not immediately appoint a successor in the event of death, resignation, retirement or dismissal of the Director.

#### Management

Management work of the ZNPF is divided into two geographical regions and seven departments at the organisation's headquarters. First one of the departments is the Internal Audit department which is headed by the Chief Internal Auditor and who, in 1986, was supported by twenty three members of staff. The work in this department is to ensure that money being spent by the organisation is properly authorised by appropriate and competent officers; that procedures for receiving, banking, withdrawing and spending money are followed; that money is spent on items for which it was voted and allocated by the Board; that money is being paid in correct amounts to correct payees and generally, to ensure that all members' funds are efficiently looked after. Second is the Finance Department headed by the Financial Controller and supported by 345 employees in 1986. This department is responsible for receiving and banking all moneys of the ZNPF; processing monthly returns of payments from employers; payment of salaries to ZNPF employees, benefit claims and grants to members and settling bills

from creditors of the ZNPF. Other responsibilities include administration of investment loans, stocks, shares, treasury bills and processing members' statements of account in collaboration with the Data Processing Department.

The third one is the Board Secretarial Department which is headed by the Board Secretary who had 258 employees under him in 1986. Under this department are legal services; maintenance of estates of property of the ZNPF; public relations; transport; office and security services; printing, typing pool; mail opening and cleaning. The Board Secretary attends Board meetings but cannot vote there as he is not a member. He keeps Board minutes and other related records. The Secretary liaises with the Director frequently on Board matters and does the same with heads of department and regional directors to ensure that decisions or instructions of the Board are carried out for the Director to report accurately back to the Board meetings. Personnel and training department is the fourth one and is headed by the Personnel and Training Manager with 68 people supporting him in 1986. The department is responsible for recruitment; manpower planning; staff training; industrial relations; construction and keeping of ZNPF employees' personal records; employees' welfare and their recreational services and training employers in the preparation and remittance of their employees' contribution papers and money to the ZNPF.

Fifth is the Data Processing Department which is a computer centre and, therefore, a reservoir of information related to the whole work of the ZNPF. All departments rely on this department heavily for work records to guide their decisions, actions and future plans. The Data Processing Manager is the head and was supported by 176 employees in 1986 with responsibilities for development of computer systems; programming operations; microfilming and key edit operations. The



Central Office Department is another one and is headed by the Operations Manager who had 159 supporting staff at the time of the study in 1986. The Department has responsibilities for research and statistics; library; registration of members; construction of members' records; effecting employers' compliance and processing members' benefit claims in collaboration with Finance and Data Processing departments.

In 1980 the ZNPF Board decided to deconcentrate administrative services to the Provinces to ease congestion of work in Lusaka. Two regions were, therefore, created. One is the Northern Region with its headquarters in Ndola which is in charge of the work in the Copperbelt, North Western, Luapula and Northern Provinces. This region had 275 employees in 1986. Some of these were at the regional headquarters while others worked elsewhere in thirteen district offices in the region.<sup>18</sup> The Southern Region is in charge of services in the Southern, Western, Eastern and Central Provinces. The regional headquarters is in Lusaka and there were 192 employees supporting the regional director in 1986. Some of these were at Lusaka-based office while others worked elsewhere in eleven districts under the region.<sup>19</sup> Lusaka Province was being taken care of by the Central Office Department under the Operations Manager.

The seventh is the Deputy Director's Department. This is mainly a co-ordinating department and is the smallest of them all with only six people supporting the Deputy Director at the time of this study. Two of the six were personal secretaries and one was a typist. Five heads of department and two regional directors are answerable to the Deputy Director who co-ordinates their work. The Chief Internal Auditor is the only one directly answerable to the Director. This arrangement was found necessary to ensure that the Director is always accurately informed of all financial transactions taking place in the organisation.

The seven heads of department, two regional directors and the Director himself are the top ten executives forming the management team of the ZNPF. The Director consults regularly with this management team on a number of issues which may, or may not, later be considered by the Board. This top management team then forms the Disciplinary and Appointments Committee which deals with matters relating to unionized employees of the ZNPF. ZNPF workers are represented on this Committee by a union official to champion their interests in the Fund. A unionized employee who has a personal grievance because of, for example, unfair dismissal, demotion, or any other disciplinary sanction, super-session in promotion and many related vices, may also appeal to this Committee for some redress. The management team also takes major policy decisions on many other issues provided that the Board is free to overturn such decisions if they are subsequently found to be unrealistic or if they are inconsistent with the political policies and directions of the Party and its government.

In this Chapter we have been studying the administrative structure available to direct the affairs of the Fund. We have done this by examining the internal, organisational structure of the ZNPF, assignment of functions and communication procedures followed in administration of the Fund. We have pointed to some problems arising from delegation of functions from Parliament through the Minister of Labour and Social Services to the Board, the staff committee, the director and his management team. In the following Chapter we shall be trying to explore some real problems which arise out of the existing administrative arrangements and which are faced by the ZNPF management, members and contributing employers.

N O T E S

1. For example, the nineteenth Annual Report for the period April 1, 1984 to March 31, 1985 went to Parliament in August, 1986 and the Twentieth Annual Report for the period April 1, 1985 to March 31, 1986 was not available yet by December, 1986.
2. National Assembly Standing Orders 1986 (revised) Standing Order No. 79(2).
3. National Assembly list showing Government ministries, departments, statutory boards and parastatals whose annual reports were in arrears as at February 15, 1983.
4. Daily Parliamentary Debates, second session of the fourth National Assembly, (February 27, 1980).
5. Daily Parliamentary Debates, fourth session of the fourth National Assembly, (March 10, 1982) question No. 198 on annual reports, by MP. Reverend Ben Zulu. The Prime Minister's answer is also thereon, pp. 2288 - 2289.
6. E. I. L. Willima, Secretary to the Cabinet: 'Confidential Circular No. 7 of 1983' on submission of annual reports, (February 28, 1983).
7. A letter reference No. CO 101/5/30, (dated March 8, 1985) from the Secretary to the Cabinet to the Permanent Secretary, Ministry of Labour and Social Services.
8. National Assembly list showing government ministries, departments, statutory boards and parastatals whose annual reports were in arrears as at February 28, 1986.
9. Zambia National Provident Fund Act (Cap. 513) Section 5(1).
10. 'State to revamp ZNPF', in Zambia Daily Mail, (August 11, 1982) Page 1.

11. '900 ZNPF workers stage protest', in Times of Zambia of Zambia, (October 4, 1984) Page 7.
12. 'ZNPF workers told to reapply: 900 dismissed', in Times of Zambia, (October 9, 1984) Page 1.
13. 'Probe strikes', says K.K.', in Times of Zambia, (October 26, 1984) Page 1.
14. Abdel-Hamid: 'Delegation', in Anthony H. Rweyemamu and Goram Hyden, (EDS) A Decade of Public Administration in Africa, East African Literature Bureau, Nairobi, (1975) Page 324.
15. Zambia National Provident Fund Act (Cap. 513) Section 6(1).
16. In Zambia the term Public officers usually refers to civil servants; but it is used here to include officers in statutory organisations created by Parliament under special laws. These, too, are essentially Government or public employees.
17. Constitution of the Republic of Zambia, Article 53 (i) and (ii).
18. Districts are Solwezi, Zambezi, Kitwe, Luanshya, Mufulira, Chingola, Chililabombwe, Ndola, Mansa, Kawambwa, Kasama, Mbala and Mpika.
19. Districts are Chipata, Petauke, Mkushi, Kabwe, Kafue, Mazabuka, Monze, Choma, Livingstone, Senanga and Mongu.

## CHAPTER VII

### OPERATIONAL AND ADMINISTRATIVE PROBLEMS OF THE FUND

#### Nature of the Problems

Operational problems about which we are concerned here are those affecting work of the ZNPF in relation to members and employers who contribute money to the Fund and not those concerning employees of the ZNPF or any other people using the services of the Fund such as loans for social and economic development. Most of such problems concern administrative procedures followed by management officials of the ZNPF in dealing with members and their employers and procedures required to be followed by members and employers in carrying out their statutory obligations to the ZNPF. Basically problems have occurred in identification and registration of contributing employers and eligible members, in remitting statutory contributions to the ZNPF and when members wish to claim back their money in benefits.

There are two stages at which people register with the Fund -registration of liable employers by the ZNPF and registration of members or workers by the ZNPF through employers. For one to register as a contributing employer he has to complete appropriate form obtainable from the ZNPF furnishing the Fund with particulars such as name of the business organisation; postal and location address; telephone number (if any); nature or activity of the organisation; licence number (if it is a commercial business); number of employees and their personal details of names, years of birth, national registration card numbers and then date when liable to make the first contribution payment to the Fund in respect of such employees.<sup>1</sup> If one employee worked elsewhere before, and had already obtained from the ZNPF his social security membership card, the social security number must be shown, too, against an employee's name and an employer is expected to obtain from the ZNPF social security

cards for all new employees. A nominal role or file will then be opened for a registered employer, employer's account number allocated and sent to him. This account number must always be quoted by both ZNPF and the employer in all future dealings or correspondence between them. The social security number is an employee's own account number in the ZNPF and should, therefore, be quoted by everyone in all future dealings or transactions between ZNPF and the employee, or between ZNPF and employer in relation to the employee.

ZNPF will then start printing and sending out to a registered employer computerized monthly contribution schedules showing names of employees in the service and contribution dues in respect of them. Contribution schedules are then returned to the ZNPF enclosed with a payment cheque in respect of all employees and the ZNPF will, on receipt, credit an employee's account with money received for him as shown against his name in the contribution schedules for that month. In administering the contribution schedules for the current month an employer should place an X against names of ex-employee and should manually add names of the new ones. By so doing the employer takes care of employment or staff changes which took place in the service after he had submitted to the Fund his contribution schedules for the previous month.

Following these procedures in executing business of the Fund is basically what is meant by compliance of employers and employees with their obligations to the ZNPF. But these are the procedures which many people have found difficult to follow accurately. ZNPF, employers and employees have special obligations to each other to facilitate this compliance so that failure by one of these parties to honour any one of its obligations is bound to create difficulties for that party

itself and for the other parties, too. We should now proceed to study, in turn, how failures come about and resulting problems.

Problems caused by employers and their employees

Some employers do not keep accurate personal employment records for their workers such as employee's name or names; date of birth; national registration card number; social security card number; date when employment started; salary per month or week; salary deductions made and paid to the ZNPF over a specific period including employer's own contribution share and dates when those payments were made to the ZNPF. Both employers and employees share some blame for these inaccuracies. For one thing, many workers fail to furnish their employers with correct personal particulars in order for employers to transmit those details on to the ZNPF through the procedures already explained here. Some workers lost their national registration cards and have delayed to obtain new ones either because workers concerned made little or no efforts to obtain them, or because registration procedures for replacement of lost or damaged cards are difficult for everyone. Other workers have changed names once they left an employer in some unfortunate circumstances such as theft and, therefore, failed to obtain from ex-employers their previous personal employment records for presentation to a new employer on fear of being identified. Other workers lost their social security membership cards and in some cases workers never received such cards from the ZNPF although they have been working for many years. In any case, it means that such workers have nothing to show or hand over to their new employers who should continue to use account numbers on such cards in remitting money contributions to the Fund. For another, many employers do not obey the 1972 Ministerial "no card no job" policy as they sometimes employ everyone they believe is capable of providing the satisfactory service

in their own interests even if one had no national registration card from which to get formal personal particulars about him.

What all this means is that employers send to the ZNPF inadequate information on members and, consequently, identification of members and their contributions becomes a serious problem for ZNPF management. This problem has been with the Fund since beginning of its time in 1966 and millions of unidentified money which cannot be claimed by anyone have been pouring into the ZNPF bank account since then. As the problem became perennial a suspense account was opened within the Fund to receive such unidentified sums of money until owners could be found. In 1968 K45,602.00 unidentified money had arrived in this account but at least K2,000,000 continued to arrive annually in this account in the subsequent years as can be shown, for example, in the following table about contributions received and placed in the suspense account each year for the period 1968-1979.

TABLE III: UNIDENTIFIED CONTRIBUTIONS PLACED IN SUSPENSE ACCOUNT  
EACH YEAR FOR THE PERIOD APRIL 1, 1968 TO MARCH 31, 1979

<u>YEAR</u>	<u>AMOUNT DEPOSITED</u>
1968/69	K 45,602.00
1969/70	K2,289,000.00
1970/71	K4,000,000.00
1971/72	K4,000,000.00
1972/73	K4,698,000.00
1973/74	K1,842,939.00
1974/75	K3,695,750.00
1975/76	K4,483,531.00
1976/77	K4,004,523.00
1977/78	K2,547,954.00
1978/79	K2,517,223.00



SOURCE: Third to 13th Annual Reports of the Zambia National Provident Fund Board, (April 1, 1968 to March 31, 1979)  
Pages 7, 7, 7, 6, 6, 7, 4, 5, 7, 6 and 9 respectively.

Management of the Fund has been trying, with some success, through numerous correspondence with defaulting employers to identify members to whom this money should belong. For example, in the period 1974 - 1979 the Fund received and placed in suspense account a total of K17,248,981.00 which did not belong to anyone as it came without particulars of its owners. Over the years owners of at least K14,817,221.50 were identified and the money credited to their accounts and thus carrying forward K2,431,759.50 representing fourteen percent only.<sup>2</sup> A member who has been contributing to the Fund for several years expecting a substantial saving and, therefore, a good income benefit at retirement, should be disappointed if informed by management of the Fund later that they had received for him only say, K200, in his account. One probability here is that all his money may have been remitted to the Fund in correct amounts for years but without correct personal particulars and the money, has therefore, remained unclaimed in the suspense account. This is always difficult for an ordinary member to understand and because of this difficulty there have been occasional angry scenes of some claimants hailing obscenities at the ZNPF workers in the Claims Office at the public reception desk in the Provident Fund Head Office.

Some employers are unable to complete correctly monthly contribution schedules and sometimes make wrong assessment of members' monthly contributions. Names of months to which contribution schedules relate have sometimes been omitted; some workers credited with more money and others with less than was due to them, and this results in unnecessary overpayments and underpayments to the ZNPF. For example, in 1972-73 the unspecified number of employers made errors in completing

contribution schedules and in assessment of statutory contributions resulting in K65,200 overpayment to the ZNPF and K84,600 underpayment to the Fund while K31,771 was refunded by ZNPF to employers in respect of 1,560 ineligible employers.<sup>3</sup> In the following year 2,672 employers made similar errors and overpaid ZNPF by K16,500 and another 1,960 employers underpaid ZNPF by K16,700.<sup>4</sup> Again in the following year 583 employers overpaid ZNPF by K4,507 while 996 employers underpaid ZNPF by K6,050.<sup>5</sup> This trend continued through 1976-77 period when 856 employers overpaid ZNPF by K151,112 while another unspecified number of employers underpaid ZNPF by K261,248.<sup>6</sup>

The problem of arrears is also great in the administration of the Fund. Many employers have not been remitting both their own contribution shares and members' contributions to the Fund for many years because they are short of money to honour their obligations. Others try to remit but in less amounts than are due to the ZNPF. Unfortunately, even money deducted from workers' salaries is, on many occasions, not remitted to the Fund, too. The money is employed for other operational or administrative expenses in the employer's organisation in the hope that some money will be raised sooner or later to repay ZNPF. But the money is never raised and, in some cases, an employer's financial situations deteriorate, arrears accumulate beyond his capacity to settle and they become a civil debt against him to the ZNPF. For example, in 1982 the Government owed the ZNPF K1.9 million in respect of its junior employees who do not contribute to the Civil Service Pension Scheme. This prompted the then Minister of State for Labour and Social Services, Mr. Ludwig Sondashi, into criticizing the Government for expecting loans from the ZNPF while the same Government was failing to remit workers' contributions to the Fund. The Minister said this was unfair.<sup>7</sup> In March, 1984 the Ministry of General Education and Culture was owing ZNPF K90,000 for seven years

in respect of its employees on the Copperbelt alone.<sup>8</sup>

Such faulty and delayed payment of statutory contributions by employers creates a special problem in administration of members' funds. Some members' accounts have remained dormant with only occasional, or no, credits to them because money has not been arriving there continuously or because money contributions were sent by employers to the Fund but not paid in correct proportions. Balancing and updating such members' accounts becomes very difficult and the Data Processing Department has to work in retrospect trying to balance and update such accounts. Here once more, if one member claims all his benefits before all such arrears have been paid by his employers and processed through the computer of the ZNPF, it would be difficult for the Fund officials to make such a member understand and accept the truth that his money had not yet been paid up into the Fund, and this tends to weaken members' faith and confidence in the Fund.

Defaulting employers have been prosecuted in Courts of law. For example, no less than 2,293 employers were prosecuted by the ZNPF for their failure to remit contributions to the Fund during 1973-1983 when K8,893,571.78 was recovered in arrears through such legal actions while K562,850.17 was gained by the ZNPF as penalties imposed by Courts on erring employers as explained in Table IV below.

TABLE IV: EMPLOYERS PROSECUTED FOR NON-PAYMENT OF STATUTORY CONTRIBUTIONS, ARREARS RECOVERED AND REVENUES COLLECTED IN PENALTIES IMPOSED ON EMPLOYERS, 1973-83

<u>Year</u>	<u>Employers Prosecuted</u>	<u>Arrears Recovered</u>	<u>Revenue in Penalties</u>
1973/74	135	K 64,146.00	K 2,841.00
1974/75	197	K 36,056.02	K 421.03
1975/76	297	K 24,490.72	K 898.05
1976/77	220	K1,857,737.82	K 18,226.93

1977/78	345	K1,670,242.67	K 25,527.84
1978/79	220	K2,991,703.74	K242,185.43
1979/80	203	K1,507,487.00	K 25,726.00
1980/81	169	K 489,562.66	K 54,299.26
1981/82	238	K 252,148.15	K192,724.63
1982/83	269	Not available	Not available
	<u>2,293</u>	<u>K8,893,574.78</u>	<u>K562,850.17</u>

SOURCE: '8th to 17th Annual Reports of the Zambia National Provident Fund Board', (April 1, 1973 to March 31, 1983).

Problems Caused by ZNPF Management and members of the Fund

Problems caused by ZNPF management and Fund members are mainly those which become visible only at the time when members wish to claim back their benefits from the Fund and, in some cases, after the Fund has paid such benefits. Some members fail to provide proper addresses in their claim application forms to which the Fund should direct their benefits. Many benefit cheques have been mailed to claimants on addresses written in their claim forms, only to be returned to the ZNPF Headquarters as they were not claimed by owners at Post Offices. Members explain that some of them are not permanently resident at addresses left with the Fund; they are there only in transit awaiting their money to arrive from the ZNPF, probably on retirement, and they have to leave when money fails to arrive soon. Others may be living permanently at addresses left behind with the Fund but later on decide to migrate and live elsewhere for their own reasons. In view of such situations some benefit cheques miss their addresses because they arrive at their destinies so late. For example, 672 benefit cheques worth unspecified sum of money returned to the ZNPF Headquarters un-

claimed in 1972.<sup>9</sup> Another 1,057 cheques valued at K143,499 returned in the following year<sup>10</sup> while 194 cheques valued at K61,966 were not claimed and came back in the period 1975-76.<sup>11</sup> Nine hundred and twenty-one cheques were similarly not claimed by addressees in 1976-77 period<sup>12</sup> with a further 1,400 cheques to the tune of K266,000 were returned by Post Offices to the sender in similar circumstances in the 1979-80 period alone.<sup>13</sup>

Members have blamed this situation on the ZNPF management who have been remitting such money often too late for them to wait. Many people have had to wait for their money for over one year if they did not personally travel to the ZNPF Headquarters in Lusaka to push their claims and people do not understand such delays. One, apparently, disappointed claimant in 1980 complained in this way:

Many pensioners wonder why it should take the Fund months or even years to dole out cash to people who no longer receive regular income. The ZNPF has failed miserably to discharge its duties. It takes six to twelve months to process a claim. When you try to find out why, there is the stereotyped answer: "You are not the only one claiming ...". Sometimes you are given the lame excuse that the computer has broken down. Does this mean the computer cannot be repaired? Is it beyond the Fund's means to buy a new computer? When employers fail to remit contributions ZNPF inspectors are on their necks; but when it comes to payment of benefits one has to struggle for the money and there is no provision for punishing the Fund for such delays.<sup>14</sup>

In 1981 another complainant stressed that: "The Zambia National Provident Fund is a good idea ... but it is not helping many people at all ... It takes months for one to receive his benefits ..."<sup>15</sup>

Another frustrated member once asked: "Why does it take so long for Zambia National Provident Fund to process claims when it has many employees to the point of being overemployed? I filled in my claim form in February this year and nothing has happened yet ... The Fund is a social security scheme and it should be efficient in processing claims".<sup>16</sup> Such sentiments undoubtedly point to a public vote of no confidence in the organisation as a custodian of social security for

the citizens. Naturally, when people are so disappointed and frustrated because their money has not reached them soon and at the time when they needed it so passionately, they will not bother writing to the Fund informing the management of their location or address changes once they shifted to live elsewhere or when they travel out to visit somewhere for several months.

Returning of many cheques containing large sums of money annually is a special administrative problem to the management officials. Money in these cheques was recorded as paid, accounts of members concerned closed (if paid on retirement) and computer master files put away. But as the money has now come back, accounts records have to be reconstructed to show that a member's account was still standing and to ensure that the member concerned should have no difficulty in getting his money once he claimed it next time. Besides, such vast numbers of returning cheques have to be cancelled and filed for audit purposes, but this is money being wasted because that same number of cheque leaves will be issued to the same claimants, or to other people on their behalf, once they claimed subsequently and this should be counterproductive in the work of the ZNPF.

ZNPF had once been blaming these and related problems on the constant computer break-downs because of the age of the equipment and lack of spare parts for its maintenance. Monthly contribution schedules had to be printed and sent out to employers late; members' accounts balanced and updated late even where all contributions and the necessary employees' personal details were readily available and members' benefit claims processed too late. This problem should be expected to be over now because the Fund had in 1984 installed a new and powerful data-capture computer at the head office. This computer has the capacity to communicate information either way between itself in Lusaka and its terminals in Livingstone, Ndola and Kitwe ZNPF offices. However, ZNPF

management still complained of being understaffed in the Data Processing Department because of the shortage of skilled manpower in computer operations. For example, 25 of the total approved posts in the 1985 establishment for the Data Processing Department were not filled that year because suitably qualified Zambians were not available.<sup>17</sup> This means that the Data Processing Department was still operating below required capacity, the new computer underutilized and, therefore, problems continued.

Solutions conceived by the Fund

Employers' education is one way through which ZNPF has been trying to overcome some of the problems discussed here. The Department of Personnel and Training has annually been conducting short training seminars and discussion workshops throughout the country lasting anything between one day and seven days. The aim of this education campaign is to have employers directly informed and taught by management staff of the Fund itself about employers' obligations to the law and administration of the Fund and about procedures required for compliance with such obligations. A total of 7,578 employers participated in such training programmes throughout the country between 1973 and 1984 when annual figures of employers' attendance were constantly available. Annual statistics of employers' attendance are shown in Table V below to sample the extent to which ZNPF has been committed to this education campaign and the response of employers in the country.

TABLE V: EMPLOYERS WHO ATTENDED TRAINING SEMINARS OF THE ZNPF,  
1983-84

<u>YEAR</u>	<u>EMPLOYERS ATTENDING</u>
1973-74	697
1974-75	229

<u>YEAR</u>	<u>EMPLOYERS ATTENDING</u>
1975-76	936
1976-77	1,459
1977-78	1,302
1978-79	1,177
1979-80	1,487
1980-81	Nil
1981-82	Nil
1982-83	188
1983-84	104
Total:	<u><u>7,578</u></u>

SOURCE: 8th to 18th Annual Reports of the Zambia National Provident Fund Board, (April 1, 1973 to March 31, 1984, excluding the 15th and the 16th Annual Reports in which these details are not recorded), pages 8, 5, 6, 8, 7, 5, 6, 6, and 7 respectively.

This record shows that only 36% of 22,096 total registered employees<sup>18</sup> received training in this way as at March 31, 1984 and this cannot be regarded as a satisfactory record of work for ZNPF to be proud of for so many years. Conversely, if the problem here was the employers' unwillingness to participate in these training programmes, then it is unfortunate that their response was so poor when that education campaign was directed to them for their efficiency to benefit their workers as members of the ZNPF.

Officers in employers' accounts departments who have Provident Fund assignments in their daily routine work are mostly recruited for participation in these seminars. However, many employers have complained that those coached there sometimes afterwards to transfer to other duties on promotion, departmental changes or on leaving the



service altogether to join other employers. New assignees pay little attention to the ZNPF work and they need to be trained, too. Meanwhile, the ZNPF work lags behind and this creates operational problems for both employers and for ZNPF.

Four ZNPF publications are available free of charge to provide information on all aspects of the ZNPF operations.<sup>19</sup> Although these publications are in the English language and many people cannot read them, ZNPF has been sponsoring a thirty-minute radio weekly programme in each one of the seven Zambian languages spoken on Radio Zambia. Besides, ZNPF has employed no less than 60 full-time Inspectors in Lusaka and elsewhere in the country. Their duty is to visit employers to ensure that such employers have been registered with the Fund; have social security and national registration card details for their workers and are correctly deducting and remitting contributions to the Fund without delay.

However, effecting compliance through Inspectors has been very costly to the ZNPF. For example, the Fund had only forty-six Inspectors in 1974 on whom K500,000 was spent on salaries alone and a further K700,000 in general expenses to facilitate their work.<sup>20</sup> The Fund had spent K400,000 in the previous year to maintain this staff alone<sup>21</sup> and this must be deplorable because the number of employers required to be inspected is relatively smaller in Zambia than in other countries where similar, but more advanced, social security schemes operate and supervise employers efficiently with a smaller and less costly staff.

In this Chapter we have identified some administrative problems, and their causes, which make the operations of the ZNPF difficult and unpleasant to all those who are concerned with the work of the Fund. It is suggested here through available evidence that management of the Fund, its members and contributing employers have each contributed

adversely to the creation of such operational problems through neglect of statutory obligations or lack of compliance. We also found that members of the ZNPF are the ones who suffer worst of them all in the matter. We will now wrap up the study in the following and final Chapter where we draw some theoretical conclusions from our findings in the study. Some comments will be made as possible explanations for behaviour of the ZNPF management, members and contributing employers towards each other which creates problems, in turn, for them all and thus making their co-operation difficult. We shall suggest finally, however, that some of the operational problems faced by the ZNPF result from the nature of a Provident Fund because such, or similar, problems are also present in most other Provident Funds elsewhere in the world.

N O T E S

1. 'Employers' Guide to the operations of the Zambia National Provident Fund Board', Ibid, P. 6.
2. Tenth, eleventh, twelfth and thirteenth Annual Reports of the Zambia National Provident Fund Board, (April 1, 1975 to March 31, 1977) Pages 5, 6, 6 and 9 respectively.
3. Seventh Annual Report of the Zambia National Provident Fund Board, (April 1, 1972 to March 31, 1973) Page 6.
4. Eighth Annual Report of the Zambia National Provident Fund Board, Ibid, Page 7.
5. Nineth Annual Report of the Zambia National Provident Fund Board, Ibid, Page 5.
6. Eleventh Annual Report of the Zambia National Provident Fund Board, (April 1, 1976 to March 31, 1977). Page 7.
7. 'Please Pay Up', State told', in Times of Zambia, (April 30, 1982) Page 1.
8. 'Ministry in K90,000 ZNPF arrears', in Zambia Daily Mail, (March 12, 1984) Page 5.
9. Seventh Annual Report of the Zambia National Provident Fund Board, op. cit., Page 7.
10. Eighth Annual Report of the Zambia National Provident Fund Board, Ibid, Page 9.
11. Tenth Annual Report of the Zambia National Provident Fund Board, Ibid, Page 8.

12. Eleventh Annual Report of the Zambia National Provident Fund Board, Ibid, Page 9.
13. Fourteenth Annual Report of the Zambia National Provident Fund Board, (April 1, 1979 to March 31, 1980) Page 7.
14. A columnist, Mr. Sakubita: In Sunday Times of Zambia, (October 12, 1980) Page 4.
15. A columnist, Mr. T. Malupande: in Sunday Times of Zambia, (June 14, 1981) Page 4.
16. A columnist, a Konkola miner: in Sunday Times of Zambia, (August 28, 1982) Page 4.
17. Nineteenth Annual Report of the Zambia National Provident Fund Board, Ibid, Page 5.
18. Eighteenth Annual Report of the Zambia National Provident Fund Board, (April 1, 1983 - March 31, 1984) Page 7.
19. 'Employers' Guide to the operations of the Zambia National Provident Fund, Guide to members of the Zambia National Provident Fund, Objectives of the Zambia National Provident Fund and Benefits offered, and How to claim your benefit from the Provident Fund.'
20. Nineth Annual Report of the Zambia National Provident Fund Board, Ibid, Page 6.
21. Eighth Annual Report of the Zambia National Provident Fund Board, Ibid, Page 8.

## CHAPTER VIII

### SUMMARY AND CONCLUSIONS

#### Zambia National Provident Fund Scheme:

##### Purpose and its administration

In this study we found that the idea to establish a Provident Fund for workers was conceived by the Northern Rhodesia colonial government long before Zambia's independence in 1964. Implementation of the idea was to be in the early 1960s but political problems in the country leading to independence made this difficult. The Zambian government admired the idea, too, and proceeded to establish the ZNPF in 1965 but whose operations commenced in 1966. Many workers had some doubts about benefits to be derived from the ZNPF and protested the idea strongly but the Zambian Government had resolved and proceeded to establish the scheme. Objectives of the ZNPF are mainly to provide citizens with social security against some specified contingencies and to provide money which the government required for social and economic development of Zambia. Members of the ZNPF are workers who contribute money to it for their social protection and they are supported in this regard by their employers who also contribute money proportionate to workers' own contributions. Nine contingencies, plus two other generally supportive schemes, exist for which benefits are available to members.

An investment policy committee exists to direct investment of surplus funds into profit-making schemes such as loans to the government, parastatal and private sectors for social and economic development of the country. This committee is chaired by the Permanent Secretary from the Ministry of Finance and Development Planning and the President is personally represented there by his Special Assistant and Advisor on economic affairs. We found that this is the only committee in an organisation of a social nature on which the President is represented

directly by a close aide in this manner and we have recognized this as a telling emphasis on the economic significance of the ZNPF as a source of internal capital required for government-sponsored development programmes.

The Minister of Labour and Social Services is accountable to Parliament for all the affairs of the Fund but the Fund's administration has been vested in the ZNPF Board which answers to the Minister. This Board has delegated some of its functions to the Director of the Fund and his management team to a staff committee which is primarily responsible for personnel functions. We suggested that Parliament was inadequately informed on the operations of the Fund and that the Board was less active and less involved in some serious matters of the Fund than it should otherwise have been. We referred to the Director's appointment by the President as expropriation of powers by the President from Parliament which had legally bestowed it on the Minister. This should be unsatisfactory.

#### Operational problems

Basic operational problems identified in the study are those associated with poor compliance by ZNPF, employers and workers with their respective obligations. These include employers' inability to maintain accurate employment records of their past and present workers; wrongful assessment of workers' contributions; failure to remit workers' deducted contributions to the Fund in correct amounts and employers' unwillingness to give immediate attention to correspondence from ZNPF seeking clarifications on certain matters between the Fund and one employer. Many workers are occasionally unable to furnish the Fund through their employers with accurate, personal particulars for ZNPF management to enter in individual workers' account records. Other workers fail to provide the Fund with their correct personal addresses to which correspondence from the

ZNPF to them should be directed. Other problems include late dispatch of monthly contribution schedules by the Fund which employers need before they can remit workers' contributions to the ZNPF for the current security membership cards; failure of the National Registration office to provide many workers with national registration cards in time; occasional computer break-down at the ZNPF Headquarters and the shortage of skilled manpower for computer operations in the data processing department at the ZNPF.

These, and related problems, in turn, cause other problems in the administration of the ZNPF affairs by all those concerned and in the delivery of service to members. For example, results of incomplete personal particulars of many workers which are often sent to the Funds office include overpayments and underpayments of contributions to the Fund; a lot of money being kept in the suspense account because owners could not be identified; difficulties in balancing and updating members' accounts; loss or delay of correspondence and members' benefit cheques mailed from the ZNPF office. One additional, outstanding problem is employers' insolvency to the ZNPF resulting in many years of arrears which many employers fail to repay and for which a good number of them are annually prosecuted in courts of law. This problem of arrears or payments in piecemeal also creates some difficulty in having members' accounts balanced and updated in time and it becomes an eventually big problem for some members when they cannot receive all their money from the ZNPF on retirement because their employers delayed or had completely failed to remit that money for them to the Fund. All these problems are frustrating members' faith and interest in the work of the ZNPF greatly.

Some root causes of operational and  
Administrative problems

It is difficult in a restricted scope of this study for one to safely generalize reasons for operational problems facing an organisation such as we found here. However, from impressions gained in the study through responses and explanations from many of those who participated in this research study as contributing employers, members and administrators of the ZNPF, it is possible to identify and speculate on reasons for some of the problems facing the ZNPF and we can do this by explaining behaviour and attitudes of some contributing employers, members and administrators of the Fund towards the organisation's work. Economic difficulties facing many employers in Zambia make it hard for them to remit contributions to the Fund in correct proportions and in good time. Many employers fail to raise enough money to pay back their workers and to pay for their running costs; this means that money is sometimes not available adequately to enable such employers pay their contribution shares to the ZNPF. What is more, employers are questioning the justice of their contribution shares to the ZNPF in favour of their workers whom they also pay salaries. In societies such as Zambia's with heavy capitalistic tendencies employers hardly recognize the obligation of protecting a worker against bad futurities. Employers argue that this onus must be an employee's own through personal private savings or else the state itself should assist workers once they became needy because people as citizens belong to the state, after all. This point of view must be especially true in countries with backward economies where a good many of employers are themselves not wealthy. This failure by employers to accept responsibility for social security of their workers would explain why many employers are casual about ZNPF procedures and requirements such as keeping accurate records of workers, accurate completion of contribution schedules,



deducting and remitting contributions from workers' salaries to the ZNPF.

Both employers and employees regard their contributions to the ZNPF as an additional taxation on them which is meant to support government-sponsored social and economic programmes. For this reason people do not take the work of the ZNPF seriously and they neglect their statutory obligations to the Fund as one way to evade and avoid this neo-taxation. Furthermore, although disablements are known and expected to befall anyone at any time, other people, especially young ones, fail to visualize themselves as being potentially disabled until they become victims of one or more of the disablements. People having such idea are not very keen to save compulsorily to protect themselves against disability contingencies because the incidence of a disablement upon them is not convincingly visible to them. Such people, too, neglect their statutory obligations to the ZNPF as they do not take its work seriously.

Illiteracy is another root cause of problems. Although ZNPF annual reports and other publications are available free of charge to show the work of the Fund and the expected support towards it from the public, a good many workers do not have access to this printed information because they cannot read and such publications are in the English language and written in the Fund's own jargons such as "annuities, contingencies, data processing, investments, statistical analysis" and many more which people do not often understand clearly. However, the problem with literate employers and workers is another one which appears to be their lack of interest in reading things just for the sake of knowledge. Many people in Zambia appear to be interested in reading to pass school or work examinations and to

obtain news about exciting and sensational issues more than reading for curiosity. People are interested, for example, in presidential announcements at press conferences, price hikes and price controls, parliamentary debates over some controversial issues, trade union pay disputes with the government or with other employers, corruption scandals, political upheavals as well as stories about sophisticated and organised crime. One possible reason for this is that a culture of reading for curiosity and knowledge has not yet been established in many Zambians as people are more interested in reading about matters of their immediate concerns than about matters of a general nature for knowledge even where such general matters are bound to affect their lives in one way or the other in the long run. For example, workers questioned for this study showed an amazing ignorance of benefits provided by the ZNPF and contingencies covered. Only two workers at Standard Chartered Bank in Lusaka knew something about the annuity purchase scheme and none anywhere knew anything about the supplementary savings scheme. This absence of reading interest means that communication flow from the ZNPF to the public is limited and many people do not know all there is for them to know about ZNPF operations and its problems.

For their part, some officers of the ZNPF do not regard themselves as businessmen with a statutory charge to raise money from members and to maintain it efficiently. They regard themselves mainly as employees of the Fund because money for their work and pay keeps pouring in the organisation by force of law. This means that ZNPF employees do not apply themselves adequately sometimes to administer the affairs of the Fund more efficiently. This should explain some delays of correspondence or any other communications between ZNPF management, on one hand, and employers and workers, on the other.

Inadequacy of benefits and help which members derive from the ZNPF is another problem causer. In a Provident Fund a worker is paid back only what was saved for him there plus a little interest<sup>1</sup> which accrued over the period of saving. A worker who is suddenly struck by a disablement which makes him permanently unemployable anywhere after having saved with the ZNPF for six months will be paid only K180 disability benefit if one saved a maximum of K30 monthly. A survivor of a deceased worker who had saved with the ZNPF for ten months before his death would be paid K300 as survivor's benefit. Recipients of such small, token benefits do not feel protected by the ZNPF against social hardships in any meaningful way.

Besides, a member receives no help from the Fund to earn his bread when he is temporarily out of employment; or when a member's immediate relation becomes critically ill and requiring medical and welfare attention; or when a member has a funeral of his child or anyone of his beloved. In other words, ZNPF, by its nature, does not relieve its members of any social poverty and distress in a meaningful way. The Fund is, therefore, not a social security organisation but a mere compulsory savings scheme in the interest of the government. Here, again, people who feel helpless and hopeless in the ZNPF fail to take seriously their obligations to it and this creates problems for the ZNPF.

Most of the operational problems identified in this study together with their causes have lived with ZNPF since beginning of its operations in 1966 and one may be curious to know why some permanent solutions could not be found so far. One answer is that ZNPF has not been training its administrators in social security administration and planning. ZNPF is one of the few organisations in Zambia today having good cadres of trained personnel especially in the top and

middle management posts, but all its officers are, by training, accountants, lawyers, former school teachers and civil servants, degree holders in public administration, sociology, economics, psychology, African Studies and other liberal arts. But by 1986 there had not been a single employee ever anywhere in the service of the Fund with formal training in social security management although provision of social security to the citizens is the organisation's cardinal purpose and objective. The International Social Security Association (ISSA) has occasionally organised international training seminars and conferences as one way to help officers working in social security organisations of developing countries become exposed to trends and changes in social security management. ZNPF has been invited regularly to such gatherings but it is mostly the Director and his deputy who have been travelling to attend such meetings with one or two other officers sometimes escorting.

The organisation's lack of trained manpower in social security means that the ZNPF does not have administrators with adequate competence to deal with arising social security problems which affect the organisation and its members. It may, therefore, not be wrong here for one to blame most of the organisation's operational problems identified in this study on the absence of trained manpower in social security management and we should agree with Pierre Mouton when he identified lack of trained manpower in social security management as being one major, devastating constraint in all Africa's social security organisation.<sup>2</sup> It is, therefore, essential for the ZNPF management to do something about training of administrators in social security who may be relied upon for expert advice to solve problems.

Finally, all evidence coming to the fore in this study is overwhelming enough for one to conclude that ZNPF in its present form has little or

no status of a social security organ in the country because its emphasis is more on economic development of Zambia than on the provision of social security incomes and convenience to the citizens. Government policy, however, remains today that the ZNPF is a social security organisation. We shall have to await further studies by expert researchers to learn more on the issues of social security in Zambia. This study has just provided a basis for further research in this matter.

N O T E S

1. ZNPF interest has averaged 4% each year since 1966.
2. Pierre Mouton: Social Security in Africa: Trends, problems and prospects, (ILO, Geneva, 1975) Page 62.

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