Journal of Social Development Studies
Volume 5, Issue 1, Maret 2024, pp. 31-42
ISSN 2721-3870 (Print), 2721-3889 (Online)
Doi: https://doi.org/10.22146/jsds.12026

Informal Sector Self-Employed Workers' Old Age Pension Scheme in Retail Sector in Zimbabwe

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Submitted: January 31, 2024; Revised: April 29, 2024; Accepted: May 27, 2024

Abstrak

Tingginya tingkat informalitas di Zimbabwe menunjukkan bahwa sebagian besar populasi dewasa tidak memiliki akses ke skema pensiun kontribusi selama masa kerja mereka, sehingga mereka tidak memenuhi syarat untuk pensiun usia tua. Tujuan utama dari penelitian ini adalah untuk mengembangkan skema pensiun usia tua non-kontributif sektor ritel informal yang pragmatis di Zimbabwe. Penelitian ini mengumpulkan bukti empiris dari studi nasional yang komprehensif menggunakan penelitian metode campuran. Penelitian ini menyimpulkan bahwa beberapa faktor, termasuk karakteristik demografis responden, merupakan pertimbangan penting dalam mengembangkan skema pensiun usia tua informal non-kontributif yang efektif. Berdasarkan temuan penelitian, studi ini mengusulkan skema alternatif pensiun usia tua informal non-kontributif, seperti pembiayaan pensiun sosial usia tua non-kontributif, menentukan jumlah bulanan pensiun usia tua non-kontributif, dan secara bertahap menutup kesenjangan pensiun usia tua non-kontributif. Penelitian ini merekomendasikan pengenalan pensiun pensiun sektor informal non-kontributif yang sepenuhnya didanai oleh pemerintah.

Kata kunci: skema pensiun usia tua sektor ritel informal; jaminan sosial; sektor informal; Zimbabwe

Abstract

The high incidence of informality in Zimbabwe implies that a large proportion of the adult population does not have access to contributory pension schemes during their working lives, rendering them ineligible for old-age pensions. The primary goal of this research is to develop a pragmatic informal retail sector noncontributory old-age pension scheme in Zimbabwe. The study drew empirical evidence from a comprehensive countrywide study using mixed-methods research. The study concluded that several factors, including the respondents' demographic characteristics, are important considerations in developing an effective non-contributory old-age informal sector pension scheme. Based on the study's findings, the study proposes alternative non-contributory old-age informal sector pension schemes, such as financing the non-contributory old-age social pension, determining the monthly amount of a non-contributory old-age pension, and gradually covering a non-contributory old-age pension gap. The study recommends the introduction of a non-contributory informal sector retirement pension fully funded by the government.

Keywords: *retail informal sector old-age pension scheme; social security; informal sector; Zimbabwe.*

Introduction

A growing body of literature (Holzmann et al., 2005; Guven & Leite, 2016; Beknazarov & Rustamov, 2021) underscores the increasing importance of countries around the world to account for the aging population in pension schemes. Perotti and Sánchez Puerta (2009), Winkler et al. (2017), and Guven (2019) have further demonstrated that the vast and diverse rise of informality in many countries around the world highlights the aging population's vulnerability to accessing social protection schemes. In Zimbabwe, the necessity for old-age social security has increased in recent years owing, in part, to the growing informality of the labor market (Magidi & Mahiya, 2021; Mashapure et al., 2021) as well as an increase in the level of poverty and inequality (Dzawanda et al., 2021; Sharma et al., 2022; Nhapi, 2022). Against this backdrop, this study aims to develop a pragmatic non-contributory old-age pension scheme in the retail informal sector in Zimbabwe.

Several international conventions and alliances to which Zimbabwe is a signatory, including the 1948 Philadelphia Declaration

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of Human Rights; the International Covenant on Economic, Social, and Cultural Rights; the International Labour Organization's (ILO) 1944 Conference on Social Security; and the 2002 Political Declaration and Madrid International Plan of Action on Ageing, emphasize social security coverage as a basic human right for all. Objective 1, paragraph 49 of the 2002 Political Declaration and Madrid International Plan of Action on Aging all notes that; "Everyone, has a right to social security measures, whether contributory or not, include informal as well as highly structured schemes and are part of a foundation for economic prosperity and social cohesion."

At the national level, Section 30 of the Zimbabwe Constitution Amendment No. 20 of 2013 emphasizes the role of the state in taking all feasible measures, within the bounds of its resources, to offer social security and social care to those in need. Despite the awareness of the relevance of including the aging population in old-age pension schemes, there is no pension scheme in Zimbabwe that covers informal sector workers. The country's pension coverage is very low, as it is estimated to be around 6% of the total population (Kaseke, 2017; Dhemba & Dhemba, 2015; Mushunje & Kaseke, 2018) and covers only those formally employed.

Zimbabwe's limited old age pension coverage is a consequence of its pension system, which comprises industry- or firm-level occupational pension schemes, the compulsory statutory public National Social Security Authority (NSSA) National Pension Scheme, and private individual retirement pension plans. For private individual retirement plans, all other formal statutory old-age retirement pension schemes are contributory in nature, being funded by payroll-deducted employer/employee contributions. These formal pension schemes excluded workers from informal employment. Thus, Zimbabwe's pension system is extremely discriminatory in nature, as it is biased along the fault lines of formal and informal employment (Hahs, 2022; Moussié & Alfers, 2022). Consequently, when formal workers retire, they are guaranteed to receive at least two pension annuities from their industry or company occupational pension schemes and from the statutory NSSA pension. If lucky to have subscribed to a private individual retirement plan, formal workers retire with three pensions. For instance, formal workers in the mining industry receive a maximum of three pensions during retirement.

The first pension comes from the state-administered National Social Security Authority's (NSSA) National Pension Scheme currently pegged at a minimum of USD 60.00, which is a compulsory pay-as-you-go old-age pension fund (NSSA Financial Annual Report, 2021). The second pension comes from the Mining Industry Pension Fund (MIPF), currently pegged at USD 40, which is an occupational mining industry pension fund, providing pensions to all formal workers in the mining industry (MIPF, 2021). The last and third pensions are from the Old Mutual or First Mutual Pensions, which are private individual retirement pension annuities. On the other hand, informal artisanal and small-scale miners, who operate in the same mining industry as their formal counterparts, retire with no old-age pension from NSSA, no occupational pension from MIPF, and no pension gratuity from private mutual and provident pension funds, such as Old Mutual, First Mutual, or Fidelity Life Assurance.

This situation presents a significant socio-economic challenge, given that 90% of Zimbabwe's workers are informal (Kamete, 2020), implying that very soon, this majority of Zimbabwe's retirees will be from the informal economy. This means that in 5 to 10 years, 90% of Zimbabwe's elderly population will be extremely poor, as it will be largely populated by informal workers retiring from the informal economy with no source of income, no resources to fall back on, no medical insurance, no social protection safety nets, and in receipt of no social security pensions (HelpAge Zimbabwe, 2021). Consequently, the majority of these poor elderly people will relocate and retire to rural areas, in a reverse rural to urban migration where they will be having no friends, most likely with no decent accommodation, no savings and investments, and no draught power to practice rural subsistence farming. Old life in rural areas is likely to resemble hells for informal retirees. Given that physical strength diminishes, mental stability deteriorates, financial power vanishes, and eyesight suffers from cataract-induced myopia in old age, for most informal economy retirees, retirement is a period of disappointment, dejection, disease, repentance, and loneliness (Adamek et al., 2022). This loneliness and isolation leads to depression, which in turn leads to 89% of them dying within 10 years of retirement (ZimStat, 2017; PICES, 2017).

The growing concern over access to old-age pension security in Zimbabwe has attracted a reasonable amount of scholarly attention. Studies by Dhemba and Dhemba (2015), Dube and Casale (2019), Kaseke (2017), and Mushunje and Kaseke (2018) are noteworthy. Although these studies arguably contributed immensely to the literature on old-age social security coverage in Zimbabwe, this study contributes to the body of literature in three fundamental ways. First, it focuses on non-contributory old-age social security coverage by taking on board the growing informality and its consequences on the aging population's social security coverage. Second, this study develops an old-age informal sector pension scheme that significantly stretches the bounds of knowledge, as the adoption of the old-age pension scheme has great potential to benefit a significant portion of Zimbabwe's elderly population by minimizing old-age vulnerabilities, fostering social transformation, and accelerating economic development. Finally, this study drew empirical evidence from a comprehensive countrywide survey. This makes the empirical findings relevant, appealing, and applicable to Zimbabwe as a whole.

Theoretical Framework

Although the literature is awash with social security definitions, the ILO broadly defines social security as protection that the state provides to individuals and households to ensure access to healthcare and guarantee income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity, or loss of a breadwinner (ILO, 2020). Despite being clearly recognized in ILO conventions and UN instruments as a basic human right, social security rights are enjoyed by a small proportion of the people on the planet. Only one in five people, that is, 20% of the developed world's population, has adequate social security coverage, whereas one in 20 people (i.e., 5% of the population in low-income countries) is covered with social security schemes, with the rest lacking any kind of social security protection (ILO, 2021). Those without coverage tend to be part of the informal economy, are generally not protected in old age by social security, and cannot afford to pay for their healthcare bill (Guven et al., 2021; Mumtaz & Whiteford, 2021). Social security provision is categorized into two: contributions-based health, pension and unemployment protection or as non-contributory based with tax-financed social benefits. The following two subsections discuss these two points.

Contributory Social Security Schemes

A contributory social security program is a government compulsory legislated national pension scheme that mandates all formal employers and employees to contribute monthly income to the pension fund (Ortiz et al., 2019; Wujczyk & Egorov, 2016). These monthly contributions are a percentage of the employee's salary and are payroll deducted by the employer and remitted to a fund administrator, who invests the funds and pays pensions and other benefits, such as funerals, survivors, disability, and children's allowances to workers and their dependents. These benefits are paid to the worker or his dependents at retirement, death, injury, incapacitation, or disability. The main purpose of social security schemes is to provide old-age social security against retirement poverty and vulnerability. Pensioners receive pensions proportionate to their last insurable earnings in perpetuity, and are meant to cushion them against economic exclusion, deprivation, poverty, and vulnerability in old age.

The formal social security scheme in Zimbabwe covers less than 5% of the country's labor force. This is due to a number of factors, such as the informalization of Zimbabwe's economy, inhibiting legal statutes, informal workers' financial incapacity to contribute, and complex administrative procedures, leading to the exclusion of informal workers from social security schemes (Nhapi, 2021; Ncube et al., 2023). In addition, the fact that contributory social insurance schemes are based on an explicit identifiable contract of employment with an employment relationship between a specific worker and employer, which is non-existent in the informal economy, is another restrictive barrier to the extension of social security coverage in the informal economy. This is because most informal workers are not in a formal employer-employee relationship; thus, according to Zimbabwean law, they are not covered by labor-based social insurance schemes.

Currently, in Zimbabwe, the extension of social security to informal workers is hampered by a multiplicity of challenges, including legal restrictions, administrative barriers, the financial capacity of informal workers to contribute, and moral hazards. Regarding legal restrictions, formal social security schemes in Zimbabwe demand double contributions from both employers and employees. Thus, in employment relationships with either unclear, ambiguous, or hidden employer-employee dichotomy or in cases where self-employed informal workers are both employers and employees, the challenge of double contribution arises, thereby inhibiting workers from the informal sector from contributing to some old-age pension scheme. In addition, social security legislation in Zimbabwe does not cover enterprises with fewer than ten employees, and this is another major barrier given that most informal workers are solo or family businesses, and hence do not qualify (NSSA, ibid). This makes Zimbabwe's social security old-age pension design and legislation a barrier to informal workers accessing statutory social insurance.

Other barriers that make it impossible for informal workers to join formal social security include the following: First, administrative challenging procedures where, for instance, NSSA offices are only found in urban areas thus making it impossible for those in rural areas and marginalized communities to join, as there will be a need for transport and other logistical costs to visit National Social Security Authority (NSSA) offices. Second, NSSA contribution procedures are too manual, complicated, always in English, and confusing to less-educated informal workers like vegetable vendors, taxi drivers, artisanal miners, and domestic workers.

Third, the financial capacity of informal workers, as well as the irregularity of their work patterns, impliedly affect their cash flows. Given that the income of most informal workers is fluctuating, unascertainable, and low, their contributory capacity is limited. Self-employed informal workers, along with some atypical employees such as on-call workers or those with zero-hour contracts, are often paid at irregular intervals, either because of time lags between work and payment, or because demand for their services is erratic (ISSA, 2022), and this complicates the calculation of contributions, as well as the assessment of entitlements.

Fourth, covering informal workers brings with it the challenge of moral hazard. For instance, social security schemes pay for work-related injuries, but only after employers have verified and confirmed that employee injury occurred during working hours and was accidental in nature and not deliberately caused by the employee to get a monthly disability pension (NSSA ibid). Now, without an employer vouching and verifying that such an accident claim was work-related, social security schemes find it very difficult to extend work injury benefits to informal workers. The same applies to sickness benefits, where an employer has to certify that indeed the claiming employee was sick and not working. Further, extending unemployment benefits to informal workers is even worse, as it is difficult to distinguish from voluntary idleness, as there is no employer to confirm a layoff, and informal workers are exerting efforts to re-establish their business operations.

Non-Contributory Social Security Schemes

Non-contributory schemes do not require contributions from insured, covered, or protected persons but are mostly financed directly from government budgets, that is, from general taxation, other state revenues, profits from state-owned enterprises (SOEs)/parastatals, or in some cases from external grants or loans. There are so many types of non-contributory schemes, such as universal health schemes for all residents; categorical schemes covering certain broad groups of the population, such as an old age social pension; or universal child benefit schemes or means-tested social assistance schemes that provide benefits for groups of the population living in poverty, usually based on a means test, a proxy means test, or other targeting mechanism (ILO, 2010). However, this paper focuses on an informal economy old-age pension scheme. An informal old-age pension is an important means of expanding social protection coverage to the informal economy (ILO 2017; World Bank 2017). For example, owing to the introduction of a non-contributory informal old age social pension, most countries have experienced a marked increase in the pension coverage of older persons. This was the case of countries such as Brazil, Bolivia, Lesotho, Nepal, Thailand, and Timor Leste, just to mention a few.

In eastern and southern Africa, some of the countries that have social pensions include (not in any order): Mauritius, Namibia, Botswana, South Africa Kenya, Lesotho, Uganda, Swaziland. Zanzibar has introduced social pensions in the last 10-15 years. In this region, Zimbabwe will soon be left behind, as Malawi and Zambia are considering introducing old-age pension schemes for the elderly (HelpAge, 2016). Since social pensions are largely tax-financed, most countries fail to implement them because of budgetary constraints. However, if Lesotho, one of the world's poorest and smallest countries, could implement such a system, then a country such as Zimbabwe, with its resource abundance second only to South Africa in the SADC region, should be well positioned to implement such a scheme.

Methods

To achieve this objective, the study used an integrated triangulation approach that allowed for the collection and analysis of both qualitative and quantitative data and information. A mixed-methods approach involving desk study review, case study analysis, international benchmarking, and key informant interviews (KIIs) was employed.

Primary data were collected from diverse and randomly selected economic agents throughout most cities and towns of Zimbabwe through field visits/interviews with the informal retail sector, such as those who sell along roads, in public places, and in street corners. The KIIs were conducted with purposely selected key informants, including ILO, Ministry of Public Service Labour and Social Welfare, World Bank, National Social Security Authority (NSSA), Old Mutual, Ministry of Women Affairs, Gender, SMEs and Community Development, and academic and business membership organizations (BMOs) representing informal sector workers across the various sectors of the economy. Some of the vendors who were interviewed included those who sell vegetables, mobile airtime, foodstuffs, and cloths, among others.

Two standardized separate questionnaires were used: one for vendors (sellers) themselves and one for KIIs whose institutions worked in the pension sector or were knowledgeable about the pension sector. The questionnaires were populated with questions to ensure that all pertinent issues under investigation were effectively captured. Given that the research study was conducted nationwide, data collection exercises were conducted in major cities, towns, and growth points throughout the country. As part of a systematic approach to data collection across various locations, cities, towns, and growth points along five major routes starting from Harare, the capital city of Zimbabwe, is configured in four directions. The locations along the first route included greater Harare, which is the central business district (CBD) and residential areas, as well as the town of Chitungwiza. A total of 100 respondents were successfully covered. A total of 145 interviews were consulted in the second route and across the following cities, and towns: Kadoma, Kwekwe, Gweru, Bulawayo, Gwanda, Lupane and Victoria Falls. The third route had the following cities and towns: Chinhoyi, Karoi, Magunje, Kariba, Bindura, and Nyamapanda, and a total of 150 respondents were successfully interviewed. Marondera, Rusape, Mutare, and Chipinge were the major towns and cities from which data were collected on route number four, and a total of 80 respondents were interviewed. The last route had three cities and towns, namely Chivhu, Masvingo, and Beitbridge, from which 60 respondents were interviewed. A total of 535 respondents from all cities and towns indicated above were interviewed.

The purpose and objectives of the study were clearly explained to all participants who provided verbal consent to participate in the survey. At the start of each discussion, participants were informed about the voluntariness of their participation, as well as the anonymity and confidentiality of what they were about to say. The assessment team also used local partners as enumerators who were familiar with the dynamics of the informal sector in the area. The Institutional Research Ethics Committee of the University of Zimbabwe reviewed the study protocol for ethical considerations.

Results

Income levels of the respondents

In developing a practical self-employed old-age pension scheme, the survey gauged several income levels of the respondents. This was critical because developing a practical old-age pension scheme in the retail sector necessitates a solid and sustainable financial foundation. The following are the major highlights of the study findings.

Data analysis revealed that those in the agricultural sector occupied the highest percentage (28%), followed by those selling clothes (16%), groceries and ICT accessories (11%), followed by those operating food outlets (8%), and finally those selling gas (1%). Given that the agricultural industry is highly cyclical and susceptible to climatic change, the implications of these findings could be interpreted to mean that the majority of people in the retail informal sector may be unable to afford funding from an old-age pension scheme.

Another facet of the survey that was closely tied to gauging the respondents' ability to afford an old age pension scheme was a question requiring the respondents to indicate their daily average business income. The results show that more than half (55%) were getting an average income of less than $10, while 21% were getting an average daily income of between $21 and $30 and the other 20% earned between $10 and $20 a day. Finally, the results show that only a very small percentage (2%) of respondents earned more than $50. This daily average income shows that the majority of respondents earn an income that is too low, implying that they are unlikely to be able to contribute to an old-age pension scheme.

To get a better sense of the respondents' affordability of contributing to an old age pension scheme, the survey further asked if the respondents and their dependents were on any medical aid and if their businesses were insured. The results showed that nearly 82% of the respondents did not have any medical history. In terms of the retail sector's informal business insurance sector, the results show that 90% of the respondents' businesses were not insured. This is despite the fact that 55% of the respondents said that their company needed some kind of insurance. As the results show, if the majority of respondents' failure to join a medical aid scheme as well as their failure to have their businesses insured by any insurance scheme is due to financial constraints, these findings could imply that the majority of respondents may be unable to contribute to any old age pension scheme.

Preference for an old-age retail informal sector pension scheme

The survey gauged the respondents' preference for an old-age pension scheme. The first question was to determine whether or not the research participants were members of any old-age pension scheme. The results show that 82% of the respondents do not belong to any pension scheme, whereas the remaining 18% are members of a pension scheme.

The survey also inquired about pension scheme membership for a minority of respondents who stated that they were members of a pension scheme. The results show that the majority of those who belong to a pension scheme (nearly 53% of respondents) belong to the NSSA pension scheme, while the least number of respondents (almost 4%) belong to a private individual pension scheme. For those respondents who indicated that they did not belong to any old age pension scheme, the survey further inquired about the reasons for that position. The results show that respondents did not belong to any old pension scheme because of low income (43%), irregular income (26%), administrative barriers (6.7%), legal barriers (5.6%), or a combination of the aforementioned factors (18.7%). The overall finding is that the majority of people in the retail informal sector are not members of any old-age pension scheme. These findings are critical for the development of a retail informal sector pension scheme for the elderly.

The survey also inquired about respondents' old-age income financing arrangements, given that the vast majority do not belong to any old-age pension scheme. The majority (40.6%) reported that they had no plans at all, followed by 19% who said they would spend their savings and investments, 14.8% who said they would be cared for by family members, 13.93% would get income from property rentals, and finally, 11.07% would come from business income. The overall picture painted by these findings is that in the absence of a viable old-age pension scheme, the majority of people in the retail informal sector may be unable to smooth their consumption in old age, and their livelihoods may be precarious. This finding emphasizes the importance and urgency of this research, which aims to develop an old-age pension scheme for the informal retail sector.

The survey also asked respondents whether they were willing to contribute to the old-age pension scheme. To that end, the majority stated that they would be willing to join an old age pension scheme, while a few stated that they would not join any old age pension scheme. The survey further inquired into the reasons for those who indicated a lack of willingness. The majority of respondents (42.4%) stated that they did not have enough money to contribute to any old-age pension scheme, followed by 29.9% who stated that they were unaware of any old-age pension scheme, and 27.7% who stated that they were unwilling to participate in any old-age pension scheme due to rampant corruption in the pension management system. Our findings have several important policy implications. First, the fact that many respondents reported being unable to contribute to an old-age pension scheme suggests that the government may seriously consider adopting a government-assisted old-age pension scheme contributory system. Second, the fact that a sizable proportion of respondents reported being unaware of the existence of any old-age pension scheme highlights the need for intensive awareness campaigns. Finally, the fact that another portion of the population was unwilling to contribute to any pension scheme due to rampant corruption in the government pension administration system may indicate the need for thorough verification of the authenticity of these claims, which may necessitate strict measures.

Further, for the majority that reported that they were willing to belong to an old age pension scheme, the survey asked about the financing scheme they preferred. According to the findings, the majority of respondents preferred to be part of an old-age pension scheme. In terms of the nature of the old-age informal sector pension financing scheme, the survey results show that respondents preferred a flexible contributing scheme tailored to their cash flow (48.8%), a noncontributory social pension scheme (24.4%), and finally, a government-subsidized pension scheme (26.8%). The implications of these results could be that there is a need for a pragmatic old-age retail informal sector pension scheme that seriously considers the affordability of individuals in the informal sector.

Further, the survey inquired about the method of payment in the event of a successful old-age pension scheme. According to the results, the majority preferred a physical payment system (34.6%), followed by those who preferred money to be deposited into their bank accounts (24%), those who preferred a mobile payment system (22%), and finally those who preferred money to be transferred via mobile money transfer. These findings provide policymakers with information on how to administer an old-age pension scheme. Overall, the government may need to adopt a flexible old-age pension scheme distribution strategy in light of the diverse socioeconomic and geographic circumstances of the elderly.

The survey also sought to ascertain respondents' opinions on the additional benefits that the old-age pension scheme could provide. The majority of participants (36.33%) believed that the old age pension scheme in Zimbabwe should also include health care benefits, while 25% believed that the old age pension scheme in Zimbabwe should also include widowhood and child support benefits. A minority of the respondents suggested that the old-age pension scheme should also include sickness benefits (7.05%), maternity benefits (2.93%), a combination of sickness benefits and healthcare benefits (15.04%), and a combination of maternity benefits and widowhood and child support benefits (13.67%).

Related to the question requiring respondents' opinions on the other benefits to be included in an old-age benefit scheme was a question requiring respondents' opinions on whether the old-age pension scheme should include groceries as well as monetary benefits. In this regard, the majority of respondents (76.8%) believed that the old-age pension scheme should be paid in cash, while 21.9% believed that the old-age pension scheme should also include groceries. Related to the requirements of an old age pension scheme that the respondents desired was, again, a question requiring the opinions of the respondents on whether they prefer a medical aid card or an old age pension scheme that pays the medical aid bills of the beneficiaries. To that end, respondents were almost evenly divided in their opinions, with the majority (39.81%) preferring to be paid in cash and pay for medical aid bills, 34.10% preferring to be given a medical aid card, and 26.10% preferring that the old age pension fund pay directly to the medical aid providers. An almost evenly divided opinion on how accompanying medical aid should be packaged may reflect the diverse nature of the elderly's health demands in Zimbabwe.

Discussion

This section presents alternative old-age pension schemes in accordance with the primary goal of this study, which is to develop a pragmatic old-age retail informal sector pension scheme.

Introduction of a non- contributory old age pension

Study findings show that informal actors in Zimbabwe have low and unstable incomes, barely meeting their own subsistence needs, let alone making any contributions towards an old age pension scheme. As a result, 90% of them are not contributing towards any old age pension program, while 82% have no medical aid, and 90% of their businesses have no insurance. With only 4% of them contributing towards old age individual pension schemes through say Old Mutual, First Mutual, or Fidelity Life, it is abundantly clear that without any deliberate government initiative, most informal actors retire without an old age pension. Therefore, to close this gap, Zimbabwe, like her peers in the region, should introduce a non-contributory old-age pension scheme. As the name suggests, beneficiary eligibility to a noncontributory pension does not have to contribute anything to qualify for such a pension. The beneficiaries of a non-contributory pension are not necessarily tested. This means that the only qualifications or eligibility criteria for beneficiaries of a noncontributory pension is that a beneficiary must be a Zimbabwean citizen who has attained retirement age (60 years). A noncontributory pension is not tested, meaning it is universal in nature as long as one is a Zimbabwean citizen who has reached statutory retirement age, which is 60 years. Thus, a retired gardener, a former government minister, and a retired chief executive officer of an international conglomerate all receive the same pension. The amount recipients receive is the same, notwithstanding their status or means.

Gradual coverage of a non-contributory old age pension

Given the budgetary constraints Zimbabwe is facing against the huge financial monthly budget outlay an unrequited pension calls for, it is recommended that Zimbabwe adopt a gradual approach towards the introduction of a non-contributory old-age pension. Initially, the non-contributory pension should be gradually introduced, covering those not in receipt of any old age pension either from NSSA, occupational pension schemes, or individual private pension schemes such as Old Mutual, First Mutual, or Fidelity Life pension schemes. Such categorization will target those retiring from the informal economy with no old-age pension, leaving out those who are receiving any form of an old-age pension no matter the amount. Such a targeting approach will not result in any inclusion or exclusion errors since those in receipt of any old age pension are known and thus can be easily verified and ascertained.

In financial terms, such a gradual approach will enable the government to accumulate enough resources to make the scheme universal, contemporaneously extending social protection to informal actors who are deserving such protection as the majority retires without any pension, any source of income, no savings/ investments, and no assets, hence retiring into old-age poverty and vulnerability. In line with the country's budget constraints, ILO recommends, and international best practices, the Government of Zimbabwe to adopt this approach in her introduction of a non-contributory old age pension scheme.

Setting the monthly amount of a non-contributory old age pension

Approaches and theories abound on how policymakers set a monthly pension amount for a non-contributory old-age pension. Unlike contributory pension schemes, where beneficiaries' pensions are a function of their contributions, non-contributory pensions are determined by international poverty lines, national poverty datum lines, cost and standard of living, bread lines, rules of thump, guestimate, algorithms, etc. Given that the objective of introducing a non-contributory pension being suggested herein is to reduce old age poverty amongst the elderly, Zimbabwe's non-contributory pension amount should be guided by two variables, namely the World Bank international poverty line of USD 1.90 per capita per day, which translates to USD 60.00 per month, and NSSA's minimum old age pension, which coincidentally is also USD 60.00. Thus, this paper recommends that the government set Zimbabwe's unrequited pension scheme at USD 60 per month. Though appearing to be low by

Zimbabwe's dollarized economy, this is actually more than what pensioners in Lesotho (USD 40.00 per month), South Africa (USD 50.00 per month), and a number of low-income countries are getting. However, notwithstanding its size, such a pension will achieve its major objective of lifting the majority of the elderly out of poverty.

Financing of the non-contributory old age social pension

There are several ways to fund such an unrequited social pension. However, this study recommends only three viable options that other countries have successfully adopted.

a. NSSA Funding

In most countries, all public pensions are funded and managed under the purview and jurisdiction of their national pension organizations, similar to Zimbabwe's NSSA. Therefore, this paper recommends that an old age social pension should be managed and financed under the NSSA framework. Under this methodology, a social pension is easily funded by simply removing the NSSA ceiling on contributions. A ceilinged contribution is a contribution capped at a certain preset level, which is not the full salary of the contributor. Thus, in order to finance a social pension, a ceiling should be removed so that contributions are calculated on the full salary of all employees. Collecting contributions from contributors' full salaries means that employees with mega salaries will pay more and those with lower salaries will pay less, complying with the income re-distributive nature of a social security scheme. During the dollarization period, NSSA collected close to USD 50 million per month in contributions, with a ceiling of USD 600 imposed on salaries (NSSA 2014 Report). It was estimated that if the ceiling was to be removed, NSSA could have collected more than five times, that is a whooping USD 200 million per month. Assuming that due to massive informalization of the economy, NSSA collects only half of the estimated amount, which is USD 100 million, this is a lot of money enough to pay livable pensions to Zimbabwe's 6% adult population estimated to be below 930 000. Therefore, barring corruption, mismanagement, and poor administrative competence, NSSA has the capacity to fund such an unrequited old-age pension scheme.

b. Transformation of NSSA Investments

NSSA currently invests all contributions collected from employers and employees in three markets: money, stock, and property. The money market is where money is invested in treasury bills (TBs), bankers' acceptances (BAs), fixed deposits (FDs), and on call, for short investment periods such as 30, 60, 90, 180, and 360 days. These investments are very safe and liquid and can be liquidated any time NSSA requires funding for anything such as payment of salaries, pensions, etc. Stock market investments include buying and selling shares on the Zimbabwe Stock Exchange (ZSE), Victoria Falls Stock Exchange (VFEX), and portfolio investments, where NSSA occasionally buys shares in unlisted companies. Stock market investments are also considered safe and liquid investments, as they can be easily liquidated if the need for cash arises. Property investments are investments in buildings and land, both commercial and residential. Investments in land are called land banking for future projects. Property investments, though not liquid, are considered the safest. However, all three types of investments are considered to give NSSA the highest yields. Rental yields are the most certain of all investment yields, as they are not affected by interest rate volatility.

Thus, NSSA's current investment philosophy is based on safety, liquidity, and yields, acronymed *SLY.* Such an investment philosophy, besides being prone to corruption, has no meaningful developmental drive to the nation at large. Surely buying a building or piece of land cannot be regarded as investment

There is a need for a complete departure from traditional NSSA investments for profit, value preservation, and maintenance, premised on the fundamental principles of safety, liquidity, and yields (SLY) of traditional social security investments. NSSA should invest in value creation and value addition, as opposed to investing in profits, safety, liquidity, and yields. Thus, the new NSSA investment philosophy is to invest in economically targeted investments (ETIs) and socially responsible investments (SRIs). According to this investment philosophy, NSSA should invest in economically targeted sectors such as infrastructural development, mining, farming, tourism and hospitality, health care, and manufacturing with an emphasis on value addition and beneficiation. In addition, NSSA should make socially responsible investments such as investing in water reticulation, vaccine manufacturing through either CAPS or NATPharm, bus, and low-cost vehicle assembling to avoid Zimbabweans buying Japanese second-hand vehicles, solar power equipment, hydro-electric power stations, fertilizer, and farming equipment manufacturing for rural people, among other socially responsible investments.

These so-called *ETIs and SRIs* have several benefits for NSSA in particular and Zimbabwe in general, such as generation of employment opportunities that will expand the NSSA contribution base and increase contributions income, as well as increasing social security coverage, as more people will be employed and contributing towards the schemes. Some ETIs and SRIs will generate foreign currency and ensure that the NSSA stimulates its catalytic economy. NSSA investments in exports-oriented ETIs and SRIs will enable NSSA to pay pensioners liveable pensions or even pay pensioners in foreign currency. It is from such investment proceeds that NSSA should be able to finance a non-contributory social pension.

c. Resource levy Approach

In other countries, a social pension is financed by levying their major resource sales and export proceeds. In oil-producing economies, social pensions are financed by levying oil companies. Zimbabwe can adopt the same approach and impose a tobacco, mineral, tourism, or oil levy once the Muzarabani oilfields have been established to fund an old age social pension. In countries such as Brazil, (part of) funding comes from the profits made by state owned enterprises (SOEs). Zimbabwe has walked this way by having an Aids levy; hence, there is a very successful precedent to follow. This is another viable option that policymakers can adopt. However, the performance of these approaches depends on the government political will.

Conclusion

This study was prompted by Zimbabwe's growing informality, low coverage of old-age pension schemes, and the country's lack of an old-age informal sector pension scheme. Given the preceding, the purpose of this research was to develop a retail informal sector old-age pension scheme in Zimbabwe.

In order to achieve this research goal, the study relied on extensive countrywide data collection that covered the majority of Zimbabwe's major towns. The empirical evidence from this study was collected, presented, and analyzed using a mixed-methods research approach. The study concluded that a variety of factors, including the demographic characteristics and income levels of the respondents, are important considerations in developing a pragmatic, effective, and beneficial old-age informal sector pension scheme. Based on the findings of the study, the study proposes alternative old-age informal sector pension schemes, such as financing the non-contributory old age social pension, determining the monthly amount of a non-contributory old age pension, and gradually covering a non-contributory old age pension. The study recommends the introduction of a non-contributory informal sector old-age pension fully funded by the government.

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