DEVELOPMENT OF SOCIAL SECURITY: PRACTICES, PROBLEMS AND PROSPECTS OF PENSION PLAN IN ETHIOPIA.

REGIONAL AND LOCAL DEVELOPMENT STUDIES (RLDS)

Candidate: Abebe Mesfin

Advisor: Meheret Ayenew (Ph.D)

July,2003

List of Key Terms

1. **Public Servant**
2. **Social Security**
3. **Pension**
4. **Retirement**
5. **Undertaking**
6. **Member of the Armed Forces**
7. **Gratuity**
8. **Majority**
9. **Minor**

ABSTRACTS

This thesis is an attempt to examine the development of Social Security, in particular, the practices, problems and prospects of pension plan in Ethiopia. The thesis discussed the theoretical issues, perspectives and experiences of other countries with regard to development of Social Security.

The result of the study generally showed that the existing practice of the Ethiopian Pension Scheme has drawbacks such as lack of uniformity in legislations regarding the qualifying conditions for entitlement of benefits, contributions and payments, period of service and retirement ages of members of the scheme. It also lacks clarity so that different authorities issued several directives by defying the law.

The results also show that there are insufficient contingencies with limitations and also insufficient benefits within the already maintained contingencies. The scheme found to have very low population coverage and ineffective and inefficient fund administration. The legislation had been found to include provisions that deny equal rights and opportunities within the members of the scheme.

The Ethiopian Pension legislation has provisions for suspension of pension rights which is found to be against the ILO Convention and the Ethiopian Penal Code. The scheme in many cases had been operating against the law and involved in poor investment activities.

CHAPTER ONE

THE PROBLEM AND ITS APPROACH

This chapter gives highlights to the issues to be discussed and briefly explains the problems in the area. The approach to the study and the methodologies to be used will clearly be explained against the basic questions. Thus the chapter comprises the statement of the problem, the objective of the study, the significance of the study, delimitation, operational definitions and the methods and procedures.

1.1 Introduction

Inability to work is beyond control of the individual. Injury or other sickness may occur despite every precaution and the weakness resulting from old age, a natural event. Hence, a person may lose his means of income when he is unable to work. What will then happen to this person and his dependents for their sustenance? They will face harsh living conditions since their means of survival has come to an end. Employee security, well-being and stability are of primary importance in any programme of manpower management. The policy of employee security, is to provide for assurance of a reasonable income, job security, and removal of employee financial worries. It is the objective of employee security policy to not only protect the employee's interests but also the interests of his family (Rudrabasavaraj, 1979).

In the past, activities of social security were considered to be the responsibility of the individual and his family. Nevertheless, it has become the proper subject of governments (Bridgwater, 1950: 1985) . The state has an obligation to take care of the needy as they are part and parcel of the society through different mechanisms, for instance, establishing social security programmes.

Social security is a result achieved through gradual stages and measures taken by governments for protecting the public from economic distress. Hence, in the absence of such scheme; conditions become more harsh for the poor. These schemes, therefore, should continue to be implemented at the government level and necessarily require governments involvement like enacting legislation concerning national social security and clearing the way for its proper appreciation in benefiting the society (Bridgwater, 1950: 1986). It signifies direct relief for those who, because of age or other means, are unable to work by providing different benefits either financially through payment or materially through medical services or so.

The aftermath of the second world war saw a rapid increase in the number of countries which introduced – or extended their existing – social security measures. At the same time, many countries had achieved – or were in the process of achieving- independence and , as part of their reconstruction efforts, wished to broaden social protection for their citizens. It was not possible to rely exclusively on collective or individual efforts of workers or employers to organize comprehensive coverage on a national basis and the state had to take the lead (ILO, 1998).

The basic policy of legislating any pension scheme will depend on any dominant pre-occupation a country is faced with. In the developing countries social security schemes providing old age benefits are, in most cases, originally designed to give coverage to those who are wage earners only. The great majority of the labour force especially rural workers and self-employed persons in both urban and rural areas remain uncovered.
With the European penetration and urbanization in Africa, not only were the old economic, social structured and working conditions modified and transformed but a wage-earning class was created in towns. The wage earner and his family uprooted from their traditional way of life and environment are exposed to social risks, similar to those prevailing in industrial countries. It was these crises which makes social security rather necessary (ISSA, 1988).

Social security schemes which cover the formal sector as well as general schemes which are financed out of general revenues have suffered as the result of economic decline experienced by developing countries over the past decade or so, and sometimes as the more immediate consequence of programmes of structural economic adjustment. As the experience of the developed countries has shown, the presence of a reasonable social safety net for all individuals and households enlarges and strengthens the labour force of a country, adds to its capacity to promote growth and to accept change, and underpins a greater degree of political and social stability (ILO,1993) . Furthermore, entitlement to adequate levels of social protection is recognized explicitly in the several international declarations dealing with the matter and in the various international labour standards on social security and related issues which have progressively enhanced the benefits and entitlements which all members of the community have the right to expect.

Pension schemes throughout the world are in a state of upheaval. On one hand, the developed countries are contemplating new architecture for the financing of pension outlays. This will require careful thought and the development of a new consensus. But on the other hand the overwhelming majority of the world's population is without some form of income security in old age or disability. Extending the coverage of pension schemes (and all other forms of social security), improving their governance, and ensuring that the design of the schemes is both economically efficient and compatible with internationally accepted human and social values (Gillon et al, 2000).

For the world as a whole, three types of countries can be distinguished. In most developed countries and some countries in central and Eastern Europe, full personal coverage has been reached for some benefits, but not for others. In these countries, the extension of coverage can probably be achieved within existing structures . In many middle – income developing countries, where personal coverage does not exceed 50 percent, extension of social security coverage will have to be achieved by a combination of adapting existing social security structures and experimenting with new schemes. Such a policy might be encouraged by the adoption of new international labour standards on the extension of social protection. These standards would reaffirm the right to social security as embodied in the United Nations International Covenant on Economic, Social and Cultural Rights; seek commitment from governments and their social partners to elaborate and carry out strategies for extending basic social protection; and adopt statistical indicators for measuring progress towards universal coverage. In addition, standards could provide recommendations on guidelines to design, manage and administer social protection schemes and to develop national and international policy and strategies (World Labour Report, 2000. ILO; 206).

It is necessary to broaden the social protection partnership and to galvanize the various partners for the design and implementation of a comprehensive social protection policy.

1.2 Statement of the Problem.

In Ethiopia, there is no a comprehensive study made so far on the practices and the problems of pension scheme. It is clear that the Ethiopian Government had a pension policy for public servants and government-owned undertakings.

Despite the very little improvements in social security service seen during the last several years, the overwhelming majority of Ethiopian population has no coverage of any kind of social security. As per the 'Public Servants' Pension Contributions Proclamation of No. 199/1963, the civilian public servant and the employer contribute 10% to the public service civilian fund and the members of the armed forces as from the rank of second lieutenant up ward and their employer contribute 20% . But payment of pensions is in accordance with the number of years of service rendered and the salary of the last thirty-six months before retirement. On the other hand public servants who voluntarily resign from their jobs on their own request before completing ten years of service are not entitled to any benefit.

In addition, those, who voluntarily resign after completing ten (10) but prior to completing twenty (20) years of service shall be paid an amount equal to the total amount of the contributions therefore made by them, i.e., only the 4% contribution (IEG, 209/63 as amended). Article 34 of the Amendment proclamation No.5/1974 clearly states that if a public servant or a pensioner convicted and sentenced by a court established by law to a minimum of three (3) years rigorous imprisonment he shall lose all pension rights or in the case of a pensioner payment of pension shall cease (PMAC, 5/74) . Such articles included in the proclamations have effects not only on the public servant or the pensioner, but also on his families.

Until recently, the Ministry of Finance had been collecting the contributions made by the employees of the public servants and the military. Recently, this execution is transferred to the right authority, i.e, Social Security Authority. This shows the age-old problem of fund administration in the field. The restrictions to the entitlement of benefits for those who voluntarily resign from their jobs seems unlikely by the researcher.

Since the aim of social security is to ensure that persons who (either temporarily or permanently) are unable to obtain an income, or who are facing exceptional financial responsibilities, are enabled to continue to meet their need by providing them with financial resources or certain goods or services, a country is expected to have a meaningful plan of action to try to meet the minimum standards set by the ILO. Ethiopian Pension law has no significant development since its establishment before forty years.

The aim of this study is, therefore to study the existing legal and practical issues that pertains to social security and suggest recommendations after analyzing the data obtained. To this end, this study is aimed at searching answers to the following questions.

1. What are the major policies that govern Social Security Services in Ethiopia? What purposes do they intend to serve?
2. What is the present state of the Ethiopian pension scheme including coverage and benefits?

3. How are the contributions collected?
4. How are the pension funds administered? What are the problems and impacts (if there are any)?
5. What are the similarities and differences between the contribution and the earnings of member of the armed forces, the public servant and employees of government undertakings? What are the impacts (if there are any)?
6. To what extent is the implementation in line with the legislation? are all beneficiaries equal before the law?
7. Has the 'Elderly and Pensioners National Association contribute to improving the lives of the members, most of whom are pensioners lead a miserable lives?
8. What are the possible solutions to alleviate the problem in the area and to widen the current magnitude and scope of the scheme?

1.3. Objectives of the Study

The general objective of the study is to analyze the impact and /or relevance of appropriate social security system (policy) for national social welfare and sustainable development. In a country where a significant group of the society, in our case the aged and those incapacitated to continue active life, have no dependable source of social security, there will be a high burden for the productive population to support them . This will in effect result in the decline of the income of the productive population for further investment and sustenance.

Therefore, there is an overriding argument that the state must employ an adequate and some how sustainable system of social security for the retirees. Hence, the objective of the study is to analyse the current system of social security and its impact.

More specifically, the study have the following objectives:

- to analyse the historical development and current practice of social security policy in Ethiopia including the scope of coverage and its progress;

- to assess the limitations and the positive aspects of pension benefits;
- to asses to what extent the implementation is in line with the law, and to describe disparities in the decision of pension fees if there are any;
- to assess the fund administration of the pension scheme, to suggest measures to be taken to widen the current magnitude and coverage of social security service;
- to recommend possible solutions to alleviate the problems of the pension system so that pensions attract and retain employees at their respective organization.

1.4. Significance of the study

As it has been stated earlier, the main objective of pension policy is to provide assurance of a reasonable income, job security and financial worries of the employee and his family. Moreover, it can also play an important social role in that pension could be given in alliance with a chance of continuing work and activate social role. For the social security policy to achieve these objectives, there need a reform or at least improved legislation. A good number of people who have been public servants for less than twenty years and lost their jobs for different reasons were not entitled for retirement pensions. Those whose service years were less than ten years were not entitled even for gratuities. Such practices could request the necessity of reform in the legislation. The research is therefore expected to have significance for the following reasons:

1. It may create awareness as to what extent the country has promoted social security services and as to what is to be done concerning the area.
2. It is believed that, this study will enable to identify the basic problems in the current practice of social security in Ethiopia and forward practical solution to alleviate the problems.
3. The findings of the research may attract the attention of the concerned officials to see for more efficient and effective social security policy.
4. The identification of the problems and their possible solution may contribute to retain government employees in their respective place of work.

5. To the knowledge of this researcher, there had been no in-depth research on the problems of social security practices in the country . Therefore, this study is assumed to contribute its share.
6. This paper may provoke and encourage professionals to study about the problem in a wider scope and contribute relevant and constructive ideas about social security schemes in Ethiopia.

1.5. Delimitation of the study

This study had been intended to see how the pension and entitlement to it is practiced and how some of the articles, which, according to the researcher , are obsolete, affect the employees, pensioners and their survivors. It also tried to explain the paradox between the policy and the implementation. The study mainly focused on some basic social security practices referred to as pension policy and its effects in the government employees. The data that is necessary for the findings in addition to secondary sources were obtained from the interviewees held with key informants only since to have a sample population in this case is quite difficult.

1.6. Operational Definitions

In this research paper, the following terms will be used in the context stated below.

Public Servant: All persons who are to any degree repositories of the power or authority of the state, such as members of the public authorities, government officials and agents and servants of the government and public administrations of any kind or members of the armed forces or police force (IEG, 46/1961 as amended) and shall include judges, public prosecutors, or registrars as defined in the Judicial Administration Commission Re-establishment Proclamation No. 53/1975).

Social Security:- A public program designed to protect individuals and their families for income loses due to unemployment, old age, sickness or death; and to improve their welfare through public services like medical care and economic assistance (Gove,1981) .

Pension: A payment under given conditions to a person following his retirement from service due to age or disability or to the surviving dependents of a person entitled to such a pension in accordance with the pension plan or scheme of the country the person is residing (Gove,1981).

Retirement: The act of withdrawal from active life (Finnegan, 1989).

Undertaking: Shall include agricultural, commercial, industrial, transport, banking and insurance undertakings whose ownership or majority share holding has been transferred to the Government, Government-Owned share companies and the Franco-Ethiopian Railway Company (PMAC, No. 49 of 1975).

Member of the Armed forces: A person rendering military service and entitled to wear a military uniform, and includes members of the Ground, Air and Naval forces and the police force (IEG, 46/1961).

Gratuity:- One sum paid all at once rather than in several smaller amounts (Cowie, 1989:745).

Majority: The state of time being of full legal age (Finnegan, 1989:903).

Minor:- A person under legal age (Finnegan, 1989:834).

1.7. Research Methodology and Procedure

1.7.1. Methodology

A descriptive approach was used to depict the existing legislation and eventually determine the factors generating for the limitations in the area of Social Security practices in Ethiopia. Since the study aims at providing policy strategies, the primary task of this study aimed at gathering facts and relevant opinions.

1.7.2. Procedures

The problems were outlined and initial facts were collected to show the magnitude of the problem. Pertinent data were collected using structured interview questions and documents that pertain to pension policy of Ethiopia.

All the facts, evidences and opinions that were gathered were sifted organized and analysed.

1.7.3. Sources of Data

Primary Data Sources: Since the study focuses on policy implications and practices of Social Security in Ethiopia, it is hardly possible to select sample population that pertain to the issue. The researcher aimed at focusing on the key informants who were authorities in Government offices formerly and currently, pensioners who had awareness about the issue, and the Elderly and Pensioners National Association. Thus, the interviewees were selected intentionally by the researcher. The interviewees include those who had served or being giving services as authorities in the Prime Minister's Office, Social Security Authority, Federal Civil Service Commission and Ministry of Capacity Building. Structured interview had been developed by the researcher based on the basic questions.

Secondary Data Sources: Documents such as proclamations, decrees, orders, directives by authorities, and statistical abstracts has been used as secondary data sources for the study.

1.8. Organization of the Study

This study is organized under four parts and six chapters. The first part is concerned with the problem and its approach; the second part which comprises three chapters deals with the review of the related literature, the experience of the two NICs and the development of Social Security in Ethiopia; the third part (chapter five) presents and analyses and discusses the data gathered from the interviewees and the facts from documents. Finally, the last chapter (six) presents the summary of the findings, conclusion and recommendations of the study.

The next chapter (two) will discuss the general overview of social security against the related literature.

PART TWO

CHAPTER TWO

2. REVIEW OF THE RELATED LITERATURE

In this chapter issues pertaining to pension policies will be entertained in brief as discussed by different authorities on the subject. Thus, the chapter comprises what social security is, its historical development-earliest perspectives and alternatives, features of Social Security benefits, pension systems-as part of Social Security and, pension schemes and benefits.

2.1 Overview of Social Security

Institutional social security, in some measures or other, exists in almost all countries today. However, there is much variation between countries with regard to the levels of protection, scope, coverage and effectiveness of the system in place. As a group, the developed countries have the most advanced social security systems. The concept of social security originated in Europe towards the end of the last century, and had developed considerably in Europe, North America and Australia even before the Second World War. Today, the OECD countries have comprehensive systems which typically cover all the relevant contingencies, extend to practically the whole population, and operate effectively and efficiently. Social expenditures including both cash transfers and the provision of health and education services now represent more than 25 percent of the gross domestic product of OECD countries and, in many countries, absorb more than 60 percent of the total public expenditure. Health and education are among the largest single employers-public or private-in the industrialized economies (ILO, 1993).

With very few exceptions, institutionalized social security in the developing world is of relatively recent origin having appeared only after the Second World War, following the emergence of several independent states at the end of the colonial era. In general, social security systems in developing countries do not cover the full range of contingencies, exclude appreciable proportions of the population, and have serious shortcomings as regards their operation. Large numbers of people in these countries have therefore to rely on family, communal or social networks when they encounter difficulties (ILO, 1993).

2.2 Earliest Perspectives: Logic of industrialism and Neo-Marxism.

2.2.1. Logic of Industrialism

The Logic of industrialism, which was developed in the 1950s and 1960s, is the earliest perspective on the origin and variations of the welfare state. Briefly stated, the main idea in the Logic of Industrialism is that all economically advanced societies display essential structural features; the increase of labor force dependent on wages and bereft of the traditional social safety nets. It also argued that all countries which experience a similar industrialization and urbanization process would show increasing signs of social and political convergence. It is the pressure of these functional imperatives that creates new needs for public spending for welfare benefits (Cutright, 1965).

Many recent studies criticized this approach, however, finding no empirical relationship between economic development and social security expansion (Pryor, 1968). It is also criticized by scholars that this approach, being based on the idea of evolutionary convergence of all 'modernizing' societies on the pluralistic industrialism, can not explain the timing and variation of social welfare programs (Orloff, 1993).

2.2.2. Neo-Marxism

Neo-Marxists maintain that the welfare state grows because of the function to stabilize capital economy and to maintain capital accumulation (Gough, 1979). Offe (1990), for example, argues that the historical forms and changes of welfare policy should be explained on the basis of its substantive function to solve the problems of the socialization of labor. He understands the term social policy "to include the totality of the state" function to contribute to solve the structural problem of the constitution and continuous reproduction of the wage-labor relationship". Understood in this way, welfare policies (i.e. unemployment compensation or job refraining programs) are not some sort of state reaction to social problems; instead, they fulfill the function of keeping reserve laborers ready for the moment that they are needed.

O'Connor (1988) also argues that public spending for social insurance maintains both capital accumulation and legitimization. Based on the analysis of the fiscal crisis of the state, he argues that modern capitalism underwrites private capitalist accumulation, which in turn increases demands for social expenses to prevent and remedy the "social costs" of accumulation. In his view, the social necessity of reproduction enforces the state to develop welfare policies to meet the need to create sense of security among workers and to increase capitalist production. Therefore, the benefits of the welfare state are seen to be largely the adventitious by-product of securing the interests of capital.

The major theoretical problem in these Neo-Marxist arguments, as well as in the Logic of Industrialism, is that they are based on the functional explanation. The effect explains the cause; the development of welfare programs is functionally required by the socio-economic needs. The Logic of Industrialism says that the government responds to the needs, i.e. economic insecurities, created by the demographic and other changes accompanying industrialization. Neo-Marxism also argues that the state must develop welfare policies in order to meet the capitalist needs. But, we can not assume that the emergence of needs, generated from either industrialization or capitalism, will automatically lead to the development of welfare programs. As Flora and Alber (1981) argue, needs should be felt by political actors and registered in politically effective institutions. As an alternative to these early efforts, two distinctive approaches have attempted to explain the origins and variations of contemporary welfare policies: the Power Resource Model, and the State-Centered Model.

2.3 Power Resource Model and the State-Centered Model

2.3.1. Power Resource Model

Welfare state construction has depended more decisively on the power resources of the working class or on the structure of class or on the structure of class political coalition. The power Resource Model, often called the working class mobilization theory or the social democratic theory of the welfare state, has focused on the causal relationship between the organizational power of the working class and variations in welfare state policies. Based on cross-national data and historical comparative studies, proponents of this model argue that social classes are the main agents of political change and that the degree of working class strength and political types of class coalition have been of central significance for the growth of an institutional type of social welfare policy (Stephens, 1979).

They share with Neo-Marxist argument that the important axis of political conflict and state policy in capitalist society is the class division between owners and wage earners and the distribution of power resources between them. Two different types of power resources can be mobilized and used in markets and in politics; in the economic sphere, the core power resource is the control of capital assets; in the political sphere, it comes from the strength of members, mobilized through the democratic process and tends to favor 'numerically large collectives,' especially the organized working class. Wage earners as voters can use the democratic state as a non-market way for redistributing income and welfare services, if they are highly organized into centralized unions and support a social democratic or labor party. Theoretically, this model goes beyond functional Neo-Marxism. Unlike functional Ne0-Marxism, the Power Resources Model explains the role of political actors, i.e., the political role of the working class and left parties, is a key determinant of the development and variation of welfare states.

This does not imply that the Power Resource Model emphasizes the significance of the working class alone. As an alternative to a simple class mobilization theory of welfare state development, Esping-Andersen (1990) suggests three salient forces as determinants of welfare state development: the pattern of working class political formation, political class-coalitions, and the historical legacy of past welfare reform. Among them, the question of political coalition formation is decisive. “Welfare state construction has depended more decisively on the structure of class coalition which is determined by class formation, than the power resources of any single class” (Esping-Andersen,1990).

According to the ways by which the working class party is politically and socially allied with other social classes, it is argued, each country has its own characteristics of the institutionalization of welfare policy. For example, in explaining the national difference between Scandinavia, Austria, and Germany after World War II, where the labor movements share a common ideological heritage and have espoused almost identical blueprints for social welfare policy, Korpi and Esping-Andersen (1984) argue that the political alliances between the working class and the middle class in Scandinavian countries could produce the consolidation of social democratic welfare state, while the exclusion of working class parties in Austria and Germany from the urban petty bourgeoisie and the middle classes resulted in the persistence of corporatist occupational divisions and institutional fragmentation of welfare provision.

More important, the Power Resource Model illustrates the feedback effects of the selected welfare policy on the distribution in the future. “The consequences of the choices and strategies that are put into action, in turn, feedback to and affect the distribution of power resources” (Korpi and Esping-Andersen, 1984). The strong historical tendency of German’s social insurance programs (that is, the preservation of status differentials) constrains the political base of the German Social Democratic Party, while the universal and equal coverage of welfare programs in the Scandinavian countries have strengthened the political and organizational power of the reformist Social

Democratic Party. Even within the Scandinavian countries, welfare policies made it possible to solidify the political base of the Social Democratic Party in Sweden, while similar policies undermined the base in Denmark (Esping-Andersen, 1985).

Therefore, it is important to specify the conditions and the character of working class effects on social policy in less democratic polities. First, we should consider that the collapse of authoritarian ruling parties is one condition of the welfare policy development in such authoritarian countries. As Castles and McKinlay (1979) argues, "to the degree that historical and political forces have led to the emergence of a united party of right, there will be a strong impediment to welfare". In the developing countries, there had been many well-defined and durable entities (such as authoritarian ruling parties, military establishments, and state planing agencies) that had acted as strong impediments to welfare state provisions. In such political contexts, the absence or weakness of durable right political forces establishes the initial necessary conditions that remove the primary barrier to the development of welfare provisions.

Second, it is also important to note that the actual types of power resources that can be mobilized and used in politics are different in each country. In some countries, the number of cabinet seats held by social democratic parties would be an important empirical indicator of power resources and of the development of a social democratic welfare state. In other countries where the social democratic party has never existed, like the East Asian NICs, there are different ways for class-linked capacities to influence state welfare policies. This implies that we should carefully look at the changing political conditions and actual types of workers' power resources in the East Asian countries (i.e., the kinds) and degree of organizational strength of workers), and then examine the extent to which such types of worker's power resources, without a left party and class alliances, affected the expansion of welfare benefits (Castles and McKinley,1979).

2.3.2. State-Centered Model

The expansion and transformation of state administrative capacities and the concomitant reorientation of political parties created the institutional and political basis for the development of modern welfare programs.

Using the State-Centered Model, numerous studies have provided historically grounded explanations for the development of welfare state policy and national variations (Orloff and Skocpol 1984). The center of gravity of critical work on the state, as Wright (1994) says, shifted toward a variety of theoretical perspectives which explicitly distanced themselves from a preoccupation with class, in particular "state-centered" approaches to politics which emphasize the causal importance of the institutional properties of the state and the interests of state managers.

The State-Centered Model has examined the causal importance of state factors in the development of welfare. This model does not deny the salience of the variables raised in the major theoretical perspectives outlined above, but it argues that all these influences are mediated by the independent effects of state factors, such as state autonomy and capacity, the political institutional context, and political learning. Even the national variations in welfare policies are explained, first of all, by the state-centered variables as opposed to societal variables.

Applying these criteria to the history of the welfare state, Ashford (1987) argues that contemporary forms of the welfare state are the manifestations of complex and diverse compromises forged by political leaders and administrative officials. In her recent analysis of two early social policies in the United States, Skocpol (1992) also shows how "governmental institutions, electoral rules, political parties and prior public policies' have shaped the particular configuration of social provision, such as the Civil War pensions and pensions for widows with dependent children.

There are many variations within the State-Centered Model. The early researchers emphasized the relative importance of state factors, while recent analyses focus on the political institutional context as well as the autonomous role of state actors. Heclo's Modern Social Politics in Britain and Sweden (1974) is one example of the research trends which distances themselves from a preoccupation with class factors. The influence of class factors upon social welfare policy is seen to be only a little relevance to policy outcomes. "Forced to choose one group among all the separate political factors as most consistently important, the bureaucracies of Britain and Sweden loom predominant in the policies studied" (p.301). For example, the origin of British unemployment insurance was not the product of parties, pressure groups, elections, but it evolved from a small group within the state.

Orloff's Politics of Pension (1993) provides a political institutional approach, extending the early State-Centered Model. She argues that "state capacity to plan, administer, and extract resources is a precondition for the emergence of modern social welfare programs such as pensions and social insurance". Using this approach, she shows that initiation of modern social provision for the aged in Britain, Canada, and the United States was the work of cross-class coalitions of liberal political entrepreneurs, social reformers and working class groups, and that the institutional context the expansion and transformation of state administrative capacities and the concomitant reorientation of political parties over the nineteenth and early twentieth centuries affected the possibilities for the formation of cross-class formation.

In this model, policy feedback is particularly important in understanding types of welfare policies in a country, because once policies are enacted and implemented, they change the public agendas and the patterns of group conflict through which subsequent policy occur. Extending Heclo's argument that policy makers orient themselves to the legacies of prior state actions, Orloff (1993) clearly shows that processes of policy feedback-the ways in which the legacy of existing policy affects "policy debate, political coalitions, and administrative capacities, as well as the overall institutional context' shape the character of policy innovation. Therefore, the process of policy feedback as well as institutional context determines the national character of modern social provision.

It is argued that the State-Centered Model seems to be relevant to the information of welfare policies not only the advanced capitalist countries but also in developing countries (Brachet-Marquez and Sherraden, 1994). The development of social welfare policy has been viewed less as a product of the direct pressure of social forces or classes than as the initial action of a particular type of state attempting to cope with the central problems of economic development. Some researchers, like Malloy and Borzutzky (1982), argue that the relatively independent "patrimonial-bureaucratic" state in Brazil has used social security programs for the promotion of national economic development. Spalding (1980) also argues that in most of the developing world, where the dominant political tradition is interventionlist and paternalistic, cohesive regime elites are called upon to act as innovators of social security programs which promote long-run system stability and national economic expansion.

2.4 Main Features of Social Security Programs

2.4.1. Social Insurance Programs

A few studies used several indicators of welfare programs to empirically identify the decommodifying potential, like the rules and standards that pertain to actual welfare programs. Among them, Myles (1984) used three important criteria to construct the index of pension quality for 15 advanced capitalist countries. These criteria are the level of old age welfare benefits, the stability of welfare benefits, and the access to benefits.

First, Myles used the income replacement rate as a basic criteria to assess the income securing effect of pension program. Simply saying, the income replacement rate reports a ratio of old age benefits to earnings in the year prior to retirement the numerator is the annual total value of all public pension benefits received after retirement and its denominator is the level of annual earnings prior to retirement (Myles, 1984). The income replacement rate is the well-used criteria to assess the decommodifying potential of the welfare program, for if benefit levels fall substantially below earnings prior to retirement, the recipient are forced to return to labor market.

The second important indicator in Myle's study is the stability of old age welfare benefits, that is whether the welfare program for the elderly could guarantee a pre-retirement living standard for a long time. Inflation affects the real value of welfare benefits and the purchasing power of benefits after retirement. If benefit levels are not adjusted to reflect inflation or price increase, therefore, the real value of the old age benefits will deteriorate very quickly, and elderly should return to the labor market to continue their living standards. For this reason many countries, including Canada, Japan, Sweden, and the United States, link benefit levels to consumer prices (Bodie and Michell, 1996). The policies for indexing (Whether or not the program allows indexing, and if it does, by which means and how frequent) are indicative of how well the program can guarantee the real value of the old age welfare benefits.

Third, Myles suggested to consider various dimensions of access to old age programs or some characteristics of the eligibility rule. As most modern welfare states combine the two criteria... citizenship and market criteria... in order to provide comprehensive benefits to the old age population, one of the most important criteria is the degree to which these benefits are made accessible to the population (Myles, 1984). For example, some programs require strict rules for an individual's access to the full benefits, including the age at which one qualifies for the benefit, while others require less strict rules. One of the clear examples is the different rules in Canada and Sweden. While the Canada Pension Plan requires 40 years of covered earnings, the Swedish ATP requires 30 years of covered earnings (Myles, 1984).

2.4.2 Coverage

As per the report of the Director-General of the International Labour Organization in the International Labour Conference, 80th session, 1993, the nature and extent of social protection can vary significantly between different sections of the population within a given country. The starkest contrast is to be found in the developing countries, where most people who are not wage earners in the urban formal sector do not enjoy protection, other than whatever public assistance may exist. In the industrialized countries the self-employed are generally subject to compulsory protection, either under schemes applying to other sections of the population or under special schemes catering specifically for the self-employed. Typically, the self-employed are not insured against unemployment of or work injury and, where their pension and sickness insurance arrangements are separate from those of employees they tend to provide more modest benefits (ILO, 1993).

Another section of the economically active population that has often tended to have a different and generally superior –standard of protection is the public service. Schemes for public service workers, notably pension schemes, existed in many countries before the introduction of social security for employees in general, so it was not uncommon for them to remain outside the newly created general schemes. Special schemes for public servants are still to be found in many countries, particularly in the developing world; the trend in industrialized countries has been to extend the general social security legislation to cover public servants and to convert their special schemes into complementary schemes. This has been seen as desirable, not only from the point of view of equity, but also to ensure adequate protection for workers moving between the public service and other employment (ILO, 1993).

2.4.3. Administration and Finance

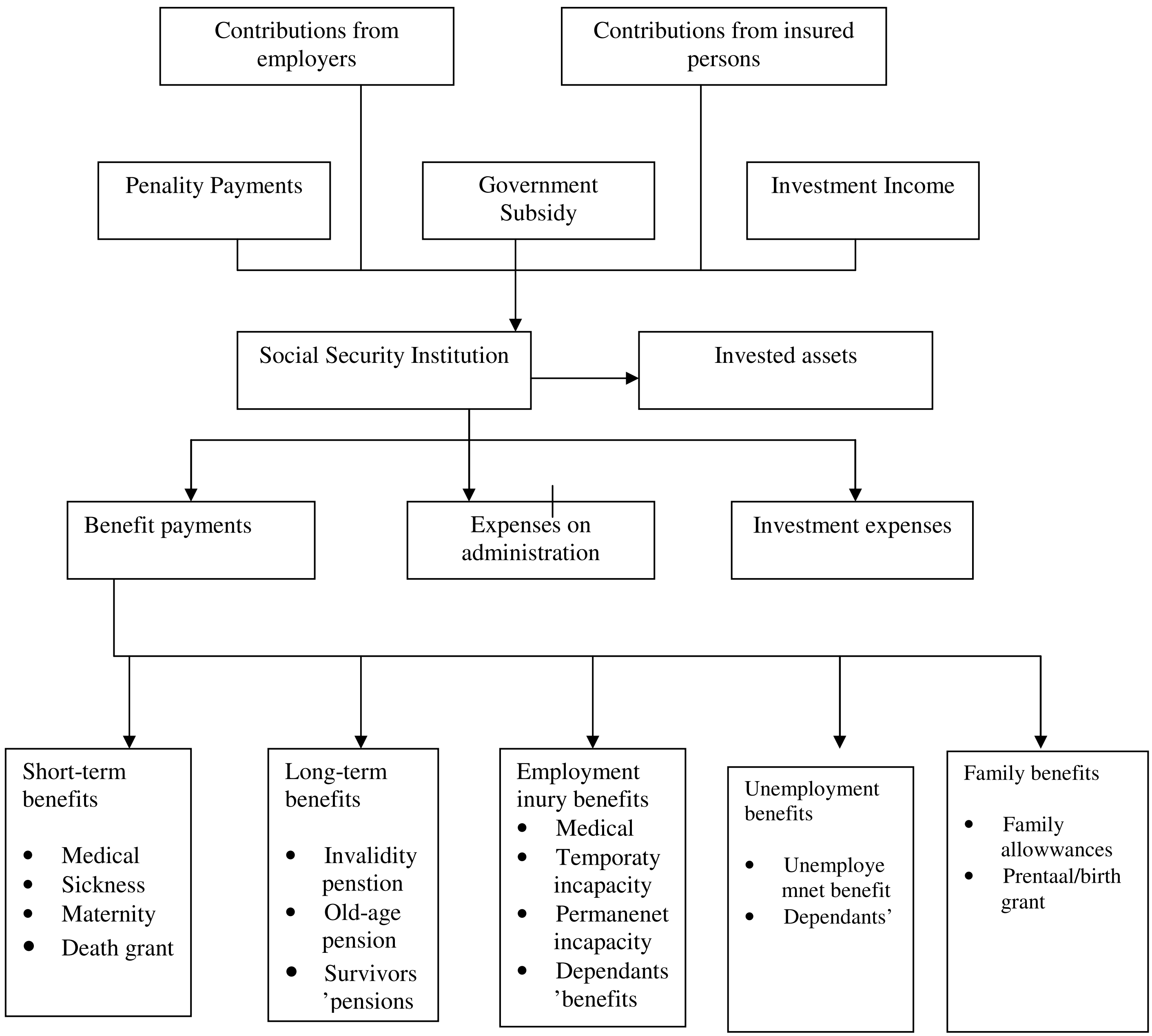
The administration of Social Security Schemes is usually the responsibility of an autonomous social security institution or of a government department. The autonomy of social security institutions is usually confined to administrative matters, as decisions concerning coverage, benefits and contributions normally remain the pererogative of the parliament, acting in most cases through the relevant government department (ILO, 1993).

It is customary for the social partners to be involved in the administration of autonomous social security institutions, either on a bipartite basis or, along with government representatives, on a tripartite basis. In many of the former socialist countries, trade unions had responsibility for administering parts of the statuary social security system; this practice, however, has been discontinued in various countries in recent years, owning to political changes and redefinition of the role of trade unions.

The amount of pension payable when the member retires is dependent upon the amount of money paid into the scheme; how well the investment funds perform; and the subsidy by the government. Social Security schemes receive contribution income from both insured persons and their employers. Income may also be derived from special taxes to support the social security scheme. The government may also make a contribution related to insured persons' or employers' contributions (or both), it may make a payment related to expenditures on certain benefits or an administration, or in some cases even a general subsidy. Normally, the government guarantees to make funds available should the income of the scheme be inadequate to meet its expenditures (ILO, 1997).

The basis for contribution depends on the types of benefits included in the scheme. The invested assets of pay-as-you-go social security schemes are unimportant source o f imcome because the assets accumulated are relatively small and are used primarily to provide benefits during economic downturns. In funded schemes, however, the invested assets are an important source of income (ILO, 1997). The flow of income and expenditure could be expressed by the following diagram.

Fig. 1 Flow of Funds in a Social Security Scheme.



Adapted from ILO (1997)

2.4.4. Social Security Benefits

The International Labor Organization Convention No. 102 of 1952 has set up minimum standard of social security. The Convention distinguished 9 types of benefits (ILO), 1976).

Old Age Pension:- This is a regular payment given to a person in return for the service he has rendered up to his age of retirement. At present the retirement age in many countries is between 55 and 65 years. In the industrialized countries, it is 65 and above. There is also age limit for the who ask for early retirement. Many developed countries have achieved universal coverage for this benefit.

Invalidity Pension:-This is a payment for a person who has been retired because of sickness and is unable to continue work for not fulfilling the medical conditions required. This has to be proved by board of doctors.

Survivors Pension:- The Payment made to the family of the deceased. The survivors can be children, spouse or the parents either.

Employment Injury Benefit:- refers to payment given to a worker who has suffered from an occupational injury until he revives. It also covers the medical expenses. If the injury does not enable the injured to continue his work, a regular payment will be given.

Maternity Benefit:- Comprises the medical care provided for a pregnant woman both post and prenatal period and allowances of maternity leave.

Sickness Benefit:- This kind of benefit refers to the coverage of medical expenses made by a worker who is suffering from some kind of sickness not related with his work.

Family Allowances:- Refers to payments made to families with dependent children either by employers or by government, primarily to promote the welfare of the children.

Medical Benefit:- This kind of benefit provides free medical services for people especially for individuals who are covered.

Unemployment Benefit:- is a benefit provided for persons who are capable of working but are incapable of obtaining a suitable employment.

Spending on their economic development, countries are expected to have one or more of these social security benefits for their people. They should be enacted in statutes as rights conferred to the people.

2.5. Pension Systems as Part of Social Security

The economic freedom and financial security during old age and retirement are of major concern to the employees, who, not only wish to provide themselves, but also for their families. The main aim of pensions is to give a reasonable amount of financial security to the retired employee. Rudrabasavaraj (1979) enumerated the following advantages of pension plans. They:

1. Attract and retain employees.
2. Attract better class of people who stay with the organization, this helps in reducing turnover and recruitment costs.
3. Permit retirement of the superannuated employees.
4. Improve employee morale.
5. Promote employee goodwill and loyalty.

A pension plan, which is one part of social security, is a program set up by an employer, a labour union, or a government that provides regular income payments to retired payments meeting the conditions set forth in the plan. There are three Universally accepted conditions; these are: age, disability and death (Gove,1980). A person may get an old age pension upon reaching some years of age, and disability pension or survivors pension for his dependents upon his death. Although these three kinds of benefits are referred to pensions as a whole, they cover the three benefits embodied in the social security. In earlier times a pension was viewed as a gratuity or reward for loyal service to an employee (Hosking, 1968).

The retirement system enables individual employees to live dignified. Satisfying and secure life during the retirement system helps to release more of the creative energy and efforts of personnel making if possible more effective daily and long term performance in the service for which they are employed(Ukeje, 1962).A person who spends his working life as an employee should have a privilege of getting an adequate pension on his retirement from services (Marthur et al, 1981).

In his book titled Personnel Management, Edwin Flippo (1984) emphasized that effective retirement programs will reduce employee uncertainty, minimize worries about health, reduce the tendency to miss one's old job, enables a more satisfactory arrangement of retirement income, and increase the amount of social participation on the part of the retiree. In Britain, state retirement pensions go back to 1908(prest and Barr, 1985). In the United States, even non-contributory pensions were transformed from gratuities to legally enforceable corporate liabilities (Pigors and Myers, 1981).

Pension plans differ from country to country on the basis of economic development. Modern attitudes to old age and increased levels of unemployment have led in a number of countries to legislation, which provides for flexible retirement. In other words, there may be no specified normal retirement age, but rather a range of ages during which retirement is permitted. As emphasized by International Social Security Association (1988), in Canada, a retirement age from 60 to 65 has been implemented with a deduction in the accrued pension for persons retiring before age 65. In France, the normal retirement age was simply reduced from 65 to 60.

Higher levels of unemployment have led to the development of pre-pensions whereby older workers can retire early and receive periodic payments until they are eligible to receive old age pensions.

2.5.1 Pension Scheme Classification Criteria

There are two broadly types of social protection for the elderly. The first comprises benefits that are available to everyone, either universally or subject to a a means test. Such benefits are financed from general state revenue and constitute a form of social assistance (a social floor). The second type is an entitlement restricted to people who together with their employers or independently contributed to a pension fund during their working life. Such protection is in the nature of social insurance (ILO, 2000/2).

Aside from this basic distinction, pension schemes also differ depending on how they are organized, their conditions of entitlement to benefits and their outcomes.

How pensions schemes are organized basically depends on four sets of alternative policy options, namely, PAYG vs fully funded schemes, defined contributions vs. defined benefits, public vs. private administration, and mandatory vs. voluntary participation. Current or planned reforms typically consist in shifting from one of those options to another.

i) Pay-as-you-go vs Funded Schemes

In PAYG schemes, the retirement pensions paid out over a given period are financed from the contributions paid over that same period by those in employment (employees and employers). In funded pension schemes, the contributions are paid into a fund from which capital and interest accrued are then used to pay out pensions. Where funding is individual, the contributions of each participant are paid into a personal account from which the capital plus interest accrued is paid out in the form of a lump sum or an annuity upon the participant's retirement. There are also collectively-funded schemes, in which pensions are financed from the capital and interest accrued to all the participants in the scheme. In this case, the amount of individual pensions depends on criteria such as seniority, length of contributory service and age at retirement.

ii) Defined-benefit vs. Defined-Contribution Schemes

Under some pension schemes, benefits are determined in advance, e.g. as a percentage of a person's earnings over a number of reference years for example, the last 10 or 20 years of work or as a percentage of lifetime earnings. In order to ensure that the scheme can afford to pay its defined benefits when the time comes, rates of contribution may need to be adjusted periodically in the light of demographic, actuarial or economic considerations. Conversely, other schemes predetermine the rate-or rates-of contribution, in which case the amount of benefits payable upon retirement depends on the specified rates(s), the number of years of contributory service and returns on investment.

iii) Public vs. Private Administration

Social assistance schemes are financed by the state and normally also administered by the State. But the administration of insurance schemes may be either public or private.

iv) Voluntary vs. Compulsory Schemes

Participation in insurance as opposed to assistance-schemes may be compulsory by law or left to the discretion of those eligible. Experience suggests that effective social protection presupposes compulsory participation, since people with the lowest incomes may not be inclined to join a pension scheme voluntarily and those with the highest may not see the need, thereby depriving the schemes of its contributions. As a result, basic schemes are typically mandatory. Where available, supplementary schemes-the other "pillars" mentioned above-may be voluntary or compulsory, depending on national practice.

Pension schemes have three main objectives:

- Protection against poverty in old age;
- Provision of a retirement income, usually expressed in terms of an appropriate replacement rate for the earnings lost at the point of retirement;
- Protection of this income against the subsequent erosion of real living standards as the result of inflation.

A major issue concerning pension funds is their structure, and specifically, the means by which they are financed. Although there are many variants, the choices center around three main options.

- The role of the State, versus the role of private or occupational schemes;
- Whether the schemes are to be fully or partially funded, or financed by the state on a PAYG basis;
- Whether benefits are to be determined on a defined-benefit basis or in terms of defined contributions.

The public pension schemes of most developed countries are based on the PAYG system: benefits are partly universal flat-rate (as a protection against low incomes in old age), and partly related to earnings near the point of retirement (i.e. defined benefit). Such schemes are obligatory and government guaranteed; in effect, they are government programmes just like any other. Both contributors and beneficiaries trust the government to take whatever action is necessary (i.e. raise taxes or contributions) to ensure that benefits are paid as they should be, including any increases needed to keep pace with inflation. The advantage of PAYG schemes is that contribution rates, particularly during the years before the schemes have acquired a measure of maturity, are lower than they would be in, say, a fully funded scheme, since it is not necessary to build up a capital reserve (ILO, 1993).

2.5.2. Pension Benefits

Most countries now have some form of social security programme for old-age protection which covers, if not all the population, at least sectors of it. There are a variety of scheme, spread over the various social security programme structures, and these includes flat-rate pensions employment related pensions, means-tested non-contributory pensions, and sums payable at specific ages under provident funds. Occupational (employer-based) pensions and private (personal) insurance pension plans are also being linked to some state systems (ILO, 1998).

The types of pension schemes can be explained as follows:

a) **Occupational pension schemes** are pension arrangements setup by employers to provide income in retirement for their employees. Although the employer is responsible for sponsoring the scheme, it is actually run by a board of trustees-with the exception of most public sector schemes. It is this board of trustees that is responsible for ensuring payment of benefits. There are two types of occupational pension scheme: Final salary and money purchase.

   Final salary schemes are defined benefit or salary related schemes. The amount of pension payable from such a scheme is dependent upon the pensionable service; final pensionable salary (earnings prior to retirement); and the scheme's accrual rate:- The accrual rate is the proportion of salary that is received for each year of service. So, if the scheme has an accrual rate of 60, the member will receive $1/60^{th}$ of his final pensionable salary for each year of service completed.

   For example: $\dfrac{\text{pensionable service x pensionable salary}}{60}$

   Money purchase schemes are referred to defined contribution schemes. The amount of pension payable from this scheme is dependent upon: the amount of money paid into the schemes by the member and the 'annuity rate' at the date of retirement. An annuity rate is the factor used to convert the 'pot of money' into a pension (www.opas. org).

b) **Personal pension plan** is an investment policy designed to offer a lump sum and income in retirement. Personal pension plans are money purchase arrangements. The amount of pension payable when the member retires is dependent upon:

   - the amount of money paid into the scheme;
   - how well the investment funds perform; and
   - the annuity rate' at the date of retirement. An annuity rate is the factor used to convert the pot of money' into a pension.

The member has a number of choices to make when purchasing an annuity:

- to buy a pension based on their life only which ceases when they die(known as a single life annuity) or a pension that also provides an income in surviving spouse or dependant on death;
- to buy a non-increasing pension or a pension that increases each year so its real value does not decrease;
- to buy a guarantee so, if death happens within a certain number of years, the balance of the unpaid installments are paid to a dependent.

These options come at a cost. As the member chooses more options, the lower his annuity will be.

It is also possible to have Group Personal Pension Plans (GPPPs). By GPPPs, we mean a collection of individual personal pension schemes put together by a pension provider and offered to employees by an employer as a pension arrangement although the employer or the company makes the choice of the GPPP (http: /www.opas.org.uk/types of Pension Scheme).

c) The State Pension

State Pension provision is effectively in two parts; the basic state pension and the state earnings related pension scheme (SERPS).

i) The Basic State Pension.

Qualification for the basic state pension depends upon one's National Insurance contribution record. To qualify for the full basic state pensions one should have qualifying years of contributions or credits for approximately 90% of his working life. A qualifying year is a year with a National Insurance contribution record for each week of that year.

The basic state pension is currently payable from age 65 for men and from age 60 for women.

ii) The State Earnings Related Pension

This is a state pension additional to the basic state pension and the benefit from it will depend upon your earnings whilst you have been a contributor. The earnings that qualify to count towards this benefit are your earnings between what is known as the lower earnings limit and upper earnings limit. The qualifying earnings are called your middle tier earnings.

To conclude this chapter, Social Security is considered as one of the responsibilities of governments rather than individuals. Social Security Programs have gained international recognition. To follow this up, an International Social Security Association is established. As mentioned earlier, there are nine (9) types of Social Security benefits. As pension is the existing Social Security benefit for the public servants in Ethiopia, the literature tends to emphasize that of pension.

CHAPTER THREE

PRACTICES OF SOCIAL SECURITY IN SOME OTHER COUNTRIES

This chapter is devoted to examine the development of welfare policies for old age income security in other countries in general and in two East Asian Newly Industrialized countries (NICs, hereafter), Korea and Taiwan in particular. It aims to broaden our understanding of the welfare policy making processes and to see the new experience provided by these non-western countries, specially focusing on the developmental trajectories of two old age welfare programs... in both Korea and Taiwan.

These two countries are independent states formed after World War II, experienced rapidly growing export-oriented economy and political transition from authoritarianism. Along with political economic development, several attempts had been made by the state to implement welfare schemes for the old, the sick, and the injured.

I choose these two countries as good examples. Because the struggle of East Asian countries for their freedom was full of ups and downs as it was the same to Ethiopians. Their devotion to work and courage to build up their nations to co-op up with the advanced capitalist countries could be an inspiration for us. Since these two developmental states have an age of only half a century and recorded a remarkable development, I feel their experiences could be more suitable for us than that of the advanced capitalist countries. The collectivism style of life they have, and history has a sort of resemblance with ours. As we assume their path to economic development is appreciable and good example for us, their social security policies could be helpful in our endeavor to improve the pension policy especially in widening the population coverage of the scheme. Thus, I prefer to see the practices in Korea and Taiwan regarding social security development briefly and relate to the Ethiopian situation.

To recognize the differences in the social welfare policies between the western capitalist countries and these developmental states, we will see the practices of the advanced capitalist countries once again as a general overview and proceed to the Taiwanese and Korean experiences.

3.1. General Overview

The welfare benefits for the elderly in advanced capitalist countries come from either earnings- related programs or flat-rate universal social security schemes (or the combination of the two types).

Although the state began to provide public welfare programs, whether they were universal flat-rate plans or contributory social insurance schemes, the benefit levels were usually low and many citizens were left out. This increased company based complementary welfare schemes. For example, the public social benefit systems in the United States, especially minimal assistance programs, led to the expansion of private social insurance and occupational benefits (Skocpol, 1985 a). Germany also introduced a second layer of wage-related pensions to supplement the national minimum, by National Insurance Act of 1959(Rim linger, 1971: OECD, 1992). Moreover, since the 1980s when the size and the expenditure level of the public sector have been under attack in the advanced countries, almost every government began to revitalize the role of corporate-sponsored employee benefit systems which are supplemented by local based voluntary efforts at charity and emergency relief (OECD,1992).

Esping-Andersen(1990) identified three types of welfare regimes. First, the liberal type: The welfare provision type in the U.S and Canada is dominated by the logic of the market. As state intervention is clearly subordinate to the market, it has a relatively strong emphasis on earning-related welfare programs. Second, the conservative corporatist type: In Germany, Italy and Austria social welfare policies emphasize both the legitimacy of social rights and the upholding of existing social class/status differentials.

Public policies in such nations are typically supplemented by the role of the church and occupational associations. The third, the social democratic type, is represented in Scandinavian countries where welfare provision is universal and solidaristic. Unlike other types, the state is not seen as the last resort, but as a principal means of decommodifying labor power and equalizing the social rights of all citizens.

The advanced capitalist countries exhibit their own regime characteristics, based on the conditions of eligibility, the equality of benefits and services, and the extent to which employment and working life are encompassed by the state's extension of citizenship rights. In a welfare regime where universalistic welfare measures are directed equally towards large sections of the population, the role of the state is much more important than that of labor market. In other cases, where the selective welfare policies directed toward only some population with specific needs are dominate, we can see a larger role of the market. In welfare provision directed toward only some population with specific needs are dominant, we can see a larger role of the market in welfare provision.

The welfare state in the advanced capitalist countries enabled the individuals, especially wage earners, to maintain a certain level of livelihood without reliance on the labor market (Esping- Anderson, 1990). As the rise and expansion of capitalism forced most individuals to depend on wage, the living standards of individuals are determined by the skills and other attributes they bring to the labor market (Myles, 1984). Under such context the welfare states have reduced the impacts of the market on the well-being of individuals, by providing several welfare benefits. With regard to those who retired from economic activity, welfare state enabled them to secure a certain level of life without returning to the labor market. Thus, the quality of each country's welfare programs can be understood by the decommodifying potential of the programs. Conceptually, the "decommodification" denotes the situations that the livelihood of individual is independent on the sale of their own labor power in the market(Korpi and Esping-Anderson, 1984).

3.2 Welfare Programs in Korea and Taiwan

These two new industrialized countries are at similar development. They have retirement benefit programs, which have often been called ‘Private Occupational Welfare’. The traditional literature of the welfare state had lacked an examination of the role of such occupational welfare provision, by focusing on the general public social benefits designed by the state i.e., National Insurance and Social Security Program. Though there were a few pioneering perspectives to emphasize the role of private occupational welfare, it has not been followed by much traditional research.

This does not mean that ‘occupational welfare’ is more important than the social insurance programs. Rather, as recent studies of the welfare state in the advanced capitalist countries illustrate, it implies that the logic of welfare provision in a society can become clear when we examine not only welfare programs but also how the state interacts with the market (Rein and Rainwater,1986); especially in cases of Korea and Taiwan, where the governments directly intervene in the non-contributory retirement benefits programs by mandating the operation and benefits-level of the programs by the Labor Standard Law.

Well- managed and frequently-used retirement benefit programs could make more of a contribution to poverty relief of retired workers and consequently reduce the possibility of retired wage earners’ returning to the labor market in their old age, than could poorly-managed programs. For example, if the total benefits received in old age from the private benefit programs are not enough to sustain the basic living standard of pre-retirement, many elderly can not help returning to the labor market even after retirement. Thus, the degree to which even the private benefits replace the pre-retirement income determines the possibility of preventing the poverty of the elderly to some extent. As Bodie and Mitchell (1996) argue, the private welfare programs for the elderly, like retirement benefits programs, are “an important cushion of safety for retirement income” to relieve the poverty of the elderly by providing supplement income to retired workers. This is one of the reasons why many welfare states in Europe and North America have implemented private welfare schemes, where welfare benefits for old age are determined according to work history or previous income, as a complement to public old age welfare programs. Following this, I examine the current quality of retirement benefits programs in Taiwan and Korea, in terms of actual coverage, benefits levels, and some important rules regarding eligibility.

3. 2. 1. Characteristics of the Scheme

The governments in Korea and Taiwan prefer extending selective measures for old age welfare benefits to the universal programs. Since their first implementation, the welfare programs for the elderly in both Korea and Taiwan have been designed to clearly link entitlement and benefit amounts to the market conditions of an individual, rather than to the citizenship rights. The social insurance programs mandatorily cover only employed persons for the elderly in the two countries. Though the coverage of these programs has been expanded, the Labor Insurance Program of Taiwan restricts its coverage to:

1) those employed by industrial firms, mines, non- profit organization, and plantations with more than 5 employees;
2) Wage-earning public employees who are not eligible to public employees' insurance.

Therefore, several categories of persons, such as the unemployed and unpaid domestic labor, have not benefited from the social insurance program in Taiwan. This is also true in Korea, where the pension program compulsorily covers only the wage earners in firms with 5 and more workers. Even though those employed persons.. including farmers and fishermen..could be covered voluntarily, it rarely occurs (Lee, 1997).

The absence of the principle of unversalism in both countries is clear if we examine the financing structure of these programs. In Taiwan, the employer pays 80 percent of the employee's premium, and the employee pays 20 percent. The only financial contributions from the government are for workers who do not have a definite employer. In this case, the government pays 40 percent of the premium, whereas the insured pays 60 percent in Taiwan. In Korea, the funds for the National Pension Program depend primarily on contributions from employees and employers. While each employer and employee contributes 1.5 percent of the insured wage, the only financial contribution from the government is for administration costs.

As a result, the social insurance programs for the elderly in Korea and Taiwan are quite different from universal program in advanced welfare states, in which virtually the entire population can be covered. As long as rights of entitlement of old age welfare programs are conditional on a blend of labor market attachment and financial contributions, it is clear that the decommodification potential of welfare benefits in Korea and Taiwan is much lower than that in a country, where "access to welfare benefits is easy and rights to an adequate standard of living are guaranteed regardless of previous employment record, performance, or financial contributions"(Esping-Andersen, 1990).

Both countries managed separate social insurance schemes for the public and the private sector. In both countries, public employees are covered by the following separate insurance programs: the Civil Servants' Pension Scheme (1960), the Military Service Pension Scheme (1963), and Private School Teachers Pension Scheme (1973) in Korea (Park , 1975); the Military Servicemen's Insurance (1950), the Government Employee's Insurance (1985) in Taiwan (Chan, 1987).

The Taiwanese Labor Insurance is a social insurance program that provides not only old age welfare benefits, but also maternity, medical care, and disability benefits, while the Korean national pension program is a typical pension programs that provides welfare benefits for old age income security. As there is no typical pension programs, the Taiwanese depend upon the Labor Insurance for their old age welfare needs. (Lee, 1997).
In terms of " coverage" of the social insurance programs, the only difference between Korea and Taiwan is whether the social insurance programs for the elderly mandatory

cover the self-employed and the worker who is employed by a company with fewer than 5 employees. In Taiwan, these categories of workers have been covered by the Labor Insurance since 1979. Yet, in Korea the National Pension Program does not compulsorily cover them. Though the coverage in Korea was extended in 1992 from work places having 10 or more employees to those with 5-9 workers, the program does not provide the mandatory coverage of self employed persons of workers in companies fewer than 5 employees. In Korea, the number of actual old age beneficiaries represents 9 percent out of the whole population at age 55 or more (Lee, 1997).

What makes the characteristics of welfare Policies development in Taiwan and Korea interesting is that the governments in both countries not only began the social insurance programs, but they also legally required many firms to spend considerable sums for welfare benefits programs to supplement the existing social insurance programs. For example, in the area of welfare policy for old age income security, the states in both countries began several legal measures to protect retirement benefit programs,by amending the Labor Standard Law in the 1980s. In Korea, the government began retirement benefit programs in 1961 and created several important legal measures to protect wage earners' retirement benefit rights in 1989. In Taiwan, the government began the voluntary retirement programs in 1951, and changed the programs into a mandatory one in 1984. After the legal changes, the company should provide lump-sum retirement benefits, according to the earnings and years of employment. The welfare provision for old age income security in these two East Asian NICs after the 1980s is composed of a mixture of nation-wide, though basic, social insurance and company-based retirement benefit programs (Lee, 1997).

Considering the fact that most advanced capitalist countries do not mandatorily require these welfare programs for retired workers but rather encourage the schemes through tax policies (Bodie and Mitchell, 1996), it is very remarkable that both Taiwan and Korea expanded the Mandatory retirement benefit programs in the 1980s. (See annexes)

3.2.2. Flexibility Of Old Age Entitlement Conditions

With respect to the dimensions for the actual access to old age benefits, two important criteria for comparison are used:

1. Whether or not the program allows flexibility in the age at which one qualifies for old age benefits;
2. Whether or not the program allows flexibility in the retirement conditions by which one qualifies for the benefits.

In terms of the first criteria, both countries have some degree of flexibility in the age at which one qualifies for the benefits. Both the Taiwanese Labor Insurance and the Korean National Pension Program allow "early retirement age for men and women, though reduced amount, if necessitated by poor health or unemployment", using Myles' terms (1984:75). In the Taiwanese case, the minimum retirement age is 60 years for men and 55 for women. As long as the insured at the Labor Insurance contributes 15 years or more, she/he could receive a full lump-sum payment at age 60 for men and 55 for women .In other cases , where she/he contributes for 10 years or more and is forced to retire, the insured also receives benefits reduced by 4 percent a year, at age 55-59 for men and 50-54 for women (Lee, 1997). The Korean program has a higher degree of flexibility, providing at least basic allowances to those who retire before the retirement age. The insured are entitled to an old age pension upon reaching the age of 60 for employees or 55 for miners and fishermen, if a person has contributed for a minimum of 15 years. In cases where the insured is younger than the qualifying age of 60, she/he can get " Early-age Pension", though whose benefit levels are less than the basic old age pension amount (National Pension Corporation,1996). The legal provisions on the "Special Old Age Pension" also produce higher degree of flexibility in Korea than in Taiwan. Those who began to contribute at the age of 45-60 and have paid at least 5 years of contribution in Korea shall receive "the special Old Age Pension" (See annexes). This contrasts the fact that wage earners should contribute continuously for 10 years or more to receive such reduced welfare benefits in Taiwan .

Income Replacement Rate

The total benefits of old age welfare are paid in a form of lump-sum from the Taiwanese Labor Insurance while they are monthly payments in the Korean pension programs. In the Taiwanese scheme, the total lump-sum benefits available at retirement are based on the length of insurance's participation and final earnings. The total payment of lump-sum old age benefits is equal to one month's average wage per year of contribution for the first 15 years, and additional 2 month's wage a year of contribution for years beyond 15 years. The National Pension Program in Korea requires the insured to contribute for 20 years to be entitled to the full pension benefits.

In case of Korea, the National Pension Program has a "double" layer approach, which considers both an average monthly income of all insured and the average income of the insured. The basic pension amount comes from the following formula.

Basic Pension Amount=2.4(A+0.75B)x(1+0.05N), where

A means the average amount of the Monthly Income of all insured persons,

B is the average amount of Monthly Income during the insured term of an insured person, and N is the number of years in excess of 20 years of an individual insured term (National Pension Corporation, 1996:5)

That is, when the insured's wage (B) is same as the average of total insured's wage (A), the basic pension amount of the old age pension was designed to ensure that a person with 20 years of contribution would receive about 35 percent of pre-retirement income. If the insured have contributed for 30 years, the formula produces 52.5 percent of the pre-retirement income being replaced by the old age benefits in the national pension program.

Level of Indexing

The Korean Pension program allows the real value of old age benefits to maintain a certain level according to inflation, but the lack of an indexing scheme in the Labor Insurance produces the monetary depreciation of old age benefits in Taiwan.

In the Korean National Pension Program, the price indexing system is adopted for the amount of pension benefits. The average monthly payment of pension should be adjusted " when the national consumer price of previous year increases, or when the Ministry of Health and Social Affairs decides to change payment according to the wage increase" (National Pension Corporation, 1996).

In case of Taiwanese Labor Insurance, there is no provision for such an adjustment for inflation protection. As the elderly benefits of Labor Insurance are provided as lump-sum payment without any formal inflation protection, this measure forces the insured persons to face uncertainty and vulnerability of the value of total benefits in the future. Though the consumer price index (CPI) change rates were very stable in Taiwan, this does not guarantee that the old age benefits by the Labor Insurance would not be eroded by inflation. Thus, when the consumer price change rates in both countries are not stable , the real value of old age benefits would be lower in Taiwan than in Korea(Lee, 1997).

In sum, both countries are not committed to the principle of universalism, but several different features of similar types of social insurance programs affect the actual quality of old age welfare programs. Taiwanese Labor Insurance is not a typical pension programs such as has been adopted by modern welfare states. Thus, even though Labor Insurance provides old age welfare benefits, it adopts strict rules for the entitlement conditions. This is why the Korean pension program led the better protection of old age benefits than the Taiwanese Labor Insurance.

3.2.3 Retirement Benefit Programs

Private old age welfare programs vary significantly in form and content, but they can be divided into two types of programs. The first one is "the Defined Benefit plan" which provides a defined benefit formula for calculating total benefits. For example, the employer pays a retired worker an annuity from retirement to death, the amount of which is equal to the employee's final earnings multiplied by years of services.

The second one is " the Defined Contribution Plan" in which the contributions are made to individual account for each employee. The participating employees in this second plan frequently have some choice of the level of contributions and the way the account is invested; investment in bonds, stocks, or money market funds (Lee, 1997).

The private old age benefits include several programs, but it differ from the public pension program in the sense that the management and finances of "Private" programs are completely controlled by non-governmental institutions, such as private companies and trade unions.

From a perspective of decommodifying potential, it's clear that the private old age welfare programs do not contribute to the de-commodification effects as much as universal programs do, for retirement programs are strictly based on labor market experiences of employees rather than on citizenship rights. As Rein and Rainwater (1986) describe, the main targets of these programs are not decommodifying labor, but complementing the government controlled pension or welfare programs without increasing government revenue. As the insured needs more health service when she/he gets older, the need to be covered by health insurance is indispensable (Chin, 1989). Thus, the requirement of "retirement" produces a dilemma for the elderly to choose either old age benefits or health benefits. This is why such a small number of insured receive old age benefits from the Labor Insurance in Taiwan.

In case of the Korean Pension, the criteria of "retirement" is not always necessary for the elderly to receive pensions, even though the amount of pension benefits may be reduced if the insured want to receive the benefit before retirement.

Most persons insured by the pension program could receive old age benefits irrespective of retirement status, if they want. For example, "Active Old-age Pension" is paid to those with a job in case where the insured term has been 20 years or more at the age of 60 to 64 (Ministry of Health and Social Affairs, 1994b; National Pension Corporation, 1996).

Moreover, the elderly do not need to consider whether his/her retirement affects health insurance benefits. Separate from the National Pension Program, the Korean government began mandatory health insurance programs in 1977 for workers in large companies. This coverage was expanded to all populations in 1989 (Ministry of Health and Social Affairs, 1994 b). Thus, whether the elderly retires or not, the insured of National Pension Program can benefit from health insurance and the pension program at the same time.

As in other welfare states, the non-contributory retirement system in Korea and Taiwan is a kind of a defined benefit plan which specifies formula for the cash benefits to be paid after retirement. But several attributes of the private old age welfare benefit programs in Korea and Taiwan are different from those of the advanced countries. One of the major difference is the fact that the private old age welfare programs are legally mandated by the government in the two East Asian countries. That is, the governments in both countries mandated that the company should provide lump-sum retirement benefits, according to the earnings and years of employment (Lee, 1997). With the exception of France and Switzerland, the governments in advanced capitalist countries do not mandatorily require private pension systems. Even in Japan, which has adopted a lump-sum retirement payment system, the payment of lump-sum benefits by employers to their employees is not required by law i.e. in its Employee's Pension Insurance Act of 1944 (Rose and Sheraton, 1986).

Yet, employers are required by the Labor Standard Law to provide lump-sum payments to retired workers in Korea and Taiwan. Another difference between the two East Asian NICs and advanced capitalist countries is that all finances for retirement benefit programs come from the employer's contribution in both Korea and Taiwan. With respect to financial input into the private system, most advanced countries require the employee as well as the company, to contribute to the private pension fund, though the funding comes mainly from the employer and allows tax exempt status of private pension contributors. In many cases, employers reserve a certain amount of money each month in a special account for worker's retirement benefit in the name of the sponsoring enterprise, and this money is not to be transferred, seized, offset or used as a warranty (San, 1988).

Both the Taiwanese and Korea retirement benefit are similar in terms of legal provision for its coverage and benefit levels.

As mentioned earlier, they expand the coverage of retirement benefits scheme to workers in a company with 5 or more employees by legislation. In Taiwan, the government provided legal protection of the benefits scheme to employees in several industries:

1. Agriculture, forestry, fishery, and pastorage
2. Mining and quarrying
3. Manufacturing
4. Construction
5. Water, electricity, and gas supply
6. Warehousing, telecommunication and transportation
7. Mass media organizations.

As in Taiwan, the government in Korea extended the coverage of its program in 1989. The 1989 amendment of the labor Standard Law extended its mandatory coverage to almost all businesses or workplaces in which five or more workers are employed.

Secondly, the total amount of the lump-sum retirement payment in Korea and Taiwan is based on the years of continuous employment and average wages prior to retirement. In Taiwan, the total amount of the retirement payment comes from the formula of 'a payment of two units for each year of service, and additional one unit per year after the completion of the fifteenth year' (Chiao, 1987). For example, those employed for fifteen years are granted a retirement payment of thirty basic units (as in case of the old age benefits by the Labor Insurance, one unit is equivalent to one month's average wage of wage earners). As in Taiwan, the calculation of retirement allowances in Korea was based on monthly wages for each succeeding year of employment service: "Employer should establish a retirement allowance equivalent to not less than 30 days average wages per each year of consecutive years of employment shall be paid as a retirement payment to a retired worker" (Article 28 of the Labor Standard Law, cited from the Ministry of Labor, 1992). According to the 1991 national survey done by the Korean Labor Institute, employers used, on average 23.3. months (about three and half months more than basic 20 months) if employees retire after 20 years of employment, and 34.4 months (about four and half months more than basic 30 months) if employees retire after 30 years of employment. Specifically, 37.2 percent of a total 725 companies applied the additional rates to the actual calculation of total benefits: In this case, employees with 30 years of employment have received, on average 41.8 months' income as their own retirement benefits (Park, 1992).

The Korean pension program allows the real value of old age benefits to maintain a certain level according to inflation, but the lack of an indexing scheme in the Labor Insurance produces the monetary depreciation of old age benefits in Taiwan.

In the Korean National Pension Program, the price indexing system is adopted for the amount of pension benefits. The average monthly payment of pension should be adjusted "when the national consumer price of previous year increases, or when the Ministry of Health and Social Affairs decides to change payment according to the wage increase''(National pension corporation, 1996).

In case of Taiwanese Labor Insurance, there is no provision for such an adjustment for inflation protection. As the elderly benefits of Labor Insurance are provided as lump-sum payments without any formal inflation protection, this measure forces the insured persons to face uncertainty and vulnerability of the value of total benefits in the future. Though the consumer price index (CPI) change rates were very stable in Taiwan this does not guarantee that the old age benefits by the Labor Insurance would not be eroded by inflation. Thus, when the consumer price change rates in both countries are not stable, the real value of old age benefits would be lower in Taiwan than in Korea (Lee, 1997).

In sum, both countries are not committed to the principle of universalism, but several different features of similar types of social insurance programs affect the actual quality of old age welfare programs. Taiwanese Labor Insurance is not a typical pension programs, such as has been adopted by modern welfare states. Thus, even though Labor Insurance provides old age welfare benefits, it adopts strict rules for the entitlement conditions. This is why the Korean pension program led the better protection of old age benefits than the Taiwanese Labor Insurance.

To conclude this chapter (three), we have discussed on Taiwanese and Korean Welfare programs in relation to its flexibility of old age entitlement, income replacement rate, level of indexing and retirement benefits in these countries. The next chapter (four) will discuss the development of Social Security in Ethiopia.

CHAPTER FOUR

DEVELOPMENT OF SOCIAL SECURITY IN ETHIOPIA

4.1. Background

It was a traditional and religious duty to Ethiopians to look after the aged, the sick and the disabled relatives. The blood relationship in Ethiopia was very strong that it was also a cultural obligation to look after the children of poor relatives and orphans. The burden was not considered at all as the duty of the government. However, benefits consisting of a piece of land were being given to public servants as a reward for life service and gallant actions in the battle field.

Furthermore, various social associations through which people joined together in benevolent societies, with a purpose of providing members and their dependents with material assistance in the event of economic misfortunes have had a long history in Ethiopia. These societies continued to function even after the advent of industrialization and the development of urban centers (ILO, 1968). However, "although there is no denying of advantages of these associations towards tackling the problem of social in that the protection they afford their members covers only a small number of contingencies" and also the benefit awarded is of a lump-sum nature and lacks continuity (Mouton,1975).

During the reign of Menelik II, if a military servant gets old he had the right to demand the authorities to replace his son in his place. This was done so that the son would be able to take care of his old father. Pension benefits as such, started to become a national responsibility in a limited area during the reign of Emperor Haile Selassie (Yetureta Tarik Kidme Dihre Abiyot Ethiopia,/ ¡¸ðUo oWŠ g¬M „k§p †| ¬KU „k§p „ôp§Æ¤/ 1979 E. C.). In December 1933, a bill containing the pensioning of old and incapable soldiers was introduced into parliament and which contained 16 articles marked the first legally established pension system in Ethiopia. The retirement age was fixed to seventy (70) years (Zekre Neger,/ šŠU {´Z / 1942).

As per "yetureta Tarik Kidme Abiyot/ Dihre Abiyot Ethiopia / ¡¸ðUo oWŠ g¬M „k§p †| ¬KU „k§p „ôp§Æ¤/(1979 E.C.), the payment benefit was to be made both in kind and cash according to the circumstances. Those soldiers who were to be given land as payment for their services were allowed to keep one-third of it at retirement. In situations where the pensioner had a son capable of replacing him as a soldier, the land would be transferred to the son and he would be responsible for looking after his old father. In situations where the military person's service period had started from the battle of Embabo, Harar and Adowa, he was entitled to the use of all that he was possessing before retirement and in some cases the military servant was dispossessed of his former land and was given of another in the province of Arussi and certain amount of cash for the development of the new land. Where the salary was made in cash, the salary was transferred to the son if the former had one. The son was made responsible to look after his father. If the son was found fit enough, he was also given the rank of his father. In case where the pensioner had no son, he was given certain amount of benefits. Where the pensioner had a minor son, the son was given benefits till he reached majority (15 years old or above). The benefit was proportional to the service and rank of the father.

- Benefits for those whose father's service started before the Battle of Segele as in the following:

Son of Captain	Eth. Birr 20 Yearly
" " Lieutenant	" " 15 "
" " Sergeant	" " 14 "
" " Private	" " 12 "

- Benefits for those whose father's service started after the Battle of Segele as in the following:

Son of Captain	Eth. Birr 16 Yearly
" " Lieutenant	" " 12 "
" " Sergeant	" " 10 "
" " Private	" " 8 "

It would be interesting to note here that the benefit was paid only to the elder son and that a condition was attached to it. The condition was that the son had to go to school. In addition to this, the survivors were entitled to three months pay of the deceased for the preparation of his “Tezkar”*/mš‰Z/.

4.2. Modern (Recent) Practices

As stated in Yetureta Tarik Kidme/ Dihre Abiyot Ethiopia / ¡¸ðUo oWŠ g¬M „k§p †| ¬KU „k§p „ôp§Æ¤/ 1979 E.C.), another proclamation was passed in 1933 allowing benefits to be paid for the daughter of a military servant till she reached majority (15 years old).

Gradually the civil service was organized and grew up and it was found necessary to provide the civil servants with pension. Consequently, in 1958, the Ministry of Pension was established by Imperial Order (IEG, Negarit Gazeta, Order No. 20 of 1958). The duties and responsibilities were specified (see annex 1).

The following legal instruments govern public servants in Ethiopia.

4.2.1. The Public Servants’ Pensions Decree No. 46 of 1961

The decree lays down the foundation of the pension scheme. It is the first elaborated law in the Ethiopian pension history although semi-legalized pension practices existed long before its coming into effect. It set forth the legal, Administrative, and financial basis of the scheme although the details of some of these appeared in subsequent laws. It also provides for a procedure of appeal against benefit determination by the authority and for the establishment of Pensions Appeal Tribunal as well.

* Tezkar – Payment to be made to the church in cash or in kind for the priests to pray for the deceased.

Before the Decree, there were some pension practices. The Decree repeals such previous systems whether written or customary and replaces them by provisions based on modern principles. Previously, as was mentioned before, land and sometimes money benefits were available. Under the Decree, only money benefits are payable. The Decree also repeals any legal situation created, right acquired or consequences arising out of previous laws which are not expressly provided by the Decree (IEG, Negarit Gazeta, Decree No. 46 of 1961, Art. 2)

This provision concerns public servants who have retired before the entry into force of the Decree and who were entitled to benefits under previous schemes. Public servants who had retired before the date get nothing under the Decree.

They would continue to get benefits under the previous system if they were entitled to some. Those who retire after the date of the Decree are entitled to benefits provided for by the Decree regardless of the length of time for which contributions have been paid by or in respect of him. The Decree entered into force three months after its publication in the 'Negarit Gazeta' i.e. as of December 1, 1961(Annex 2).

4.2.2. The Public Servants Pensions Proclamation No. 209/1963

The proclamation amends and renumbers the Decree. When the later was adopted and promulgated on August 31, 1961, parliament was not in session. Parliament, having deliberated on it, with some amendments, the approval was proclaimed as the Public Servants Pensions Proclamation (IEG, Negarit Gazeta, proclamation No. 209/1963).

It is important to note here that effective date of this proclamation relates back to the date to the Decree enters into force. Thus, the effective date of the scheme counts from December 1, 1961, when the Decree enters into force (Annex 4).

4.2.3. The Public Servants Pensions Contribution Proclamation No. 199/1963

As stated by the Decree (later approved by the Negarit Gazeta, proclamation No. 209/1963), the contributions are to be paid by the employer and the public servant. These contributions form the funds authorized by the Decree, and from which benefits are paid out.

As per article 3 of this proclamation (IEG, Negarit Gazeta, proclamation No. 199 of 1963), the total amount of the contribution payable to the public service civilian pension fund is ten percent (10%) of the basic salaries of all public servants. The proportionate amount of contributions payable is six percent(6%) by the employer and four percent and four percent (4%) by the public servant. The proportionate amount of contributions payable to the military public servant fund was sixteen (16 percent from the employer and four (4) percent from the employee (from the Rank of Second Lieutenant upward). On the date of the promulgation of the Decree, the actuarial study was not complete. the Decree in article 42 provides that the amount of contribution payable to the funds by the public servants and employer will be determined by a subsequent law. Following the completion of the said actuarial study and pursuant to article 42 of the decree, the Public Servants Pension Contribution Proclamation was enacted ((Annex 3).

4.2.4 The Public Servants Pension (Amendment) Proclamation No. 5/1974

This is an amendment proclamation to the proclamation No. 209 of 1963.

Among other things, the following can be cited from the amendment:

i) The retirement age both for men and women be fifty-five

(55) Years instead of sixty (60) for men and fifty-five

(55) for women under the previous proclamation.

ii) It is now possible to retire a public servant due to inefficiency. Under the previous law, an employee who is terminated due to inefficiency, even if he had many years of service to his credit, could only be entitled to a refund of his own contribution without interest. Under the amendment proclamation No. 5 of 1974, an employee who is terminated from public services due to inefficiency could automatically be entitled to a proportional pension if he has at least ten (10) years of service. But if his service is less than ten (10) years, he will get a refund of his own contribution without interest.

The new situation has, therefore, enabled the public servant who is terminated due to inefficiency to collect pension proportionate to his years of service and this simultaneously created an employment opportunity for a competent job seeker.

iii) An employee who attains fifty (50) years of age and who resigns after twenty-five (25) years of service is automatically entitled to pension proportionate to his years of services.

iv) An employee who separates from public service for other causes after completing twenty (20) years of service will be entitled to a pension right which is collectible on attaining pensionable age or any time after his separation from service if he has become incapable to do any work due to ill-health. This is to be certified by a medical board. If he dies, his survivors could be entitled to survivors' pension as the following month of the death of the bread-winner. However, if the reason of his separation from service was a criminal offense resulting in a minimum of three (3) years of rigorous imprisonment by court, he shall forfeit his pension rights. This is also true for a pensioner (Annex 5)

4.2.5. Public Servants Pension Contribution (Amendment) Proclamation No. 6/1974.

This has only very little change from that of proclamation No. 199 of 1963. To mention one, in the previous proclamation, members of the Armed Forces who were non-commissioned officers and other ranks were not obliged to pay contributions whereas in the amendment proclamation they are obliged to pay contributions (Annex 6)

4.2.6. Employees of Government-Owned Undertakings pension Proclamation No. 49/1975.

The proclamation entitles pension rights for those: persons who, on the date of transfer of the undertaking, is a permanent employee of an agricultural, commercial, industrial, transport, banking or insurance undertaking whose ownership or majority share holding has been transferred to the Government or a person employed thereafter in any of these undertakings; a person who is a permanent employee of a Government-owned share company; or a permanent employee of the Franco-Ethiopian Railway Company. As per this proclamation, payment of contributions by both the employee shall commence effective 8th February, 1975 whereas all periods of service rendered by an employee before the effective date of the Proclamation in any undertaking and in the Public Service shall be considered a period of service. The proportionate amount of contributions payable by both parties is the same as that of Civilian Public Servants (annex 7).

4.2.7. Public Servants' Pension (Amendment) Proclamation No. 190/1999

This proclamation amended few articles of the previous Public Servants' Pension Proclamation No. 209/1963 (as amended). The meaning of a 'Public Servant' had been redefined to incorporate others than before. The main change made by this legislation was the abolition of the difference in the rights of pension between a widow and a widower. The Provision of this Proclamation provided for a widow shall equally apply to widower's pension (Annex 8).

4.3. The Scope of Coverage of the Scheme

According to the pension scheme, public servants and employees of Government-Owned undertakings are entitled with the following benefits.

4.3.1. Retirement Pensions on the Basis of Service Period

a. Retirement Pensions due to old age,

b. Retirement Pensions due to poor health,

c. Retirement Pensions due to Separation from service for other reasons.

A minimum period of ten (10) years of service is required of a retiree to be entitled to a pension benefit. The amount of benefit depends on the years of service and average basic salary for the period of the last three (3) years before the retirement date. For ten (10) years of service the base is thirty percent (30%) of the average of the gross salary of thirty six (36) months of active service and for every year of service beyond ten (10), the pension amount increases by one percent (1%) of the average salary until the maximum pension percentage of sixty (60%) (IEG) Negarit Gazeta, Article 5 of proclamation No. 209/1963), for an active service of the number of forty (40) years. If we take the minimum age of eighteen (18) as the year of entry into employment, one could not possibly serve the maximum of forty (40) years so far as the present retirement age of fifty - five (55) years remains into force. It is only if the individual is retained for at least three (3)years after the retirement year of fifty –five (55) that he could achieve to get the forty (40) years of service period . This is only possible for quite a few employees.

Regardless of ill – health and old age, a civil servant may resign after twenty (20) years of service and still be entitled to a retirement pension. In this case, however, he cannot receive his entitlement unless and until he reaches the retirement age. But there are two situations under which the pension may be paid before this event. If he died after resignation but before he reaches retirement age, his survivors will receive survivors pensions. And if after resignation from public service he is disabled due to any cause whatever, he must receive a retirement pension (PMAC, Negarit Gazeta, Article 1 of proclamation No. 5/1974). On reaching the retirement age, a public servant may be provided with pension payable to him. However, he may be retained in service beyond the retirement age for a period not exceeding ten (10) years (IEG, Negarit Gazeta , Article 27 (3) of proclamation No. 209/1963). The conditions are briefly explained on proclamation No. 40 of subsequent legislations.

If an employee retires because of inefficiency at the request of the head of the Ministry or office concerned and by the decision of the committee set up by the government; or resigns after twenty- five (25) years of service when attaining fifty (50) years of age or above; or resigns after completing twenty (20) years of service or separates from service for other causes after completing twenty (20) years of service when attaining fifty – five (55) years of age , he shall receive a retirement pension for life (PMAC, Negarit Gazeta, Article 1 of proclamation No. 5/1974). But if an employee:

a) Resigns voluntarily after completing ten (10) years of service but before completing twenty (20) years of service,
b) Separates from service for inefficiency prior to completing ten (10) years of service he shall be paid an amount equal to the total amount of contributions made by him (PMAC, Negarit Gazeta, Article 9 of proclamation No. 5/1974).

4.3.2. Benefits Due to Accidents (Incapacity Benefits)

An incapacity benefit which is payable due to accidents while on duty are awarded to a public servant regardless of the number of years of service he has. The amount of such incapacity pension is equal to forty – five percent (45%)of the basic salary for the month preceding the month during which the injury occurred (IEG, Negarit Gazeta , Articles 11and 12of proclamation No 209/1963). Minimum incapacity pension percentage (from the first day employment to twenty - five (25) years of service) entitles the individual to forty-five (45%)of the basic salary. For every year beyond the twenty - five (25) years , an addition of one percent (1%) is added to the forty-five percent(45%) and thus an employee who sustains injury after having service period beyond twenty-five (25) years will have to choose of the two pensions; that is, the pension amount on the basis of service calculated on basic average salary of the last three (3) years before the retirement date is smaller than a pension calculated on basic salary of a month in which the accident occurred. So, the pensioner would be entitled to whichever is greater than the two. The maximum amount of an incapacity pension is, like for retirement pensions, sixty percent (60%) of the average basic salary for the last three (3) years preceding retirement.

If, after the injury, the public servant can still fulfill the medical conditions for service, he may be entitled to an incapacity gratuity. And he will be entitled to it only if the incapacity suffered by him is more than ten (10) percent (IEG, Negarit Gazeta, Article 14 of proclamation No. 209/1963). The amount of incapacity gratuity is five (5) times the assessed percentage of incapacity multiplied by the annual amount of incapacity pension.

4.3.3. Gratuities

Gratuities, or lump-sum payments, are paid to an employee if his service period is less than ten(10) years and if he retires:

a) due to retirement age, or,

b) due to ill-health not caused by the work to which he is assigned.

The amount of gratuity for each year of service is equal to one month salary.

4.3.4. Survivors Pension

If the deceased is entitled to pension, his survivors, his widow, children under eighteen and dependent parents are entitled to survivors' pension. A husband was entitled to a survivor pension only if he was totally or mainly dependent on his deceased wife. But this had been amended by Public Servants (Amendment) Proclamation No. 190/1999 that a widower is entitled to survivors pension as of a widow.

The amount of the survivors pension is calculated as percentage of the regular pension which the deceased was receiving or to which he could have been entitled, if he had or would have been retired at the date of his death. If he is not entitled to a pension and has not already received a gratuity, they will only get gratuities. Put another way; the survivors of an employee of Government Owned Undertakings or any public servant who dies while in service, but after completing ten (10) years of service, or dies either before or after retirement (or even after resignation of twenty (20) years of service) will receive survivors pensions. And the survivors of a public servant who dies while in service, but before completing ten (10) years of service, except in the case of death due to an occupational injury, will get survivors gratuities. The amount of pension for survivors is:

a) Widow's or Widower's pension 50%

b) Orphans pension 10% (20% for full orphans)

c) Parents pension Up to 20% of the pension amount that the individual would have been provided with (IEG, Negarit Gazeta, Article 13 of Proclamation No. 209 of 1963). The total of all survivors pension should not exceed hundred percent (100%) of the pension of the deceased.

Orphan's pension is payable up to the majority of the child. It ceases when the child attains eighteen(18) years of age.

Parents are granted for survivors pension if they were at the time of the death of the employee, had wholly or mainly supported by him. The amount shall not exceed twenty percent (20%) for anyone parent of the pension to which the deceased was or would, if he had retired at the date of his death (IEG, Negarit Gazeta, Articles 20 and 21 of proclamation 209/1963).

Parents do not get gratuities. But the other survivors including a widower do get gratuities if the employee would have not been entitled to a pension at the date of his death (IEG, Negarit Gazeta, Articles 22 and 23 of proclamation No. 209/1963). The survivors eligible for gratuities share the benefit in the same proportion as survivors' pension.

4.4. Grounds for Terminating Pension Rights

Pensions are discontinued when:

a) a beneficiary dies,

b) a widow remarries,

c) an orphan reaches the age of eighteen (18) or dies before the age,

d) a pensioner re-enters a regular full-time government job and,

e) a pensioner or would be pensioner is sentenced for a minimum of three years of rigorous imprisonment by court (Yetureta Higoch/Memeriyawoch Afetsatsem/ ¡¸ðUo K´ùu †| MMW¤“u „ÑÊÈO/,1989 E.C.16-17).

Some of the above pension payments could be revived. For example, if a pensioner is re-employed into regular full-time government services, he shall choose between his pension or the salary to be paid to him. However, later on, when he stops work again, he can claim his former pension or a new pension will be paid to him if it is greater than his previous pension.

If a public servant or a pensioner is convicted and sentenced by a court to a minimum of three years of rigorous imprisonment, he loses the right to pension or a pensioner payment ceases(PMAC, Negarit Gazeta, Article 34 of Public Servants' Pensions of (Amendment Proclamation No. 5/1974).

Once the sentence of a rigorous imprisonment of three years or more is imposed or inflicted by the court on the pensioner, then the individual will automatically lose his pension rights.

Article 57(1) of Ethiopian penal code (IEG, 1957:18) stated that the offender who is liable or responsible for his acts is alone subjected to the punishment.

4.5. The Pension Appeal Tribunal

The Ethiopian Public Servants Pension Proclamation makes provisions for the establishment of an Appeal Tribunal. As it is directly linked with the rights of beneficiaries, the question of appeal in social security schemes is a fundamental issue. Any dispute that arises due to refusal of benefit, compliance as to the amount of benefits, or for other reasons, needs to be settled by an independent adjudication body. That is to say, there should be a forum where an individual reaserts his right if and when it is violated by an arbitrary decision.

To this end, the public Servants Pension (Amendment) Proclamation No. 5/1974 article 39 provides for the establishment of Pension Appeal Tribunal. The Tribunal is an independent body composed of members from different and concerned ministries under the direct control of the Council of Ministers. The main objectives of such provision is to protect any beneficiary from an unfair decision which is determinant to his interest. Its decisions are final and conclusive.

4.6. Legal Framework and Organizational Structure of SSA

Since the establishment of the Ethiopian Pension Scheme, the organization has passed through different administrative and structural changes. The organization was re-established as Social Security Authority (SSA) by proclamation No.38 of 1996 (FPRE, 38, 1996). In this proclamation, the Authority had been restructured to be an autonomous federal public office hairng its jurisdical personality, which is accountable to The Council of Ministers. For more than 35 years the operation of the pension scheme was centralized. But since 1997 the Authority decentralized its activities to serve beneficiaries at the localities. The SSA has a head office, 11 regional offices and 17 branch offices throughout the country (SSA, 2002).

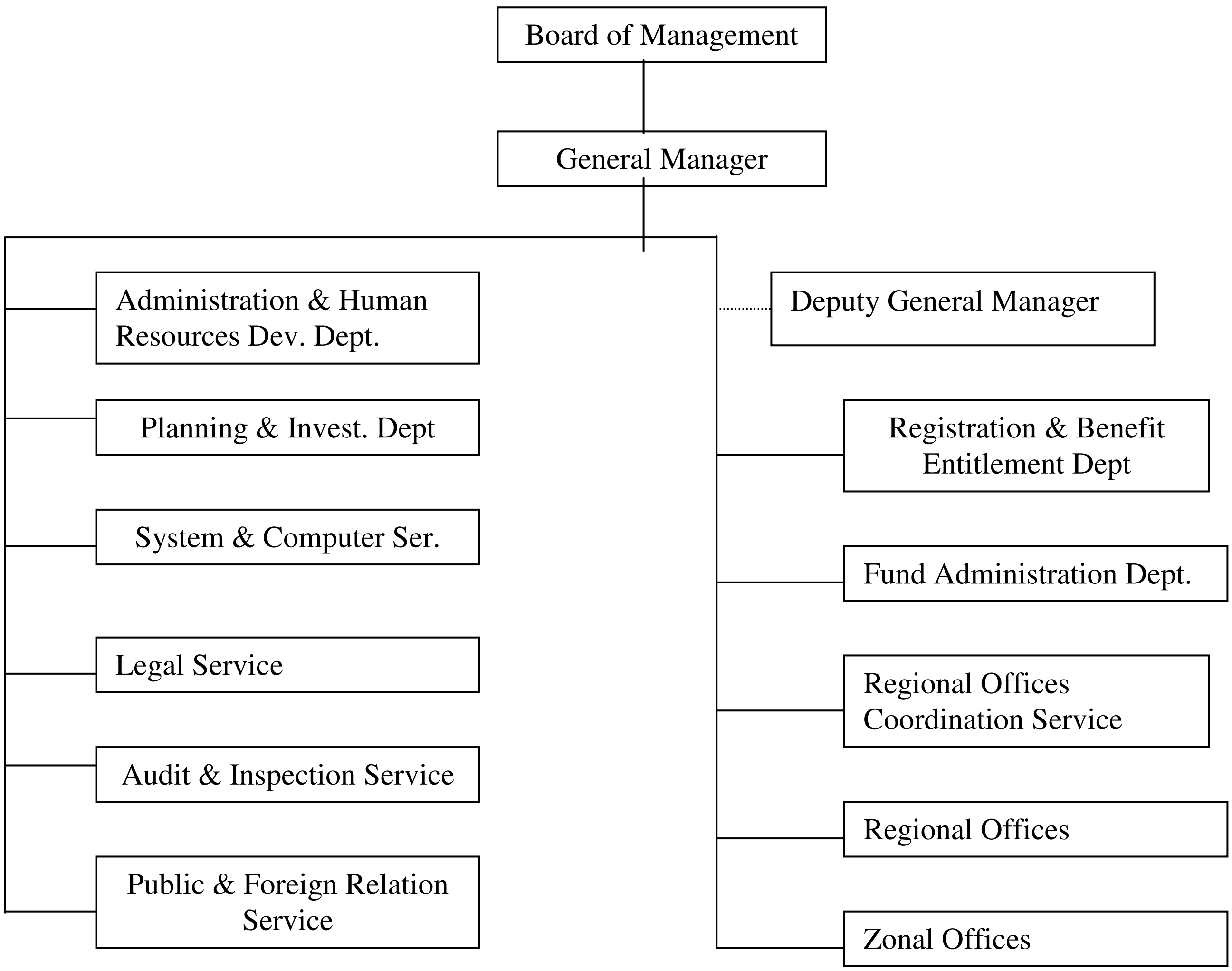
As per the proclamation No. 38 of 1996, powers and duties of the Authority include:

- Implementing Social Security laws, regulations and directives;
- Undertaking studies and reviews Social Security Scheme;
- Collecting Social Security contributions, paying pension benefits, inspecting and taking legal action where necessary;
- Administering Social Security funds;

- Deciding on benefit claims;
- Owning property, entering into contracts, suing and be sued in its own name;
- Investing the reserve money in profitable and reliable investment areas;
- Causing periodical acturial study and reviewing of the Social Security Schemes; and
- Carrying out other activities as may be necessary for the fulfillment of its objectives.

To conclude this chapter, Social security nowadays is considered as one of the responsibilities of governments rather than individuals. Social security programmes have gained international recognition. To follow this up, an International Social Security Association is established. As mentioned earlier, there are nine (9) types of social security benefits. As pension is the existing social security benefit for the employees of Government Undertakings and public servants in Ethiopia, the literature tends to emphasize that of pension.

ORGANIZATIONAL STRUCTURE OF SSA (1993 EFY)



Source: SSA (2002)

The Authority has Board of Management, General Manager, Deputy General Manager and the staff. The Board of Management is made up of representatives from different government bodies. They are higher officials appointed by the Government. The Board is a superior body to direct and supervise the activities, review and approve the short and long term plans as well as the annual work program and budget of the Authority. The

Federal government allocates the budget required for administration costs every year (SSA,2002).

The next chapter (Five) will discuss on the interpretation and discussion of the findings.

PART THREE

CHAPTER FIVE

ANALYSIS, INTERPRETATION AND DISCUSSION OF THE FINDINGS

This chapter is devoted to the presentation and analysis of the data collected as per the purpose and the objective of the study. In order to have relevant information about the practice and problems of social security, in particular of pension policy in Ethiopia, proclamations, decrees and other relevant documents are used as data sources. In addition to, key informants have been interviewed by the researcher. The interviewees were selected intentionally by the researcher upon their education wide experience, the rank they do have at present or their previous status, the familiarity they have with the issue and related matters.

5.1 Characteristics of the Study Population

A total of 12 key informants have been interviewed by the researcher. The interviews made were deep and highly informative. The interviewees were from public bodies, pensioners, and the Elderly and Pensioners National Association. Table 1 and table 2 below presents the background of these interviewees.

Table-1 Educational Background and Position of Interviewees

Item	Interviewees		Remarks
	No.	**%**	
a) Educational Qualification:			
Ph.D.	1	8.33	
M.A/M.Sc/LLM	5	41.67	
B.A/B.Sc	5	41.67	
Diploma	1	8.33	
Total	**12**	**100.00**	
b) Former/current status/position:			
Deputy Prime Minister/EPNA president	1	8.33	
State Minister	1	8.33	
Commissioner/Consultant/Pensioner	1	8.33	
General Manager	1	8.33	
Department/Service Head	6	50.01	
Faculty Dean/Pensioner	1	8.33	
Expert/Pensioner/NGO Manager	1	8.33	
Total	**12**	**100.00**	

As item "a" of table 1 indicates, 1(8.33%) of the interviewees hold a Ph.D degree, 5(41.67%) of the interviewees were found to have M.A/M.Sc/LLM level of education, another 5(41.67%) were with first degree level of education and the remaining, 1(8.33%) was found to have a diploma. This shows that all of the interviewees have passed through higher education.

Item "b" of the same table shows that out of the total interviewees 1 (8.33%) had been a Deputy Prime Minister sometimes before and now President of the EPNA, 1(8.33%) currently a State Minister, 1(8.33%) had been a Commissioner of Social Security Authority once upon a time and currently pensioner and consultant at law, another 1(8.33%) currently a General Manager of a Public Organization, 6 (50.01%) actively

Department/Service Heads in government organizations, 1(8.33%) a pensioner and Faculty Dean of a private University College and the remaining 1(8.33%) had been an expert in a public institution and currently a pensioner and NGO Manager.

This indicates that most of the interviewees (if not all) had been in one way or another responsible for public administration jurisdiction including matters related to social security.

Table 2: Years of Service and Training Pertinent to Pension

Item	Interviewees		Remarks
	No.	%	
a) Years of Service:			
15-20 years	3	25.00	
21-30 years	4	33.33	
above 30 years	5	41.67	
Total	**12**	**100.00**	
b) Whether interviewees have attended seminar/workshop as it pertains to pensions regulations.	12	100.00	
Yes	--	---	
No			
Total	**12**	**100.00**	

As per item 'a' of table 2, of all the total interviewees 3(25%) served between 16 and 20 years while 4(33.33%) rendered services of between 21 and 30 years. The remaining 5(41.67%) of the interviewees have served above 30 years. This indicates that all the interviewees were in service for sufficient number of years to be conscious of pension policies which is an important part of employment.

Item 'b' of the same table shows that all (100%) of the interviewees had any formal or non-formal training (seminar or workshop) that pertains to pensions regulations. This shows that all the interviewees were in a better capacity to implement the pension law and related matters.

The idea of having the population characteristics is a case in point in seeing as to what extent the key informants had the necessary education, experience, status, and role with regard to pensions. To this end, it was found that all of them had the needed training and experience.

5.2. Analysis and Findings of the Study

The instrument questions prepared by the researcher for the interviewees and their responses are categorized below. Some of the findings which are not convenient to compile in tables could be analysed without tables.

The analysis comprises both the opinion of interviewees and document review. I tried to tabulate the analysis in accordance with the basic questions.

5.2.1 The Uniformity and Clarity of Major Policies and Regulations

Table 3: Uniformity and Clarity of Ethiopian Pension Policies

Item	Interviewees		Remarks
	No.	%	
a) Whether the existing pension policies (Rules, regulations) lack uniformity.			
Agree	4	33.33	
Disagree	4	33.33	
No opinion	4	33.33	
Total	**12**	**100.00**	
b) Whether the existing pension polices (rules, regulations) lack clarity and have loopholes			
Agree	8	66.67	
Disagree	4	16.66	
Not sure	4	16.66	
Total	**12**	**100.00**	

As per item ‘a’ of table 3, out of the total interviewees 4(33.33%) declared that there is lack of uniformity in the existing pension policies while another 4(33.33%) of the interviewees disagreed. Interestingly, 4(33.33%) indicated that they have no opinion about the matter. This shows that a good number of key informants did not give due considerations for the proclamations declared at different times. Because the document review made by the researcher supports those 4(33.33%) interviewees who gave their deep explanations over the lack of the uniformity of the laws. For instance, in accordance with public Servants' Pension Proclamation (No.209 of 1963), the period of service of a public servant begins with the date of his appointment as a public servant. On the other hand, in accordance with Employees of Government-owned Undertakings Pension Proclamation (No.49 of 1975), period of service rendered in undertakings prior to nationalization is considered for the calculation of pension.

Furthermore, a civil servant who has sustained employment injury due to negligence is not entitled to employment injury benefit, while the benefit of a government-owned undertaking employee is suspended only if he has inflicted the injury upon himself intentionally.

The Public Servants' Pensions Proclamation No. 209 of 1963 stipulates the establishment of a civilian and a military pension fund. On the other hand, Government-Owned Undertakings Pension Fund was established by the provisions of Employees of Government-Owned Undertakings Proclamation No. 49/1975.

Therefore, if a fund is to be established in accordance with this provision, totally there will be two civilian and one military pension fund. Definitely, a civilian fund over a civilian fund could be a problem in the management of funds.

Other provisions which are related to pension are included in legislations that are not related to pension scheme. For example, different pensionable ages are stipulated in the proclamations of police and defence forces establishments and the Federal Judicial Administration Commission Establishment Proclamation. This implies that eventhough only 4(33.3%) of the interviewees recognized it, the document review reveals the lack of uniformity of regulations that pertains to pensions. Surprisingly, these limitations were found to have no recognition even by those who are supposed to implement them.

In part 'b' of the same table, as large as 8(66.67%) of the interviewees were aware of the fact that the existing pension policies (rules, regulations) lack clarity when there was no one who disagreed with the fact. Only 4(33.33%) of the interviewees could not decide about their opinion. This shows that the majority of the interviewees internalized the lack of clarity of the pension legislation. The majority of the interviewees who declared the lack of clarity explains that since the legislation does not take all issues into account which could arise in relation to pensions, it embodies several provisions which lack clarity. The reason they raise for this problem to be encountered is that though the legislation gave power to the Minister of Pensions to issue regulations for the better carrying out of the provisions, no regulations had been issued for the last forty years. Instead of issuing regulations, as the majority of the interviewees explained it, several directives were issued by different authorities. These directives were not very known to the beneficiaries and, to some extent, to those who are expected to implement them. Furthermore, some directives contradict to the pension legislation by providing benefits which are not stipulated therein. Good examples of these are: directives which stipulate the period of service rendered in churches and other areas which are not covered by the legislation to be counted for the purpose of pension entitlement, directives which suspend the payment of benefit for political reasons, and directives which allow the payment of pension ten years prior to the attainment of the retirement age. The interviewees argued that, even some directives were issued by unauthorized officials. The document review reveals no difference with the opinion of this group of interviewees. Because of the absence of regulation to clarify the legislation, directives issued by different authorities sometimes made the practice to violate the principle of legality. The above mentioned directives are observed by the researcher at the SSA.

In addition to this, qualifying conditions for employment injury benefit are widened by labor proclamation No. 42 of 1993 article 97 which makes the proper implementation of the pension legislation impossible unless reviewed.

5.2.2 The Current Pension Practices in Ethiopia

Relevant documents were reviewed to assess whether:

a) the pension payments are sufficient for pensioners to live and

b) there are sufficient Social Security contingencies in the Ethiopian Pension Scheme.

Table 4.1 Total (% age) Regular Beneficiaries and Survivors by Income

Regular Beneficiaries		**Survivors**	
Monthly Income	**% age of total Beneficiaries**	**Monthly Income**	**% age of total Survivors**
50-100 Birr	60.00	Less than 30 Birr	57.00
101-250 Birr	28.00	30-50 Birr	25.00
251-500 Birr	9.00	51- 100 Birr	13.00
above 500 Birr	3.00	101 – 200 Birr	4.00
		above 200 Birr	1.00
Total	**100.00**	**Total**	**100.00**

Adapted from the Statistical Bulletin of the SSA (2002)

Table 4.2 Total Regular Pensioners by Average Monthly Benefit (1991-1993 EFY)

Ethiopian	CIVIL			MILITARY			UNDERTAKING			TOTAL		
Fiscal Year	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
1991	191.2	158.9	188.1	105.5	100.3	105.4	201.4	143.5	194.4	136.8	143.6	137.1
1992	202.1	170.6	198.8	105.9	102	105.9	210.8	149.6	202.4	139.6	151.5	140.2
1993	210.8	179.8	207.5	107.2	104.3	107.1	215.9	155.3	207.3	142.2	158.6	143.0

Source: SSA(2000)

Table 4.3 Total Survivors by Average Monthly Benefit (1991-1993 EFY)

Budget Year	Type Of Scheme	Widows/Widowers		Parents		Children	Total
		Widowers	Widows	Father	Mother		
	Civil	70.17	65.89	29.74	31.01	16.23	39.83
1991	**Military**	46.68	49.68	18.86	18.9	11.21	30.41
	Undertakings	55.42	65.72	27.94	30.35	13.73	36.29
	Total	63.50	56.78	19.99	20.85	13.61	33.98
	Civil	70.86	70.11	32.44	32.79	17.24	40.91
1992	**Military**	52.47	50.51	19.04	19.04	11.41	30.47
	Undertakings	60.86	68.22	29.37	31.45	14.55	37.55
	Total	66.55	59.01	20.68	21.53	14.33	34.69
	Civil	77.44	73.74	34.51	35.07	19.83	43.92
1993	**Military**	55.83	50.63	17.57	17.63	13.29	30.72
	Undertakings	66.55	70.81	32.2	34.26	17.38	40.76
	Total	72.49	60.82	20.08	21.28	16.75	36.41

Source: SSA(2000)

As per Table 4.1, the statistical data of the 1993E.C. obtained from the actuarial service of the Social Security Authority shows that 60% of the total regular beneficiaries of the scheme earn a monthly benefit between 50 and 100 birr, 28% between 101 and 250birr, 9% between 251 and 500birr and interestingly only 3% earn above 500birr. This proves 88% of the regular beneficiaries earn a monthly benefit of less than 250 birr. As all the interviewees argued and Shimelis gave a rigorous statement for his strong argument, the pension payments did not help the pensioner to have a portion of sufficient meals to live.

This is true when we see the above mentioned statistical abstract concerning the total survivors by monthly income. 57% of the total survivors earn a monthly payment of less than 30 birr, 25% of the same earn a monthly payment between 30 and 50 birr, 13% earn an income between 51 and 100 birr, 4% of survivors get monthly payments between 101 and 200 birr and sadly only 1% of the survivors earn a monthly payment exceeding 200 birr. This shows 95% of the total survivors earn a monthly benefit of less than 100 birr which is half-way below the minimum wage set by the government. This additionally indicates the most harsh living conditions of pensioners and survivors too.

As large as 8 of the 12 interviewees argue that the social security benefits provided by the Ethiopian pension scheme are not sufficient whereas 4 of the interviewees declared about the sufficiency of benefit package. The majority of the interviewees support their argument in that when a person gets older his health situation deteriorates and need health care than his active life time. But pensioners in Ethiopia (especially civilians) do not have access to free or even subsidized form of medical service. Eventhough it could be hardly possible to meet the minimum social security standards set by the ILO, the scheme had to take measure to offer free medical service to civilian pensioners according to the majority of the respondents. On the other hand, those who declared about the sufficiency of benefit packages support their position in that the country's economy could not have the capacity to shoulder more than the benefit packages at present. Rather, they say, it could be appropriate to raise the pension payments which are at a very lower level currently. To involve additional package, according to the minority of the interviewees, is to make weaker the already weak fund. From the document review regarding the experience of other countries, the status of the majority of the interviewees could be supported in that the governments of developmental states allocate sufficient amount of money for welfare benefits other than the employers. In Ethiopia, the government doesn't contribute any except for the cost of administration.

This is also supported by all of the interviewees that the pension payments in Ethiopia are not sufficient to live the minimum life. In this regard, Shimelis Adugna, who had been a Deputy Prime Minister at one time, told me that a very large number of pensioners (approximately 90%) in Addis Ababa subsidize their living expenses by begging people around the streets and doors. Surprisingly he added, they depend on begging rather than their pension payments. All of the interviewees agreed that the pension payments made to most of the pensioners elongate their harsh living conditions but not to improve their lives.

Table 4.2 indicates that the average monthly benefit of total regular pensioners for the years 1991-1993EFY was 137.1, 140.2 and 143.0 Birr respectively.

Considering the individual benefits by fund type, the military pensioners earn less amount than the other two. Regarding the average monthly benefit of total survivors, as shown in table 4.3, it is 33.98, 34.69 and 36.41 Birr respectively for the years 1991-93EFY. In this case, there is no significant difference of payment between the civilian, military and undertakings survivors.

Table 5.1 Coverage of Pension Scheme in Ethiopia

Item	Interviewees		Remarks
	No.	**%**	
a) Whether the scheme covers sufficient portion of the population.			
Agree	3	25.00	
Disagree	9	75.00	
Total	**12**	**100.00**	
b) Whether the insured people within the scheme coverage have sustainable insurance.			
Yes	--	--	
No	12	100.00	
Total	**12**	**100.00**	

Table 5.2: Forcasted Total Population and Work Force of Ethiopia by Region and Sex/1993 EFY/

Region	Male		Female		Total	
	Total Population	Work Force	Total Population	Work Force	Total Population	Work Force
Tigray	1868000		1929000		3797000	
Afar	696000		547000		1243000	
Amhara	8380000		8368000		16748000	
Oromiya	11492000		11531000		23023000	
Somali	2052000		1745000		3797000	
Benshangul-Gumuz	278000		273000		551000	
Southern Nations	6412000		6491000		12903000	
Bgambella	110000		106000		216000	
Harari	84000		82000		166000	
Addis Ababa	1237000		1333000		2570000	
Dire Dawa	166000		164000		330000	
Total	32775000	16793919	32569000	17058465	65344000	33852384

Note: The work force includes people aging 15-59.

Source: Central Statistical Authority.

Table 5.3 Distribution of Total Pensioners and the Amount of Monthly Benefit Decided by Region in 1993 EFY

Data	CIVIL			MILITARY			UNDERTAKING			TOTAL		
Type	REGULAR	SURVIVORS	TOTAL	REGULAR	SURVIVORS	TOTAL	REGULAR	SURVIVORS	TOTAL	REGULAR	SURVIVORS	TOTAL
Number	2122	3986	6108	16637	17433	34070	236	450	686	18995	21869	40864
Monthly Benefit	320478.73	137593.34	458072.07	1815101.27	466725.42	2281826.69	36568.57	15694.80	52263.37	2172148.57	620013.56	2792162.13
Number	133	263	396	300	181	481	92	268	360	525	712	1237
Monthly Benefit	16644.69	9282.84	25927.53	30535.44	6153.80	36689.24	15002.22	11476.73	26478.95	62182.35	26913.37	89095.72
Number	543	852	1395	1585	1724	3309	2753	2213	4966	4881	4789	9670
Monthly Benefit	103437.74	39480.55	142918.29	174893.67	66183.1	241076.77	418830.81	93693.37	512524.18	697162.22	199357.02	896519.24
Number	716	963	1679	3190	3448	6638	117	211	328	4023	4622	8645
Monthly Benefit	113371.36	40943.15	154314.51	350911.12	139051.13	489962.25	14782.29	6988.91	21771.20	479064.77	186983.19	666047.96
Number	136	325	461	849	987	1836	18	43	61	1003	1355	2358
Monthly Benefit	20305.11	13905.22	34210.33	83582.6	36834.71	120417.31	3824.19	1486.44	5310.63	107711.90	52226.37	159938.27
Number	21780	21518	43298	26106	28782	54888	18200	18847	37047	66086	69147	135233
Monthly Benefit	5803747.53	1278813.1	7082560.63	3434746.27	1146795.58	4581541.85	4602428.8	860821.80	5463250.60	13840922.60	3286430.48	17127353.08
Number	10295	18153	28448	44919	31837	76756	6523	9829	16352	61737	59819	121556
Monthly Benefit	1539711.03	644565.85	2184276.88	4560707.45	889151.42	5449858.87	1058147.34	328936.36	1387083.7	7158565.82	1862653.63	9021219.45
Number	6507	18381	24888	28038	29150	57188	2383	3950	6333	36928	51481	88409
Monthly Benefit	990515.29	647469.99	1637985.28	2762351.67	787811.36	3550163.03	386636.46	13206500	13593136.5	4139503.42	14641781.35	18781284.77
Number	2606	6227	8833	17403	9370	26773	2812	3412	6224	22821	19009	41830
Monthly Benefit	398605.89	209756.79	608362.68	1687635.55	238868.37	1926503.92	331659.82	8809500	9141159.82	2417901.26	9258125.16	11676026.42
Number	36	202	238	301	152	453	2	15	17	339	369	708
Monthly Benefit	7656.57	10489.78	18146.35	30637.56	4626.73	35264.29	160.7	448.21	608.91	38454.83	15564.72	54019.55
Number	65	261	326	648	253	901	7	25	32	720	539	1259
Monthly Benefit	11842.79	8989.55	20832.34	64916.06	6403.98	71320.04	1035.6	895.57	1931.17	77794.45	16289.10	94083.55
Number	**44939**	**71131**	**116070**	**139976**	**123317**	**263293**	**33143**	**39263**	**72406**	**218058**	**233711**	**451769**
Monthly Benefit	**9326316.73**	**3041290.16**	**12367606.9**	**14996018.66**	**3788605.60**	**18784624.26**	**6869076.80**	**1540602.19**	**8409678.99**	**31191412.2**	**8370497.95**	**39561910.14**

Source: Systems and Computer Service of SSA

As item "a" of table 5.1 indicates, 3(25%) of the interviewees agree with the sufficiency of the coverage of the population in the Ethiopian Pension Scheme while a great majority of the interviewees i.e., 9(75%) argued for insufficient coverage of the scheme. Since the instrument question is open-ended type, both groups had their brief explanations for their arguments.

Those who favour the sufficiency of the present population coverage starts their argument with the country's economic status. According to these minority of the interviewees, since the country did not attain the expected economic development and one-fourth of its population has no food security at all, it is to be negligently ambitious to think of coverage of the scheme wider than it is at present. Rather, they say, it could be appropriate to make better the already set scheme, i.e., to improve the percentage of payments of pensions or gratuities.

The majority of the interviewees who argued for the insufficient coverage of the scheme said that, since the Ethiopian pension proclamation dates back more than forty years, there is no significant improvement in widening the coverage. Being stagnant for over forty years does mean being dead, they added. As per these respondents, unlike the time of the first pension legislation, there are many industries and social sector developments which involve many people as wage earners. But there had no been any measure taken to reach the scheme coverage at least to such main private sectors.

The document review also supports the idea of the majority of the interviewees. As is shown in table 5.2, the total population of Ethiopia for 1993EFYwas forecasted to be 65,344,000 out of which the work force population is 32,569,000. On the other hand, table 5.3 indicates that the total number of pensioners (including survivors) in the same year was 451,769. The regional distribution indicates that out of the total pensioners, 9% resides in Tigray, 0.27% in Afar, 2.1% in Dire Dawa, 0.91% in Harari, 0.5% in Somali, 29.93% in Addis Ababa, 26.9% in Oromiya, 19.57% in Amhara, 9.3% in SNNP, 0.2% in

Gambela and 0.3% in Benshangul-Gemuz regional States. The ratio of total pensioners to the total population and the work force in this case would be 0.69% and 1.39% respectively. This shows the development of Ethiopian pension scheme regarding its coverage is insignificant. Until now, it gives coverage only to public servants and very recently includes employees of privatized enterprises. Unlike its slow development, the Ministry of Pensions, by order No. 20 of 1958, had been given the power and responsibility to prepare and submit draft laws which provide pension to those Ethiopians working under various private enterprises or private persons in order that they get permanent pensions or temporary grants. But no significant measure had been taken since then. This proves that the authority in any way did not yet started to accomplish one of its main objectives. No private enterprise employees are subject to pension entitlement. In general the population coverage is very limited.

In part “b” of table 5.1, good enough, all of the interviewees denied that the insured people within the scheme coverage have sustainable insurance. The interviewees support their arguments by pointing to practical cases. They said, if a person who has served in public service for 20 years and lost his job in any case has to wait until he reaches the retirement age without any gratuity or pension to support himself and his family as breadwinner. They added, if a public servant with 15 or 19 years service lost his job in anyway, there is no pension benefit except he gets back only the contribution made by him as a gratuity.

Referring to the legislations, I found the arguments by the interviewees to be true. In the Public Servants Pensions Proclamation No. 209 of 1963 (as amended), a public servant who resigns after completing twenty (20) years of service shall receive no pension until he has attained the retirement age and provided that if such public servant prior to attaining retirement age becomes incapable of fulfilling the medical conditions of service his pension shall commence upon such happening. In the same proclamation, a public servant who voluntarily resigns prior to completing ten(10) years of service is entitled to no benefit whereas he who voluntarily resigns after completing ten (10) but prior to completing twenty (20) years of service shall be paid only an amount equal to the total amount of the contributions made by him. A public servant who resigns after completing twenty-five (25) years of service is also entitled to receive retirement pension for life only five years earlier to retirement age. This shows that those insured people, even within the limited benefit package of the scheme have no sustainable insurance coverage.

Table 6: Equality of Beneficiaries Before the Law

Item	Interviewees		Remarks
	No.	%	
Whether the pension legislation give equal rights and opportunities to all beneficiaries.			
Agree	4	33.33	
Disagree	8	66.67	
Total	**12**	**100.00**	

It is noted from table 6 that 4 of the interviewees have declared that the pension legislation give equal rights and opportunities to all the insured population while as large as 8 of the interviewees disagreed with this statement. The later group starts its arguments with the difference in the contribution made by the employer to the public service civilian pension fund and to the public service military fund. Both employees (the civilian and the military) are supposed to contribute 4% of their salary. But the employer of a civilian is supposed to contribute 6% while that of a military employer would have to contribute 16% compulsorily. In addition, as this group argues, the pension amount to be paid at retirement age is different to a civilian and military public servant while their basic salary could be the same.

Referring to document review, one notes that a good majority of the interviewees had interesting argument on this issue. Because as it is discussed in chapter four, the proportionate amount of contribution payable by the employers is different for the military and the public servant. It had been also discussed in the same chapter that the amount of pension for a retired military and civilian public servant who served beyond ten years is different eventhough their salary could be the same. It is also sad that the legislations regarding period of service are different for public servants. As per Public Servants Pensions Proclamation No. 209 of 1963 article 26(1) "the period of service of a Public Servant begins with the date of his appointment as a Public Servant and is calculated in complete years only". On the other hand, Employees of Government-Owned Undertakings Pension Proclamation No. 49 of 1975 article 6(1) is read "for the purpose of this proclamation, all periods of service rendered by an employee before the effective date of this proclamation in any undertaking and in the Public Service shall be considered a period of service".

Furthermore, referring to the above mentioned proclamations, a civil servant who has sustained employment injury due to negligence is not entitled to employment injury benefit, while the benefit of a government-owned undertaking employee is suspended only if he has inflicted the injury upon himself intentionally. Another interesting point to be noted here is that there are provisions related to pension which are included in legislations that are not related to the pension scheme. In this case, for example Federal Police Proclamation No. 207/2000 article 20 raised retirement age of members of the Federal Police to be 55 years whereas the Defence Forces Proclamation No. 27 of 1996 article 9 stipulates pensionable age members of the defence Forces between 45 and 55 based on their ranks in the army. Similarly, the extension of coverage of employees of privatized enterprises is stipulated in article 12 of Privatization Proclamation No. 146/1999. On the same token, the Federal Judicial Administration Commission Establishment Proclamation No. 24/1996 (article 9/2) raised the retirement age to 60 years. These shows the difficulties in the uniform application because of the inequality of beneficiaries before the law. Once again, the document review appreciates the acquaintance of the majority of interviewees about the disparities.

Table 7: Operation of Scheme

Item	Interviewees		Remarks
	No.	%	
Whether the scheme always operates by the rule of law.			
Agree	--	--	
Disagree	12	100.00	
Total	**12**	**100.00**	

Good enough, all the interviewees have ascertained that the pension scheme in Ethiopia operates not only by the legislation but also by unauthorized interferences of different government officials. As per these key informants, different officials issued several directives by defying the law. The directives were issued to consider some group of people or sometimes individuals. Interestingly, all the interviewees strongly agree that such directives were good examples for over-riding the rule of law. The researcher had a chance to look for some directives issued by authorities to the Social Security Authority. One of the directives stipulate the payment of pension to workers who lost their jobs after 20 years of service due to abolition of position or reduction in staff or other similar causes ten years prior to the attainment of retirement age.

The argument could arise from two perspectives i.e., from the legality point of view and injustice treatment of the insured. From the legality point of view, the legislation gave the right to the Ministry of Pensions to issue regulations for the better implementation of the pension legislation. So, one can understand that authorities issuing directives were defying the law.

On the other hand, since such directives were issued to treat a minority group of people or individuals, it was injustice by its nature. Because there were people who lost their jobs for different reasons and had more than 20 years of service who were not lucky enough to be embodied by such directives. Without contributing any to the scheme, it is hardly acceptable to use the fund of others. This is simply a political decision. Authorities used the scheme as an instrument to resolve some specific social problems even if not related to pension scheme.

Table 8: The Uniformity of Contributions and Earnings

Item	Interviewees		Remarks
	No.	%	
Whether the scheme collects equal contribution and offer earnings the same for all the insured			
Agree	--	--	
Disagree	12	100.00	
Total	**12**	**100.00**	

As it is shown in table 8, all the informants disagree with the statement. The argument is similar with the previous discussions. In the pension legislation, employer of members of the armed forces is supposed to contribute 16% of the employee's basic salary where as an employer of a public servant other than member of the armed forces is supposed to contribute only 6%. The interviewees also complain about the lack of uniformity in pension earnings i.e., each service year beyond 10 years for the military and the civilian is calculated by 1.5 and 1 percent respectively. This results in pension benefit difference between a member of the armed forces and a civilian public servant with the same years of service and salary.

The document review reveals the same. In addition to the disparities mentioned above, employees of government-owned undertakings were supposed to pay contributions only after 1975 since their service period counted back where they start rendering service in any undertaking. In support of this argument, Haile Michael Melaku, Head of Human Resources Department to the Social Security Authority told the researcher that in some cases, services rendered in churches were to be counted as public services by the decision of the Pension Appeal Tribunal. He added, there were a number of precedences that the legislation had been violated. This precedence of counting church services for pension payments proves the favour of authorities to individuals to offer payments from the fund for the years they did not contribute any. What have been discussed in table 7 is similarly true for this issue. In this case, we can say such people are favoured more than those who were public servants for years. Because, if someone who had been a public servant for about 9 years and voluntarily resigns from service shall be entitled for no benefits whereas those who had not been contributors to the scheme and came to service recently may be eligible to be entitled for retirement pensions. The absence of uniformity of contributions collection and the disparities in pension payments due to violation of the legislation made people feel disappointed and not equal before law, said Shimelis, the President of the Elderly and Pensioners National Association.

Table 9.1: Pension Fund Administration

Item	Interviewees		Remarks
	No.	%	
a) Whether the pension funds are effectively and efficiently administered by the Social Security Authority.			
Agree	--	---	
Disagree	10	83.33	
No opinion	2	16.67	
Total	**12**	**100.00**	
b) Whether the already established funds have to continue as they are.			
Agree	--	--	
Disagree	12	100.00	
No opinion	--	---	
Total	**12**	**100.00**	
c) Whether there is a necessity of involving stakeholders in the Board of Management of fund administration			
Strongly agree	9	75.00	
Agree	--	--	
Disagree	--	--	
Strongly disagree	3	25.00	
Total	**12**	**100.00**	

Table 9.2 Total Revenues and Expenditures by Source and Type.

A. Total Revenues by Source and fund Type(1991-1993 EFY)

	1991				1992				1993			
Type of Fund	Contribution collected	Investment Return	Others	Total	Contribution collected	Investment Return	Others	Total	Contribution collected	Investment Return	Others	Total
Civil	136575403		52749	136628152	278084386	934115	3429	279021930	226938610	20333792	41596	247313998
Civil Autonomous	37535181	13098453		50633634	39551477	14686610	11629	54249716	43578021	2460707		46038728
Military	133079471		86153	133165624	217407097	248309	5169	217660575	207716398	654112	55139	208425649
Undertakings	67956492	24254809		92211301	74666816	23099953	5714	97772483	76563534	23527741		100091275
Public Organizations	8574			8574								
Total	375155121	37353262	138902	412647285	609709776	38968987	25941	648704704	554796563	46976352	96735	601869650

- Consists of revenue collected from persons who were getting salary from Government Organizations and Pension at the same time.
- Out of the total contribution collected the source of Birr 8293182.6 is not yet known. It will be verified in the future reports.

Note: The total contribution collected in a given budget year includes arrears from the previous year. Specially the contribution collection of 1991 EFY is included

Source: Fund Administration Department of SSA

B. The Amount of Pension Payments by Fund Type(1991-1993 EFY)

	Civil				Military				Undertakings				Total			
Budget Year	Life time Payment	Contribution Refund	Gratuity	Total	Life time Payment	Contribution Refund	Gratuity	Total	Life time Payment	Contribution Refund	Gratuity	Total	Lifetime Payment	Contribution Refund	Gratuity	Total
1991	65,927,726	1,300,089	107,596	67,335,411	54,048,682	400,647	90,909	54,540,238	69,812,835	2,827,926	33,009	72,673,770	189,789,243	4,528,663	231,513	194,549,419
1992	172,544,450	1,309,846	485,020	174,339,317	285,670,700	157,534	457066	286,285,300	96,245,089	2,910,695	39,926	99,195,710	554,460,239	4,378,075	982,012	559,820,327
1993	150,970,249	1,705,063	448,029	153,123,341	208,076,669	93,262	752,456	208,922,336	102,577,569	3,775,175	37,664	106,390,408	461,624,487	5,573,500	1,238,148	468,436,135

Note: The total pension payment in a given budget year includes the pension payments of the previous year specially the pension payments of 1991EFY is included in 1992EFY as 1991EFY was first year for SSA to pay pension benefits of the civil & military pensioners

Source: Fund Administration Department of SSA

Item “a” of table 9.1, indicates that 10 of the interviewees disagreed with the effective and efficient administration of the SSA over the pension funds where as 2 of the respondents refused to give their opinion. The majority of the informants denied not only the effective and efficient administration capacity of the authority but also the existence of the fund administration according to the legislation. The interviewees strongly indicated that until recently the administration of the pension fund had been under the Ministry of Finance. Referring to the pension legislation, the Public Service Pensions Commission had been given the responsibility of establishing the Public Service Civilian Pensions Fund and the Public Service Military Fund. In this regard, it had been authorized to collecting, safeguarding and investing money due to this funds; and arranging for payment to be made to beneficiaries from the funds (IEG, 209/55). But this fundamental provision had not been into effect until recently. Up to the end of 1998, it is said that the civil and military public servants contributions were collected and benefit payments were effected by the Ministry of Finance. Pension contributions started to be collected and payment of benefits to be effected by the SSA since the end of 1998 though the funds yet not full fledgedly established as stipulated by the legislation. On the other hand, a pension fund for employees of undertakings had been established by the proclamation No. 49 of 1975 (PMAC, 1975) to be administered by a separate department under the Public Service Pensions Commission only. This fund had been established and administered by the Authority since then. As the great majority of the interviewees explained and SSA authenticated to be true that the pension fund administration started to be implemented 35 years after the legislation, though the authority heads said (without any explanation) that still not efficiently. This implies the lack of transparency in the administration and the existence of fundamental problem in the area.

In item “b” of the same table, all of the interviewees disagreed with the continuity of the already established funds in the scheme. Their argument lies that the military pension fund could be separated from the civilian public service pensions fund by scheme. In other words, it means the military public service pensions fund should be out of the public service pensions scheme. The rational they forward for their argument is that the SSA had no knowledge of the accurate number of members of the defence forces over the years for security and related reasons. In this case, registration of the military insured personnel is prohibited against the legislation. In addition to this rationale, most of the informants express their observation and others their expectation that the payment benefit expended to the military pensioner and survivors could be much more higher than that of the civilian pensioners and survivors which may result in exploiting the other funds.

The document review over this issue had proved nothing different from the interviewees. As per table 9.2, the revenues and expenditures by source and fund type from 1991 EFY to 1993 EFY shows that, except the first year i.e., 1991 EFY, pension payments from the military fund exceed in millions than revenues collected by the same fund . The deficit of the fund could exceed more if we had statistical abstracts prior to 1991 EFY. But, since the fund is established in 1991 EFY, it is unlikely to get other than this abstract. From the same table, it can be generalized that, relatively the best reliable fund is the civilian public servants' pension fund. The expenditure of the military public servants' pension fund could be expected to explode rather than reduce. Because as had been discussed in the previous analysis, the retirement age of members of the defence forces is reduced by 5 years. In view of this and other forecasted reasons, the military pension fund may continue deteriorating.

As per item "c" of table 9.1, an overwhelming majority, that is, 9 of the interviewees strongly agreed with the necessity of involving stakeholders in the Board of Management regarding fund administration whereas the remaining 3 of the key informants strongly disagreed. The majority of the interviewees support their position in that directives and practices against the legislation had been implemented for years because the members of the board of management are usually government officials. Had it been involved the stakeholder like the Elderly and Pensioners National Association, it would have been confronted and to a certain extent unauthorized interference might have been reduced. In addition, since these funds were of pension scheme, pensioners could have the right to know the status of the funds and their impacts over the pensioners.

Table 10: Termination of Pension Rights

Item	Interviewees		Remarks
	No.	%	
Whether the suspension of pension rights due to a criminal offence is acceptable.			
Agree	1	8.33	
Disagree	11	91.67	
Total	**12**	**100.00**	

Table 10 indicates that only 1 of the interviewees agreed with the suspension of pension rights due to criminal offence while an overwhelming majority, that is, 11 disagreed with the provision. The only individual who declared the acceptability of the provision justified his position in that such legislation might help people in general and the beneficiaries in particular to lead a peaceful life and protect from crimes.

All those who disagreed with the statement strongly criticize that putting members of the family in trouble who have no relation with the crime could be unacceptable.

In addition to, they added, since the Ethiopian pension scheme is a kind of social insurance and contributory by its nature, it could be injustice to lift off one's insurance contract for a crime offence which has no relationship with the scheme at all.

Reviewing to the documents, the Public Servants' Pension Proclamation (IEG/55) article 34 can be read as "a pensioner shall lose his pension rights if he is sentenced by a court of competent jurisdiction to a minimum of two(2) years imprisonment, and if the court orders such loss of pension rights as an additional penalty". But when the PMAC proclaimed the Amendment Proclamation No. 5/74(PMAC 5/74), this provision had been critically amended as: "if a public servant or a pensioner is convicted and sentenced by a court established by law to a minimum of three (3) years rigorous imprisonment he shall lose all pension rights or in the case of a pensioner payment of pension shall cease." The later had been obviously harsher than the previous one. This article could be tackled by citing to the Ethiopian Penal Code. Article 57(1) of Ethiopian Penal Code (IEG, 1957) stated that the offender who is liable or responsible for his acts is alone subjected to the punishment. In this case, the pension payment is suspended not only for the offender but also to the spouse and children. The penalty did not affect only the offender but the innocents too. The suspension of pension lasts for life while the criminal punishment could be short-lived. As briefly stated in chapter four, the penalty should affect only the offender and where this is impossible because of the nature of the penalty, the state is supposed to ensure that the family of the offender are maintained and cared for. In accordance with Social Security Convention 102, cases which lead to the suspension of benefits include:

- Absence from the territory of the member state;
- Maintenance at public expense or by Social Security;
- Receiving other benefit or compensation;
- Making a fraudulent claim;
- Causing a contingency by a criminal offence;
- Causing a contingency intentionally;
- Remarriage (regarding a widow).

From the above mentioned, one can understand that causes for suspension of benefits are directly or indirectly related to social security. Regarding the Ethiopian pension legislation, the cause for the suspension of pension rights is in no way related to social security. The provision gives no clue as to whether a benefit once suspended may continue if the convicted beneficiary is reinstated, or granted amnesty or pardon. However, following the provisions of the Ethiopian Penal Code payment of pension restores if the former beneficiary granted amnesty. But, since reinstatement and pardon have no retroactive effect and do not invalidate the criminal judgement abinitio (IEG, 1957: article 239, 240 and 242), the suspension of the benefit remains effective even after the individual has been reinstated or granted pardon.

The interviewees from the SSA told the researcher that there had been a decree issued by the EPRDF led government regarding the former members of the armed forces which stipulate pension suspension if it is proved that the beneficiary was involved in criminal offences such as: homicide, theft, robbery, and violation of peace and stability.

Table 11: Retirement Age and Its Impact

Item	Interviewees		Remarks
	No.	%	
Whether the retirement age should be raised to 60 years for the better capacity of the pension fund so that benefit packages be improved.			
Agree	4	33.33	
Disagree	8	66.67	
Total	**12**	**100.00**	

As per table 13, 4(33.33%) of the interviewees proposed that the retirement age be raised to 60 years for the better capacity of the fund and improved contingency. As large as 8(66.67%) of the informants disagreed with the issue. The former explained its opinion in that since there is no much investment for the pensioner to have jobs in the private sector and the pension benefit is not sufficient to lead life, it could be preferable to stay more in public service and simultaneously the capacity of the fund would appreciate tremendously.

The majority of the interviewees who declared their disagreement with the statement justified their status that, life expectancy in Ethiopia is below the current retirement age and there is no job guarantee in the public service so that one who lost his job for several reasons in this case could stay longer without pension or salary. This could affect the insured and his family, they added. So, they strongly criticize the idea of raising retirement age. As to the explanations of this group, such measure might aggravate the social crisis more and literally there could be no old age pensioner in the future.

Referring to 2003 World Development Indicators database, Word Bank, 13 April 2003, life expectancy at birth in Ethiopia is 42. This is lower by about 13 years from the current retirement age.

The majority of the respondents, when explaining their disagreement with this fact, they did not deny the better capacity of the fund could b inevitable while raising the retirement age. But their argument was that it is building the future fund by exiling the current insured population.

Table 12: The Status of EPNA

Item	Interviewees		Remarks
	No.	%	
a. Whether the Elderly and Pensioners National Association is active and contributing.			
Agree	2	16.67	
Disagree	10	83.33	
Total	**12**	**100.00**	
b. Whether the existence of EPNA and its involvement in policies, board of management,....etc is necessary.			
Agree	10	83.33	
Disagree	2	16.67	
Total	**12**	**100.00**	

Item “a” of table 14 indicates that only 2(16.67%) of the respondents declare the active and contributing status of EPNA while 10(83.33%) of the interviewees denied the contributing activity of the association. Evidently one can imagine that one of those who declared its active and contributing status is Shimelis Adugna the President of the EPNA.

The explanation of the two individuals stress on the efforts made by the association to make the government concerned about the destitute. Though there had never been a response from the concerned authorities, Shimelis added, our tireless effort continued and there are indicators that many others could consider the matter in the future. They are determined to continue their peaceful and legal struggle until they get due considerations to be involved in polices and administrative discretions, he concluded.

In item "b" of table 14, it is shown that 10(83.33%) of the key informants believed the necessity of the existence and involvement in policy making, board of management, etc.... of the EPNA while only 2(16.67%) disagreed with the fact. The overwhelming majority of the interviewees were aware of the fact that since pensioners are one of the main stakeholders of pension scheme, there should no be policy decision making that confine them. This group of the respondents strongly believed that the combination of the board of management should not be officials and officials alone but stakeholders like EPNA be involved in it. Interestingly, those very few respondents who declared their disagreement with the involvement of EPNA in any case were from the SSA. Their argument pins that EPNA could not be considered as a stakeholder since the pensioners are consuming the contributions made by the active employee. Because, they said their contribution had been consumed by their elders.

Here again, the majority of the interviewees explained that development is cyclic. As had been argued in the previous discussions, they are consuming the contributions made by their descendants since the later is indebted for what they have been paid for their elders, they added.

Investment Profits

To strengthen the existing pension scheme and to expand the coverage to other sections of the society the pension fund should be strengthened. In order to apply more contingencies to the scheme, the fund should be in a better position. In addition to other factors, one of the methods which might help to strengthen the fund is the investment of the reserve capital.

Investment Activities

It is clearly stated in Chapter Four that the proclamation No. 38 of 1996 has provided the Authority to invest the reserve money in profitable and reliable investment areas. From 1991-1993 EFY, in each year SSA invested about 1 billion Birr. The amount of money invested and interest gained is provided in the table below.

Table 13: The Amount of Money Invested and Interest Gained (1991-1993 EFY)

Type of Investment	1991 EFY			1992 EFY			1993 EFY		
		Interest			Interest			Interest	
	Invested Amount	Gained	Rate	Invested Amount	Gained	Rate	Invested Amount	Gained	Rate
Government Bond	378.0	3.8	1.0%	378.0	3.8	1.0%	352.8	12.9	3.7%
Time Deposit	460.6	27.3	6.0%	427.4	26.5	6.0%	438.6	25.8	6.0%
Treasury Bills	207.3	6.2	3.0%	374.3	8.7	2.3%	399.5	8.2	2.1%
Loan *	2.0	--	--	2.0	--	--	2.0	--	--
Share **	2.1	--	--	2.1	--	--	2.1	--	--
Total	**1,050.00**	**37.3**	**3.3%**	**1,183.80**	**39.0**	**3.1%**	**1,195.0**	**46.9**	**3.9%**

* A total of Birr 3,000,000 was lent to the Air Force in 1981EFY to build a hospital. Out of the total 1,000,000 Birr was returned and the rest 2,00,000 Birr is not yet returned and has no return.

* * The National Bank of Ethiopia has deducted 2,089,399.50 Birr from the provident fund of the Government Undertakings' that would have been transferred to SSA account. The bank was requested to clarify this issue and replied that a share was bought with the money. But this money is not yet returned and has no return.

Source: SSA Actuarial Service (2002)

Table 15 indicates that the amount of capital invested and the interest gained in 1991 EFY was 1.05 billion Birr and 37.3 million Birr respectively. In 1992EFY, 1.1838 billion Birr had been invested and 3.9 million Birr interest gained. On the same token, 1.195 billion Birr had been invested in 1993 EFY whereas the interest gained was 46.9 million Birr. The interest rate for these consecutive years was found to be 3.3%, 3.1% and 3.9% respectively. The investment areas were time deposit, treasury bills and Government bonds only. Though the SSA lent the Ethiopian Air Force 2 million Birr, the money is not yet returned and has no return. Interestingly, the National Bank of Ethiopia bought a share with the capital of the scheme which it did not return the money and has no return again.

Once again, this shows the inefficient fund administration of SSA to keep its reserve money and to invest in profitable and reliable investment areas.

In this case, it could be generalized that though the legislation provided the necessary power and duties to the SSA, it is hardly found capable to fullfill its objectives accordingly.

PART FOUR

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter deals with the highlights of the study and conclusion that derived from the findings. The chapter ends with recommendations that were made on the basis of the findings.

6.1. SUMMARY

In this study, an attempt has been made to assess the extent of the practices and problems of social security, especially of pension policy in Ethiopia. The study has attempted to answer the eight basic questions indicated in chapter one. The development of Social Security against different perspectives, features of Social Security Programs, pension systems as part of Social Security with their classification criteria and pension types were stated in the review of the related literature. Practices of Social Security in some other countries, especially of the two Newly Industrialized Countries – Taiwan and Korea were briefly discussed in chapter three. Unlike universlism, these countries followed special path of Social Security development which might give us insights in our endeavor for social development. In chapter four, the historical background of pension, which is the only Social Security benefit of public servants and employees of Government-owned undertakings in Ethiopia, is well explained. It is also clarified in the same chapter as to how the pension scheme is planned, that is the amount which the employer and the employee contribute to the scheme, what the pension benefits are and the purpose they intend to serve, what the limitation of the entitlement to benefits are and causes that terminate or discontinue pension benefits. The role of the Pension Appeal Tribunal is also briefly explained. In connection to this attempts were made to assess the facts and opinion of those key informants whom most of them were responsible for implementing and issuing regulations that pertains to pensions. The facts and opinions of these key informants towards the policy and practice of pension were collected and documents that were related to the issue were reviewed. As is shown in chapter five, instrument questions were developed by the researcher for the interviewees to obtain facts known by these key persons and opinions they have.

As is reported in the same chapter, twelve (12) interviewees were purposely selected by the researcher and all of them were intervieweed. Documents, statistical abstracts and decrees were reviewed. The gathered data were presented, analysed, and then, the following findings were identified based on the data obtained through the structured interviews and document review.

1. As seen in the findings (table three) the existing pension legislations lack uniformity. Because of this, they have loopholes for violation of legislations and malpractices.

   The findings indicate the prevalence of differences within the insured population in the consideration of period of service, entitlement to employment injury benefits, and retirement ages.

   In addition to this, the legislation was also found to have lack of clarity. This problem arose from the absence of regulation, which the authorized Ministry did not commit to do it yet. Instead, several directives were found to be against the legislaton. The directives include payment of pensions prior to retirement age, suspension of benefits for political reasons and the stipulation of period of service rendered in churches and the like. Such directives were concerning for a special group or sometimes for individuals.
2. The findings show that pension payments are not sufficient for pensioners to live. Rather, most of the pensioners are said to be more dependent in begging than on their pension payments. Most of the insured incur a monthly benefit of less than one hundred birr which is half-way below the minimum wage set by the government. The Ethiopian Social Security/Pension scheme is found with very limited contingencies. It is approved that civilian pensioners have no access for free or subsidized form of medical service since health situation obviously deteriorates when one gets older.

3. The facts revealed that the Ethiopian pension scheme covers very small portion of the population. The ratio of total pensioners to the total population is less than one percent. It is interesting to note here that no significant measure had been taken for over forty years to improve the population coverage of the scheme while the Ministry of Pensions by Order No. 20 or 1958 had been given the responsibility to prepare and submit draft laws which provide pension to those Ethiopians working under various private enterprises or private persons.

   Even those who are covered under the scheme were found to have no sustainable insurance. Public Servants with more than 20 years of service while separated from their jobs for different reasons had to wait until attaining retirement age to get their pension payments. It was said that a number of insured people died because of hunger since they are denied to get their pension.

4. The pension legislation is found to give unequal rights and opportunities to beneficiaries. The proportionate amount of contribution payable by the employers of a civilian and a military public servant, the amount of pension payment for a civilian and a military retiree, the period of service to be counted for a public servant and an employee of Government-Undertaking, the qualifying conditions for the entitlement of employment injury benefit to the public servant and employee of Government-Owned Undertaking, and the retirement age for the military, the police and others is different.

   Interesting point to be noted here is that there are provisions related to pension which are included in legislation that are not related to pension scheme. Such legislation include Federal Police proclamation, the Defence Forces Proclamation, the Privatization Proclamation.

   In relation to this, the findings also indicate that the scheme does not operate only by the rule of law. Rather it was found to be overwhelmed by unauthrized interferences of different government officials. The payment of pensions to a group or individuals without due contribution to the scheme whereas others after contributing for many years are denied to get their pension rights by the ligislation.

5. The findings indicate that there is inefficient and ineffective pension fund administration. Until recently, public servants' contributions were collected and payments effected by the Ministry of Finance. Unlike its responsibility authorized by legislation, the Authority started to administer the Public Servants Pension Fund since the end of 1998. The financial records that show the pension payments expended for the military pensioners and survivors is higher than other members of the scheme.
6. The study show that the suspension of pension rights due to a criminal offence is in no way acceptable. The provision was found to stand against the ILO Social Security Convention 102 and the Ethiopian Penal Code. The cause for the suspension of pension rights in the Ethiopian pension legislation in no way has relation to Social Security.

   Service delivery in the Social Security Authority and the Pension Appeal Tribunal was found to be poor. From the findings, the deliance of decisions upon pension payments were mainly due to the negligence of the Authority.

   Regarding the Pension Appeal Tribunal, since members of the Tribunal are officials from different institutions, the findings show the absence of decisions and responses on time.
7. The findings also show that the retirement age should remain the same since life expectancy in Ethiopia is below the present retirement age and there is a prevalence of job insecurity.
8. Though it is found to be inactive and less contributing, the findings also show the necessity of the existence and its involvement in policy decisions, board of management etc of the Elderly and Pensioners' National Association.
9. The study findings indicate that the scheme had been investing only in treasury bills, government bonds and time deposit only.

6.2. CONCLUSIONS

We have examined the state of Social Security, the experiences in other countries, the development of Social Security in Ethiopia including the practices and problems in the implementation of pension policies. The key informants were assumed to be knowledgeable of the practices and problems of pension policy and the information obtained suggest the same fact. The document review in most cases revealed the same with the explanations of the interviewees.

Thus, a major critique of this study is seen in the lack of clarity and uniformity of legislation and due to this the occurrence of disparities in the rights and benefits within the insured population. From this point of view, it would appear uncomfortable for members of the scheme unless and until regulations for the better and uniform implementation of the legislation are issued and the unauthorized interferences are abolished.

The review of the related literature has pointed out a wide coverage of benefits and an overall sensitive approach to the aged or those who are incapacitated to work. On the contrary, the Ethiopian pension scheme did not take any significant measure to widen its coverage. Since its establishment, it appeared to entitle pension benefits only for 0.69% of the total population. We argued that Social Security is a protection against economic insecurity. In this connection pension schemes in Ethiopia, both the traditional and the modern approaches tried to safeguard the employee and/or his family. But the payments made by the scheme for about 95% of the beneficiaries are found to be very much less than the minimum wage set by the government.

Historical development of Social security reveals that Social Security is a subject or responsibility of the government. International provisions rules for the state parties to recognize the rights of everyone to Social Security. On the contrary, in Ethiopia, the families of those individuals who are sentenced by court to three years rigorous imprisonment suffer economic problems for denial of pension benefits.

It is noted that members of the scheme have no sustainable insurance since the qualifying conditions are very much restricted for the entitlement of pension benefits.

It had been realized that some legislations which have no relation with Social Security or pensions involved provisions related to pension matters which in effect contradicts with the pension legislation.

It is also noted that the scheme does not operate only by the rule of law but also by directives issued by unauthorized officials against the legislation. This was done to give or deny rights and benefits to a group of people or individuals against the legislation. The experiences of other countries, especially that of Taiwan and Korea indicates social insurance programs for old age income security includes all wage earners of the public and the private sector. In Ethiopia the private sector employees are not yet included in such a program while the Ministry of Pensions by Imperial order had been given the responsibility to prepare draft laws to provide pension benefits for the employees of the private enterprises since 1958. The administration of the civilian and military public servants pension funds under one scheme is found to have implications for worse capacity of the scheme.
The literature also reveals the fact that the administration of military pension fund is in a separate scheme other than civilian pension scheme in other countries.

The Ministry of Finance, against the pension legislation, had been collecting contributions from public servants and effecting pension payments the same until 1998. These funds started to be administered by the right authority only since 1998. This shows the inefficiency of fund administration of the scheme.

The review of the related literature pointed out that there is a minimum standard set up by the ILO which distinguishes nine types of benefits. Ethiopian pension scheme realized only four though with limitations. In this case, pensioners do not have access for free or subsidized form of medical service.

The findings also reveal the need of the people for retirement age to remain 55 and the involvement of EPNA in policy decisions and fund administration.

Finally, it is noted that the SSA did not involve in significant investment activities except in time deposit, government bonds and treasury bills so that the fund remained weak for long.

6.3. RECOMMENDATIONS

In view of the findings and the conclusion of the study, the following recommendations are suggested in the hope that would help for policy interferences.

1. It is felt that the Ethiopian Government revises its policy on matters like the denial of pension rights shall not be connected with imprisonment sentenced by court since the denial of such right affects not only the imprisoned pensioner/employee but also his wife, children and parents. To add more of this particular issue, as pension plan is a contribution made by an employee and the employer, the pension scheme should not have any relation with criminal punishment so that the provision which stipulates the suspension of benefits due to criminal offence be abolished.
2. It is felt that the Government considers the pension payments made in effect did not contribute for most of the pensioners to have even one meal a day and subsidize the scheme so that it can revise the amount of payment to be paid for the already retired people to improve their harshing living situation.
3. Since Government is responsible for Social Security, it would appear to revise its pension legislation and avoid pension related provisions in other legislations that have

no relation to Social Security. The prevalence of differences within the insured population for entitlement should be avoided.

4. It is forwarded that there should be no directive to be stipulated against the legislations and interference of officials without legal authorization would be abolished so that there should be no discrimination of rights in benefits within members of the scheme.
5. The SSA as a responsible administrator should involve in investments that are evidently profitable (real estate and the like) so that it could strength its capacity to involve contingencies other than the already maintained.
6. The Military Pension Fund should be separated from the scheme so that the government could administer it better to employ more benefits for the military pensioners and on the other hand the pension scheme would have a fund with strong capacity.
7. The SSA should be capacitated to administer the pension fund efficiently and EPNA as stakeholder would involve in policy decisions related to fund management.
8. It is felt that the Government should review the Imperial order No. 20/58 so that it would stand to take measures to widen the current magnitude and scope of coverage. Though it could be hardly possible to implement Social Security in light of universalism approach, it could be possible to establish earning-related contributory scheme which to some extent would be subsidized by the government and the private enterprises and wage-earners mandatorily contribute on the part of their employees.
9. The retirement age should remain the same as it is and like in Taiwan and Korea provisions for early retirement should consider service years for those who would lose their jobs beyond their control. It should also be considered that life expectancy in Ethiopia is below the current retirement age and job guarantee is obviously reducing.
10. The contributions to be collected from the members of the scheme and the benefits to be given by the scheme should be with the same percentage for all so that inequality of benefits be avoided.
11. The amount of payments to regular pensioners and survivors is found to be unsatisfactory since basic salaries of government employees had been relatively lower

for a long time. Therefore, it is recommended that the amount of retirement benefit be increased and pension payment progression be implemented either, in the form of annual increment or by market assessment.

12. It is forwarded that the qualifying conditions for entitlement of pension benefits include also years of contributions without age limits (like that of Korea).