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Action Research on Social Protection in Post Independence Zimbabwe, 1980-2019

DR GODFREY KANYENZE

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Action Research on Social Protection in Post-Independence Zimbabwe, 1980-2019

1. Introduction: Nature, Scope and Functions of Social Security

It is now widely acknowledged that universal social protection is a potent policy instrument to alleviate poverty, inequality and social exclusion. Instructively, countries that have managed to substantially reduce poverty and improve well-being had comprehensive social protection systems in place (see UN, 2018).[1] Social protection is recognised as a human right that provides social security assistance and income for those unable to work as a result of sickness / illness, disability, maternity/child care, work injury, unemployment, invalidity or old age and retirement. Social security promotes access to basic social services such as health care as well as income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of the main income earner. It is an income-maintenance scheme covering instances where someone's income-earning capacity is disrupted. The value of social security derives from the security it gives to individuals that in the event of emergencies that affects their incomes they will be adequately covered, and hence will still be in a position to meet their basic needs.

Through the provision of health care, income security and social services, social security promotes productivity and contributes to the dignity of the individual. In addition, social security systems enhance gender equality by way of measures that ensure women with children access equal opportunities in the labour market. In this regard, social protection is an important tool to prevent or reduce poverty, inequality, social exclusion and social insecurity. It promotes equal opportunity and gender and racial equality; it also supports the transition from informal to formal employment. The expansion of the coverage of social protection is in line with the mantra of the SDG agenda of "leaving no one behind" (see ILO, 2012; 2014; UN, 2018).

Critically, social security is an investment in people that enables them to adjust to changes in the economy and the labour market. Social security systems therefore act as automatic social and economic stabilisers, stimulating aggregate demand in times of crisis and beyond, and facilitating transition to a more sustainable economy. Thus, a focus on policies fostering sustainable long-term growth, that are often associated with social inclusion, helps to address extreme poverty and reduce

[1] Social protection systems are defined as all public measures that provide benefits to guarantee income security and access to essential health care, such as unemployment insurance, disability benefits, old-age pensions, cash and in-kind transfers, and other contributory and tax-financed schemes (UN, 2018:xv).

inequalities and differences within and across regions. There is also a strong association between the transition to formal employment and the emergence of sustainable social security systems.

The Social Protection Policy Framework for Zimbabwe defines social protection as "…a set of interventions whose objective is to reduce social and economic risk and vulnerability and alleviate poverty and deprivation," (see Zimbabwe, 2016:19). The definition extends beyond poverty alleviation, including issues related to inclusive social and pro-poor economic growth associated with protective, preventive, promotive and transformative interventions that provide social insurance, social assistance, labour market interventions and livelihood support and resilience-building interventions. In this vein, strong social protection policies and effective social protection systems are necessary in order to reduce poverty and vulnerability, for the development of human capital, addressing inequality and promoting inclusive growth (ILO, 2014). Social protection is therefore essential for promotion of social and economic development. When social protection is lacking, quite often the result is high levels of poverty and economic insecurity.

The UN elaborates as follows: "Social protection is a key policy tool to promote far-reaching improvements in human well-being. It has served as a powerful lever to reduce poverty and inequality. It has furthered inclusive economic growth. It has shielded individuals and families in times of crisis and has helped improve children's health and education. Together with access to quality services, universal access to social protection has proven necessary to break the intergenerational cycle of poverty and promote inclusion" (2018: iii).

Although the provision of social security on a formal basis is a relatively new development in Africa, many governments have embraced the need to provide some form of social protection to their citizens. The main assumption behind the provision of social security is that it is normal for an individual to develop needs or wants that cannot be met through his or her own resources, a scenario which requires such resources to be mobilised externally for the individual. In this regard, social security seeks to provide income-maintenance in cases where an individual's capacity to earn a living is impaired temporarily or permanently.

There are three main approaches to social protection: (i) social protection as a human right; (ii) systems approach to social protection; (iii) multi-sectoral approach to social protection. As a human right, social protection is based on international conventions which state that people have rights and entitlements to social protection and the state has an obligation to provide minimum essential services that can ensure an adequate standard of living, through basic livelihoods support, access to health, shelter and housing and education services. The design of the policies, programmes, implementation strategies and monitoring and evaluation strategies will be founded on principles of non-discrimination, transparency, accountability and participation.

The systems approach to social protection recognises that because poor and vulnerable individuals, households and communities are heterogeneous and have diverse social and economic vulnerabilities, they require different types of support. The policies and programmes are therefore designed to tackle the multiple vulnerabilities. The structures of the social protection system are instituted on clear arrangements with clear roles and responsibilities which facilitate the building of synergies supported by robust accountability processes, a comprehensive and unified management information system, a unified registry of beneficiaries, common targeting processes and a robust monitoring and evaluation system. The approach is therefore developmental, combining short term and long term interventions that are complementary, promote equality and enable people to graduate from poverty and become self-reliant. The systems approach facilitates the harmonisation and coordination of policies and programmes thereby doing away with the challenge of fragmentation and improving efficiency of social protection policies and programmes. It enables the poor to develop resilience, improves equity, increases coverage and promotes opportunity through development of skills, productivity, as well as development and protection of human capital.

The multi-sectoral approach involves a holistic approach to social protection. It identifies and exploits linkages between sectors. It denotes the inclusion of different sectors to provide social protection using a life-cycle approach. For example, in Zim-Asset the Social Services and Poverty Eradication Cluster comprises different ministries that provide social protection to the different groups of poor and vulnerable people with one ministry taking a leading role. The approach is implemented at the different levels which include national, provincial, district and ward levels. The service delivery is guided by clear guidelines and interrelated through the use of agreements signed by the sectors.

The multi-sectoral approach improves coordination and harmonisation of social protection programmes. It is cost effective, for example, through pooling together of resources from different sectors within one administrative unit. The use of one registry office can reduce costs and create synergies that will improve the effectiveness of policies and programmes. The multi-sectoral approach makes it possible to achieve comprehensiveness in provision of services and it reduces the problem of double-dipping. It also enables the sectors to conduct joint monitoring and evaluation activities which can be cost effective (see Zimbabwe, 2016).

Social protection has four pillars: (i) social assistance, (ii) social insurance, (iii) labour market interventions, (iv) programmes to support livelihoods and building resilience (see Zimbabwe 2016). Social assistance is extended in the form of financial benefits to "persons of small earnings, granted as a right in amounts sufficient to meet a minimum standard of need," (ILO, 1942). Because public assistance is non-contributory, it is financed through taxation. Such assistance is ordinarily restricted to those who are destitute and unable to meet their basic needs, with such assistance only provided after it has been established that the applicant cannot secure assistance from family members. Since in most developing countries social security is not taken as a right but a privilege, those receiving it often carry social stigma as they are regarded as failures in society. Furthermore, in the context of scarce resources in such countries, not every destitute person benefits from social assistance, with those accessing it becoming the "privileged poor."

Social insurance is a financial scheme designed "to guarantee the wage earner and his dependants a minimum income during periods when through forces largely beyond his control his earnings are impaired or cut off." (Epstein, 1948). It is contributory, covering such risks as unemployment, sickness, invalidity and old age. Social insurance is therefore designed to provide social protection to wage earners and their dependants against economic emergencies. The contribution to social insurance is usually shared between the employer, employee and government. What distinguishes social insurance from social assistance is that claimants view the benefits as a right since they would have contributed for their own social protection. Social insurance is governed by a legal instrument which clearly spells out the levels of contribution and how the benefits can be enjoyed. As such, there is no stigma attendant to drawing benefits from social insurance.

Labour market interventions should be adopted to achieve full and productive employment. These interventions should include, payment of living wages that enable workers to meet their basic needs; support for disadvantaged groups such as women, youth and people living with disabilities; entry into the labour market to promote inclusivity; expansion of productive community works programmes; strengthening and aligning skills training and entrepreneurial development programmes to enhance job creation to meet the needs of the labour market; creating partnerships between the state and non-state actors to strengthen job placement service programmes; scaling up use of micro-finance to promote small businesses; improving rehabilitation programmes to facilitate re-integration in society; and promoting the transition of the informal economy to formality.

Critically, therefore, the adoption and implementation of a comprehensive social protection system is imperative in order to mitigate the impacts of unemployment and poverty and enhance social development. In order to address human insecurity and poverty, a country's social protection system should build the capacity of poor and vulnerable households to deal with stress and shocks, create sustainable livelihoods and build resilience. This can be achieved through interventions that include provision of micro-finance, micro-credit, productive public works programmes and skills training aimed at enhancing income-earning opportunities for the poor and vulnerable households, assisting them to acquire assets, access resources and develop capabilities that will help them achieve sustainable livelihoods and build resilience.

In as much as social protection helps people manage trade-offs between immediate needs and future livelihoods, it promotes capital accumulation and investment. Social protection does not only alleviate poverty but also promotes broader societal well-being. Empirical evidence suggests that social protection transfers can stimulate demand and boost consumption as well as promote economic growth. For instance, during periods of economic downturn, spending on social protection has the potential to revive economies and promote employment. In addition, social protection can reduce income inequality. It has been found that social assistance programmes financed through taxation have reduced inequality by more than 10% in countries like Mauritius and Mongolia (see UN, 2018).

In middle and high income countries where coverage is more widespread, contributory social insurance programmes are often associated with an even greater equalising effect. Inequality in Central Asia and Eastern Europe is almost 16% lower than it would otherwise be in the absence of social insurance schemes. In developing countries, cash and in-kind transfers helped raise school enrolment and attendance and also improved the health and nutritional status in beneficiary households. Programmes such as unemployment protection, disability benefits and social pensions, that reduce income insecurity among adults, have a strong intergenerational impact (see UN, 2018).

Article 9 of the International Covenant on Economic, Social and Cultural Rights clearly states that "The States Parties to the present Covenant recognise the right of everyone to social security, including social insurance." This means everyone has the right to social security. Through social welfare assistance, states are expected to guarantee protection to everyone, especially the most vulnerable members of society, in the event of unemployment, maternity, accident, illness, disability, old age or other such life circumstances. The principle is such that states must progressively realise the right to social security by way of measures that offer protection, including cash or in-kind, enabling individuals and families to access at least essential health care, basic shelter and housing, water and sanitation, food, and the most basic forms of education. Due to its redistributive effect, the right to social security is important in promoting social inclusion and cohesion, and poverty reduction. As expected, social security has to be provided on a non-discriminatory basis, with the means of financing and providing social security varying from state to state.

In the General Comment 19, the UN Committee on Economic, Social, and Cultural Rights (CESCR) noted that the right includes the following interrelated and essential features:

- **Availability** – states must ensure that a social security system is available to provide benefits to address relevant impacts on livelihood. Such systems must be administered or regulated by the state and should be sustainable to provide continuity through generations.
- **Social risks and contingencies** – states' social security systems should provide for the coverage of the nine principal branches: health care, sickness, old age, unemployment, employment injury, family and child support, maternity, disability and survivors and orphans.
- **Adequacy** – benefits provided under a social security arrangement must be adequate in both amount and duration to ensure that recipients may realise their rights to family protection and assistance, an adequate standard of living, and adequate access to health care. To facilitate this, states should regularly monitor the criteria used to determine adequacy. When a person makes contributions to a social security scheme that provides benefits to cover lack of income, there should be a reasonable relationship between earnings, paid contributions, and the amount of relevant benefit.

- **Accessibility** – access to social security involves five key elements: coverage, eligibility, affordability, participation and information, and physical access. Everyone should be covered by the state's social security system, particularly the most disadvantaged and marginalised groups, without discrimination on any prohibited ground. Non-contributory schemes will be necessary to ensure universal coverage. Qualifying conditions must be reasonable, proportionate and transparent. Any termination, suspension or reduction of benefits should be prescribed by law, based on reasonable grounds, and subject to due process. Any contributions required under a social security scheme must be stated in advance, affordable for all, and should not compromise other human rights. Everyone must have access to information on social security entitlements, and be able to participate in available social security systems. States should ensure that everyone can physically access social security services to access benefits and information and make any required contributions, with particular attention given to persons with disabilities, migrants, and persons living in remote, disaster-prone, or conflict areas.

Thus, availability, accessibility and adequacy are prerequisites for social security to "leaving no one behind." The ILO Social Protection Floors Recommendation, 2012 (No. 202), reflects this consensus on the need to extend social security to all, adopted by governments and employers' and workers' organisations from all member States.[2] Furthermore, the new global development agenda encapsulated in Sustainable Development Goals (SDGs), to be fulfilled by 2030, seeks to engender shared progress designed to benefit everyone, everywhere. Sustainable Development Goal 1.3, calls for the adoption of "nationally appropriate social protection systems and measures for all, including floors." It addresses the role of social protection in ending poverty in all its forms. The goal of the SDGs is that by 2030, there is substantial coverage of the poor and the vulnerable, yet that target is only 11 years away, at a time when 71% of the global population has no access to comprehensive coverage (see UN, 2018).

The right to social protection is integrated into the provisions of the African Charter on Human and People's Rights (1981) and the African Charter on the Rights and Welfare of the Child (1990). At the sub-regional level, the Charter of the Fundamental Social Rights in SADC (2003) seeks to promote the right to social protection in all member states. Article 11 of the SADC Protocol on Employment and Labour is specifically about social protection and it spells out the obligations of member states as follows:

1. State Parties shall, with due regard to the means available, ensure that:

(a) every worker in the Region and his or her dependants shall have a right to adequate social protection and shall, regardless of status and the kind of employment of the worker, enjoy adequate social security benefits; and

(b) persons who are unable to enter or re-enter the labour market and have no means of subsistence shall be entitled to receive sufficient resources and social assistance.

2. Every State Party shall establish, maintain and progressively raise its system of social security to a level consistent with international and regional instruments, by ratifying and implementing ILO Social Security (Minimum Standards) Convention 1952 (No. 102) and implementing the ILO National Floors of Social Protection Recommendation 2012 (No. 202).

3. Each State Party shall aim at developing an integrated and comprehensive social protection system which:

(a) ensures meaningful coverage of everyone under the system in terms of, among others, social insurance schemes and social assistance measures;

(b) protects against special and collective risks, including political conflict and natural disasters;

(c) adequately integrates sufficient preventive and reintegrative measures, including measures aimed at integrating and reintegrating workers into the labour force;

(d) encompasses co-ordinated formal and non-formal types and direct and indirect forms of social support; and

(e) promotes complementarities between social security and economic development policies.[3]

2. Social Security in Zimbabwe

Kaseke (1988) traced the historical development of social security in Zimbabwe and explored the possible options for developing a comprehensive social security system. The development of social security in Zimbabwe is inextricably linked to the country's colonial history when racial discrimination during the colonial period resulted in the introduction of fragmented social security schemes catering for the non-African population in the form of old-age pensions, public assistance and occupational pensions in the event of involuntary loss of income. However, the same protection was not extended to Africans on the assumption that their needs were simple and could easily be met within the peasant (rural) economy. For those employed in the formal sector, it was assumed there was no reason to cover the contingencies of sickness, old age and retirement as the indigenous population was expected to return to their rural homes at the cessation of employment. Thus, the rural areas were seen as a form of indigenous pension for blacks (see Clarke, 1977).

[2] Social protection floors are nationally defined sets of basic social protection guarantees that should ensure, at a minimum, that all in need have access to essential health care and to basic income security over the life cycle (see UN, 2018:xv).

[3] The SADC Protocol on Employment and Labour was approved by SADC Council of Ministers in August 2014 and signed by SADC Heads of State at the August 2014 summit. The Parliament of Zimbabwe ratified the Protocol in January 2018.

Even though the attainment of independence in 1980 ended all forms of racial discrimination, the country still does not have a comprehensive social security system. As highlighted in Section 30 of the 2013 Constitution, "…the state must take all practical measures, within the limits of the resources available to it, to provide social security and social care to those who are in need." This therefore implies that social protection is a responsibility of the state. Other partners, including development partners, private sector, civil society organisations and NGOs will complement government funding to ensure that the resources available are adequate and sustainable.

A range of social protection instruments are being implemented, including cash and in-kind transfers, public works programmes, health and education assistance, child protection services, social insurance programmes, and programmes to rebuild resilience and livelihoods. This, notwithstanding poverty and vulnerability, remains high with 72.3% of the population living below the Total Consumption Poverty Line (TCPL) and 22.9% being extremely poor, living below the Food Poverty Line (FPL). Poverty is more prevalent and severe in rural areas than in urban areas with 84.3% and 46.5% of individuals respectively living below the poverty line. Extreme poverty is higher in rural areas at 30.4% compared to the 5.6% in urban areas [Zimstat, Poverty, Income, Consumption and Expenditure Survey (PICES), 2011/12].

The country's social protection system is fragmented and duplicative and hence its limited impact on poverty and vulnerability. There is no comprehensive social insurance scheme in Zimbabwe. The vast majority of people irking out a living in the informal economy do not benefit from social security. Furthermore, the social insurance benefits provided are very limited, and the social security benefits are not portable. Income security in Zimbabwe is severely undermined by the high levels of unemployment and underemployment.

While Zimbabwe has a long history in the provision of social welfare services targeted at addressing social ills, especially through the extended family, this has been eroded over time due to urbanisation and globalisation. The lack of adequate resources on the part of the state and non-state actors that would have filled in the void implies inadequate provision of meaningful social support and care. This has been exacerbated by the prevailing economic challenges as reflected in the declining budgetary support for social welfare services. The reach of social welfare services remains low and rudimentary, with limited access by the rural population (see Zimbabwe, 2016). The declining economic and social conditions resulted in reliance on migration as a livelihood strategy for most families in Zimbabwe. While the diaspora has provided relief, challenges in the source markets, and in particular South Africa where the bulk of the diasporans live, has limited such support.

Social insurance coverage is mainly associated with formal employment, and yet the employed population in the informal sector jumped from 80% in 2004 to 84.2% in 2011 and 94.5% by 2014 (Zimstat, Labour Force Surveys, 2004, 2011 and 2014). As indicated in the 2014 Labour Force Survey, 98% of the currently employed youth aged 15-24 years and 96% of currently employed youth aged 15-34 years were in informal employment. Clearly, the majority of the employed and their families, as well as other disadvantaged groups, are excluded from formal social protection coverage.

According to the 2014 Labour Force Survey, about 285,000 persons, 2% of the population, were receiving a monthly pension or some social security funds. Thirty-one per cent (31%) of the population aged 65 years and above was receiving a monthly pension or any social security funds (42% for males and 19% for females). Occupational pension was a major source of pension or any other social security funds. About 1.3 million persons, representing about 9% of the population were members of a medical aid scheme, mostly in private enterprises. There were no sex differentials for the population benefiting from medical insurance in Zimbabwe.

Social protection interventions are generally under and irregularly financed as a result of the poor performance of the economy. In the National Social Protection Policy Framework (NSPPF), the target was to consider as eligible for all forms of social assistance in the short to medium term all the 500,000 households which are deemed to be below the Food Poverty Line (FPL). On the basis of the budget (National Budget) allocated for social welfare in 2018, each household would get a meagre US$38.60 per year and US$70.55 in 2019. On the basis of the 415,900 vulnerable children to be reached with educational support as indicated in the Blue Book, the US$23,485,000 allocated to child welfare in 2018 works out at US$56.47 per child per year for 2018, while the US$31,592,000 allocated for child welfare yields a support level of US$75.96 per child per year.

The social protection system in Zimbabwe suffers from a number of weaknesses, including the following:

- Fragmented application of the instruments without a proper guiding structure.
- Inadequacy and exclusionary nature of available services.
- Lack of predictability, consistency, transparency and durability in most of the schemes.
- Lack of proper centralised coordination leading to incoherent and sectoralisation of social protection under various ministries such as the Ministry of Public Service, Labour and Social Welfare, the Ministry of Primary and Secondary Education and the Ministry of Health and Child Care which often creates bureaucratic, complex situations.
- Lack of mutually supportive and clear policy objectives leading to disjointed approaches.
- Lack of awareness by people of what services they can access, their rights and entitlements.
- Weak monitoring and evaluation systems.
- Poor or no MIS.
- Existence of various pieces of Zimbabwean laws and policy statements that may not be mutually supportive of each other (see Zimbabwe, 2016:31).

In view of the weaknesses highlighted earlier, there is need for an overarching social protection policy that can provide a guiding framework for social protection in the country. The need for a coherent social policy framework has become more pronounced in recent years given the high levels of poverty in the country which are associated with rising unemployment, underemployment, rapid de-industrialisation and informalisation of the economy. This social protection policy should also mitigate the problems of fragmentation and duplication discussed above. In addition, it should be designed in such a manner that it enhances predictability, consistency, transparency and accountability.

To address the problem of extensive exclusion, Kaseke (1988) proposed the introduction of an administrative framework that would enable the rural population to participate in a contributory social security scheme and at the same time benefit from a non-contributory social security scheme. However, the success of such an approach would be predicated on linking it to a strategy of rural development targeted at enhancing the productivity of communal agriculture in order to raise income levels. UN (2018) argues for social protection systems that protect all members of society throughout the life cycle while at the same time addressing the risk of poverty, rather than poverty itself. It also makes the case for broad policy efforts that go beyond social protection, promoting income redistribution while tackling the root causes of poverty.

The goals of the National Social Protection Policy Framework include:

- to support the poor in developing skills that would enable them to become employable and self-reliant;
- to enhance equitable access to basic social services;
- to improve the provision of social welfare assistance to the poor and vulnerable;
- to enhance the protection of workers and their dependents against risks that threaten income security;
- to create conditions that promote equity, opportunity and build resilience, self-esteem and empowerment (see Zimbabwe, 2016:32).

The new National Social Protection Policy Framework for Zimbabwe is based on the five main pillars of social protection: (i) social assistance (ii) social insurance (iii) labour market reforms (iv) various programmes aimed at supporting livelihoods and resilience at different levels (individual, family, community and society as a whole) (v) social support and care (see Zimbabwe 2016). It seeks to provide a social protection system whose interventions are harmonised, coherent and well-coordinated.

In the proposed structure, overall responsibility for the management, development and implementation of the NSPPF lies with the Social Services and Poverty Eradication Cluster (SSPEC), while the MPSLSW will be the lead ministry and the secretariat of the cluster. A National Social Protection Steering Committee (NSPSC) will monitor the implementation of the National Social Protection Policy and develop mechanisms for the integration of social protection programmes at national level. It will also be charged with the responsibility of developing coordination and implementation guidelines. Reporting to the SSPEC through the Cluster Secretariat, NSPSC will comprise of three Technical Working Groups (TWGs) at national level, representing each of the three main pillars of the social protection system, namely, (i) Social Assistance and Social Care, (ii) Social Insurance, and (iii) Labour Markets and Livelihoods Support.

3. Loss of Value and Prejudice of Insurance and Pension Value Before and During Conversion from Zimbabwe Dollars to United States Dollars

Notwithstanding the aforementioned weaknesses of the social protection system in Zimbabwe, and in particular its narrow coverage and fragmented structure, insurance premium holders and pension contributors suffered prejudice during the period of high inflation leading to hyperinflation (1996-2008), and during and after the conversion from Zimbabwe dollars to United States Dollars in 2009. This necessitated the appointment of a presidential commission of inquiry into the conversion of insurance and pension values from the Zimbabwe dollar to the US dollar under the chairmanship of Retired Justice Leslie George Smith, which conducted its business over an 18-month period from 1 September 2015 to 28 February 2017. The inquiry covered a 20-year period from 1996 to 2015 covering the regulatory, financial and governance of 11 life insurance companies, nine funeral insurers, four independent pension administrators, 15 stand-alone pension funds, the National Social Security Authority (NSSA), the Government Pension Agency, and the Insurance and Pensions Commission (IPEC).

3.1 Causes of loss of value or prejudice

The commission found that loss of value in insurance and pension benefits mainly occurred before the conversion from the Zimbabwe dollar to the US dollar in 2009. It identified the causes of loss of value as emanating from three factors: macro-economic, meso or regulatory and institution-specific. Macro-economic factors that resulted in insurance policyholder and pensioner prejudice included inflation, currency debasing, as well as the exchange rate used during the de-monetisation of the Zimbabwe dollar to the US dollar in 2015.

In the absence of indexation, inflation eroded the value of fixed premiums and pension contributions. Negative real investment returns on fixed income securities such as bonds, Treasury Bills and money-market instruments, caused loss of value such that insurance companies and pension funds divested from such investments during the period 2001 to 2008. Furthermore, when the authorities demonetised the Zimbabwe dollar currency in August 2015, they applied the UN (parallel) exchange rate of US$1 to ZW$35 quadrillion, which prejudiced insurance policyholders and pensioners, reducing the already worthless Zimbabwe dollar values that had been deposited in individuals' bank accounts to just a few US cents or, at a maximum, US$5. Hence, pension funds and insurance companies' deposits and investments in the banking industry were demonetised at a rate that was not a fair reflection of the appropriate value. Such a parallel (illegal) exchange rate was adopted presumably to reduce government liability, and only US$20 million was set aside for the whole de-monetisation exercise.

The removal of 25 zeros (currency de-basing) during the period August 2006 to February 2009 resulted in insurance companies and pension funds technically extinguishing their obligations to policyholders and pensioners without having to make any actual payments. Industry players simply removed zeros on promised sum-assured or pension benefits when the Zimbabwe dollar currency was de-based, resulting in very low Zimbabwe dollar benefit values which, upon conversion to the US dollar, were for some pensioners, as low as US$0.05 cents, and in most cases zero, despite several years of contributing to pension funds. Meanwhile, assets supporting insurance and pension liabilities were transferred to shareholders of insurance companies or became surpluses in some defined benefit pension funds.

The commission also identified regulatory failure on the part of government and the regulator for insurance and pensions, IPEC, as having caused loss of value. They failed to guide the industry during hyper-inflation and currency de-basing and during the conversion of insurance and pension values when the economy was dollarised. In addition, the delayed de-monetisation of the Zimbabwe dollar currency, which happened almost seven years after dollarisation, resulted in the various entities in the industry applying their own conversion methods, which were prejudicial to policyholders and pensioners.

Regulatory failure at IPEC is reflected in the failure to conduct on-site supervision and to investigate its licensees, allowing arbitrary termination of insurance products, poor investment management practices, poor record-keeping, failure to deal with excessive administration expenses which averaged 81% of total contributions and premiums in a dollarised environment, failure to protect policyholders and pensioners when de-registering insurance companies, failure to deal with pension contribution arrears, and failure to strengthen the weak legal and institutional frameworks for insurance and pension businesses.

Insurance companies and pension funds also caused loss of value by failing to index contributions, premiums and benefits to inflation. They failed to separate insurance, pension and shareholder assets, and had poor record-keeping with most institutions not able to account for assets, investment returns and individuals' contribution records. Some insurance companies also had poor corporate governance practices, predatory administration and other expenses as high as 300% of pension contributions. They compromised provision of actuarial services and had insufficient skills. For instance, at the time of conversion, there were only two resident qualified actuaries in Zimbabwe (see Zimbabwe, 2018).

3.2 Main Recommendations

The main recommendation of the inquiry is that compensation to prejudiced insurance policyholders and pensioners should be based on assets that survived hyperinflation, with no compensation for loss arising from hyperinflation or geopolitical factors. The commission established that over 85% of the existing assets in the insurance and pension industry were acquired before dollarisation in 2009, indicating that the majority of assets actually survived hyperinflation. In fact, to hedge against inflation, assets were mainly invested in property and listed equities which re-established value post-dollarisation. The commission found that investments in bonds and money-markets which had negative real rates of return during the high inflation period from 2003 to 2008 were very negligible.

The commission recommended IPEC as the implementing agency for the recommended compensation framework considering the technical nature of work and the large number of policyholders and pensioners who were prejudiced, as well as the many products involved. The other recommendations offered included the following:

- Development of a post-inquiry implementation plan, with clear time lines and responsibilities of different stakeholders.
- Reviewing legislation governing insurance and pensions, namely the Insurance Act, the Pension and Provident Funds Act, the Insurance and Pensions Commission Act and the NSSA Act to deal with key deficiencies identified during the investigation.
- Revamping the regulatory framework for insurance and pensions through enhancing the supervisory capacity of IPEC in terms of head count, skills mix, commencement of prudential supervision, group-wide supervision of complex insurance structures, the regulation of expenses, the regulation of products offered by insurance companies and the regulation of corporate governance practices.
- Bringing NSSA and medical aid schemes under the purview of IPEC to enhance transparency, accountability, protection of policyholders and consolidating the regulation of insurance and pension businesses under one statutory body.
- Developing a "Financial Sector Development Plan" to guide the strategic direction and developmental role of the financial services industry in the economy, including insurance and pensions, banking, securities and micro-finance.
- Enhancing financial literacy and consumer protection.

Of particular interest to this action research paper is the conclusion and warning of the commission that members of the public and investigated institutions were highly expectant and anxious about the outcome of the inquiry. The inquiry highlighted the urgency required in implementing the recommendation in order to bring closure to this long standing issue that evokes emotions. The importance of providing feedback to the public on the findings of the commission was underlined as the responsibility of the appointing authority.

4. Lack of Post-inquiry Implementation of the Commission's Recommendations and the New Wave of Loss of Value through Inflation and Multiple Currencies under Dollarisation

Notwithstanding the fact that the commission had finalised its report by end of February 2017, the processes of presenting and adopting it were long drawn due to the factional fighting within the ruling party that had taken centre stage with provincial inter-face rallies. While the report had been presented to the IPEC board and staff at a one-day workshop held at the Crown Plaza Hotel in Harare on 17 May, it was only in July 2017 that the report was presented to the Minister of Finance and senior ministry officials at a one-day retreat held at Wild Geese.

With the cabinet reshuffle of October 2017 which saw the Minister of Finance, Patrick Chinamasa redeployed to a newly created Ministry of Cyber Security, Threat Detection and Mitigation, it appeared the commission's report had been put into abeyance. It was only after the military-assisted change in leadership and the return of minister Chinamasa to the finance portfolio in November that the report was presented to the president on 18 December 2017. The president insisted that the report is presented to a full sitting of cabinet, which was done on 20 February 2018. Following its presentation, the report was formally adopted by cabinet and the minister was requested to gazette it for public release.

Apart from the presentation of the report to a sitting of the Parliamentary Portfolio Committee on Finance, and a joint sitting with that of Labour before the national elections of 30 July 2018, no major progress has been made in the implementation of the commission's recommendations. Critical outstanding work to take the process forward would entail development of a compensation guideline to the investigated institutions, computation of rightful benefits by the respective insurance companies and pension funds and determination of the solvency position allowing for compensation. Moreover, implementation of the compensation framework would require that a legal instrument is put in place, first, to enforce compensation, and this has not yet been done.

The budget deficit was projected at US$2.86 billion (11.7% of GDP) in 2018, against a target of US$793 million, up from US$1.7 billion (9.9% of GDP) in 2017, US$1.4 billion (8.5% of GDP) in 2016, and US$382.5 million in 2015 (2.3% of GDP). The sudden rise in the fiscal deficit in 2016 is related to the Reserve Bank Debt Assumption Act of July 2015, which required government to take liability of an estimated $1.35 billion debts incurred by the RBZ before 31 December 2008. As a result of the expansionary fiscal stance, government debt to the banking sector increased steeply after 2015, culminating in a prolonged financial crisis that severely limited credit to the economy and resulted in cash shortages, prompting banks to limit cash withdrawals and import payments as they had depleted their US dollar reserves.

Issuance of Treasury Bills quadrupled from US$2.1 billion in 2016 to a cumulative US$7.6 billion, by end of August 2018. During the period January to August 2018 alone, government issued Treasury Bills and bonds worth US$2.5 billion. While the ratio of Treasury Bills to GDP was at 4.4% in 2014, it increased sharply to 36.5% by end of August 2018. Government's overdraft facility at the Central Bank to finance the deficit at US$2.3 billion as at end of August 2018 is three times higher than the statutory limit of US$762.8 million. Regrettably, the overdraft facility increased by US$1.11 billion for the period January to September 2018 and was projected to close the year at US$2.5 billion, well above the stipulated statutory limit. It also violated the requirement of Section 11(1) of the Reserve Bank Act [Chapter 22:15], which states that borrowing from the Reserve Bank shall not exceed 20% of the previous year's government revenues at any given point.

As the 2018 Budget Statement noted, "at the heart of the economy's fundamental economic challenges is an unsustainable budget deficit, whose financing through issuance of Treasury Bills and recourse to the overdraft with the Reserve Bank is untenable. This is also at the core of factors driving the demand for foreign exchange, as well as creation of excess money supply, which is largely in the form of electronic RTGS and mobile money balances," (paragraphs 85-86, page 30). It concludes that "the room for domestic financing of the large fiscal deficit has now been fully depleted, and additional monetary financing of the deficit can only lead to inflation and further economic deterioration," (paragraph 96, page 32).

Resultantly, Zimbabwe is in debt distress with total debt increasing from US$8.4 billion (60% of GDP) in December 2014 to US$11.2 billion in October 2016 and US$18.1 billion (73.5% of GDP) by December 2018, beyond the statutory limit of 70% of GDP. What is worrying is the emergence of domestic debt from as low as US$275.8 million in 2012 to US$9.6 billion by December 2018. External debt stands at US$8.5 billion as at December 2018. The country has failed to clear arrears on its debt to the creditors of choice amounting to US$2.4 billion (US$680 million to the AfDB, US$1.4 billion to the World Bank and US$308 million to the European Investment Bank). The new Minister of Finance and Economic Development, Professor Mthuli Ncube committed to the creditors on the sidelines of the IMF/World Bank meetings held in Bali, Indonesia in October 2018 to clear the arrears in 12 months.

Significantly, annual inflation, which had slumped into deflation at -0.2% in 2014 and -2.4% in 2015 largely reflecting a depreciating South African rand and weakening domestic demand, trended upwards throughout 2016, averaging -1.6% in 2016 and 0.9% in 2017. The economy is now out of the deflation, rising in 2018 as follows: 3.5% in January, 3% in February, 2.7% in March, 2.71% in April 2018, 2.71 in May , 2.91 in June, 4.3% in July, 4.8% in August, 5.39% in September, spiking to 20.85% in October, 31.01% in November and 42.09% in December 2018. It was the highest inflation rate since at least December 2009, driven by high prices of basic goods. The SADC macro-economic convergence target of inflation is 3-7%.

The general price hikes are driven by foreign exchange rate premiums associated with the mismatch between electronic bank balances and available foreign exchange. It is important to note that the huge increase in inflation in October is associated with the measures adopted in the monetary and fiscal policies announced on 1 October 2018. With immediate effect, all banks were directed to separate foreign currency accounts (FCAs) into two categories, Nostro FCAs and RTGS FCAs.

This policy measure was designed to encourage exports, diaspora remittances, banking of foreign currency into the Nostro FCAs and to eliminate the dilution effect of RTGS balances on Nostro foreign currency accounts. Banks were given up to 15 October 2018 to fully comply with the policy measure and also to provide reasonable deposit rates on the Nostro FCAs in line with international best practice. In order to preserve value for money for the banking public and investors during the subsistence of the multi-currency system, it was announced that the relationship between the two FCAs will remain at parity (1:1). The Fiscal Policy Statement reviewed the Intermediated Money Transfer Tax from 5 cents per transaction to 2 cents per dollar transacted, effective 1 October 2018.

Following the announcements, the markets went into a frenzy as the creation of nostro and RTGS FCAs clearly sent the signal that the two were not equal, even though the authorities stated otherwise. As Gresham's law would predict, where there are two forms of commodity money in circulation, which are accepted by law as having similar face value, the more valuable commodity will gradually disappear from circulation as "bad money drives out good." The huge demand for foreign currency that followed the announcement was accentuated by the peak demand associated with the festive season, resulting in the applicable exchange rate on the parallel markets rising by up to 600% in October 2018, before stabilising at between 250% and 350%. In a development that mirrors that of the period 2007-2008, shortages of fuel and other commodities emerged.

The inflationary fires were stalked further on the evening of 12 January 2019 when President Mnangagwa announced a 150% increase in fuel prices. The prices were increased from US$1.24 for a litre of petrol to US$3.31, with diesel being reviewed from US$1.36 to US$3.11 per litre, making the country' s fuel prices the highest in the world. The announcement was met with a universal outcry characterised by violent protests and riots across the major towns and cities of Zimbabwe beginning Monday, 14 January 2019. This no doubt implies that inflationary pressures will be sustained in the foreseeable future. Based on developments on the ground, where prices have gone up by more than 100% and in some instances more than three-fold, the official inflation levels are considered underestimates. Steve Hanke of the CATO Institute in the USA estimates that Zimbabwe's cumulative inflation rate as of December 2018 was 186%, second to Venezuela where the rate was projected to reach nearly 1,4 million per cent in 2018. He calculated inflation using the Old Mutual implied rate and the purchasing power parity application. .He estimated that as of 16 January 2019, Zimbabwe's inflation rate had reached 236% and by month-end, 290%, the second highest in the world after Venezuela, driven mainly by the acute shortage of foreign currency. As suppliers demanded payment in USD, other players in sectors such as health, real estate, tourism, and beverages (read Delta Corporation) started demanding payment in the same currency. A three-tier pricing structure (electronic, cash-bond, and cash USD) is now in operation, which has implications for the insurance and pension industry.

Disturbingly, a new phase of erosion of insurance and pension values has emerged, even before the findings of the commission of inquiry have been implemented. As in the past, loss of value is associated with three factors: macro-economic, meso or regulatory and institution-specific. Again, in the absence of indexation, inflation is eroding the value of fixed premiums and pension contributions. The existence of a three-tier pricing structure further complicates the situation. For instance, while the insurance contract or pension may be pegged in USDs, contributions may actually be through the lower-value cash-bond or electronic transfer. The lack of regulatory guidance on the currency issue, as well as the fictitious exchange rate of 1:1 creates distortions that make it difficult to stick to the terms of the contracts. It is clear that implementing the recommendations of the commission of inquiry is more complicated, given that issues of solvency and sustainability are looming large. The need to assess the solvency of the insurance and pensions industry is therefore imperative.

In the absence of regulatory guidance, the various entities in the industry are left to apply their own conversion methods, which may be prejudicial to policyholders and pensioners. It is also inconceivable that the plethora of deficiencies of IPEC highlighted by the inquiry have been addressed, including the weak legislation and institutional frameworks for insurance and pension businesses. Stability at IPEC is an issue, especially as its commissioner, Tendai Karonga resigned on 16 May 2018 just over a year after being appointed following his fall out with the board. Since then, IPEC is operating without a commissioner. This leaves policyholders and pensioners open to the prejudice extensively reported in the commission report.

At the level of the insurance companies and pension funds, failure to index contributions, premiums and benefits to inflation, use of arbitrary and prejudicial methods, arbitrary terminations of products and closures, pension contribution arrears, failure to separate insurance, pension and shareholder assets, poor record-keeping, poor corporate governance practices, predatory administration and other expenses and absence of skills continue to bedevil the industry.

5. Adoption of the Transitional Stabilisation Programme (TSP) (October 2018-December 2020) and Implications for Social Protection

In October 2018, government adopted an austerity programme, the Transitional Stabilisation Programme (TSP) (October 2018-December 2020). TSP is a macroeconomic and fiscal stabilisation programme which front-loads arrears clearance and debt resolution. In the absence of fiscal space, it is clear that the prioritisation of arrears clearance and debt resolution entails crowding-out other critical expenditures, including on social protection, a point that was made clear in the Monetary Policy Statement of 1 October 2018 when it warned that "rebalancing the economy requires tough and painful measures to deal with the root causes of the economic challenges facing the Zimbabwean economy," (page 13). Measures to reduce expenditures and mobilise more resources through taxes entail pain and sacrifice, hence the theme of the 2019 budget of "austerity for prosperity".

Essentially, austerity entails cutting back on aggregate demand and it is pro-cyclical, which ultimately will affect growth, employment and poverty – the stabilisation trap (see Easterly, 2001 & 2002; Islam, 2003; Muqtada, 2010; UN Economic and Social Council, 2012). It should therefore not be lost to Zimbabweans that we have been here before, government railroaded the populace into ESAP in 1991. But then, government also belatedly added a social dimensions programme to mitigate the social effects of ESAP. While the 2019 budget statement indicates the need to give attention to social safety nets for the vulnerable who are negatively affected by the implementation of austerity measures and other risks, there is no guarantee that this will be done.

We need to also recall the lessons learnt, if any, from the implementation of Structural Adjustment Programmes (SAPs) so that we are the wiser going forward. Addressing the first forum of the Structural Adjustment Participatory Review Initiative (SAPRI), 2-3 September 1999, the World Bank Resident Representative, Tom Allen identified the following as having resulted in the failure of ESAP:

- "growth needs to be inclusive – "Partial deregulation without a restructuring of the dual economy creates social tensions and not enough jobs";
- social sector expenditures need to be protected and targeted measures to deal with poverty should not be seen as "add ons" but as an integral part of the programme;
- state intervention is necessary – "Getting the prices right and making markets work better are important, but these need to be complemented with measures to ensure that the "unequal" balance of power of those who can readily engage in the market and those who cannot, does not lead to dangerous levels of social tensions"; and
- national ownership is critical."

These critical lessons from experience are also documented in two seminal World Bank reports "Economic Growth in the 1990s: Learning from a Decade of Reform" (World Bank, 2005) and "The Growth Report: Strategies for Sustained Growth and Inclusive Development" (World Bank, 2008). In the aftermath of the global crisis of 2008-09, there is an emerging consensus on the need to rethink the traditional macroeconomic framework that emphasised macroeconomic stability. A paper by the IMF appropriately titled, "Rethinking Macroeconomic Policy," argues that "…we thought of monetary policy as having one target, inflation, and one instrument, the policy rate. So long as inflation was stable, the output gap was likely to be small and stable and monetary policy did its job. We thought of fiscal policy as playing a secondary role, with political constraints sharply limiting its de facto usefulness. And we thought of financial regulation as mostly outside the macroeconomic framework," (see Blanchard et.al, 2010: 3).[4] In essence, this rethink implies that there can be multiple targets in a macroeconomic strategy, which can be achieved through multiple instruments. The recognition of fiscal policy as a significant policy tool, particularly in times of crisis when counter-cyclical measures are warranted, and when monetary policy often reaches its limits, is a worthwhile development.[5]

[4] This shift was also highlighted at an IMF conference in March 2011. See Macroeconomic Policy in the wake of the crisis. http://www.imf.org/external/pubs/ft/survey/so/2012/BOK033012A.htm.

[5] In the aftermath of the Great Depression, following Keynes, fiscal policy was a central tool of macroeconomic policy. In fact, during the 1960s and 1970s, fiscal and monetary policy roughly had the same weight; instruments designed to achieve two targets,

The prolonged recovery in spite of austerity in Greece sparked debate on the efficacy of such interventions. IMF forecasts as part of Greece's first bailout programme in 2010, predicted that the nation could cut deeply into government spending and quickly bounce back to economic growth and rising employment. An IMF working paper published on 3 January 2013 titled "Growth Forecast Errors and Fiscal Multipliers," co-authored by its chief economist, Olivier Blanchard and Daniel Leigh, a research-department economist, argues that the IMF recommended slashing budgets too early in the euro crisis, starving many economies of much-needed growth. It observes that "Forecasters significantly underestimated the increase in unemployment and the decline in domestic demand associated with fiscal consolidation."

The Working Paper indicates that IMF and European economists underestimated the euro-for-euro effect of cutting government budgets. While economists expected that cutting a euro from the budget would cost around 50 cents in lost growth, the actual impact was likely 1.50 per euro. The paper concluded, "The results do not imply that fiscal consolidation is undesirable…Virtually all advanced economies face the challenge of fiscal adjustment in response to elevated government debt levels and future pressures on public finances from demographic change. The short-term effects of fiscal policy on economic activity are only one of the many factors that need to be considered in determining the appropriate pace of fiscal consolidation for any single country." The IMF is therefore revising its metrics on how governments should cut their budgets, with the IMF's chief economist making the case that Europe's fiscal diets were too severe.

This emerging consensus on critical factors for sustainable development was distilled into the Busan Principles on Development Effectiveness, where it is acknowledged that national programmes cannot succeed until the virtues of democratic ownership, inclusivity and accountability are nurtured and embraced wholeheartedly.[6]

6. Action Points for the Zimbabwe Congress of Trade Unions (ZCTU)

This action research was undertaken to assess the status of social protection in Zimbabwe, and to come up with action points for the ZCTU as a key stakeholder in the industry. The paper has shown that apart from the lack of implementation of the Commission of Inquiry into the Conversion of Insurance and Pensions Values from Zimbabwe Dollar to US Dollar Report, a new phase of erosion of insurance and pension benefits has emerged with the current economic crisis. History appears to be repeating itself to the extent that the expectant policyholders and pensioners are being fleeced for a second time without imminent redress. Worse still, a new minister of finance is in the midst of

namely, internal and external imbalance. In the past two decades, however, fiscal policy took a backseat to monetary policy as a result of skepticism about the effects of fiscal policy and the argument that if monetary policy could maintain a stable output gap, there was no reason to use another instrument. It was also argued that lags in the design and implementation of fiscal policy, and the short length of recessions meant that fiscal policy will come too late (see Blanchard et.al, 2010).

[6] The Busan declaration of 2011 is the outcome of the fourth high level forum on development effectiveness. It represents the gradual expansion in thematic scope (from "aid" to "development") and the range of stakeholders engaged (from the traditional bilateral OECD-DAC aid community, to emerging economies, the private sector and civil society).

an economic crisis. There is an urgent need for the ZCTU to step up as a critical stakeholder in the industry and defend the rights of policyholders and pensioners to their rightful benefits.

The following key areas, in particular, are critical in order to move the agenda forward and address the further erosion of policyholder and pensioner benefits:

6.1 Sensitisation of ZCTU Leadership and Affiliates with the Commission Report and its Findings and Recommendations

It is particularly important for the ZCTU be sensitised on the Commission Report, its findings and recommendations if the organisation is to spearhead advocacy and engagement around its implementation. Even though some pensioner organisations have recently emerged, most have been established since 2010 and may lack the organisational capacity of the labour movement. The members of the ZCTU are largely the most affected in terms of loss of value.

6.2 Report-Back Labour Fora on the Findings and Recommendations of the Commission of Inquiry

Given that following the adoption of the Commission of Inquiry Report, there has not been any report-back to the general public on the findings and recommendations of the Commission of Inquiry, and in particular the compensation framework, the ZCTU should undertake labour fora in all the ten provinces to facilitate the presentation of the findings and recommendations and to discuss the compensation framework.

Unless the public is sensitised regarding the findings and recommendations of the Commission of Inquiry, the momentum for redress will be lost as is already the case. It is important to bring this matter to closure by ensuring that justice is done. Such fora should include the employed and pensioners as well as other affected people.

6.3 Sensitisation of National Employment Councils (NECs) on the Findings and Recommendations of the Commission of Inquiry

In view of the bipartite nature of National Employment Councils (NECs), it is necessary for the ZCTU and Employers' Confederation of Zimbabwe (EMCOZ) to jointly facilitate the discussion of the findings and recommendations of the Commission of Inquiry in all the 48 NECs, with particular focus on the issues relating to pensions. In addition, the discussions should focus on the new prejudices related to the current crisis, including currency distortions and inflationary pressures.

6.4 Training of NEC Benefits Coordinators

Ideally, every NEC should have a pensions desk and this programme will be designed to train the staff who run this desk. In view of the technical nature of the subject matter, it is imperative to run a proper training programme over a period of six months which imparts the requisite technical, financial and governance skills required to run a pension fund.

6.5 Advocacy and Engagement of Policy-Makers on the Implementation of the Commission of Inquiry's Findings and Recommendations

Given the importance of implementing the findings and recommendations of the Commission of Inquiry in redressing the prejudice suffered by the working people and retirees, as well as its welfare-enhancing effects, the ZCTU should engage relevant ministries, state institutions, and other bodies to ensure full implementation, including the following:

- Ministry of Finance and Economic Development
- Ministry of Public Service, Labour and Social Welfare
- Ministry of Health and Child Welfare
- The Insurance and Pension Commission (IPEC)
- Parliament of Zimbabwe
- The Reserve Bank of Zimbabwe
- National Social Security Authority (NSSA)
- National Employment Councils (NECs).

6.6 Training of Trade Union Trustees Sitting on Boards of Pension Funds and NSSA

In view of the serious shortcomings in corporate governance, the legal frameworks, and malpractices that resulted in loss of value for policyholders and pensioners, it is necessary for the ZCTU to facilitate the empowerment of key personnel so that they have the requisite competencies. This is particularly important given the low levels of financial literacy in the country, as well as the technical nature of the insurance and pensions industry.

6.7 Ensuring that the Constitutional Principle of Progressive Realisation is Implemented to Avoid Regression in the Provision of Social Protection

It has been shown that social protection in Zimbabwe is fragmented and exclusionary. Furthermore, the adoption of austerity measures as encapsulated in the Transitional Stabilisation Programme (TSP), and the limited fiscal space implies there is a lot of pressure on social expenditures. This is worsened by government's commitment to clear arrears on its external debt within 12 months, which will put additional pressure on social expenditures. In this regard, it is important for the ZCTU to monitor developments with respect to commitment towards social protection, including budgetary allocations and commitment by the private sector to meet its obligations under contributory pension schemes.

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About the Author

Dr Godfrey Kanyenze is the Director of the Labour and Economic Development Research Institute of Zimbabwe (LEDRIZ), a labour-based research think-tank established in September 2003. He is a development practitioner with over 30 years of experience working with various stakeholders including governments, business and labour as well as UN agencies and bilateral co-operating partners. Godfrey has published widely on socio-economic and labour market issues.

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