Ideas, Institutions, and Welfare Program Typologies: An Analysis of Pensions and Old Age Income Protection Policies in Sub-Saharan Africa

Michael W. Kpessa, McMaster University

Abstract

Since the 1980s, social policy research shifted attention from institutional development of welfare programs to what were described as crises of the welfare state in an era of austerity. Much of the scholarly debate in this area had focused on the maturation of welfare programs, especially the post-war old age income support programs in the advanced industrialized countries to the neglect of social protection in Sub-Saharan African (SSA) countries. This paper is intended to bring the dynamics of social policy in SSA countries into the comparative welfare dialogue and into the global social security debate in particular. Using a historical institutionalist approach, this study analyzes the trajectories of old age income support development in SSA countries through a careful study of old age income security or protection strategies in the region across time and space. The paper develops ideal typologies for understandings variations and transformations of pensions and old age income provision programs in the region. In doing this, it argues that the ideas and institutions around which recent rounds of pension reforms revolves have always been at both the foreground and background of old age income protection thinking and practices in SSA countries since the pre-colonial era.
Keywords: welfare, pension, old age income support, Sub-Saharan Africa, social security

Recommended Citation:
DOI: 10.2202/1944-2858.1018
Available at: http://www.psocommons.org/ppp/vol2/iss1/art4
Introduction

Over the last two and half decades, pension policy has been influenced by neoliberal economic principles that prioritize individual responsibility over collectivism and solidarity.¹ This development has generated debates in the comparative welfare literature. Conspicuously missing in the literature, however, is a systematic analysis of the development and transformation of pension programs and old age income support systems in Sub-Saharan African (SSA) countries. This paper provides an analysis of the institutional development and typologies of welfare regimes in SSA with particular reference to pension systems. In SSA countries, governments generally took a minimalist approach to the provision of formal old age income support with respect to public commitment, depth and extent of coverage, and the nature of financing. In the large majority of cases, blue-collar workers and the urban middle class enjoy access to relatively generous modern old age income protection arrangements, while rural inhabitants and informal sector workers continue to rely on traditional social protection mechanisms. Thus, modern social protection institutions in SSA countries generally reflect the interest and biases of the urban political coalitions that challenged colonial rule. Contrary to the claims by international political economists that ideas about private pension plans were recent innovations developed and promoted by the World Bank,² this paper shows that knowledge and practice of both private and public pension plans in the form of defined benefit, social insurance, defined contribution and pay-as-you-go (PAYG) schemes existed in SSA countries long before global debates about pension reforms started in the 1980s. This assertion is significant because in recent years, public policy literature has been giving increased attention to the role of

‘ideas’ in shaping the course of political development, forming political coalitions, and shaping the preferences of actors.

Using a historical institutionalist framework, the literature on the role of ideas suggests that once ideas are successfully institutionalized, they affect policy outcomes, and “once ideas are institutionally embedded, policy making becomes possible only in terms of these ideas.” Hall describes an institutionalized policy idea as a policy paradigm, and this is seen as “a framework of ideas and standards” that specify the “goals of a policy” and the “nature of the problems” that policy in that area is intended to solve. A policy paradigm, therefore, conditions the way in which actors “see the world and their role within it.” From this perspective, it can be argued that the disruptions caused by colonialism and the poor institutionalization of both colonial and post-colonial social protection policy ideas have foisted multiple unstable policy paradigms into the policy atmosphere of most SSA countries. This makes it relatively easy for policy makers to switch between paths depending on how policy challenges are defined.

In Sub-Saharan Africa, old age income security programs were not developed in isolation of other social protection measures. In fact, as was the case in other parts of the world, the institutional development of SSA pension systems was intertwined with the general development of other social security programs. The origin of the current institutional arrangements of pension programs in SSA countries can be traced to both pre-colonial and colonial eras. Traditional social protection plans designed around the ‘family’ and the ‘community’ were the only institutional providers of social security in the pre-colonial era; however, the advent of colonial rule ushered in modern “state” and “market” based programs, initially designed to reward ‘loyal’ civil servants and employees. Therefore, unlike advanced industrialized countries where market and state-based social security

5 M. Blyth, Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century (Cambridge: Cambridge University Press, 2002).
programs had completely replaced family and community-based arrangements, market and state-oriented social security programs were and remained additions to the traditional forms of social protection in SSA countries. As a result, there are arguably four uncoordinated institutional providers of old age income and social security generally in SSA countries: state, market, family, and community.

While the state and the market-based pension programs are designed specifically in the colonial and post-colonial eras to protect workers in the formal sector against the uncertainties of retirement, the family and community-based arrangements continue to be the central pillars of social protection for many Africans, and particularly for the large majority who work in the informal sector as employees. The rest of this chapter provides analysis of the social protection ideas and institutions in SSA, and develops an ideal typology on the basis of the family, the market and the state for classifying the institutional arrangements for old income support provision in the region.

**Traditional Social Protection Systems**

In the pre-colonial era, and well into post-colonial times, it was commonly believed that the family was the legitimate institutional provider of social protection for the aged and needy. This was partly because prior to the institution of colonial administration in SSA countries, the idea of ‘work’ and ‘retirement’ as distinct phases of life were not part of African philosophical thought on social protection. Life’s activities such as farming, hunting, fishing, mining, barter exchanges, and logging were not pursued for economic reasons and profit; rather, these were treated as part of the normal routines of life, and were organized primarily on a subsistence basis. Apt argued that even in the post independence era, the notion of “retirement is closely related to education in the sense that official retirement mainly affects people engaged in wage-earning employment, who can expect a

---

pension or social security.”11 This observation resonates with the argument that concepts such as social security and pensions “were originally applied to economies where the formal sector was predominant, that were culturally homogenous, and where poverty was viewed as transitional.”12 Poverty in SSA countries is also regarded as transitional, but the context is different. Traditionally, the elderly in Africa continue to work into their old age to the point when for reasons of ill-health or age related frailties, they can no longer do so.13

In the event that the normal livelihood activities of an individual are interrupted, by sickness, disability, or old age, the appropriate course of action was that immediate family members provide for that individual. Even though this arrangement was not backed by legislation in the modern sense, it was rooted in traditional values and based on the principles of intergenerational reciprocity.14 Apt argued that despite the pressures from globalization and urbanization, the family in Africa continues to play a dominant role as an institutional provider of old age security.15 Gerdes noted that the lack of effective national pension programs, particularly for those in the informal sector, is “somewhat offset because the elderly often remain under the tribal [family] protection and are thereby assured of some care.”16 It is therefore, not uncommon to find those working in the urban centers returning to their local villages when they retire, and providing resources for the building of houses for them, their siblings, nieces, nephew, and parents, in anticipation of care in old age.

Analytically, the institutional design of the family’s social protection mechanism for the aged can be described as an ‘assured benefit PAYG program.’ Every working generation supports the previous one and the cost incurred in raising and educating children is regarded as an investment against the uncertainties of old age. Under this arrangement, there are no institutional retirement ages and the elderly, while they are cared for, continue to contribute to the general welfare of the family by helping to

raise, educate, and pass on respected traditional values to the younger generations, and assistance with minimal housekeeping duties, except in the case of extreme illness. Apt observed that the family social protection arrangement in SSA countries is a “complex system that includes reciprocal care and assistance among generations, with the older people not only on the receiving end, but also fulfilling an active, giving role” (p. 41).17

The economic importance of the family has been widely documented.18 However, the notion that family units are both responsible for and capable of providing for the welfare needs of their members is arguably stronger in SSA than in most other countries. Even though modernization and urbanization are adversely affecting the efficiency of the family’s social protection role,19 family members have adapted in ways that combine individual self-interest with wider family interest. For instance, it is common to find members of the working generation of a family paying for the cost of education of the younger generation as a strategy to increase the productive capacity of the younger generation, but more important, this is done to increase the working generation’s level of security in old age.

The design of this arrangement encompasses the logic of PAYG schemes. People are generally expected to contribute in some form to the well-being of their families on the basis that the old age income and security needs of today’s contributors will be met by tomorrow’s younger generation in the family. As Collard has pointed out, in Africa, “we look after the old, knowing that they had looked after their old, and expecting that we, in our turn will be looked after. The bargain is hardly ever written down and almost always remains implicit….The bargain may be driven by affection or duty or by self-interest and implies some degree of reciprocity.” 20 Several studies have shown that continued participation in reciprocal family relationships is crucial to the self-esteem and confidence to the elderly.21 Wentkowski argued that in societies with strong traditional ties and extended family systems, the elderly operate with norms of generalized rather than specific

---

reciprocity in the sense that exact repayments are not expected. Consequently, the elderly often view such reciprocal arrangements as a way to build and maintain harmonious interpersonal and intergenerational relationships. In SSA countries, even individuals who are covered by state or market pension plans continue to view the family as the main line of support in old age. Similarly, many people in Africa’s working generation, at any point, continue to feel responsible or obliged to provide old age income and other support services for their parents and other family members who cannot support themselves.

Beyond the family, there exists at the community level, a second pillar for social protection in SSA countries. Like the family system, this arrangement also has its origin in the pre-colonial period. Gerdes has argued that there were several community-level arrangements in most African societies long before the colonial era. Even though there are different versions of the community’s type of social protection arrangement, the “rotational savings scheme” is the most popular. The rotational savings scheme is an informal mutual-help arrangement. Under this plan, members pay specified amounts periodically into a common pool. The funds are later distributed back to members who contributed following predetermined criteria such as old age, illness, unemployment, or disability.

The rotational savings scheme is conducive to societies that lacked active market securities. Contributors usually know each other and the small-scale nature of such programs makes it easy to adapt them to changing circumstances. Gerdes captured the reality of community-level social protection arrangements by arguing that “throughout tropical Africa, it has long been the practice, especially in the rural areas, to rely on self-help associations of varying kinds, and different purposes, in order to provide assistance or comfort to their members.” While rotational savings plans were primarily perceived as measures for wealth accumulation against old

age income insecurity, they are also used in some cases as a means for capital accumulation, or a measure of protection in times of unemployment, illness and hardship. Bouman argued that approximately 95% of the SSA adult population participates in rotational savings schemes. Gugerty, and Anderson and Balan, argued that rotational savings schemes are sustained by an inherent principle anchored in obligation to other members. Though this program is linked to the rural areas where community relations are closely knit and people generally “live a relatively uncomplicated life...depending on agriculture, nature and their fellow-men, accustomed and willing to share” good and bad times, it can also be found in the major urban centres among people who work in the informal economy.

Unlike the family program, coverage under the community level programs extends to a wider degree to include a broad segment of the population. As Gerdes noted, a single community level program might be extended to cover everyone in a community, tribe, sub-tribe or institution. Membership is voluntary in most cases and open to every member in the community. Non-monetary contributions were common and usually included rendering other services that were beneficial to the entire membership of the scheme. As a mechanism to ensure compliance with the regulations of rotational saving plans, each contributor was expected to provide guarantors, and in the event that a plan member defaults, the guarantors were made to meet the obligations of the defaulting member.

Depending on the rules that govern such programs, benefits were originally tailored to meet the need of the beneficiaries and could be in cash or kind. However, in more recent times, benefits are paid in cash. Often the extent and nature of benefits provided is informed by an evaluation of the prospective recipients’ circumstances. Under the community level

33 Ibid.
34 Ibid.
35 Ibid.
arrangement, an individual receives old age benefits because of prior contributions—cash or kind—to the community. Analytically, the community-level social protection plans are inherently funded programs. Individual benefit rights are based on the accumulated value of their contributions. Thus, where the family’s old age protection programs were designed in the form of PAYG, the community-level arrangements were mainly funded or pre-funded in nature. The configuration of old age social protection institutions with origins in the pre-colonial times is illustrated below.

**Fig. 1 Institutional Configuration of SSA Pre-Colonial Welfare system**

The importance of the family and community social protection for the elderly was given prominence in early post independence social policy, particularly in English-speaking Sub-Saharan Africa. For instance, Julius Nyerere, the first president of independent Tanzania, and a prominent proponent of African socialism argued that the extended family and the community must be the foundation of post-colonial African social policy thinking. Nyerere argued that prior to colonization, Africans lived in extended family networks grounded in a collective ethos, in which everyone shared their resources, owned some property in common, and cooperatively worked their lands purposely to provide for the needs of the entire community. Thus, President Nyerere placed both the family and community at the center of his country’s strategy for social development. For the most part, English-speaking SSA countries delayed in establishing effective national pension programs in the years following independence due to the perceived efficiency and effectiveness of the family and local communities at performing the roles of social protection. For instance, in Ghana, early post independence social policy stressed self-reliance by encouraging

---

individuals and communities to initiate programs that foster productivity and enhance human well-being.  

However, the design of these informal systems had several flaws. The family protection for the aged in particular was based on combined altruism and strategic self-interest to ensure inter-generational transfers. It is sustainable only if the motives for transfer are guaranteed at all times and the current working generation has enough reasons to believe that there will be sufficient future workers to ensure income or security of care in old age. For example, if they imagined that at some future date there would be no new people to contribute to and continue the generational bargain, the current working generation would question the relevance of the bargain and probably refuse to provide care for the elderly, and thus terminate the bargain. Traditional family protection is also open to abuse because a working generation might end up consuming more than they transfer to a younger generation. This development could lower the productive output of the next generation of workers and affect their capacity to provide old age income for the elderly. As Collard noted, a new working generation also might be inclined to withhold resources from the aged for previous poor investment decisions. These are hypothetical problems posed to the traditional social protection arrangement, yet most of these are now becoming real due to migration, the breakdown of extended family structures and general changes in the economic structure of African societies.

The rotational savings arrangement at the community level was also challenged by migration and mobility. The rotational saving system was only conducive in places where people are permanently settled because traditional societies lacked modern market securities. With the growth in urbanization and modernization, the community-level old age protections in SSA countries were confronted with serious portability problems. As people migrate to other areas in search of better jobs and living conditions, the community-level social protection schemes could not move with them, and, in most cases, the migrating individuals forfeited their savings because they moved away from where the programs operated. In spite of these problems, colonialism eventually undermined the effectiveness and efficiency of the

family and the community as cohesive units of social protection in SSA societies. In its wake, colonialism brought modern cities, new tastes, and new life-styles. It also transformed the face of African economic transactions by intensifying, broadening, and deepening pecuniary exchange. As a result there were huge demands for labour in mines and on farms controlled by the colonial authorities.

Consequently, men moved to employment centers to work in the mines, farms or in the colonial civil service while women were left to continue with the subsistence activities for the families left behind.\textsuperscript{40} The use of migrant and wage labour, and the emphasis on industrial development, urbanization, and commodification transformed African economies, and in the process disrupted the standard operations of the traditional social protection systems. Nonetheless, the pre-colonial social instruments for social protection continue to exist alongside those introduced in the colonial era. Although the family and community-based social protection plans were institutionally underdeveloped compared to the modern PAYG defined benefit and defined contribution schemes, they are comparatively similar in the normative ideas that underpin these arrangements. The family income support arrangements share the values of inter-generational bargain, as well as, income transfer with the PAYG defined benefit schemes, while the community-based approaches like the rotational savings plan are akin to modern defined contribution pension plans.

The Emergence of Modern Retirement Income Systems in SSA

The various colonial administrations in Africa responded differently to the disruptions in the traditional forms of social protection. In the French territories, France set up defined benefit schemes for civil servants working in the colonial administration, and encouraged the establishment of voluntary schemes for other categories of workers in its colonies. Soon after independence, the voluntary plans were also later transformed into compulsory defined benefits social insurance schemes patterned on what existed.\textsuperscript{41} These programs continue to be the major pension plans in French-


speaking SSA countries. The British, on the other hand, operated non-contributory defined benefit social insurance programs for British officials working in the colonial civil service. Like most programs introduced during this era, old age protection policies were initially designed to cater to the needs of urban dwellers, and especially for Europeans, but were later extended to the few Africans working in the colonial bureaucracy.

The first attempt by the British to institute a pension program in the African colonies was the introduction of the Colonial Development and Welfare Act in the 1940s. In the 1950s, the British government promulgated the Pensions Ordinance for its colonies with the view of unifying the Pension (European Officers) Ordinance (CAP-29, 1936) and Pensions (Non-European Officers) Ordinance (CAP-30, 1936) into a single and non-discriminatory pension scheme designed to offer equal benefits to both expatriates and local workers in the colonial administration. This was designed as a non-contributory pension program to reward colonial civil servants who had provided at least ten years of loyal service. Under this scheme, employees could voluntarily retire at age 45, or at the compulsory retirement age of 50. The intention of the scheme was to promote efficiency and loyalty within the colonial administration. Section 6 (1) of the colonial Pension Ordinance stipulates that “pension and other benefits under the scheme are not a right.” This gave the colonial government exclusive rights and control over decisions relating to pensions. More important, it shows that pension programs during this period were developed without the input and participation of the workers. Owing to the fact that CAP-30 only catered to a section of colonial workers—civil servants—a parallel scheme was created under the Pension Ordinance of 1955, to serve the retirement needs of teachers working in non-government educational institutions. Later, a separate scheme was designed for university staff in the few universities in the colonies. From the onset, then, the pension system in English-speaking Africa was fragmented.

46 Ibid.
47 Ibid.
British colonial pension policy only catered for the needs of public sector of government workers. The large majority of Africans who migrated to urban centers, mines, and the farms to work for private companies were excluded from the colonial pension schemes. Maclean argued that the British strategy was to increase “African’s standard of living to enable them to support themselves and their extended families rather than to provide a public safety net.” Consequently, while the French colonial pension policies were designed with all inclusive features, the British limited their colonial retirement programs to administrative staff in the colonies and excluded private sector workers. This difference in pension policy approach, and social security in general between the French and British during the colonial period in Africa, largely reflects the way each of these colonial powers conceptualized their respective colonies.

Table 1: Divergent Normative Frameworks of British and French Colonial Rule

<table>
<thead>
<tr>
<th>Normative Viewpoints</th>
<th>British in SSA</th>
<th>French in SSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role of state in the economy</td>
<td>Liberal</td>
<td>Statist</td>
</tr>
<tr>
<td>Organization of the State</td>
<td>Decentralized</td>
<td>Centralized</td>
</tr>
<tr>
<td>Governance strategy</td>
<td>Indirect Rule</td>
<td>Assimilation</td>
</tr>
<tr>
<td>Perception of society governed</td>
<td>Ethnic Communities</td>
<td>Individual Subjects/Potential French Citizen</td>
</tr>
<tr>
<td>View of Family System</td>
<td>Extended Family System</td>
<td>Nuclear Family</td>
</tr>
<tr>
<td>Relationship between colonial state and informal social welfare in the colonies</td>
<td>Strengthen informal system through policies focusing in only state employees</td>
<td>Replace informal system through bureaucratic extension</td>
</tr>
</tbody>
</table>


The French did not only conceive of the colonies as overseas territories, they also perceived and treated them as part of metropolitan France. Thus, policies in the colonies were formulated from France and implemented by French nationals in the colonies. Through a policy of “assimilation,” the French sought to transform Africans into French men and women. Understandably, social policy in France had a tradition of extensive centralization and stronger role for the state. Illiffe argued that the direct application of the laws of metropolitan France to the colonies explains the relative generosity in social security provision and state-based programs in French-speaking SSA countries.

The British, however, perceived the metropolitan state as distinct from the colonies, and thought of themselves as only supervising an already existing decentralized social policy designed and operated within diverse extended family and the community systems. British colonial pension policy, therefore, only targeted those who were torn from their families as a result of being employed in the colonial administration, on the assumption that the family and community were no longer there to protect them against social insecurities. Maclean has argued that this resulted in a “limited and decentralized social policy aimed at supplementing pre-existing social support systems” in the British colonies (p. 65). The problem though, is that the British failed to acknowledge and address the fact that colonization, urbanization and modernization disrupted the efficiency and effectiveness of the traditional social support system in ways that left a large majority of people without formal means of obtaining old age income and social protection in general.

At independence, the French-speaking SSA countries maintained their colonial defined benefit social insurance schemes for both public and private sector workers. The English-speaking ones, however, transformed the non-contributory schemes for civil servants inherited from the colonial regime into contributory PAYG schemes and established pre-funded plans—provident funds—for all other categories of workers in both the private and public sectors. These schemes were not intended to replace support already provided by the family and the community. Like the colonial system, these plans only catered for the retirement income needs of individuals who

52 Ibid., p. 65.
worked in the formal sector of the economy. The family and the community social protection arrangements continued to serve as the major institutional providers of old age income and care in the informal sectors in SSA countries. Table 2, below, illustrates the broader institutional mix of post-independence old age income and social security in SSA countries.

As indicated in Table 2 there are currently four main institutional providers of welfare in SSA countries: the state, the market, the family and the community. State-based pension plans in SSA countries are either defined benefit social insurance for specified groups of workers, often those in the formal sector, or programs emphasizing universality in the form of flat benefits or means-tested benefit provision. Market-oriented plans come in various forms, with the most popular being the provident funds found mainly in some English-speaking SSA countries. Some business establishments also operate various forms of occupational pension plans for their members in several SSA countries. The community level programs were based mostly on reciprocal or mutual agreement, while the family support was based on of kinship and blood relations. Both the community and family systems of old age support remain the most pervasive mechanisms for social protection in the informal sector in SSA countries due to the limited coverage provided through ‘new’ programs designed around the market and the state.

From the legacies of colonial administrations and their aftermath, Bailey and Turner infer that there are five patterns of social protection arrangements in SSA region. The first group includes the former French colonies that basically maintained and expanded the DB social insurance schemes inherited from the France. This group is characterized by heavy state involvement in pension provision. The second group is former British colonies—Ghana, Kenya, Nigeria, Tanzania, Uganda, The Gambia and Zambia. These SSA countries inherited non-contributory defined benefit plans limited to civil servants from the colonial administration but transformed them into contributory schemes, and established defined contribution provident funds emphasizing market dominance for all other categories of workers. The third pattern includes countries that did not

**Table 2: Post-Independence Institutional Mix of Old Age Income/Care Provision in SSA Countries**

<table>
<thead>
<tr>
<th>Contractual Arrangements</th>
<th>State</th>
<th>Market</th>
<th>Family</th>
<th>Community</th>
</tr>
</thead>
<tbody>
<tr>
<td>DB Plans Universalistic Means-testing</td>
<td>Voluntary Provident Funds—DC Occupational plans</td>
<td>Gifts/Transfers Old age care, Contingent loans</td>
<td>Voluntary work Mutual agreement</td>
<td></td>
</tr>
<tr>
<td>Governance</td>
<td>Top-down with Tripartite management</td>
<td>Profit Maximizing</td>
<td>Bottom up</td>
<td>Bottom up</td>
</tr>
<tr>
<td>Instruments and Sanctions</td>
<td>Taxation Legal framework</td>
<td>Profit Maximizing, Market Signals</td>
<td>Voluntary Self interest Social exclusion &amp; Pressure Reciprocity and Solidarity</td>
<td>Altruism &amp; Reciprocity Social &amp; Family norms Strategic Self interest</td>
</tr>
<tr>
<td>Actors</td>
<td>State officials Ministries, Departments Agencies</td>
<td>Businesses Government Individuals</td>
<td>Family members—Sons, daughters, Nieces, Nephews, etc.</td>
<td>Membership Based-O rganizations</td>
</tr>
</tbody>
</table>
establish any national pension plans because of delayed independence relative to other countries. They are southern African countries such as Malawi, Namibia, Swaziland and Zimbabwe. These countries have shown preference for defined benefit social insurance pension programs.57

The fourth group includes countries that lacked credible national pension programs due largely to internal conflicts. Countries in this group include Eritrea, Ethiopia, the Democratic Republic of the Congo (DRC), Lesotho, Sierra Leone, Somalia and Liberia.58 Arguably, families are the major providers for old age support in these countries. The sixth group includes mostly SSA countries that have relatively higher per capita income and are comparatively more developed. These include South Africa, Botswana, Mauritius, and Seychelles.59 Pension and old age income programs in these countries emphasized universality and citizenship rights, through the provision of basic old age income to all citizens over a specified age either in the form of means-tested or flat rate benefits.

While these categorizations of pension policy and formal sector old age income support systems in SSA countries are helpful for understanding the post-colonial institutional clusters in SSA pension programs, the classification is only based on observations from the contour lines of social policy programs that emerged after independence. These categorizations failed to account for how the state, the market and pre-existing norms interact to produce old age income support programs in SSA countries. In addition, the categorizations did not take into account the continuing importance of traditional social support systems in SSA countries, given that the large majority of people in SSA countries were not covered by any of the formal pension plans. Within the categories, the distinction is not particularly clear between the first and the third categories. In both cases, social insurance programs with a heavy role for the state are the preferred policy. Hence, de-linking the two groups based on colonial heritage is not enough. It is therefore imperative for any classification of this kind to examine the extent of commodification, de-commodification and degree of redistribution in various programs or policy regimes in the region.

Unfortunately, Esping-Anderson’s typology, developed through a thorough analysis of the extent of commodification and de-commodification in advanced industrialized states,60 cannot apply to SSA countries. This is because as Esping-Anderson himself noted, the typologies were based on the “historical characteristics of states, especially the history of political class coalition,”61 and the interaction between the nature of working class mobilization and political action structures. Besides, welfare systems in SSA countries are still developing and there is no reason to believe that the welfare paths currently being pursued by countries in the region will end in them in the same regime types in which the advanced industrialized were located in Esping-Anderson’s typology.

Nonetheless, Esping-Anderson’s work provides the necessary toolkit for constructing appropriate SSA ideal-type welfare typologies.62 Esping-Anderson’s approach in the Three Worlds of Welfare capitalism breaks with a long-standing tradition in cross-national welfare comparison that relies exclusively on the relationship between economic development and public welfare spending, to examine the historical and political factors that shaped the character of welfare states. In fact, the relationship between economic development and the welfare-spending matrix is even less relevant in the choices made by SSA countries and developing countries in general. The central argument of Esping-Anderson’s thesis is that even though analyses of welfare expenditure are important, it is the

58 Ibid.
59 Ibid.
61 Ibid., p. 1.
62 Ibid.
extent to which a welfare regime ‘decommodifies’ its citizens that distinguishes the various welfare typologies. Esping-Anderson illustrated this argument with an analysis of the role of the family, the market and the state in welfare development in advanced industrialized societies.

Following Esping-Anderson’s publication, several authors have tried to develop alternative typologies either as critiques or modified versions of Esping-Anderson’s framework. With the exception of Seekings, whose work attempted to provide a typology for welfare regimes in the global south, all the other authors followed the lead of Esping-Anderson by focusing their analysis on mature welfare states. Seeking argued that countries in the global south fall into one of three typologies—agrarian, corporatist, or redistributive. Agrarian welfare regimes were dependent on access to land with the subtle support of state policy. Corporatist welfare regimes were based on old age “income security through risk-pooling and or saving that are dependent on employment” while the redistributive welfare regimes were defined by “their recognition of citizens’ rights to income security through, especially, non-contributory social assistance.”

Like Esping-Anderson, Seekings also makes distinctions between role of the traditional, the state and the market. These distinctions resonate with the SSA countries’ experience of old income support system development. Seekings’ analysis, however, bite off more than it could chew. The global south displays a bewildering diversity in state development and social policy than can be accommodated for in a single typology. In addition, Seekings’ concept of agrarian welfare is not fully developed. It is not clear if he was referring to traditional welfare among rural farming communities or simply referring to the traditional forms of protection by agrarian. Seekings’ analysis also did not explain the logic behind the various welfare regimes and why they exist in the forms they do. In others words, Seekings’ typology of welfare regimes in the global south lacked analysis of the historical and political factors that interact to shape the development and character of welfare regimes in developing countries. The global south is made of several countries located in different regions, with varied political institutions, different historical legacies and different levels of economic development. In this sense, welfare typologies are better suited for countries at similar levels of socio-economic development and/or located in the same region. Thus, using insights from Esping-Anderson’s analysis of welfare states’ history and his distinction between the family, the state, and the market, a uniquely SSA welfare typology can be constructed by modifying Seekings’ framework.
Typology of Sub-Saharan African Old Age Income Systems

The welfare systems in SSA countries were the product of interaction between pre-colonial norms, colonial influence, and post-colonial development efforts. The pre-colonial system left a legacy of reciprocal welfare regimes; the colonial system initiated wage-based welfare regimes; and the independence (post-colonial) era is witnessing redistributive welfare regimes in some SSA countries. This distinction is not only based on the role of the family/community, the market and the state, but it also illustrates the lingering legacy of pre-commodification, and the extent of commodification and de-commodification in the provision of old age income and welfare generally in the sub-region.

The reciprocal welfare regime consists of investment in mutual, shared or give-and-take relations with others—family or community members—as a strategy for meeting social welfare needs, otherwise impossible to achieve under a given circumstance. These regime types have their origins in pre-colonial social support systems designed around the family and the community and continue to exist in contemporary African societies due to the limited coverage, and, in some cases, absence of formal “welfare state set of institutions aimed at providing citizens with a measure of social security.” Thus, the reciprocal welfare regime types operate or serve the welfare needs of the Africans caught in the “moral economy,” or what Hyden referred to as the “economy of affection.” Arnold defined the moral economy as “non-economic norms and obligations (e.g., reciprocity) that mediate the central, social, political, and/or economic relations of a given (almost always pre- or non-market) people.”

The reciprocal welfare regimes are the products and legacies of Africa’s moral economy with origins in pre-colonial times. The persistence of the moral economy in SSA is both an illustration of indigenous resistance to modernization and the weaknesses of modern African states. Hyden has argued that African states were not able to capture Africans in the moral economy in the rural areas due to their own de-linked modes of production. But the moral economy is reproduced in various forms in urban centers of all SSA countries. Hyden also observed that urban informal sector workers in SSA countries have extended the practices of the moral economy to the cities because they also remained ‘uncaptured’ by both the modern state and the formal market system. MacLean argued that city-dwelling Africans who work in the informal sector engage in new horizontal relationships that transcend the boundaries of the extended family for social security.

72 Hyden, _Beyond Ujamaa in Tanzania: Underdevelopment and Uncaptured Peasantry_.
The reciprocal welfare arrangement in the moral economy as it exists in SSA countries is not an expression of irrationality. Instead, “it is a practical and rational way of dealing with choice in the contexts of uncertainty and in situations where place, rather than distancediated space, dictates and influences people’s preferences.”

Due to lack of proper understanding of the nuances and workings of the moral economy in SSA societies, it has been negatively referred to as as prebendalism, politics of the belly, patrimonialism and instrumentalization of informal politics. But as Adi argued:

The moral economy in Africa is composed of a complex web of interdependent relationships of solidarity and mutuality that most often shape economic decisions. Most times, the sense of group loyalty and solidarity overrides the need to conform to rational economic principles. Economic exchanges are often not underwritten in monetary terms and transactions are not always motivated by profit. Payments for certain goods and services are made, not in cash but in kind - a situation that creates enormous problems for quantitative analysis. Political economists usually refer to the combination of these features as the lack of complete monetization of the economy...These practices are articulated in the theory of indigeneity which attributes the dynamism of the moral economy to the resilience of indigenous African norms of social organization, namely the norms of (organic) group solidarity and mutual self-help which are expressed in the practices of sharing and community as opposed to individual welfare. Although these norms are often presented as “naturally” African, historical evidence suggests that they evolved and became significant following the failure of pristine states to protect the interests of ordinary people in the pre-colonial era and to defend them in times of adversity.

The underlying normative principles of the reciprocal welfare regime pre-dates the era of commodification. As such the exchange and social protection arrangements in this welfare regime type are based on mutual agreements and adherence to traditional norms. In effect, pre-commodification assumptions continue to serve as the fundamental basis of reciprocal welfare regimes. It is estimated that only 30% of the world’s elderly population remain uncovered by formal social protection arrangements while only 40% of the working population in the developing world participate in formal retirement and old age income schemes. In SSA specifically, Coheur argued that approximately 80% of the population are without any formal social protection arrangements

---

75 Hyden, African Politics in Comparative Perspective.
81 (World Bank, 1994).
because they work either in rural areas or in the informal sector.\textsuperscript{82} It is mostly these populations that invest in, and rely on the reciprocal welfare arrangements for old age income support.

The reciprocal welfare regimes are pervasive across the continent by default and most dominant in countries like Eritrea, Ethiopia, the Democratic Republic of the Congo, Lesotho, Sierra Leone, Somalia, and Liberia where years of internal conflicts are delaying the establishment of nation-wide pension plans for all types of workers. As illustrated in Table 3, reciprocal welfare regimes emphasized family and community as the locus of solidarity and risk pooling. Individual contributions or investment in the reciprocal welfare regime are not commodified. Unlike the wage-based welfare regime types, participation in reciprocal welfare regimes is not based on employment rather it is determined by one’s kinship and family affiliations, and locale in relation to the community-based arrangements.

The \textit{Wage-Based Welfare Regime} types, on the other hand, are defined by their exclusionary nature. This type of welfare applies only to people who are employed in the formal sector of the SSA economies, either by the state or by other business entities. In SSA, several countries have specific provisions in their welfare legislation that explicitly exclude workers in the informal sector or the moral economy from participating in formal old age income provision arrangements.\textsuperscript{83} In this regime type, employers and employees make contributions into a pension scheme designed either as a defined benefit plan or defined contribution scheme. Thus, governments contribute as employers and not on the basis of income redistribution or citizenship rights. As indicated in Table 3, there is high degree of commodification and a low redistribution in the wage-based welfare regime types.

Eligibility for old age benefits is based on prior employment in the formal sector. Due to the limited scope of the formal sector in SSA countries, the large majority of the population were pushed into the reciprocal welfare regime by design of the wage-based welfare systems. As the state becomes stronger and more effective in allocating resources, the relative importance of the reciprocal welfare system diminishes,\textsuperscript{84} because individuals will then be covered either by the one of the regimes defined by formal legislation. In most SSA countries, however, both the wage-based welfare regime and reciprocal welfare types usually co-exist within the same national jurisdiction as a result of the relative weaknesses of the state and design flaws in old income arrangements. Solidarity in the wage-based welfare regime is not only low, it is also focused on participation in the formal marketplace. The large majority of African countries belong to this category of welfare regime due to the nature of both colonial influence and the design of post-colonial social security legislations. Countries in this category include French colonies—Senegal, Benin, Cameroon, Burkina Faso among others—which maintained and expanded the defined benefits social insurance schemes inherited from the colonial administration; while the former British colonies—Ghana, Nigeria, Tanzania, Kenya, Uganda, Zambia, the Gambia, among others—established their own defined contribution provident fund schemes in the post-independence era.


Table 3: Typology Old Age Income Support and Pension Program Welfare Regimes in Sub-Saharan Africa

<table>
<thead>
<tr>
<th>Role of:</th>
<th>Reciprocal Welfare Regimes</th>
<th>Wage-Based Welfare Regimes</th>
<th>Redistributive Welfare Regimes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family/Community</td>
<td>Central</td>
<td>Marginal</td>
<td>Central</td>
</tr>
<tr>
<td>Employment</td>
<td>Marginal</td>
<td>Central</td>
<td>Marginal</td>
</tr>
<tr>
<td>State</td>
<td>None</td>
<td>significant</td>
<td>Dominant</td>
</tr>
</tbody>
</table>

Welfare state Features:

<table>
<thead>
<tr>
<th>Mode of Solidarity</th>
<th>Kinship/Community</th>
<th>Individual or Occupational</th>
<th>Collectivism/ Universal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus of Solidarity</td>
<td>Kinship/Community</td>
<td>Market</td>
<td>State</td>
</tr>
<tr>
<td>Degree of Solidarity</td>
<td>High</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Redistribution</td>
<td>modest</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Risk-Pooling</td>
<td>High</td>
<td>Varied</td>
<td>High</td>
</tr>
<tr>
<td>Degree of Decommodification</td>
<td>High</td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>

© 2010 Policy Studies Organization
Published by Berkeley Electronic Press
- 59 -
Unlike the French, the British did not bequeath a pension program with national appeal to their former colonies. As a result, they opted for provident fund plans soon after independence. Both the defined benefit social insurance and defined contribution provident funds were designed purposely for wage-earning populations in SSA countries. While the former emphasized an active state role in ensuring, risk-pooling, and guaranteed retirement income, the latter emphasized the primacy of the market, de-emphasized risk-pooling and collectivism, and linked benefits directly to contributions. Thus, both the French and English-speaking SSA countries belonged to the wage-based welfare regime. However, until the pension reforms in English-speaking SSA countries in the 1990s, the institutional arrangements and design of pension policy in these two categories of SSA cases had profound differences with implications for income security of the retirees. The defining feature of the wage-based welfare regime is that the operations of the market were encouraged by the state either actively—by supervising mechanisms for risk-pooling—or passively—by encouraging individual savings through tax incentives. Like the reciprocal welfare regime, there are no direct state subsidies of old age income in the wage-based welfare system. This is what distinguishes both regimes from the redistributive welfare regime types.

The **Redistributive Welfare Regime types** are defined by a state’s recognition of citizens’ rights to old age income security through non-contributory basic social assistance programs. In this regime type, the state crowds out the market by ensuring that every citizen above a certain age is provided a constant flow of income at old age. As illustrated in Table 3, solidarity is high in the redistributive welfare regime. The level of de-commodification is high and the operations of the welfare arrangements are directed at achieving a system of generous universal and highly distributive benefits, ultimately not dependent on individual contributions. Here, the state plays a central role in welfare provision and benefits are either means-tested or provided in the form of flat rates for eligible citizens. This regime type is illustrated by the old age income provision practices in South Africa, Namibia, Mauritius, and Botswana where the state directly subsidizes and supervises the provision of old age income to citizens above statutory retirement ages.

**Structural Transformations**

In the 1990s, the English speaking SSA countries that established defined contribution provident fund schemes in the 1960s undertook retirement income reforms involving major institutional transformations of their pension systems. More specially, Ghana, Nigeria, Tanzania, Zambia moved their pension programs from defined contribution provident fund plans to PAYG defined benefit social insurance programs. While the Gambia added social insurance to the existing provident funds, Kenya and Uganda are in the process of transforming their respective provident funds to social insurance programs. Provident fund plans were described as mandatory individual retirement savings programs under which benefits are directly linked to contributions. Benefit payments under provident fund systems had no relations to duration of work, and computational formulae are not based on final salary.

---

As a defined contribution scheme, benefits were mostly paid in the form of a lump sum at the time of retirement. Bailey argued that provident funds were established in SSA countries because they were viewed as “simple to operate and also consistent with African workers who were expected to return to their village on retirement where they would benefit more from a lump sum”. As contributory plans, both employers and employees finance provident funds through shared contributions, while the self-employed pay 100% of contributions required under any specific plan. Contributions were usually credited and maintained in separate accounts for employees and paid out with accruing interest to them upon retirement. In essence, provident funds are a form of defined contribution plans because they were not only meant to prevent inter-and intra-generational transfers but, they were also designed to eliminate risk and resources pooling. In the early 2000s however, Nigeria and Ghana undertook structural pension reforms of their respective pension systems. While the former adopted a purely defined contribution scheme, the latter opted for a three-tier pension plan that comprised a mixture of PAYG defined benefit and defined contribution arrangements.

**Conclusion**

By and large, the institutional arrangements for old age income provision in SSA countries are very complex because of how they are configured. Although the complexity is a function of underdevelopment, the current arrangements allow for co-existence of market-based, state-based, community based, and family income support arrangements to operate complementarily within specific national contexts. Because traditional forms of social protection persisted into, and remained largely in, both the colonial and post-colonial periods, market and state-based old age income support arrangements introduced in these latter periods came to represent additional social protection layers on top of the earlier arrangements. Consequently, in SSA countries, no one particular social protection policy idea or paradigm is deeply entrenched to ensure the stability of one path over others. As a result, policy makers have greater flexibility to switch between already existing paths and policy paradigms depending on how policy challenges are defined by actors, and what options fit their collective view of the logic of appropriateness.

Thus, rather than assuming that the World Bank invented the idea of mandatory private pensions around which recent round of social security reform revolves, it is imperative to examine the historical development of social protection policy ideas in pension reforming countries carefully,

---

and to highlight policy ideas that may have persisted in the margins, and were able to reinforce themselves more broadly whenever a window of opportunity became available. Long nurtured policy ideas and institutions have the capacity to influence politics and policy choices in the future, although some of those ideas and institutions may have been considered insignificant in the past. The ideas and principles underlining both defined benefit and defined contribution old age income security programs have always lingered in, and constituted the policy instruments around which the historical development of social protection mechanisms in SSA evolved since the pre-colonial era. Consequently, the shift from defined contribution plans to PAYG defined benefit plans in English-speaking SSA countries in the 1990s, and the move to defined contribution in Nigeria, and a three-tier pension system comprising a mixture of defined contribution and defined benefit arrangements in Ghana were largely decisions made within the confines of path-dependence of pre-existing policy ideas.

References


