



## THE ROLE OF REGIONAL INTEGRATION ON PORTABILITY OF PENSIONS IN EAST AFRICAN COMMUNITY

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**Abstract:** *This study investigated the role of regional integration on portability of pension in the East African Community. Career construction theory guided this study as the sociological underpinning clarifying the relationship between regional integration as the independent variable and the portability of pensions as the dependent variable. The study targeted experts in the areas of Regional Integration and Professional labor mobility, officials from the EAC secretariat in Arusha Tanzania, EAC parliamentarians, officials from the ministry of foreign affairs and ministry of labor and social protection and officials from the Central Organization of Trade Unions- Kenya (COTU). To get the sample size, the study adopted Fisher's formula used to determine the sample size from which to make inference on population:  $\pm 5\%$  precision level and 95% confidence level ( $n = N/1 + N(e)^2$ ). The study utilized descriptive survey research design and mixed research methods which involved both quantitative and qualitative techniques of data collection and analysis. Qualitative data was coded, analyzed using verbatim and presented using a narrative format. Quantitative data was analyzed using descriptive statistics with the help of the Statistical package for Social Sciences (SPSS) and presented using tables, pie charts and graphs. From the findings, governments in East African Community have licensed operation of pension scheme service providers. No active policy on pension transfer and labour laws are frequently violated. Majority of the respondents (89.5%) quoted that they would consider working in a different country because of higher wages. All respondents (100%) either 'Strongly Agree' or 'Agree' with the opinion that 'Better working conditions' is a motivation enough to consider working in a different country. Availability of job opportunities and absence of work permit fees seem to be an incentive for people to consider working in a different country as implied by 100% and 89.5% of the respondents respectively. 89.5% of respondents believe that flexible immigration policies motivate them to working in a different jurisdiction. From the study, portability of pension and the implementation of The EAC Common Market protocol was still a challenge within East Africa region. The study recommends the institutionalization of Portable Pension Schemes in the region. Additionally, it recommends that each member state to ensure that their labour schemes be able to provide for some protection as required by the protocol by: a) restraining the prolonging of the bestowing period; b) instructing the nation pension structure to have adequate resources to ensure that the issue portability is fully addressed; c) having some measure in place to enforce payment of contribution in the event the employer quits before the bestowing period.*

**Key words:** *Regional integration, portability of pensions, social security, labor schemes*

## 1.1 Study background

Regional integration is the progression through which two or more nation-states settle to co-operate and work meticulously together to achieve peace, stability and wealth. Normally, integration comprises one or more written contracts that describe the zones of cooperation in detail, as well as some coordinating bodies representing the countries involved (Edozie, Chambers & Hamilton, 2018). This co-operation usually begins with economic integration and may also include political matters. Pension movability is the capacity to safeguard the right of an employee in regards to pension when moving from one job to the other (Chen & Uzelac, 2015). A pension structure that does not guarantee portability puts an employee at a risk of losing pension in the event that there is labor turnover, such a loss, is a reduction of the entire pension for employees if such an arrangement is not made earlier enough in a person's service time (Chalu & Mbwire, 2013).

Portability can be defined as the provision of a facility for workers to retain, uphold and transfer social security rates (Chen & Uzelac, 2015). Portability is essential as provides for migrant employee to transfer benefits and lessen the tiresome burden of following up on such especially in different countries; it is an undertaking that is done through effective coordination process with very distinct lines of communication between different national schemes. This enables smooth processing of benefits when a worker crosses the boarder (Damon, 2010).

The old age pension was initiated in New Zealand in 1898 and taken up in different forms in the Australian colonies of New South Wales and Victoria in 1900 (El-Aswad, 2018). Debates about pensions were inextricably linked with discussions about poverty and charity as Royal Commissions in both colonies in the late 1800s had revealed clear evidence of poverty among the aged- particularly amongst elderly women (Guardiancich, 2015). Australia still has an income- and asset-test, and both Australia and New Zealand have residency requirements. To claim the Australian Age Pension, a claimant must be a citizen or hold a permanent resident's visa (Guardiancich, 2015).

Australia's retirement income system is often described as a three pillar system. Australia's Pensions are organized on different Pillars. Pillar 1 (Tier 1) is a means tested public age pension; Pillar (or Tier) 2 is based on compulsory superannuation contributions for almost all employees; and Pillar (Tier) 3 is based on voluntary superannuation contributions and other private savings (Donnelly, Turner, Auckland District Law Society, 2013). The age of entitlement to the Australian Age Pension, the flat rate, means and asset-tested Tier 1 payment funded out of general taxation revenue, is 65 years for men and is gradually being increased to that age for women (El-Aswad, 2018). Residence requirements include either citizenship; holding a permanent resident visa; or being a New Zealand citizen who was in Australia on 26 February 2001, or for 12 months in the 2 years immediately before that date, or assessed as "protected" before 26 February 2004 (El-Aswad, 2018).

The South African system relies more on private arrangements than the systems applicable in many other countries, making this country's retirement system closer to that proposed by the World Bank system (Van der Berg, Siebrits & Lekezwa, 2015). The system comprises the separation of poverty relief in the form of state old-age pension and private savings in the form of occupational retirement funds and insurance policies. The World Bank recommends a multi-pillar system that places greater emphasis on saving and which utilizes a combination of public and private management, full funding, and pay-as-you-go financing (Van der Berg, Siebrits & Lekezwa, 2015).

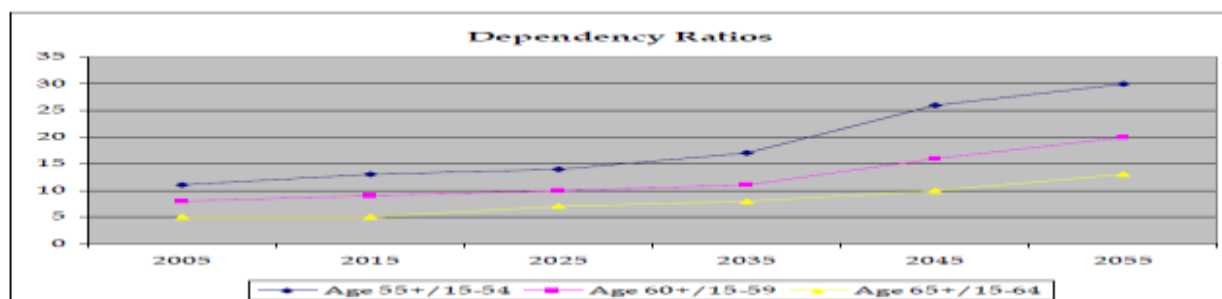
The East African Community (EAC) is a regional intergovernmental association made up of six Partner States namely; Kenya, Burundi, Rwanda, South Sudan, the United Republic of Tanzania, and the Republic of Uganda. It's headquarters are in Arusha-Tanzania. The region is home to 150 million citizens, of which 22% is urban population (Forteza, 2018). It occupies a land mass of 1.82 million square kilometers and a boast of a joint Gross Domestic Product of US\$ 146 billion (EAC Statistics for 2016), its existence stomachs great strategic and geopolitical significance and prospects for the

renewed and revived EAC. The operationalization of the EAC is anchored on the treaty which established it. The functioning of the EAC is directed by its Treaty which established the Community. It was agreed upon as law of the community on 30 November 1999, took effect on 7 July 2000 after its authorization by the initial three Partner States which are Kenya, Tanzania and Uganda; Rwanda and the Republic of Burundi became party to the EAC Treaty on 18 June 2007 and attained full Membership of the Community as from 1 July 2007 (Forteza, 2018). South Sudan acceded to the Treaty on 15 April 2016 and attained full Membership on 15 August 2016. Democratic Republic of Congo (DRC) attained full membership in this year 2022.

It is considered one of fastest growing regional economic blocs in the world due to the fact it is widening and deepening co-operation amongst the Partner States in numerous key scopes for their mutual benefit. These scopes include political, economic and social. Today, the regional integration journey is in full punch as echoed by the heartening progress of the East African Customs Union; this is further evidenced by the establishment of the Common Market in 2010 and the execution of the East African Monetary Union Protocol (Holzmann, 2016). To achieve its long desired goal, the EAC member states agreed upon on a Custom Union which came into being in 2005 and later on Common Market followed in 2001; these two gave birth to free movement of workers therefore making it easy for the citizens of EAC to work anywhere within the member countries free from discrimination. The free movement of workers was to be implemented progressively for a period of five years and become fully operationalized by 2015 (Turner, 2010). However, this is yet to be fully achieved.

For the free movement of people, EAC has achieved the following; The EAC passport is a valid document and allows numerous entries to citizens of partner states to travel freely within the EAC region for up to six months. Internationalizing the EAC passport has been endorsed by the EAC Council of Ministers and modalities for implementing this move are being explored (Alper&Alper, 2017); Partner states commit themselves to cooperate in putting in place a social partnership between governments, employers and employees so as to increase human resource productivity through efficient production. Partner states have agreed to develop a framework for mutually recognizing professional qualifications. It is now possible for legal practitioners to operate in any EAC country, without having to sit new bar examinations; (Sebijjo, 2018) Studies on harmonizing employment policies and labour legislation have been presented to stakeholders' workshops. In the Common Market Protocol, the freedom for people to move freely includes eradication of any bias grounded on nationality.

Kenya's population at the last official census carried out in 2019 was indicated at 47.5M and is projected to increase to 55.4M by 2050. The percentage of the population above age 55 is estimated at 6% whilst 41% of the population is estimated to be below age 15 (Alper&Alper, 2020). The population of Kenya is thus still young, but is projected to age and by the time today's labour force market entrants retire, the proportion of the population above age 55 is expected to almost tripartite. The dependency ratio (ratio of elderly to active labour force) is also expected to increase from 12% to 30% by 2050 (Boyar & Fleet, 2018).



**Figure 1:** *Dependency Ratios*

**Source:** *Researcher (2019)*

## 1.2 Statement of the problem

The issue of balancing professional labor movement is still a hot potato in EAC with a number of member states opting to stick to their own mechanisms. The EAC has failed to design a combined system that guides on macroeconomic rules needed to create decent job openings for individuals. One of the key global difficulties facing social security today is the fact that more than half of the world's population (workers and their dependants) is excluded from any type of social security protection. They are enclosed neither by a contribution-based social insurance system nor by tax-financed public welfares, while a noteworthy extra proportion is covered for only a few contingencies. The EAC staff seems to be deprived of adequate pension benefits sufficient to prevent old age poverty and provide reliable means to smooth lifetime poverty for the vast majority of the population. Member states lack sustainable pension schemes frameworks that can foster financial soundness over an appropriate time horizon. The prevailing national pensions schemes are to a larger extend not robust in that they lack capacity to withstand major shocks, such as significant shifts in economic prospects or demographic trends. It's upon such underlying significant deficiencies in viable regional integration on portability of pension in the East African community that this study is engaged with the purpose of recommending policy initiatives for movement of expert labor in respect to regional integration and to advance the understanding on challenges of implementing effective protocol on mobility of skilled workers within the EAC member countries.

## 1.3 Study objective

The objective of this study was to establish the role of regional integration on portability of pensions in East Africa Community.

## 1.4 Significance of the study

The concept of portability of pensions is an emerging that continues to attract significant attention across the globe. However, very little has been documented about the effectiveness and/or ineffectiveness of the prevailing pension schemes across different countries, in the realms of regional integration. It is therefore worthwhile to examine the effectiveness of the prevailing schemes as observed under the dynamics of regional integration. The findings of the study will contribute to the existing literature useful to scholars and academicians in the field of international relations, diplomacy,

political science and development studies. It will allow knowledge sharing and serve as a basis of replication to other countries, institutions, stakeholders and policy makers in the course of promoting regional integration. The study will provide insights to the communities in East Africa region, on viable ways that can be adopted to ensure sustainable development prospects.

## **1.5 Literature review**

### ***Theoretical review***

Career construction theory will guide this study. The theory is among many theories that aim at explaining work-related choice and work alteration, each questioning a different characteristic of vocational behaviour. Career theories that have gained popularity have done so because they successfully address crucial questions. The “model of person-environment fit” has its roots traced back to the early 20<sup>th</sup> century in order to shed light how to place workers to work is a good illustration (Greene & Greene, 2017). Career construction theory looks at behavior to these evolutions as raised by five principal kinds of performances: orientation, exploration, establishment, management, and disengagement. These constructive activities culminate into a cycle of adaptation that is sporadically repetitive as new changeovers appear on the distance. With each cycle approaching, people may adapt effectively if they witness the change with increasing awareness, information-seeking and then informed decision making, experimental actions leading to a stable pledge projected onward for a convinced time period, lively part administration, and finally forward-looking slowing and disconnection (Dix, 2017). For example, an employee starting new an employment with a period of progress in the new role with exploration of the requirements, procedures, and prizes of that role. Then he/she develops established in the role, manages the role for a while, and finally disconnects from it either willingly when further development prepares him/her to move jobs or unwillingly when organizational changes make him/her position jobless (Greene & Greene, 2017).

The theory attempts to answer to the needs and frustration of current mobile worker that is exposed to regular restructuring of profession, transformation of the employees and multicultural differences. These kinds of restructuring are increasingly becoming a thorn in the flesh in terms of understanding careers with only person-environment and professional related model that guarantee pledging and firmness instead of elasticity and mobility (Dix, 2017). There is much emphasis on the salary when an employer is enumerating on a new project with an expectation that the issues such as work environment are also part of the salary package. While the form of career shifts from steadiness to flexibility to imitate the labor wants of post-industrial societies, career construction theory strives to hold and modernize the best concepts and research in the 20<sup>th</sup> century career models for use in the 21<sup>st</sup> century (Greene & Greene, 2017). For instance, instead of gauging character traits as pragmatist concepts do and try to demonstrate construct legitimacy, the theory puts more weight on how individuals use what they have. In substituting scores with stories, career construction theory lays emphasis on how people use their professional character to fit in into to a categorization of job variations while remaining authentic to oneself and familiar by others. The theory does this by concentrating on the meaning that structures an individual’s career as it shows out in ten or more dissimilar jobs that a worker today can expect to take part in during her or his work life.

### ***Empirical review***

Adhikari (2006) laments that professional labor mobility is an important issue that can be heightened by regional integration. Professional services are key to operationalization of modern economies and are placed first in some developed and developing countries. Professional services are on academic journals and other materials being mentioned as contributors directly and indirectly to



economic development; they have done so by reducing the cost of businesses and coming up with useful information in other businesses. With many things changing as the sun rises, there is special interest on issue such as sustained growth, rising unemployment but this cannot be taken care without having a flexible market that protect the issues of labor migration and promotion of social security. Labor migration is a driver of economic growth as well as a guide on how economic assets are to be deployed in order to maximize on production. Labor migration is greatly affected by differences in labor schemes in member states and can greatly affect the level integration. (Stalker, 2018).

Collier and Venables (2009) studied on trade and economic performance noted that although the SADC Treaty and subsequent SADC Trade Protocol do not eloquent a detailed plan for integration, the detail is still captured in the Regional Indicative Strategic Development Plan (RISDP) of 2003 provides the roadmap for SADC's integration and offered for the founding of a free trade area in 2008, a customs union in 2010, a common market in 2015, monetary union in 2016 and the starter of a single currency and a portable pension scheme across the region by 2019 (Broude, 2015). In as much as RISDP fails the threshold of a legally binding document, it has a huge political grounding and is qualified as a strategic pathway for SADC's integration. There is a similarity between the SADC approach and EAC in terms of adopting a linear method in their establishment and also ECOWAS has some element of it.

Vis-Dunbar and Nikiema (2018) are of the opinion that bilateral agreements normally have labor mobility clause, as of 2018, more than 2,800 bilateral investments were legally in operational but very little can be said of Professional Labor movement in the said geographical proximity. The trade agreements touching on services are on the rise but there is reluctance on the inclusion of professional labour mobility into the said arrangements. Even when such a clause exists, the details are scanty and at times it leads to more confusion as thereby making it very difficult for foreigners to take advantage of such arrangements. Ven the recently introduced free trade area agreements overlooked.

A survey on the determinants of free movement of people in Caribbean illuminated that among the issue affecting were nationalist premise of wanting remain in home land and make it grow, two sociological factors namely close family issue and rate of crime. Issues touching on economic aspect such as job prospects and earning ability followed closely then education came the last. Other reasons that would entice someone to move from their own countries when ranked from the highest to the lowest were a) Reduced crime rate b) ability to earn more money c) system of education d) possibility of being employed e) social services and f) governance (Schmahl, 2013). The researcher is of the opinion that the Caribbean case supports the narrative that EAC member states should not be increasingly interested with congested people from other states since they are likely to bring about many pull-factors that may discourage people from moving from their homeland but there is need to come up with incentives that would induce people to move to another state.

New Zealand was observed as an immigrant-taking country for most of the 20<sup>th</sup> Century, with migration flows principally to and from Australia and the UK covered by social security agreements negotiated after World War II (Ellison, 2018). Their Pension Portability policy was introduced in 1938 so that a person with an overseas pension would not be advantaged over someone who had remained in New Zealand for their entire working lives. The general portability provisions, introduced in the 1980s after migration patterns globally had increased and diversified. The rate reflected the surcharge that applied in New Zealand, and the fact that portable private pensions were not taxed in New Zealand (Tye & Latrémoière, 2007). An ambiguous portability policy meant a lack of equity between New Zealanders who retire overseas and those who remain in New Zealand (Strategic Social Policy Group, 2008). The difficulty was exacerbated by the complexity of New Zealand's Social Welfare Reciprocity Agreements with other nations, beginning in 1990 with the updated Agreement with the UK government. The most recent agreement, yet to be ratified, was with Italy in 1998. New Zealand has

been struggling for some time to establish an Agreement with the US, with the Social Assistance Bill signaling current intentions.

Kevin (2018) links infrastructural development status to regional integration and adoption of portable pension schemes as follows. Infrastructure entails railroads, roads, bridges and all physical structures that play role in economic development, more literature in recent times has also qualified civil society, community welfare, public good and safety, electoral process, governance, judges, and the rule of law as part of the bracket. Additionally, the well-being of a person is also considered part of it. All the mentioned issues make up key ingredients when it comes provision of public goods and services (Kevin, 2018).

The SADC Employment and Labour Sector is in agreement with the provisions of social security Benefits which has a sole mandate of ensuring that employees within the region are able to enjoy security rights regardless of where reside which includes pension benefits and other benefits relating to injuries sustain while at work station as well as illnesses that are linked to the job. The guidelines also outline mutual administrative lines that are needed for two social securities authorities in two or more countries to work together. As a result, five partner states names Eswatini, Lesotho, Malawi, South Africa and Zimbabwe adopted the guidelines and promised to be serious with implementation. They also pledged their support to harmonize their national social security systems to be in tandem with the framework through mutual administrative assistance under an arrangement where employee's claims are processed by the social security agency of the country of destination. Such an arrangement is very important when it comes to attracting foreign workers as it allows them to sanctuary to their benefits as result of being able to continue with their contribution while moving within the region (SADC, 2020).

SADC Member States have also, through the guidelines, granted to guarantee fairness of handling of citizens and migrant workers under the social security regulation of the Member States, and provision of portability benefits and enhancement of the cross-border compensation of social security paybacks. Social security is a right under the auspices of the fundamental human right and should be guaranteed to all persons. However, non-citizens are not always allowed to enjoy such social security as a result of biased provisions in national social security laws and the "nationality or sovereignty principle" of social security systems. The principle demands that a person claiming must be physical present at that country in order to be considered for the benefits. The above mentioned principle becomes a hurdle for people moving across the border for employment purposes and this is the scenario in SADC region as movement of social security is limited because of absentia of a regional social security harmonization agreement (SADC, 2020).

Pasadilla and Abella (2011) are of the view that for bilateral and multilateral cooperation in the Association of Southeast Asian Nations (ASEAN) when it comes to portability of social security benefits, regional governments are lampooned by a barrage of options and models from which to pick. For instance, the EU presents a potent mix of both international instruments as well as regional accords built in to regional frameworks. The EAC should explore sub-regional context-based approaches informed by pre-existing literature as well as international and regional instruments to come up with a formula, as it were, for Social Protection. Kenya as the only EAC member with a Social Protection Policy (Kenya Social Protection Review, 2012) is made reference to in the EAC Strategy on Social Protection as providing a guide with respect to the development of Social Protection for the region. This is looked at in tandem with regional and international frameworks, policies and laws to inform a comprehensive Social Protection mechanism for the East African Community. The EAC does not have an infrastructure needed to make the region be managed effectively on issue touching on labor mobility making it very unappetizing for skilled labor to move freely within the region. There are numerous roadblocks erected in almost all member states as well as uncompromising barriers that pose a great

challenge to achieving the intended freedoms. Such hurdles are impediments to strides taken in regard to the issue of labor mobility and greatly affecting the whole agenda of regional integration.

### 1.6 Research design and methodology

This study adopted a descriptive survey research design and mixed method approach to investigate on the role of regional integration on portability of pensions in East African Community. Quantitative data was collected questionnaires whereas the qualitative data was collected using interview guides through face to face techniques. Quantitative data was analyzed using descriptive statistical techniques and presented in tables and charts whereas qualitative data was analyzed using verbatim and presented in narrative form. The respondents in this study were experts in the areas of Regional Integration and Professional labor mobility, officials from the EAC secretariat in Arusha Tanzania, EAC parliamentarians, officials from the ministry of foreign affairs and ministry of labor and social protection and officials from the Central Organization of Trade Unions- Kenya (COTU).

#### *Sample Size Determination*

The researcher adopted the formula Fisher's formula used to determine the sample size from which to make inference on population:  $\pm 5\%$  precision level and 95% confidence level as is illustrated below.

The formula used to determine the sample size is given by:

$$n = N/1 + N (e)^2$$

Where:

n = Sample Size;

N = Population Size; and

e = Level of precision

The calculated sample size for the study is 25 households at 5% level of precision) as adopted from Israel (1992). The sample size for the study will therefore be:

$$n = 25/ 1 + 25 (0.05)^2$$

$$n = 23$$

To this effect, 23 respondents is therefore the least acceptable number of responses to maintain a 95% confidence level. The sample size adopted for this study was 23 respondents. These respondents were evenly distributed amongst the groups selected for the study. The researcher adopted purposive sampling procedure so as to divide the sample population into groups of **2** experts in Regional Integration and Professional labor mobility, **2** EAC secretariat and Parliamentarians in Arusha Tanzania, **3** officials from the ministry of foreign affairs and **5** officials from the ministry of labor and social protection, **5** officials from the Central Organization of Trade Unions- Kenya (COTU), **2** Kenya's NSSF administrators, **2** Kenya's Retirement Benefits Authority administrators and **2** Federation of Kenya Employers representatives.



**Table 1: Summary of Sample Size Distribution**

Unit of observation	Sample Size	Percentage (%)
Expert Regional Integration and labor mobility	2	8.7
EAC secretariats and parliamentarians	2	8.7
Officials from Ministry of Foreign Affairs	3	13
Officials from Ministry of Labor & Social Protection	5	21.7
COTU Officials	5	21.7
Kenya's NSSF administrators	2	8.7
Kenya's Retirement Benefits Authority administrators	2	8.7
Federation of Kenya Employers representatives	2	8.7
<b>TOTAL</b>	<b>23</b>	<b>100</b>

Source: *Field data, 2020*

## 1.7 Findings and discussion

**Table 2: Demographic information**

Question	Responses
Country	Kenya (n=17)
	Uganda (n=0)
	Tanzania (n=1)
	Rwanda (n=1)
	Burundi (n=0)
	N=19
Organization/Ministry of Affiliation	
EAC	1
Ministry of Foreign Affairs	3
Ministry of Labor & Social Protection	4
COTU	3
NSSF	2
Retirement Benefits Authority	2
Federation of Kenya Employers	2
	N= 17
Position	
Expert Regional Integration and labor mobility	2
Secretariat/parliamentarian	1
Ministry Official	7
COTU Official	3
NSSF administrator	2
RBA Administrator	2
FKE Representative	2
	N= 19

Source: *Field data, 2020*

According to the findings of the study, the investigation covered three nationalities- 17 Kenyans, 1 Tanzanian and 1 Rwandese national. These individuals served different designations either as; Expert Regional Integration and labor mobility, Secretariat/parliamentarian, Ministry Official,

COTU Official, NSSF administrator, RBA Administrator, FKE Representative. The respondents serve in the above highlighted organizations.

### Variable analysis

Results revealed positive and significant correlations between Efficiency of pension portability initiatives, Role of regional integration, Implementation challenges and Effective pension portability tendencies.

**Table 3: Correlation matrix of Effective pension portability tendencies and research variables**

Variable	1	2	3	4
<b>1- Effective pension portability tendencies</b>	1			
<b>2- Efficiency of pension portability initiatives</b>	0.36*	1		
<b>3- Role of regional integration</b>	0.11**	-0.001	1	
<b>4- Implementation challenges</b>	0.53**	0.40**	-0.03	1

\*  $p < 0.05$  \*\*  $p < 0.001$

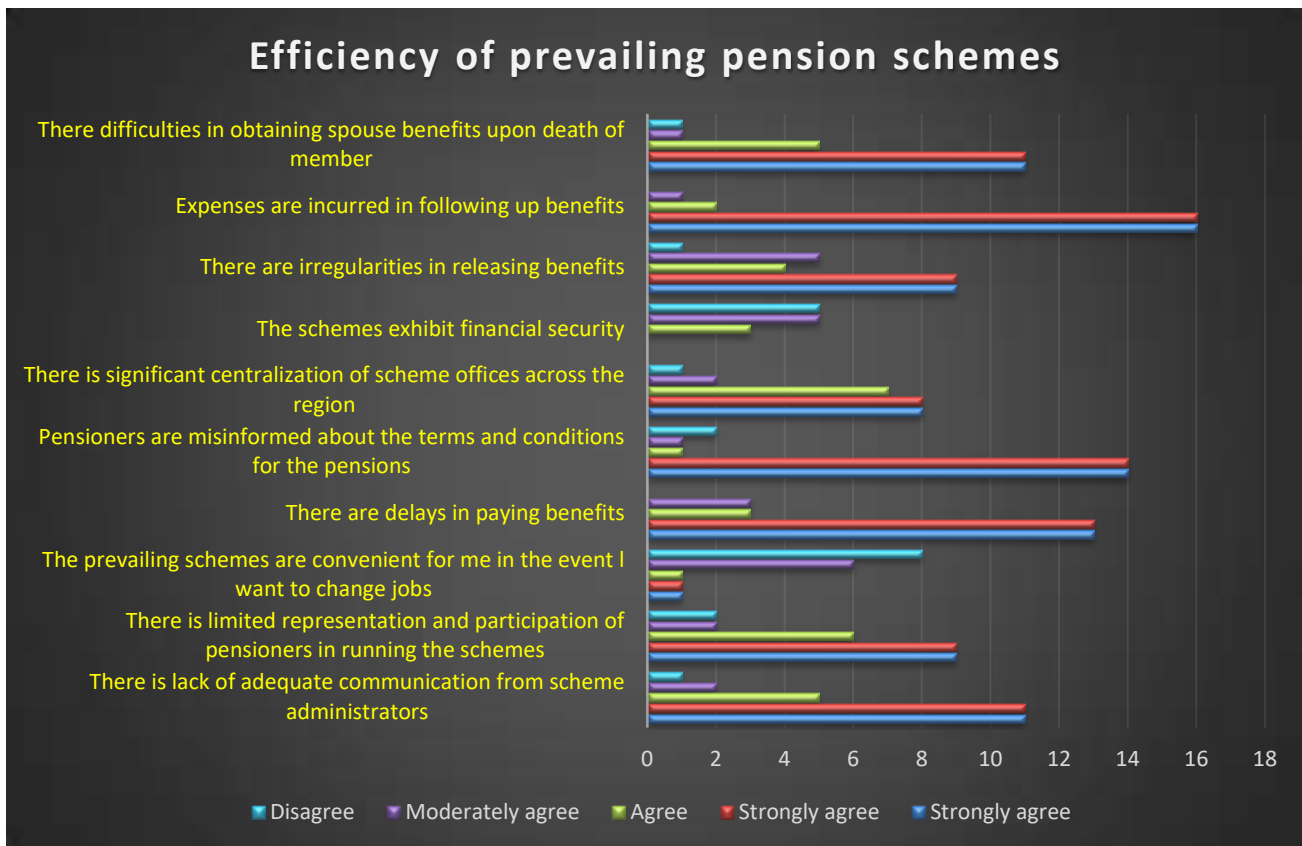
**Table 4: Multiple regression of study variables on effective pension portability tendencies**

Criterion Variables	Effective pension portability tendencies					
	R	R <sup>2</sup>	B	B	t	P<0.45
<b>Prediction Variables</b>						
<b>Efficiency of pension portability initiatives</b>			1.54	0.45	11.37	0.001
<b>Role of regional integration</b>	0.58	0.34	0.87	0.24	6.19	0.001
<b>Implementation challenges</b>		0.47	1.52	0.36	11.18	0.001

Simultaneous multiple regression of efficiency of pension portability initiatives, role of regional integration, implementation challenges on effective pension portability tendencies subscales, revealed that the "Efficiency of pension portability initiatives", "Role of regional integration", "Implementation challenges" were significant positive predictor of the "Effective pension portability tendencies". By implication, "Efficiency of pension portability initiatives", "Role of regional integration", "Implementation challenges" are interpreted as having significant influence on "Effective pension portability tendencies".

### Efficiency of prevailing pension schemes

The researcher sought to find out respondents' opinions on the Efficiency of prevailing pension schemes by admitting their opinions to a Likert scale and found out the following;



**Figure 2:** *Efficiency of prevailing pension schemes*  
**Source:** Field data, 2020

From the findings, 57.9% (N=11) respondents strongly agree that there is lack of adequate communication from scheme administrators. Majority of the respondents (84.2%, N=16) believe that there is limited representation and participation of pensioners in running the schemes. 78.9% of the respondents highlighted that Pensioners are misinformed about the terms and conditions for the pensions. Majority of the respondents (57.9%, N=11) disagree with the opinion that the schemes exhibit financial security while another majority 94.7% and 84.2% agree with the opinions that expenses are incurred in following up benefits and that there difficulties in obtaining spouse benefits upon death of member respectively.

One EAC secretariat official was quoted saying, “According to the EAC Retirement Benefits Policy which was adopted by the EAC Council of Ministers of Finance in May last year, each partner state is required to put in place a legal and regulatory framework to allow portability of accrued pension benefits across the region...” Such considerations give an impression of significant levels of commitment towards ensuring that EAC enacts efficient prevailing pension schemes. Another respondent Coded R11 highlighted that the above-mentioned policy document notes that EAC member states should agree on common standards for legislation and regulation. The policy also provides that member countries allow pension funds to be invested outside their jurisdictions. Such policy development were also noted in Avato, Johanna, Johannes, and Sabates-Wheeler (2010) study that noted that many foreigners live and work in countries that allow cash benefits, once established, to be exported (often restricted to pension-related benefits). But, this is still impossible due to the fact that many countries may take a decade or more in processing.

Respondent R02 noted that The EAC member states have varied pension systems mainly dominated by mandatory schemes. As observed in Tanzania, the government has merged its seven social security funds into two schemes namely; the Public Service Social Security Fund and the National Social Security Fund- with the aim of boosting service delivery after signing into law the Public Service Social Security Act, 2018 in June 2019. In Uganda respondent R13 highlighted that liberalization of the country's pension sector has been in the pipeline for more than 10 years. Respondent R09 working at Kenya's ministry of foreign affairs note that in Kenya, the republic has passed laws that provide for investment of pension funds within the EAC, and they are treated as local investments.

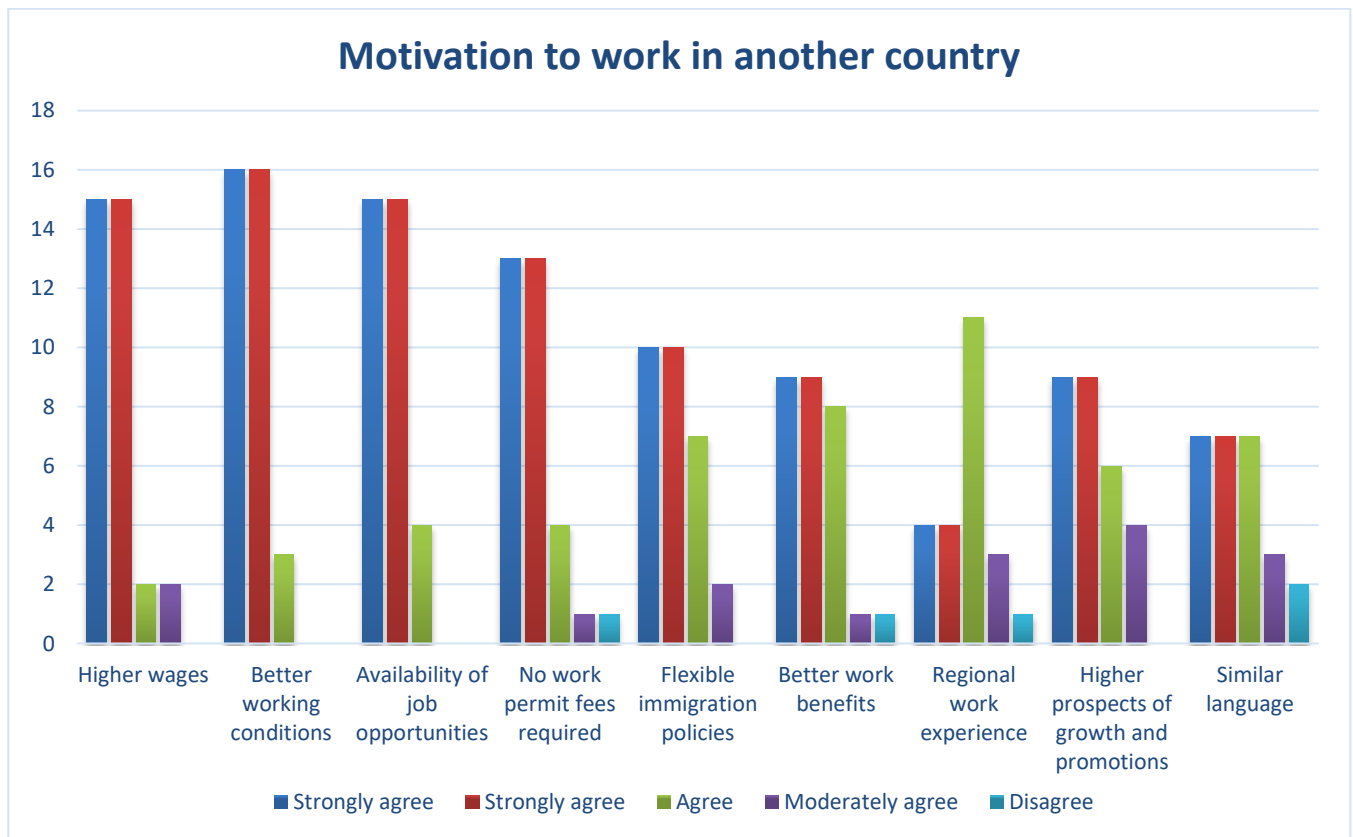
A COTU official coded Respondent R16 narrated how the East African Community partner states are working on guidelines that will allow employees from the formal sector to transfer their pension contributions and benefits to other schemes across the region. It emerged in some of the interview sessions that EAC Countries have completed and adopted a feasibility study on the portability of pension contributions and benefits.

*"The states are seeking to promote the free movement of labour in line with the Common Market Protocol, and boost pension coverage in the region, which is currently estimated at less than 10 per cent of the total labour force..."* R 16 said.

### **The role of regional integration on portability of pensions**

The study investigated the role of regional integration on portability of pensions with reference to looking at individual preferences on why someone may choose to work in another country and established the following;

Majority of the respondents (89.5%, N=17) quoted that they would consider working in a different country because of higher wages. All respondents (N=19) either 'Strongly Agree' or 'Agree' with the opinion that 'Better working conditions' is a motivation enough to consider working in a different country. Availability of job opportunities and absence of work permit fees seem to be an incentive for people to consider working in a different country as implied by 19 and 17 respondents respectively. 89.5% of respondents believe that flexible immigration policies motivate them to working in a different jurisdiction.



**Figure 3: Role of regional integration**  
 Source: Field data, 2020

Respondent R17 highlighted engaged in an interview session explained how Tanzania had liberalized its capital accounts allowing investments across the region but still imposing restrictions in certain areas. In the a different interview session, Respondent R06 noted that, in Rwanda, the monopoly enjoyed by the Rwanda Social Security Board came to an end after the government gazetted a new law in 2019 allowing registration of voluntary pension schemes and licensing of pension scheme service providers. The respondent would go ahead to noted that in June 2019, the Rwandan pension sector welcomed the first private pension scheme called “Ituze”- the brainchild of the Liaison Group, in partnership with KCB Bank Rwanda. The EAC official was quoted saying, “...*The transferability of pension benefits has only been realized between Rwanda and Burundi, largely due to the reciprocal arrangements the two countries have between their mandatory pension schemes...*”

R07 who worked in a neighboring country but now working as a manager in one of pension companies in Kenya narrated his own experience. “*I worked (2010-2014) in country X, a member country of the EAC and was dismissed without proper procedures. Although my dismissal letter clearly showed that I was supposed to get my pension money, up to now this remains only on papers. I have tried to follow up on this but unfortunately, I am told that I was dismissed on gross misconduct. I was never invited for any disciplinary meeting.*” From the above narration, it can be concluded that, there exists a lot of exploitation and to make this worse there exists no proper mechanism for pension transfer in most of these countries in EAC. Even though there is a common market protocol (of 2010), its implementation and monitoring still remains a challenge.



Similar regional block development initiatives were also noted in the literature review with reference to Collier and Venables (2009) study on trade and economic performance of SADC. The study found that even though the SADC Treaty and succeeding SADC Trade Protocol fails to have a thorough plan guiding integration, the pathway is still taken care of in the “Regional Indicative Strategic Development Plan” (RISDP) of 2003. It outlines the roadmap for integration the SADC region and created a room for establishment of a free trade area in 2008, a customs union in 2010, a common market in 2005. It further gave birth to monetary union protocol in 2016 which is the begging phase of achieving a single currency and an important enabler for harmonizing portable pension across the region (Broude, 2015).

### **1.8 Conclusions of the Study**

The study exposed those laws of each member state are restrictive in terms of free movement of labor which is counterproductive from what the freedom of movements demands, it also found out that these measures also make social protection right available to only the citizens. Additionally, five member states have partial social security arrangement which does not cover their population. Regardless of ratification of “ILO Convention No. 102”, most of the constitutions of member states in EAC have not been aligned to recognize the right to socio security. Republic of Uganda and Rwanda are not well conversant with the idea of social protection right while Tanzania has this right anchored on ‘Ujamaa’ ideology; also, the “Fundamental Objectives and Directive Principles of State policy” has clauses that cannot seek legal redress. The prevailing pension schemes seem by and large to not a purely defined contribution scheme. They ought to have the capacity to withstand major shocks subject to adopting a proper and more equitable basis of allocating net returns to members and asset liability management. For instance, as noted in Kenya, discussions with the NSSF indicate progress in a number of areas including increased computerization, improvements in processes, turnaround times for benefit payments and customer care standards. Majority of the respondents would consider working in a different country because of higher wages. Better working conditions is a motivation enough to consider working in a different country. Availability of job opportunities and absence of work permit fees also seem to be an incentive for people to consider working in a different country.

### **1.9 Recommendations**

The institutionalization of Portable Pension Schemes in many ways addresses the incorporation or formalization of indigenous coping mechanisms with new ones derived from contemporary realities. This process of institutionalization is critical because of the need to expand the coverage of programs in a formal manner and therefore the need to have in place more robust structures and institutions that address the needs of the most vulnerable. This coverage is not limited to national but rather of a regional nature and expansion at country level should run in tandem with regional expansion plans. In this regard, the study notes that it is therefore imperative as a first step to build on the structures that already exist and strengthen capacity and resources for the same. This should be reinforced by policy, legislation and clear implementation strategies with concise time lines.

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