Silent Resistance or Necessary Deviation: Sub-Saharan Africa's Turn to Social Insurance in the Era of Private Pension Plans

Michael Kpessa, Ph.D. Candidate
Department of Political Science
McMaster University

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Michael Kpessa

Global Pension Reform Trajectories: Trends and Countertrend

	1950s—1980s	1990s—2000
PAYG	**Latin America**: Chile, Peru, Argentina, Colombia, Uruguay, Mexico, Bolivia, El Salvador, Panama, Venezuela, Brazil, Costa Rica, Ecuador, Guatemala, Paraguay **Central & Eastern Europe**: Hungary, Kazakhstan, Poland, Latvia, Macedonia, Croatia, Bulgaria, Estonia, Romania, Mongolia, Kyrgyz Rep., Lithuania **OECD:** Switzerland, UK, Australia, Sweden, Italy, Germany, US, Austria, France, Spain, Canada,….. etc **Sub-Saharan Africa:** Togo, Senegal, Benin, Cote d'Viore, Cameroon, Congo Rep., Central African Rep., Eq. Guinea, Guinea, Gabon, Burkina Faso, Burundi, Mauritius, Mauritania, Niger, Rwanda, Sudan, Mail, Madagascar, Sao Tome, Seychelles, South Africa, Liberia, Ethiopia, Congo DR.	**Sub Saharan Africa: The Ghana, Nigeria, Gambia, Kenya, Tanzania, Zambia, Uganda,** Togo, Senegal, Benin, Cote d'Viore, Cameroon, Congo Rep., Central African Rep., Eq. Guinea, Guinea, Gabon, Burkina Faso, Burundi, Mauritius, Mauritania, Niger, Rwanda, Sudan, Mail, Madagascar, Sao Tome, Seychelles, South Africa, Liberia, Ethiopia, Congo DR.,
PAYG + DC		Peru, Argentina, Colombia, Uruguay Brazil, Costa Rica, Ecuador, Guatemala, Latvia, Hungary, Poland, Macedonia, Croatia, Bulgaria, Estonia, Romania, Mongolia, Kyrgyz Republic, Lithuania Switzerland, UK Sweden, Italy, Germany, Austria, Spain, France, Canada……etc
DC	**Sub-Saharan Africa: Ghana, Nigeria, Gambia, Kenya, Tanzania, Zambia, Uganda**	Latin America: Chile, Mexico, Bolivia, El Salvador, Kazakhstan, Panama, Paraguay Nicaragua, Venezuela and Australia

Source: Compiled from the Social Security Worldwide database, International Social Security Association (ISSA); Hinz, R. (2003). *Pension Reform Around the World: The View From 40,000 Feet: Where World Bank Staff Seem To Spend Most Of Their Time*): World Bank; Muller (2003) *Privatizing Old-Age Security: Latin America and Eastern Europe Compared* (Edward Elgar, Cheltenham, UK; Northampton MA, USA);, Holzmann & Hinz, (2005) Old-Age Income Support in the 21st Century (The World Bank, Washington DC, and Barbone & Sanchelez (2000) "Pensions and Social Security in Sub-Saharan Africa: Issues and Options" in ISSA (ed) Social Security in Africa New Realities (ISSA, Abidjan).

Global Trends in Pension Reform

- Latin America
- Centr. & East. Europe
- OECD

Move from social insurance towards private pension arrangements (mostly DC)

- Sub-Saharan Africa

Move from funded, DC schemes to PAYG social insurance schemes

The Literature

- Socio-economic issues:
  population aging
  fiscal sustainability
  intergenerational equity

- Theoretical explanations:
  1. Diffusion theories: global policy actors, especially the World Bank, set, control and move the agenda in pension-reforming countries (Orenstein, 2005; Henisz *et al*. 2004; Queisser, 2000)

  2. Neo-institutionalism and path dependence approaches to pension reform suggest that the extensiveness and level of maturity of a pension program constitute formidable obstacles for reforms due to fixed cost and beneficiary resistance (Myles & Pierson, 2001)

Can the literature we have explain pension reforms in SSA countries?

----probably not because:

1. The focus has been on only countries that are moving from defined benefit (DB) plans to (DC) plans, and those adding DC to existing schemes and not on “general pension reforms irrespective of reform path.”

2. Diffusion theories, in particular, do not tell us anything about policy processes in the domestic policy environment.

3. Pension reform experiences in SSA countries are not only different, they are largely ignored in the literature

Questions

- 1. What explains the shift to defined benefit PAYG plans in English-speaking SSA countries against maintaining their post-independence defined contributions schemes that already reflect predominant thinking in pension reforms since the 1990s?

- Did English-speaking SSA countries make an active decision against World Bank option?

- 3. How was such a major shift from DC to DB PAYG social insurance schemes possible in English-speaking SSA countries? This is both :

  --an institutional transformation-oriented and

  ---a process-oriented question

Methodology

Qualitative

- Content analysis

- Semi-structured face-to face elite interview in Ghana

- Semi-Structured phone interview in other SSA countries

How can we explain SSA countries' choice of a different pension path from the rest of the world?

- Contextualize the socio-economic pressures against which reforms are taking place globally
- Examine closely the SSA's unique socio-economic pressures:

  breakdown of traditional family care

  impact of structural adjustment program on DC plans

Did SSA resist the World Bank's advise on Pension Reforms?

- Need to examine the policy environment at the time of pension reforms in SSA countries:

  ISSA/ILO----promoting defined benefit PAYG schemes

  World Bank----promoting pension privatization and defined contributions plans

"Policymakers who hear conflicting claims about the effectiveness of a particular policy will often give greater credence to the views of the more powerful actor….due to the latter's ability to make available or take away the resources they control" (Madrid, 2005 pp. 29-30).

- In SSA, however, greater credence was given to the less powerful actors (ISSA/ILO)
- WHY?

Domestic Policy Process

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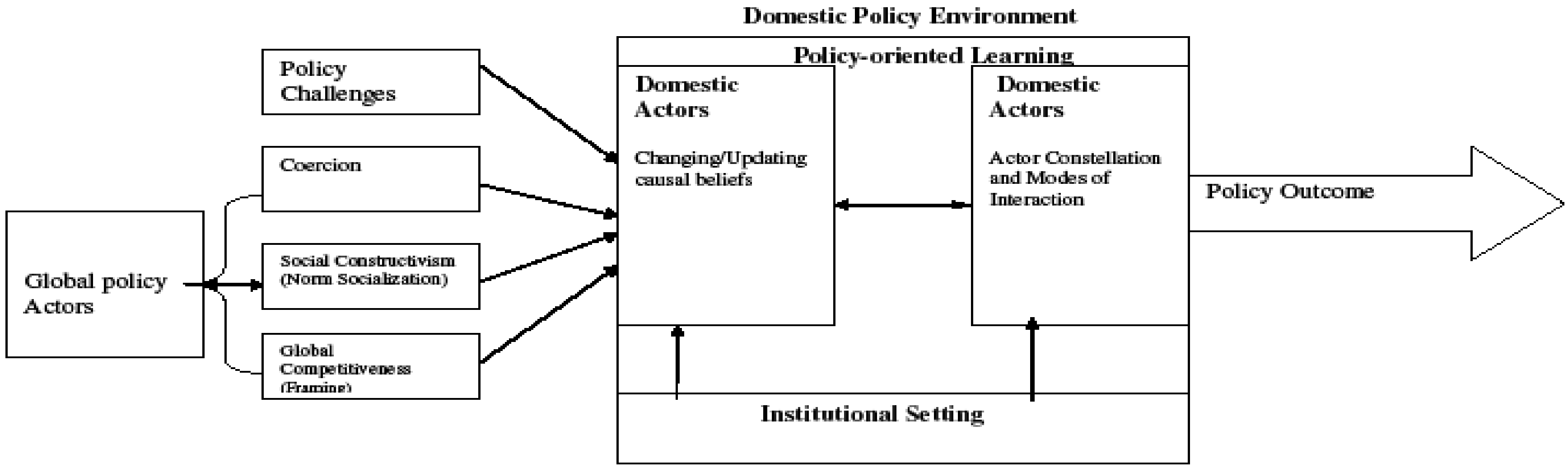
Integrated Diffusion and Decision Analysis Framework (IDDAF)



Institutional Transformation—From DC to DB

- Converting fully funded defined contribution pension plans to PAYG defined benefit plans is politically advantageous in the sense that it provides an opportunity to use the accumulated savings to fund benefits in the transition as a short-term cost saving measure

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