

## Compensation for employment injuries in southern Africa: An overview of schemes and proposals for reform

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Compensation for employment injury is the only one of the nine branches of social security defined by the International Labour Organization which exists throughout southern Africa.<sup>1</sup> Employment injury schemes provide medical care and cash benefits to workers who are injured on the job or develop occupational diseases, as well as survivors' benefits to the families of victims of employment-related fatalities. Their existence throughout southern Africa, a region in which social security provision is generally poor, is indicative of the basic character of this form of protection, as well as of the common British roots of many southern African countries' legal and compensation systems.

Yet, in practice, many of the schemes fall short of providing a minimum standard. Some have changed little since their establishment by colonial governments decades ago and, for this reason, rely on antiquated forms of administration. Compliance is low, record-keeping is poor, and delays in payments are frequent. Moreover, half the schemes provide only lump-sum benefits which may be rapidly exhausted by workers, leaving them with no social protection at all. Not only would the strengthening of these schemes improve the lives of the tens of thousands of workers who suffer occupational injuries and diseases each year; but setting up an effective bureaucratic infrastructure for administering this form of social security would also facilitate efforts now under way in several countries to establish additional benefits.

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<sup>1</sup> The terms "workers' compensation" and "employment injury benefits" are frequently used interchangeably. Workers' compensation is the older term, used originally to refer to schemes which provide benefits in the case of death and incapacity due to accidents at work and, later, to prescribed occupational diseases as well. These benefits can be temporary or permanent, total or partial. In more recent ILO instruments, the term "employment injury" is used to cover both accidents at work and occupational diseases (ILO, 1986, p. 134). The other branches of social security are old age, disability, sickness, maternity, unemployment, death, and subsidies for medical care and the raising of children.

This article provides an overview as a basis for strengthening employment injury schemes in southern Africa. The first part serves as background, defining employment injury benefits and identifying their economic rationale, essential features, basic types, and the international standards embodied in the relevant ILO Conventions. The second part then profiles schemes in the region, comparing their coverage, benefits, financing, and administration. The final part suggests priorities for the strengthening and reform of these schemes.

## Social security benefits for employment injury

Employment injury compensation is the oldest and most widespread form of social protection. In addition to medical care and cash payments to replace lost wages, these schemes may provide services such as vocational rehabilitation, medical transport, or constant attendant care. In contrast with other forms of social protection (e.g. retirement pensions or unemployment compensation), insured status is usually extended to newly hired workers either immediately or after only a minimal waiting period. Eligibility is provided on a no-fault basis and may be coupled with a restriction on workers' legal right to sue for damages.<sup>2</sup> The linking of these two features in some employment injury schemes embodies a compromise between workers' interests and those of employers. For workers, no-fault eligibility means that benefits are paid regardless of whether an employee was negligent in causing an injury or disease. For employers, exclusion of on-the-job injuries from the realm of common law limits the risk of costly damage claims. Society at large also benefits, since public resources need not be devoted to extended litigation.

Employment injury schemes are of two general types: individual employer liability and social insurance. Under the first, the government requires individual employers to assume responsibility for compensating their workers in case of industrial accidents and diseases. They are usually required to cover this liability by purchasing an insurance policy or, less commonly, by placing a deposit with the government. The second option, social insurance, involves the establishment of a national employment injury fund. This serves as a mechanism for pooling risks based on the principle of social solidarity. Employers are required to make regular contributions on behalf of their employees, and government uses these revenues to pay benefits. Here government is usually the agent of administration, collecting contributions, determining eligibility, making payments, and ensuring the financial solvency of the scheme. Under both systems, employer contributions may be "experience rated", that is, set at different rates for different industries to reflect their respective risks of accident or disease.

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<sup>2</sup> Examples of schemes which provide this linkage are those existing in South Africa and Zambia. In South Africa, workers are barred from taking legal action against negligent employers, but they may petition the fund for additional compensation for employer negligence. In Zambia, the employer is protected against civil claims except in the case of negligence, breach of duty, or another wrongful act or omission of the employee for whose act or default the employer is responsible (South Africa, 1998, p. 24; and Zambia, undated, p. 6).

Table 1. ILO Conventions concerning employment injury

<i>Convention No. 12</i>	Workmen's Compensation (Agriculture) Convention, 1921 (Revised by Convention No. 121)
<i>Convention No. 17</i>	Workmen's Compensation (Accidents) Convention, 1925 (Revised by Convention No. 121)
<i>Convention No. 18</i>	Workmen's Compensation (Occupational Diseases) Convention, 1925
<i>Convention No. 19</i>	Equality of Treatment (Accident Compensation) Convention, 1925
<i>Convention No. 42</i>	Workmen's Compensation (Occupational Diseases) Convention (Revised), 1934 (Revised by Convention No. 121)
<i>Convention No. 102</i>	Social Security (Minimum Standards) Convention, 1952
<i>Convention No. 121</i>	Employment Injury Benefits Convention, 1964

The relevant ILO Conventions provide standards for the financing, benefit structure, and administration of employment injury schemes.<sup>3</sup> As may be seen in table 1, most of these Conventions were adopted early in the ILO's existence. In all, six Conventions are devoted to employment injury; a seventh, Convention No. 102, sets out minimum standards for all nine branches of social security including employment injury. Four other Conventions deal with social security provision, including employment injury benefits, for migrant workers (see table 2).

A gradual process of revision over time has resulted in consolidation, with narrow requirements being replaced by broader ones. As a result, the later Conventions embody a set of five general principles. First, employment injury

<sup>3</sup> While the Conventions do not define a qualifying injury or disease, the following definition is provided in the Employment Injury Benefits Recommendation, 1964 (No. 121), under Article 5:

- (a) accidents, regardless of their cause, sustained during working hours at or near the place of work or at any place where the worker would not have been except for his employment;
- (b) accidents sustained within reasonable periods before and after working hours in connection with transporting, cleaning, preparing, securing, conserving, storing and packing work tools or clothes;
- (c) accidents sustained while on the direct way between the place of work and —
  - (i) the employee's principal or secondary residence; or
  - (ii) the place where the employee usually takes his meals; or
  - (iii) the place where he usually receives his remuneration.

As for occupational diseases, the Employment Injury Benefits Convention, 1964 (No. 121), offers the choice of three options for a definition:

- (a) a list system — a list of diseases comprising at least those enumerated in Schedule I to the Convention;
- (b) a global definition — a general definition broad enough to cover at least these diseases; or
- (c) a mixed system — a list of diseases in conformity with Schedule I complemented by a general definition.

Recommendation No. 121 also recommends that countries establish a rebuttable presumption of the occupational origin of diseases known to arise out of exposure to substances or dangerous conditions, where the employee (i) was exposed for at least a specified period, and (ii) developed symptoms of the disease within a specified period following termination of the last employment involving exposure.

Table 2. ILO Conventions concerning social security for migrant workers

<i>Convention No. 118</i>	Equality of Treatment (Social Security) Convention, 1962
<i>Convention No. 157</i>	Maintenance of Social Security Rights Convention, 1982
<i>Convention No. 165</i>	Social Security (Seafarers) Convention (Revised), 1987
<i>Convention No. 167</i>	Safety and Health in Construction Convention, 1988

benefits must be financed by employers, in contrast with other forms of social security (e.g. sick pay, maternity benefits, and pensions) for which governments may require employees to match employer contributions. The operating assumption here is that workplace safety is the employer's responsibility and, as a corollary, so is compensation for unsafe conditions. Second, compensation must generally be in the form of a periodic payment which lasts throughout the contingency, as opposed to a lump-sum benefit. Exceptions are made for minor injuries and for specific cases in which the administering agency is satisfied that a lump sum will be used appropriately. Third, the Conventions provide minimum standards for the scope of a scheme's coverage, which must generally extend to at least half the national workforce or 20 per cent of residents. Fourth, they provide minimum compensation levels, set at 50 per cent of lost wages for an eligible worker with a family (a spouse and two children) and at 40 per cent for a surviving spouse and two children. Finally, the Conventions concerning migrant labour (see table 2) call for equality of treatment, that is, for migrant workers to be subject to the same eligibility rules and to receive the same levels of employment injury compensation as the national work force. They also call for reciprocal agreements between governments of countries of emigration and immigration to ensure that migrants can receive compensation either at home or abroad.

Beyond these requirements, the Conventions leave governments considerable latitude to administer their schemes according to national preferences. In southern Africa, the extent of variation is broad, as is illustrated in the following section.

## Employment injury schemes in southern Africa

There are some 130 million people in the eleven countries of southern Africa, approximately half of whom are of working age (between 15 and 60).<sup>4</sup> Like sub-Saharan Africa generally, most of these economies have a small formal sector, a much larger agricultural sector engaged in subsistence farming, and an urban informal sector which varies significantly in size from country to country and consists mainly of self-employed individuals. Overall, the formal sector employs just under a fifth of the working-age population, totalling about

<sup>4</sup> Convention No. 138 stipulates the minimum age for employment shall not be less than school-leaving age and, in any case, not less than 15. Recommendation No. 162 links the age for leaving employment to the age for award of old-age benefits.

Table 3. Type and duration of scheme

Country	Type of scheme	First law	Current law
Botswana	Employer liability, compulsory insurance with private carrier or deposit posted with the government.	1936	1977
Lesotho	Employer liability, compulsory insurance with private carrier, subject to approval by Ministry of Employment and Labour.	1977	1995 (Legal Notice of 1995)
Malawi	Employer liability/insurance not compulsory.	1944	1990
Mauritius	Social insurance scheme.	1931	1976 (followed by regulations in 1979)
Mozambique	Social insurance scheme.	1989	1989
Namibia	Social insurance scheme.	1941	1995
South Africa	Social insurance scheme, except for the mining and construction industries, which must purchase insurance with a private carrier.	1914	1993
Swaziland	Employer liability, compulsory insurance with private carrier.	1963	1983
Tanzania, United Rep. of	Employer liability, compulsory insurance with private carrier.	1948	1983
Zambia	Social insurance scheme.	1929	1963
Zimbabwe	Social insurance scheme.	1928	1990

ten million workers. Of the remaining population, about 75 per cent are engaged in smallholder farming, while 25 per cent live and work in urban settings.

Risks of industrial disease and injury are concentrated in four industries — transport, mining, agriculture and, to a lesser extent, construction (Loewenson, 1999, p. 12). Together these account for about 75 per cent of reported work-related fatalities. However, there are strong indications that existing statistics understate both fatalities and injuries.<sup>5</sup> The magnitude of underreporting in the Southern African Development Community (SADC) has been estimated from two- to seven-fold (Loewenson, 1999). The most extreme distortion probably occurs with respect to occupational diseases and, within this, to chemical- and mining-related illnesses, owing both to the long time lag between exposure and the onset of disease and to South African mines' heavy reliance on migrant labour for which statistics are largely unavailable. Here it is possible that the underestimate may be as large as 50-fold.

In most countries in the region, employment injury benefits of some form have existed for over 50 years. The oldest scheme, South Africa's, dates back to 1914, while the most recent, that of Lesotho, was established in 1977. Table 3 chronicles this development.

<sup>5</sup> The International Conference of Labour Statisticians regularly adopts Resolutions containing guidelines on labour statistics generally and on occupational injuries in particular. The latest Resolution concerning occupational injuries was adopted in 1998 (see ILO, 1999).

Table 4. Ratification by southern African countries of ILO Conventions concerning employment injury, with dates of ratification

<i>Convention No. 12</i>	Workmen's Compensation (Agriculture) Convention, 1921 (Revised by Convention No. 121)
	Malawi (1965)
	Mauritius (1969)
	Swaziland (1978)
	Tanzania, United Rep. of (1962)
	Zambia (1964)
<i>Convention No. 17</i>	Workmen's Compensation (Accidents) Convention, 1925 (Revised by Convention No. 121)
	Mauritius (1969)
	Mozambique (1977)
	Tanzania, United Rep. of (1962)
	Zambia (1964)
<i>Convention No. 18</i>	Workmen's Compensation (Occupational Diseases) Convention, 1925
	Mozambique (1977)
	Zambia (1965)
<i>Convention No. 19</i>	Equality of Treatment (Accident Compensation) Convention, 1925
	Botswana (1988)
	Lesotho (1966)
	Malawi (1965)
	Mauritius (1969)
	South Africa (1926)
	Swaziland (1978)
	Tanzania, United Rep. of (1962)
	Zambia (1964)
	Zimbabwe (1980)
<i>Convention No. 42</i>	Workmen's Compensation (Occupational Diseases) Convention (Revised), 1934 (Revised by Convention No. 121)
	Mauritius (1969)
	South Africa (1952)
<i>Convention No. 102</i>	Social Security (Minimum Standards) Convention, 1952
	None
<i>Convention No. 121</i>	Employment Injury Benefits Convention, 1964
	None

The region is divided nearly evenly between individual employer liability schemes and social insurance. Botswana, Lesotho, Malawi, Swaziland, and the United Rep. of Tanzania have employer liability schemes. The last three require employers to purchase insurance; Malawi does not stipulate how employers should meet the legal obligation to provide compensation; and Botswana allows employers to do this either by purchasing insurance or by placing a deposit with the Government. In Swaziland, all employers are subject to a general requirement to purchase insurance, but only one firm, the Swaziland Royal Insurance Company, provides it. The conversion of several of these schemes to social insurance is being planned or is already under way: the La-

bour Ministry of Malawi is actively engaged in conversion; the Parliament of Tanzania has approved a plan to do so following its establishment of a national pension scheme; the Labour Ministry of Lesotho is planning for conversion; and the Ministry of Labour and the Ministry of Finance in Botswana are considering a Government-commissioned ILO study which recommends conversion as part of a larger project for strengthening social protection.<sup>6</sup>

Social insurance schemes exist in six countries: Mauritius, Mozambique, Namibia, South Africa, Zambia and Zimbabwe. Two have features that differ somewhat from the prototype described earlier. In South Africa, the scheme covers all industries except mining and construction, where firms purchase coverage from a private insurance company. In Mauritius, employment injury compensation is part of a general scheme which also covers retirement, disability, and survivors' benefits and is financed by a 6 per cent contribution rate for employers, matched by a 3 per cent employee contribution.<sup>7</sup> At present, about 0.5 per cent of this is allocated to financing employment injury benefits.

Within the region, ratification of ILO Conventions governing employment injury is modest, though all countries have ratified at least one of the seven relevant Conventions (see table 4). Zambia has ratified four, the highest number, while South Africa has ratified one, the lowest. Convention No. 19, which requires equality of treatment in the payment of employment injury benefits, has attracted the highest number of ratifications. No country has ratified Convention No. 102 (on minimum standards of social security), which synthesizes key requirements from the earlier Conventions governing workers' compensation and other social security benefits. This reflects the limited development of social security in southern Africa.

## *Coverage*

A significant gap exists between legal requirements for coverage of the national workforce and actual compliance with the law. Statutory coverage requirements generally extend to most workers in formal employment but exclude those in subsistence farming, urban informal activity and other forms of self-employment. The main statutory exclusions are casual workers (seven countries), domestic workers (four countries), outworkers (seven countries), and family workers (four countries). See table 5. Some additional exclusions relate to local economic conditions, including shepherds (Lesotho and Swaziland) and certain sailors and share-the-catch fishermen (Namibia). In addition, most countries have structured their schemes to focus exclusively on the private sector and as a result they exclude the civil service. Government workers are either provided with direct compensation in lieu of insurance or covered by a separate government scheme. In countries with social insurance schemes that pool risks

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<sup>6</sup> In addition, the ILO has recommended that Swaziland convert its scheme to social insurance following its conversion of its national provident fund to a pension scheme, a change which has been under discussion in Swaziland for several years.

<sup>7</sup> The employer rate is 10.5 per cent for the sugar industry.

Table 5. Major exclusions from employment injury coverage

Country	Casual workers	Domestic workers	Outworkers	Family labour
Botswana	X	—	—	X
Lesotho	X <sup>1</sup>	X	X	X
Malawi	X	—	X	X
Mauritius	—	—	—	—
Mozambique	X	—	X	—
Namibia	—	—	X	—
South Africa	—	X	—	—
Swaziland	X	X	X	X
Tanzania, United Rep. of	—	—	—	—
Zambia	X <sup>2</sup>	—	X	—
Zimbabwe	X	X	X	—

<sup>1</sup> In Lesotho, casual labour is defined as a person whose employment is of a casual nature and who is employed other than for the purpose of the employer's trade or business. <sup>2</sup> In Zambia, a casual worker is covered by the Workers' Compensation Act only if hired to do work connected with the employer's trade or business.

broadly across the workforce, non-participation by the government results in higher average contribution rates since the public sector generally has a low risk of occupational injury and disease.<sup>8</sup>

Available data on compliance suggest that actual coverage falls far short of that required by law. In a 1990 review of social protection in Namibia, the ILO estimated that up to 50 per cent of employers were not making required contributions to the scheme (ILO, 1993, p. 15).<sup>9</sup> While the Namibian Social Security Commission's recent establishment of a national enforcement unit should improve compliance, a major challenge facing it will be to extend enforcement beyond the country's major cities and towns. In Lesotho, the number of non-complying employers has been estimated much higher, at eight out of ten (ILO, 1996, p. 7). The Zambia Workers' Compensation Fund Control Board recently determined that, in the southern region of the country, its offices are collecting about half (56 per cent) of its total assessment for that region (Zambia Workers' Compensation Fund Control Board, 1998, p. 4). In Malawi, the three main companies which sell employment injury insurance describe their customers as nearly exclusively large firms. In Botswana, the best estimate is that only about

<sup>8</sup> Recognizing this, Malawi is planning to cover government workers as part of its forthcoming conversion to social insurance.

<sup>9</sup> This is roughly consistent with the findings of a 1998 labour market survey which showed that only 50 per cent of Namibian workers are registered with the Social Security Commission (Central Bureau of Statistics, 1998). However, results are not comparable because, first, it is the employer, rather than the worker, who is required to register with the Commission for employment injury. Second, the worker may or may not be aware of whether the employer is registered. Still, the close similarity between these two statistics provides some support for the ILO estimate.



half of employers purchase insurance, and interviews by the ILO within the Labour Ministry in 1996 failed to produce knowledge of enforcement actions (ILO, 1997, p. 31). In an interview undertaken for this research, an official of the Botswana Workers' Compensation Scheme explained:

If the employer has no insurance, we prefer to negotiate. But this is difficult in the event of an accident or death because the family is often frightened that the employer will refuse to provide any compensation if we ask for too much. These cases often get down to how many cows or goats the employer will give the family.

## Benefits

The types of benefits provided across the region are broadly similar (see table 6). All countries pay for permanent incapacity (partial and total), medical care, and death (both funeral grants and survivors' benefits); and all except one (Malawi) pay compensation for temporary incapacity. In addition, all countries except Malawi provide some compensation for employment-related diseases, but many impose restrictions on such payments beyond those that apply to injury compensation.<sup>10</sup> Botswana and Lesotho limit coverage to a predetermined list of diseases, while South Africa provides only lump-sum compensation for most mining-related lung diseases. Three countries (South Africa, Zambia and Zimbabwe) provide funding for rehabilitation of disabled workers as well as for prevention of workplace accidents and diseases.

While benefit types are broadly similar, the mode of payment varies significantly, according to whether the scheme is organized as a social insurance fund or is based on individual employer liability. The five countries with individual employer liability schemes provide lump-sum compensation, whereas the six countries with social insurance provide a combination of periodic payments for severe disabilities and lump sums for more minor ones. For example, Botswana (individual employer liability) provides a lump sum equal to five years' remuneration for permanent incapacity and four years' remuneration for death. Swaziland (also individual employer liability) provides a lump sum equal to the percentage of disability multiplied by four and a half years of earnings. Namibia, South Africa, and Zimbabwe (all social insurance) provide lump sums for permanent partial disabilities of less than 30 per cent but a monthly pension for those which equal or exceed 30 per cent.<sup>11</sup> Zambia (also social insurance) follows the same principle but sets the ceiling for a lump-sum payment considerably lower, at 10 per cent disability.<sup>12</sup>

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<sup>10</sup> In an enacted but unimplemented revision of its employment injury statute, Malawi will cover only those diseases which result in disability within 24 months of leaving employment.

<sup>11</sup> In Zimbabwe, the decision to pay a pension depends both on the degree of disability and on the monthly payment amount, which must be at least Z\$130.

<sup>12</sup> An additional constraint is that Zambia pays a lump sum only when the capitalized value of the pension which would otherwise be paid for partial disability falls below K31,000.

Table 6. Employment injury benefits

Country	Temporary	Permanent	Medical	Survivor and Funeral
BOTSWANA	Lump sum or periodic payments depending on probable duration of disability up to 24 months. 66% of earnings.	Lump sum of 60 months' earnings. Minimum benefit: 10,000 pula. Maximum benefit: 100,000 pula. Partial disability: Per cent of full benefit proportionate to degree of incapacity. Constant attendance care supplement, 25%.	Medical and surgical care, hospitalization, medicines, appliances, and transportation, up to maximum of 30,000 pula.	Lump sum of 48 months' earnings of deceased; minimum 5,000 pula; maximum 80,000 pula. Funeral grant.
LESOTHO	75% of earnings for up to 96 months, except that this amount should not exceed the permanent compensation to be paid to the worker.	54 months' earnings, multiplied by percentage of disability. Maximum benefit 80,000 maloti.	Medical, surgical, hospital treatment = 10,000 maloti maximum. Artificial limbs, maintenance and repair = 5,000 maloti maximum. Transport = 1,500 maloti max.	Lump sum of 48 months of earnings of the deceased, up to 72,000 maloti. Funeral benefit = 5,000 maloti.
MALAWI	Lump sum equalling percentage of earnings based on schedule. Minimum: 26 times minimum monthly wage.	Lump sum of 54 months' earnings, if totally disabled: minimum, 54 times minimum monthly wage. Partial disability: Lump sum proportionate to degree of disability.	No mandated benefits. Malawi government position is that employer should defray reasonable medical expenses.	Lump sum of 42 months' earnings, less any disability benefit paid to deceased. Minimum benefit and reduced amounts for partially dependent survivor. Funeral grant.
MAURITIUS	Periodic payment. 100% of earnings for first 2 weeks (payable by employer), 80% thereafter. Payable for up to 36 months.	Periodic payment with benefit proportionate to degree of incapacity. Total disability, 80% of average earnings; partial disability, 65% times degree of incapacity. Lump sum for older workers and those with disabilities of less than 20%. Fixed sum for constant attendant supplement.	Medical and surgical care, hospitalization, medicines, appliances, and transportation.	Periodic payment equal to 50% of earnings of deceased, payable to widow or to widower. Orphans, each 7.5% of monthly earnings of deceased. In the absence of widow and orphans, dependants in the household. Funeral grant. (Only permanently disabled widowers are entitled to survivors' pensions.)
MOZAMBIQUE	Invalidity pension equal to 60% of old age pension, for those with 365 days of continuous illness.	Invalidity pension equal to 60% of old age pension or 40 per cent of monthly average wage.	Sickness benefits equal to 60% of daily average wage from two months past. Maximum medical care subsidy: 10,000 OOMT.	Survivors' pension equals 50% of old age pension plus 25%. 50% is distributed to each widow. Orphans, 25%. Lump-sum survivors' benefit equals 60 per cent of old age benefit and is payable to survivors who do not meet qualifying conditions above. Funeral benefit: 100,000 OOMT lump sum.
NAMIBIA (following page)	75% of monthly earnings up to N\$3,000 per month. No compensation payable for the first three days.	If the degree of permanent disablement is between 1% - 30% a lump sum based on 15 times his/her	All reasonable medical expenses incurred by or on behalf of an employee may be defrayed by	Lump sum of N\$2250 or two months earnings, whichever is lesser. A monthly pension of 40% to the widow/ widower. A monthly pension

Country	Temporary	Permanent	Medical	Survivor and Funeral
NAMIBIA (cont.)	Maximum period 24 months. Transport allowance: The conveyance of an employee injured in an "accident" to a hospital or to his/her residence will be re-funded from the accident fund.	earnings up to N\$1680 of such earnings. Formula: $15 \times \text{earnings} \times \% \text{ of permanent disability}$ divided by 30. Maximum amount payable N\$25,200.00. If the degree of permanent disablement is more than 30% compensation takes the form of a monthly pension. Formula: $\text{Earnings (up to N\$3,000 per month)} \times 75\% \times \text{percentage permanent disablement}$ .	the accident fund. Payment for medical aid shall be in accordance with the scale prescribed by the Commission.	of 20% to each child under 18 years of age. Calculated up to a maximum earnings of N\$3,000 per month. The maximum total monthly pension payable to the widow/widower and children (3 or more) is N\$2,250 per month. Widow/widowers pension only ceases on his/her death. A child's pension continues until the age of 18 years is reached. Funeral grant.
SOUTH AFRICA	Periodic payment usually equal to 75% of earnings up to a maximum. Reduced amounts for partial temporary disability.	Pension equal to 75% of earnings up to ceiling. Partial disability: Percentage of full benefit proportionate to degree of disability. For 30% or less disability, lump sum of 15 times monthly earnings.	Medical, surgical, and hospital care, and appliances. Provided for maximum of 2 years (may be extended in special cases).	40% of pension of deceased, based on permanent total disability pension equivalent, plus lump-sum payment. Payable to widow or to widower. Orphans: 20% of pension. Maximum survivors' pension: 100% of pension of deceased. Maximum of 3 children. Funeral grant.
SWAZILAND	Lump sum equal to 75% of earnings up to maximum of 24 months.	Lump sum of 54 months' earnings. Maximum, 27,000 emalangi. Minimum, 4,050 emalangi. Partial disability: Per cent of full benefit proportionate to loss of working capacity.	Medical treatment expenses, transportation costs up to specified ceilings.	Lump sum of 48 months' earnings, less any permanent disability benefits to deceased subject to minimum and maximum. Funeral grant.
TANZANIA, UNITED REP. OF	Lump sum equal to 50% of earnings up to 96 months, with a limit of 108,000 shillings.	Lump sum of 54 months' earnings. Maximum, 108,000 shillings. Partial disability: per cent of full benefit proportionate to degree of disability. Constant attendant care supplement.	Medical, surgical, hospital and nursing care, medicines, and transportation up to specified ceilings.	Lump sum of 41 months' earnings, less any disability benefits paid, subject to maximum.
ZAMBIA	Periodic payment based on 50% of worker's compensatable earnings.	Periodic payment based on sliding scale (1-100 % x degree of disablement). Children's supplement only where accident is fatal (effective 29 Sep. 1994). Percentage of injured workers' compensatable earnings proportionate to degree of disablement provided that the capitalized value so computed does not exceed K31,000.	Medical, dental, nursing, hospital care, artificial limbs, and transportation up to specified ceilings.	80% of disability pension of insured to widow or dependent widower. Children's supplement: 15% for youngest child, 5% for each additional child, up to 8. Funeral grant.  In case of death of both parents (orphans), 30% youngest, 10% each additional child, up to 8.

Country	Temporary	Permanent	Medical	Survivor and Funeral
ZIMBABWE	Periodic payment based on sliding scale determined by earnings. Benefit is payable for up to 18 months.	Periodic payment based on sliding scale determined by earnings. Benefit is payable for up to 18 months. Children's supplement. Partial disability: lump sum payable if disability less than 30%.	Medical charges, including appliances, transportation and drugs, initially up to Z\$2,000. Amount is raised depending on circumstances. Severely disabled are provided rehabilitative services.	66-2/3% of earnings of insured's pension. Payable to dependent widow or widower. Children's supplement until age 18 or self-supporting. Funeral grant.

Source: This information is drawn primarily from United States (1995). Additional information and occasional corrections have been inserted based on information provided by the employment injury schemes in the countries in question.

In most of the countries which provide lump-sum payments, scheme administrators cite anecdotal evidence that these amounts are rapidly exhausted by workers. They describe cases in which injured workers or their families have returned to the Labour Ministry to seek additional assistance after exhausting a payment, only to be informed that none is available. Most of the schemes which are contemplating conversion to social insurance describe such cases as a major motivating factor.

While social insurance largely avoids this problem by providing periodic payments, many of these schemes are experiencing an equally serious difficulty: erosion of the purchasing power of pensions by inflation. Only one country (Mauritius) provides automatic annual indexing of pensions for inflation; and among the countries which provide ad hoc adjustments, only one (South Africa) has consistently (over the past decade) granted increases which are in line with the consumer price index. Zambia has provided annual adjustments since 1992, but at a rate which close observers hold is significantly lower than the real inflation rate.<sup>13</sup> In Namibia, inflation has eroded tariffs for medical care to 75 per cent of standard doctor and hospital charges, which are pegged to South African rates. As a result, a growing number of doctors are refusing to provide care for scheme beneficiaries. Despite periodic ad hoc increases, the real value of the minimum pension in Zimbabwe has steadily been eroded by inflation over the past decade and now stands at Z\$130, or less than 15 per cent of average per capita income. In several regions, beneficiaries have organized protests directed at the National Social Security Authority (NSSA); and some amputees are reportedly damaging their own prosthetic devices in order to supplement their incomes with medical travel allowances.<sup>14</sup>

<sup>13</sup> After an increase of 2,000 per cent in 1992, these were 100 per cent in 1993, and 60 per cent in 1994, 1995, 1996, and 1997.

<sup>14</sup> The daily living allowance for those who must travel to Harare for medical care is Z\$470 to Z\$970, depending on whether the beneficiary produces receipts for accommodation. By contrast, the minimum monthly pension payment is Z\$130.

Table 7. Contributions

Country	Details of contributions
Botswana	Range: 0.4 to 2.5 per cent of total payroll. Average: 0.75 per cent of total payroll.
Lesotho	Set by private insurers, hence rates not available from the Ministry of Employment and Labour.
Malawi	Set by private insurers. Insurance industry estimates average rate is 0.17 per cent, reportedly subsidized by other types of policies.
Mauritius	Employer contribution rate of 6 per cent covers employment injury, old age, disability, and survivors (10.5 per cent for the sugar industry). At present, 0.5 per cent is allocated to employment injury.
Mozambique	0.7 per cent for all employers.
Namibia	Range: 0.14 to 7.95 per cent. Average rate: 3.9 per cent. Wage ceiling: N\$36,000 annually.
South Africa	Range: 0.14 to 8.18 per cent. Salary ceiling abolished in 1994.
Swaziland	Rates set by Swaziland Royal Insurance Corporation. Range: 0.312 to 11.7 per cent.
Tanzania, United Rep. of	Rates set by private insurers. Under planned conversion to social insurance, the required contribution rate is estimated by the ILO at 2 per cent.
Zambia	Range: 1.88 to 3.75 per cent. Average rate: 2.51 per cent.
Zimbabwe	Range: 0.15 to 4.89 per cent. Average: 0.62 per cent. Wage base: Z\$4,000 per month (1997).

Some countries also impose overall caps on benefits (see table 6); here the absence of inflation indexing has also taken its toll. In Botswana, a ceiling on total compensation of 100,000 pula has not been revised since 1980.<sup>15</sup> In Zambia, contributions for mining-related lung disease was not revised between 1989 and 1996, causing the aggregate real value of compensation to decline from 1,435,000 to 4,000 kwacha, or 0.3 per cent of its previous value. For individual beneficiaries, the purchasing power of benefits has virtually vanished, leading many eligible individuals to decline to apply for benefits or to travel to the nearest post office to collect them.<sup>16</sup>

## Contributions

Employer contribution rates are shown in table 7. Despite several gaps in the data, two points stand out. First, the average rate of contribution varies sharply, from a low of 0.17 per cent in Malawi to a high of 3.9 per cent in Namibia. Malawi's low average results from insurance companies' practice of cross-subsidizing employment injury coverage with revenues from other types

<sup>15</sup> An increase in this ceiling is now under consideration within government.

<sup>16</sup> Despite efforts to downsize, the scheme's administrative costs as a percentage of benefits soared, rising from 95 per cent in 1989 to 13,700 per cent in 1996 (ILO, 1998, p. 10).

of policies.<sup>17</sup> Namibia, the country with the highest average, has borrowed from South Africa in constructing its rate structure. Their similar averages, highs and lows place these two countries close to Swaziland at the upper end of the rate continuum. The remaining countries form two clusters, one with average rates of under 1 per cent (Botswana, Mauritius, Mozambique, and Zimbabwe) and the second with rates in the 2-3 per cent range (Tanzania and Zambia). Thus, average rates in the region are most typically range between 0.5 and 3 per cent.

Second, there is wide country-to-country variation in the rate differentials between industries — that is, in experience rating. In individual employer liability schemes, these differences reflect insurance companies' assessment of industry-to-industry variation in risk of employment injury or disease, while in social insurance schemes they reflect national policy on the extent of risk pooling across the work force. In South Africa, for example, risk pooling is relatively limited: the highest rate, 8.18 per cent, is 58 times higher than the lowest rate, 0.14 per cent. In Namibia, the difference between the highest and lowest rate is 57-fold; in Zimbabwe it is 33-fold; and in Swaziland it is 37-fold. These differentials contrast with countries like Zambia, where the difference between high and low is two-fold, and Mauritius and Mozambique, where there is no experience rating.

Advocates of experience rating hold that imposing higher contribution rates on firms with unsafe working conditions encourages them to eliminate hazards and invest in safety measures. Critics contend that high rates simply discourage compliance by marginal firms and thus serve to deny workers employment injury protection. The latter logic may carry greater weight in this region where, as has been shown, limited enforcement makes it possible for firms that face high rates to decline to make contributions altogether. It is noteworthy that two countries are currently planning to restructure their rates to provide for greater risk-sharing. As part of its consolidation of employment injury with its new national pension scheme, Namibia is planning to replace its steeply graded, 104-category rate structure with three categories of risk (high, medium and low); and as part of its conversion to social insurance, Malawi is contemplating a rate structure with one, three, or five rate classifications of employers.

## *Administration*

The organization of employment injury benefits generally fall under the jurisdiction of the country's labour ministry (see table 8). In countries without other social security benefits (Botswana, Lesotho, Malawi), they are administered by a workers' compensation division within the ministry. In countries with other forms of social security, employment injury compensation tends to be administered by a social security agency with broader responsibilities. For

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<sup>17</sup> Insurers' ledger losses in relation to employment injury claims have led them to support, though with some reservations, the government's planned conversion to social insurance.

Table 8. Institutional arrangements for administering employment injury schemes

Country	Oversight/enforcement	Administering agency
Botswana	Ministry of Labour and Home Affairs, enforcement of law.	Workers' Compensation Commissioner
Lesotho	Ministry of Labour and Employment, enforcement of law.	Workers' Compensation Division
Malawi	Ministry of Labour, enforcement of law.	Workers' Compensation Commissioner
Mauritius	Ministry of Social Security and National Solidarity, administration of programme.	Same
Mozambique	Ministry of Labour	National Social Security Institute, Administration Council
Namibia	Ministry of Labour, general supervision.	Social Security Commission
South Africa	Department of Labour, general supervision.	Compensation Commissioner
Swaziland	Department of Labour, enforcement of law.	Employers must insure liability with private insurance company.
Tanzania, United Rep. of	Ministry of Labour and Youth Development, enforcement of law, approval of settlements, and payment of benefits.	Employers must insure liability with private insurance companies
Zambia	Ministry of Labour and Social Services, general supervision.	Zambia Workmen's Compensation Fund Control Board
Zimbabwe	Ministry of Public Service, Labour and Social Welfare, general supervision.	National Social Security Authority

example, in Zimbabwe, the administering agency is the National Social Security Authority (NSSA), which also has responsibility for workplace safety programmes *and* for the national pension scheme providing old age, disability, and survivors' benefits. In Namibia, the administering agency, the Social Security Commission (SSC), also provides sickness, maternity, and death benefits and is planning the launch of a national pension scheme. In Mozambique, the National Social Security Institute also administers retirement, survivors', and disability benefits and an illness subsidy. A few countries have multiple social protection schemes but have not consolidated them administratively with workers' compensation. In Swaziland, for example, workers' compensation is administered separately from the Swaziland National Provident Fund. In South Africa, workers' compensation and unemployment compensation are administered by separate branches of the Labour Department, while the social pension is administered by the Welfare Department. The consolidation of these schemes is under discussion within the Government.

Wherever employment injury agencies are located organizationally, their administrative performance exhibits several common patterns. First (with the notable exception of Mauritius which has achieved a high level of automation), the processing of applications tends to be paper driven and labour intensive. As claim files move through employment injury bureaucracies, there are typically

multiple ledger entries, check points, and clearances. In some countries (e.g. Zimbabwe), files must be transported physically from a local or regional office, where applications are registered, to a central office where the applications are processed. Registry units are usually assigned to keep track of files as they move from unit to unit but are often unable to do so effectively. In the countries with individual employer liability schemes, eligibility determination is further complicated by the need for interaction between three parties — the government, the employer, and an insurance company. Reports of accident or disease are usually submitted to a division within the labour ministry, which evaluates the claim (sometimes through the use of medical boards) and, upon making a finding of eligibility, forwards it to the employer. The employer then files for compensation with the insurance company. If the company challenges the government's finding, the claim is usually reviewed by a third party. In cases where the government's decision is confirmed or goes unchallenged, the insurance company forwards compensation to the employer. The employer in turn transmits it to the government, which makes payment to the worker. Not surprisingly, these multi-layered procedures can cause extended delays for disabled claimants and surviving family members.<sup>18</sup>

A second and related feature is that many schemes lack a customer-service mentality. Long queues of claimants awaiting attention are the norm in some agencies, and publicly listed telephone numbers often go unanswered or are continuously engaged. While problems of this type may typify government performance in some countries in the region, two severe administrative barriers are particular to employment injury schemes. One is the requirement imposed by most schemes that the employer sign an accident report before compensation can be awarded. In an interview undertaken for this research, an official of NSSA in Zimbabwe explained:

When a worker reports an accident, we give him the form and tell him to have his employer complete and sign it. However, the employer knows that if he signs, we will probably prosecute him for past-due contributions. So it is not hard to see the difficulty facing the worker.<sup>19</sup>

Some schemes attempt to address this problem by investigating worker claims, but a shortage of compliance officers often limits the thoroughness and timeliness of these inquiries.

In addition, schemes typically offer little help to migrant workers who return home after being injured on the job or who develop an occupational disease caused by work in another country. The most developed employment

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<sup>18</sup> In Zimbabwe, for example, the employment injury scheme has come under criticism from trade unions because its benefit processing times frequently exceed the 90-day limit placed on claimants for filing an appeal. The unions hold that, in making eligibility decisions, the scheme should live by the same standard it imposes on claimants in deciding whether to appeal. In South Africa, where eligibility determination occurs in provincial offices, the most problematic region (the East Cape) typically takes three to four months to process an employment injury claim.

<sup>19</sup> NSSA is now in the process of amending its claim form to eliminate this requirement and allow workers, worker representatives, and family members to file claims.



injury payment arrangements exist in South Africa, where benefits may be remitted through government-to-government agreements or through the mines' major recruitment agency, The Employment Bureau of Africa (TEBA), in those countries where it has offices. In the former arrangement, government corruption in the receiving country has sometimes prevented payments from reaching beneficiaries. This has been a particular problem in Mozambique, where a small survey undertaken in 1996 by Rand Mutual, the private firm which administers workers' compensation for the mining industry, showed that 70 per cent of compensation payments remitted in this manner had not reached the beneficiary (see Fultz and Pieris, 1997). In other countries, some schemes will send benefits overseas and will sometimes transmit an application or medical evidence to a neighbouring scheme on behalf of a worker.<sup>20</sup> In no case, however, will a scheme assist a worker in developing an application for another scheme, advocate on his or her behalf for a decision, help file an appeal, pay a worker on another scheme's behalf, or advance the worker funds while he or she is awaiting a payment.

A third common feature, alluded to in the first part of this article, is that most schemes lack adequate resources for enforcement activities. While the compliance statistics cited earlier are the most compelling evidence of this shortage, they are strongly reinforced by the views of scheme administrators. In response to a questionnaire for this study, a Lesotho administrator stated:

Due to shortage of labour inspectors, the provision [requiring employment injury coverage] is not effectively enforced, culminating in losses to employees and their dependants and resulting in untold misery.

In South Africa, the Government has used special compliance "squads" to target chronically non-complying firms in several provinces and is contemplating a major reorganization of its local Labour Centres to increase the number of compliance officers and upgrade their status. In response to a questionnaire for this study, an official of the South African Workers' Compensation Section of the Department of Labour noted:

One of our biggest problems is debt collection and a second is the failure of employers to report accidents ... Some of the contributing factors are the fact that the Fund is centralized creating distance between the stakeholders, the growth of the informal sector of the economy which does not register, and the lack of an infrastructure to enforce the requirements of the Act.

A shortage of vehicles is also a key obstacle, particularly in individual employer liability schemes where contributions are paid to insurance companies and thus cannot be used to fund compliance activities. In an interview for this research, a compliance officer at the Ministry of Labour and Vocational Training in Malawi noted:

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<sup>20</sup> For example, Zimbabwe remits compensation payments to workers living in Malawi through the Malawi High Commission; to European workers, through the Bank of England; and to workers resident in South Africa, through the South African Standard Bank.

I have been here 20 years, and I can tell you our main problem: a shortage of transport. How can enforcement be effective when compliance officers often have to walk?

A final feature is that administrative expenses in some countries are high as a proportion of revenues. While several inherent features of employment injury schemes make administration costly (e.g. the need to gather and evaluate medical evidence, to render individualized determinations of disability which may have a significant element of discretion (e.g. back pain), and to allow claimants several levels of appeal), administrative costs are still inordinately high in some schemes, in the range of 25-40 per cent of contribution income.<sup>21</sup> This means that a third or more of a scheme's resources may be diverted from its basic purpose, a drain which must raise the question of whether these schemes' existence is in the interests of workers. In this regard, it is noteworthy that Mauritius, the country with the *highest* ratio of enforcement officers (one per 200 employers) is also the country with the *lowest* administrative expenses as a percentage of revenue (3 per cent of contributions). This phenomenon points to links between the problems described previously: inadequate resources for enforcement, poor compliance, reduced revenues, and administrative expenses which are high as a percentage of contribution incomes. Together these problems may trap the schemes in a cycle of poor performance. In addition, the Mauritian experience indicates that there are large economies of scale to be realized by countries which can use a single team of enforcement officers to collect revenues for a consolidated social security scheme providing multiple benefits.<sup>22</sup>

## Proposals for reform

The profile of employment injury protection set out above suggests many areas for improvement. These include conversion of employer liability schemes to social insurance, extending coverage to excluded groups, improving benefits for occupational diseases, indexing pensions for inflation, providing funding for rehabilitation and prevention of occupational hazards, strengthening reporting systems, reducing administrative costs, and improving compliance. The number and scope of these changes necessarily make their realization a long-term undertaking and raise the question of where it makes most sense to begin.

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<sup>21</sup> In Zimbabwe, administrative expenses totalled 32 per cent of contributions in 1997 (National Social Security Authority, 1997, p. 43). In Zambia, scheme administrators estimate that administrative expenses total 40 per cent of revenues. In Namibia, administrative expenses in 1992 were in the range of 25 per cent of assessments (Namibia, 1992). In South Africa, scheme administrators estimate that administrative costs range from 11 to 14 per cent of contributions.

<sup>22</sup> The Mauritian scheme is also administered directly by government rather than by a parastatal organization — a situation which, in the view of its administrators, has resulted in greater frugality in administration. In addition, given that compliance is approaching 100 per cent, scheme administrators believe that the compliance department is overstaffed and are seeking to reduce it by about one-third over time.

Given the pitfalls involved in assigning further tasks to schemes which do not yet fulfil their basic responsibilities, a case can be made for focusing initially on measures to ensure that basic employment injury protection is available and delivered effectively. Once schemes achieve a basic level of functioning, it will be possible to build on their achievements and gradually assign them new tasks. This logic suggests a four-point agenda for change in the near term: conversion to social insurance; reforms of administrative procedures which make schemes more responsive to client needs; the strengthening of enforcement; and automatic indexing of employment injury pensions.

### *Conversion to social insurance*

There is a gradual evolution in employment injury protection in southern Africa, most obvious in the conversion from individual employer liability to social insurance. Of the five schemes of the former type, one is in the process of converting and three are at various stages of considering this reform.<sup>23</sup> Fuelled by a wide recognition that social insurance offers two major advantages, a similar evolution is also occurring in other parts of the world as well.

The foremost advantage is that, by pooling risks and finances through a national fund, a scheme can raise its standard of protection so that cash compensation and medical care can be provided *throughout* an injury or illness on a periodic basis, rather than in the form of a lump-sum payment, as is typically provided by private insurance. In southern Africa, the rationale most typically offered in support of lump-sum benefits is that they enable workers leaving the formal sector to make a successful transition back to life in their home village by, for example, purchasing land, cattle or farm equipment, or building a home. While this model fits the circumstances and needs of some retiring workers, it clearly does not fit those of disabled workers and surviving family members. In their case, the breadwinner's earning capacity has been lost or extremely limited, making financial need ongoing, not transitional. This group's need for income replacement is therefore more appropriately met through a periodic payment.

A second advantage is that social insurance claims are made directly to a national fund and benefits paid directly from it. The fund serves as an intermediary, breaking the link between the worker and employer with respect to employment injury. This intermediary role benefits both parties: it provides workers with greater certainty of receiving benefits, while freeing employers from the financial risks associated with an unexpected costly claim or an atypically large spate of claims.

These advantages make conversion an essential step in strengthening employment injury protection in the region and justify giving priority attention to conversion in the countries which still have employer liability schemes. Yet

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<sup>23</sup> Malawi has passed a law and is actively engaged in conversion, the United Rep. of Tanzania has a government-approved plan for strengthening social protection which includes conversion to social insurance following the recent launch of a national pension scheme, the Lesotho Labour Ministry is planning for conversion, and the Government of Botswana is considering an ILO conversion proposal within a larger plan for strengthening social protection.

conversion alone would be an inadequate prescription for the near term, since a number of serious problems also exist in the region's six social insurance schemes — i.e., administrative systems which are slow, inefficient, and often not geared to client needs; weak enforcement of the contribution requirement; and erosion of the purchasing power of employment injury pensions by inflation.

### *Worker-oriented administrative reforms*

Improving scheme administration is a major challenge involving not only specific actions but a shift to a more “user-friendly” mind-set. While it is never easy to orchestrate, such attitudinal change is most likely when the clients themselves demand improved service. Yet in many countries in southern Africa, direct pressure from clients is weak or absent for two key reasons. First, as disabled workers or surviving family members, clients are not well placed to organize themselves to bring pressure to bear. Individuals who are disabled by workplace conditions tend to have low incomes and limited skills. After an injury or the onset of a disease, many return to their home village where it is difficult to communicate or engage in coordinated action with others in similar circumstances. Meagre disability pensions also leave them without resources to exert pressure. Second, poor government service is often accepted as the norm in southern Africa. Thus, lacking a model for effective group action which actually changes the performance of a government agency, trade unionists may not perceive it useful to bring pressure to bear on behalf of disabled members. Given these two factors, the best approach in the short run may be a formal requirement for direct employee representation on a scheme's governing board. To be effective, such a mandate must be coupled with efforts to fill posts with individuals who are knowledgeable and closely accountable to their membership. Another essential is worker training, needed to achieve informed participation and effective oversight of worker representatives. In the near term, a more worker-oriented approach to administration would include two specific changes:

- *Loosening of the conditions governing the filing of claims.* When an employer does not comply with an employment injury law, his/her interest in relation to a workplace accident or disease may be at odds with that of the worker affected. In recognition of this, schemes should allow for the processing of benefit claims which do not bear an employer's signature. Claims filed by workers themselves, family members or employee organizations should be accepted. This liberalization implies an increase in resources for investigation and verification of claims filed unilaterally by a worker or worker representative, a task normally undertaken by compliance officers.
- *Reciprocal agreements for the coverage of migrant workers.* To ensure that employment injury protection reaches eligible migrant workers and their families, schemes should develop reciprocal agreements for the acceptance of applications and payment of benefits across national borders. The European Union, which practices reciprocity with respect to most forms

of social security, provides a model for such cooperation within SADC. The logical starting point is employment injury since it is the single form of social protection which exists throughout the region. The ILO Conventions concerning social security for migrant workers provide guidelines for reciprocal agreements, which stipulate how benefits will be paid, how funds will be transmitted and accounted for, and how provision of medical care will be organized (see table 2).<sup>24</sup> The recently-established SADC Technical Sub-committee on Social Security and Occupational Safety and Health could serve as a resource to governments in negotiating agreements and overseeing their implementation. Over the longer term, as more schemes convert to social insurance, this Sub-committee could also provide a forum for harmonizing benefits across the region.

### *Strengthening enforcement*

Weak enforcement is a chronic problem in southern Africa, and this is closely linked to other structural or administrative features of employment injury schemes, such as the unavailability of contributions to fund enforcement activities in individual employment liability schemes, steeply experience-rated rate structures, and paper-driven bureaucratic procedures which absorb administrative costs by requiring a large staff for the completion of simple tasks. These linkages mean that several other, more indirect approaches are possible in addition to increasing resources for enforcement.

First among these is placing greater reliance on automation in the processing of benefit claims, a reform which holds major potential to reduce scheme administrative costs across the region. By streamlining labour-intensive procedures for eligibility determination and issuance of payments, automation can also free up staff resources for reassignment to enforcement. A second approach is the administrative consolidation, where possible, of employment injury schemes with other forms of social security. The use of a single enforcement team for multiple social security benefits can increase the cost-effectiveness of enforcement actions. Where administrative consolidation is not possible, efficiency gains can still be achieved by “piggybacking” enforcement strategies on existing sources of information, such as government data bases on licensing, tax collection, or exports.<sup>25</sup> These can be far more effective means to identify liable employers and pursue them than are door-to-door site visits by compliance officers. Third, expanding the categories of individuals who can report employment injuries would provide enforcement units with new sources of information about uninsured employers, also enabling them to target scarce enforcement resources more effectively. A final approach involves restructur-

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<sup>24</sup> They could also address additional matters such as information dissemination to migrant workers, the transmittal of applications, hearings and appeals, and the coverage of special categories of workers such as those sent out on a foreign contract and “frontier workers” who live in one country and work in another.

<sup>25</sup> In Namibia, for example, firms that wish to bid for a government tender must show that they are up to date on employment injury contributions.

ing rates to require greater risk-sharing among employers and, in this way, to lower the rates at the upper end of the rate continuum which discourage compliance by some marginal firms. A key step is the inclusion of government workers in a country's general scheme, since this group comprises a large portion of the formal sector in many countries and generally has a low risk of employment injury or disease. Rate restructuring along these lines would also simplify administration, again freeing up staff resources which could be redirected to enforcement activities. This approach is not uncontroversial as it results in the subsidizing of firms with higher risk of occupational injury by those with safer work environments. Such cross-subsidies may be justified, however, on the grounds of national solidarity, simplified administration and increased protection of workers in high-risk industries. As noted previously, Malawi and Namibia are now moving in this direction.

Improved enforcement is an essential component of any reform effort since, no matter how needed or desirable in principle, employment injury schemes will not achieve their objectives if they cannot collect contributions.

### *Automatic indexing of pension payments*

In social insurance schemes, the uncertainty and financial hardship faced by pensioners in the absence of indexing makes this a key area for action in the short term. The solution lies in a legal requirement for annual adjustments in benefits, contributions, and all flat dollar amounts used in programme administration. If implemented properly, indexing should not jeopardize scheme financing, since it will result in revenues and pay-outs increasing in similar proportions. From the workers' perspective, however, the change would be enormous, in that the gradual erosion of their purchasing power would cease.

Indexing entails two related technical issues: the method (wage- versus price-based adjustments in pensions) and the selection of a reliable mechanism. The first is a policy matter to be resolved on the basis of national preferences: basing adjustments on wage increases will provide scheme beneficiaries with the same protection as active workers (which may be higher or lower than price inflation), while indexing for prices will provide them with more protection in inflationary periods but with less in periods of increasing national productivity. Whichever method is chosen, it is essential that the ceiling on covered wages be adjusted in the same manner as benefit payments, in order to ensure the fiscal stability of the scheme.

The choice of an index involves as a first step assessing the reliability of existing tools. In many countries, an index of some type is produced by a national statistical office, but it may not apply to the entire country (e.g. Namibia) or may be updated at unreliable intervals (e.g. Zambia). Where no index is available or an existing index is judged to be unreliable, the scheme will have to construct its own, based on an annual survey of members. While this will entail additional cost and effort, it is justified by the very strong case for pensions indexation: without it, governments' commitment to a minimum level of social protection for injured workers and surviving family members cannot be met.

Viewed from this perspective, indexing is the lynchpin of the reform measures being proposed, since only on condition that pensions maintain their value over time does it make sense to streamline and strengthen administration, to improve enforcement or to convert individual employer liability schemes to social insurance.

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