

New Pension Benefit is a Misery to Retirees

News:

Recently Tanzania through the Ministry of Labor, Youth, Employment and the Disabled, announced new Pension Benefit Code for retirees which will start operating in July 2022.

Comment:

Introduction of the new code is the result of agreement between the government, social security sector stakeholders including the Trade Union Confederation (TUCTA) and the Tanzania Employers' Union (ATE).

In 2018, the government introduced the new principle of pension benefits which was rejected. The Pension Benefit Payment Code 2018 was rejected because it included reduction in the lump sum payment rate from 50% to 25%. With the new scheme the lump sum payment is 33% which means the government has reduced from 50% which was long being used and workers complained about it, instead of increasing it, the government reduced it to 33%.

To have a clearer picture is that, if a worker (retiree) total benefit is Tsh 100,000 with the old pension scheme, he was paid 50% which is Tsh 50,000 but with the new scheme he will be paid 33% which is Tsh 33,000. For majority of workers whose salaries are little depends on how much this lump sum for their living is after retirement for instance building a house, etc.

The accumulated calculator is 1/580 now instead of 1/540. The government has purposefully increased the accumulated calculator and so decreases the retirees lump sum. For example, if the retirees total lump sum is Tsh 100,000 with the old pension scheme he was paid Tsh 185.18 but with the new scheme he will be paid Tsh 172.41 only. This was another technique that the government played with and at the end is a worker (retiree) who is highly affected or exploited.

There was a consensus on the average retirement years to be 12.5 years as well as the average three-year average salary within ten years prior to retirement in calculating the retirement pension benefits. The average retirement was 15.5 years in the old pension scheme but the government has reduced it to 12.5 years only.

With the pension benefits formula, the bigger the number of average retirement years, the bigger the lump sum pay. With 12.5 average years of the new scheme, means less payment to the retirees compared to the old pension scheme where average retirement years was 15.5 years.

All these are techniques which the government has applied in playing with the pension benefits formula so that the retiree remains with less money and greater money remained with the government. This is because the current situation of these pension funds is worst, many are bankrupt following the government's borrowing and

mega project investments which resulted into merge of GEPF, LAPF, PPF and PSPF into PSSSF (Public Service Social Security Fund) in 2018.

It is inevitable that under Capitalism with its economic principle of freedom of ownership has nurtured a selfish and exploitative society by which workers globally suffer a great deal of exploitation in all spheres including low wages, issue of pensions, safety at work places, etc. Furthermore, Capitalism is built upon attaining benefit by any cost, even by harming and oppressing others including employees.

In attempt to dilute crises in employment, Capitalism encourages creation of trade unions which in the real sense are part of the problem.

In this situation it is not surprising to see the trade unions are ineffective in assist workers/retirees, and the government managed to reduce the denominator (accumulated calculator) from 540 to 580, reduced the lump sum payment from 50% to 33% and also in average retirement years from 15.5 years to 12.5 years yet unions have not done anything to help the workers/retirees.

Islam has a unique approach to the issue of labour different to any other ideology in the world. Some of Islam's most important principles of labor policies includes the unique equal relationship between employers and workers, determination of fair wages and existence of specific Court of Unjust Acts (Madhalim) in the Khilafah (Caliphate) State to closely monitor rulers not to infringe laws, abusing power including to safeguard rights of state employees.

Also, Islam under the Khilafah State creates, encourages and enforces a safe and non-exploitative work environment for workers.

Imam Bukhari narrated from Abu Hurairah (ra), the Prophet (saw) said, Allah (swt) said: «ثَلَاثَةٌ أَنَا خَصْمُهُمْ يَوْمَ الْقِيَامَةِ رَجُلٌ أَعْطَى بِي ثُمَّ غَدَرَ وَرَجُلٌ بَاعَ حُرًّا فَأَكَلَ ثَمَنَهُ وَرَجُلٌ اسْتَأْجَرَ أَجِيرًا فَاسْتَوْفَى» **Allah said: There are three persons whom I will oppose on the Day of Resurrection: a man who gives his word by Me but proves treacherous; a man who sells a free person and consumes the price; and a man who employs a worker and receives a completed job but he does not pay him his wages.** [Sahih Bukhari, Number 430]

It was narrated from 'Abdullah bin 'Umar that the Messenger of Allah (saw) said: «أَعْطُوا الْأَجِيرَ أَجْرَهُ قَبْلَ أَنْ يَجِفَّ عَرْفُهُ» **“Give the worker his wages before his sweat dries.”** [Sunan Ibn Majah].

**Written for the Central Media Office of Hizb ut Tahrir by
Said Bitomwa**

Member of the Media Office of Hizb ut Tahrir in Tanzania