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LIQUIDATING PENSIONS OBLIGATIONS OF THE UNIVERSITY OF ZAMBIA

By

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Abstract

This research looked at the challenges the University of Zambia (UNZA) is facing in liquidating pensions and benefits liabilities to their employees and former employees over time. The aim of this study was to develop a sustainable framework through which the University of Zambia can liquidate and manage its debt liability to personnel. The researcher implemented referential pragmatism in order to develop sustainable strategies. The study adopted an exploratory case study design and used in-depth interviews and documentary reviews to discover the underlying motive of human behavior. In light of the aforementioned, the study is a qualitative study. The theory of constraints was adopted in this study. Purposive sampling was used and the sample size consisted of 12 UNZA management and finance staff, 12 staff union representatives and 13 represented union members from various schools. Thematic analysis and documentary review was used to analyze this qualitative data. The researcher found that the biggest challenge the University of Zambia was facing was liquidity. The institution incurred more fixed costs than variable costs and the total income it earned was not enough to cover all expenses adequately to allow the institution to run efficiently and sustainably. Furthermore, it was found that some policies (written or unwritten) had affected the performance of the institution in aiding to liquidate this liability. It was also found that this outstanding liability has impacted the institution in many ways and has exposed it to risk. The research also elaborates in detail how both external and internal factors have led to this predicament UNZA is facing now. Therefore, the study concludes that in order to solve this problem, UNZA must implement policies and solutions which will enable and allow the university to enhance its revenue, while simultaneously lowering its costs, with large support from both government and the corporate word.

Key words: University of Zambia, Terminal Benefits, Pensions Liability, Financial Management, Liquidating Personnel Debt.

1.0 Introduction

The University of Zambia (UNZA) is the largest and first ever public university in the country. It has about 879 academic staff and 1,621 administrative staff (UNZA Strategic Plan 2018-2022, 2018). Over the past years the University has been faced with so many challenges, one of them being defaulting to pay personnel debt. This personnel debt includes money it owes its former and current employees in form of gratuities and pensions. The University of Zambia Quality Assurance Framework (2018) reports that, terminal packages for all categories of staff have continued to be a major contributing factor to the University's indebtedness. The University is also heavily indebted with respect to statutory obligations and contributions in form of taxes, pensions and superannuation due to poor funding.

The audited financial statements of the University of Zambia as of 31st December 2017 showed that the institution owes its former and current employees whose contracts of employment where successfully discharged a total of about K1,280 million. The amount was broken down as terminal benefits and gratuities K390 million, Superannuation K40 million and NAPSA K850 million. The report further reveals that the Superannuation scheme had accrued actuarial deficit of K130 million. The 2017 financial statements show that the University of Zambia adopted both unfunded occupational pension plans and a defined contribution plan. The 2017 financial statements further reveal that the terminal benefits provisions for the serving members of staff stood at K900 million. Based on the 2017 financial statements, UNZA accrued debt and the funds (K20 million) allocated towards dismantling the terminal benefits debt, it can be said that the terminal benefits debt is on the rise.

The 2018 budget for the Ministry of Higher Education (MoHE) was approximately K1, 970 million of which 72.6% (K1, 430 million) was allocated to University Education. The University of Zambia constitutes 24% (K350 million) of the University Education budget and 18% of the Ministry of Higher Education budget. The Ministry of Higher Education allocated the amount of K350 million to the University of Zambia, with 58% (K200 million) meant for payroll costs and the remaining 42% (K150 million) for dismantling of terminal benefits related debt. Based on the 2017 UNZA accrued debt and the funds allocated towards dismantling the terminal benefits debt, it can be concluded that the terminal benefits debt is on the rise.

This difficulty being faced by the university to pay its past and present employees retirement benefits has constrained the university from significantly developing its main operations as well as infrastructure. It has also potentially created operational risk, financial risk as well as reputation risk.

This study focused on understanding why the university has persistently defaulted in liquidating personnel debt, the current pension schemes that have been adopted by the university and why they seem to not be effective and it will also develop a model that could be used to liquidate personnel debt at the University of Zambia.

2.0 Problem Statement

There is a major challenge at the University of Zambia in terms of liquidating personnel debt. The manner in which debt builds up can be important from the perspective of its impact on operations, as well as of the subsequent exit strategy. Over the years, the University of Zambia as revealed by the 2017 audited financial statements has been accumulating debt and it appears that there is no solution. This has subjected the university to different kinds of substantial risk such as reputation risk, financial risk and operational risk. It has been reported that the difficulty arising from this problem is that the institution is constantly riddled with strikes (Zambia Daily Mail Ltd, 2015 June 19) and this could potentially dent the institution's credibility and especially attracting investments. The University's strategic plan (2018-2022) desires to address this concern, however, it is not known how Management intends to address this matter. This, in itself, represents a challenge for both the Government of Republic of Zambia and the management team at the University of Zambia. Accumulation of personnel benefits and pensions debt is a huge stumbling block for the University of Zambia and it has substantially contributed to the indebtedness of the institution, therefore, a study which investigates the challenges of liquidating personnel debt and develops a framework to solve this problem had to be carried out.

3.0 Aim of Study

The aim of this study was to develop a sustainable framework through which the University of Zambia can liquidate and manage its debt liability to personnel.

4.0 Objectives

1. To establish the outstanding debt burden of UNZA
2. To understand the challenges UNZA is facing in liquidating its outstanding benefits to employees.
3. To develop sustainable strategies that can enable UNZA to liquidate its outstanding personnel debt.

5.0 Research Questions

1. What is the employee debt burden of the University of Zambia?
2. What are the challenges UNZA is facing in liquidating outstanding employee benefits and pensions?
3. How can the University of Zambia liquidate the employee pensions and gratuity debt it has accumulated?

6.0 Literature Review

Pension is the amount of money that is set aside by employees, employers or both to ensure that employees have an income even after retirement with the hope that retirees are not financially stranded (Adeoye, Kotun & Alaka, 2016). Salimi (2014) defines pensions as the money paid by government to an employee who has worked a certain period of time and has reached the retirement age. He further describes them as being often seen as a form of deferred compensation for the job done today. Marumoagae (2017) stresses the importance of a pension system by pointing out that pension money forms the cornerstone of most people's retirement security because many individuals upon retirement wish to maintain the standard of living that existed during his or her working life. He further notes that the same pension money is very useful to livelihood of pension contributors and their families if that person is retrenched.

6.1 Types of Pension Schemes

The three types of pension plans include retirement plan, social pensions and disability pensions. This paper will however only focus on retirement plans. The two classes of retirement plans include defined benefit scheme and defined contribution scheme.

Salami (2014) describes defined benefit scheme as an unfunded/funded retirement plan which guarantees a pension payable to the member upon retirement. It uses a special formula which takes to consideration the employer terminal emolument, number of years worked and the accrual rate. On the other hand, he describes a defined contribution plan as one which has both the employee and the employer contributing to the employees individual account known as the retirement savings account. This money is reinvested and the loss or gain made is credited to the account and is accessible to the account owner upon retirement. The defined contribution scheme as a pension scheme where the responsibility of managing the contribution of both the employees and employer do not lie with the employer but lye with a financial services authority regulated financial institution (Watson 2018).

6.2 Causes of Personnel Debt Accumulation

Marumoagae (2015) affirms that the reason why employees are unable to receive their pensions is owing to their employers failing to fulfill their pension obligations to the pension funds. The challenges of pension schemes in the Nigeria could be attributed to failure of employers, especially in the private sector, to provide pensions for their employees; poor pension fund administration, embezzlement of pension fund by government officials and poor supervision amongst others (Salami 2014). Salami (2014) further notes that demographic challenges; poor funding of outstanding pensions and gratuities; merging of service for the purpose of computing retirement benefits; administrative bottlenecks, bureaucracies, corrupt tendencies and inefficiencies of the civil service, and the economic downturn as some of the issues with pension administration in Nigeria. Phiri (2009) highlights that despite there being adequate policies and procedures in the management of records in the public service, implementation has proved to be a problem and this have negatively affected the payment of pension plans at the public service commission. This is a very important factor because the Public service Pension fund affects payment of benefits to retirees in that if personnel records obtained from respective institutions are misplaced or incomplete, it will affect the payment of employee benefits.

6.3 Longevity Risk

Longevity risk may be a source of major concern in terms of insuring than plan holders have the financial capabilities to pay out retirees their dues. For corporations that offer defined-benefit schemes, unexpected increases in longevity assumptions (sometimes forced by improved accounting rules) hurt firms' profits, affect their balance sheet and—ultimately— their stock price (Imam et al, 2012. Longevity risk is the risk that actual life spans of individuals or of whole populations will exceed expectations (Imam et al, 2012). Melenberg et al (2010) define longevity risk as risk which is as a result of longer term deterministic mortality projections. They refer to it as the uncertainty in future changes in mortality rates. The longer term deviations from deterministic mortality projections are precisely what implicate existing designs of pension and insurance systems.

6.4 Management and Accountability

Literature indicates that the most highlighted factors of good governance include transparency, accountability and responsiveness, efficiency and effectiveness. Musalem and Palacios (2003) discussed that the risks to stakeholders of poor governance of pension funds include; government failure to meet retirement promises, misuse of contributor funds towards non retirement related issues, use of contributor funds as a captive source of government funding and loss of funds owing to corruption or mismanagement.

6.5 Governance and Governance Structure

Mulinge et al, (2017) assert that governance plays a pivotal role in the success of institutions of higher learning and is a crucial factor in sustaining and improving quality and performance. Institutional governance is a vital element because it enables leaders to anticipate, design, implement, monitor and appraise effective and efficient policies (Hénard & Mitterle 2009).

The quality of governance in institutions of higher learning is a reflection of the leadership responsible for the running of these institutions. Hernard & Mitterle (2009) affirm that good governance is linked to quality because it insures increase in accountability, it gives direction in tackling new challenges such as the diversity of educational offerings and the expansion of private provision, it stresses how quality assurance gives a rise to productivity and wise management and how it protect the consumers

6.6 University Funding

Chirica and Puscas (2018) have identified State funding, Institutional funding (tuition fees) and other sources (Incomes from activities developed by higher education Institutions, Rents, donations, endowments, publishing house).

Despite government being the major source of funding for universities in Nigeria, the funds allocated to the universities have proven to be inadequate to achieve goals and objectives (Ahmed 2015).

6.7 State University funding methods

Pranevičienė at el, (2017) listed that state funding models include; Institutional financing (formula based funding), Program based financing, Block grant funding, Service recipient and Student loans.

6.8 Financial Management

Financial management in public organizations is concerned with ensuring funds are available when needed and that they are obtained and used in the most efficient and effective way to the benefit of the citizens (Mathenge and Muturi, 2017). The capability of any business relies on the ability of efficient financial management and on the other hand, inefficient financial management often lead business enterprises to fail to survive (Mekonnen and Uvaneswaran, 2017). Efficient financial management is important because Universities battle with resource scarcity, inadequacy of funds and limited sources of revenue and that is why every educational institute must go for efficient and systematic financial management (Holloway, 2006). Mathenge and Muturi (2017) confirm that there is a positive relationship between financial management practices and organizational performance. This means that how well an organization performs is partly dependant on financial management practices. It therefore goes without saying that increase in financial monitoring and control practices motivate financial performance in the universities (Mathenge and Muturi, 2017).

6.9 Theoretical Literature

This study adopted the theory of constraints. Theory of Constraints (TOC) is a management philosophy which is focused on the weakest ring(s) in the chain to improve the performance of systems (Simsit, Gunay and Vayvay 2014). Simply put, this theory identifies factors preventing an organization from reaching their goals. Boyd and Gupta (2008) explain that TOC emphasizes the cross-functional and interdependent nature of organizational processes by viewing an organization as a chain (or a network of chains) of interdependent functions, processes, departments or resources where a variety of inputs are transformed into a variety of products and services which when sold become throughput. It is very vital for companies to fully understand their full processes because it helps them to spot out and focus on the weakest rings in the chain. The weakest person (or ring) in an organization or process can damage them and adversely affect outcomes.

Types of constraints or the main variables which are the causes of constraint in an organization include (Phiri, 2019); Equipment in the system, when the people have no value in the organization, when people see there are no results, when there is no money in the organization, luck of skilled people, luck of value to the organization and policy (written/unwritten prevents system from performing as expected) in the system.

Simsit, Gunay and Vayvay (2014) identified the steps of ongoing improvement include; identify the system's constraint, decide how to exploit the system's constraint, subordinate everything else to the above decision, elevate the system's constraint and If in any of the previous steps a constraint is broken, go back to step 1.

7.0 Research Methodology

This study is a qualitative study because it aimed at discovering underlying motives or desires of human behavior using in-depth interviews as well as documentary reviews and review of existing literature. The epistemological variant used by the researcher is interpretivism because the researcher sought to gain knowledge of the world by interpreting meanings that humans attach to their actions (Cresswell 2007). The study adopted a pragmatic approach to answer the overarching questions of the study. 37 respondents were sampled from UNZA management and finance, represented union members from various schools and staff unions. This sample was purposefully selected and multi variation sampling was used. The researcher also reviewed documents (2017 UNZA audited financial reports, the University of Zambia Quality Assurance Framework, 2020 Collective agreements, UNZA Strategic Plan 2018-2022, UNZA Strategic Plan 2018-2022, Office of the Auditor general's reports 2014 to 2018) made available to her. The data collection tools included; In-depth interviews, documentary reviews and field notes. Thematic analysis was used to analyze the data.

8.0 Research Analysis, Results and Discussion

Four distinct themes emerged from the research data. The major themes identified from the results of this study included:

1. Outstanding liabilities and Causes.
2. Debt liquidation challenges.
3. Impact of personnel debt on the institution.
4. Solutions to debt management challenges.

Theme 1 answered the first research question; *what is the current employee debt burden of the University of Zambia?* Themes 1, 2 and 3 answered research question two; *why has the University persistently defaulted in paying its employees their benefits?* Theme 4 answered the third research question; *how can the University of Zambia liquidate the employee pensions and gratuity debt it has accumulated?* Each theme is discussed in further detail below.

8.1 Objective 1: To Establish the Outstanding Debt Burden of UNZA

8.1.1 Theme 1: Outstanding Personnel Liabilities and Causes.

The audited financial statements of the University of Zambia as of 31st December 2017 showed that the institution owes its former and current employees whose contracts of employment where successfully discharged a total of about K1,280 million. The amount was broken down as terminal benefits and gratuities K390 million, Superannuation K40 million and NAPSA K850 million. The report further reveals that the Superannuation scheme had accrued actuarial deficit of K130 million.

The respondents gave a brief background of how pension matters where decided upon then and how these decisions have played a huge role in where the institution is currently standing in terms of pension liabilities now. One outstanding reason given by all the respondents is that an unsustainable pension formula was adopted by the institution as a way of retaining and motivating employees.

The respondents said that the benefits and pensions were made attractive with the aim of retaining employees as the low salaries being offered at the institution were causing brain drain. Because the high pay out percentage set in the past to shelter the income that they thought to be “low” remained the same even after a substantial increase in income for the lecturers, the benefits and pensions became unsustainable. Basic salary is an essential variable in determining pensions and benefits pay out, and an upsurge of salaries leads to an increase in benefits and pensions payout. This increase in salaries was not followed by a significant adjustment in pension formula.

This retention plan was not backed by a fund to finance future liabilities due hence when the time came to remit, the institution was unable to, therefore debt begun to build up.

Respondents also reported that owing also to the financial difficulties the institution is facing, the employer has not been able to fulfill its obligation for fund managers by paying contributions towards pension funds. It was not however stated how long this has gone on for.

8.2 Objective 2: To Understand the Challenges UNZA is Facing in Liquidating its Outstanding Benefits to Employees.

8.2.1 Theme 2: Debt liquidation challenges

Liquidity Challenges

The following are the challenges the institution has been facing:

Sources of University Funding

All the respondents identified three main sources of university funding, these include; tuition fees, government grants and other sources income. What falls under “other sources of income” includes; research consultancy, service works done by various schools, rentals and other business ventures.

Respondents reported that Government grants is one of the major sources of funding for the University yet this does not cover have the expenses incurred by the institution. They further reported that income earned from other ventures isn't enough to cover the expenses the institution incurs and at the moment it is running inefficiently and unsustainably. They further mentioned that the institution is having challenges in thriving in exhausting all the potential income it could earn through other ventures such as research and consultancy because of the competition from the private sector.

Inadequate Funding to the University

All the participants reported underfunding of the University of Zambia as a key challenge to liquidating the outstanding pensions and benefits debt liability. The respondents further stated that the funding that the university receives, if you like, both from government and internally generated isn't just enough to cover the costs incurred by the university. They further explained that what UNZA receives from government on a monthly basis is about K16 million. And what they get paid from the students that are government sponsored is about K17 million which sums up K34 million. But the pay role cost alone (net pay) seats at about K38, K39 sometimes even K40 million. They expressed concern that what is mobilized every month by the institution is not enough to cover the costs therefore it is difficult to meet benefit and pay role costs.

Underfunding to the university has posed to be a huge barrier in the institution attempting to liquidate some of its outstanding debt, including benefits to employees.

Financing/Cost Structure of the Institution

The current financing/cost structure of the institution has posed a barrier to the efficient running of the institution. Most participants revealed that a large portion of the institutions financing structure consists more of fixed costs and less of variable costs and without diverse revenue sources which aren't so consistent. They further went on to explain that by virtue of being a public university, its cost structure cannot be compared to that of private institutions. Private institutions may largely depend on part time employees while UNZA largely depends on permanent staff and so automatically their cost is higher due to pensions and benefits obligations. In addition, it is a mega institution that accommodates a large number of students which increases costs such as utility costs and maintenance costs.

Because of large operational costs, the university is unable to meet all costs as they fall due and to run efficiently held respondents.

It was also discovered that there were no adequate financing structures put in place in the past to ensure sustainability and cushioning of future demands. The general view by all the respondents was that management had not made a deliberate attempt to create a fund that would solely be dedicated to the purpose of financing pensions and benefits of the employees of University of Zambia.

Financial Management

It is evident to see, as is the case of UNZA, that there is a positive relationship between financial management practices and organizational performance (Mathenge and Muturi, 2017). A properly planned structure put in place to cushion future demand would have mediated if not avoided the current dilemma the institution is facing. It is a vital need for every institution to adopt a financial blue print that shows how it will acquire the money, how it will spend the money and when it will spend the money and UNZA is no exception.

Respondents felt that management where not proactive in forecasting the sustainability of the institution based on current cash flows. If projections indicated that things were not going well, then you have to take appropriate action to minimize those costs which are within your control to avoid accumulating debt. This should have encouraged them to renegotiate pensions and benefits to something they can afford.

Owing to the deficit between costs and revenue in the institution, it has proven a difficult task to set aside sufficient funds to dismantle the pensions and benefit's debt.

Longevity Risk

Longevity risk is the risk that actual life spans of individuals or of whole populations will exceed expectations (Imam et al, 2012). The respondents pointed out that the form of longevity risk experienced by the institution was that many employees were retiring at the same time resulting to a huge responsibility of paying out pensions at a point in time. This a significant risk owing to the fact that there was no fund set aside to cover the cost of retired employees at any point in time in the future.

Policies and Procedures

Policies adopted by an institution play a very important role in the success of the running of the institution. Policies are the backbone of the functioning of an institution because they give a guide/roadmap on operations of an institution. A policy is a guiding principal used to set direction in an organization and a procedure is a series of steps to be followed as a consistent and repetitive approach to accomplish an end result (Mulinge et al, 2014).

The respondents pointed out that the policy concerning pensions at the University of Zambia has been unrealistic and unsustainable and this is why the institution is where it is now in terms of pension liability. The harmonization of salaries meant an immediate increase in salaries, which automatically made pensions expensive. The pension formula/policy was not revisited to make it manageable considering the new increase.

The respondents further revealed that the policy of keeping retirees on payroll up until they are paid their benefits has been strenuous on university finances, contributing to the inability to liquidate debt.

In addition, some respondents were of the view that what contributes to the liability is the delay in processes of funding gratuities due and this causes it to accrue.

The general position of majority of respondents was that government must use policy to give the institution greater advantage, especially in matters such as consultation and research. The respondents felt that if the government would adopt a policy that ensures that government higher leaning institutions are prioritized in offering research and consultations services, it would aid a rise of income generation at the universities, UNZA inclusive.

Governance Structure

Governance of an institution is how institutions are managed and governed. Governance in higher education institutions as the formal and informal arrangements that allow higher education institutions to make decisions and to establish, implement and continuously monitor the proper implementation of policies (Mulinge et al, 2017). Overall, when asked whether governance has any form of connection with this problem being faced by the institution, some respondents said they didn't think that the governance structure has in any way impacted the debt situation while other respondents agreed that there is a relationship.

The University of Zambia has got a council which is more like a board of directors. While some respondents felt that the existence of a counsel was a positive thing, others had an issue with it because they felt that it impacts and slows down service delivery. These respondents expressed that it is unnecessary for decisions to be made through a committee. If one is employed as an administrator, whatever challenges faced in their jurisdiction (administration) must be analyzed by themselves and a solution must be presented to management. For example, if there is a financial problem, it must be presented to the Bursar and must be resolved with support from finance officers.

The management structure of higher learning institutions is prescribed by the Higher Education Act of 2013. Some respondents felt that for an institution to be successfully run there is need for it to run independently of the government. One outstanding reason was sometimes the government has conflict of interest. Setting standard procedures and structures for the running of all institutions posed a problem because different institutions are faced with different situations. Respondents explained that the university has had a challenge in even generating more income through increase in tuition fees, and introducing new programs in the budget, because such decisions have to be made acceptable by the government. Management is not left to operate by itself and to make bold decisions concerning the university because procedures are standardized and are tied to government.

Furthermore, these respondents also suggested that government institutions fail to operate efficiently and effectively because it is difficult to trace and hold people accountable.

Accountability

As mentioned earlier, there exists a council and a management structure at the University of Zambia. There also exists staff Unions at UNZA, namely UNZAPROSU, UNZALARU and UNZAWU. These play a vital role in the institution as they stand as the voice of the employees as they are bargaining representatives during bargaining negotiations.

Current Methods Adopted to Liquidate Debt.

Currently the institution adopts the line-budgeting method. Every year, a line is set in the budget to indicate how much is to be allocated to the university by the state, therein stating how much is to be allocated to dismantling of debt. In this type of budgeting funds cannot be gotten from one block and transferred to another. One may wonder however why and how the debt is still outstanding despite these provisions. Respondents explained that the government has not been allocating to the institution the amounts that required in full hence the debt continues to accumulate.

The institution uses a first in first out basis to liquidate the liability. That means that the first one to retire is first in line to receive their settlement.

8.2.2 Theme 3: Impact of Accumulation of Personnel Debt

According to the respondents the uncertainty surrounding pension liquidation has caused them to be under financial and psychological stress. This is owing to the fact that some individuals have no other wealth creation plan besides pension once they retire.

Aside from, the University itself is being financially distressed. This increases costs on the balance sheet of UNZA. A balance sheet with this debt limits the University from pursuing financing opportunities. The respondents further noted that costs also increase resulting from the retirees remaining on payroll and employees winning lawsuits against the institution.

Also, penalty charges by the NAPSA for the institution failing to meet its obligation have caused the liability to increase. In addition, the institution runs facing reputation risk.

9.0 Summary of Research Findings

Outstanding Liabilities and Causes.

According to 2017 audited financial reports, as of 31st December 2017, UNZA owed K1, 280 million worth of personnel debt in benefits and pensions. This failure in the pension system is owing to two major factors; the unsustainable pension formula adopted by the institution and management's inability to create a fund meant to cushion future pensions liability.

Debt Liquidation Challenges

- UNZA has been facing liquidity challenges. This is mostly owing to the inadequate funding to the university and the inability of the institution to generate funds at a profit through other ventures. The other challenge to liquidity is the currently adopted inefficient financial structure; the current financial structure consists more of fixed costs and less of variables costs and without diverse revenue sources which aren't so consistent. Costs outweigh revenue. There is also a handicap in financial management.
- Longevity risk has proven to be a challenge owing to accumulation of number of employees due for benefits and no future planning for pensions liquidation.
- The university has adopted unsustainable policy surrounding pensions and benefits pay out. In addition, there is need for government to support UNZA through policies that protect it and help it raise revenues.

- Some restrictions implemented by government have limited UNZA from operating at a profit. Other structures in the institutions have actually caused it to incur more costs.
- The current strategies being implemented by the institution is the line budgeting method. However the debt still hasn't been liquidated in full because the government does not always remit in full what it promises.

Impact of Accumulation of Personnel Debt

Inability to pay pensions has impacted employees as well as retirees have created financial stress for them. Furthermore, this has lead to the institution incurring more costs such as legal fees, salaries to pensioners and penalty fees by fund managers. This has resulted into reputation risk.

10.0 Conclusion

Delay in payment of gratuities and pensions have been a major restraint to the University of Zambia. it goes without saying, this has been a thorn in the neck for far too long leading to the accumulation of huge sums of debt owed to the personnel at the University and has created several kinds of risks to the operations of the institution and its employees. The research found that there are two major constraints that affect the University of Zambia. These are; *the institution has no money (liquidity challenges)* and *written or unwritten policy which prevents system from performing as expected.* The research also elaborates in detail how both external factors and internal factors have led to this predicament it is facing now that it is facing now.

The outstanding reason for not liquidating employee benefits is that the institution is facing liquidity challenges. Therefore one of the ways to be able to solve the problem is to implement policies and solutions which will enable and allow the university to enhance its revenue. This will result in the university being sustainable and able to fund its employee benefits obligations. Going forward also, there is need for UNZA to restructure and re-evaluate its policies so as to continue to manage this problem and not risk defaulting again in the future. The cost structure and the revenue diversification must be adjusted simultaneously otherwise the institution will be running around same circles.

One leg must fall while the other must rise. It goes without saying, the institution will need a lot of commitment and support from the government, both financially and through policy.

11.0 Recommendations

The researcher recommended that in order to thrive in management of its finances, the University of Zambia must adopt the following procedures as suggested by Ackom – Wilson (2015).

11.1 Objective 3: To Develop Sustainable Strategies that can Enable UNZA to Liquidate its Outstanding Personnel Debt.

Design of the Personnel Debt Liquidation Strategy at UNZA.

The debt liquidation strategy is in two parts; external intervention and internal intervention.

External Intervention

Much support is needed from the government. The current debt liability is too huge the government needs to commit to paying a large part if not all of it now. Liquidating the liability now will be like closing a licking tap. It will reduce extra costs that have resulted from this existing liability such as paying salaries to retirees and the deceased. From there, we can start afresh on a clean slate and implement the suggested solution in this paper to avoid going back to this situation.

In addition, government must comply with the commitments it makes to the university in terms of funding. This will assist the university to pursue and accomplish various plans dependant on that funding.

Furthermore, government must implement policies that protect the interests of higher learning institutions that will result to revenue generation. For example, government needs to enforce policy that will protect and prioritize higher learning institution to provide consultation services. In the event that there is need for external incorporation, the policy must encourage undertaking such consultancies in collaboration with higher learning institutions.

The government must give UNZA some independence to operate in a manner that will be profitable for the institution. As earlier discussed, certain restrictions by the government are what have hindered the institution from earning its correct value and making profits.

Furthermore, we need to engage with the corporate world. UNZA must pursue creating sustainable and long lasting partnerships with firms and organizations in the private sector. UNZA is more that capable of engaging in research consultancies and providing technical support for many of these firms considering also the fact that it produces the employees they hire. Becoming a collaborating partner will therefore enable UNZA with substantial income to be able to sustain itself.

Internal Intervention

UNZA is responsible for implementing a number of strategies internally so as to ensure that not only is the problem managed at present, but prevented going forward.

Cost Reduction

UNZA must reduce costs by:

- Clearing off personnel benefits debt so that they are no longer part of the pay role because money is being drawn without productivity. This money could be channeled to other needs of UNZA.
- Every unproductive business or venture being pursued by the institution that is not earning profits must be cut off.
- Budgets must be adjusted to only provide for necessities.
- The workforce of UNZA must be streamlined. Any unnecessary positions that do not add value but increase costs must be cut off. Also, the institution must lean more on contract employment than permanent employment.

- The institution must do away with non-statutory benefits schemes that are unsustainable and find other means to motivate employees.
- UNZA must renegotiate terms of the pensions formula in order to conclude with a sustainable one that will leave both parties (institution and employees) satisfied.
- It is the responsibility of UNZA to develop strategies to make the institution more market desirable so as to attract more students, especially those on self sponsorship.

Revenue Enhancement

UNZA must enhance revenue by:

- Marketing programs that are profitable to increase revenue streams through tuition fees. This will include public relations work to resale the image of the institution to attract more clients.

- Change the business model on other ventures. The businesses must be run at a profit and experts must be incorporated to ensure this and to be held accountable if otherwise.

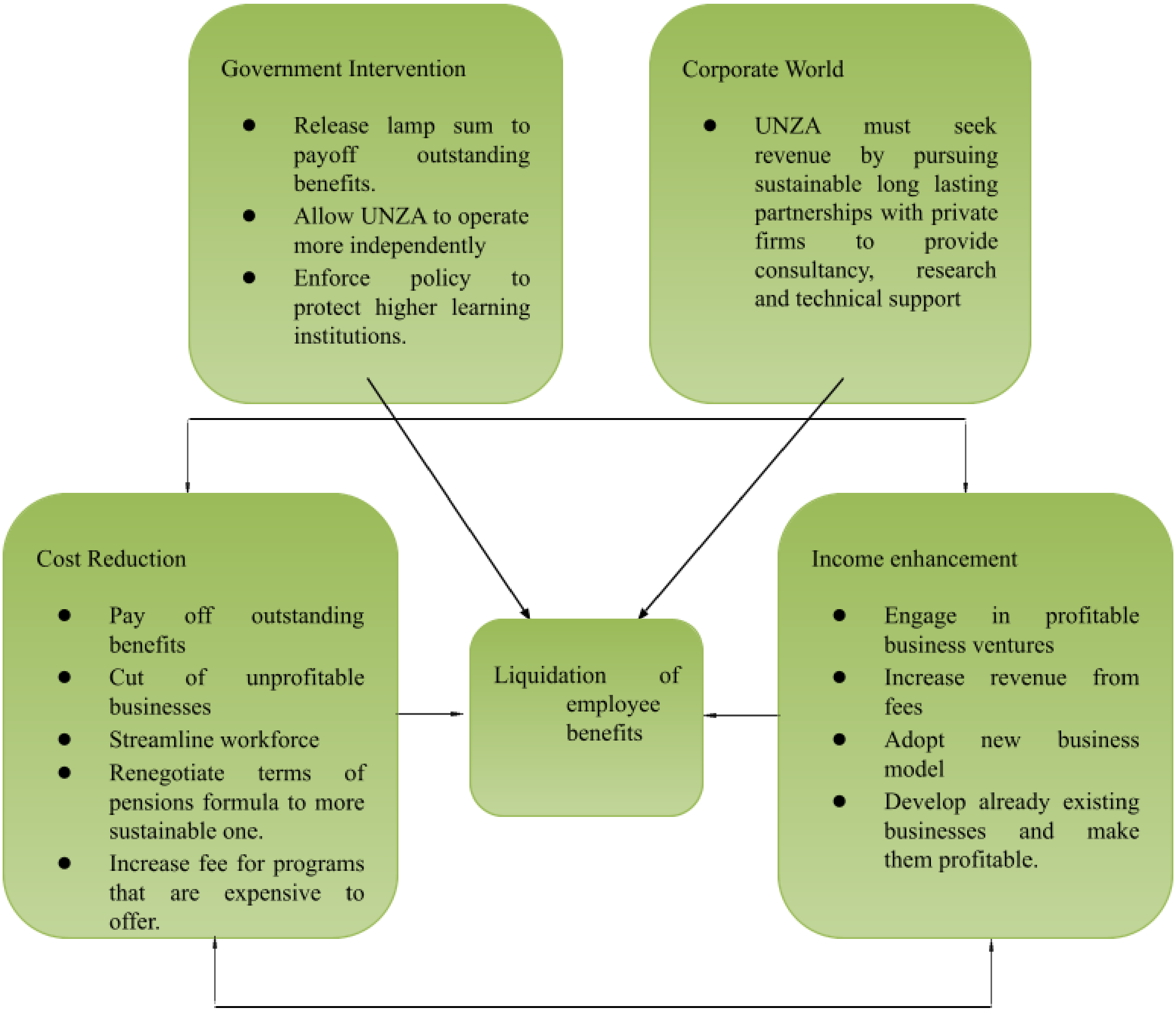
- UNZA must pursue more profitable revenue diversification ventures. Potential to generate revenue in every school must be recognized and must be pursued. For example the vet, the clinic, UNZA printers and the farms. These need to be paid attention to and must begin to compete at market level.

- UNZA must engage in more consultancy services as consultancy is one of their expertise and is capable of generation a lot of revenue for the institution.

- The fees for programs that are expensive to offer must go up to cover for the value being offered.

Figure 5.1 Personnel Debt Liquidation Model – Framework.

Personnel Debt Liquidation Model – Framework



Source: *Author (2020)*

12.0 Recommendations for Further Research

The study explored the pensions and benefits challenges at the University and recommended solutions to this problem. The researcher recommends that the following further studies should be done at UNZA:

- An analysis of business models adopted at UNZA.
- Statistical analysis of viability of businesses run by the University of Zambia.
- An analysis of market prices for courses offered at the University of Zambia.
- Sustainable potential investment strategies suitable to be pursued by a higher learning institution like UNZA.
- The impact of government intervention on University organizational performance.
- A statistical analysis of the impact of debt liability on organization performance.

The researcher further suggests that further research be carried out on management of legal and constitutional issues of renegotiating the financial agreements that have already accrued between UNZA and other stakeholders and further look into quantifying and segmenting the debt situation as well as the implications of government only subsidizing the pay role net of statutory obligations such as pension and taxes.

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