*International Journal of Latest Engineering Research and Applications (IJLERA) ISSN: 2455-7137*

*Volume – 02, Issue – 09, September – 2017, PP – 08-19*

# An Assessment of Pension Coverage among the Informal Sector Workers in Ghana

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**Abstract:** This paper assessed the coverage level of the pension system amongthe informal sector workforce in Ghana especially with the coming into being of the new pension law, Act 766 (2008). The paper argues given the aging and growing informality, a rapid forward-looking response from governments in the country is necessary to provide protection against the risk of poverty in old age. This risk is particularly acute in the case of informal sector workers, as is the difficulty of reaching them through traditional formal-sector pension approaches. Sampling techniques of clusterand simple random were used to collect data from 422 respondents and a Statistical Programmed for Social Scientist (SPSS) were used to review the work. From the analysis of the study, it was realized the level of pension coverage among the informal sector workforce is weak. This is happening as a result of lack of awareness, unavailability of pension institutions among others culminating into non-viability and unsuitability.The researchers then conclude that expanding coverage to informal sector workers through mandatory and auto enrolment systems as exist in the formal sector is likely to beef up coverage. Alternatively, if voluntary arrangement is still to be used, because the informal sector workers tend to have lower savings capacity, irregular income streams and poor data management, a high discount rates, targeted subsidies might be required to encourage enrolment.

**Keywords:** Constitution, Defined Benefit, Defined Contribution,Ghana, Pension, Social Security

## Introduction

Traditionally, welfare of the elderly was the role of the family units. In the olden days, pension benefits or support for the aged were from society in the form of immediate family or extended family especially in Africa. As the world population grew rapidly and life expectancy improved, the issue of care for the elderly became a serious problem for the state. Various countries at different points realized families could no longer provide the necessary support to the elderly during retirementaslife expectancy prolonged due to improvement in medical care, high and better standard of living, migrations, better living conditions, increased educated citizenry among others. This has increased the cost and time allotted to the upkeep of the aged. This led to the creation of social security schemes and for that matter pension funds and institutions some of which are among the largest financial institutions in many countries across the world. While Social Security in Europe and across developed countries was a direct consequence of the Industrial Revolution, in Ghana and for that matter in many African countries, it was as a result ofcombined factors such as colonization, industrialization and urbanization among other factors. There has been a growing interest in pension fund returns and performance owing to their increasing importance as institutional investors as well as to their substantial role within welfare systems (Beebower and Bergstrom, 1977; Harrison and Sharpe, 1983; Bodie, 1991; Tonks, 2005; Bauer and Kicken, 2008). In Ghana, the state pension establishment, the Social Security and National Insurance Trust (SSNIT), has so far been the leading institution that has spearheaded retirement insurance system and functions as both the social and investment institutions for the Ghanaian population more particularly among the formal sector workforce. Various pension reforms around the world and particularly in developing countries in recent times have focused mainly on the formal sector as against the informal sector workforce. The informal sector in Ghana is considered the largest sector of the workforce in the active labour force. These informal sector workforces are largely owned and managed by entrepreneurs.The pension system in Ghana prior to 2004 was characterized with many problems which make the payment of the retirement benefit a failure in Ghana. Koripamo-Agari (2009) and Yunusa (2009) pointed out that the major weaknesses of pension schemes were lack of adequate and timely budgetary provision coupled with rising life expectancy, increasing number of employees, poor implementation of pension schemes in the private sector due to inadequate supervision and regulation of the system and coupled with the fact that there aretoo many private sector employees who were not even covered in the pension scheme. Ghanaian workers experiencing these challenges agitated for a change in the pension scheme. This prompted the establishment of pension reforms that gave birth to the new pension law called The National Pensions Act (2008) Act 766. This pension reform gave access and opportunity to the informal sector workforce of the Ghanaian economy to contribute to pension scheme. The informal sector workforce shall also benefit from pension like their counterparts in the formal sector during their retired times. This was done in fulfilment of chapter six (6) of the 1992 constitution based on the directive principles of state policy at section 36 (3) and 37(6) (a)as stated “the State shall promote just and reasonable access by all citizens to public facilities and services in accordance with the law” and “ensure that contributory schemes are instituted and maintained that will guarantee economic security for self-employed and other citizens of Ghana.” respectively. The aim of this research paper therefore, is to assess primarily, the pension coverage among the informal sector workforce in Ghana with particular reference to specific objectives of;ascertaining the level of informal sector workforce awareness of the new pension scheme, their level of understanding in the operations of the new pension scheme, the level participation among the informal sector workers and public perception on viability and suitability as well as the availability of pension institutions in Ghana to adequately serve the dispersed informal sector workforce across the country.

## Literature Review

This study focuses on the theoretical and conceptual issues relevant to pension schemes. Specific issues, concepts and theories addressed arethe scope of the informal sector of the economy, pension schemes in Ghana and across the globe, history of pension schemes in Ghana and a conceptual framework of the study in relation to pension systems and the workforce in any society.

## Informal sector

The term “informal sector” was coined in Ghana in 1971 by a British anthropologist who was studying the economic activities of low-income communities in Accra. The informal economy, as it is now called and defined, is comprised of self-employment in small unregistered enterprises and wage employment in unregulated and unprotected jobs. In developing countries, informal employment comprises one half to three quarters of non-agricultural employment. In Sub-Saharan Africa, excluding South Africa, informal employment comprises large spectrum of non-agricultural employment (Conference co-hosted by Ghana Statistical Service & WIEGO (2005)). According to Osei (2007), the sizes of operations in informal economic activities in Ghana are usually small and owners rely mainly on own savings and credit from Micro Finance Institutions (MFIs) to produce mainly goods and services for the local market and to the World Bank (2009), there is evidence that labour force is moving outside agriculture into self-employment as well as formal and informal wage employment in Ghana and this is leading to the growth of informal urban employment. The Youth Employment Network and The International Youth Foundation (2009) also noted that current sector growth trends suggested that different service sector activities are becoming important sectors in terms of providing informal sector employment, particularly in the urban areas. The labour force in the informal sector of Ghana is diverse and engages in several economic activities on a very smallscale. In the case of the urban informal sector in Ghana as elsewhere in Africa there is remarkable heterogeneity and variety in its scope and operations. An International Labour Organization (ILO) (1997), study on the urban informal sector in Ghana revealed a wide range of operations and are grouped under; services, construction and manufacturing with the economic activities in the service sector further disaggregated and diverse. It is basically made up of urban food traders and processors (food sellers in the market, itinerant wholesalers and retailers, bakers, caterers and cooked-food sellers) and these are mostly women, predominantly illiterate or semi-illiterate. Other activities under the service sector include; health and sanitation workers, repairers of equipment (watches, refrigeration equipment, radios, mechanical or electrical/electronic), garages (auto mechanics, sprayers, welders, vulcanizers, auto electricians), graphic designers, audio-visual workers (photographers, cinema/video operators, performers, musicians, film-makers), hairdressers and barbers, and private security men.Trade union organization in the informal sector such as beauticiansand hairdressers' association, garments manufacturing, artisans among others are in operationsand Adu-Amankwah (1999), highlighted on four major important unions [the Ghana Private Road Transport Union (GPRTU); General Agricultural Workers Union (GAWU); Timber and Woodworkers Union (TWU) and the Industrial and Commercial Workers Union (ICU)] in the informal sector of Ghana. These unions form an important collection of the various spectrums of informal sector economic activities in Ghana, upon which this study is based. According to Osei-Boateng and Ampratwum (2011), the trade unions are facing major challenges to organize workers in the informal sector to ensure that the employees are working in an environment which is not harmful to them and secures their basic human needs which pension is definitely a factor.

## Pension Schemes

Social security or pension systems are an important area of public policy and social spending and produce direct or indirect effects on all members of society (Lee & Chang 2006). "Social Security may be defined as any programme of social protection established by legislation, or any other mandatory arrangement, that provides individuals with a degree of income security when faced with the contingencies of old age, survivorship, incapacity, disability, unemployment or rearing children" – (ISSA). In addition to their function as social insurance, public social security systems play an important role as income distribution mechanisms (Diamond1977). A good pension according to Blake, Cannon & Tonks (2010) is considered as one that meets two main objectives; to provide consumption security after active service due to retirement, ill health or invalidity, and to sustain their standard of living as prior to retirement. In this regard, the analysis of the socioeconomic impact of social security systems is the focus of numerous studies published in the international literature, including Bellerrini and Ceroni (1999), Guillemard (1999), Arza (2006), Lee and Chang (2006), Clement (2007) and Goudswaard and Caminada (2010). A pension is a fund into which a sum of money is added during an employee's employment years or worker's years of service, and from which payments are drawn to support the person's retirement from work in the form of periodic payments. A pension may be a "defined benefit (DB) plan" where a fixed sum is paid regularly to a person, or a "defined contribution (DC) plan" under which a fixed sum is invested and then becomes available at retirement age Thomas & Gerald (2010). Pensions should not be confused with severance pay; the former is usually paid in regular instalments for life after retirement, while the latter is typically paid as a fixed amount after involuntary termination of employment prior to retirement.As cited in ILO Conventions, 1970 "a generic name of long-term periodical cash benefits that social security systems pay in case of invalidity, in old age and on the death of the breadwinner." Whether the method of affording protection is social insurance, public service or social assistance, the three kinds of pension should be coordinated. Due to differences in factors such as tax policy, social security programs, legislation, regulation and culture among others, there are different approaches used by employees, employers or pension sponsors in addressing the issue of retirement due to old age, ill health or invalidity. Basically, pension comes in the forms employment or work based, social and state based and to some extent disability based. Employment based pension as a retirement plan is an arrangement to provide people with an income during retirement when they are no longer earning a steady income from employment. Often this retirement plans require both the employer and employee to contribute money to a fund during their employment in order to receive DB upon retirement. With social and state pension, many countries have created funds for their citizens and residents to provide income when they retire (or in some cases become disabled). Typically, this requires payments throughout the citizen's working life in order to qualify for benefits later on. A basic state pension is a "contribution based" benefit, and depends on an individual's contribution history whereas in certain instances some pension plans will provide for members in the event they suffer a disability and this may take the form of early entry into a retirement plan for a disabled member below the normal retirement age.Martin (2017).

## Historical Development of Pension Schemes in Ghana

Colonization, industrialization, urbanization and the introduction of new methods of work transformed the traditional structures and working conditions resulting in the development of paid employment in the urban areas. The Ghanaian wage-earner and his family were uprooted from their traditional environment and exposed to social contingencies similar to those which prevailed in the industrialized countries with the advent of the Industrial Revolution in the 18th Century.The first social institution for the welfare of the indigenous populations of the Gold Coast was formed during the hectic years of the Second World War (1939 –1945). It was established by the United Trading Company (UTC), a multinational corporation formed in 1921 by the Basel Mission for its African workers. This is a non-contributory pension scheme known as CAP 30 for workers categorized as senior civil servants. This development led to the establishment of the African Pensions Fund, the first social institution for the welfare for the indigenous populations of the Gold Coast (Appiah-Gyan 1999). The African Pension Fund was meant for the employees of UTC only. It was not a national social security scheme. The pension scheme in Ghana had gone through series of changes as enumerated:

- In 1940, the adoption by the country of the ILO Convention on Workers where cash benefits payable to workers who suffered work injury was introduced.
- In 1955, the Teacher's Pension Ordinance was passed to enable "certified Teacher" to enjoy the benefits provided under the pension ordinance of 1946. The senior members or lecturing staff of the country's premier University, University of Ghana – then the University of the Gold Coast also had a Private Superannuation Scheme. Meanwhile, some organizations in the private sector, especially the major foreign trading and commercial firms were operating Superannuation, Pension and Provident Fund Schemes under which benefits were paid out at the time of retirement of their African Senior employees.
- In 1960, the Government of the Convention People Party (CPP) established a compulsory savings scheme. This was financed by obligatory deductions from the wages and salaries of workers in the formal sector and paid into a "consolidated fund." Workers were entitled to the principal amount scored plus interest on retirement. Under the Scheme, compulsory deductions were made from the wages and salaries of all workers and paid into Government chest with the promise to workers that the savings would be paid back to them with interest.Due to lack of education on the Scheme, many workers developed an apathy to it. This attitude was made worse by the inefficient system for refund under which many workers failed eventually to withdraw their savings. In 1965, this scheme was abolished.
- The Government's with the willingness to introduce Social Security in Ghana on 17th February, 1965 through the Parliament of the First Republic passed a bill known as The Social Security Act, 1965, Act 279 to establish a Social Security Fund to provide for contributors, benefits under Superannuation, Invalidity, Survivors, among others. The Social Security Scheme of 1965 was a Provident Fund (PF) Scheme under which lump sums were paid to qualified members. The Scheme was intended to operate as a Provident Fund for a five-year period (1965 to 1970) and thereafter be converted into a Pension Scheme. The implementation of the scheme was executed by two institutions namely the Department of Finance under the Ministry of Finance was responsible for policy and general administration of the fund while the State Insurance Corporation (SIC) was in charge of inspectorate and operations divisions. Contrary to the nine minimum standards of social security/contingencies enjoined by ILO Convention 102 of 1952, the benefits provided under the provident fund scheme of the social security system in Ghana had a superannuation benefit and five direct benefits to cater for the following contingencies: (1) sickness (2) invalidity (3) death/survivors (4) emigration and (5) unemployment (Gockel 1996).
- In 1972, the Social Security and National Insurance Trust (SSNIT) was introduced to replace all the various pensions schemes as mandatory and universal pension scheme for all employees and to address some of the anomalies and the problems associated with the 1965 Social Security Act. A PNDC Law 247 in February 1991 led to complete eradication of CAP 30 and a revamped of the SSNIT with proper management and administrative structures.The SSNIT as a pension scheme was tasked to manage three main programmes:
    - (a) old age pensions
    - (b) invalidity pensions and
    - (c) survivors' benefits.

Workers faced several challenges with SSNIT and concerns rose to a peak in agitation and protests by worker organizations for the restoration of public service pensions to the level of the provisions still available to some public officers under CAP 30. A pension reform committee was then formed in 2004 to review and overhaul the system. Based on recommendations by Pension Reform Implementation Committee that began in 2004, a new Pensions Law, the National Pensions Act, 2008 (Act 766) was promulgated on 12th December, 2008. This is known as the three-tier pension scheme. It consists of two mandatory schemes (first and second tier) and a voluntary scheme (third tier). The scheme provides that workers in the informal sector, just like their counterparts in the formal sector (on the First and Second Tier schemes) will also receive monthly pensions or a lump sum after retirement through their participation in the third tier.

## Pension Benefits

Retirement plans may be classified as ***defined benefit*****(DB)**or ***defined contribution*****(DC)**according to how the benefits are determined.

- **Defined Benefit schemes**

A DB plan guarantees a certain pay out at retirement, according to a fixed formula which usually depends on the member's salary and the number of years' membership in the plan.These are pension schemes whose benefits are defined by factors independent of investment performance of the scheme. Factors considered include the members' period of service or rate of members' salary or amount of state social security pension (Key, 1984; Broadbent, Palumbo & Woodman, 2006).A traditional DB plan is a plan in which the benefit on retirement is determined by a set formula, rather than depending on investment returns. A traditional form of DB plan is the ***final salary*** plan, under which the pension paid is equal to the number of years worked, multiplied by the member's salary at retirement, multiplied by a factor known as the ***accrual rate***. The final accrued amount is available as a monthly pension or a lump sum, but usually monthly.(Thomas & Gerald 2010; Tufts & Faribanks 2011)

- **Defined Contribution schemes**

A DC plan will provide a payout at retirement that is dependent upon the amount of money contributed and the performance of the investment vehicles utilized. Hence, with a DC plan the risk and responsibility lies with the employee that the funding will be sufficient through retirement, whereas with the DB plan the risk and responsibility lies with the employer or plan managers.In a DC plan, contributions are paid into an individual account for each member. The contributions are invested, for example in the stock market or any other investment portfolio, and the returns on the investments (which may be positive or negative) are credited to the individual's account. On retirement, the member's account is used to provide retirement benefits, sometimes through the purchase of an annuity which then provides a regular income. DC plans have become widespread all over the world in recent years, and are now the dominant form of plan in the private sector in many countries.Money contributed can either be from employee salary deferral or from employer contributions.To Cannon & Ian (2012), in a DC plan, investment risk and rewards are assumed by each individual/employee/retiree and not by the sponsor/employer, and these risks may be substantial. In addition, participants do not necessarily purchase annuities with their savings upon retirement, and bear the risk of outliving their assets.Despite the fact that the participant in a DC plan typically has control over investment decisions, the plan sponsor retains a significant degree of fiduciary responsibility over investment of plan assets, including the selection of investment options and administrative providers. To Lemke & Lins (2013), a DC plan typically involves a number of service providers, including in many cases:Trustees, Custodians, Administrators, Recordkeepers, Auditors and Legal counsels among others.

Worldwide, with an aging population and increase of risks due to various economic and demographic factors such as falling interest rates, capital market risks (systemic risks) and declining mortality associated with pension schemes, there has been a shift from DB plan where plan members due receive benefits despite the performance of the investment of the scheme, to the DC plan- where a member's benefit is defined by the investment performance of his contributions (Byrne, 2007; Clymer, Rappaport &Schaus, 2010).

- **Hybrid plans**

Hybrid plan designs combine the features of DB and DC plan designs. In general, the hybrid plan is usually treated as DB plans for tax, accounting and regulatory purposes and as with DB plans, investment risk in hybrid designs is largely borne by the plan sponsor. As with DC designs, plan benefits are expressed in the terms of a notional account balance, and are usually paid as cash balances upon termination of employment. These features make them more portable than traditional DB plans and perhaps more attractive to a more highly mobile workforce.The motivation for forming a hybrid plan include creating a reduced obligation for the plan sponsor. This reduced obligation to the sponsor is achieved by providing a smaller DB plan and requiring employees to compensate for the difference through participation in a DCplan. While this plan design may reduce the plan sponsor's obligation, it may also transfer risk exposure to the plan participants (Paul 2011).

## Conceptual and Empirical Framework

The underpinning principle guiding this study is the deferred wage analysis which views the pension plan as a method to defer some compensation until an employee retires.Economic theory states that the decisions or responses regarding participating or not participating in any programme depends on the level of perceived utility that a participant gain from their choice (Adhikari et al., 2003).In the case of pensions as argued by Castel (2006) is based on actuarial principles. Thus, a worker will be willing to participate in a pension system, if the level of wellbeing a pensioner can attain with the pension system's benefits is higher than the level he or she can attain without participation and by simply saving the same amount of contributions. This research further indicates that aside the individual characteristics and socioeconomic factors, the system's financial return or the present value of the expected pension benefits less the costs of contribution is an important determinant of workers' willingness to participate in any pension scheme. The deferred wage theory generally incorporates a long term or lifetime implicit labour contract and employee that has various implications for the employer (Logue 1979). Salop and Salop (1976) and Blinder (1982) suggest that the delay in vesting of pension plans may decrease employee turnover costs. Becker (1964) suggests that firms have an incentive to expand training costs as a result of delayed vesting since it causes average employee to work longer for the company resulting in a greater payback of these training costs. According to MacKellar (2009) two major objectives of pension systems are providing for consumption smoothing (i.e., protecting against the risk that there will be an abrupt drop in consumption when income ceases or savings are depleted) and protecting against the risk of old age poverty. The characteristics that define a good pension system are that it is adequate, providing sufficient benefits to prevent old-age poverty; affordable, meaning that it is within the financial capacity of individuals and the state; sustainable over time and under different scenarios; and robust, meaning that it is resistant to major shocks. These characteristics provide the main criteria for evaluating the effectiveness of pension systems. A characteristic that cuts across all of these criteria is coverage, i.e. the proportion of people that enjoy the protection of the system. Empirical evidences suggest that social security increases savings. Thus, Lesnoy and Hambor (1975) provided evidence by indicating that Philip Cagen portrayed the savings behaviour for individuals covered under pension plans savemore than those who are not. This was attributed to "recognition effects". That implies participating in a pension plan calls for attention to retirement needs and leads individuals to increase provision for retirement. Further, George Kantona of the University of Michigan's Survey Research Center, has based on personal interviews with approximately 2000 family in 1962-63, found that pension plans increase personal savings. This was explained in terms of "a goal feasibility" and "level of aspiration" – that pension plans made retirement goals feasible and that workers or participants both raise their retirement income goals and intensify their savings effort. These imply that the individual's preference for future vis-à-vis present consumption is changed by participating in a pension plan and as a result, participating in pension plan, workers are reducing consumption (and correspondingly increase saving) during the working years in order to finance increased consumption during retirement.

## Methodology

This section of the paper deals with the study methodology by way of the research design, area of the study, population size of the study, sample size and sampling technique, validity and reliability of the research instruments, source of data collection and method of data analysis. Research design is the guideline which directs the researcher towards solving the research problem. In the course of this study the researchersadopted survey method of data collection, thus data were gathered from both primary and secondary sources using mixed data gathering methods of questionnaire, interview, observation and review. The informal sector workforce cut across the entire Ghanaian society. Ashanti region according to 2010 population census constitute a population of 4,780,380 with a large spectrum of them serving as the workforce in the informal sector (Ghana Statistical Service 2012). The study area, Ashanti region having one of the most vibrant economy as well as a hot spot for commerce, attracts labour from all parts of the country and beyond, thus, making it a great study area due to its diverse group of labour force working in several activities especially the informal sectors (MLRD & E 2006). Population of a study refers to the entire members or elements in which the researcher is interested and the population of this study covers the large size of the informal sector workforce in Ghana. The researchers further used cluster sampling approach and interlaced it with simple random sampling to select 450 informal sector workforce from Ashanti Region of Ghana. A cluster sampling is where you divide the population into discrete groups prior to sampling (Henry 1990). To Saunders, Lewis & Thornhill (2007), this technique has three main stage of choosing a cluster grouping for your sampling frame, number each cluster with unique number and select a sample using simple random sampling. The researchers used both primary and secondary methods of data collection in obtaining data for the work comprising of primary and secondary data. According to Orji (2009) primary data refers to data that contains direct accounts that are obtainable observations, direct participation and questionnaires. The primary data tool used for this research work is personal interviews and questionnaires whereas the secondary sources of information used were journals, magazines, seminar-papers and other documents and reports from various institutions. Thus an analytical tools used in analysing the data collected for the study is the descriptive statistics. Statistical Programmed for Social Scientist (SPSS) was used to analyse the pre-coded questionnaires to find out the factor which mostly affects the seamlessness of the operations of pension schemes coverage among the Informal Sector workforce in Ghana.

## Discussions

To determine the pension coverage among the informal sector workforce, various studies and analysiswere run to assess the various indicators in the forms of demographic factors and research objectives of the study. Descriptive statistics was used in presenting the data. The demographic response is discussed in table 1 below:

Table 1: Demographic Characteristics of the Respondents

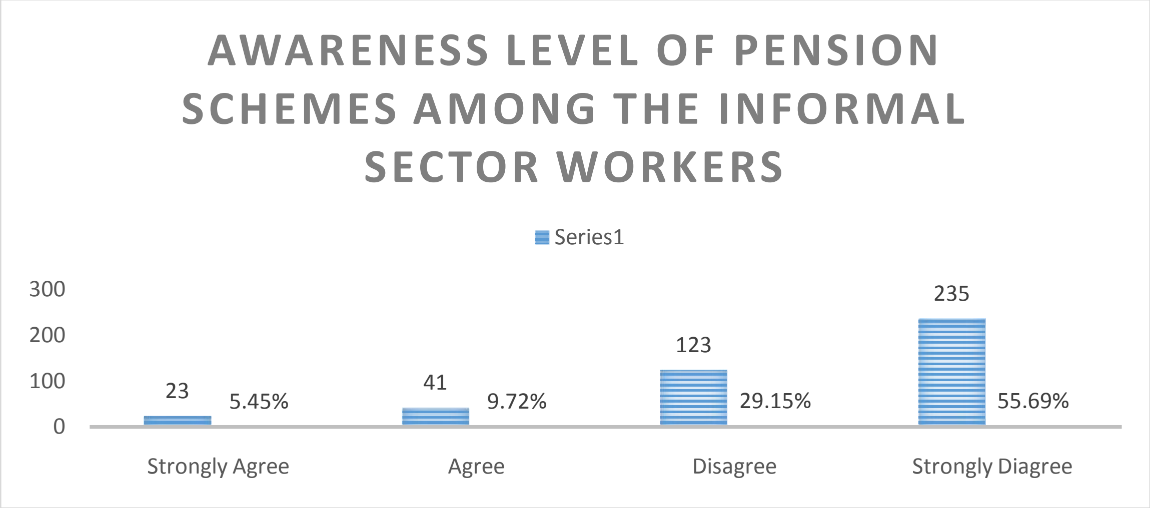
| Variables | Frequency | Percentages (%) |
|---|---|---|
| **Gender** | | |
| Male | 284 | 67.30 |
| Female | 138 | 32.70 |
| **Marital Status** | | |
| Single | 123 | 29.15 |
| Married | 206 | 48.81 |
| Divorced | 75 | 17.77 |
| Widow/Widower | 18 | 4.27 |
| **Educational Background** | | |
| Basic Education | 152 | 36.02 |
| Secondary Education | 198 | 46.92 |
| Tertiary Education | 72 | 17.06 |
| **Age** | | |
| < 29 | 93 | 22.03 |
| 30-39 | 146 | 34.60 |
| 40-49 | 123 | 29.15 |
| 50-59 | 44 | 10.43 |
| >60 | 16 | 3.79 |
| **Personal Income Levels (GH per month)** | | |
| <500 | 121 | 28.67 |
| 501 – 1,000 | 106 | 25.12 |
| 1,001 – 1,500 | 98 | 23.22 |
| 1,501 – 2,000 | 53 | 12.56 |
| 2,001 - 2,500 | 34 | 8.06 |
| > 2500 | 10 | 2.37 |
| **Affiliation to work related Association** | | |
| Yes | 359 | 85.07 |
| No | 63 | 14.93 |

Total sample size 422 GHC4.3=$1 (Source: Bank of Ghana)

The table 1 above reviews the demographic characteristics of the research respondents in respects of gender, marital status, educational backgrounds, age, personal income levels and affiliation (s) to work related associations.The study researchers clustered the respondents and used a simple random sampling. The result however is detailed as follows: in respect of **gender**, result showed that 67% constitute male whereas 33% constitute female depicting that males are more visible and were mostly available to respond to the researchers'questionnaires and interviews. It is deducted from the population sampled that the spread among the respondents in the marital status category were evenly distributed. In all, **married**and **singles** forms the majority at 79% implying people in the entrepreneur category operating their informal sector businesses are almost at par with marital status and not tilted to any one particularmarital statuscategory. In terms of**educational level**, about 47% and 17% constituting the majority are holders of secondary education certificate and tertiary education certificate respectively showing the important role education plays in entrepreneurial development and that as well indicates the important role it plays in the success and sustenance of business. The results also show that majority of these business holders are between the **ages**of 29-49 category which makes up 86% of the study population. This implies that more middle age people are involved in small holding business activities forming the large sect in the informal sector workforce who definitely require pension schemes that should beserved as an insurance to cater for their needs when they retire and indicates their inclusion in the pension scheme shall be more meaningful to ensure sustainability of the pension scheme in Ghana. The income levels among the

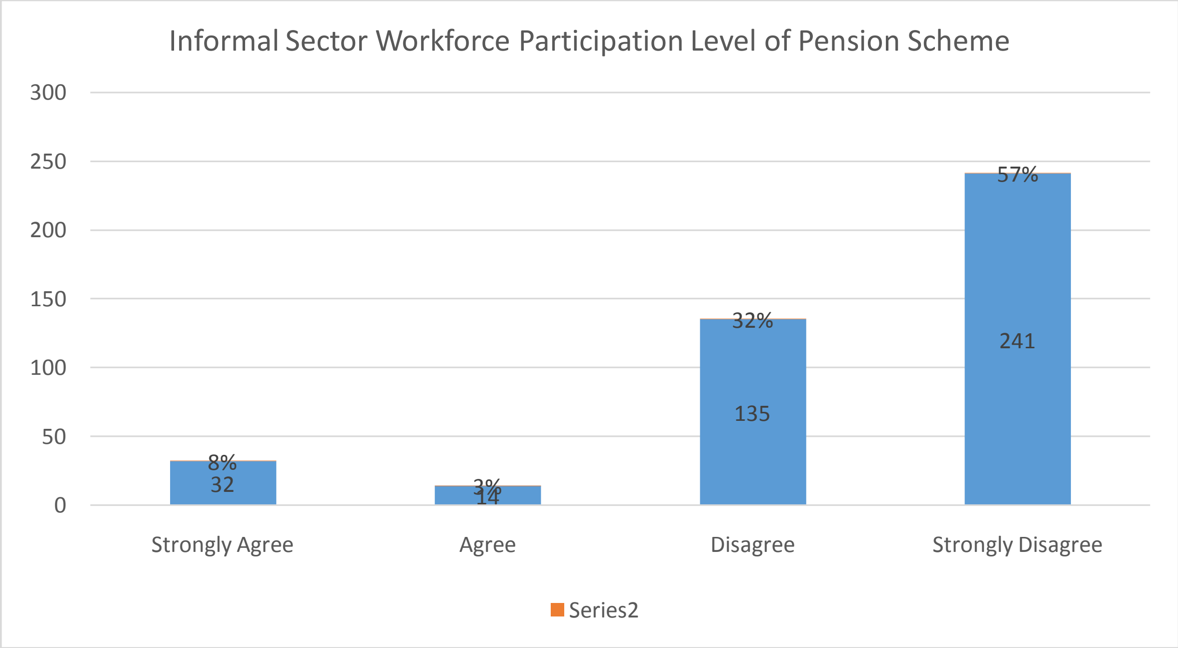
respondents that ranges from GHC500 -GHC2500 equivalent of $116 -$581 based on exchange of $1 to GHC4.3 on monthly basis seems to be inadequate to allow for personal savings among the informal sector workforce category which requires a deliberate pension scheme that will be attractive to this sect of workforce to enable them have meaningful life after retirement. In respect of affiliation to an association, the study results also showed that majority of the respondents are affiliated to one or more associations being occupational or otherwise. It therefore presupposes that the informal sector workforce will be more served when occupational pension schemes are created for them and that will smoothen pension funds managers' operation and create ease of doing business.
The research objectives to determine the levels of awareness, levels of participation, availability of pension institutions and the rate of viability and suitability were captured and discussed in the figures designated 1-4 as follows:

Figure 1: Level of awareness of Pension Scheme



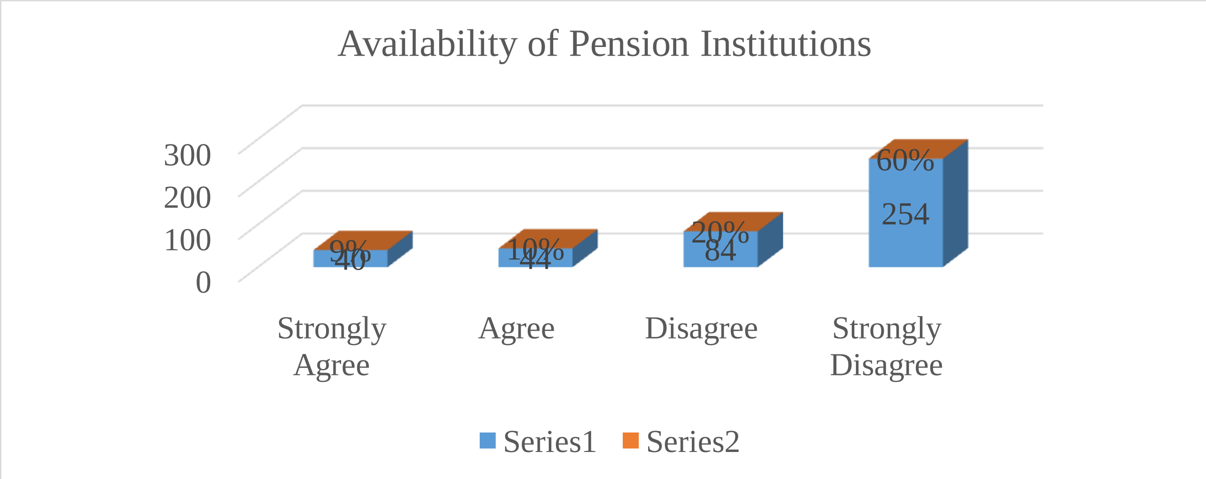

The figure 1 above demonstrate that majority constituting 358 (85%) of the respondents are unaware of the existence of pension scheme and availability to the informal sector workforce.

Figure 2: Participation level of Pension Scheme



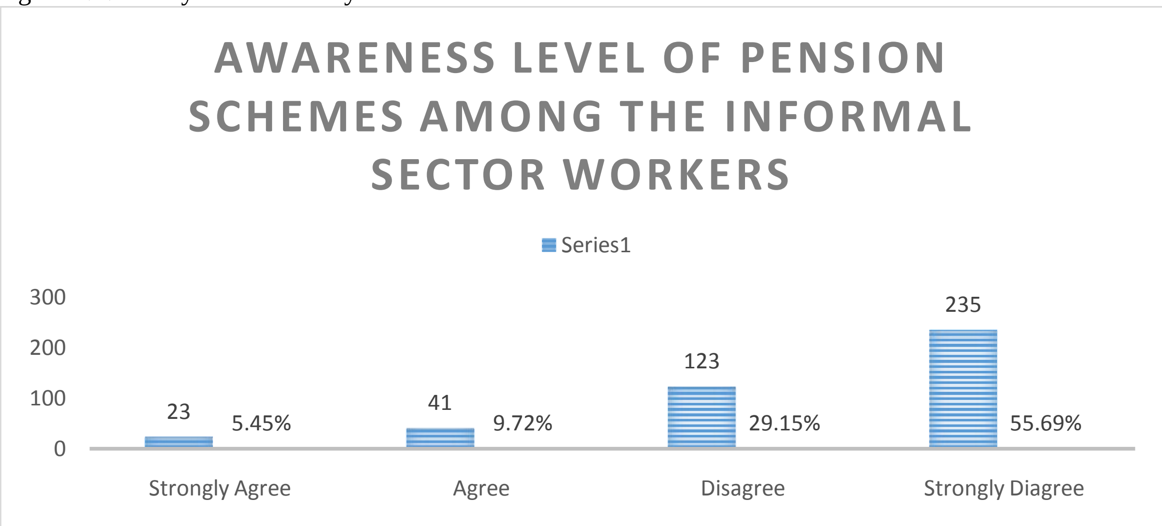
The figure 2 above also indicates that 89% of the total population of 422 of the study indicated they do not have any level of participation towards the pension scheme for the informal sector workforce. This is a demonstration of lower involvement of the informal sector workforce in the pension scheme application in the country.

Figure 3: Availability of Pension Institutions




In terms of availability of pension institutions, figure 3 portrays the respondents' responses of lack of pension institutions to serve the ever largely scattered informal sector workforce. Thus, 80% constituting 338 of the study population indicated the non-existence and inability to site any pension institution in their operational territory. This creates lack of accessibility even if they have any intention of joining or participating in any pension scheme.

Figure 4: Viability and Suitability of Pension Scheme




The results of the viability and suitability were expressed ranging from strongly agree 37 (9%), agree 48 (11%), disagree 140 (33%) and strongly 197 (47%) respectively. This is an indication that 80% of the respondents proved they do not believe the pension scheme for the informal sector workforce would be adequate, sustainable and reliable when they retire from work. This is amply supported by their observance of the formal sector workforce complaints and frustrations when they retire and wait for their retirement package.

Based on these scores, lack of awareness, low level participation and unavailability of pension institutions were all detrimental reasons to the non-wide coverage of the Informal Sector Workforce in the Pension Scheme in Ghana indicating and showing a clear indication of low viability and suitability of the pension scheme among the informal sector workforce.

## Conclusion

The informal sector of the Ghanaian economy contributes significantly and forms the majority of the workforce and revenues to the state for economic development. Irrespective of their significant role in the economic development of the country, those in the informal sectors were conspicuously missed from pension scheme as compared to the formal sector workforce. The same formal sector that were benefitting tremendously from the pension scheme agitated for changes with serious complaintssuch as poorregulations and governance, inadequacy of the scheme to cater for the beneficiaries, lack of access to informationand delay in benefit delivery with challenged solvency and misplaced investment strategy in the country called for reforms which was acceded by the state. This therefore led to the promulgation of new pension law called "The National Pensions Act(2008) Act 766" which now catered for the informal sector workforce in the third tier pension scheme. The results of the descriptive data revealed that the informal sector workforce coverage of pension scheme is very low due to low level of awareness and unavailability of pension institutions causing low level of participation as demonstrated by the analysis leads to the conclusion that there is the likelihood of no viability and suitability of the pension scheme especially among the informal sector workforce. The implication of the results of this study is an indication that the Government of Ghana, even though has developed a good plan and policy to cater for the informal sector workforce during their old age but lack the ability to aggressively pursue inclusive strategies to involve them and encourage their participation in the scheme. The study's limitations are that the coverage area of Ashanti region cannot be used as a conclusive point for lower coverage among the informal sector workforce unless further study is done to cover other regions as well. More so, the various factors used in the study are not exhaustive and therefore further factors could be undertaken to probe more into the pension coverage among the informal sector workforce in Ghana.

## Recommendations & Managerial Implications

The unprecedented speed at which the Ghanaian informal sector workforce is growing and aging requires a rapid forwardlooking response from governments to provide protection against the risk of poverty in old age. Given the large and sometimes growing share of the informal workers in the country and the gradual weakening of traditional family safety nets, the issue of expanding the coverage of retirement-income systems to informal sector workers requires special attention and its incumbent on the state and institutions charged with pension responsibilities to take note of the following:

- Government should introduce a national identity card, network the data across the entire country, make it accessible to all and sundry so that the players in the pension industry can identify the informal sector workforce and that will serve as enhancing process to ensure full participation among all.
- Pension fund institutions in collaboration with the state must institute occupational pension scheme for the informal sector as it is being done under the first and second tier pension scheme for the formal sector workforce. This process working hand in hand with the establishment and use of National Identity Card will allow the Institutions to identify the informal sector workers in their occupational affiliated association for grouping them under the new pension scheme and that will help improve participation level of the informal sector workforce.
- The state must also provide support in the form of supplementary contribution or subsidies through a defined funding sourcing as it is done with employer contribution to the formal sector pension scheme. By so doing,it will encourage the informal sector workforce to fully take key interest and aspire to take advantage of a pension benefit when they retire.
- Intensive nationwide education of the new pension scheme should be embarked upon by NPRA as a way to whip up pension information and education tothe citizenry to enable them see the need to get themselves involved in pension scheme for a better living conditions when they can no longer work.
- Auto enrolment into the pension scheme especially informal sector workforce must be encouraged as emphasized by Hu and Stewart (2009) that recently governments in a number of OECD countries have been considering introducing so called "auto enrolment" mechanisms into pension systems for employees, including informal sector workers with notable examples in Italy, the United Kingdom and New Zealand.

In the final analysis, given that many of those working in the informal sector in developing countries are amongst the poorest of workers, fully funded pension arrangement – such as those in more developed economies - may not be the best solution, given the more immediate demands on this group is for food, clothing, housing, education and health etc. Asking such individuals to save extra money for the distant future through various means of incentives, may not be practically feasible. This issue becomes more compounded based on the fact that life expectancy in many of these countries is becoming prolong. Similarly, the former World Bank pensions expert, Estelle James (1999) argued that ―extending coverage by requiring low income informal sector workers to contribute to social security would not be in the best interests of these workers…. Therefore, in order to prevent poverty among the poorest, including informal sector workers, governments should consider at least providing a basic old-age safety net which can be partially financed by the general budget of the state.

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