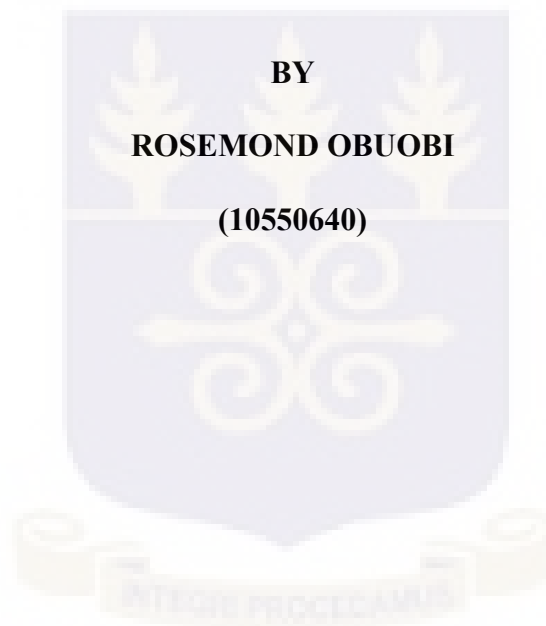


UNIVERSITY OF GHANA

**PENSION REFORMS AND RETIREMENT INCOME SECURITY IN GHANA:
IMPLICATIONS FOR THE INCLUSION OF THE INFORMAL SECTOR UNDER THE
NEW PENSIONS ACT.**



**BY
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**THIS THESIS IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON, IN
PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF MPhil
HUMAN RESOURCE MANAGEMENT DEGREE.**

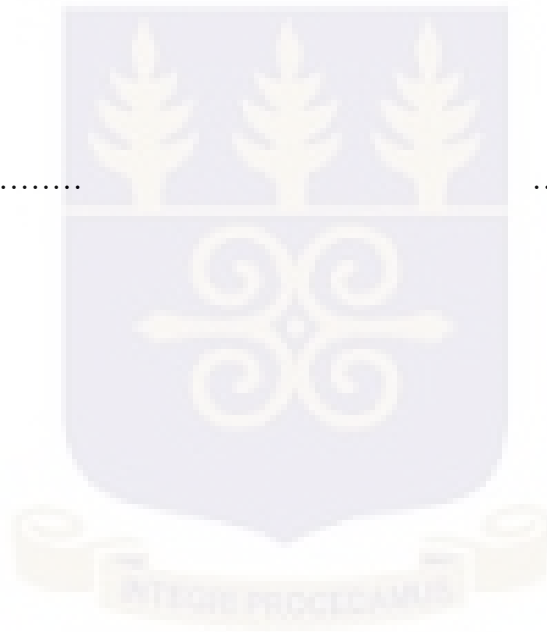
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DECLARATION

This is to attest that this thesis is the result of my own research towards the award of MPhil in Human Resource Management, University of Ghana. I hereby declare that with the exception of references made to other people's works, which have been duly acknowledged, this thesis is entirely my own work under the guidance of my supervisor and neither part nor whole of it has been presented for another degree anywhere.

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CERTIFICATION

This work was submitted in accordance with the guidelines of supervision of thesis laid down by the University of Ghana.

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DR. OLIVIA ANKU-TSEDE
(SUPERVISOR)

.....
DATE



DEDICATION

I dedicate this work to the Almighty God for granting me the strength to complete the entire course. The work is also dedicated to the National Pensions Regulatory Authority (NPRA) for their financial support and funding to undertake this research.



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LIST OF ABBREVIATIONS

BNSS	-	Basic National Social Security
DB	-	Defined Benefit
DC	-	Defined Contribution
ESS	-	Employer Sponsored Scheme
ERISA	-	Employee Retirement Income Security
FES	-	Friedrich Ebert Stiftung
FGD	-	Focus Group Discussion
ILO	-	International Labor Organization
IMF	-	International Monetary Fund
IS	-	Informal Sector
ISSSS	-	Informal Sector Social Security Scheme
MBNSS	-	Mandatory Basic National Social Security
MOPS	-	Mandatory Occupational Pension Scheme
MTS	-	Master Trust Scheme
NPFS	-	National Provident Fund Scheme
NPRA	-	National Pensions Regulatory Authority
OECD	-	Organization for Economic Co-operation and Development
PPT	-	Peoples Pension Trust
PF	-	Provident Fund
PRIC	-	Pensions Reform Implementation Committee
PS	-	Personal Savings
RIA	-	Regulatory Impact Assessment
SSNIT	-	Social Security and National Insurance Trust
TTCP	-	Three-Tier Contributory Pension
UNDESA	-	United Nations Department of Economic and Social Affairs
UNDP	-	United Nations Development Program
US	-	United States
VPS	-	Voluntary Pension Scheme
WIEGO	-	Women in Informal Employment, Globalizing and Organizing

ABSTRACT

This study examined pension reforms and retirement income security for Ghanaian workers. The study also considered how the three-tier pension scheme is positioned to meet the retirement needs of informal sector workers. Using a qualitative research method, the research sampled views from 83 informal sector workers from selected markets and 3 officials from the regulator, regulated and informal sector foundation using a combination of elite interviews and focus group discussions. Respondents were selected using the purposive, convenience and stratified sampling techniques. The descriptive and thematic analyses were used to draw and discuss the essential themes in relation to the research objectives. It was observed that in order to meet the retirement income security needs of Ghanaian workers, efforts have been made to enhance the system through the current pension reform. The study revealed that although the current pension system in Ghana adequately provides for the need of the informal sector, there is low patronage by informal sector workers. This is due fundamentally to lack of trust in the trustees and their long-term pension products. The study further discovered investment in the education of children, investment into business ventures, money market investment and continuous reliance on current business proceeds after retirement as a retirement packages known by informal sector workers. However, informal sector workers perceive the third-tier pension scheme as an effective way of contributing toward their future. It was also found that, in order to ensure adequacy of the three-tier pension scheme, the regulatory body invest funds from contributors into a permissible venture such as treasury bills, bonds and stocks while avoiding non-permissible ventures such as investing into microfinance companies. The finding also indicates awareness creation and public education, marketing campaigns and engagement of trade unions as mechanisms used to extend pension coverage to the informal sector. Efforts have thus been made by stakeholders to educate informal sector workers but the ingrained notion of mismanagement; illiteracy and lack of knowledge on the subject pose significant setbacks to expanding coverage. To ensure efficiency in pension provision in the informal sector, it is recommended that policy makers and regulatory bodies increase the number of entities that administer the three-tier pension scheme. The study concludes that Ghana has made significant progress in informal sector pension management under the current pension reform and should the present challenges be addressed in policy and practice, the goal of income security for all workers would be achieved.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Income security after retirement across the globe has been unsatisfactory since the existence of mankind (Whitehouse, D'Addio & Chomik, 2009). This trend has been attributed to difficulties outside the control of pension administration, mismanagement or due to weaknesses in the design of pension policies. Since the introduction of pension systems in the 19th century with the aim of reducing the rate of poverty among retirees especially those living with scant income, the system has gone through various transformations in countries such as Chile, Argentina, Brazil, Uruguay, India, Italy, as well as, Ghana (Costa, 1998; Kpessa, 2011). From the early 1990's, global pension systems and their reforms have evolved tremendously owing to the growing need for post-retirement income security. The most recent review was generated by the ongoing global financial crises and its consequences for funded and unfunded pensions (Holzmann, 2012). In the interest of securing workers' life after retirement, it is imperative that they are enrolled onto a pension system.

Consequently, following the successful implementation of the Chilean pension reforms and similar reform attempts in Latin America, numerous pension strategies have thus emerged (Holzmann, 2012). For instance, the Seminal 1994 World Bank publication that proposed a multi-pillar pension scheme with a significant shift from publicly managed pension schemes to privately managed pension schemes (World Bank, 1994). These reform policies have ignited general enthusiasm and optimism for more market and financial intermediation instead of public intervention and the vision has given impetus to many countries within the past two decades where over twenty-nine countries have followed Chile's example with systematic reforms and

establishment of a main funded pension pillar (Holzmann, 2012). Notwithstanding the requirements to have retirement income security systems to ensure that workers benefit after years of effective work, there are critical weaknesses when it comes to pension and retirement income security and pension systems, especially within the informal sector (Stewart & Yermo, 2009). The existing social security schemes in many African countries are thus rife with numerous structural and policy setbacks due to the lack of understanding of pension administration and absence of comprehensive pension schemes to cater for post-retirement stage of most workers (Quartey, Kunawotor & Danquah, 2016).

To improve income security for workers, pension has gone through many transformations globally (Holzman, 2012). It is worth noting that, the interests of retired workers have ignited several alterations to existing pension systems aimed at enhancing retirement income security. Pension reforms are often embarked to make pension schemes sustainable, simple and to provide the needed income security during retirement (Dummann, 2008). Income security is one of the most important achievements that workers wish in life because individuals have a sense of security in which they would relatively be able to satisfy their basic needs and wants both present and the future (Allen, Melone, Rosenbloom & Derhi, 1992). Hence, there is the need for stakeholders to devise better ways of improving existing income security mechanisms.

Ghana is among the emerging economies that have recently embarked on pension reforms because the last decade has seen many workers especially from the informal sector retiring without any pension plan and financial backup (Collins-Sowah, Kuwornu & Tsegai, 2013). Most retirees heavily depend on their family members thereby becoming a burden to them (Dei, 1997). This neglect indicates that, most workers in the informal sector who go on retirement become a

burden to the whole nation, as well as, their families since there is no structured pension plan designed to guarantee income security. Moody (2000) asserts that retirement is the withdrawal of individuals from work during the later period of life, which is associated with reliance on pension income instead of salary as the main source of support. Retirement is the stage where the individual is supposed to rest after many years of active work while benefiting from guaranteed basic social security. MacBean (2007) also posits that the period of retirement should be a time of rest after many years of engaging in physical activities. Most people perceive retirement as a disadvantage and losses, and the period is shrouded in financial fears and worries about how to cope and leave family members unburdened (Prinsloo, 2009). It is worth noting that, without the daily routine of work, retired workers lose structure, social interactions, and sense of purpose, loss of professional identity, loss of income, and loss of lifestyle (Mitchell, 1988). Consequently, these issues cause workers to become anxious about how well they are going to survive during retirement. Despite these fears, some perceive retirement as an avenue to experience freedom from the exertion of work, stress, tasks and time constraints (Mitchell, 1988). Retirement should therefore, come with a sound and well-planned income security packages, the impetus for the adaptation of pension systems, which initially emerged in highly-developed economies (Holzman, 2012).

The most significant determination of pension systems worldwide whether in developed or developing countries is to aid the aged attain the apportionment of incomes through a life cycle in their working lives (Modigliani & Muralidhar, 2004). Pension plans are regarded as plans or strategies and policies put in place to ensure workers in their working life put in contingency measures in insuring themselves for the future of uncertainties in relation to retirement income as it is believed these measures are necessary to create a better holding and retirement incentive

(Modigliani & Muralidhar, 2004). Pension provision is one of the vital avenues used to provide retirement income security for workers (Mitchell & Fields, 1996).

Pensions are payments made to workers who have reached the end of their working life and are therefore terminal benefits which provide some form of support to a worker after retirement (Cowdell, 2000). Pension therefore forms the most important component of a worker's benefits package and provides life-long economic security to the retiree (Cowdell, 2000). Pension contribution is paid from the salaries by way of deduction at source (formal sector worker) or voluntary (informal sector worker) contributions by the individual during his or her working life with the aim of gaining some financial backup upon retirement (Cowdell, 2000). Out of these contributions, an amount is paid to a worker during retirement on a regular basis usually monthly and this however empowers workers to have a meaningful standard of living thereby reducing poverty while ensuring retirement income security. In this regard, Maslow (1954) identifies pension as one of the components of safety need in his Five Hierarchy of Needs Theory. After physical needs are met, the need and desire for a sense of safety becomes a worker's concern and retirement benefits offer long-term security for workers and their families (Maslow, 1954).

Pension schemes have traditionally been designed to cater for salaried and fixed income earners. This is mostly due to ease of arrangements between scheme managers and employees who undertake formal jobs in terms of assured sums of constant contribution. The informal sector has not been well-catered for due to the peculiarities of the sector and accompanying challenges of irregular income supply. Informal sector is defined by Women in Informal Employment, Globalizing and Organizing (1997) as composing of business owner (in one's account of events, as well as, family business), paid labours in informal works, unpaid workers in family businesses, casual workers without fixed employer, subcontract workers connected to informal enterprises

and subcontract workers related to formal enterprises. An informal sector worker is therefore a worker (owner of a business) that transacts business in the absence of a labour contract, and have the tendency to work on a small-scale basis and is ill-equipped in terms of education and skills, and owns scarce resources for significant physical investment such as locations and equipment, as well as, machinery (ILO, 2002; WIEGO, 1997; World Bank, 2014). This sector of the economy is often composed of petty traders, hawkers, fishermen, fishmongers, commercial drivers, savings collectors, food and street vendors, small scale mechanics etc. (WIEGO, 1997).

In most economies, governments take appropriate mechanism to provide pension schemes for formal sector workers with minimal attention to informal sector workers (Hu & Stewart, 2009). Kpessa (2010) argues that most often than not, blue-collar workers and urban middle class benefit from relatively generous modern pension policies whilst rural inhabitants and informal sector workers continue to depend on traditional social protection arrangements. With the generally limited provision for the informal sector in pension provisions, Ghana established the third-tier pension scheme which sought to expand pension coverage to the informal sector with the view to enhancing income security for such workers (National Pensions Act 2008, Act 766, Section 30). Encouraging informal sector workers to participate in the three-tier pension scheme by NPRA sought to afford the informal sector workers the ability to contribute to a pension scheme. This situation is critical because during retirement, the retiree needs enough income to be able to survive. The fundamental question that this research therefore poses is: To what extent is the three-tier contributory pension scheme adequate in providing retirement income security for informal sector workers? The limited studies associated with issues of low patronage of pension operations within the informal sector couple with continuous application of varied pension frameworks because of inadequacy of previous pension schemes necessitated this study into

pension reforms and retirement income security within the informal sector. The study takes into cognizance the concept that pension management is shaped to meet the peculiar needs and requirements of workers (Schwarz, 2006). The research will specially focus on the informal sector and its unique characteristics. The study will further draw from interrelated concepts and themes towards building an understanding of how pension which is primarily designed for the formal sector is reconfigured to cater for the needs of all informal sector workers.

1.2 Background to the study

Over the last four decades, many workers have retired with inadequate retirement income security (Whitehouse, D'Addio & Chomik, 2009). This situation has generated a lot of debate in social welfare literature (Kpessa, 2010). Though pension systems have become vital in the provision of income security in the event of retirement and other eventualities, these systems are still rife with numerous structural and policy setbacks due to the lack of understanding of pension administration and absence of comprehensive pension mechanisms to cater for post-retirement stage of informal sector workers (Collins-Sowah, Kuwornu & Tsegai, 2013). The World Social Protection Report for 2014-2015 indicates that nearly 48 per cent of all workers who are due for retirement do not qualify for pension benefits because they are not enrolled on a pension scheme, and for those who qualify, pension levels are inadequate, hence, majority of the world's retired workers have no income security, have no interest to retire and must continue working as long as they live (World Social Protection Report, 2015).

Winklevoss (1993) argues that the primary function of a pension scheme is to provide income security for workers during retirement. However, pension schemes are not only limited to providing retirement income but all plans which provide vested termination benefits, disability benefits and bereavement benefits either in the form of lump sum benefit or an annuity to a

surviving spouse or other dependents (Kpessa, 2011). Retirement should therefore be prepared for in terms of policy and practical implementation. Gillion (2000) advocates that, ideally pension schemes should cover the entire population since retirement is an inevitable aspect of human development which would be experienced by all and sundry. Worryingly, pension systems only tend to favour formal conditions neglecting the predicament of the informal conditions (Stewart & Yermo, 2009). Most pension schemes usually cover only few numbers of workers in the formal sector leaving out workers in the informal sector (Hu & Stewart, 2009). As a result, many international communities such as International Labour Organization (ILO) and national governments are setting up policies required to institute a range of diverse policy initiatives, which are aimed at improving informal sector pension coverage given the country-specific conditions and environments (Hu & Stewart, 2009).

The rise in life expectancy is a global phenomenon (He, Muenchrath & Kowal, 2012) and per the 2010 population census of Ghana, the number of people aged 60 years and above has increased representing 6.7 percent of the total population. The number of individuals aged 60 years and above is expected to double in Africa by 2050 (Angel & Angel, 1997). As a developing country, this trend in Ghana raises apprehensions about how rapid the elderly population is increasing compared to the developed countries. Ghana's experience with pension reforms to enhance retirement income security dates to the colonial era (Obeng-Nyarko, 2009). Before the introduction of a formal pension system, it was the obligation of the extended family to take care of the aged and the frail, as well as, providing financial assistance to cater for the death of a family member (Dei, 1997). The emergence of modern society coupled with the introduction of social security systems has moderated the responsibilities of the extended family in relation to assisting the aged (Dei, 1997). Several pension reform strategies have been adopted by

successive governments in Ghana to meet this important social need (Kpessa, 2010). For instance, during the colonial era, income security policies were designed as an instrument for rewarding all civil servants who served in honesty (Colonial Development and Welfare Act, 1940). Also, policies such as the Pensions Ordinance which substituted and integrated the Pension (European officer) Ordinance (Cap-29, 1936) and Pensions (Non-European Officers) Ordinance (Cap-30, 1936) into a single and non-discriminatory pension scheme that offered equivalent benefits to both expatriates and local workers in the colonial administration were established (Darkwa, 1997). University Staff Superannuation scheme (GUSSS) also evolved in 1955, followed by the Provident Fund for all category of workers in 1965 (Agblobi, 2011).

Considering the inherent problems associated with pension systems administration, there was a change from the provident fund to Social Insurance in 1990 managed by Social Security and National Insurance Trust (SSNIT) which experienced a revision from the onetime payment benefit to the monthly payment benefits (Darkwa, 1997, as cited in Kpessa, 2011). Consequently, realizing the advantage of being offered a lump-sum benefit from the CAP 30 pension scheme, some public-sector workers requested to be placed on the scheme. Due to these and other factors, the government was impelled to consider restructuring the existing pension system to enhance retirement income package for all category of workers which include the informal sector (NPRA, 2008). Ghana, as part of measures to enhance retirement income security for workers, reformed the existing pension system in 2008 (NPRA, 2008) which among other things, sought to rectify the challenges encountered in pension administration especially the Cap 30 and the SSNIT pension schemes which have gravely affected the lives of many public and private sector workers (Kpessa, 2011).

The government, to regulate the management of pensions in Ghana, established a three-tier contributory pension scheme, which included mandatory basic national social security scheme, a mandatory privately managed occupational pension scheme, and a voluntary privately managed provident fund and personal pension scheme which was formed by the NPRA (Anku-Tsede, Ametorwor & Amankwaa, 2015). The National Pensions Act 2008, Act 766 provides in Section 30 that the first tier, which is a mandatory basic national social security scheme is for all workers in both the public and private sectors, the second tier, which is an occupational pension scheme is also mandatory for all workers in the formal sector and this scheme is privately managed to cover workers' lump sum benefit and the third tier which is also a voluntary provident fund and personal pension scheme supported by tax incentives is designed for workers in the formal sector who want to make additional contributions and also for workers in the informal sector. The second and third-tiers of the three-tier pension schemes are contributory in nature, which indicates that workers are tasked with the responsibility of determining their own retirement income package (Even & Macpherson 2007; Skinner, 2007). Thus, to achieve retirement income security, it is imperative to consider the retirement packages available while taking into consideration what the pension scheme could offer (Gillion 2000).

The stakeholders involved in the general administration of the three-tier pension scheme include National Pensions Regulatory Authority, Social Security and National Insurance Trust, Trustees (corporate and individual), fund managers, custodian, employers and employees as stipulated in Act, 766. In the interest of maintaining an effective and efficient pension management framework under the three-tier contributory pension scheme, these stakeholders are relevant in achieving this objective. Pension funds control relatively large amounts of capital and represent the largest institutional investors in many nations. However, in Ghana, it is common that these funds seem

not to be able to provide the income security that the ordinary worker needs for an effective and meaningful life after retirement (Kim, Kwon & Anderson, 2005). Act 766 provides that every worker in Ghana goes on a mandatory retirement at the age of 60 years or a voluntary retirement at the age of 55 years and for this reason, there is the need for every worker to prepare for the future to enhance income security thereafter. All these transformations in the pension landscape are therefore, efforts to make the Ghanaian worker have a meaningful retirement life (NPRA Annual Report, 2015).

In this regard, SSNIT in 2005 introduced the Informal Sector Social Security Scheme (ISSSS) as a means of safeguarding the future of informal sector workers (Ghana News Agency, 2005). However, due to the nature of these workers, being susceptible to change and unreliability in terms of income level, the contribution into the informal sector fund was not fixed and was also based on the ability of a worker to pay (SSNIT Annual Report, 2009). Informal sector participation in pension management in Ghana is very low as compared to the formal sector participation (SSNIT Annual Report, 2011). This indicates that majority of the informal sector workers are not adequately enrolled onto the ISSSS. Because of the low coverage of the ISSSS, Act 766 along with the Three Tier Contributory Pension (TTCP) scheme was established under the current pension reform in Ghana. The reform was considered as the right direction in ensuring a wider coverage and room for participation for all kinds of workers with much reference given to the informal sector (Agblobi, 2011). Evidently, missing in literature however is a systematic analysis of the third-tier pension scheme in providing adequate retirement income security for informal sector workers in Ghana and the impact of the existing provisions. Drawing from both primary and secondary sources, supported by eight-six elite interviews and focus group discussions, the research qualitatively explores and critically examines pension reforms and

retirement income security for Ghanaian workers within the informal sector towards addressing the existing imbalance between the formal and informal sectors in terms of pension provision and coverage.

1.3 Problem statement

Pension reform and retirement income security have gained wider attention in most economies across the globe as these greatly impact on workers' performance and tenure (Thierry, Lam, Harcourt, Flynn & Wood, 2014). There have been several studies conducted on pension reforms and retirement income security for workers (Adzawla, Baanni & Wontumi, 2015; Holzmann, Paul & Dorfman, 2008; Kim, Mackellar, Galer & Bhardwaj, 2012). The findings of these studies outline how the informal sector has been shelved as far as pension system is concerned. Unfortunately, pension schemes in relation to replacement incomes have been focused on the formal sector with little in place for the informal sector (Hu & Stewart, 2009).

Studies within the area of social protection strategies have concentrated tremendously on benefits of social protection, challenges, social security matters and pension schemes within the formal sector (Kumado & Gockel, 2003). Adzawla, Baanni and Wontumi (2015) make a vital argument to reinforce the assertion of Kumado and Gockel (2003) that, the motive of social security is occasionally absent in informal social security arrangements and only a slight number of informal sector workers have access to pension benefits through institutionalized pension schemes. Hu and Stewart (2009) further argue that, Sub-Saharan African economies in their pension legislations have made provision for all categories of workers; however, these legislations explicitly ignore the informal sector workers in relation to contributing to these pension schemes.

In bridging the gap that exists between the formal sector and the informal sector concerning the pension schemes; SSNIT, in May 2005, introduced the Informal Sector Social Security Scheme (ISSSS) with the objective of operating an informal sector pension scheme deemed appropriate for workers in the informal sector of Ghana. This was also formulated to design, operate and manage appropriate eventualities and pay benefits to workers in the informal sector as per the laid down rules and regulations formulated and approved by the Trust (PNDCL 247, 1991). However, after several efforts by the SSNIT officials, wider coverage is still far from being achieved by the SSNIT Informal Sector Pension Scheme (SSNIT Report, 2011).

The United Nations Development Program (2012) indicates that informal sector workers within the Ghanaian economy constitute about 86-90% of the total population of Ghana's employment (UNDP, 2012). This gives the indication that, lack of patronage for pension scheme or lack of coverage of the informal sector in the pension provisions means that more workers are going to retire with little or no income to sustain them. Due to these challenges, several policies have been formulated by the NPRA to involve the entire informal sector workforce within the ten regions of Ghana to sign unto the three-tier contributory pension scheme (NPRA Annual Report, 2015). With the introduction of the current three-tier pension scheme in 2010, it is ambiguous as to whether all the snags inherent in the SSNIT informal sector pension scheme have been resolved under the third tier of the three-tier pension scheme with special reference to the informal sector.

There seems to be limited education on how effective the current three-tier pension scheme would be providing adequate retirement income security for the informal sector workers (Kpessa, 2011). More so, Collins-Sowah, Kuwornu and Tsegai (2013) and Adzawla, Baanni and Wontumi (2015) indicate that extensive studies on pensions in the informal sector have been carried out in the developed world with limited attention in the developing countries such as Ghana. Further,

studies conducted in Ghana have also focused on examining the states pension schemes such as the Cap 30 and SSNIT, with focus on the formal sector, disregarding the informal sector (Agblobi, 2011; Donkor-Hyiaman, 2014; Kumado & Gockel, 2003). Studies conducted on pension and the informal sectors have primarily adopted the quantitative approach with little attention to the qualitative approach (Collins-Sowah et al., 2013; Adzawla et al., 2015). Further, NPRA report (2015) indicates that, majority of informal sector workforce have not subscribed to a formal pension arrangement hence the need to conduct a study in this area. In view of these gaps, the study therefore, seeks to explore Ghana's pension reform carried out within the last decade and the associated challenges with the informal sector while exploring the perception held by the informal sector workers about the provisions in the third-tier of the three-tier contributory pension scheme. The study further examines the extent of pension coverage to the informal sector and also determines the adequacy or otherwise of these pension provisions. This study also seeks to contribute to the incessant debate on pensions in Ghana and the world in general.

1.4 Purpose of the study

The current three-tier pension scheme in Ghana was designed to address weaknesses in pension management within the country. The implementation of the scheme is in its ninth-year of existence. It is therefore imperative to assess the degree to which the scheme has addressed the inherent problems of pension provisions within the informal sector. The purpose of the research is therefore to conduct an explorative study of the current pension reform in Ghana and how it is positioned to meet the needs of Ghanaian workers within the informal sector. The focus of the study is on the three-tier contributory pension scheme within the informal sector of Ghana.

1.5 Research Objectives

The study seeks to achieve the following objectives:

1. To explore pension reforms in Ghana and the associated challenges in the informal sector.
2. To examine the perception held by the informal sector workers in Ghana about the provisions in the third-tier of the three-tier pension scheme.
3. To evaluate the adequacy of Ghana's three-tier pension scheme in guaranteeing retirement income security for the informal sector workers.
4. To explore the extension of pension coverage to the informal sector.

1.6 Research Questions

The research raises the fundamental questions of whether the pension reforms have achieved the intended objectives and rectified the inherent problems in Ghana's pension systems concerning the informal sector. Specifically, the research poses the following questions:

1. What is the scope of Ghana's pension reform in 2008 and the associated challenges with the informal sector?
2. How do the informal sector workers perceive the provision of the third tier of the three-tier pension scheme?
3. How adequate is Ghana's three-tier pension scheme in guaranteeing retirement income security for the informal sector workers?
4. How can pension coverage be extended to the informal sector?

1.7 Research Methodology

The study employed the qualitative approach to explore pension reforms and retirement income security for Ghanaian workers and the position of the current three tier pension scheme in providing adequate retirement income security for Ghanaian workers within the informal sector.

Interviews and focus group discussions were used as tools to explore and develop understanding of the phenomenon. The study adopted the phenomenology approach using both primary and secondary data. Primary data was obtained through interviews and focus group discussions whilst secondary data included information published in annual reports, National Pensions Act, 2008, Act 766, Labour Act, 2003, Act 651, official publications, as well as, website information of the entities under study.

The target population of the study primarily included officials from NPRA as the scheme regulator, an official from Peoples Pension Trust as trustee for informal sector pension management and an official from Friedrich-Ebert-Stiftung as informal sector foundation, who are the key stakeholders for pension management in the informal sector. Further, a set of informal sector workers were drawn from the Makola, Kantamanto, Kaneshie and Abbossey Okai markets located in the Greater Accra region and Kasoa market in the Central region. Using the convenience, purposive and stratified sampling techniques, a sample of eighty-six (86) informal sector workers and officials from various entities were selected for the study. Finally, the thematic analysis was used with descriptive methods, as well as, excerpts in presenting the findings. The study followed all the ethical considerations relevant for the study.

1.8 Significance of the study

The study seeks to contribute to research, practice and policy. The research contributes to the limited literature on pension reform and retirement income security from the perspectives of the informal sector workers. The study, thus, serves as a roadmap for subsequent studies in this field. The findings of this study will help informal sector workers develop understanding of the provisions in the third-tier pension scheme. This will eventually place informal sector workers on a better retirement package thereby providing the required income security after retirement. The

study will thus help to raise awareness and understanding of the three-tier contributory pension scheme introduced in Ghana. Finally, the findings of the study can also inform policy makers how best to improve upon the current pension scheme for all workers in Ghana with special reference to the informal sector.

1.9 Scope of the study

The study focused on pension reform and retirement income security for Ghanaian workers within the informal sector and their perception on the provisions in the third-tier of the three-tier contributory pension scheme. The research also covered the primary regulatory bodies of pension management in Ghana – NPRA, PPT and FES. The selection of these entities was because they are key stakeholders when it comes to pension management in the informal sector and this choice was also convenient for the researcher because of the availability of data and willful participation by the target population. The choice was also informed by the role these officials play in policy formulation and implementation, as well as, assisting in pension delivery within the informal sector. Hence, it is realistic and practical to consider the perspectives of these respondents.

1.10 Chapter dispositions

The study is designed and organized into five (5) key chapters. Chapter One is the introduction and covers the general background to the study. In this chapter, the problem is defined, the objectives are delineated, the research questions are postulated, and the importance of study sets forward. Chapter Two presents a systematic review of relevant and existing literature. Here, the theoretical frameworks adopted to explain the phenomenon are explored, related theoretical and empirical studies are reviewed and a pictorial view of the research framework specifications are also presented. Chapter Three presents the methodology and the research approach used in conducting the study. It outlines the research design, the study population, sampling and sample

selection, data collection instruments, ethical considerations and data processing and analysis. The empirical results and discussion of findings are presented in Chapter Four. Chapter Five, the final chapter, presents the summary of findings, conclusions, limitations and recommendations, as well as suggestions for future research.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter evaluates existing works pertinent to the study. It scrutinizes major theoretical frameworks underpinning pensions and the applicability of such theories. The chapter reviews intellectual works and empirical evidences carried out by earlier researchers. The chapter further explores literature in respect of the concept of pension and pension reforms and its significance on informal sector workers' retirement income security, models adopted in the implementation of pension reforms, evolution of pension systems in Ghana, overview of the three-tier contributory pension scheme, empirical review of works carried out in terms of pension reforms and retirement income security within the informal sector. The chapter concludes with a pictorial description of the conceptual framework that suggests and explains the major constructs explored in the study.

2.2 Theoretical background

The theoretical frameworks underpinning the study are the social exchange theory, life cycle theory on pension and Regulatory Impact Assessment.

2.2.1 The theory of social exchange (Homans, 1961)

The theory of social exchange has many interpretations, however, for this research, Homans' construct was adopted. Homans (1961) proposes that the theory of social exchange is a trade-off between two or more people for exchanging activity that is rewarding or costly, intangible or tangible. Further, Ekeh (1974) suggests that from the perspective of societal psychologist and sociologist, the theory explicates social change and steadfastness to be a development of negotiated exchanges among parties. In accordance with the theory of social exchange, the relationship among human beings can be maintained with the use of cost-benefit analysis through

personal evaluation of other possibilities (Cropanzano & Mitchell, 2005). The main premise of this theory specifies that, parties reach and sustain exchange relationships with others with the hope that participation will be beneficial to both parties (Blau, 1968; Gouldner, 1960; Homans, 1958). Again, the theory depicts that parties are expected to enter a relationship with each other if they perceive that the outcome of such relationship might be mutually beneficial and rewarding in terms of cost (Emerson, 1976). Blau (1968) posits that, the social exchange theory is appropriate to comprehend human relationship and decision making. The theory is thus applicable in real-world situations, such as to appreciate business and interpersonal associations (Gouldner, 1960).

The theory of social exchange indicates that each party has something valuable that the other party wants. The two parties decide what to exchange and in what quantities. In this study, the two parties are pension managers (regulators) and contributors (informal sector workers). Pension is a scheme that is expected to ensure mutual benefits to both pension managers and to the contributors (OECD, 2005). Pension managers have the mandate to invest workers' contribution into a venture that can yield a profit for the economy whilst workers on the other hand are expected to receive a better retirement package from these contributions (Schwarz, 2006).

Miles (2012) proposes that the resources exchanged in social exchange theory can be economic, social or both economic and social. The resources the parties (being pension regulators and contributors) exchange in this study are of economic nature which are mainly workers' monies from their disposable income and the benefits they seek which are their income security during retirement or other eventualities. In this regard, workers express some doubts as to the ability of a pension scheme to meet their income security needs, hence influencing their perception about its

adequacy and workers' behavior towards a pension schemes are influenced by the level of confidence they have in the various pension schemes (Kaskarelis, 2009).

The issue of trust has become the main driver for advocating for pension reforms (Holzman, 2012). The major premises of social exchange theory were derived with a goal of creating a mutually exclusive and exhaustive set of four law-like generalizations: that exchange associations are a result of economic or social outcomes and an examination of cost-benefit is carried out on the outcomes received while comparing with the possible benefits and costs of alternate exchange relationships. Further, the receipt of rewarding outcomes from time to time increase shared trust and assurance in exchange relationships, and exchange standards and prospects developed from time to time based on rewarding exchange relationships (Popper, 1959; Rudner, 1966).

Inclusion of the informal sector workers in pension policies by pension managers is a form of building a relationship between the informal sector workers and pension managers (NPRA Report, 2015). For this relationship to work, there should be a perceived cost and benefit between these parties. Informal sector workers have the option of either to participate in the contribution toward the personal pension scheme under the TTCP scheme with the anticipation that they will gain fulfillment on the benefits expected from the scheme for being more appealing and beneficial to them. The theory of social exchange therefore suggests that, pension managers may experience withdrawal from workers if they anticipate that rewards will not come as they anticipated matching their contributions (Blau, 1968). It also means that members' contributions rely on the amount of rewards they hope for while in active service and how it will sustain them when they retire from service. Further, the benefit that comes with participation from the informal sector could be factors that motivate them to contribute to the voluntary pension scheme. These could be

factors of attraction to those in the informal sector. Pension managers' inability to provide the needed retirement income package and good pensions and gratuities may result in dis-satisfaction and workers may resort to non-participation to the scheme (Homans, 1961).

Consequently, the motivation of informal sector workers to contribute to a pension scheme relies on efforts by pension managers to return the worth of their contribution with decent retirement income security. Hence, to aid in bringing fairness between parties through social exchange, the psychological and social contracts were set up (Homans, 1961). It is observed that the social exchange theory stems from the need to ensure impartiality between contracting parties and based on the understanding of the social exchange theory, retirement income security for informal sector workers should however be of great interest to policy makers. Workers' contributions to a pension scheme while working need to be managed well and in return provide equitable and adequate package during the period of retirement. Further, the theory accepts that parties transact or exchange activities with others with the hope of attaining an outcome that cannot be achieved by one party (Lawler & Thye, 1999). Consequently, Blau (1994) argues that these exchanges would however cease if both parties realize that such a benefit is perceived as no longer mutually rewarding. With the introduction of the three-tier pension scheme, pension managers have initiated a relationship with workers in the form of taking contributions in exchange of a reward in the form of retirement income security at the end of one's working life (NPRA, 2008). Blau (1964) suggests that, when a relationship offers both parties a fulfilling reward, they will be mutually attracted to each other. Therefore, the more rewarding the third-tier pension scheme is perceived, the more it will attract informal sector workers. The less rewarding it is perceived, the less it will attract such workers. Including workers in the third-tier pension scheme who work outside the formal sector is a very good initiative (NPRA Report, 2015). From the perspective of

the social exchange theory, it is imperative for the regulator to devise appropriate mechanism in guaranteeing income security for informal sector workers through contributions during active service. Secondly, informal sector workers are expected to understand the third-tier pension framework while committing their resources by signing onto the scheme and continue to remain on the scheme with the hope of attaining appropriate retirement income when due.

2.2.2 Life cycle theory on pension (Modigliani and Brumberg, 1954)

The concept of life cycle theory was developed by Modigliani and Brumberg (1954), who premised the theory on that fact that individuals make prudent choices about their spending habits at each stage of their lives which rely on the accessibility of resources at their disposal (Modigliani & Brumberg, 1954). The major idea of the life cycle theory is that, every worker tries as much as possible to continue a stable life style which is an indication that people normally do not save money in one period to use in another period but tries to maintain their consumption levels at every period (Modigliani & Brumberg, 1954). Through savings, informal sector workers can prepare toward their retirement and specifically modify their pattern of consumption to be able to meet their needs at each level which is autonomous of their incomes at each stage (Modigliani & Brumberg, 1954).

Aaron (1999) proposes that one important motive for putting money aside such as in a pension fund is to provide enough income during retirement. Informal sector workers have the aim of saving during active service to assist them obtain income when they cannot work anymore. The theory of life cycle indicates that the wealth of a nation is distributed in an uneven and increasing proportions where younger people have small wealth, middle aged have more than the young people and consequently, peak wealth is attained while getting closer to retirement (Modigliani &

Brumberg, 1954). The theory indicates that, as one starts to work, the income level received is less, as the person progresses in the career, the income increases and the individual gets more income once getting closer to retirement. It is worth noting that, as the individual lives through the working years, pensioners put their assets to sale to use the proceeds to acquire basic needs such as food, housing and other needs when they can no longer work (Deaton, 2005). This might be because there is less income for the retiree to rely on due to poor pension package or inability to save during the working life. Since the younger people are still in the accumulation part of the cycle, they take up the assets shed by the older people (Modigliani & Brumberg, 1954).

From the understanding of this theory, workers live for two periods, that is, the working period and the retirement period and during the working period, the worker may save and dis-save for consumption purposes during retirement (Deaton, 2005). Since the life cycle theory encourages saving among workers, the study seeks to understand the extent to which informal sector workers are willing to subscribe to the third-tier pension scheme. More so, the study seeks to examine how pension coverage within the informal sector can be extended through the cultivation of the habit of savings.

2.2.3 Regulatory Impact Assessment (OECD, 2002)

The Regulatory Impact Assessment (RIA) has gained wide popularity worldwide (Wiener, 2006; Kirkpatrick, Parker & Zhang, 2004; Ladegaard, 2005; Jacobs, 2006; Weatherill, 2007). As a result of the essential regulatory component of RIA, international organizations such as the World Bank and the International Labour Organization (ILO) have advocated RIA for the purpose of conducting fiscal scrutiny of how costs and benefits of regulatory proposals such as pension reform affect a wider range of participants, systematic consultation, as well as, criteria for policy choice (OECD, 2002). Radaelli and De Francesco (2010) explain that RIA is used to control

bureaucracies in the form of administrative procedures needed to operate while rules are being formulated and regulatory alternatives analyzed. According to OECD (2002), for a regulation such as pension system to be assessed in order to determine its likelihood and prospect of attaining the desired objectives, it is necessary to use RIA to provide a well-planned systematic appraisal of the potential impacts of such regulations.

In introducing the contemporary three-tier pension scheme by the NPRA to the informal sector workers, it has become necessary to use RIA to assess numerous implications and the challenges inherent in this provision to understand the extent such reform will be able to achieve the desired impact within the informal sector. In view of this, with the use of RIA, the study would be able to identify any costs associated with the informal sector pension schemes, either to the authority or to the informal sector workforce. The essential determination of RIA is to ensure that regulations are welfare-enhancing from the societal viewpoint, that is, benefits should outweigh costs (OECD, 2002). This portrays that using the guidelines of RIA; NPRA would be able to provide a retirement package that is satisfactory to workers and provide benefits beyond their contributions.

2.3 Concept of pension

Pension provides a source of income for retirees and represents money paid for past services. Mitchell and Fields (1996) explain that pension is a benefit provided to a worker who goes on retirement upon reaching a prescribed age. Pension benefit is in the form of regular or periodic payment from the time a worker goes on retirement until he or she eventually dies (Mitchell & Fields, 1996). Rofman and Oliveri (2012) further intimated that pension schemes are transfer systems established by countries, with the aim of making provisions for income to meet old age financial needs. Cowdell (2000) describes pension as payments made to workers who have

reached the end of their working life and is therefore a terminal benefit which provides a form of support to a worker after retirement which forms the most important component of a worker's benefits package and consequently provides life-long economic security to the retiree.

The World Book Encyclopedia (2006) defines pension as a form of revenue that workers or their spouses receive after the worker goes on retirement, become disabled, or dies. Pension plans however, assist workers who have had careers in private industries, in a nation's military or in national, state and local governments (World Book Encyclopedia, 2006). Further, a pension scheme is a contract which explicitly provides retirement objective which includes survivors' benefits, sickness and disability benefits (OECD, 2005). This indicates that, there might be a legal consequence if both workers and pension managers fail to play their respective roles when it comes to pension management and its related benefits.

For a pension system to operate effectively, pension schemes are premeditated to function by adopting a blend of defined contribution and defined benefit, defined contribution or defined benefit approach (Bodie, Marcus & Merton, 1988; Rejda, 2011; Baranoff, 2004; Davis, 1995; World Bank, 1994). Miles (1996) states that a defined benefit approach may be calculated as a proportion of a worker's final average pay in which an amount is contributed on a regular basis toward a pension scheme. This means that under this approach, the defined benefit pension scheme enables a worker to provide a pension benefit determined by a standard method on the worker's retirement time. In contrast, with the defined contribution pension scheme, a contributor's payment rate is fixed; however, the retirement package varies dependent on the profitability of choice of investment (World Bank, 1994). Defined Contribution (DC) consists of a definite payment of an employer and a worker's contributions put down annually in a form of specified percent of a worker's remuneration (World Bank, 1994). The greatest category of

Defined Contribution pension scheme is the 401(k) plan which was termed according to subdivision 401(k) of the Internal Revenue Code which became effective in 1980 by the United States congress (Byars & Rue, 2008). This shows that, in the 401(k) plan, a worker authorizes the employer to deduct a certain amount of money from the salary before taxes and to invest the funds in a pension plan (Byars & Rue, 2008).

For a pension plan to be managed effectively, contributions can be fully sponsored by the organization or can be funded in collaboration with the worker during the time of active service (World Bank, 1994). For instance, to ensure fairness and equity when it comes to all categories of workers under a pension scheme, the United States (US) senate approved the Employee Retirement Income Security Act (ERISA) in 1974 which sought to protect the interest of contributors. This decree was intended to ensure the solvency of pension plans by putting in efforts to check the types of investments that could be made with the plan's funds and consequently provide general guidelines for fund management. This law however, required that workers had the right pension benefits after meeting the specific minimum requirements (ERISA, 1974).

There are many categories of pension schemes; however, Sinclair (2003) identifies four kinds of pension schemes: state pension scheme, occupational or company pension scheme, personal pension scheme and stakeholder pension scheme. Armstrong (2007) suggests that a state pension scheme is created by government to serve as a source of income for citizens who retire or become disabled and paid for by national insurance. This type of pension scheme demands payments from a worker throughout his or her working life in order to enable him or her reap the full benefits when required. Basic state pension scheme for a worker is a contribution based benefit

that is dependent on that worker's contribution (Sinclair, 2003). Ghana instituted a mandatory state pension scheme which was established through the Pensions Act, 1950 and the Social Security Act, 1965 (Act 279) (Kpessa, 2011). Under the establishment of the contemporary three-tier contributory pension scheme in Ghana, the state pension is the first tier (Tier one), which is recognized as the National Basic Social Security Pension Scheme and is indispensable for all formal sector workers (NPRA, 2008).

Occupational or Company pension schemes are provided by organizations on behalf of their workers by an employer in which contribution is calculated as a proportion of worker's remuneration (Cole, 2002). Occupational pension scheme necessitates the worker to also contribute to the scheme by monthly installments deducted at source (Armstrong, 2007). Ghana's three-tier pension scheme makes occupational pension scheme available in the second tier (NPRA, 2008) where workers in all sectors are entitled to enroll on. Torrington and Hall (1998) posit that occupational pension schemes serve as a mechanism for recruitment and retention of qualified workers. These schemes are mostly used to create goodwill and loyalty, as well as, improving industrial relations and managing workers' retirement benefits (Torrington & Hall, 1998).

Personal Pension is afforded to workers who are not provided with pension by their employers. The self-employed and the unemployed may also subscribe to the personal pension scheme (Sinclair, 2003). Torrington and Hall (1998) argue that personal pension schemes which are usually arranged with insurance companies are gaining wider attention because of changes in job and the perceived greater portability of personal pensions. Personal pension scheme is in a form of an annuity scheme in which a participant pays personally to serve as benefits on a ground of a

defined contributions method (Act 766, National Pensions Act, 2008). Consequently, Ghana's Act 766 makes provision for personal pension scheme under tier three to secure an improved income security for retirees for all category of workers either formal or informal sectors of the economy. Sinclair (2003) outlines that a stakeholder pension scheme has a specific rule associated with the scheme which includes attracting one percent charges for administrative cost.

Pension plans can be funded or unfunded (World Bank, 1994). According to the World Bank (1994), an unfunded pension scheme does not have a separate asset; benefits are therefore paid for by the employer or another pension guarantor as appropriate. Most pension provisions provided by states worldwide operates with benefits paid directly from workers' current payments and state levies. This procedure of supporting a pension scheme is called Pay-As-You-Go. Further, in an unfunded pension scheme, contributions are arranged between the employers, and sometimes from a worker in which the funds are invested towards meeting the retirement benefits (World Bank, 1994).

Many countries are faced with challenges when it comes to pension systems (Holzman, 2012). Population aging is a major challenge faced by a host of countries (Collard & Moore, 2010). A larger portion of population gets aged owing to decrease in child bearing and increases in life expectancy (World Social Security Report, 2011). The World Social Security Report (2011) indicates that only 40% of the total working class across the globe has sustainability and legal backing when it comes to pension provisions. More so, aged persons who are 65 years and above representing nearly 75% obtain limited annuity benefits in well developed countries, whilst less than 20% of their counterparts in less developed countries get pension benefits, though, the relevance of a retirement pension scheme is to lessen old age associated penury, while

maintaining the same consumption levels between the working years and the retirement years to prevent low standard of living when a worker retires, become disabled or when earning ability reduces (Schwarz, 2006).

2.3.1 Significance of pension on retirement income security

Retirement signifies the withdrawal of individuals from work during the later period of life, which is associated with reliance on pension income instead of salary as the main source of support (Moody, 2000). During retirement, the individual is supposed to rest after many years of active employment while benefitting from a guaranteed retirement income. Rowe (1994) defines retirement as the exit from work either partially or completely which is accompanied by a change in the sources and amount of income received thereafter. Coile and Gruber (2000) view retirement planning as a pension system established by government, business owners, insurance companies and other institutions such as employer association or workers' association granted upon retirement of the individual. Retirement pensions are characteristically in the form of a definite life annuity making it possible to insure against the risk of longevity. Blake (1999) asserts that the significance associated with a pension plan is to deliver adequate retirement income security for retired persons.

Weller and Wolff (2005) view retirement income security as the enhancement or deterioration, assurance of receipt and expectation of income adequacy in the future, level of income as at one's active service, in old age or when incapacity retirement occurs. Empirical studies conducted through the United Nations Department of Economic and Social Affairs (UNDESA) (2007) shows that 342 million people who compose of more than half of the aged are associated with the nonexistence of income security. The research further asserts that until the situation is remedied,

more than 1.2 billion elderly persons will be deprived of secured incomes by 2050 (UNDESA, 2007). To be able to generate sufficient income which can improve retirement income security, individuals have the option of either saving personally when in active employment or to subscribe to a pension scheme to make regular contributions until retirement when this deferred income will be given back (Schulz & Carrin, 1972).

Van Dullemen (2007) postulates that, among the world's poorest people who are over sixty years, more than one in five exist with as low as a dollar per day. Further, the World Bank report, as stated by Holzman and Hinz (2001) shows that the world's population who are more than 65 years have no retirement income security and that these category of population is nearly 85% (Holzman & Hinz, 2001). It is therefore clear that, pensions promote substantial role in improving retirement income security among retirees, even the larger society, as benefits received are used with other members of the household (Stewart & Yermo, 2009). Retirement income security better integrates the elderly into families as a way of easing the burden of old age.

To improve guaranteed income security during retirement for all workers, the three-tier pension scheme was established in Ghana which commenced in 2010 to serve as a source of well-ordered and well-coordinated framework for pension arrangements in Ghana (Kpessa, 2011). Pension therefore is the greatest secured and certain income source that provides consistent monthly retirement revenue for however long retirees live (Agblobi, 2011). Schwarz (2006) asserts that pensions are intended to serve as a source of guaranteed revenue for persons who are not able to earn income through advancement in age, the occurrence of incapacitation, in addition to the demise of a wage earner in the family. Subsequently, pension is significant for securing income for retirees. It is therefore, worthwhile to explore how informal sector workers perceive the

provisions of the contemporary personal savings and provident fund established in Ghana in relation to their retirement revenue when they bring their working life to an end.

2.3.2 Models adopted for the design of a retirement pension structure

Various pension and retirement arrangements have been developed around the globe. Models of pension systems are applied to guide the design of a new pension structure and the reform of an existing pension system (Wang, Zhang, Shand & Howell, 2014). Pension models provide a framework with which emerging issues in retirement systems can be evaluated. There are two main pension models accepted internationally; the World Bank Multi-Pillar and the International Labour Organization (ILO) Multi-tier model (Wang et al., 2014). Many international associations have promoted a multi-pillar approach to pension provisions which consist of the International Labour Organization (ILO), the Geneva Association, International Monetary Fund (IMF) and the World Bank (Wang et al., 2014). It is largely appreciated that multi-pillar methods can be implemented in pension arrangement and modifications, though there are variances among the two dominant models (Holzmann & Hinz, 2005; Gillion, Turner, Bailey & Latulippe, 2000).

The World Bank multi-pillar approach stresses on diversification and efficiency and advocates a form of venture portfolio strategy, that is, the optimization of projected revenues relative to eventualities through variation of the elements in the pension structure (Holzmann & Hinz, 2005). The World Bank (1994) proposes a three-pillar pension system, comprising vital values and insights. Subsequently, the World Bank's interest has increasingly engrossed on improving pension structures to adjust such principles to extensively fluctuating conditions and better attend to the needs of various populations to manage retirement income security (Holzmann & Hinz, 2005).

Further, the suggested World Bank multi-pillar pension arrangement which constitutes its main pillars is composed of a blend of five foundations; comprising a non-contributory pillar that provides a minimal level of social protection. The second component is the “first-pillar” made up of a contributory nature associated with erratic degrees to incomes and requires replacing some part of revenue (Holzmann & Hinz, 2005). The third element constitutes a compulsory “second pillar” that is fundamentally discrete saving account but can be created in diverse ways whilst the fourth element is the optional “third-pillar” provisions that can take many forms but are fundamentally adaptable and non-compulsory. The final element is non-formal intra-family or intergenerational sources of both financial and nonfinancial backing to the aged, with access to health care and housing (World Bank, 2008).

According to Gillion, Turner, Bailey and Latulippe (2000), the ILO’s guiding principles of pension development and reform include extending participation, obligatory affiliation, solidarity, and parity of treatment. Consequently, five general objectives can be designed to achieve the benefit of pension structure in the form of: the extension of pension patronage to populace; guarding against scarcity of income during old age; the occurrence of incapacity or on demise of a breadwinner; making allocation of income; in replacement of wages lost due to voluntary or involuntary retirement for pension contributors (Gillion et al., 2000). Gillion et al. (2000) explain that the ILO’s ideologies involve resilient anti-poverty and equality elements. As such, a bottom anti-poverty tier is the initial tier in the pension arrangement. Consequently, the multi-pillar pension structure which was recommended by the World Bank in 1994 starts with the pay-as-you-go as the first pillar; it is a second tier in the ILO’s pension system design (Wang et al., 2014).

Nevertheless, to deal explicitly with the poverty alleviation objective in the five-stage system suggested in 2005, the World Bank added a non-contributory zero pillar (World Bank, 2005).

Ghana's three-tier pension scheme was established following the laid down principles of World Bank and the International Labour Organization (ILO) three-tier systems (Kpessa, 2011). The system includes: The Tier one composed of essential national social security scheme to cater for people who are unable to provide any form of protection for instance, the frail, incapacitated and the elderly. The Second tier makes provisions for individuals who can contribute and is obligatory and managed by the state while the Tier three takes care of those who would want to gain additional income for their tier two revenues by opening private pension schemes, as well as, meeting the peculiar requirements of every informal sector worker through the tier three of the three-tier contributory pension scheme (NPRA, 2008).

2.4 The concept of pension reform

Schwarz (2006) describes pension reform as changes made to existing pension scheme in order to make improvement. According to Whitehouse, D'Addio, and Chomik (2009), pension reform has negative meaning to individuals who perceive the reform as a threat to their income security. This happens when individuals discover that the reform will lead to weakening in benefits and rise in pension age (Whitehouse et al., 2009). Torrington and Hall (1998) suggest that pension systems need to be restructured to enhance workers' retirement income in the light of changing needs. Pension systems are constantly taking new dimensions and these are motivated as a result of altering objectives, advocating reform requirements, and a changing empowering environment (Holzman, 2012).

Stewart and Yermo (2009) advance that nations have made use of diverse methods to pre-finance pension schemes. Many countries have established reserve revenues to complement existing tradition of pension fund facility for the aged. Again, Stewart and Yermo (2009) observe that numerous states in Eastern Europe and Latin America, pension reserves have been newly established, moderately replacing the financing system in the form of pay-as-you-go. Additionally, few states in the World especially Asia have comparatively huge replacement funds to support pensioners (Holzmann, 2012). In the case of Sub Saharan African countries, most lack meaningful social security management and public pension systems, although some form of pension exposure is made available in few countries and consequently, in which benefits are accessible to formal sector workers (Hu & Stewart, 2009). Further, more people work in the informal sector in Sub-Saharan Africa and these workers are often not adequately covered by pension schemes, which means that they depend largely on informal provisions and their own or family properties (Stewart & Yermo, 2009). Suleman (2015) explains that as a way of strengthening retirement income security of the workforce, a host of countries in African have lately begun major pension reform mostly from the creativity of stakeholders, advisory committees and international organizations which have started adopting current methods to pension provision. Ghana, to bridge this gap, developed a special personal pension or informal sector pension scheme for all informal sector workers (NPRA, 2008).

The need to increase savings and develop financial markets, revising untenable existing pension structures to ensure competency in terms of administrative costs and revenues have promoted pension reform in the form of creating recognition of old age provision as an essential part of social policy (Pierson, 1998). The structure and problems associated with pension arrangements varies in many countries, where countries are consistently implementing diverse reform programs

(Pierson, 1998). Kpessa (2011) argues that social security establishments and pension arrangements in most countries are not effectively controlled and administration is disjointed and feeble. Schwarz and Demirguc-Kunt (1999) show that modifying pension systems can be grouped into two methods: namely, minor adjustments and major reforms. Modifications effected to already existing pension schemes mainly to interrupt monetary problems but sometimes to make accurate existing discriminations are known as minor adjustments. Schwarz and Demirguc-Kunt (1999) further buttress that these adjustments comprise variations to pension entitlement indicator, the contribution structure, the benefit structure or the supervision of the scheme. Schwarz (1999) argues that much of these reforms have been found not to sufficiently tackle the fundamental hitches of pension plan and nevertheless do prosper in briefly deferring the monetary predicament. Again, the World Bank makes it explicit that, the major pension reforms are those which greatly transform the pension system's provision from defined contribution to defined benefit (World Bank, 1999). In an effort to provide justifiable pension schemes aimed at ensuring adequate remuneration for Ghanaian workers during retirement, with emphasis to the informal sector workers, Ghana carried out a major pension reform which established a Three-Tier Contributory pension scheme that provided three separate sources that a worker can save toward retirements and a special informal sector pension scheme under the Three-Tier contributory pension scheme (NPRA Report, 2008).

2.4.1 Types of Pension Reforms

Schwarz (2006) identified four different categories of pension reforms: Parametric Reform, Systemic Reform, Regulatory Reform and Administrative reform. Parametric pension reform encompasses altering the existing standards of pension framework inside politically and demographically acceptable limits to prevent the size of pension deficit from going beyond

tolerable levels determined by governments (Chand & Jaeger, 1996). Several African countries have enacted parametric reforms, including Cape Verde (2006), Niger (2010), and Zambia (2010) to assist in the strengthening of the retirement income of the aged (Dorfman, 2015). Schwarz (2006) explains that there exist three main subgroups of parameters in a parametric reform, namely: Benefit Framework, Contribution Framework and Eligibility Conditions for accessing pensions. Numerous parametric pension reforms encompass variations in all three subgroups (Schwarz, 2006). The parameters of contribution-revenues are applicable to defined-contribution framework and defined-benefit structure in addition to voluntary pension systems. Further, the parameters are made up of levitating contribution charges which obviously drops the take-home earnings of workers. Consequently, benefit parameters include the accumulation rate, that is, the benefit rate per year of active service. Schwarz (2006), points out that, eligibility conditions include retirement age. Pension systems are therefore made equitable by improving upon contribution compliance by linking pensions to the contributions paid which serve as a source of perceive fairness in the pension structure. Ghana embarked on a parametric pension reform to the SSNIT social insurance by increasing the total worker–employer contributory rates from its original 17.5 to 18.5 per cent, and a reduction in the total contribution to the SSNIT social insurance scheme from 17.5 to 11 per cent to make 5 per cent available for investment in the second-tier pension scheme, whereas the remaining 2.5 per cent was directed toward financing the country's national health insurance program (Kpessa, 2011).

Further, in systematic pension reforms, countries shift from already implemented defined-benefit systems to defined-contribution systems or to hybrid systems collaborating either defined-benefit components or defined-contribution components (Schwarz, 2006). According to Odia and Okoye (2012), depending on the contribution of the assorted structures, systematic reform could be

single-pillar or multi-pillar. Schwarz (2006) explains that this reform makes it possible to hold the expenses of the pension arrangement, to enable those persons who contribute towards the system, and hence would be able to re-establish the original aim of smoothing consumption amongst individuals during their lifetimes. Schwarz (2006) further posits that systemic reforms embrace the formation of a non-contributory benefit that satisfies the entire population. Nigeria, for instance, instituted a multi-pillar systematic pension reform, moving entirely away to the defined contributory scheme from the defined benefit scheme (Odia & Okoye, 2012).

Schwarz (2006) elucidates that regulatory pension reforms make use of enhancing pension regulation and supervision which is a positive step of making sure contributions of workers and their employers are made accessible to them during retirement. Regulation and supervision can guarantee that low income earners with low financial knowledge stand to be protected as impartially as those with higher income and more financial knowledge. Ghana as part of its major pension reform in 2008, incorporated a regulatory pension system by establishing a regulatory body, called the National Pensions Regulatory Authority (NPRA) to have the sole mandate for regulating the mandatory and voluntary pension schemes and consequently have oversight accountability for administering retirement or pension schemes (Amartey-Vondee, 2015). This is therefore, an effort to improve upon the regulatory body of pension management to enhance retirement income security from the three-tier pension scheme (NPRA, 2008).

Administrative reforms focus on bringing together many structures within a country, which includes refining compliance with collection procedure, enhancing benefit service, maintaining appropriate databases, improving record keeping, and strengthening the eligibility standards for incapacity, as well as, aggregating contribution collection with tax collection (Schwarz, 2006).

Administrative reforms reduce inefficiencies in existing pension systems or in a development of a new system (Schwarz, 2006). The introduction of information technology interface by the new pension scheme in Ghana is an excellent way of ensuring that workers have access to information relating to pensions in a more effective manner (NPRA Report, 2015).

2.4.2 Challenges of pension reform and the involvement of the informal sector

Laws (2005) argues that pension reform is arguably the major challenge faced by countries in social welfare policy. Holzmann (2012) highlights that pension reforms are not adequate to provide affordability, adequacy, exposure, sustainability, toughness, restructure of incapacity and survivor's pensions in response to socioeconomic fluctuations, establishing complete flexibility of developed rights across professions, sectors and countries, as well as, difficulty of starting and making a pension reform successful. This indicates that even though countries make effort to improve pension systems, there are still loopholes that make this initiative difficult to attain (Holzmann, 2012). Holzmann, Hinz and Dorfman (2008) suggest that, no general resolutions to the complex range of pension issues exist and consequently no simple reform model can be adopted in all cases. This indicates that despite the positive impact of pension reforms on retirement income security, there are still challenges that arise out of such reforms and many nations have therefore not been able to come out with a pension reform that satisfies the entire population especially those within the informal sector.

More so, James (1998) argues that pension reform comes with high administrative costs and inappropriate regulation of financial markets. Effectively amending an existing pension system or developing a new system therefore generates financial costs which may prevent the success expected from such reforms. Miles and Timmermann (1999) posit that there are high transitional

costs that often wipe out any possible gains from pension reform. In considering Ghana's experience with pension reforms, Kpessa (2011) identifies governance, myopia, market volatility, choice risks and administrative costs as major challenges facing pension reforms in Ghana and these are consistent with the challenges identified by James (1998) and Miles and Timmermann (1999). The Ghana Business Development Review (2016) suggests regulatory, demographic, economic, management and governance as challenges facing pension reforms. Nonetheless, countries that embark on pension reforms are likely to encounter these problems, even though pension reforms are carried out to enhance an existing pension system. Kay and Kritzer (2001) propose expensive discharge costs, inadequate rivalry inside the pension fund industry, questions over investment rules, high evasion rates, greater differentiation in pensions based on gender, and political obstacles to incorporating occupational groups. Amartey-Vondee (2015) highlights informal sector coverage, compliance issues, trustee's training, regulator management and public education as major challenges facing the three-tier pension scheme in Ghana. Similarly, Heal (1998) argues that the population of Africa has many workers operating from the informal sector and this makes it challenging in terms of implementation of policy on pension for the aged who are engaged in informal sector activities. Adzawla, Baanni and Wontumi (2015) suggest that due to informality of the informal sector, it is difficult to embark on pension reform when it comes to such a sector. Adzawla et al. (2015) propose that due to low income, non-awareness and non-receipts of regular salary which are characterized by the informal sector, policy makers find it difficult to include informal sector workers when carrying out pension reforms.

A fundamental challenge with pension reforms is the coverage of the informal sector. The peculiarity of the informal sector makes it challenging in terms of formalized system of pension both for fund managers and the workers concerned. Ghana is no exception when it comes to

informal sector pension coverage (Amartey-Vondee, 2015). NPRA is however, making efforts to bridge the gap when it comes to the informal sector pension system. The study therefore, seeks to explore the extent of these challenges on retirement income security of Ghanaian workers under the pension reform in 2008 with special reference to the informal sector.

2.5 Evolution of pension framework in Ghana prior to 2008

Preceding the commencement of a formal pension framework in Ghana, extended family and the community took the responsibility of providing for aged members of the family (Dei, 1997), however, in recent times, this has come under extreme pressure due to urbanization, industrialization and migration (Agblobi, 2011). Pension schemes have now become a necessary alternative as a social security provision for the elderly members, as well as, modern instrument to provide retirement income to the aged for maintaining a better standard of living hence, reduction of old-age poverty (Kumado & Gockel, 2003). Ghana's pension system dates to the colonial era (Obeng-Nyarko, 2009). Several pension strategies have been adopted by successive governments to meet this important social need. Before the occurrence of the present National Pensions Act (Act 766) in December 2008, there were a number of legislations regarding pensions in Ghana. However, they were ineffective for the low and middle-income workers (Donkor-Hyiaman, 2014). The various stages of Ghana's pension evolution are evaluated below.

2.5.1 Colonial Old Age Income Security Policies (Colonial Development and Welfare Act, 1940).

The Colonial Old Age Income Security Policies Program of 1940 was aimed at inspiring trustworthiness and proficiency within the colonial civil service (Kpessa, 2010). Further, this senility remuneration strategies were designated as a mechanism for edifying civil servants who served their masters in honesty because this was not based on the worker's own contribution set

aside as income to solve the problems of income security during the period of retirement (Dei, 1997). During this period, those who worked as civic workers enjoyed no entitlement to such programs unless they were perceived by colonial administrators as meeting eligibility requirement of loyalty (Kpessa, 2011). Consequently, these social security strategies were restricted to non-rural dwellers exclusively Europeans and only few Africans who worked in the colonial establishment (Asamoah & Nortey, 1987 cited in Kpessa, 2011). There were however, major challenges with this design as it did not cover all sectors of workers but only those who worked with the colonial masters.

2.5.2 CAP 30 Pension Scheme - Pensions Ordinance No. 42 of 1950

Following the inadequacies inherent in the Colonial Development Act of 1940, the CAP 30 pension scheme was developed to serve by way of colonialism, obtaining its powers from the Pensions Ordinance No. 42 of 1950, which forms Chapter 30 of the 1950 British Colonial Ordinances under which the British Government managed (Kumado & Gockel, 2003). The Cap 30 pension scheme served as a mechanism for securing some level of comfort as well as decent life after retirement (Pensions Act, 1950). Further, this pension framework was initially non-contributory and projected to be recompense from the Colonial Government to Civic Servants after attaining a minimum of ten years faultless and faithful service at the voluntary age of retirement at 45 years, or on attainment of the enforced retirement age of 60 years (Section 3 (c), of Pension Act, 1950). This system was associated with poor pension administration and benefits for the retiree, since a worker might forfeit pension benefit if not perceived as credible for entitlement or breaks service with the civic service (Agblobi, 2011).

According to Yankah (2008), this framework functioned with the Pensions Ordinance, No. 42, Chapter 30 of 1950 for pensionable public servants in civic and other public services, who had been in the service before 1st January, 1972; and public servants who have been discharged by law from partaking in the social security pension scheme, that is, the Judiciary, Legal Service, Police Service, Fire Service, Prison Service, Immigration Service, the Bureau of National Investigation and the Research Unit of the Ministry of Foreign Affairs. It is worth noting that, finance of the Cap 30 pension scheme was through the consolidated fund which holds all incomes from export, and taxes from workers amongst others, in addition to a recent addition of 5% contribution from the basic salary of pensionable officers (Yankah, 2008). A worker qualifies for full pension on attainment of age 60 (P.N.D.C.L. 327; Pensions Act, 1950). A worker could go on compulsory retirement if the office was no longer in operation; the officer was transferred to other public service, removed for general inefficiency or on medical grounds (Pensions Act, 1950). A worker qualified for pension after having served a minimum of ten continuous years. An important challenge with the CAP 30 pension scheme is that, the scheme depended on the government's ability to raise funds through exports and taxation, as well as, the willingness of the tax payer to accept the tax burden (Agblobi, 2011).

However, there were pension legislations which were similar to the CAP 30 formulated to help improve coverage and solve some of the problems inherent in the previous pension schemes (Yankah, 2008), which included Teachers Pensions Ordinance 1955; University Staffs Superannuation Pension Scheme; Ghana Police Pension Act, 1985 (P.N.D.C.L. 126); Public Legal Officers Pensions Amendment Act 1986 (P.N.D.C.L.165); Immigration Service Pensions Act 1986 (P.N.D.C.L. 226); Prisons Services Pensions Act 1987 (P.N.D.C.L. 168); Section 34 of the Security and Intelligence Agencies Act 1996 (Act 526); Section 27 of the National Fire

Service Act, 2000 (Act 537); The CRIG Pension Scheme serving Elderly Staff & Research of the Ghana Cocoa Research Institute who joined before 1984, and the Ghana Armed Forces Pension Scheme of 1962. All these legislations were measures required to enhance retirement income security.

2.5.3 The National Provident Fund Scheme (NPFS)

The NPFS was enacted by Social Security Act of 1965 (Act 279) to provide the initial framework for the Ghanaian pension scheme (Darkwa, 1997). The formation of provident fund by way of a superannuation fund was created owing to worries for decline in age (income security) and broader developmental considerations after independence (Kpessa, 2011). Provident fund is a retirement strategy under which retiree claims lump sum benefits in the form of financial assets accrued over a period of time through membership contributions and investment returns (Kpessa, 2011). The Provident Fund was designed to extend the opportunity of pension structure in Ghana for all categories of workers (Quartey, Kunawotor & Danquah, 2016). Many private firms and state-owned enterprises established a version of the provident fund known as End-of-Service Benefits (ESB) for their workers and it was financed mainly by employer-employee contributions as deductions from their salary (Quartey et al., 2016). The management of these funds was through financial institutions, proficient fund managers, insurance companies and stock brokers (Darkwa, 1997). The mining and the service sectors set up provident fund to provide one-time income welfares for their workers upon retirement. Private organizations which include Unilever Ghana Ltd., Ghacem Ltd, and Nestle Ghana among others, formed their own retirement income plans exhibited on the national provident funds (Dixon, 1993). Further, institutions such Okomfo Anokye Teaching Hospital (KATH) and the University of Ghana developed separate provident funds for their staffs. According to Quartey et al. (2016), pension scheme in the form of provident

funds were intended to conceal eventualities such as withdrawal from work, invalidity, survivors' payments which were generally ranked as primary contingencies, sickness, maternity and emigration as subsidiary contingencies. Subsequently, funds generated from the contributions from the provident funds remained as an investment in a government bonds with low-interest rates and very long maturity periods (Dixon, 1993). Following low-interest rates coupled with high inflation rate, the lump-sum benefits due pensioners were inadequate to take care of retirement needs (Darkwa, 1997).

2.5.4 National Social Security Scheme

The ineffectiveness of the traditional system of taking care of the aged as a result of urbanization, industrialization and migration, as well as, the restrictions of Colonial Development and Welfare Act, 1940 to only few Africans who worked in the colonial offices and are perceived as honest by their masters, the limitation of the coverage of the Cap. 30 pension to only civil servants, as well as, low gratuities received from the provident funds, Ghana's First parliament passed Act 279 in 1965 that mandated all workers in the formal sectors to join a contributory scheme that was meant to pay superannuation, invalidity, survivor and other benefits to workers (Agblobi, 2011). Further, this pension arrangement paid lump sum benefit to qualified members. A Social Security Decree (NRCD 127) of November 1972 subsequently set up an institution, the Social Security and National Insurance Trust (SSNIT) as an autonomous body administering social security pension schemes in Ghana (Osei, 2005). The social insurance served as the basic national pension scheme for all Ghanaian citizens. The SSNIT pension scheme provides for superannuation (lump sum) benefits and other five benefits, namely: sickness, invalidity, emigration, death and survivors, as well as, unemployment. The SSNIT pension scheme provides income security for workers in both government and private sectors, as well as, workers in the

informal sectors (Osei, 2005). The passing of the Legislation authorized every employer with a minimum of five workers to sign unto the scheme (PNDC Law 247). However, because of the nature of work carried out by soldiers, senior members of research institutions, foreigners in diplomatic missions, the fire service, the police service and the prisons service were exempted from SSNIT Contribution (PNDC Law 247).

Prior to the inception of SSNIT, the management of the scheme's resources was by State-run Insurance Corporation (SIC), and the Ministry of Finance (Department of Pensions) (Agblobi, 2011). Consequently, in 1991, a new legislative instrument, P.N.D.C.L 247, mandated the alteration of the PFS into a pension scheme. Per the law, the regulation mandated the corporate body SSNIT to be responsible for the general administration of the Social Security Law and any regulations under it, to deliver retirement income security for contributors under definite exigencies that is, old age, invalidity, demise and other contingencies as may be specified by law, to be responsible for the management of the revenues and carry out any other activities incidental to the realization of the objectives. Contrasting the SSNIT pension scheme that was financed through the employer and workers' contributions, as well as, the investments returns generated from the funds, Cap 30 pension scheme was financed from the consolidated funds (Agblobi, 2011). Originally, the contributions were 22.5% comprising 7.5% and 15% from the workers' basic salary and employers respectively, however, it was later reduced to 17.5% made up of 5% and 12.5% from the worker's basic salary and employers, respectively (Osei, 2005).

The 2011 Social Security and National Insurance Trust (SSNIT) annual report indicates that 88.4% of pensioners in Ghana earn a monthly pension of GH¢300 or less with a minimum pension payment of GH¢45.06 and an average pension of GH¢351.42 (SSNIT, 2011). These

pension incomes were by far less than the standard penury line of US\$1.25 a day and therefore pensioners had to find alternate sources of income to supplement their meager pension benefits (Quartey et al., 2016). Again, to qualify for SSNIT, the worker might have subscribed to the scheme and registered as a participant and consequently contribute to the scheme whether as formal or informal sector worker. The Social Security Law makes provisions explicitly requiring that, in the interest of eligibility for the pension benefit; the contributor must contribute at least 240 months and retire at ages 55 to 59 inclusive for reduced pension or age 60 for full pension (Social Security Law 1991). SSNIT Pension Scheme has contributed tremendously to the development of Capital markets and other reserves in Ghana (Kpessa, 2011). Consequently, SSNIT thus have a lot of stocks in registered and unregistered equities that cut across a wide variety of trades such as estate development, manufacturing, banking, hospitality, services financial houses and private equity funds (Agblobi, 2011).

2.6 Ghana's Post-2008 Pension Reform

Ghana as part of its pension reform developed a new Pensions Act, Act 766 and later the supplementary Regulations (L.I. 1990) which was passed in 2011 (Amartey-Vondee, 2015). According to Amartey-Vondee (2015), the new Pension Scheme was launched on 16th September 2009, with the date of implementation on 1st January 2010. The pension reform was undertaken following criticisms from trade unions and retirees arising from disparities in retirement benefits among civic sector workers, as well as, inadequacies in the SSNIT pension system (Kpessa, 2011). In 2004, the government set up the constitutional commission on pensions with an obligation to submit a proposal for pension reform. Later, the proposal from the commission was accepted by government and a Pensions Reform Implementation Committee (PRIC) was set up. The work of the PRIC resulted in the promulgation of the new pension's law, Act 766 on

12thDecember, 2008. A Three-Tier Contributory pension scheme (TTCP) and NPRA, a governing body in charge for regulating the administration of pensions in Ghana were created by Act 766 under sections 96 to 111 (Act 766).

The Three-Tier Contributory pension scheme (Tier one, two and three) combines defined benefit and defined contribution schemes composed of Obligatory Basic National Social Security Scheme, Obligatory Privately Managed Occupational Pension Scheme, and a Voluntary Privately Managed Provident Fund and a Personal Pension Scheme. The scope of the Three-Tier Contributory pension arrangement is to cover formal sector workers, workers outside the formal sector, as well as, self-employed, thereby enhancing the coverage to all sectors of the economy. Additionally, the scheme sought to guarantee a fair retirement income security for all workers, thereby providing equal well-established directions for retirement income for both private and civic workers (sections 1 and 2(c) of Act 766). Aidoo (2008) perceives the TTCP scheme as an excellent initiative which could help provide a huge benefit to Ghanaian workers after retirement. This implies that, workers could have more control on the management of their pension schemes thereby enhancing retirement income security within the formal and informal sectors.

More so, Agblobi (2011) suggests that this scheme has a positive impact on employers, as well as, the pension industry. Tier one and two are mandatory for workers in the formal work-related employment while tier three is a voluntary contributory scheme, which makes it possible for business owners, unemployed and irregular income earners in the informal sector to contribute toward the contemporary TTCP arrangement. The tier one is obligatory basic national pension scheme but the two and three tiers of the pension scheme constitute fully funded and privately managed where the prominence is on getting a workers' contributions in addition to accumulated

returns on investment of the contributed funds (Aidoo, 2008). This means that a worker can get what has been contributed during the working periods with accrued interest as a lump sum benefit exclusively in the tier two (NPRA Report, 2015).

In Section 213 of Act 766, deduction for all workers was to commence on January, 2010 with the exception of the following who are to commence after a provisional time of four years and cease to be in force after that period: The Pensions Ordinance No. 42 of 1950 (CAP 30); Teachers' Pension Ordinance 1955; Ghana Universities Staff Superannuation Scheme; Ghana Police Pensions Act, 1985 (P.N.D.C.L. 126.); Public Legal Officers Pensions Amendment Act, 1986 (P.N.D.C.L.165); Immigration Service Pensions Act, 1986 (P.N.D.C.L. 226); Prisons Services Pensions Act, 1987 (P.N.D.C.L. 168); section 34 of the Security and Intelligence Agencies Act, 1996 (Act 526); and section 27 of the National Fire Service Act, 2000 (Act 537).

2.6.1 Obligatory and Optional pension schemes under the new TTCP scheme

2.6.1.1 Tier One: Obligatory Basic National Social Security

The National Pensions law conveys variations in the whole pension administration in Ghana. The first is Obligatory Basic National Social Security scheme which is a mandatory pension contributory scheme for workers in the formal sector which shares resemblance with the old SSNIT pension scheme (Agblobi, 2011). Section 58 of the Act 766 provides for a monthly contribution of 13.5% (11% towards monthly pensions and 2.5% contribution to National Health Insurance Scheme) on the basic salary of all workers. According to Act 766, this constitutes defined benefit scheme and payments are wholly tax-exempt and are managed by SSNIT and will therefore incorporate better structure of SSNIT benefits to all workers in both private and civic sectors. However, this scheme pays monthly benefits to workers upon retirement (NPRA, 2008).

Pension provisions (Social Security Scheme) are applicable to all business owners as well as to each worker employed by its institution, any other employer, worker and self-employed to whom the Social Security Act, 1991 (P.N.D.C.L. 247) applied immediately before the beginning Act 766, and self-employed individuals, who makes a choice to join the social security scheme (section 58 (1) and (2) a to c of Act 766). Again, in a situation where a subscriber ceases to be employed, that member may continue to pay a monthly contribution at the rate of thirteen and half per centum of that members stated income or salary (Section 58 of Act 766). This means that once an individual is working in Ghana, and earns monthly salary, that individual has the obligation to join the BNSS pension scheme and it is the responsibility of the employer to remit all contributions under the pension arrangement at least fourteen days after the end of each month to the approved service provider (Section 58 of Act 766). The minimum age for entry into the tier one - BNSS pension scheme is from fifteen years and the maximum age is forty-five years (Section 59 of Act 766). Further, a contributor is eligible for superannuation benefits under a pension scheme in existence before the beginning of the Act and is aged fifty-five years or above is exempted from the BNSS pension scheme (section 60 (1)) Section 70 to 76 of Act 766, provides superannuation pension to members who attain the compulsory retirement age of sixty years or voluntary retirement age of fifty years, sick pension, lump sum payment, survivors lump sum benefit, other benefits, as well as, hazardous employment benefits.

2.6.1.2 Tier 2: Occupational Pension Scheme - Mandatory

According to section 95 of Act 766, a worked-based pension framework formulated under a trust which offers benefits based on a defined contribution method in the form of a lump sum payable during end of service, demise or retirement of a worker. This also covers workers under the

BNSS pension scheme (section 58 of Act 766) and due to a person detailed under the second tier of the Three-tier pension scheme of Act 766 is termed as occupational pension scheme. The second tier of the TTCP scheme is therefore, based on a defined contribution scheme and contributions are wholly tax-exempt and are managed by NPRA licensed service providers through private management. Contribution is 5% of the compulsory 18.5%. One-time benefit to persons upon retirement, which comprised of all contributions made under the scheme in addition to all returns earned on their contributions are therefore paid out from the scheme (Act 766).

There are two types of Tier two pension schemes; namely, Master Trust Scheme (MTS) and Employer Sponsored Scheme (ESS). According to Act 766, if contribution to the scheme is opened to workers of diverse companies, then the scheme is referred to as MTS. On the other hand, if participation of the scheme is limited to the workers of a particular company, it is deemed to be an Employer Sponsored (ESS). All workers however, are therefore mandated to pay 5% of their basic salary into the occupational pension scheme together with the BNSS scheme, since they are both compulsory for those in the formal sector (NPRA, 2008). To help improve retirement income for workers, the occupational pension scheme was designed to offer tax-free cash lump sum and to help secure mortgage for primary residence (NPRA Report, 2016).

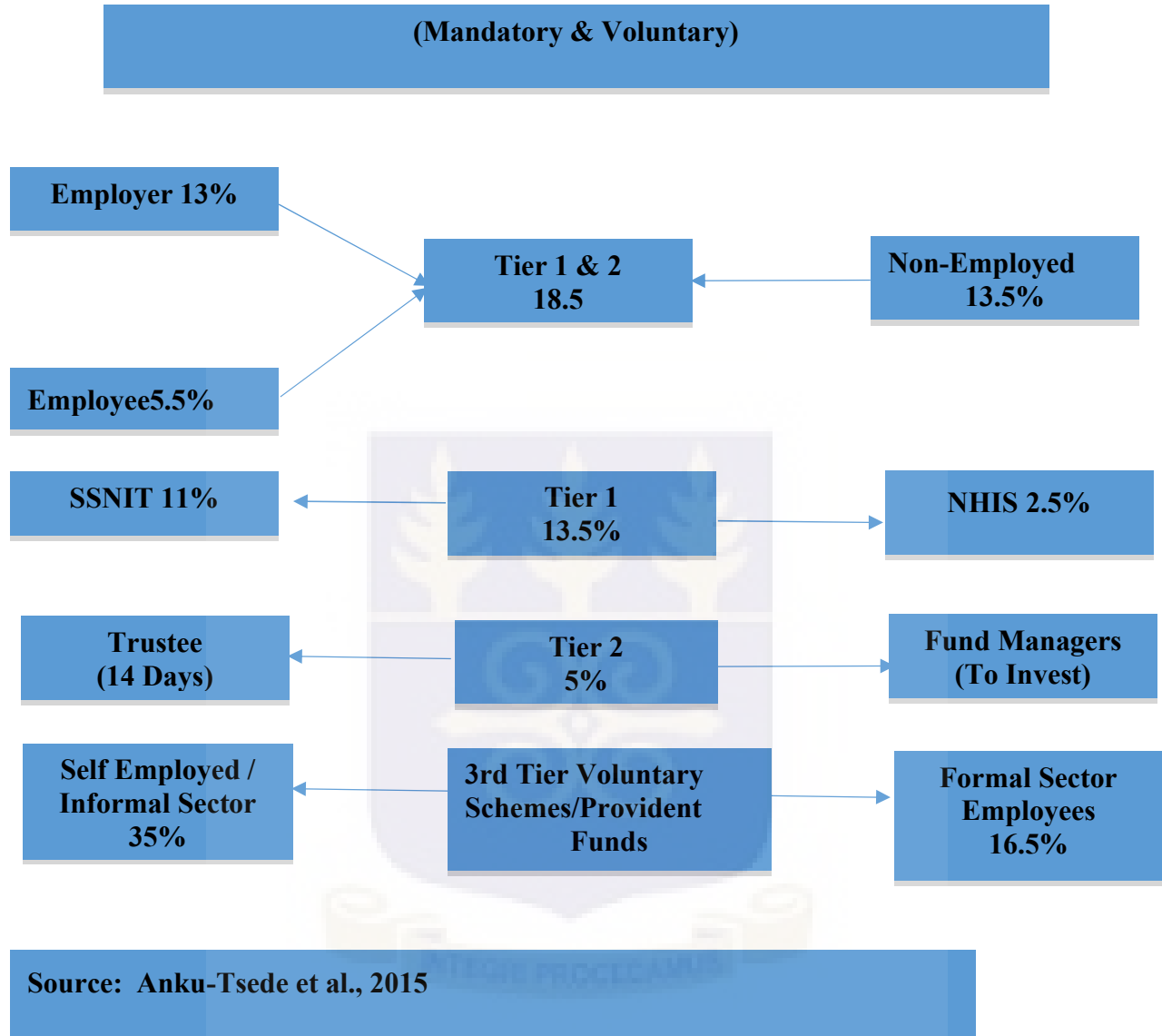
2.6.1.3 Tier Three: Voluntary personal pension scheme and provident fund

The Voluntary Pension scheme (VPS) is a category of personal pension scheme in which an individual can make personal arrangement to join a cooperative scheme. Sub-section 106 (a) of Act 766 provides that provident fund scheme describes any pension scheme administered by a well-established trust to which a subscriber or subscriber's employer or both make payment to a pension scheme which provides a source of benefits based on a defined contribution formula to

provide for the payment of lump sum benefits to subscribers of the scheme when they reach the retirement age, or any other prescribed event occurs in relation to them; or in the case of members who die before reaching that age or before the occurrence of such an event, provides for the payment of those benefits to the personal representatives or beneficiaries of the estates of those members. Again, Section 106 (b) of Act 766 provides that personal pension scheme describes pension framework to which subscribers contribute privately to provide benefits based on a defined contribution method in the form of pensions or otherwise, payable on demise or retirement to or in respect of persons covered under section 107 of Act 766.

Further, tier three is appropriate for workers willing to make optional contributions to improve their pension benefits outside the obligatory schemes and any provident fund scheme, and to informal sector workers who are not covered by any retirement or pension scheme under the compulsory part of the TTCP scheme (Section 107 of 766). Again, section 107 of Act 766, provides for non-compulsory contributory pension arrangement with monthly contributions of up to 16.5% of the worker's basic salary of all workforce engaging in formal and informal activities within the economy. The third-tier which also has the characteristics of a defined contribution scheme and is privately managed by NPRA licensed service providers. The contributions for tier three are also tax free. Act 766 further provides that, if a worker or an individual has been in the scheme for ten or more years, then, that individual will be able to obtain entire payments formulated under the scheme together with all profits earned on the contributions at the time of withdrawal. In the event of a withdrawal before the member's tenth centenary, a fringe tax rate of 15% will be applied to the contributor's total recovery amount (Agblobi, 2011).

Figure 2.1: Summary of contributions for the Three-Tier Pension scheme

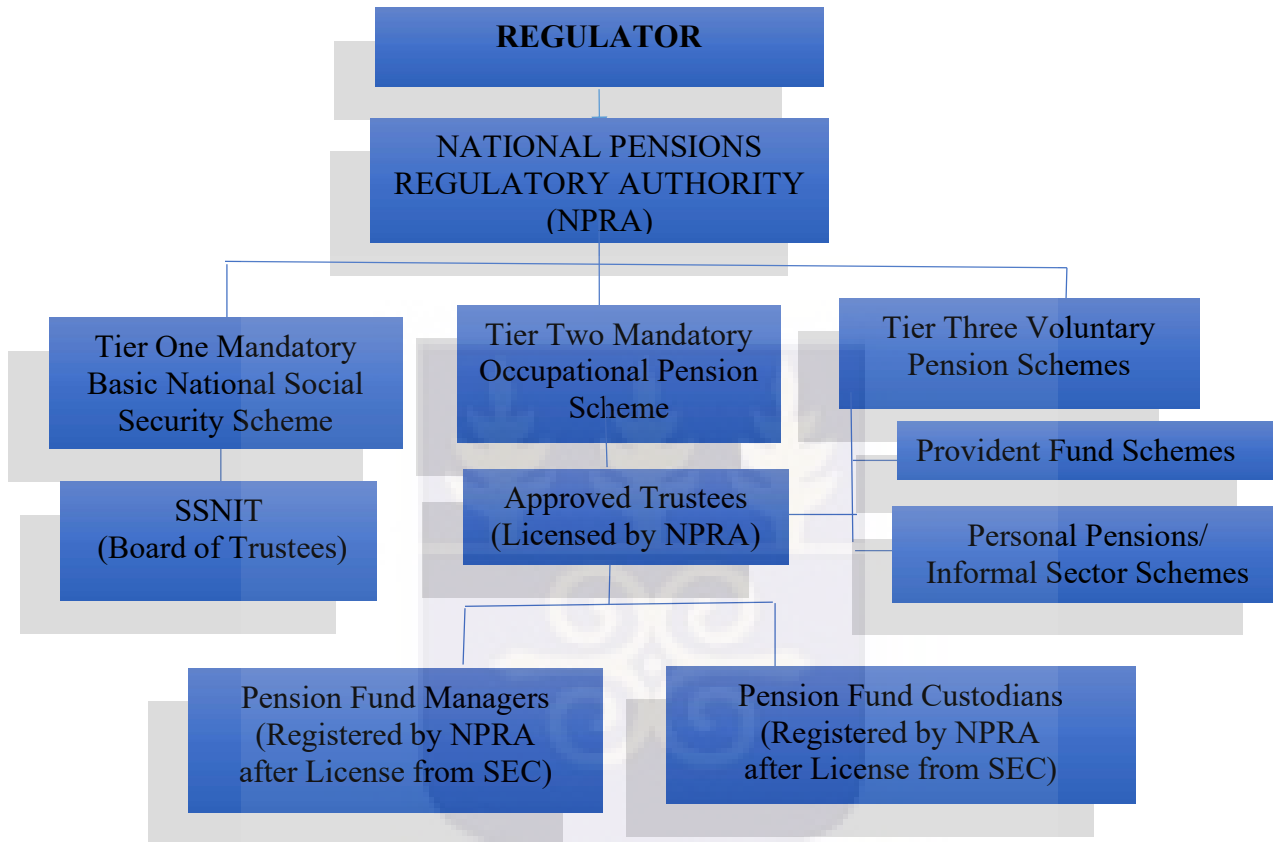


2.6.2. Operation of Ghana’s Pension System

At present, NPRA controls the entire supervision of pensions in Ghana with expertise of licensing and monitoring pension fund managers, custodians and trustees, who are also key players in the running of the new pension system (NPRAs Report, 2015). At the national level, SSNIT as an institution is also administered by a board of directors (Kumado & Gockel, 2003). In addition,

there are regional, district, and agency offices across the country who administer the scheme (NPRA Report, 2015).

Figure 2.2: Management framework of the TTCP scheme in Ghana



Source: NPRA (2017)

2.6.3 Mandate of pension regulator

Section 7 of Act 766, provides the Regulator (NPRA) with the following mandates to help achieve its object:

Table 2.1: Mandate of pension regulator

Mandate of the pension regulator	
1	Overseeing obedience with the Act.
2	Registering occupational pension schemes, provident funds and personal pension schemes.
3	Overseeing the investment of pension funds.
4	Accepting, regulating and monitoring trustees, pension fund managers, custodians and other institutions that deal with pensions as the Authority may determine.
5	Create standards, rules and guidelines for the management of pension funds under this Act.
6	Regulating the affairs and activities of approved trustees and ensuring that the trustees administer the registered schemes.
7	Regulating and monitoring the implementation of the Basic National Social Security Scheme.
8	Carry-out research and ensure the maintenance of a national data bank on pension matters.
9	Sensitize the public on matters related to the various pension schemes.
10	Receive and investigate complaints of impropriety in respect of the management of pension schemes.
11	Promote and encourage the development of the pension scheme industry in the country.
12	Receive and investigate grievances from pensioners and provide for redress.
13	Advise government on the general welfare of pensioners.
14	Advise government on the overall policy on pensions in the country.
15	Request information from any employer, trustee, pension fund manager or custodian, as well as, any other person or institution on matters related to retirement benefit.
16	Charge and collect fees as the Authority may determine.
17	Impose administrative sanctions or fines.
18	Perform any other functions that are ancillary to the object of the Authority.

Source: National Pensions Act, Act 766

2.6.4 Roles of pension trustee

Sections 120 and 121 of Act 766 assign trustees to ensure the management of all work-related annuity schemes, provident fund schemes, personal pension schemes and other privately-managed pension schemes and a license permitted by the Board. According to Act 766, trustees licensed under the National Pensions Act, shall, in addition to other obligations imposed by a trust deed, perform the following roles:

Table 2.2: Roles of pension trustee

Roles of pension trustee	
1	Responsible for securing pension subscription.
2	Nominate pension custodians, fund managers and other service providers and ensure their submissiveness with regulatory requirements or guidelines.
3	Safeguard investment policy statements and internal control procedures that may be prescribed by the Board are appropriately maintained.
4	Verify that investment of funds of the scheme are diversified to minimize investment risk.
5	Act as a provident trustee in financing relationship with its members.
6	Discharge the duties of a trustee.
7	Process transfer and payment requests as contained in the trust.
8	Keep proper accounting records and members' register.
9	To prepare and lodge annual audited financial statements, scheme and investment reports and other relevant records that the Board may require.
10	To perform other functions as may be directed by the Board.

Source: National Pensions Act, Act 766

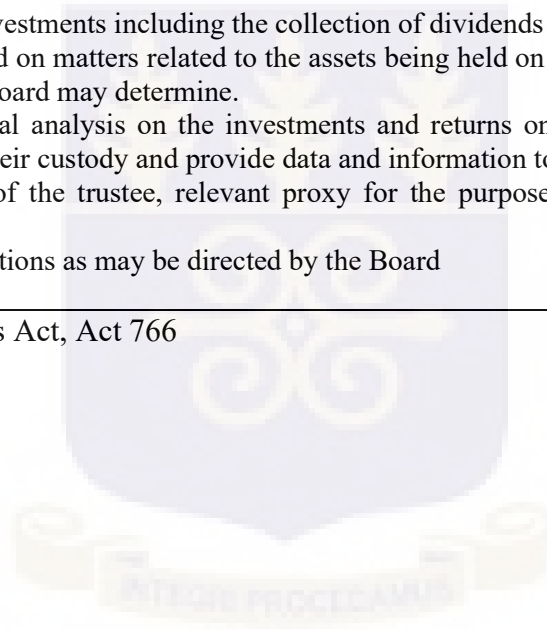
2.6.5 The roles of pension fund custodians

According to Section 155 and 156 (Act 766), pension fund resources shall only be held by pension fund custodians who are referred to as custodians registered by the Board.

Table 2.3: The roles of pension fund custodians

Roles of pension fund custodians	
1	Take payments made by business owners under Act 766 on behalf of the trustees.
2	Alert the trustee within forty-eight hours of the contributions from an employer.
3	Hold pension fund and assets in trust for members.
4	Settle transactions and undertake activities related to the administration of pension fund investments including the collection of dividends and related activities.
5	Report to the Board on matters related to the assets being held on behalf of a trustee at periodic intervals that the Board may determine.
6	Undertake statistical analysis on the investments and returns on investments with respect to pension funds in their custody and provide data and information to the trustee and the Board.
7	Execute in favor of the trustee, relevant proxy for the purpose of voting in relation to the investments.
8	Perform other functions as may be directed by the Board

Source: National Pensions Act, Act 766



2.6.6 The Role of pension fund managers

Section 146 and 147 of Act 766, stipulate that, management of pension assets are by fund managers who are registered by the Board and a person shall not practice as a pension fund manager except that person has been registered by the Board. According to Amartey-Vondee (2015), these managers play an advisory role to trustees in the investment of pension funds.

Table 2.4: The Role of pension fund managers

Roles of pension fund managers	
1	Responsible for the investment of contributions and resources in compliance with the provisions of the National Pensions Act, Act 766.
2	Commit assets in diverse investments to minimize investment risks whilst achieving the best return within specific investment activities set by trustees.
3	Keep books of account on transactions related to pension funds invested.
4	Submit activities to inspections in the discharge of duties of trustees.
5	Submit records and reports that the Board may require.
6	Perform other functions that the Board may prescribe that are incidental to the performance of its functions.

Source: National Pensions Act, Act 766

2.7 An overview of the concept of informal sector

Hart, in 1970, introduced Informal Sector (IS) as a concept during a study in Ghana (Bekkers & Stoffers, 1995). Hart's 1973 seminal fieldwork therefore took place in Ghana which directed the advent of the concept of IS across the globe. At that time, the author described IS by linking it to a segment of the urban workforce, which works external to the formal labor market. Kabra (1995) however argued that the IS categorically evolves from the former notion of the "unorganized sector", which includes making units of small scale and crafts. Consequently, Swaminathan (1991) advanced that although the concept of IS by Hart (1970) is limited to the self-employed; it has incorporated activities which were hitherto unnoticed in the academic model

advancement and in national economic accounts. Since then several attempts have been made by researchers to define the concept of informal sector (Farrell, Roman & Matthew, 2000).

It is worth noting that, the notion of IS has been defined by several scholars and advocates and one of such advocates is Women in Informal Employment, Globalizing and Organizing (WIEGO, 1997) who define the concept as composing of business owner (in one's account of events as well as family business), paid labors in informal works, unpaid workers in family businesses, casual workers without fixed employer, subcontract workers connected to informal enterprises and subcontract workers related to formal enterprises. The informal sector is efficient in relation to the intended drive which is the organization of the IS (WIEGO, 1997). This definition is however, not restricted to business owners nevertheless, all persons who are not precisely working with a formal sector corporation. Further, the informal sector is defined by the World Bank (2014) as involving events and incomes partly or wholly external to government regulation, taxation, and observation. This category of activity permits IS workers to either raise their incomes or decreases their cost by taxation and social contributions since these are outside government procedures. Again, the International Labor Organization (2002) defines the IS as comprising the entire activities within an economy by workforce and economic units that are in law not adequately protected by formal provisions. This shows that the IS encompasses activities which are not associated with formal sector that provide revenue for the poor (Tokman, 1978, Sethuraman, 1976; ILO, 1972). IS activities therefore increases as a result of inadequate job opportunities required to employ surplus work force within the formal division (Charmes, 1998).

In Ghana, the IS dates to the colonial era in the then Gold Coast. During this period, a vital characteristic of work in the IS relates to its heterogeneous feature that offered large ranges of

peasant and agricultural labors, supply agents, buyers, transport owners and workers, porters, repairers, and many others (Adu-Amankwah, 1999; Ninsin, 1991). During these years, instead of this sector to fade away because of emergent of expansion of contemporary economy, the IS has rather expanded in the rural and urban sectors of Ghana. The magnitude of Ghana's IS sector is estimated to be 80 per cent of the entire labor force (Hormeku, 1998). This indicates that the informal sector has been in existence and expanded since the colonial era and continues to grow to support economic development.

The operative definition of informal sector workers for the study, with focus on informal service industry, is adopted from WIEGO (1997); World Bank (2014) and ILO (2002). Based on the study, an IS worker is a worker (owner of a business) that transacts business in the absence of a labor contract, and have the tendency to work on a small-scale basis and is ill-equipped in terms of education and skills, and owns scarce resources for significant physical investment such as location and equipment, as well as, machinery. This sector of the economy is often composed of petty traders, hawkers, fishermen, fishmongers, commercial drivers, savings collectors, food and street vendors, small scale mechanics etc. (WIEGO, 1997). Informal sector workers such as street and food vendors, traders and commercial drivers, most often, do not have to register with formal institutions and do not compulsorily partake in certified tax systems, pension systems, and are not so much concern about complying with governing conditions. Consequent to their non-involvement may be attributed to genuine elimination (by size of the firm) or from non-compliance and run in a free-entry division (Hart, 1973). The events in the IS promote a considerable portion of total employment within economies, particularly in urban areas (Charmes, 1998). This shows that the sector plays a critical role in creating employment and contributing to the overall growth of an economy, however, most workers within the informal sector are

vulnerable to policy interferences by local government. This also makes them elude government regulations and consequently, suffer desertion of policy makers (WIEGO, 1997) and such workers also lack job security and social protection including pension provisions.

2.8 Pension management in the informal sector

Pension management has a tendency to better adjust to formal conditions rather than informal conditions, thereby reducing the rate of involvement by the informal sector workers (Collins-Sowah et al., 2013). Therefore, informal sector workers and their respective families attract a high propensity of falling prey to income insecurity during old age (Hu & Stewart, 2009). Globally, policy makers are making conscious efforts to establish and maintain pension policies for the informal sector workforce to bridge the gap of income insecurity in old age (World Bank, 2014). Recently, there has been a renewed interest for pension provision in various economies owing to rapid advancement in the informal economy which is characterized by low income and poor condition of work (Canagarajah & Sethuraman, 2001). This therefore, indicates that the IS continues to grow with several low-income earners who experience unfavorable working conditions as compared to the formal sector (World Bank, 2014).

Many countries such as Chile, Argentina, Brazil, Uruguay, India, Italy, South Africa, as well as, Ghana (Costa, 1998; Kpessa, 2011) have taken effective steps to enhance pension management among IS workers. For instance, workers within the IS in South Africa are protected by a public pension which is financed from general government incomes, which provides a non-contributory, means-tested old age pensions for such workers (Hu & Stewart, 2009). Assistance for the IS workers are generous for South Africans, because informal sector workers are assured of an old age income security which is a source of relief even though this income might not be satisfactory to meet all the basic needs of IS workers during retirement (Hu & Stewart, 2009).

Informal sector workers in China are also obliged to join the compulsory public pension scheme established by the state (Salditt, Whiteford & Adema, 2008). China has therefore developed institutional measures to encourage IS pension participation (Hu & Stewart, 2009). Further, to improve the retirement income security for informal sector workers within New Zealand, the nation has introduced a voluntary, long-term savings initiative call “KiwiSaver” (Hu & Stewart, 2009). Workers in the IS are however, enrolled into a suitable saving scheme at the beginning of work automatically, with informal sector workers contributing, but such workers can opt out within a certain period (Hu & Stewart, 2009). Also, Musonye and Turner (2013) explain that a pension plan known as “Mbao” in the form of non-compulsory distinct account savings plan to which all workers in Kenya may contribute without regard to income or age was introduced. The scheme was intended to offer packages with exceptional characteristics of the informal sector and to inspire a saving culture for such workers.

As part of Ghana’s pension modifications, there has been a special pension scheme for informal sector workers established by SSNIT (SSNIT Report, 2011). SSNIT informal social security pension scheme is a defined benefit and takes contributions of any amount on daily, weekly or seasonal basis from informal sector workers. This arrangement is flexible to attract majority of informal workers (SSNIT Informal Sector Fund, 2011). The system operated until the introduction of the TTCP scheme (NPRA, 2008) which established the provident fund and personal pension scheme under the third tier. This indicates that Ghana continues to show interest in the informal sector when it comes to pension management. Evidently, although the IS sector is highly unregulated even at the global level, policy makers are making efforts to devise means of improving income security during old age for such workers (Hu & Stewart, 2009).

2.9 Ghana's pension regulation in the informal sector

Before the establishment of Act 766 and the TTCP scheme, SSNIT in 2005 introduced Informal Sector Social Security Scheme (ISSSS) to safeguard the future of IS sector workers (Ghana News Agency, 2005) and consequently provided a source of income protection for workers in the IS. The pension fund that is principal of its kind has expanded swiftly and anticipates spreading to a larger portion of the IS (Collins-Sowah et al., 2013). The system was designed to take care of people working within the IS who are aged fifteen to fifty-five years, Ghanaians resident abroad, and formal sector workers who want to increase their retirement income (SSNIT, 2009). Members who are registered under the scheme are given exclusive Personal Identification Numbers (PIN) that is used in all transactions relating to the scheme. This ensures proper identification of each member of the scheme.

SSNIT Report (2009) indicates that the ISSSS has a characteristic of a voluntary type and are split into two accounts, namely; occupational scheme account which takes up 50% of contributions and a retirement account taking the remaining 50%. Further, the fund strategizes to also provide other products such as credit scheme, group pension schemes, provident fund schemes and occupational pension schemes which will help improve upon retirement income for every worker in Ghana. All members of the scheme remain entitled to retirement benefit, disability benefit, and demise benefit (SSNIT, 2009). The conditions in the ISSSS make it possible for subscribers to intermittently withdraw part of the accrued money in the occupational pension scheme account after five months of initial contributions provided the account has a minimum balance (SSNIT, 2009). However, the category of annuity concerned with lump sum payment, makes it impossible for members to be insured against longevity risk (Collins-Sowah et al., 2013). More so, wider coverage is far from being conquered (SSNIT Report, 2011). This indicates that majority of the

IS sector workers such as food and street vendors, traders and commercial drivers are not adequately enrolled on ISSSS. Due to the low coverage of the ISSSS, the present refinement of pension in Ghana which established Act 766 and later the launch of the new TTCP scheme for all workers appear to be the step in the right course as it creates avenue for involvement and as well extends the opportunity of old age income protection for all categories of workforces with special reference to the informal sector (NPRA Report, 2015).

According to NPRA Report (2015), opportunities have been created in the voluntary personal pension scheme of the new TTCP scheme, that seeks to provide for the unusual needs of workers in the IS who constitute the majority of workers in Ghana (NPRA, 2015). Since informal sector workers do not have regular income (World Bank, 2014), workers can make contributions that are affordable either on monthly or regular basis. NPRA Report (2015) indicates that, the IS contributors have two accounts to make contributions which include personal savings account with directions for withdrawals before retirement (for instance to further education and business enhancement) and retirement account (to provide benefits on retirement). More so, members can have access to assistances from personal savings accounts, but the incomes from the retirement account would only be paid on the retirement of the contributor as monthly or quarterly payments.

In this regard, workers in the IS, just like their counterparts in the formal sector (on the First and Second Tiers of the new scheme) will also obtain monthly payments (from the retirement account) as well as a lump sum (from their personal savings account) to commence retirement (NPRA Report, 2015).

To facilitate the participation of IS workers, NPRA has made it possible for the workers to sign unto the pension scheme through organized groups (Group Personal Pension Scheme) through

their various trade unions as it is stipulated in the Labor Act, 2003 (Act 651) that workers have the right to join trade unions. Informal sector workers can also subscribe to the third-tier pension scheme personally without joining a trade union. Additionally, Corporate Trustee companies and insurance companies have the mandate to create personal pension scheme or group pension schemes. NPRA further makes it possible so that the Groups such as Trade Unions can arrange their own schemes and seek technical advice or outsource administration and other technical work to third party administrators (NPRA Report, 2015). NPRA has made provision under their mandate in Section 7 of Act 766 that pension collections and assets are to be saved by a custodian, which is primarily a bank or financial institution registered by NPRA.

2.10 Empirical Review of Literature

Recently, extending pension system to the IS has received increasing importance and urgency from the international community such as ILO and the World Bank enabling policy makers to initiate diverse policy initiatives, which seek to solve inherent challenges given the country-specific settings and environments (Hu & Stewart, 2009). Hu and Stewart (2009) observe that Head of States in numerous OECD countries such as Chile, Czech Republic and Denmark have made it a point to consider the introduction of automatic enrolment mechanisms into pension systems for workers in the IS. This can be evidenced from the recent pension restructuring in some states such as Italy, the United Kingdom (UK) and New Zealand (Hu & Stewart, 2009). The Division for Work and Pensions in the United Kingdom (2006) is of the view that, even though the UK has a comparatively matured retirement framework and developed pension market, workforce in the IS are still not adequately protected with pension provisions, which offer extra annuities on top of the relatively inadequate public pension arrangements provided by the state. Again, according to the Department, about 7 million citizens are under saving in the UK, in

which most are low income earners and then IS workers. Consequently, the government of UK lately decided to introduce a personal saving plan, known as the National Pension Saving Scheme (NPSS), from 2012 which is characterized by automatic enrollment (DWP, 2006). This is an effective way to encourage IS workers to partake in pension contributions and consequently enhance their retirement income security.

An exploratory study by Collins-Sowah, Kuwornu and Tsegai (2013) investigated 400 informal sector workers to understand the underlying features which explains some selected informal sector groups' keenness to subscribe to a pension scheme namely; beauticians, drivers, vegetable farmers and wood workers. The findings indicate high interest of such group of workers' keenness to partake in micro pension schemes in Ghana. This study therefore reveals that household size, number of years, marital status, venture options, tax or levy payment, the type of pension scheme and affiliation of an urban informal sector worker to any work-related association were the most significant factors in explaining urban informal sector workers' choice to subscribe to a micro pension scheme.

In a related study by Canagarajah and Sethuraman (2001), the study focused on the associated hindrances of forming a comprehensive technique to social protection for the informal sector and further argue that the slender concepts that characterized many existing programs that "target" the IS needed to be expanded. This study thus adopted current comprehensive methods by the World Bank to support the poor on "Social Risk Management". The finding of the study shows that to protect workforces from the threat they face and then realize their unexploited potentials, there is the need for the nation and institution (formal and informal) establishments, markets and

community organizations, individuals and households in meeting the arduous task of providing social protection mechanism to these IS workers.

MacKellar (2009) further explored knowledge of the numerous counties within Asia in intensifying the extension of pension system to the IS. The study argues, using age and growing informality within Asia, that a swift forward-looking response from governments in Asia is essential to offer safety in contradiction of the danger of poverty in old age. The risk is mainly grave in a situation of IS workers, since there is an obstacle for reaching them through traditional formal-sector pension strategies. Based on the scrutiny of various case studies which focused on Asian Southeast Provident fund and the Nghe experiment in Viet Nam, the study concluded by reiterating that extending pension exposure to IS workers through compulsory structures are doubtful to work since alternate and volunteer measures were needed. It was also revealed that because of lower savings ability and high discount rates associated with informal sector workers, focused subsidies might be required to boost enrollment among informal sector workers.

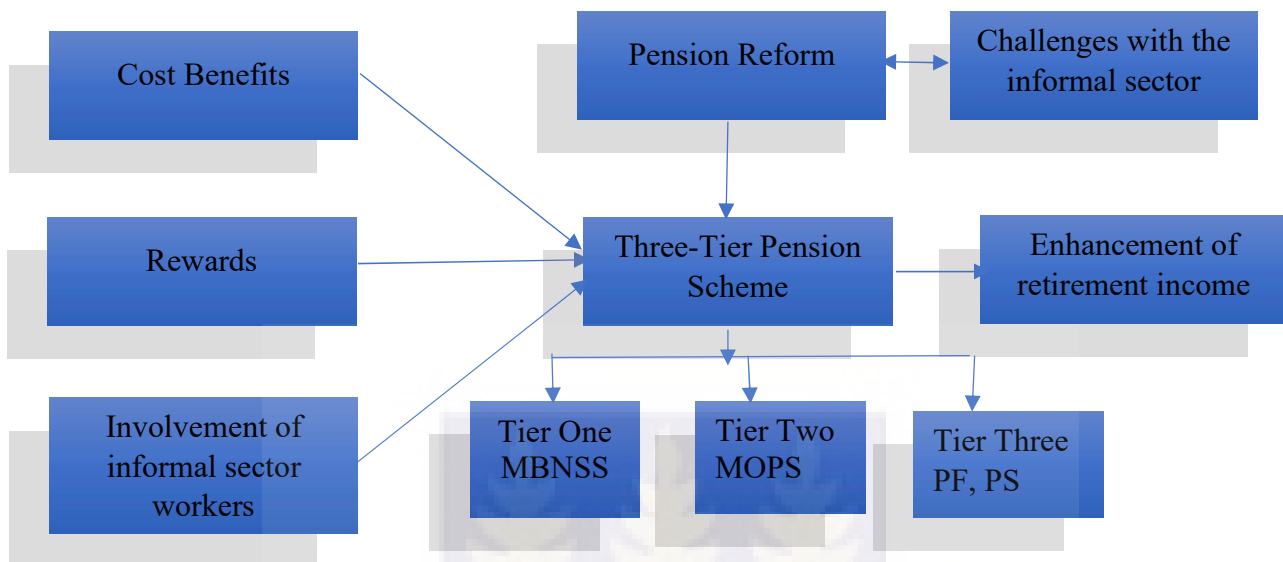
Further, Adzawla, Baanni and Wontumi (2015) explored factors that influence decisions by informal sector workers in joining a pension scheme and their level of contributions. The researchers used the Heckman approach to appraise the data obtained from 150 IS workers in the Tamale metropolis. The findings of the study revealed advancement in age, the single, the highly educated, highly depended and higher income workers have a high likelihood of contributing to the informal sector pension scheme. Likewise, traders, artisans, highly educated workers tend to contribute higher amounts monthly. More so, it was discovered that in as much as to re-establish confidence in the pension scheme and ensure its sustenance, public enlightenment must be strengthened.

Empirical literature reviewed by Hu and Stewart (2009), Collins-Sowah, Kuwornu and Tsegai (2013), Canagarajah and Suthuraman (2001) and Mackellar (2009) also reveal that greater number of the populace in most regions of the world are still not covered with adequate pension provisions. Intensive measures such as tax relief on pension contributions, flexibility in terms of contributions have been put in place to enhance pension coverage (Stewart, 2011). However, despite these efforts, pension coverage to the informal sector workers are still inadequate and consequently such workers are not covered by adequate pension provisions due to extreme difficulty in collecting contributions from such workers (WIEGO, 1997). Again, most often than not, because informal sector workers are engaged in irregular activities and earn irregular incomes, a lot of such workforce are incapable of giving out part of their incomes to finance pension schemes and are reluctant to do so when these benefits do not adequately meet their immediate requirements (Collins-Sowah et al., 2013).

Looking at the global dimension of pension reforms and retirement income security for IS sector workers and ways to bridge the coverage gap, NPRA in Ghana has made special provision for inclusion of those in the informal sector to enable them contribute towards their retirement income security (NPRA Report, 2015). The present study focuses on street and food vendors, traders and commercial drivers' perception of the special informal sector pension scheme and its potential to guarantee their retirement income security. The study further seeks to explore the extension of pension coverage among informal sector workforce.

2.11 Conceptual Framework

Figure 2.3: Conceptual Framework



The operation of the study is guided by the above conceptual framework. Generally, pension reforms seek to make adjustment to existing pension schemes to enhance retirement income security for contributors (Schwarz, 2006). Previously, Ghana operated two state pension schemes that included the Cap. 30 and the SSNIT pension schemes for formal sector workers and SSNIT - ISSSS for informal sector workers (Kpessa, 2011; SSNIT, 2009). However, over the years, many workers and organised labour unions have complained about the inadequacies inherent in the pension scheme provided by SSNIT as conflicting with those under the Cap. 30 pension scheme (Kumado & Gockel, 2003). To solve these discrepancies and complaints arising from these pension schemes, Ghana carried out a major pension reform which commenced in 2010 that brought to bear Act 766 and consequently the establishment of the TTCP scheme.

The TTCP scheme (Tier one, two and three) which are combination of the defined benefit and defined contribution schemes comprising Obligatory National Social Security Scheme, a Mandatory Privately Managed Occupational Pension Scheme, and a Voluntary Privately

Managed Provident Fund and a Personal Pension Scheme which cater for both formal and workers within the informal sectors (Act 766). The three-tier pension scheme was therefore established to enhance retirement income security for all category of workers where contributions have been made easy through mobile money payments, provision of daily statements, as well as, investing funds in permissible ventures and avoiding impermissible ventures such as microfinance businesses. Schwarz (2006) asserts that pensions can provide income security for those persons suffering a loss in earnings ability through advancement in age, experience of incapacity, or the demise of a breadwinner in the family.

Since pension systems seek to better support formal conditions rather than informal conditions (Collins-Sowah et al., 2013), IS workers are most often than not neglected when it comes to pension coverage and Ghana is no exception. To bridge this gap, NPRA has made conscious effort to improve upon the IS pension participation nationwide by including all classes of workers with the contemporary informal sector pension scheme under the national provident fund and personal pension scheme of the TTCP scheme. This is a form of building relationship between informal sector workers and pension managers through social exchange where both parties are expected to benefit from such a relationship (Homans, 1958). To enable IS workers to take part in this initiative, there should be a perceived cost benefit and reward in the form of exchange (Blau, 1968; Gouldner, 1960; Homans, 1958). Consequently, IS workers have the options of either to subscribe to the third-tier pension scheme with the hope that they will have satisfaction on the rewards for being more appealing and beneficial to them. However, pension regulators may experience withdrawal from workers if they observe that rewards may not come as they anticipated from the scheme. It also means that informal sector workers' involvement in the pension scheme relies on the degree of rewards pending them while in service and when they

retire from service. Further, the TTCP scheme has not evolved without challenges. A major challenge experienced in the informal sector is lack of trust due to unsustainability of previous pension schemes and has consequently led to low patronage from the informal sector Amartey-Vondee (2015). Again, there is a massive gap of illiteracy rate among informal sector workers that has made it difficult for such workers to read information from pension managers. Finally, the problem of funding is very critical, as pension managers need enough funds to take up its mandate (NPRA, 2015). These challenges affirm assertions made by several scholars (James, 1998; Kpessa, 2011; Kay & Kritzer, 2001; Miles & Timmerman, 1999) that pension reforms rarely evolve without obstacles.

The study therefore, seeks to explore pension reforms and the associated challenges with workers within the informal sector of Ghana and then investigate the perception held by the informal sector workers about the provisions in the special informal sector pension scheme. The study further looks at the adequacy of the contemporary TTCP scheme in guaranteeing retirement income security and then explore the extension of pension coverage in the informal sector.

2.12 Chapter conclusion

Income security is a phenomenon which forms a greater part of human development, particularly post-retirement. The significance of guaranteeing income security and accompanying challenges of pension management have led to an evolution of pension schemes across the globe. Ghana has had its fair share of these challenges and undertaken various steps to guarantee income security. The informal sector, due to its peculiarity has been given very little attention. The need to increase savings and develop financial markets, revising untenable existing pension structures to ensure competency in terms of administrative costs and revenues have promoted pension reform as a mechanism of creating recognition of old age income security challenges. Ghana, having

experienced a long history of retirement income security, developed the three-tier contributory pension scheme following the laid down principles of World Bank and the International Labour Organization's three-tier pension structure. To address the imbalance and measure the adequacy of the existing pension scheme in Ghana to cater for the informal sector, the research, underpinned by the social exchange theory, the life cycle theory on pension and the regulatory impact assessment set out to examine the deficit in the provision for the informal sector. The study is conceptually informed by the TTCP scheme (Tier one, two and three) which are combination of the defined benefit and defined contribution schemes comprising Obligatory National Social Security Scheme, a Mandatory Privately Managed Occupational Pension Scheme, and a Voluntary Privately Managed Provident Fund and a Personal Pension Scheme which cater for both formal and workers within the informal sectors (Act 766). The scheme sought to solve the discrepancies in Ghana's pension scheme. Additionally, the study is defined by the element of cost-benefits-rewards-challenges to build an understanding of inclusiveness and provision for the informal sector.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter provides a detailed breakdown of the methodological framework of the study. It explains the research assumptions and paradigms, research approach, the study design and processes employed in accomplishing the study. It further provides a detailed breakdown of the study population and respondents, sampling and sample choice, as well as, sources of data. Also, the chapter sets out and discusses in detail the procedures used in the gathering data for analysis.

Saunders, Lewis and Thornhill (2009) indicate that research methodology is a scientific and systematic approach to answering research question through a practical framework. Thus, the main goal of a research methodology is to design and set out a plan to attain the objectives of a research with activities such as data collection and analysis (Creswell & Clark, 2010; Golafshani, 2003). Researchers have an arduous task to choose the right methodology from a wide range of options that suit the particular research and to help achieve the research objectives (Chen & Hirschheim, 2004). Hence, the choice of a suitable research method and design is a prerequisite to a successful implementation of a research (Chen & Hirschheim, 2004).

3.2 Research Philosophy and Paradigm

According to Turyasingura (2011), research is founded on philosophical assumptions, which are related to the researcher's view or perception of reality. Research paradigm is viewed by Kuhn (1970) as established principles, standards and procedures which are associated with members of a scientific community, and which acts as a guide and dictates the kind of problems scientists should address and the type of descriptions that are suitable. A paradigm therefore governs the criteria a researcher uses in selecting and defining problems for investigation and how a

researcher follows them intellectually and methodically while providing a framework on how a problem is formulated and systematically addressed (Kuhn, 1970; Shannon-Baker, 2015).

Mertens (2014) posits that a research paradigm impacts the way information is studied and understood by identifying the appropriate factors and connecting them to the research process. Thus, selection of a paradigm sets the motive, impetus and prospects for the enquiry (Mertens, 2014). Research paradigm as part of the initial steps in the research process sets the foundation for consequent adoptions in respect of methods, literature or research design (Creswell, 2014). Silverman (2013) suggests that a paradigm comprise three essentials namely: procedure, condition for validity and belief about the landscape of knowledge.

Creswell (2014) explains several theoretical paradigms which include: interpretivism, positivism and critical realism. To Fisher (2010), interpretivism hold the view that there are multiple realities and that reality is socially constructed. Researchers in this type of paradigm aim to go beyond the observable actions of people in the context of social phenomena and appreciate the subjective meanings they allot to their actions thereby interpret and understand the reasons behind those actions (Neuman, 2011). Positivists instrumentally learn about reality so that the general laws that rule reality can be revealed and explained to describe, predict and control reality (Kaplan & Duchon, 1988). Critical realism paradigm holds that, perceptions have certain plasticity (Fisher, 2010) and that there are differences between reality and people's perceptions of reality (Bisman, 2002).

The research approached the subject of pension and its impact and prospects on the informal sector through the standpoint of interpretivist paradigm. The interpretivist's epistemological approach which adopts empirical and systematic exploratory procedures of the qualitative

technique provided the framework for the researcher to explore the phenomenon of pensions and key themes concerning the informal sector. To Fisher (2010), the interpretivist approach provides the opportunity to apply various interpretations and constructions of reality that exist and then attempt to establish patterns based on lived experiences of participants through theme identification. In that regard, the study adopted the interpretive paradigm against the background that descriptions of shared experiences of informal sector workers were required to ascertain universal lived experiences on pension reforms and how these reforms are positioned to enhance income security during the period of retirement among Ghanaian workers. With the use of the interpretive model, in-depth personal encounter with the participants served as a rich source of data required to meet the research objectives.

3.3 Research Method and Design

Creswell (2003) points to qualitative, quantitative and mixed methods as the major categories of research methodology. From the perspective of Leedy and Ormrod (2010), qualitative research is used to answer questions about the complex nature of phenomena, often with the drive of describing and understanding the phenomena from the respondents' point of view while quantitative research is used to answer questions about the associations among measured variables with the drive of explaining, predicting, and controlling a phenomenon. The mixed method is a combination of qualitative and quantitative approaches with the expectation of drawing the strengths of both qualitative and quantitative methods (Creswell, 2003).

The study adopted the qualitative method in examining and exploring in detail the informal sector of Ghana and how the evolution of pension is shaping the sector, whilst special emphasis was laid on the perceptions held by informal sector workers and the prospects to achieving sustainable income security. The qualitative method has the ability to represent the thoughts and perceptions

of respondents in a study (Yin, 2011). To Berg (2007), qualitative exploration deals with the concepts, meanings, characteristics, metaphors, symbols and explanation of events. Saunders et al. (2009) explain that qualitative approach primarily draws on non-numeric data that are not measurable. Creswell (1998) posits that qualitative study is suitable to study of a phenomenon at an early stage which requires further exploration. The qualitative approach therefore provided a suitable approach against the backdrop that the concept of pension and retirement income security among informal sector remains at an explorative stage (Adzawla, Baanni & Wontumi, 2015; Collins-Sowah, Kuwornu & Tsegai, 2013). The qualitative approach therefore afforded an in-depth exploration of the subject matter and positioned the research to achieve its objectives.

The study also adopted the phenomenology design. Johnson and Christensen (2008) view phenomenology as a descriptive and interpretive research which focuses on lived experiences of participants. Phenomenology research design defines the traits of one or several individuals of their lived experiences of a phenomenon (Creswell, 2007). Phenomenologist seeks to answer the questions about the meaning, structure and essence of the lived experiences of the phenomenon by an individual or by many individuals (Johnson & Christensen, 2008). According to Johnson and Christensen (2008), it is one of the most frequently used and eminent study designs where data is collected from a sampled population or a representative subset in accordance with the personal experience of the respondents. Therefore, exploring perception of informal sector workers on the TTCP scheme, as well as, the views from the regulatory and regulated bodies required looking at the phenomenon from a person's point of view based on experience. The choice of this design aided in gathering information from a representative pool within the population, since it is quite impossible, if not unrealistic, to sample the views from all informal sector workers and officials. The research therefore focused on narrating what all respondents

have in common based on their experience with the three-tier pension scheme and how this system could improve retirement income security for Ghanaian workers in the informal sector.

3.4 Population of the study

A study population comprises all the elements that compose the unit of analysis (Terre-Blanche, Durrheim & Kelly, 2006). The study population was composed of four categories of respondents: The regulator, which is the NPRA, the regulated comprising the PPT, informal sector foundation represented by FES and a broad section of workers within the informal service industry. Specifically, the study looked at three specific categories of workers: workers engaged in street and food vending, trading and commercial driving who are adequately catered for in the tier three pension frameworks under the TTCP scheme. The selection of the NPRA, PPT and the FES was because they are the principal stakeholders in pension management within the informal sector and this choice was also convenient for the researcher because of the availability of data and willful participation by the target population. The choice was also informed by the role these officials play in policy formulation and implementation, as well as, assisting in pension delivery within the informal sector. Hence, it is realistic and practical to consider the perspectives of these respondents on the subject matter. The study population was drawn from the Greater Accra Region and the Central Region. The choice of the regions was because Greater Accra is the capital city of the country and all the selected entities and sections of the informal sector workers are represented in the region. The Central Region was also selected because of its proximity to the Greater Accra Region considering the time limit to complete the study. The informal sector workers, made up of street and food vendors, traders and commercial drivers were drawn from Makola, Kantamanto, Kaneshie, Abbassey Okai trading centers located within the Accra Metropolis and Kasoa market located in the Central Region.

3.5 Sampling and sample selection

Sample is that part of statistical practice concerned with the selection of an impartial or random subset of individual observations within a population of individuals intended to yield some knowledge about the population of interest, exclusively for making predictions based on the sample frame (Creswell, 2009). Sampling is therefore cost effective, reduces labour requirements and gathers salient information. Fraenkel and Wallen (2000) posit that there is no defined answer to what constitutes an acceptable or sufficient size for a sample. The sample size for the study composed a total of 86 participants which provided a convenient and appropriate sample from which to draw valid conclusions and afforded the researcher a firm basis for generalization of the findings.

The study used a combination of the purposive, convenience and stratified techniques in the selection of informal sector workers within the various markets and entities. Purposive sampling is a method by which investigators intentionally choose subjects who in their judgments are pertinent to the topic (Sarantakos, 2005). This technique was appropriate in the acquisition of first-hand information from professionals and informal sector workers, involved in the TTCP scheme. Convenience sampling is a process of getting respondents who are most conveniently accessible (Boateng, 2014). The convenient sampling technique was therefore used to select participants from NPRA, PPT and FES who were opportunely available to take part in the study based on their expertise. The third sampling technique used is the stratified random sampling technique which is a type of probabilistic sampling technique that requires the population to be fragmented into central strata relevant to the research interest whereby the likelihood that any sector may be selected from the population is known (Agresti & Finlay, 2008; Creswell, 1998; Patton, 2002). Stratified random sampling can also be referred to as a variation of random

sampling in which a population is grouped into important divisions based on a defined number of traits (Saunders et al., 2009). The stratified random sampling technique was used specifically to group the participants from the informal sector into varied segment because of the heterogeneous nature of informal sector activity. Each segment formed a stratum upon which data collected was categorized. Thus, the technique was to ensure equivalent opportunity for informal sector workers from each market to be drawn for participation, since a complete number of informal sector workers were readily available from the various markets. After the classification, the segments were distributed into street and food vendors, traders and commercial drivers. Table 3.1 shows the sample size and selection for the research.

Table 3.1 Sample size for the study

Type of trade engaged in	Number of respondents
Street and Food Vendors	43
Traders	22
Commercial Drivers	18
A representative from NPRA	1
A representative from PPT	1
A representative from FES	1
Total	86

3.6 Sources of Data

The study relied primarily on qualitative data with some component of quantitative data. Qualitative data was obtained from primary sources made up of the NPRA, PPT, FES and the informal sector workers within the target population. Primary data was obtained using elite interviews and focus group discussions as well as archival materials which afforded a deeper understanding of the historical evolution of pension reforms. The interviews and focus group

discussions were directly conducted and supervised by the researcher to obtain the requisite information. Though the study relied on primary data, secondary data was congruently obtained to augment the primary data collected. The secondary data were drawn from information published in annual reports, National Pensions Act, 2008, Act 766, Labour Act, 2003, Act 651, official publications, as well as, website information of the entities under study. In addition, policy documents of the sampled entities were requested and the needed information extracted for further analysis.

3.7 Data Validity and Reliability

Guaranteeing data validity and reliability are recognized as substantial issues in all studies. In qualitative research, there are numerous methods that can be used to ensure validity and reliability. Boateng (2014) categorized some of these approaches as interpretative, descriptive, theoretical, internal and external validity. Further, Lacey and Luff (2001) posit that triangulation and respondent validation are some approaches that can be used to ensure data reliability and validity. Respondent validation requires that the researcher often feedback the findings from the research to their respondents by sending back transcriptions or quotes to check correctness of the data or ask respondents to comment on the explanations of the report (Lacey & Luff, 2001). Triangulation on the other hand is a means of collecting and examining data from several sources to ascertain thorough understanding on the phenomenon under study, dependent on the research questions and setting. Lacey and Luff (2001) further highlight that, to triangulate effectively, there is the need to collect data from varied sources for the purpose of gaining diverse perspectives into the same situation. Boateng (2014) elucidates that triangulation requires the use of numerous sources in a single study. To ensure efficiency and efficacy of data analysis, Lacey and Luff (2001) emphasize that the discrepancies within the data collected should stimulate the

researcher into conducting additional analysis, and sometimes, to further investigate until some logic can be made of what is happening. To ensure validity of the data collected and subjecting the data to viable test, a combination of both triangulation and respondents' validation were used. To achieve effective triangulation, data obtained through the interviews and focus group discussions were cross-referenced with several sources such as information from company reports, archival materials and other secondary data. Due to time limitation, comprehensive respondents' validation was modified for specific quotes and sections of analytical importance and sent back to the respective respondents to validate before incorporating into the entire analytical framework. Thus, the research gave due consideration to data accuracy and reliability.

3.8 Data collection and method of analysis

Since the purpose of the study is to look at pension reform and retirement income security for Ghanaian workers in the informal sector, data was collected appropriately from the sampled informal sector workers and officials using interview and focus group discussions. Interview is one of the most commonly used qualitative methods which help in eliciting thorough and in-depth data from participants. Yin (2011) notes that the use of interview in qualitative research mostly adopts one - on - one approach which stimulates and again offers participants' the avenue to investigate important information that are useful for the study. Specifically, semi-structured interviews made up of both open-ended and closed-ended questions were utilized to make the interview process more interactive and afforded the researcher the ease of obtaining thorough information from the participants. A total of 41 informal sector workers and officials from the regulatory bodies and organizations were interviewed.

According to Morgan (1997), focus group discussion provides intuition into how people think and provide a deeper understanding of the phenomena being studied. Examining the three-tier

contributory pension scheme in the informal sector requires interactions with a host of informal sector workers. Hence, the focus group discussions (FGD) provided detailed information of personal and group feelings, perceptions and opinions about the voluntary contribution in the scheme and how best this could enhance participations among such workers. The FGDs were led by the researcher in a group session with the participants. In all, 5 separate FGDs were conducted which consisted a maximum of 9 participants. All participants were given equal chance of sharing their views on what they thought about the informal sector pension scheme and ways and means of improving the system to encourage participation. The discussions were done and appropriate notes were taken until adequate information was obtained from the respondents. Each interview and focus group discussion lasted between 15-20 minutes. Audio recorder was used to record interviews and focus group discussions for transcription. This allowed all information provided by the respondents to be captured. Both the interviews and FGDs afforded the researcher the opportunity to obtain feedback and test the workability or otherwise of some concepts to boost the depth of analysis. The research employed the use of interview and focus group discussion as the main instruments. The instruments were developed in accordance with the research objectives and questions which assisted the researcher in the conduct of the interviews and supervision of the discussions and ensured that the sessions were within the required scope and limit.

Data analysis especially in qualitative research is more custom-built than structured and fixed (Miles & Huberman, 1994). Analysis of Data involves activities to reveal patterns and trends in data sets (Egger & Capri, 2008). Analyzing qualitative data involves processes of moving in analytic circles and spirals, thus data and text is transformed into a narrative (Creswell, 1998) and analyzed using the qualitative method. Information gathered from the focus group discussions and interviews were transcribed and presented with the aid of descriptive statistics in the form of

tables, frequencies, percentages and charts. The study also adopted the use of thematic analysis to assess the essential themes and ideas running through the transcribed scripts. Braun and Clarke (2006) describe thematic analysis as a qualitative analytic method for identifying, analyzing and reporting patterns within data, which slightly organizes and describes the data set comprehensively and interprets various aspects of the research subject. The views, opinions and thoughts shared by the respondents were further categorized and systematically analyzed in accordance with the study objectives and research questions.

3.9 Profile of sampled organizations

3.9.1 National Pensions Regulatory Authority (NPRA)

NPRA is a government of Ghana statutory institution responsible for the regulation and policy development of pension administration in Ghana. NPRA was founded in 2008 under Act 766 of the constitution of Ghana. NPRA was a product of the pension reforms in the late 2000s and was created to oversee the running and managing registered pension frameworks and trustees of the scheme. The key objective of the authority is to control and superintend the operations of the scheme and ensure effective administration of pensions in the nation. Undeniably, as people tend to live longer, it is paramount to guarantee retirement income security both in the formal and informal sectors of the economy. NPRA was therefore inaugurated to superintend the administration and management of registered pension schemes, fund managers, custodians and trustees. The essential objective of this body corporate is to regulate and monitor the operations of the scheme and ensure the effective administration of pensions in the country. Chapter two, table one clearly summaries the functions of NPRA.

3.9.2 Peoples Pension Trust Ghana Limited (PPT)

PPT is a new corporate trustee in Ghana licensed by NPRA to provide trustee services for the Ghanaian workforce. The development of the company's pension product and services is led by a team of experts from Aegon N.V and Achmea Financial Services Company; who are pension insurers and administrators of the Dutch Pension Sector. PPT is part of People's Pension Holding (PPH). PPH therefore supports PPT to grow professionally with the required operational pension expertise that helps in building information technology and micro pension's knowledge. PPT provides the best retirement solutions for all workers who fall under the second and third tiers of the TTCP scheme established under the TTCP scheme of the Pensions Act 2008. The company maintains their corporate values and skills to offer retirement income security by providing financial education and administering a pension scheme which ensures its clients receive significant returns on their investment. The company has been in Ghana for about three years and the company manages the second tier, which is the mandatory Occupational Pension scheme which is a contributory scheme with monthly contributions of 5% on the basic salary of all workers which is tax exempted. The company also manages the third tier which is a voluntary pension scheme; where the contributor determines the amount to pay. With PPT, contributions can be made daily, weekly, or monthly. PPT focuses largely on workers in the informal sector such as taxi drivers, market women, traders, farmers and entrepreneurs in Ghana to subscribe to pension insurance toward their future. The company also offers a pension product called "Me Daakye" (My Future) in which informal sector workers can save during their working period and help them have adequate retirement income security.

3.9.3 Friedrich-Ebert-Stiftung (FES)

Friedrich Ebert Stiftung foundation concentrates on the fundamental ideas and values of Social Democracy, freedom, justice and solidarity. The foundation is connected to Social Democracy and free trade unions. The foundation has been in Ghana for about 45 years working through the Trade Union Congress to set up an umbrella union for all informal sector workers. As a non-profit German political institution, the foundation organizes its work autonomously and independently. FES promotes the following: Unrestricted society based on the values of solidarity, which renders all its citizens the same avenues to participate in political, economic, social and cultural affairs, irrespective of their origin, sex or religion; a lively and strong democracy; sustainable economic growth with decent work for all; and a welfare state that provides more education and enhanced healthcare, as well as, social policy issues and social protection (e.g. social security for informal sector workers), whilst combating poverty and providing protection against the risks that life throws at citizens. To reduce poverty among the elderly, the foundation partners with International Labor Organization Social Security Department to help gain expertise in supporting social protection within member states. FES carries out its mission through various programs with partners that revolve around the promotion of Security, Social Democracy and Economic Development. The role of the foundation is to help in the formation of unions within the Trade Union Congress. Currently, the aim of the foundation is to bring all informal sector workers under one umbrella and help promote social security within the informal sector. FES has helped the informal sector workers to form a union called Union of Informal Sector Workers Association (UNIWA) in Ghana and consequently partners with the unions to get works done and increase the bargaining power of informal sector workers.

3.10 Ethical Considerations

The research took into account the following ethical considerations; permission from authorities, right of confidentiality and respect for human rights. Permission was initially sought from the Department of Organisation and Human Resource Management (OHRM) and offices of the participating entities for the study. As a social principle, the study first obtained respondents' consent and requested for non-compulsory participation before taking part in the study. Thus, participation was entirely optional and not under coercion since the researcher was under obligation to respect the right, dignity, and beliefs of individual respondents. Respondents were therefore offered exhaustive information on the study in addition to potential costs and benefits associated with their participation. The integrity of secrecy and discretion were also maintained, with the obtained information treated as cumulative analysis. Hence, no participant was identified by name. Further, the study was used as an advocacy tool to create public attention on pension reform and retirement income security for Ghanaian workers within the informal sector with regards to a developing country. Respondents' right to privacy, desire, voluntary participation and respect for dignity were ensured. Finally, the ethics of beneficence requires the research to be beneficial and useful to both participants and the larger society was also ensured as the research seeks to improve retirement income security for informal sector workers.

3.11 Chapter conclusion

The research approached the subject of pension reform and its impact on the informal sector through the standpoint of the interpretivism paradigm. Since qualitative method has the ability to represent the thoughts and perceptions of respondents in a study, the research employed the qualitative research methodology. The phenomenology design was used as a basis to elicit data from respondents as it provides a favourable opportunity to reach into the lived experiences of

respondents. Both primary and secondary data sources, supported by elite interviews and focus group discussions provided a means for data collection after randomly selecting respondents from a sample size of 86 drawn from cross-section of informal sector workers, regulators and regulated of pension schemes. Data collected was analysed thematically to assess the essential themes and ideas running through transcribed data in an ethically responsible manner.



CHAPTER FOUR

PRESENTATION OF RESULTS AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter analyses and discusses the data obtained from respondents. The main goal of the study was to explore pension reforms and retirement income security for Ghanaian workers and how the current pension reform is positioned to meet the retirement needs of Ghanaian workers within the informal sector. The study further assessed the perception held by informal sector workers about the provisions in the third-tier of the Three Tier Contributory Pension Scheme (TTCP). From a total sample of 86 respondents drawn from informal sector workers, National Pensions Regulatory Authority, People Pensions Trust and Friedrich Ebert Stiftung, series of interviews were administered and focus group discussions subsequently held to obtain relevant information on pension reforms and to draw the views from the participants. The elite interviews were administered mainly for the regulator, trustee, informal sector foundation and selected informal sector workers who offered to be interviewed and could not participate in the focus group discussion sessions.

In all, 41 respondents were interviewed. The focus group discussion was used for a cross-section of informal sector workers who provided a broad knowledge-base from which further analysis was done. More so, 5 focus group discussions were held with a maximum of 9 persons in a group. All the participants were willing to participate in the study because of their interest in pension issues, as well as, pension being a contemporary debate after the pension reform in 2008. The respondents were drawn from the Makola, Kantamanto, Kaneshie and Abbossey Okai markets located within the Accra Metropolis and Kasoa market in the Central region of Ghana. The

thematic analysis method was employed to analyze the data obtained from respondents and presented in respect of the research objectives. Some aspect of the information obtained was also presented quantitatively using graphs, diagrams and tables to facilitate ease of presentation. The analysis was so-constructed to ensure that all the research objectives were thoroughly addressed.



4.2 Demographic characteristics of respondents

This segment provides the traits of respondents based on age, gender, educational level, marital status, number of years in trade and the type of trade engaged in by the informal sector workers. Similar information concerning the interviewees is also presented. Table 4.1 illustrates the demographic characteristics and distribution of the sample.

Table 4.1 Demographic characteristics of respondents

Demographic variables	Frequency	Percentage %
Age (in years)		
20-30	23	26.7
31-40	26	30.2
41-50	22	25.6
51-60	15	17.5
Gender		
Male	29	33.7
Female	57	66.3
Educational Level		
No Education	17	19.8
JHS	29	33.7
SHS	24	27.9
First Degree	13	15.1
Masters degree	3	3.5
Marital Status		
Married	61	70.9
Single	25	29.1
Number of years in Trade		
Less than one year	6	7
1-5	16	18.6
6-10	14	16.3
11-15	19	22.1
16-20	8	9.3
21 and above	23	26.7
Type of Trade Engage in		
Street and Food Vendors	43	50
Traders	22	25.6
Commercial Drivers	18	20.9
Officials	3	3.5
Total	86	100

In order to find out about the age range of respondents, it was observed that out of the total sample of 86 informal sector workers from 5 markets and officials from NPRA, PPT and FES, 26 respondents were between the ages of 31-40 years, followed by 23 respondents who were between the ages of 20-30 years. The remaining ages were distributed between 41-50 and 51-60 years which represent 22 and 15 respondents. This indicates that majority of the respondents were within the youthful population while few were getting close and within the retirement age. This shows that majority of the respondents were matured and when the habit of retirement savings is cultivated, the likelihood of contributing more to safeguard against old age poverty is high. Again, because of the economic condition of Ghana, some workers within the informal sectors who are 60 years and above were still working and this finding is consistent with the World Social Protection Report (2014/2015) which indicated that, majority of the world's retired workers have no income security, have no interest to retire and must continue working as long as they live.

Again, out of 86 respondents, 29(33.7%) were males, whilst 57(66.3%) were females indicating that, majority of the population were females compared to males. It is often argued that more women are engaged in informal sector activities rather than men (WIEGO, 1997). This might be attributed to the notion that; women mostly tend to carry out petty trading to support members of the family. Further, evidence from table 4.1 illustrates the dominance of women in the informal sector in Ghana except in commercial driving. Most women were engaged in selling food along the streets, trading in food stuffs and other commodities such as clothing, shoes, etc.

More so, out of 86 respondents sampled, 17(19.8%) had no education, 29(33.7%) graduated from Junior High School, 24(27.9%) graduated from Senior High School, 13(15.1%) had a first degree

and 3(3.5%) had Masters Degree. This shows that the dominant educational level from the sample was JHS indicating that 29 respondents had basic education. Out of the sampled size, 17 respondents had no basic education, this may be because informal sector work does not require a mandatory educational level and entry level is not dependent on the educational qualification since there is free entry and free exit from this kind of work. Further, 24 respondents had SHS, as per the interview and focus group discussions, interviewees made it clear that they wanted to run their own business after completing SHS rather than to continue their education since they started work from the informal sector right from childhood. Further, 13 respondents had first degree, and this may be due to high unemployment rate within the formal sector, hence the informal sector has a great potential of employing a number of graduates. This is consistent with the findings from Charmes (1998) who posits that the informal sector promotes a considerable portion of total employment within economies, particularly in urban areas. The 3 respondents who had Masters Degree were the officials interviewed from NPRA, PPT and FES. Their role in policy and decision making required a minimum of Masters Degree and defined work experience.

In examining the marital status of respondents, 61 respondents which represent 70.9% were married whilst 25 respondents which represent 29.1% were not married. This illustrates that majority of respondents were married. Evidently, informal sector work served as a source of support for the entire family (WIEGO, 1997).

Considering the number of years in trade, the result revealed that 6(7%) of respondents had worked for less than one year, 16(18.6%) respondents had also worked between 1 and 5 years, 14(16.3%) respondents had worked between 6 and 10 years whilst 19(22.1%) respondents had worked between 11 and 15 years. Further, 8(9.3%) respondents had worked between 16 and 20

years and 23(26.7%) had worked 21 years and above. This shows that majority of the respondents had worked in the informal sector for a period of 21 years and above. This was evidenced when some respondents said that they preferred to work in the informal sector rather than formal sector because of autonomy in the informal sector.

In the examination of the type of trade engaged in by the sample, the result shows that, 43(50%) respondents engaged in the sale of food either on table top or the food being carried from one location to the other. Again, 22(25.6%) respondents were engaged in trading in a variety of commodities such as food stuff, car spare parts, used clothing, etc. Further 18(20.9%) of the respondents engaged in commercial driving specifically, taxi and “trotro” (Twi term for commercial bus driver). The 3(3.5%) officials were interviewed from the sampled entities.

4.3 Discussion of findings

This section discusses the results of the study in accordance with the research objectives and literature reviewed. The study sought to find out how the three-tier pension frame work is positioned to meet the retirement needs of informal sector workers. Basically, the study sought to find out about the various pension reforms and associated challenges with the informal sector and the perception held by informal sector workers about the provisions in the third-tier pension scheme. Further, the study aimed at evaluating the adequacy of Ghana’s three-tier pension scheme in guaranteeing retirement income security for the informal sector workers, as well as, finding out about the mechanism taken to extend the coverage of pension within the informal sector. Data gathered from the focus group discussions and interviews were transcribed and coded by the researcher. This was further presented with the aid of descriptive statistics in the form of tables, frequencies, percentages and charts. After reading through the scripts, codes were

generated. The salient themes running through the transcribed scripts were identified and discussed using appropriate quotations from the respondents, as well as policy document.

4.3.1 *Objective 1: Pension reforms and associated challenges with the informal sector*

The study was aimed at exploring the various pension reforms carried out in Ghana especially the current pension reform in the year 2008, and investigate the factors that influenced and triggered the reforms, the institution involved, as well as, to ascertain the outcomes and prospects of the reform. In addition, the study sought to ascertain challenges with the informal sector pension scheme and ways of enhancing informal sector pension management in Ghana. Numerous questions were therefore posed specifically to NPRA to elicit answers to the research objective.

4.3.1.1 Pension reform in 2008

The views on the various pension reforms carried out in Ghana were examined from the perspective of an NPRA official, using Act 766 as the bases. Whitehouse et al. (2009) explain that income security after retirement across the globe has been unsatisfactory since the existence of mankind. The assertion from Whitehouse et al. (2009) confirms problems experienced by Ghanaian workers as a result of discrepancies between SSNIT pension schemes, Cap. 30 pension scheme, as well as, neglecting the participation of informal sector workers' in formal pension schemes which have gravely affected the lives of many retired workers. As a result of the urgent need to solve these problems necessitated the various phases of pension transformations in Ghana.

The result revealed that major pension reforms in Ghana included a shift from the traditional way of taking care of the aged family members through Cap. 30 pension scheme intended for civil servants, as well as, the contemporary three-tier pension scheme. The Cap. 30 pension scheme was designed as an instrument for rewarding all civil servants who served in honesty (Colonial

Development and Welfare Act, 1940), however this pension scheme covered only few public servants who worked with the colonial masters without flaw. Due to limited coverage to only public-sector workers, the Social Security and National Insurance Trust (SSNIT) pension scheme was thus introduced to cover all sections of people working in private and public institutions. This scheme was formulated in accordance with PNDCL 247 of 1991. Evidence from Ghana News Agency Report (2005) revealed several strikes by workers and organized labour to register their displeasure about the discrepancies realizing the advantage of being offered a lump-sum benefit from the Cap 30 pension scheme in contrast with the SSNIT pension scheme. As a result of these and other factors, the government was impelled to consider restructuring the existing pension system in an effort to enhance retirement income package for all category of workers which included the informal sector. In the quest to devise an appropriate scheme to cater for the social security needs of all Ghanaian workers led to the establishment of the three-tier contributory pension scheme. Kpessa (2011) posits that pension system has gone through various transformations in countries such as Chile, Argentina, Brazil, Uruguay, India, Italy and Ghana. This shows that in order to meet the retirement income security needs of workers efforts have been made to enhance the system through pension reforms. Therefore, with regard to the finding and view expressed by Kpessa (2011), it can be ascertained that pension reforms seek to make adjustment to existing pension schemes in order to enhance retirement income security for contributors. This implies that the establishment of the three-tier contributory pension framework has rectified the challenges associated with pension provisions in Ghana. Ghanaian workers have experienced some form of improvement in their pension contribution and future benefits with the introduction of the three-tier contributory pension scheme.

4.3.1.1.1 Role of international organizations in pension reforms

Various pension and retirement arrangements have been developed around the globe. Wang, Zhang, Shand and Howell (2014) posit that, numerous international associations have promoted a multi-pillar approach to pension reforms which consists of the International Labor Organization (ILO), the Geneva Association, International Monetary Fund (IMF) and the World Bank. It is largely appreciated that, because of the necessity of pension provisions, these international organizations effectively encourage and serve as a roadmap for many countries interested in embarking on a pension reform. It was revealed that Ghana has adequately followed the laid down international standard for developing a comprehensive pension scheme for all citizens. An official from NPRA said that:

“... The pension reform in 2008 was based on the World Bank and International Labor Organizations’ Multi-Tier pension scheme as well as following the Chilean Pension Reform. This served as a roadmap for developing an appropriate system to meet the needs of all Ghanaian workers”.

With regard to the assertion made by the NPRA official, it can be ascertained that the current pension framework followed the international standards which served as a roadmap for developing an advanced pension framework for all workers in Ghana including all informal sector workers. It was with this view that Holzman (2012) asserts that most pension reforms embarked by diverse states follow the Chilean pension reform. The finding however, illustrates that the establishment of the current pension scheme is an innovative alternate in contrast with the previous pension schemes such as the traditional system, cap 30 and the SSNIT systems because of its capacity to provide effective and contemporary mechanism for securing adequate retirement income for pensioners. This finding is evident in the assertion of the Regulatory Impact Assessment by OECD (2002) which stipulates that regulations on pensions should be welfare-

enhancing from the view point of society. Hence, it can be surmised that benefits from pension reforms should be able to satisfy the retirement needs of all category of workers. This shows that international organizations have made significant progress in ensuring retirement income security for all workers across the globe. The implication is that workers' pension needs were assessed and adequate welfare enhancing pension structure for all Ghanaian workers were designed following the international standard of providing for the aged.

4.3.1.1.2. Establishment of the three-tier contributory pension framework

As per Act 766, the pension reform in 2008 sought to merge all pensions into a framework composing of three separate pension pillar which includes: Tier one: Mandatory Basic National Social Security scheme (MBNSS) for formal sector workers; Tier two: Mandatory Occupational Pension Scheme (MOPS) also for formal sector workers; and Tier three: Voluntary provident fund and personal pension schemes (VPF/PPS) for informal sector workers, as well as, formal sector workers who want to earn more in order to enhance benefits from their first and second tiers with the date of implementation for all workers in January 2010. This also led to the institution of NPRA to surpass all pensions in Ghana and to see to the implementation of the pension scheme which is vital to ensuring retirement income security for all Ghanaian workers.

The study finding is evidenced in section (1) of Act 766 which indicated that:

“... There is established by this Act, a contributory three-tier pension scheme consisting of (a) a mandatory basic national social security scheme; (b) a mandatory fully funded and privately managed occupational pension scheme, and (c) a voluntary fully funded and privately managed provident fund and personal pension scheme”.

Figure 4.1: The TTCP scheme

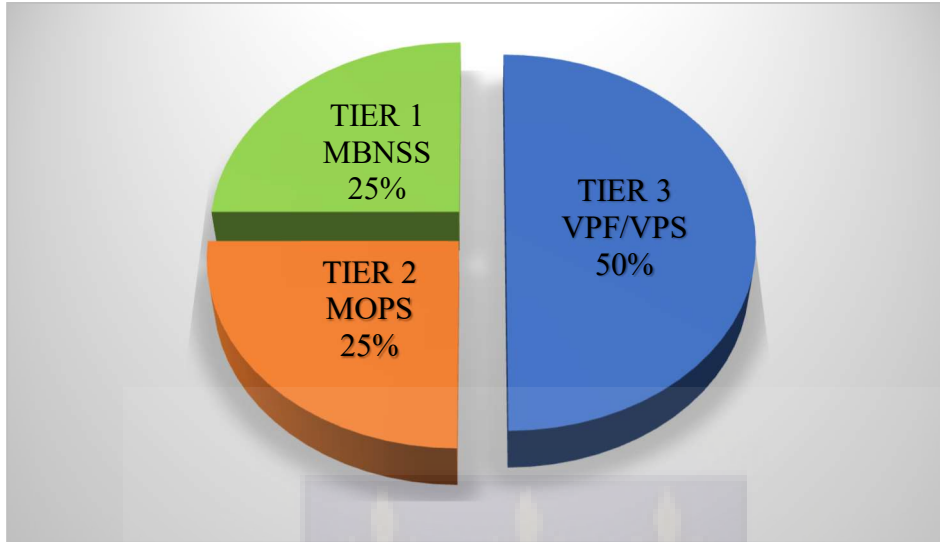


Figure 4.1 depicts the pictorial view of the TTCP scheme established by Act 766 to replace the previous social security pension schemes and other equivalent pension schemes. Concerning the overall objective and goal of the TTCP scheme, an NPRA official stated:

“.... the three-tier pension scheme seeks to ensure that both formal and informal sector workers participate to the scheme because the scheme tries to avoid discrimination in contribution and benefits and ensures that every worker subscribes to the scheme so that the scheme can stand the test of time”.

This statement indicates that the TTCP scheme affords every worker in Ghana the opportunity to have control over his or her retirement preparation irrespective of the amount earned and serve as a source of wealth creation for all workers in Ghana which is intended to secure retirement income security for workers. Further, it was discovered that the TTCP scheme has the ability to nurture the habit of savings among workers especially informal sector workers since workers within the informal sector are skeptical to save toward a pension scheme. A cross-section of the respondents supported this assertion and indicated that:

“.... It is very difficult to save as income levels are mostly low and irregular depending on seasons and market conditions. In the end, most of us end up living from ‘hand-to-mouth’ which affects us in future. If there is a scheme that can provide a safe and secured system of saving for the future, it will be in our interest and I will personally welcome it to augment my own attempt to save at the bank”.

It was further discovered that the TTCP scheme was not intended for the benefit of Ghanaian workers at the micro-level but also to serve as a source of cumulative benefit to the macro-economy in the form of the development of the country’s capital market, availability of a large pool of funds for the development of the country, as well as, the creation of new jobs for Ghanaians due to the private sector involvement in the management of pension schemes. This reaffirms the view from Agblobi (2011) that the three-tier pension scheme has a positive impact on employers, as well as, the pension industry through job creation. The implication is that more jobs have been created to augment existing jobs in the pension industry. It can also be emphasized that the establishment of the three-tier contributory pension scheme has boosted the habit of savings among Ghanaian workers. Formal sector workers can contribute to both the first, second and third tier pension schemes. Informal sector workers under the third-tier pension scheme have flexible contribution terms under the third-tier of the three-tier contributory pension scheme. This hitherto was not available under both the SSNIT and Cap 30 pension schemes.

4.3.1.2. Challenges with the informal sector pension framework under the TTCP scheme

Information gathered from the study indicates that there had been a number of barriers hindering the informal sector pension framework under the TTCP scheme. The study discovered that, NPRA has embarked on massive sensitization programs to educate informal sector workers of the TTCP scheme. For instance, an official from NPRA indicated that:

“...the NPRA has an outreach program for education of informal sector workers on the available pension schemes through programs such as distribution of flyers, radio

announcements, discussions, and field outreach programs. The challenge is the lack of interest showed by the target audience, being the informal sector workers. A lot of them are reluctant to participate in the scheme.”

Thus, it is obvious that although these programs are facilitated by NPRA, most of the informal sector workers do not read flyers that are distributed because of high illiteracy rate and most of the time informal sector workers do not listen to messages about the pension scheme during outreach programs by NPRA. During one of the focus group discussions, some sentiments expressed by the participants support this situation. Specifically, some informal sector workers remarked:

“... I have not been to school so I cannot read. Some colleagues told me about a fund to save for pension but some of them discouraged me because they said these people want to just take money from us.”

“...Last year I heard an advert on TV about putting together money to some pension scheme which I didn't understand because I have a savings account with a bank and try to save. But this thing they were talking about sounded like another bank which I didn't trust. I cannot have a lot of accounts because what I receive from selling food stuff is mostly to cater for my daily needs and I keep a little in case there is a problem in future.”

This revelation indicates that, even though the NPRA is trying to include the informal sector under the TTCP scheme, some of these workers are not cooperating by ignoring messages from the Authority. This may however be outside the control of the informal sector workers, for instance high illiteracy rate among informal sector workers is a major contributing factor. Another challenge faced by NPRA was lack of funding by the authority to reach out to the informal sector workers through the media. For instance, expensive cost of radio, television, bill boards and the newspaper publication have hindered the regulatory body to reach out to a large number of informal sector workers, even though the authority is making enough efforts to reach

out to these workers. In this regard, an official from NPRA highlighted:

“Lack of funds to undertake outreach program is a major challenge to the NPRA. Within the limited funds, the NPRA is making efforts to concentrate more on reaching out to the many informal sectors. What good is a policy if the target people cannot access it or know about it?”

Another challenge found was lack of trust in the informal sector pension scheme due to unreliability of micro finance institutions which have run away with workers’ contribution, giving rise to high rate of apprehension towards any other form of funds generated outside traditional banking system.

On the premise of the challenges, an official from PPT stated that:

“... Lack of trust in the trustees and their long-term pension products due to the many incidences of fraud suffered by the informal sector workforce at the hands of savings and microfinance companies have hindered most informal sectors workers from signing unto the scheme”.

To buttress the point by PPT, an official from FES affirmed:

“.... Lack of Trust by informal sector workers is a major challenge because informal sector workers don’t get to know about their returns and such workers do not have complete confidence in the pension scheme. Informal sector workers also base their decision on rumors of pensioners receiving meager retirement package, this doesn’t encourage them to contribute and consequently, does not seem to trust the pension scheme to come to their aid during retirement”.

On the issue of trust, an official from NPRA also highlighted:

“.... The informal sector is a very difficult area. It is made up of about 85% of the population with the remaining 15% in the formal sector. However, the informal sector pension participation is very low because of lack of trust in the scheme”.

Another significant finding is limited number of pension trustees administering the third-tier pension scheme. It is worth noting that, the regulatory body has about 33 trustees administering pensions in Ghana, however few of these companies administer the informal sector pension scheme. This leads to inability of capturing larger portion of the informal sector workforce by the pension regulator. An official from NPRA expressed that:

“... We have about 33 trustees, however, the number of trustees that administer the informal sector pension scheme is limited, when we find out from the company, they try to tell us that, they are into informal sector pension delivery meanwhile in reality they are not”.

On the bases of these findings, it is evident that although Ghana has made remarkable progress in pension reform with the hope of improving the informal sector through the TTCP scheme, the system is bedeviled with a lot of challenges. This finding is evident in the assertion of the social exchange theory by Homans (1961) which posits that to build a better relationship between pension managers and contributors, there should be some level of trust. The implication is that lack of trust will prevent workers from subscribing to the pension scheme. Consequently, for the system to work effectively by making it easier for subscribers and to ensure adequate retirement income security, there is the need to safeguard public confidence while encouraging participation through massive outreach programs to the huge number of informal sector workforce.

4.3.1.3 Enhancing the third-tier pension scheme (Personal Savings and Provident fund)

In discovering measures that are taken to enhance informal sector pension subscription and administration, questions were posed to respondents to ascertain their views. It was revealed that pension managers have developed a lot of mechanisms to help enhance pension patronage among informal sector workforce and this include (i) open-office policy (ii) SMS notification (iii) formulation of toll free line (iv) mobile money payment system

(i) **Open-office policy**

Analysis of secondary data revealed that the open-office policy is a mechanism used by pension managers to ensure effective client relationship where informal sector workers (clients) can walk in at any time with their grievances, questions and complaints. This implies that access to effective personnel who are readily available to assist workers have answers to their queries and complaints pertaining to the pension scheme have been established under the TTCP scheme. In this regard, an official from PPT highlighted:

“.... The open-office policy fosters openness and transparency with pension subscribers and encourages efficient collaboration between pension managers and subscribers”.

It is clear from the statement that open-office policy has made it possible for subscribers to immediately address the needs pertaining to the three-tier pension scheme. This development has however improved informal sector pension administration. This greatly shows that the open-office policy establishes an environment of trust and mutual respect between pension managers and subscribers. In essence, the open-office policy serves to empower subscribers, knowing that their issues concerning the pension scheme are quickly addressed and resolved. Trust in the pension scheme tends to improve and grow, when subscribers understand that they are accepted to confide in the pension administration. The open-office policy has therefore attracted a lot of workers to join the three-tier contributory pension scheme.

(ii) **SMS notification**

The result also shows that there has been the development of SMS notifications upon receipt of one's contribution, payment through mobile money at any authorized agent, as well as, request for

statement of accounts as often as informal sector workers (client) require have made it possible through the introduction of the three-tier pension scheme. This was expressed by PPT official:

“... The introduction of SMS notification has eased the burden of access to statements of funds and balance. With this, a worker can get prompt information from any transactions undertaken with pension managers”.

The introduction of SMS has made it possible that once a subscriber has a phone number attached to his or her subscription, notifications on transactions are delivered once executed and this encourages paperless transactions. This implies that, the three-tier contributory pension scheme has adopted modern technology to motivate workers to sign unto the scheme.

(iii) Formulation of toll free line

Further, the formulation of toll free line is another initiative by the regular. Information gathered from NPRA report (2015) indicates that the activation of a toll-free telephone line has been established by the authority. This initiative serves as a way of reducing the cost of telephone bills for customers and other stakeholders in terms of communication.

This is evidenced from the interview with an NPRA official who indicated that:

“... It is hoped that the toll-free line will contribute to stakeholder’s confidence and enable stakeholders, especially workers or contributors, to communicate with the authority and to report wrong doing in the industry at no cost”.

This finding is consistent with the role of the regulator which is stipulated in Section 7 of Act 766 where the regulator is mandated to promote and encourage the development of the pension scheme industry in the country. With the introduction of the toll-free line, subscribers to the pension scheme can save money from the cost of telephone charges they make to the pension regulator.

(iv) **Mobile money payment system**

The introduction of mobile money payment system under the three-tier contributory pension scheme has made it possible for service providers to accept contributions from subscribers through mobile money. This initiative has created avenues for pension subscribers to pay their contributions to any authorize mobile money merchant. The implication is that workers can access the system at their own location without necessarily going to the offices of the service providers. The finding is consistent with Schwarz (2006) who attests that pension reforms are changes made to existing pension scheme in order to improve the system. Previous pension system did not afford workers especially informal sector workers the ease of payment through mobile money. This was attested by an informal sector worker (subscriber) from Makola market who stated that:

“.... I am happy that I can pay through mobile money. Any time I make a lot of sales I just make my payment through the mobile money, I immediately receive message from my service provider confirming that my contribution has been received and this saves me a lot of time”.

The statement implies that, the introduction of mobile money payment system has improved time management within the informal sector. This has also led to a reduction in queues at pension offices as a result of succinct mission for executing the three-tier pension scheme. This implies that mobile money has provided a flexible means of payment towards the pension scheme and has motivated workers to join the scheme.

4.3.1.3.1 Benefits of the third-tier pension scheme

The views on the benefits of the third-tier pension scheme were examined from the perspective of informal sector workers and experts. The result shows that almost all the respondents are of the view that the third-tier pension scheme has enormous benefits. It was discovered that the third-tier pension scheme is a flexible means of contributing towards workers' future. Through this

scheme, workers are able to gain secured income during old age. In this regard, an official from FES indicated:

“... through the three-tier pension scheme, the informal sector can be formalized which is one of the main goals of the foundation. I think the informal sector pension scheme can provide adequate retirement income because the authority will deliver as promise”.

To buttress the above statement from the informal sector foundation, it was discovered that the foundation is making effort to formalize the informal sector since most of the pension policy does not support the informal conditions. The study finding affirms the assertion of Collins-Sowah, Kuwornu and Tsegai (2013) that pension management could be better adopted and adjusted to formal conditions rather than informal conditions. Further, based on the benefits inherent in the third-tier pension scheme an official from PPT stated that:

“..... informal sector workers will be able to secure their future through retirement package from the scheme because what is being done currently by both the regular and industry player are commendable, however, a lot more can be done to improve the system.”

As provided by Act 766, the third-tier pension scheme allows subscribers to enjoy 16.5% tax benefits on their income from which the contributions are made. In addition, it was discovered that investing into the third-tier pension scheme by informal sector workers in accordance with Act 766 provides lump sum benefits from the personal savings account; monthly or quarterly pensions from the retirement account; survivors' benefits, as well as, invalidity benefits. The third-tier pension scheme puts the informal sector worker or subscriber first. This indicates that the worker is the key player of which the scheme progresses. Therefore, providing better welfare system for informal sector workers will enhance their interest in saving more. This finding is evident in the assertion of the life cycle theory on pension by Modigliani and Brumberg (1954)

which depicts an idea of utility maximization throughout one's lifetime. This suggests that saving is a significant component of the scheme. Hence opportunities are therefore created for informal sector workers to save in order to benefit from the scheme.

4.3.1.3.2 Alleviating challenges with the informal sector pension framework under the TTCP scheme

It came to fore that, as part of measures by policy makers to enhance informal sector pension scheme, a lot of mechanism are being used to mitigate challenges with the informal sector pension administration. It was revealed by an NPRA official that, with the challenge of funding, NPRA is currently supported by the Swiss Government through the Swiss Economic Cooperation Office (SECO), to carry out organizational reforms to help build capacity to successfully implement its mandate. In response to this assertion, an official conjectured:

“... SECO has become a strategic partner for the NPRA in terms of funding and providing technical support to enable the NPRA undertakes effective structural and organizational reforms of pensions in Ghana, particularly to extend coverage to the informal sector.”

Funding has been a major setback to reform of pensions and the contribution of international organizations such as SECO, governments, and other partners is critical to mitigating the inherent barriers and challenges to attaining the goal of improved pension scheme for all workers. It would be appropriate for the NPRA and government to involve other stakeholders and international partners in this drive, not only on financing and financial support, but also technical support and expertise to boost the current system. This implies that if the regulatory body is not supported by other stakeholders financially, in some years to come the goal of income security for all Ghanaian workers cannot be achieve.

The study finding shows that to curtail the challenge of non-reading of flyers and messages from NPRA through outreach programs, there had been the introduction of financial education to the informal sector by incorporating the habit of savings and the awareness of the benefits of the TTCP scheme. NPRA report 2015 indicates that in 2015, the authority embarked on two regional outreach programs in Wa, Upper West and Kumasi in the Ashanti regions. This was confirmed in an interview with an official from NPRA who said that:

“.... The Wa and Kumasi outreach programs were meant to provide financial and saving literacy to the informal sector workers within the regions. The two programs attracted over 930 participants from both the public and private sectors of the economy, as well as, the informal sector of the economy”.

Again, pension managers educate, advocate and encourage informal sector workers to minimize the issue of lack of trust. For instance, on 4th May 2015, NPRA embarked on education and sensitization program on the third-tier pension scheme for section of informal sector workers in Kasoa which was aimed at building confidence in the system by explaining in detail all the provisions in the third-tier pension scheme. Additionally, measures have been put in place to develop flyers and outreach program materials into all major local languages as part of measures to improve literacy on informal sector pensions. In this regard, the NPRA has embarked on language training, translation and employment of linguist to design and develop materials to suit the needs of all Ghanaians. The focus of the education drive has been on increasing access and refuting perceptions and notions of mistrust among the target audience.

This was confirmed by the NPRA official who highlighted:

“... The NPRA is currently rolling out plans to have flyers and outreach materials in all major local languages to improve education and accessibility to the pension reforms. This project is being undertaken with the support of the Information Services Department and the National Commission on Civic Education (NCCE). The message that NPRA seeks to

present is that subscribing to pension is not only for the formal sector or office worker, but provisions have been made for all manner of workers irrespective of income levels, source and regularity. Also, the issue of mistrust is going to be addressed...”

The implication is that more educational promotion among informal sector workers broadens their knowledge on the reason for the existence of the pension scheme, through this education, more people are therefore encouraged to join the scheme in effect, and the goal of retirement income security will be achieved. It was established that measures currently being employed by the NPRA and other stakeholders to minimize the challenges to pension coverage within the informal sector is promising and should the necessary measures be implemented effectively, progress would be made in extending pension coverage. Whereas, these measures are put in place, efforts should be made to solidify the management and administration of the pension systems and investment portfolios to maximize the contributions of workers who are increasingly concerned about the prospects of such initiatives and products.

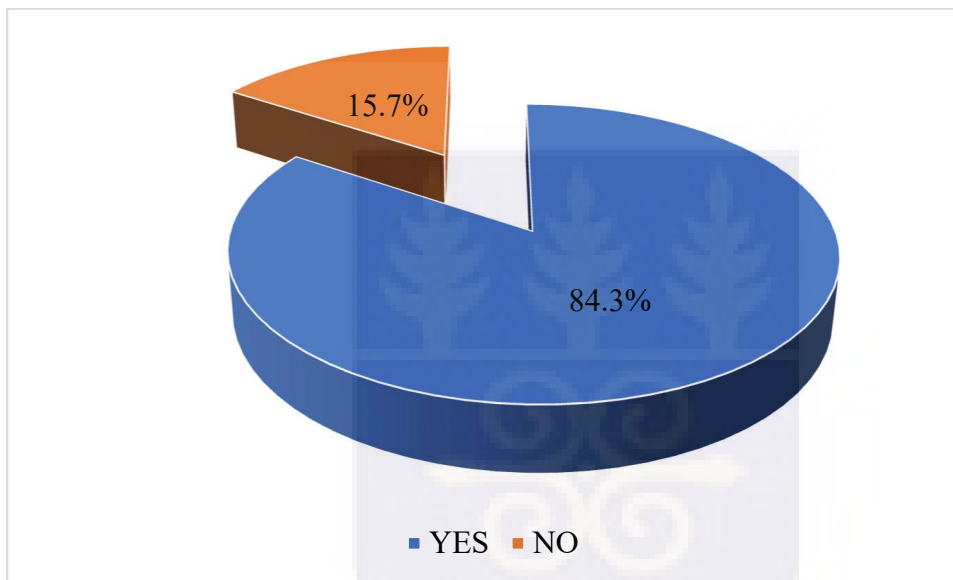
4.3.2 Objective 2: Perception held by informal sector workers about the provisions in the third-tier of the TTCP scheme

The second study objective sought to investigate the orientation of retirement planning among informal sector workers. Additionally, the study also explored the level of knowledge of the third-tier pension scheme in determining the level of awareness of the scheme and to find out informal sector workers willingness to subscribe to the scheme. To answer this objective, three major themes were identified: Retirement planning among informal sector workers, knowledge of the third-tier pension scheme and willingness to contribute to the third-tier pension scheme.

4.3.2.1 Retirement planning among informal sector workers

The study result shows that 84.3% of informal sector workers are aware of the concept of pension and preparing for income security after retirement. Only 15.7% were concerned about what they attained today but without guarantee of any future retirement package.

Figure 4.2: Awareness level of the concept of pension and preparation for income security



Responses received from participants showed that informal sector workers were well-informed that during retirement individuals are supposed to rest after many years of active employment. This is in line with what Moody (2000) specified that, retirement signifies the withdrawal of individuals from work during the later period of life in order to rest after many years of active employment. The study further revealed that, retirement planning from the perspective of informal sector workers is through informal mode. This finding is consistent with the assertion by Stewart and Yermo (2009) which highlights that informal sector retirement planning is often through informal mechanisms. The study found four different retirement packages perceived by informal sector workers: (i) investment in the education of children (ii) investment into business

ventures (iii) money market investment and (iv) continuous reliance on current business proceeds after retirement.

(i) **Investment in the education of children**

Analysis of secondary data revealed that, before the introduction of formal pension system, it was the obligation of the extended family to take care of the aged and the frail, as well as, providing financial assistance to cater for the death of a family member (Dei, 1997). This retirement package is still widely used by informal sector workers as a way of guaranteeing retirement income security instead of enrolling on a pension scheme. About 75% of informal sector workers in a focus group discussion at Kantamanto market indicated that:

“... Investing in the education of children is the most appropriate mechanism for providing income security for informal sector workers like us. This is because we have heard of people who retire from the formal sector with meager incomes and this does not encourage us to enroll on any of such schemes for our retirement.”

This finding confirms earlier study by Anku-Tsede et al. (2015) which revealed that section of informal sector workers prefers to invest in the education of their children in order to take care of them when old. This statement shows that a number of informal sector workers perceive education of their children as an assurance for guaranteed retirement income during old age. However, the question is what if the children fail them? It is therefore, imperative for pension managers to devise continuous financial literacy among informal sector workers to help build confidence in the third-tier pension scheme, this will therefore, inspire more informal sector workers to join the pension scheme.

(ii) Investment into businesses

It was discovered from the study that instead of subscribing to a pension scheme to serve as a retirement income security, informal sector workers preferred to invest into businesses when they retire. Some of the informal sector workers in a focus group discussion at Abossey Okai market remarked:

“.... I will set up a business and build houses and rent them out to generate funds for me while I rest during retirement”.

“.... I will open a shop to generate income for me when I retire. Looking at the economic condition of Ghana, I will still continue to work during retirement”.

These statements indicate that informal sector workers see the investment into businesses as a form of income security during retirement. This implies that if the third-tier pension scheme is not made attractive to informal sector workers, they will however continue to rely on businesses as a source of retirement income security instead of the third-tier pension scheme.

(iii) Money market investment

The finding of the study further revealed that money market investment is another package perceived by some informal sector workers as a way of securing income security during retirement. As per the study, investment in treasury bills, fixed deposits and mutual funds are major mechanism adopted by informal sector workers to safeguard against old age income security. In relation to the money market investment, an informal sector worker expressed:

“... I prefer to invest in treasury bills as a way of securing my old age. This is because treasury bill is a safe way of saving since my money is always secured. In case I urgently need my money, I can easily have the money. I have invested in treasury bills for about ten years now”.

Consequently, if workers are yielding more profit from money market investment, there would not be the need for them to subscribe to the third-tier pension scheme, however, if they see the essence and benefits of the scheme from the education and sensitization programmes organized by the regulatory bodies, more informal sector workers are likely to enroll on the pension scheme.

(iv) **Continuous reliance on current business proceeds after retirement**

Further, it was discovered that informal sector workers rely on their current businesses during old age. These workers continue to work in old age as a mechanism for income security. This finding confirms assertion by the World Social Protection Report (2014/2015) which indicates that majority of the world's retired workers have no income security, have no interest to retire and must continue working throughout their lives. In this regard, an informal sector worker indicated that:

“... As a result of high cost of living, I will continue to work so long as I have good health instead of investing in a pension scheme”.

This statement shows that some workers never retire from their work and that serves as a source of retirement package for them.

4.3.2.2. Knowledge of the third-tier pension scheme

This objective sought to discover the level of knowledge of the third-tier pension scheme amongst informal sector workers. The study discovered that numerous informal sector workers were not cognizant with the existence of such a scheme, however; only few workers were aware and have duly subscribed to the scheme. The result illustrates that a greater number of the sampled respondents were not aware of the existence of the third-tier pension scheme representing 67 (80.7%) while a very few respondents were aware of the existence of the scheme representing 16 (19.3%). This clearly shows low level of awareness regarding the third-tier pension scheme. The

findings on the awareness level suggest that numerous informal sector workers have not heard of the third-tier pension scheme which is not pleasant to effective implementation of the scheme. The implication is that more education should be intensified to develop better understanding of the scheme.

Figure 4.3: Level of knowledge of the third-tier pension scheme (informal sector workers)

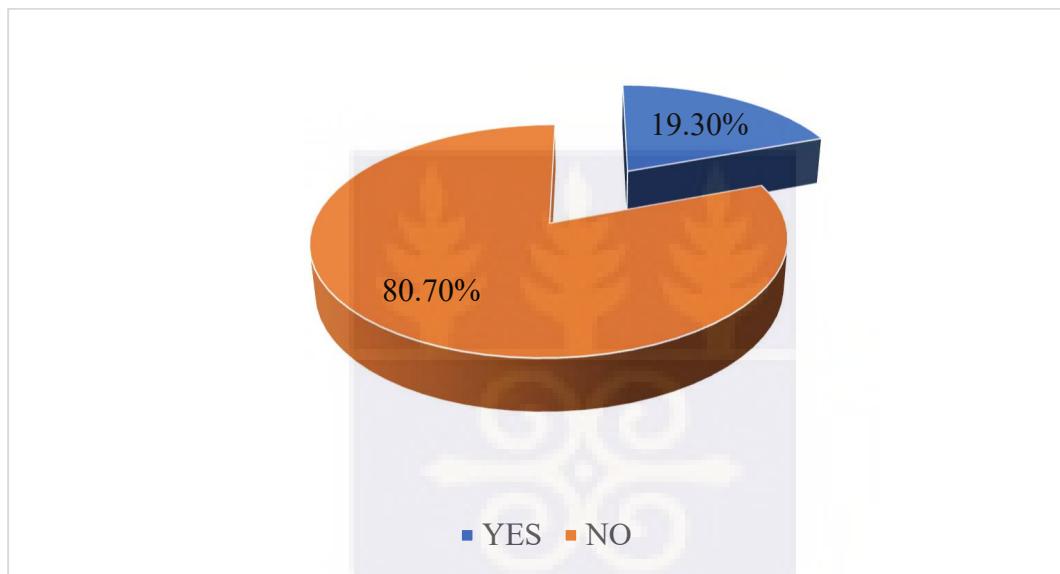


Figure 4.3 depicts the level of awareness of informal sector workers with regards to the third-tier pension scheme. The finding shows that there is minimal knowledge of the third-tier pension scheme among informal sector workers. This means that efforts by the regulatory body have not yet reached a lot of informal sector workers.

4.3.2.3 Willingness to subscribe to the third-tier pension scheme

To respond to this section, informal sector workers were asked whether they were willing to subscribe to the third-tier pension scheme. Out of the total respondents, 72 showed keen interest in a formalized pension for informal sector workers while 11 were unwilling to

participate. Figure 4.4 depicts informal sector workers' willingness of subscribing to the third-tier pension scheme.

Figure 4.4: Willingness to subscribe to the third-tier pension scheme

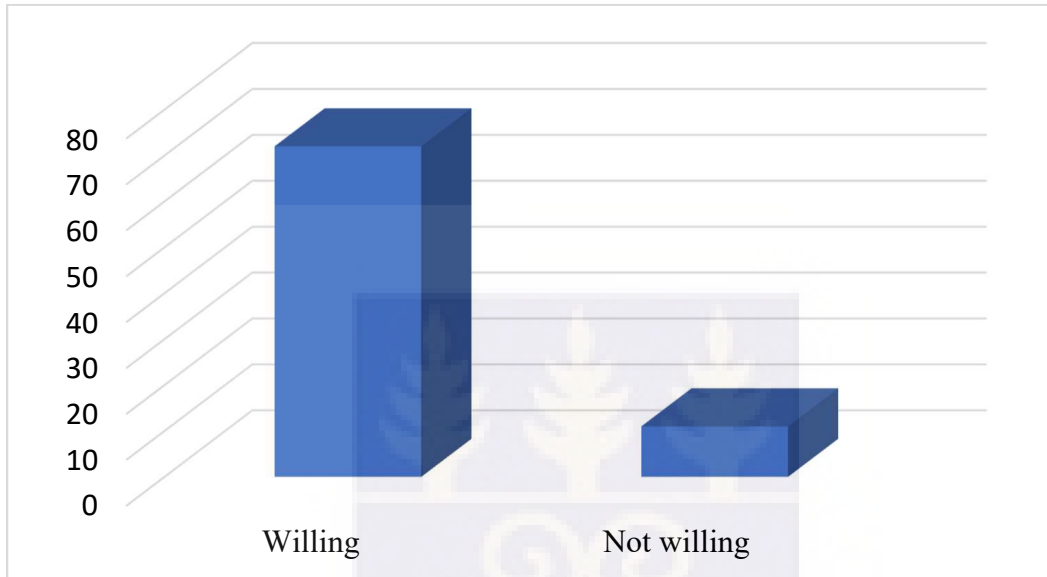


Figure 4.4 illustrates that a significant number of informal sector workers are interested to subscribe to the third-tier pension scheme. The study finding affirms the assertion of Collins-Sowah et al. (2013) that informal sector workers have the keenness to partake in pension schemes in Ghana. The study discovered that those who were not willing to participate perceived the scheme as not capable of providing the needed retirement income security. However, the study revealed that the third-tier pension scheme has the ability of creating avenue for reducing old age income insecurity. In relation to this, an NPRA official underscored:

“.... The third-tier pension component was developed to provide retirement income security for Ghanaian workers and having studied it for the past eight years of its existence and seeing the benefits accrue to those who subscribed to it, I can confidently state that it has the potential of providing income security for informal sectors and would take this opportunity to encourage those who have not enrolled unto it for lack of knowledge or fear of uncertainties to allay their fears and take advantage of this package”.

Respondents were asked during the discussions about what would encourage them to subscribe to the third-tier pension scheme as the study was interested in finding out what will motivate informal sector workers to participate in the third-tier pension scheme. A respondent opined that:

“... We will be motivated to sign unto the third-tier pension scheme if every process of the pension scheme would be made transparent to us. For instance, for every six months, policy makers can come out to tell the public about the state of affairs of the pension scheme. How the scheme is doing, what the funds are been used for and assurance that their retirement income will be assured. The calculation of the lump-sum benefits and the monthly allowances should be made clear to us”.

From this statement, it can be deduced that informal sector workers will be motivated to subscribe to the scheme and remain on the scheme, if there is an appreciable level of transparency and trust. This is because lack of trust alluded to informal sector workers' skepticism about the scheme and its ability to provide them with the needed income security during retirement. On the issue of trust, this is what an official from PPT averred:

“... Lack of trust in the trustees and their long-term pension products due to the many incidences of fraud suffered by the informal sector workforce at the hands of savings and microfinance companies do not motivate informal sector workers to subscribe to the scheme”.

The result revealed that, the number of informal sector workers who were not willing to subscribe to the third-tier pension scheme might be influenced by the recent fraud by some microfinance companies and evidences from family members who have not been treated well by previous pension schemes. Further, the study discovered that some informal sector workers were not willing to subscribe to the third-tier pension scheme because of low income earned from work as well as low level of awareness. From the finding of the study, it was discovered that most informal sector workers have heard of stories about pensioners who go through a lot of bureaucracies before getting access to their retirement benefits. On the other hand, those who knew the existence of the scheme were not aware of the institutions handling the scheme. In

effect, significant numbers of informal sector workers are willing to subscribe to the scheme; therefore, the future of the third-tier pension scheme is bright for informal sector workers.

4.3.3 Objective 3: Adequacy of the TTCP scheme in guaranteeing retirement income security for the informal sector workers

This study objective was advanced to discover the suitability of the three-tier pension scheme to guarantee retirement income security for informal sector workers. Questions were posed to ascertain the ability of this pension scheme to provide adequate retirement income security for the informal sector workers. Two themes were identified: (i) safeguarding income of contributors and (ii) sufficiency of the three-tier pension scheme.

(i) Safeguarding income of contributors

The study examined how contributions from subscribers would be protected under the contemporary pension framework. The study thus examined the views from the officials, as well as, secondary data. It was discovered that various mechanisms had been put in place to protect the incomes from contributors. The study discovered that the contributions from informal sector workers are managed by qualified experts such as trustees, and that NPRA has put in place measures in the form of monitoring and supervising pension entities such as trustees, fund managers and pension fund custodians. In this regard, an official from NPRA asserted that:

“.... We embark on activities like unannounced visits to trustees and other regulated entities to make sure that all these entities are not in breach of laid down guidelines”.

Section 7 of Act 766 mandates the regulating body to undertake risk management through strict enforcement of the investment guidelines and regular monitoring of activities of trustees and other service providers to secure pension funds for contributors. It was discovered that for the authority

to execute its mandate under Act 766, NPRA embarks on onsite inspections at two levels in the form of pre-licensing and post-licensing (NPRA Annual Report, 2015). In pre-licensing inspection, the premises of prospective corporate trustees are inspected to ascertain their readiness to provide pension administration services. On the other hand, post-licensing inspection is conducted on pre-existing service providers to monitor and ensure continuous compliance with the laws, regulations and guidelines of the industry. Finally, to protect the interest of contributors, NPRA has moved from the compliance based approach to supervision and consequently to more effective risk-based supervision approach (NPRA Annual Report, 2015).

According to Act 766, the key objective of the scheme is to afford pension benefits for the purpose of ensuring retirement income security for workers and also to make sure that workers receive retirement and associated benefits as and when required. The result shows that the regulatory body attempts to invest funds from contributors into a permissible venture such as government treasury bills, bonds and stocks while avoiding non-permissible ventures such as investing into microfinance companies. In investing contributions, Section 7 of Act 766 has given authority to NPRA to ensure compliance by all regulated bodies. With this, workers are assured of their retirement income security when due. Regarding the ability of the present pension framework to safeguard income of contributors, an official from FES affirmed:

“... I think the three-tier pension scheme will be able to provide adequate retirement income because NPRA will deliver as promised and the pension scheme has legal backings in which workers can sue and be sued in case there is a breach from either party”.

As per the statement, a review of NPRA report 2015 indicates that in the year 2015, NPRA was involved in the cases between Attorney-General vs. Health Service Workers Union and 12 others; and Judicial Service Staff Association of Ghana vs. 1. Attorney-General; 2. National Pensions

Regulatory Authority and 3. Fair Wages and Salaries Commission. These cases as per the report were solved amicably and consequently settled out of court. The finding indicates that funds contributed by workers towards pensions are adequately secured having strong legal backings to avoid loss of income during retirement.

The result further indicates that stringent mechanisms have been developed by pension managers to safeguard the interest of workers with regards to their contributions. As per Act 766, the regulatory body has adequately provided for the needs of all informal sector workers to take part in the third-tier pension scheme. Further, it was discovered that informal sector workers may join the scheme through two major accounts in the form of personal saving account and retirement account. Section 107 of Act 766 declared that:

“... A personal pension scheme is any scheme to which the contributor contributes personally to provide benefit based on a defined contribution formula in the form of pensions or otherwise payable on death or retirement to or in respect of persons covered under section 107 of Act, 766.

The Act provides that an informal sector worker may join the scheme by subscribing to personal savings to have secured income during retirement. It is interesting to note that, Section 109 of Act 766 affirmed:

... “The proceeds of the retirement account shall only be paid on the retirement of the contributor as monthly or quarterly pensions”.

In accordance with Act 766, it can be ascertained that the third-tier pension scheme is highly open to informal sector workers and provides greater opportunities of raising the living standard of informal sector workers who have subscribed to the scheme.

(ii) **Sufficiency of the TTCP scheme**

This section examines how the TTCP scheme will be able to provide sufficient income for workers during retirement. The result shows that sufficiency of the TTCP scheme is dependent on the amount of money contributed by workers and the length of period contributed. For instance, if a worker contributes more within a longer number of years, the worker will be able to receive more retirement income, however, if the amount contributed is small in addition to lesser number of years, then that worker is likely to receive a benefit that commensurate the amount contributed during active service. This shows that the sufficiency of the three-tier pension scheme depends to some extent, on workers' level of contribution and commitment to the scheme. Therefore, for workers to have enough income during retirement, workers should be willing to devote to the scheme in terms of amount contributed during active working years. Based on this premise, an official from NPRA averred:

“... The three-tier pension scheme has the ability to prevent poverty during old age because Act 766 has made provisions to ensure retirement income security. This scheme will however, be able to stand the test of time if workers are committed to play their roles by contributing to the scheme.

It was further revealed that to ensure sufficiency of income during retirement, pension managers are mandated to invest workers' contributions in ventures permitted by NPRA (NPRA Report, 2015). Information obtained from NPRA report (2015) indicates that workers' contributions are invested in government bonds, bills, debentures, ordinary shares and real estate investment which yield returns on amount contributed by subscribers. This further indicates that monies paid by subscribers during their working years are most likely to yield extra income which will help provide sufficient retirement income for workers. Consequently, no service provider is allowed to

invest subscribers' funds into a venture that will negatively affect contributors' funds. In this regard, an official from NPRA indicated that:

“... Since the object of the scheme is to provide pension benefits to ensure retirement income security for workers and ensure that every worker receives retirement and related benefits as and when due, the authority invests the funds from contributors into a permissible venture such as government treasury bills, bonds and stocks while avoiding non-permissible ventures such as investing into microfinance companies”.

From the statement, the authority works with trustees who are appointed after a background checks, the authority monitors the trustees through various mechanisms such as on-site inspection to ensure that, the funds of contributors are well invested and protected. This fulfils the role of NPRA as stipulated in Section 7 of Act 766. This means that adequate provision has been made by the regulatory body to provide adequate retirement income package for all Ghanaian workers through the three-tier contributory pension scheme.

4.3.4 Objective 4: Extension of pension coverage to the informal sector

The final study objective was geared towards finding out about ways of spreading pension coverage among informal sector workforce. To this end the study sought to find out about the mechanisms adopted to extend pension coverage to the informal sector. Three themes were thus advanced under this objective which includes (i) Awareness creation and public education (ii) Engaging in marketing campaigns and (iii) Engagement of trade unions.

(i) Awareness creation and public education

The result shows that intensive nationwide educational programs by the regulatory body through radio stations, presentations to the informal sector workers in all regions including Ashanti, Volta, Central, Northern, Upper East, Greater Accra, Eastern, Brong Ahafo and Western Regions via outreach programs are mechanism adopted to extend pension coverage to the informal sector. It is

interesting to note that PPT supports NPRA in spreading pension coverage to the informal sector workforce. In this regard, an official from PPT affirmed:

“We support NPRA by collaborating with them on their national awareness and educational programs. The purpose of the national awareness and educational program is to enable corporate trustees and other service providers the platform to market themselves as well as their pension products.”

It was discovered that the information services department and various media organizations provide additional platforms for education and sensitization programs through regional outreach programs in all the ten regions of Ghana. This indicates that various approaches had been used to expand pension coverage to the informal sector workers particularly through the media as well as face-to-face outreach programs by NPRA and other pension managers.

Further, it was found that in an effort to expand pension coverage to the informal sector, the regulatory body provides waivers to entities which are willing to engage in informal sector pension administration. In the light of this, an official from FES declared:

“.... We are trying to setup a trustee for the informal sector workers pension scheme because this will help us have a direct contact and gain bargaining power for workers on the pension scheme, because of this NPRA has granted us a waiver to undertake this project”.

It was established that most informal sector workers are not aware and do not understand the operation of the third-tier pension scheme which makes it difficult for them to subscribe to the scheme, however through such educational programs informal sector workers will gain wider insight about how the system operates as well as the benefits which will consequently encourage them to subscribe to the scheme. However, some of the informal sector workers were of the view that education which is an essential aspect of the third-tier pension scheme was lacking among them. In this regard, an informal sector worker remarked:

“... If more educational strategies are adopted and proper systems are put in place then we the informal sector workers can gain more knowledge about the pension scheme”.

From the statement it is evident that, education plays a major role in expanding pension coverage among informal sector workers especially financial literacy which will consequently inform their decision to subscribe to the scheme or not.

(ii) Engaging in marketing campaigns

In finding out how the informal sector pension coverage can be expanded, the study discovered marketing campaign as a mechanism for expanding pension coverage among the informal sector.

As part of the mandate of pension managers to promote the extending of the third-tier pension scheme within the informal sector, an official from PPT remarked:

“... The Trust embarks on marketing campaigns in the various markets within Accra, while creating awareness within the markets; we register interested informal sector workers and hope to extend such campaigns to all the ten regions of Ghana”.

From the statement, marketing campaigns were specifically geared towards the informal sector workers by routine visits to markets within the various regions by encouraging subscription among the workers through personal interaction and word of mouth communications. The findings also show that to gain wider coverage of pension savings among the informal sector workers, marketing campaigns via advertisement on the media as well as social media had been adopted extensively by pension managers. An official from PPT underscored:

“.... We visit communities or markets, we appoint one person among the community or market and train them on the third-tier pension scheme and how to subscribe to the scheme, and then that trained person explains the system to the other members of the community or market to get a wider number of informal sector workers to subscribe to the scheme”.

The statement indicates that marketing campaigns play major roles in expanding the third-tier pension scheme among informal sector workers.

(iii) Engagement of trade unions

From the investigation, some officials emphasized that engagement of trade union was another major way of spreading the third-tier pension scheme to the informal sector workers. Pension managers engage with the leaders of the various trade unions by educating them who subsequently re-educate their union members about the existence and operation of the third-tier pension scheme. In an interview with an official from FES, it was discovered that the foundation was constantly reaching out to the informal sector workforce through their various informal sector association with the support of Trade Union Congress (TUC) to get more knowledge on the third-tier pension scheme. On the bases of this, an official from FES specifically revealed:

“...The foundation’s role is to help organize all informal sector workers to form one union for instance Union of Informal Sector Workers (UNIWA). The informal sector has a lot of association so we try to bring them under one umbrella (union). After all the workers are under one union, we try to encourage them to sign unto the third-tier pension scheme, although this is a difficult task”.

Thus, it is obvious that trade unions are playing major roles in spreading pension coverage among informal sector workers. It was also discovered that NPRA is currently reaching out to the informal sector through their various informal sector association with the support of Trade Union Congress (TUC) to get all informal sector workers informed about the existence of the third-tier pension scheme and encourage them to subscribe to the scheme. The Labor Act, 2003 (Act 651) stipulates that every worker has the right to join a trade union. Trade unions in Ghana have assisted in advocating enhancements to pension system since the introduction of the three-tier pension scheme. The fundamental responsibility of trade unions is to ensure adequate retirement

income security for its members. This is facilitated through collective bargaining and negotiations at national level. The result further revealed that NPRA has made provisions for informal sector workers to join the three-tier pension scheme through trade unions. Based on this premise, an NPRA official remarked:

“... Informal sector workers may enroll on the third-tier pension scheme through their various associations. As a union, informal sector workers may sign unto the pension scheme with NPRA and choose their own trustee”.

The statement shows that informal sector association may come together and subscribe to the third-tier pension scheme in order to assist in the provision of pension benefits and other benefits as may be described in the association’s rules and regulations.

4.4 Chapter conclusion

Even though Ghana has made significant progress in informal sector pension inclusion under the current pension reform, there is low patronage by informal sector workers. This means that awareness level is limited and efforts have not been far-reaching. Further, most informal sector workers are not well-informed on the provisions in the third-tier pension scheme. This is principally due to lack of trust in the trustees and their long-term pension products. Also, investment in the education of children, investment into business ventures, money market investment and continuous reliance on current business proceeds after retirement are the well-known retirement income security packages for informal sector workers, even though such workers perceive the third-tier pension scheme as an effective way of contributing toward their future. To ensure adequacy of the three-tier contributory pension scheme, the regulatory body invest funds from contributors into some permissible ventures such as treasury bills, real estate development, bonds and stocks while avoiding non-permissible ventures such as investing into

microfinance companies. The NPRA through trustees and other agencies extend pension coverage through awareness creation and public education, marketing campaigns and the engagement of trade unions as mechanisms used to extend pension coverage to the informal sector. Evidently, some progress has been made under the current pension reform, but the challenges are substantial enough to impede the goal of income security for all workers especially those within the informal sector.



CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

This chapter concludes the research and highlights the key findings. It provides a summary of the main issues raised in the study. The summary presents the substantial outcomes of the study while reasonable implications and directions are submitted in the conclusion. The chapter ends with precise recommendations which provide policy directions and inferences for informal sector workers and pension administrators, as well as, recommendations for future research. To understand the depth of the subject, the phenomenology design was employed using the qualitative method. The convenience, purposive and stratified sampling techniques were used to draw a total sample of 83 informal sector workers from Makola, Kantamanto, Kaneshie, Abbossey Okai and Kasoa trading centers in Ghana and 3 officials from National Pensions Regulatory Authority, People Pensions Trust and Friedrich Ebert Stiftung who are key stakeholders in social protection when it comes to the informal sector. Interviews were administered to 3 officials involved in pension regulations, administration and informal sector management. A total of 83 informal sector workers drawn from a cross-section of the informal sector in the Greater Accra and Central Regions of Ghana were also interviewed and engaged in focus group discussions to elicit the required information towards the attainment of the research objectives. In all 5 separate focus group discussions were conducted each consisting of at most 9 workers, while 41 interviews were administered to the informal sector workers and officials.

5.2 Summary of findings

The study explored pension reforms and retirement income security for Ghanaian workers and raises the issue of inclusion of the informal sector. The study in addition examined pension reforms and the associated challenges with the informal sector, perception held by informal sector

workers about the provisions in the third-tier pension framework, adequacy of the three-tier pension scheme in guaranteeing retirement income security for the informal sector workers and ways of spreading pension coverage to the informal sector. In all, the four study objectives were analyzed and assessed using the thematic and descriptive analysis. The key findings are as follows:

5.2.1 Pension reforms and associated challenges with the informal sector

It is evidenced in the study that Ghana has gone through various phases of pension framework. The major pension reforms in Ghana include a shift from the traditional way of taking care of the aged family members to Cap 30 pension scheme and subsequently the Social Security and National Insurance Trust (SSNIT) pension scheme. All these phases of pension transformations were formulated to provide decent life for Ghanaian workers after retirement. It was discovered that following objections and complaints from workers and organized labor about the inadequacy of the Cap 30 and SSNIT pension schemes, Ghana sought to find solutions to such complaints from the workers and organized labor by undertaking parallel research from different countries and international organizations such as Chile, Kenya and Nigeria who have successfully implemented pension reforms. The intention was to find the best pension solution to meet the entire retirement needs of Ghanaian populace and the establishment of the New Pensions Law, the National Pensions Act, 2008 (Act 766).

The new pension scheme was consequently launched, which sought to integrate all pensions into a three-tier contributory pension scheme. The contemporary pension reform merged all pensions into a framework combining three separate pension pillars which includes; tier one (Mandatory Basic National Social Security scheme) for formal sector workers, second tier (Mandatory

Occupational Pension Scheme) also for formal sector workers and tier three (Voluntary provident fund and personal pension schemes) for informal sector workers as well as formal sector workers who want to enhance incomes from their first and second tiers pension benefits. In order for Ghana to come out with a standardized and best pension framework, the pension reform in 2008 was based on the World Bank and International Labor Organizations' Multi-tier pension scheme while adopting the Chilean pension reform. The study finds that the establishment of the current pension scheme is an innovative alternate in contrast with the previous pension schemes such as the traditional system, Cap 30 and the SSNIT systems because of its appropriateness to provide effective and contemporary mechanism for securing adequate retirement income for pensioners.

Regarding the associated challenges with the informal sector, it was revealed that lack of trust in the trustees and their long-term pension products due to the many incidences of fraud suffered by the informal sector workforce at the hands of savings and microfinance companies is a major threat to the three-tier pension scheme. This level of mistrust makes it difficult for most informal sector workers to accept pension as a means of securing retirement income security. Besides, there is low patronage of the pension scheme by the informal sector workers coupled with limited companies administering the third-tier pension scheme in Ghana. The study further identified a challenge of funding with NPRA although so many mechanisms have been adopted to curtail these challenges such as financial literacy to as many informal sector workers as possible to build trust and confidence in the pension scheme and a financial support from Swiss Government through the Swiss Economic Cooperation Office (SECO), to aid NPRA carry out organizational reforms to help build capacity to successfully implement its mandate.

5.2.2 Perception held by informal sector workers about the provisions in the third-tier of the TTCP scheme

The study finds that 84.3% of the informal sector workers are aware of retirement planning; however, retirement planning from the perspective of informal sector workers is through some informal modes. It was revealed that informal sector workers prefer to rely on their children and operation of businesses such as shop operation and renting of houses to earn a living during retirement rather than enrolling on pension systems to serve as a source of retirement income security owing to lack of knowledge on pension schemes.

Regarding the level of knowledge of the third-tier pension scheme among informal sector workers, it was discovered that numerous informal sector workers are not cognizant with the presence of the third-tier pension scheme, whilst only a few number of workers are aware and have duly subscribed to the scheme. Also, many informal sector workers are not aware of the various schemes and institutions responsible for pension administration. Therefore, education and awareness should be intensified to maintain understanding of the scheme and broaden the enrolment and subscription to the scheme.

Concerning the willingness to subscribe to the scheme, it was discovered that a significant number of informal sector workers were confident to subscribe to the third-tier pension scheme because the scheme has the ability of providing adequate retirement income security. However, some group of informal sector workers were not willing to subscribe to the scheme because they perceive the scheme as not capable of providing the needed retirement income security because of evidence from their family members who complain about the bureaucracies associated with previous pension schemes.

5.2.3 Guaranteeing retirement income security for informal sector workers

The research finds that various mechanisms have been adopted to protect the incomes of contributors. It was further discovered that contributions from informal sector workers are managed by qualified experts such as trustees who are well-trained to add value to the incomes of subscribers with the expectation of reducing loss of contributors' incomes. Further, supervising pension entities such as trustees, fund managers and pension fund custodians are also put in place to protect incomes of subscribers. More so, contributions from workers are invested into a permissible venture such as real estate development, treasury bills and bonds while microfinance investment is prohibited. This indicates that monies paid by subscribers during working years are to yield extra incomes which are expected to provide sufficient retirement income security for workers.

5.2.4 Extension of pension coverage to the informal sector

The study also finds the existence of several systems of spreading pension coverage to the informal sector. It was revealed that regulatory bodies take advantage of using public education to create awareness among informal sector workers through radio stations, presentation to the informal sector workers in all ten regions of Ghana. Additionally, to extensively expand the pension coverage, marketing campaigns are embarked within the various markets in Ghana while registering interested workers through personal interaction and one-on-one communication.

Finally, engagements of trade unions play a vital role through the union leaders in expanding pension coverage among informal sector workers. Informal sector workers are reached through their various informal sector associations with support of Trade Union Congress (TUC) to get more knowledge on the third-tier pension scheme.

Summary of main findings

- The establishment of the current pension scheme is an innovative alternative in contrast with the previous pension schemes namely the traditional system, Cap. 30 and SSNIT pension systems.
- There is a challenge of funding faced by NPRA although the Swiss Government through the Swiss Economic Cooperation Office (SECO) provides some source of financial support to aid NPRA carry out organizational reforms and also build capacity to successfully implement its mandate.
- Numerous informal sector workers are not cognizant with the presence of the third-tier pension scheme, whilst only a few numbers of workers are aware and have duly subscribed to the scheme.
- Significant numbers of informal sector workers are confident to subscribe to the third-tier pension scheme because; the scheme has the ability of providing adequate retirement income security.
- Contributions from informal sector workers are managed by qualified experts such as trustees who are well-trained to add value to the incomes of subscribers with the expectation of reducing loss of contributors' incomes.
- Contributions from workers are invested into permissible ventures such as real estate development, treasuring bills and bonds while microfinance investment is prohibited.
- Regulatory bodies take advantage of using public education to create awareness among informal sector workers through radio stations, presentation to the informal sector workers in all ten regions of Ghana.

- To extensively expand pension coverage to the informal sector, marketing campaigns and trade unions are use.

5.3 Recommendations

From the findings, the following recommendations are presented:

For effective pension provision in the informal sector, policy makers and regulatory bodies are advised to increase the number of entities that administer the third-tier pension scheme to increase access to pension provision among informal sector workers. Additionally, a waiver should be granted to entities which are ready to administer the third-tier pension scheme. Again, policy makers should consider auto-enrolment of the third-tier pension scheme within the informal sector.

Consequently, public education and sensitization should be strengthened to ensure that every worker within the informal sector fully understands all provisions and aspects of the third-tier pension scheme in order to increase the number of enrolment through the use of multiple linguistic sources to reach many illiterate workers.

Added to the above, public confidence should be maintained in order to gain trust for the scheme. This will encourage informal sector workers to subscribe to the scheme. Information on the three-tier pension scheme should be more informative and capable of meeting the informative needs of the public to achieve positive support from them, which may invariably contribute significantly to expanding coverage among the informal sector workforce. In addition, policy makers should consider a way of strengthening the three-tier contributory pension framework to afford contributors the right to future lump sum pension benefits to secure mortgages. This will,

for instance, give the workers the chance to own their residence prior to retirement by using their pension benefits as a guarantee.

Finally, informal sector workers should cooperate with pension managers to accept the third-tier pension scheme by subscribing to the scheme and also the regulations in Act 766 should be easily made accessible to the informal sector. Some of the information can be translated into the various local languages.

5.4 Limitations and Recommendations for Future Research

Despite the gains and progress made in the research, there are some inherent and inevitable difficulties encountered. The study focused on pension reforms and the informal sector, because of the difficulty in reaching most officials from trustee and informal sector foundation entities, only three officials were interviewed whereas there are more trustees, fund managers and custodians in Ghana. The study was limited to three officials in getting inputs from more trustees, fund managers, custodians and informal sector foundation who are equally substantial and may have had crucial insights in shaping the findings. Potential studies may eliminate this bias and devise efficient and strategic ways of sieving information from these indispensable entities. It will therefore be insightful for future studies to devote more time and resources to consider pension reform and retirement income security within the informal sector from the perspectives of fund managers, custodians and diverse trustees.

Future studies may also consider exploring the subject from informal sector workers' perspective beyond Accra and the Central regions to gain more insight into the perception held about the provisions in the third-tier pension scheme. Also, the study did not examine pension reform and retirement income security from the perspective of informal sector workers in other industry such

as, agricultural, artisans, mechanics and saloon operators to aid in gaining additional information from this group of people. This may provide avenues for new researches to provide insight into pension reform and retirement income security and the informal sector in Ghana. Although a preliminary test was conducted through a visit to NPRA, and the design of an interview or focus group discussion guide based on extant literature to ensure the comprehensiveness of the questions, it is not certain that the designs captured all possible issues.

Again, future studies may design more appropriate methodology that curtails the incredible hitches associated with gathering information and explore the phenomenon from multiple dimensions. Also, the study was conducted using a qualitative and phenomenology approach. New studies may employ mixed method making use of both qualitative and quantitative methods in drawing the study subjects which may provide significant difference in findings and enrich research findings for policy advancement.

5.5 Conclusion

Ghana passed Act 766 and developed the three-tier contributory pension framework due to the long-standing social security challenge of income insecurity to provide adequate retirement income security for Ghanaian workers. There has been some support and concern for pension reform and retirement income security for workers within the informal sector since informal sector workers are mostly neglected in pension provisions due to the nature of the sector. Several mechanisms have been developed to enhance pension within the informal sector. Though with the advent of the three-tier contributory pension framework, adequate provisions have been made to include all informal sector workers irrespective of the type of trade engaged in, coverage has largely been low due mostly to lack of trust, lack of knowledge, illiteracy and low understanding of pension planning among informal sector workers. Further, the policy of investing workers'

contribution into a permissible venture has made way for protecting funds from contributors hence ability of the three-tier pension scheme to provide adequate income security for workers during retirement. The principal policy implication is that considerable scope remains for improved accountability on pension funds through regulatory bodies. Extension of pension within the informal sector also needs to be encouraged by incorporating the views of workers and trade unions to find out what works best for them in meeting their retirement needs when it comes to pension provisions.



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APPENDICES

APPENDIX A: INTERVIEW/FOCUS GROUP DISCUSSION GUIDE FOR INFORMAL SECTOR WORKERS

Dear Respondent,

My name is Rosemond Obuobi, a student of the University of Ghana Business School pursuing **MPhil in Human Resource Management**. I am conducting a study on “**Pension Reforms and Retirement income security for Ghanaian workers: An adequate provision for inclusion of the informal sector**”. Kindly respond to the following questions and be assured that your responses will be duly appreciated, treated with utmost confidentiality and used for academic purposes only.

Section A: Socio-Demographic Characteristics

1. Age:
2. Gender:
3. Educational Level:
4. Marital status:
5. Number of years in trade:
6. Type of trade engaged in:
7. Income range:

Section B: Perception about provisions in the third-tier pension scheme.

8. What is your understanding of retirement?
9. How are you planning for your retirement?
10. Do you know about any informal sector pension scheme? Have you enrolled unto any of such scheme?
11. Why do you think informal sector workers are not willing to subscribe to this form of pension schemes?
12. What do you know about the third-tier of the three-tier pension scheme introduced in Ghana?
13. How did you get to know about it?
14. Do you think the third-tier pension contribution will be able to guarantee retirement income security for informal sector workers?
15. Are you willing to contribute to this scheme? Why do you think it is important to contribute to the scheme?
16. Are you aware of the designated point to make contributions to the third-tier pension scheme?
17. What do you think can motivate the informal sector workers to sign unto the third-tier pension scheme?

APPENDIX B: INTERVIEW GUIDE FOR NATIONAL PENSIONS REGULATORY AUTHORITY

Dear Respondent,

My name is Rosemond Obuobi, a student of the University of Ghana Business School pursuing **MPhil in Human Resource Management**. I am conducting a study on “**Pension Reforms and Retirement income security for Ghanaian workers: An adequate provision for inclusion of the informal sector**”. Kindly respond to the following questions and be assured that your responses will be duly appreciated, treated with utmost confidentiality and used for academic purposes only.

1. Age:
2. Gender:
3. Educational Level:
4. Marital status:
5. Number of years in your present job:
6. Job Title:
7. Tell me about the pension reforms that Ghana has undergone as a nation?
8. Has the pension reform been influenced by any one person, organization or institution?
9. From your perspective, what do you think of the third-tier pension scheme patronage?
 - (a) Do you think pensions in the informal sector have improved after the introduction of the three-tier pension scheme? Kindly share your view.
 - (b) Can you please give measures that are taken by the authority to improve upon informal sector pension enrollment in Ghana?
10. Can you share some of the challenges associated with the introduction of the three-tier pension scheme in respect of the informal sector and also steps taken to avoid such challenges?
11. What measures have been put in place to ensure compliance of the informal pension scheme?
12. Do you think the three-tier pension scheme has been able to achieve its objectives regarding the informal sector since its introduction?
13. What education does your institution provide to increase coverage for informal sector pension participation? How frequently and how?
14. How are the interests of contributors safeguarded?
15. Tell me about some of the impacts of the informal sector pension scheme on the informal sector workers?
16. Are there any challenges hindering coverage of pension to the informal sector?
17. What measures are put in place to mitigate these challenges?
18. How can the informal sector pension scheme guarantee income security for informal sector workers after retirement? How? Why?
19. How adequate is the third-tier pension scheme

**APPENDIX C: INTERVIEW GUIDE FOR FRIEDRICH EBERT STIFTUNG
FOUNDATION
(INFORMAL SECTOR FOUNDATION)**

Dear Respondent,

My name is Rosemond Obuobi, a student of the University of Ghana Business School pursuing **MPhil in Human Resource Management**. I am conducting a study on “**Pension Reforms and Retirement income security for Ghanaian workers: An adequate provision for inclusion of the informal sector**”. Kindly respond to the following questions and be assured that your responses will be duly appreciated, treated with utmost confidentiality and used for academic purposes only.

1. Age:
2. Gender:
3. Educational level:
4. Marital status:
5. Number of years in your present job:
6. Job Title:
7. Who are Friedrich Ebert Stiftung foundation and what are your roles? For how long has the foundation been in existence?
8. What is the foundation’s role especially in the implementation of the three-tier pension scheme in the informal sector?
9. How is the foundation supporting the NPRA in extending pension coverage among the informal sector workers?
10. What are some of the problems encountered in the informal sector pension management?
What measures are taken to minimize some of these problems?
11. Provide some of the benefits associated with the introduction of the informal sector pension scheme and in your view, are these adequate to ensure retirement income security for such workers?
12. Can you share some of the perceptions held by informal sector workers with the introduction of the third-tier pension scheme?
13. What is the impact of your role in ensuring the overall efficiency in pension delivery in the informal sector?
14. What are the critical factors hindering coverage of the informal sector pension scheme?
15. How can the third-tier pension scheme guarantee income security for informal sector workers after retirement?

APPENDIX D: INTERVIEW GUIDE FOR PEOPLES PENSION TRUST

Dear Respondent,

My name is Rosemond Obuobi, a student of the University of Ghana Business School pursuing **MPhil in Human Resource Management**. I am conducting a study on “**Pension Reforms and Retirement income security for Ghanaian workers: An adequate provision for inclusion of the informal sector**”. Kindly respond to the following questions and be assured that your responses will be duly appreciated, treated with utmost confidentiality and used for academic purposes only.

1. Age
2. Gender
3. Educational Level
4. Marital status
5. Number of years in your present job
6. Job Title
7. Who are Peoples Pension Trustees?
8. What are your roles as trustees?
9. For how long has the trustee been in Ghana?
10. What is the trustee’s role especially in the implementation of the third-tier pension scheme in the informal sector?
11. How is Peoples Pension Trust supporting the NPRA in extending pension coverage among informal sector workers?
12. What are some of the problems encountered in the third-tier pension management?
13. What measures are taken to minimize some of these problems?
14. Provide some of the benefits associated with the introduction of the third-tier pension scheme and in your view, are these adequate to ensure retirement income security for such workers?
15. Can you share some of the perceptions held by informal sector workers with the introduction of the third-tier pension scheme?
16. What is the impact of your role as trustees in ensuring the overall efficiency in the third-tier pension delivery in the informal sector?
17. What are the critical factors hindering coverage of the informal sector pension scheme?