

**THE IMPACT OF THE SSNIT PENSION SCHEME
ON RETIRED WORKERS IN ACCRA**

By



MARY NAGETEEY (MRS)

2003/04

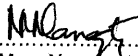
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IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF
MASTER OF ARTS DEGREE IN SOCIOLOGY**

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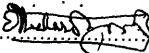
DECLARATION

I hereby declare that this work was undertaken by me, Mary Nagetey. I further affirm that this work has never been submitted to any University in part or whole for a degree or diploma.


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(Supervisor)

Date: 

.....
Nana Apt Van Ham (Prof)
(Supervisor)

DEDICATION

To Kofi my husband, Priscilla, Dinah and Andy my kids

and

To my mum and sister Dorcas



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ABSTRACT

The SSNIT Pension scheme was instituted (covered from Provident Fund) in 1991 with the promulgation of PNDC Law 247 to pay benefits in the event of some specified contingencies namely: old age, death and invalidity.

The study focused on the old age benefits paid to retired workers (contributors) which is deemed as a replacement of their lost income. Benefits paid range between fifty and eighty percent of ones best three years' salary.

Though the system has been in operation for sometime now, its impact has not been well felt due to the low levels of pension income paid to majority of its beneficiaries.

The main cause of these low pension levels has been the general poverty level in the country. To make matters worse, economy-wide factors such as high inflationary rates, high cost of living erode the real incomes of the pensioners. Hence, post-retirement life is extremely difficult for the vast majority.

The objective of the study was therefore to find out other supplementary benefits that pensioners might require from the scheme to ease the effect of inflation on their real incomes.

Perhaps it is expedient for Management of the scheme to review the scheme to respond to the demands of its retired workers by offering some supplementary benefits. In addition, there is the need for the institution of other complementary schemes to ensure adequate income to enable retired workers live a meaningful post-retirement life.



ACKNOWLEDGEMENT

I wish to acknowledge with much appreciation the help I received from many people that enabled me write this essay.

My warmest appreciation goes to my supervisors Prof Nana Apt Van Ham and Mr. T. E. Richardson whose useful criticisms and suggestions have made this essay what it is. I very much acknowledge their invaluable and indispensable help offered me.

My appreciation goes to my husband Kofi for his advice, patience, love, moral support and above all, the effort put into editing this script.

I take this opportunity to once again acknowledge my mum who took care of my kids in my absence, my sister Dorcas for her invaluable assistance and my kids for their understanding.

I cannot bring this acknowledgement to an end without mentioning my friend Mrs Grace Andoh-Bissue for her encouragement and for being a source of inspiration to me.

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CHAPTER ONE

1.0 INTRODUCTION

After years of hard work, it is expected that a retiree enjoys the fruits of his labour. Thus social security and employer pensions were established to cater for and provide income protection for the retired worker. These pension benefits are mainly in the form of monthly pension payments received from social security institutions by the retired worker. Most of these institutions operate a contributory scheme where workers contribute a percentage of their salaries during their working life and expect to be paid some benefit for as long as they live, or for a specified period depending on the type of scheme they belong to.

In Ghana, the Social Security and National Insurance Trust (SSNIT) is the institution that provides basic social security to its members. In 1965, the government of the Conventions Peoples Party (CPP) introduced a formal social security scheme. Workers and their employers were required by law to make monthly contributions into the fund which was set up to provide certain contingencies to workers.

Workers were expected to contribute a total of 17.5% of their salaries (i.e. 5% employee and 12.5% employer) to the fund during their working life. This system developed over the years and in 1991 was converted into a pension scheme for workers. The scheme makes provision for only three contingencies; these are old age, death and invalidity benefits. It attempts to provide a comprehensive coverage for all workers in Ghana with the sole idea of ensuring income maintenance for the future.

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Upon retirement, death or invalidity of the member, the scheme pays the appropriate benefits to the member. In the case of old age benefits, which this study seeks to examine, retired members are paid benefits in the form of pensions commensurate with their age and number of months worked at the point of retirement, which is the main qualifying condition for payment of old age benefits. The scheme provides between 50% and 80% of the average of three best years of pre-retirement salaries as pension income.

The pensioner in this case, receives monthly pension income for as long as he lives or a lumpsum in the case where the retiree does not meet the required qualifying condition of the scheme. However should the pensioner die before age 72, the unexpired portion of his benefits (i.e. benefits that would have been paid between the age the pensioner died and age 72), is paid to his dependants. These pension benefits received by the retired worker is deemed as a replacement of his lost income.

1.1 Research Problem

Social security benefits has been almost entirely the sole source of income to most retired workers (contributors) in Ghana since the introduction of the scheme in 1965. This has been the case as there has been a decline in the functions performed by the extended family system that hitherto provided a safety net for needy members of the family in the form of hospitality, protection and support for both the young and old. The extended family system has undergone a drastic change due to economic difficulties and other social factors such as migration and education which have gradually pushed the population to individualism.

In view of this, the responsibility of caring for the aged and for that matter the pensioner does not rest much on the family. Workers are therefore in a way expected to make provisions for their post-retirement life in order to sustain their income after retirement.

For this reason, people in their working years are in a way compelled to set aside part of their income when working to the social security fund which will provide them with a basic floor of income protection when they retire. As at December 1998, the scheme covered a total active contributors of 632,235 from the following institutions: Private (49.51%), Government establishment (44.50%) and subvented organisations (5.99%).

Currently, the scheme has on its payroll, over 30,000 pensioners and pays a basic monthly minimum pension of ₵8,500. That is to say, all pensions that fall below this figure after calculation, are automatically placed on an income of ₵8,500. The scheme has however attempted in a modest way to use the technique of indexing pension to preserve real income of its retired members. For this reason, each year, beginning from 1992, pensions have been indexed by a factor that takes into account the prevailing rate of inflation.

Inflation is one of the intractable problems the Ghanaian economy has faced for a very long time (Sowa and Kwakye 1994). Since 1972 inflation has remained generally high, ranging between 10% in 1972 and 123% in 1983. Inflation rates in the 1990s have been no different recording 10% in 1992, 27.4% in 1993, 24.9% in 1994, 70.8% in 1995 and 42.6% in 1996.

The very high rates of inflation experienced in Ghana have immensely undermined the otherwise impressive macro-economic performance since the introduction of Economic Recovery Programme (ERP) in 1983 (Sowa and Kwakye 1994). They state further that inflation rates have continued to be above targets set within the ERP at 25% or more since 1986.

The significantly high rates of inflation experienced in the economy has resulted in the fact that for any general increases in wage rates and pension incomes, the intended effects in terms of increases in purchasing power are

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eroded. Also, it means that social security pensions and lumpsum payments are put under stress since the real monetary value is eroded, meaning continual adjustment in indexation level of payments to meet expectations of retired workers. High rates of inflation have resulted in high cost of living in the economy in terms of high prices of goods and services.

Furthermore, low incomes of workers in Ghana have greatly contributed to the plight of workers in their post-retirement life. Due to low incomes generally received by workers in the country coupled with the high cost of living, it is virtually impossible for Ghanaian workers to save money for the future apart from the compulsory deductions made from their salaries towards the pension fund. This problem can be traced to the general poverty level in Ghana.

Poverty has been defined as a state in which an individual or group of persons cannot meet the basic necessities of life either because they cannot afford them or the necessities are not available or both (Asenso-Okyere, Asante, Gyekye, 1991). Ghana's poverty as noted by the above has been caused primarily by a number of factors such as low income. High unemployment rate is an additional factor in the economy that has also increased the dimension of poverty in Ghana. They noted further that the private sector responses to Ghana's reforms has been below expectation so that many workers who were laid off from the public sector cannot still find jobs in the private sector. The long-run effect of this problem is that contributions made towards the scheme is so low that pensions paid later as social security benefits are equally low.

The above discussed issues have made the pensioner worse off because contributions made towards the scheme are very low resulting in low pensions and also because he cannot save and invest money towards the future all due to the low incomes received.

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Other employment-related factors such as fringe benefits and other free or subsidized services that cease upon retirement also add to the plight of the Ghanaian pensioner. Most retired workers in Ghana cannot therefore live a good and quality life.

Low savings, if any, resulting from low incomes has meant that retired workers in Ghana continue to rely almost entirely on social security benefits which seem inadequate for a decent living.

The study seeks to examine the objectives of the Pension scheme and in the light of the above discussed issues, find out how effective the scheme has been as a sound safety net providing a minimum income for subsistence, using pensioners in Accra as a test case.

1.2 Objectives of the Study

This study seeks to find out the extent to which the pension benefit represents lost income to the retired worker. As a corollary, it will seek to find out what supplementary benefits pensioners expect from the scheme to make up the inadequacies of incomes received.

A minor objective is to find out whether the major objectives of the SSNIT pension scheme in respect of the provision of services such as prompt payment of pensions and provision of efficient services to its retired contributors are being achieved. This is vital because if payments are irregular and untimely, beneficiaries are likely to encounter financial problems.

1.3 Hypothesis

The purchasing power of pension incomes paid by the SSNIT is a function of the rate of inflation. Thus the higher the rate of inflation, the lower the real incomes of pensioners.

Therefore, as a minor hypothesis, the lower the real incomes of pensioners, the higher the demand will be for other benefits or services as supplements to pension incomes.

1.4 Conceptual Framework

From the perspective of Sociology, social aging consists of passage from one socially defined position to another in the course of growing up and growing old. The idea of old age is not simply a role adopted at a certain chronological age - an experience which can be considered in isolation from the rest of the life course. Ageing is often seen as a social problem viewed from one or more basic perspectives. The Structural Functional Theory is instructive in this regard in explaining the functions of the various institutions in the society for the continuance of the social reality. It will then offer perspectives and explanation on how the functions of the family is gradually being substituted by a Government institution due to changes in the entire society which has in turn caused changes in the functions performed by the family.

From the functionalist perspective, ageing is a problem because the institutions of modern society may not be functioning well enough to serve the needs of the dependent aged. In trying to identify this new social reality in its broadest sense, there is the need to look at the functioning of the whole society and its institutions or subsystems. If it is a reality that a certain institution is no longer filling a function because of change, it is important to look at the whole system to see the cause. This change may be due to changes in another institution.

Merton for example, sees functional theorizing as potentially embracing these postulates: the functional unity of the social systems, the functional universality of functional items and the indispensability of functional items and social systems.

According to him, social systems reveal social integration into a necessary requisite or need for social survival. They represent a focal point for integration between individuals, their needs and the necessity for group living among humans. Furthermore, some anthropologists have assumed that if a social item existed in an ongoing system, it must therefore have had positive consequences for the integration of the social system. That is to say an item is a part of a system therefore the item is positively functional for the maintenance of the system.

The important idea in the functional system theory is that there is an inter-dependence among institutions. As Buckley (1971) says, each component of the system is related to others in a causal network. Alvin Gouldner also asserts that a change in one part of the system may yield unforeseen and undesirable consequences in another part of the system due to the inter-dependence of its elements (Gouldner 1970 p. 648).

The family as an institution is seen as a functional requisite for the maintenance of the aged in society. The Encyclopaedia of Social Sciences defines functional requisite as "a generalised condition necessary for the maintenance of the type of unit under consideration given the level of generalisation and the most general setting of the unit". It concerns itself with "what must be done to maintain the system concerned in its setting on the level under consideration". To the structural functionalist, a given condition is functional requisite if its removal would result in the total dissolution of the unit, or the change of one of the structural elements of the unit or the level of consideration.

A most admirable aspect of the extended family system is the mutual help among members both in routine circumstances and crisis situations. It is thought of as maintaining a set of social relations, or rights and duties which is essential for carrying out purposive activities in pursuit of individually and culturally given ends of a society. As a sub-system, it contributes in no small way to the maintenance of the social structure performing its functions of child care, maintenance of the needy members and the aged of society, which the sociologist considers as functional prerequisite.

However, the greater social mobility and shift to nuclear family as a basic kinship unit have weakened the extended family system which once allowed elderly people to live out their lives among their kin. The solace solidarity, mutual helpfulness, interdependence and concern for the well being of the individual member which were derived from the extended family system is now being eroded. Migration, urbanization, education and wage labour are the main factors within the broad socio-economic changes that are affecting the structure and support system of the family (Apt, 1985). The erosion of this system culminates in the individualistic mode of existence.

In this situation, there is a disequilibrium in the social structure which means that all parts of the system are not working together smoothly or are out of balance. According to the functionalist/system theory, the whole society is dynamic therefore, the disequilibrium is temporary. The society will necessarily move to a new equilibrium or stable state because adjustments occur to take care of tensions caused by changes usually by a traditional institution. However, there are situations where the society or need meeting institution is unable to adjust itself into a new state of equilibrium. This is a critique of the functionalist theory that assumes that the society automatically adjusts to changes that occur to ensure equilibrium in the social structure.

In the event that the society is unable to automatically adjust, a gap or vacuum is created which must necessarily be filled by an alternative institution. Theorists call this the use of Functional Alternatives i.e. when changes cause the normal need-meeting institution to have difficulty in filling a function; an alternative institution takes over. The sociological reasoning here is that either the society automatically adjusts to the change, or the social policy planner or other professional bodies step in and provide a programme.

With the disintegration and malfunctioning of the extended family, alternative institutions are developed either by the government through policies and by other private bodies to provide some sort of assistance in the form of financial support for the elderly to maintain equilibrium in the social structure. These include factors such as accumulation of pension rights, access to and participation in pension schemes and the availability of residential accommodation. All these act as supporting institutions at the later stages of the life course for the survival and maintenance of the social system. As asserted by Merton these factors are indispensable for the survival and unity of the social system.

The idea here is that, there are functional alternatives; that is to say, a function can be performed by different institutions in a society or conversely, several institutions can perform the same or similar functions. The family in this regard is not the only institution that can carry on the function of the care of the elderly; other welfare institutions can carry out this function. Kahn (1983), also assumes that because of changes in the family, the economy or the social welfare institution will have to take on the job of bringing a substitute for meeting a need or an institution providing support to the traditional need-meeting institution.

Today private retirement plans are important economic mechanism for providing income for old age. These plans have shown significant growth since 1950 when pension plans first became accepted as a proper issue for collective bargaining. This institutional intervention however, may also have its drawbacks; they may have consequences society did not expect. That is to say, they have manifest and latent functions. For instance some legislators fear that a latent function of a guaranteed annual income will be to decrease work incentive (Huffman 1981). Social security schemes as institutional interventions for that matter have had unexpected consequences to deal with. In view of this, life course events prior to retirement influence the social and economic position of the people well beyond the age of withdrawal from the labour market.

1.5 Literature Review

Research and literature existing in the area of social security and social insurance schemes is quite limited. Available literature indicate however that generally, notwithstanding the fact that developed countries have relatively high proportion of the elderly, they have come close to achieving universal coverage for its members through broad social security schemes. For the developing countries however, particularly Africa, where the majority of their population live at subsistence levels, income security is a principal concern. Where there are social security programmes, their coverage is at best limited to the modern formal sector employment.

Although most developing countries have long had some formal public and or private pension programme, their coverage has often been limited to formal labour markets in urban areas. Old age security for the rest of the population has been provided through extended family arrangements, mutual aid societies and other informal mechanisms. But as extended family ties weaken due to urbanisation and mobility, and as the proportion of the population that is old grows due to medical improvements and declining fertility, these countries are forced to re-evaluate their degree of reliance on informal system.

This is now happening in many African and Asian countries. The challenge facing them now is how to shift to formal systems of income maintenance without accelerating the decline in informal systems and how to avoid the mistakes that other countries have made as they designed their formal systems.

The need to re-evaluate policy is even more pressing for countries that in the past introduced formal programmes of old age security whose costs have now risen to a point that they can no longer afford as in many Latin American and Eastern European countries (Estelle: World Bank 1992).

In Africa, modern systems of social protection for the aged were introduced very gradually prior to 1960, the year when most African countries gained their independence. The trend however, gained momentum after 1960 and more particularly during the last three decades. By March 1999, public mandated pension schemes were already in existence in thirty-nine (39) countries while Provident Fund Schemes were being administered in four (4) countries (Ejuba 1999).

Aging is not considered a major pre-occupation in most African countries, as it does not threaten the economic, social and political institutions (Ejuba 1999). Firstly Africa has a young population: 0-14 years constitute about 50% of the total population in most countries. Secondly, the aging population is very low. It averaged about 5.2% in 1999 as compared to 18.6% in Western Europe and North America, and 13.8% in Eastern Europe and the former Soviet Union.

The proportion of Africa's elderly population 65 years and above on average stands at 3.0%. It is the lowest of any world region. Nevertheless the proportion is expected to increase enormously by 2025 (Apt. 1997). This is

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confirmed by US Bureau of Census 1992 that the global population aged 65 and above is estimated to be 342 million persons in 1992, or 6.2% of the world total. This represents an absolute increase of 9.7 million since 1991. The current issue is that developing countries are aging at a more rapid rate than in the developed world. The current growth rate of the elderly in developing countries is double that of the world's population of all ages (US Bureau of Census, 1992).

The need to provide protection for the elderly by guaranteeing them a basic income has long been recognised as a fundamental objective of social protection (Ejuba 1999). With the attainment of independence of most African states in 1960, the introduction of old age protection schemes with the technical assistance of the ILO office gained a new dimension. The need for effective social security protection is increasing as can be seen from the number of countries that have established mandatory pension schemes during the past three decades.

International Labour Organisation (ILO) report on social security (1997) stated that one of the principles of social security coming out of the Beveridge Report and the ILO Income Security Recommendation 1944 (No.67) is that of universal coverage: protection to be extended to the national community as a whole. Social Security is not the aspiration of only one social class, certain professional categories or under-privileged groups. It should meet the needs of all workers and as a human right, those of all the population.

It is therefore a question of eliminating inequality between social or occupational groups and of establishing general solidarity on the part of the community for the benefit of residents. The tendency in industrialised countries is to widen coverage and to make protection universally available even though the ultimate objective of this doctrine has not yet been attained anywhere (ILO 1997).

In developing countries, extension of coverage is an objective which is difficult to achieve. In some countries coverage continues to extend only to civil servants. In most African countries for instance, coverage is confined to wage-earners or certain categories of this group, while the vast majority of the population does not receive protection of any kind (Ejuba 1999). Only in nine (9) countries has protection been extended to non-wage earners in Algeria, Egypt, Equatorial Guinea, Gabon, Libyan Arab Jamahirija, Botswana, Mauritius etc. Most of the scheme in French-speaking Africa covers domestic servants while the majority of the schemes exclude casual or temporary workers. In other countries, such as Nigeria, Sudan, Liberia, establishments with less than five (5) employees are excluded. This used to be the case in Ghana until the law was repealed with the conversion from Provident Fund to Pension Scheme. The majority of countries base their decisions concerning the scope of pension schemes on the existence of employer- employee relationships.

The ILO (1997) report further indicate that progress in expanding coverage of schemes is certainly less rapid in developing countries than in industrialised countries. Nevertheless, compulsory protection is gradually spreading. Excluded categories are also being reduced. Some developing countries have widened the coverage of pension protection to some or all self-employed workers. In Ghana, the social security law makes it compulsory for all Ghanaians in formal employment to contribute to the scheme and this is enforced; membership however is voluntary for those in the informal sector and coverage of this sector has not so far been really extensive.

Due to the heterogeneous nature of this sector, the social security scheme is being adopted to suit the special features of the sector in terms of the coverage. In the light of that, some efforts made so far by the SSNIT to promote the sector and to encourage their membership of the scheme include the following:

- i) construction of market stalls for a number of people in that sector, with the hope that it would be a basis for encouraging their enrollment with the scheme.
- ii) construction of industrial estates and abattoirs for similar reasons,
- iii) a comprehensive study with the support of the World Bank to provide a blue-print for total coverage of the sector.

Virtually throughout the world, old age pension schemes are modern methods used to maintain the standard of living of the elderly. Old-age pensions are the most important of all social security benefits not only from the economic and financial point of view but also from the psychological and political view.

Recent researches conducted have proven the fact that, survival for the majority of the aged particularly after retirement depends mostly on benefits received from social insurance schemes. The objectives of social security is broadly seen as public action, including that by the communities, to protect the poor and vulnerable from adverse changes in standard of living. Social security is also to protect the poor and ensure that they have an acceptable standard of living.

ILO report on pension schemes (1997) states that the common objective of old-age protection schemes is to guarantee income security to the elderly, by means of the payment of cash benefits intended to form the major part if not the totality of their income. Estelle (1992) also indicates that benefit offered need to replace only a fraction of earnings during the working years. Most industrial market economies limit the replacement rate to between 40% and 60% earnings. This amount is not enough to provide basic protection (Estelle 1992).

Atchley (1988) re-affirms Lord Beveridge's assertion that "the purpose of social security is to abolish want by guaranteeing every citizen an adequate income at all times to meet one's needs. In this case, the objective of social security is to guarantee each person a minimum livelihood through better distribution of income". Scotland (1973) similarly argues that whatever method adopted, the primary aim of social security has been to replace income lost because of broad social and economic factors or to provide a minimum floor of protection through the maintenance of minimum cash income.

This can mostly be experienced in the fast developing states or in the advanced countries. Unfortunately, in the third world countries and for that matter in Africa and Ghana in particular, the situation is rather different. Most workers who retire are unable to live good and quality lives for the reason that they have not adequately prepared themselves for retirement (Lloyd Evans 1999). He admits further that the political systems that most African states operate do not also lend itself to support workers during retirement.

Greevey (World Bank 1990) reported that in Latin America for instance, the poor and especially the rural poor are for the most part denied access to this benefit. Pension benefits which are generally tied to earnings tend to be skewed toward those with higher incomes during their working lives, and are thus captured disproportionately by higher income groups both within the social security programme itself and when compared to the population as a whole. Those who need social security tend to be the ones who get the least from existing schemes. (Greevey 1990). The situation existing in other developing countries and for that matter Africa may not be any different. The most vulnerable groups in the society tend to be the ones provided the least protection by existing social security programmes.

Burgess (1990) in his book 'Aging in Western Societies' has also stated that when an individual relinquishes gainful employment, the outcome could be of grave consequences to him especially when there was no preparation for it. It entails a reduction in livelihood. In that regard, retirement is seen as a tragic event for many people and it has great repercussions on most aspects of their lives especially the individuals happiness and security.

Social insurance legislation in many countries according to ILO report (1997) does not stipulate that payment of an old-age pension requires cessation of gainful employment. The rationale is that the worker acquires the right to an old-age pension by paying contributions over a certain period of time and consequently, the pension has to be paid when the stipulated age has been reached, whether or not the insured person continues in gainful employment. In twenty-five (25) countries in Africa however, payment of benefits is subject to cessation from gainful activity. This condition ensures that there has in fact been a loss of income (Ejuba 1999). Enforcement of these provisions however, may be difficult.

Though they may not be linked in law, the two aspects cessation of occupational activity and entitlement remain complementary. The workers decision to claim a pension is influenced by the possibility of receiving pension which guarantees an adequate substitute income and on the other hand, the decision taken by the institution to retire him or her is easier when there is an old-age pension (ILO 1997). In this way, the setting of pensionable age is the key factor which most often influences actual retirement.

Normal pensionable age is usually equal to or lower than 65 years. This age is moreover the upper limit laid down in ILO international labour standards which nevertheless, do provide for exceptions. On the whole, pensionable age is higher in industrial countries than in developing countries.

Opinions are however, divided on pensionable age for men and women. Whilst some countries give women the right to collect old age benefits at an earlier age than men, with a difference usually of five years, others have the same pensionable age. In most African countries such as Morocco, Guinea, Egypt, Gabon, Botswana and Ghana, retirement age is the same for both men and women whilst in other Western countries such as Argentina, Australia, Bolivia, Brazil, Italy etc., the pensionable ages differ (source: US Social Security Adm. 1995).

Retirement systems differ across nations. Institutional rules regarding benefit levels and manner in which these benefits are financed, differ tremendously across countries (Mitchell 1993). These structural differences imply that economic effects of retirement systems vary greatly from country to country.

The financial problems of retired workers are compounded by additional factors. One factor is the high cost of health care, and inflation which is especially devastating to pensioners since their income is fixed. In Ghana for example high rates of inflation over the years has greatly affected salaries and wages in the country and for that matter the pensioners' income. The great majority of the people find it difficult to meet their basic needs requirements such as nutrition, health, education, housing and water supply. This may be due to inadequate means to procure these needs, or to lack of access to the basic goods and services of the society (C. K. Brown, 1995).

The real income needed to purchase goods and services is reduced and therefore a number of pensioners have no alternative than to be engaged in some form of employment. C. K. Brown (1995) confirms this in a survey he conducted on labour force participation. For the sample with an average age of

68.4, the labour force participation rate was high. Nearly half 47% indicated that they had received some remuneration either in cash or in kind from an economic activity in which they were engaged during the past six months. Reasons given for their participation was the urgent need for money to support themselves children and spouses.

Following from the above is the fact that though social security has been the major source of income for pensioners the need for other sources of income whether in cash or in-kind is a fact that cannot be overlooked. Myles (1979) also argues that only people in the top 25% of earnings brackets can provide for themselves in old age. He states further that in March 1984, 50.03% of people over 65 years were receiving Guaranteed Income Supplements. This includes pension payments to people who rely solely on old age pension for their income.

The problem is noted by Zastrow (1993) that many elderly do not have investments or savings to support them in retirement and therefore social security has become the major source of income for the elderly. This point is further stressed by Popple and Leighninger (1990) that most eldest in the American society rely on social security benefits as major source of income. For instance the level of benefits is low in many countries. This is partly due to the low incomes of the majority of the covered populations or the low ceiling levied for contributions, especially in countries where there are no mandatory complementary schemes (Ejuba, 1999).

Ejuba argues further that although there are provisions for a periodic or automatic adjustment of pensions either with reference to increases in wages or the cost of living, their application is often more in theory than in practice in countries still facing liquidity problems and huge budget deficits.

A study of pension schemes in Africa for instance has shown that a good many formal social security systems of Sub-Saharan African have experienced serious credibility problems due to many factors, such as low benefit levels, long lead times to process claims and poor services. Credibility problems have affected all systems - provident fund or defined contributions (Barbone and Sanchez 1999). Provident fund's problems derive from the fact that the benefits they provide correspond to contributions plus returns, so that all risks are shifted to the beneficiaries. In many other cases in addition, records could not even be located.

Barbone and Sanchez (1999) further argue that credibility problems of the defined benefit schemes are similar to those of the provident funds regarding services provided. However, since benefits are defined, the risks of poor performance, mismanagement of funds etc. are transferred to the government or to future generations. Serious governance problems underlie the loss in credibility. At the root of the poor governance is faulty institutional design. In many countries, the key problem has been the interference of the government in the Management of the funds.

The World Bank advocates that developed countries should depend less on the public sector in respect of social security systems. World Bank report (1994) states that the experience of many countries with failed systems suggest that the best way for most countries to meet constructively the challenge of an aging world be through a multi-pillar system. These systems are:

- A mandatory tax financial public pillar designed to alleviate poverty;
- A mandatory funded, privately managed pillar (based on personal accounts or occupational plans) to handle people's savings;
- A supplementary voluntary pillar (again based on personal savings and occupational plans) for people who want more protection.

Income of course is not the only factor affecting positive adjustment to retirement. Health is a matter of great importance and concern. As retired population grows older, good health becomes more problematic. Few survive beyond their seventies without deteriorating health. For most, such problems impose few restrictions upon mobility or achieving daily living goals. For others with more severe conditions, the role of patient tends to eclipse preferred retirement activities. (Hefferman, Ambrosino and Shuttlesworth (1988).

In the case of Ghana however, comprehensive medical care is excluded from the scheme. There are no provisions for medical assistance for the aged and even under the invalidity benefit, the qualifying conditions are restricted in scope.

1.6 Area of Study

The study area for this research was Accra. Accra was chosen due to its high degree of heterogeneity among the working population which enriched the study with various views from respondents. Being the capital city of Ghana, it has the highest population and consequently had a high population of retired workers enlisted on the SSNIT scheme receiving retirement benefits, SSNIT being the focus of this study. Furthermore, SSNIT pensioners have formed an association in Accra which made reaching the respondents quite easy for purposes of data collection.

1.7 Methodology

The study had as its target group, retired workers receiving retirement benefits from SSNIT. Specifically, respondents were chosen from the Accra branch of the SSNIT pensioners association. The group consisted of civil servants, public servants, teachers and persons from the private sector for purposes of comparison and for fair representation of the pensioners.

For the survey, purposive sampling technique was adopted to select respondents in the various categories of jobs discussed earlier. The researcher with the assistance of an executive member of the association, randomly selected twenty-five (25) persons in each category of workers earlier mentioned.

For this purpose, the researcher was present at the meetings of the association, and obtained a list of names of pensioners out of which the selection was randomly done by picking every second name on the list. Selected people were given questionnaires to fill. Interviews were adopted to supplement where necessary.

Out of a total of one hundred and seventy (170) distributed, only fifty-five (55) were initially retrieved. More copies had to be re-printed and redistributed since most of the respondents had misplaced them and some were just unwilling to fill and return them.

The researcher therefore had to attend and sit in the meetings of the pensioners which was held once in a month to interview and fill the questionnaire herself. An average of seven (7) questionnaires were filled at a time (i.e. at one meeting) for four consecutive times bringing the number up to eighty-nine (89). The remaining eleven were received after persistent calls on a few respondents who were not willing to be interviewed but wanted to complete the questionnaire by themselves.

1.8 Methods of Fieldwork

Quantitative method of social research was the main method employed in the collection of data. The research instrument used in the quantitative method was a structured questionnaire. The questionnaire was designed to cover the major themes of the research objectives. The questions consisted mostly of open-ended questions and were mainly self-administered because majority of

the respondents were literate. This allowed respondents to answer the questions at their own pace and thus solicit all ideas held on the issues.

Discussions were held with the executives of the target pensioners association, as a preliminary into the research problem from which pertinent questions were derived for the construction of the questionnaire.

This method provided an in-depth knowledge into the SSNIT scheme for the researcher, and unfolded some problems faced by the pensioners as well as an enlightenment on the role played by the Pensioners Association.

CHAPTER TWO

2.0 SOCIAL SECURITY IN GHANA

This chapter discusses the traditional social security that existed before the institution of formal social insurance schemes, the concepts and principles of social insurance, and deals specifically with social security schemes with particular reference to social security in Ghana. It provides a historical overview and transition to the present pension scheme. It further discusses the SSNIT pension scheme in terms of coverage, benefits provided as well as financial management of the scheme.

2.1 Traditional Social Security System

In developing countries, the need for social security in its modern form has arisen mainly as a result of industrialisation, urbanisation and the weakening of structures which used to provide informal economic and social security on family basis.

In Africa, the most common of the structures that performed these functions were the village, the clan, the extended family and the nuclear family. All these structures provided security for their members but one structure which covered an appreciable number of people, maintained intimate relations and provided most visible protection based on principles of solidarity was the extended family.

As was quite evident, a person staying in the family house was taken care of when he grew too old or too weak to work or if he became ill. Orphans in the family house became adopted children of the whole family. In short, the extended family system provided all kinds of benefits including those which in modern day parlance would be referred to as old age, invalidity, sickness benefit and maternity benefit inter alia.

With the introduction of machines which led to the Industrial Revolution in Europe, the competition between manufactured goods (which were less expensive and in most cases better) and similar products from villages resulted in people abandoning their family businesses for the cities in search of work for pay.

With the influx of rural folks in the cities there was a gradual weakening of the economic base of the rural society and ultimately to the complete loss of contact between the urban migrant and his extended family.

2.2 Transition to Modern Social Security

The growth in the population of the urban jobless in England for instance led to the enactment of the poor laws in the 16th century. These laws sought to provide relief for the aged, sick and poor. Though these laws underwent various changes, it did not bring any significant relief to its beneficiaries. For instance, to qualify for a benefit one had to pass some needs test to show that he was really poor and had attempted but failed to contact relatives for help. This notwithstanding, the introduction of the Poor Laws was a significant step forward because, it was an acceptance of the principle that the state or society, in general, was ultimately responsible for the welfare of all citizens.

A series of events occurred with the most important being the realization of the need for community action in the provision of protection against the consequences of illness, old age, death of the breadwinner and other misfortunes. This resulted in pressure being put on Governments to enact various laws to cater for the social security protection of workers and citizens in general.

2.3 Modern Day Social Security

Modern day social security began in Europe, Germany specifically under Chancellor Bismarck when he introduced a National Health Scheme in 1883. This was followed in subsequent years by other schemes introduced through statutes which provided other types of the social protection.

The body of laws providing income protection against certain contingencies as stated in International Labour Organization (ILO) Convention 102 of 1952 was for the first time collectively called Social Security by the United States of America when they enacted the Social Security Act 1935.

The awareness leading to the emergence of social security in former British colonies in Africa was heightened after the attainment of independence when these countries became members of the United Nations and its affiliated bodies, specifically the ILO. As a result, most of these colonies in Africa established social security schemes not as a matter of conviction of their importance. Rather it was to go through the notions of satisfying the necessary conditions to enable them ratify the relevant conventions or at least to appear to have made the effort.

2.3.1 Definition of Social Security

The International Labour Organisation (ILO) in its convention 102 of 1952 set the minimum standards for social security. This together with occupational safety could be used as a basis for the definition of social security.

Social security may be defined as “a series of public measures that society may take to protect its members against economic and social distress which may otherwise be caused by substantial loss of income as a result of old age, invalidity, sickness, unemployment, employment injury, death of breadwinner, maternity, health (medical costs) and to help ease the financial burden on a family in the maintenance of children.”

Social security as defined above, clearly attempts to prevent destitution through public measures. There is nothing in the definition to suggest that it may be used by the individual or group as a means to enrich themselves. It is supposed to form only a floor of protection for the members of the scheme.

Furthermore, it is not in competition with other pension schemes such as occupational or private pension schemes which may also provide some “end of service benefits” to the worker, but are considered supplementary to the basic social security scheme.

Social security is thus designed as a means to restore normality when any one of these contingencies strike. It may thus provide benefits in cash (or in kind) to persons who suffer any such contingencies.

The programmes to address these contingencies are usually grouped into Pension schemes (incorporating old age, invalidity and survivors pension), Health Schemes, Employment Injury Schemes, Unemployment benefit schemes and Family benefit schemes.

2.4 Concept and Principles of Social Security

Most of man’s actions are dictated by his quest for security, for protection against the vagaries of a “harsh world.” In pre-historic times people were concerned with physical protection against brute forces of nature. As civilization progressed, the quest for security has become more sophisticated involving numerous social, political, international and economic techniques. For purposes of this study we shall concentrate on economic security with emphasis on social insurance as a technique for combating financial/economic insecurity.

Economic security is one of the unfulfilled needs of humans. Social security programmes have been designed to aid people in their quest for economic security. S. G. Sturmey as reported by Odoom (1998) defines economic security as “a state of mind or sense of well being by which an individual is relatively certain that he or she can satisfy the basic needs and wants both present and future.”

“Basic needs and wants” refer to a person’s desire for food, clothing, medical care and other necessities. The individual must have access to goods and services to attain economic security. Thus, economic security is closely linked to income maintenance. Where income is lost or significantly reduced, economic security is threatened.

There are some major factors that cause economic insecurities which include among others; premature death of a breadwinner, old age, loss of income or reduction in income when a person retires, poor health - where serious illness or injury can cause loss of income for the disabled person.

2.4.1 Principles of Social Insurance

Social security programmes are part of the overall economic security programmes. Firstly, social security programmes are established by government statute and these generally provide individuals with cash payments that replace at least part of the income loss from old age, disability, death etc.

Social insurance programmes are compulsory thereby providing a basic floor of income protection to the masses, which ensures that both healthy and unhealthy persons are covered.

People pass through several stages in the course of their lives. Years of economic activity are followed by retirement years during which advancing age make work more difficult and less attractive. Each individual can decide for himself how to divide consumption among these stages; saving in earlier years in order to be able to continue consuming once earnings ceased. However, the individual worker cannot be totally counted on to provide adequate savings for retirement because harsh economic conditions and high cost of living make it difficult if not impossible for workers to save towards retirement.

The compulsory nature of social insurance schemes therefore ensures that, the future of the whole society is catered for. In a paper presented at a conference in Accra, Dr. Frank Odoom (1998) noted that there are certain factors existing in the society that account for this compulsory nature of social insurance programmes. These he identified as worker myopia, protection of the prudent, income redistribution among others.

Worker Myopia

According to Dr. Odoom, there is the tendency in man to give little consideration to his future economic needs when making decisions about saving for retirement or for the future. This event occurs due to lack of foresight, economic hardships, low incomes etc. By the time they recognise that they may have a problem when they retire, it is usually too late and virtually impossible to accumulate some funds for the future. Compulsion therefore helps people set aside a part of their income when working so that they have adequate income when they retire.

Protection of the Prudent

On this factor, he noted that, the prudent thinks into the future and therefore sets aside some income. As a result, he needs to be protected from the myopia worker who has no foresight. The compulsory nature of the scheme therefore ensures that contributions are made across the board for both categories of workers.

Income Redistribution

Social insurance schemes according to him are designed to favour those with lower lifetime earnings. Incomes or monies contributed into a fund by different categories of workers, that is, the high and low income groups, are redistributed much in favour of those in the low-income group.

Social Adequacy

An important principle of social insurance schemes is social adequacy which ensures that benefits paid provide a certain standard of living to all contributors. The purpose of this principle is to provide a minimum floor of income for all groups. This is a major difference between social insurance and private commercial insurance.

It is worth noting here that though social insurance principles stress on social adequacy against individual equity, there is a relationship between the two. In general the higher the worker's earnings, the greater the benefits. The relationship between the earnings and benefits is loose and disproportionate, but it nevertheless exists.

Risk Pooling

Social Insurance schemes are based on the principles of risk pooling and solidarity. The solidarity principle makes it possible to use a partial funding through the contract of generations. This contract of generations makes it

possible for today's worker to finance the benefits of those currently on pension. When the current contributors eventually grow old, contributions of those then working would be used to finance their pensions. This mechanism is preferred by developing countries with young population because it can be used as an instrument for capital formation.

2.4.2 Major Characteristics of Social Insurance Schemes

There are three types of social insurance schemes as follows:

Provident Fund Schemes, Employer Assisted Schemes and Social Security Schemes. The underlisted are major characteristics that govern social insurance schemes:

1. It is established by law.
2. It is financed through employer/employee contribution.
3. It pays periodic (monthly) benefits.
4. Benefits are related to insured earnings.
5. There is no needs test i.e., it is universal.
6. Benefits are earned as a right by virtue of contributions.
7. Reserves are judiciously invested.
8. The scheme is self-sustaining.
9. There is periodic adjustment of pensions to reflect prevailing economic conditions.

Social Security Schemes

Social Insurance programmes are generally self-supporting, and financed entirely or in large part by special contributions from employers, employees or both as well as from investment incomes. These contributions are earmarked for special funds out of which benefits are paid. In addition, the right to receive benefits is ordinarily either derived or linked to the recipient's past contributions or coverage under the programme. Most social insurance programmes are

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compulsory with qualifying conditions and benefits usually prescribed exactly in the statutes setting up the programmes.

Provident Fund Schemes

Provident funds are compulsory savings programmes in which contributions are regularly withheld from earnings of employees and are matched by contributions from employers. The joint contributions are credited to the account of each employee in a fund. The funds accrue interest and are later paid to the employee on retirement or upon the occurrence of certain contingencies that are covered under the fund.

2.5 Social Security in Ghana

2.5.1 Historical Overview

While Social security in Europe was a direct consequence of the Industrial Revolution, in Ghana, it was the result of a combination of factors: colonisation, industrialisation and urbanisation. (Adjei, 1997)

Colonisation and the introduction of new methods of work transformed the traditional structures and working conditions resulting in the development of paid employment in the urban areas. As a result, the Ghanaian wage earner and his family were removed from their traditional environment into social contingencies similar to those which prevailed in the industrialised countries.

The scheme's set up has been induced by the fact that on attainment of independence, Ghana embarked on a rapid economic development programme. The social security programme was introduced therefore to cover workers in the emerging industries to forestall the consequent social impact of the weakening traditional extended family system.

2.5.2 Pre-independence Social Security

Prior to the establishment of a national social security system in Ghana, private schemes were in operation which catered for the security of various categories of workers. The Pension Ordinance of 1946 established a non-contributory pension scheme for workers categorised as African Civil Servants and extended in a limited form to their widows and orphans.

In 1955, by the Teachers' Pension Ordinance, certified teachers were made coverable under the 1946 ordinance. The senior members or lecturing staff of the country's premium university - then the University of Gold Coast also had a private superannuation scheme.

Meanwhile, some organisations in the private sector, especially the major foreign trading and commercial firms were operating superannuation, pension and provident fund schemes for their African senior employees. Ex-gratia awards were available for some workers who were not coverable under any of the above-named schemes.

2.5.3 Post-Independence Social Security

With the attainment of independence in 1957, Ghana embarked on intensive industrial and educational programme which attracted a lot of people to the cities and urban areas in search of white-collar jobs. The security provided by the extended family system was eventually weakened leaving people in a state of social insecurity.

In 1961 therefore, a compulsory savings scheme was introduced in Ghana. The main financing feature of the scheme was the obligatory deductions made from the wages and salaries of all workers in the formal

sector and paid into a fund. In terms of benefits, workers were entitled to the principal amount saved plus interest on retirement. Due to the inefficient management of the scheme, particularly the system of refund, the scheme was abolished.

2.5.4 The Social Security Provident Fund Scheme

In 1965, a Parliamentary Act (Act 279) was passed which led to the setting up of a Social Security Scheme to operate as a Provident Fund (PF) scheme for capital formation and to have a five-year gestation period after which it was to have been converted into a Pension scheme. The Provident Fund scheme was managed by the State Insurance Corporation under a Department of Pensions & National Insurance until 1972 when a decree NRCO 127 was passed which established the Social Security and National Insurance Trust as an autonomous body corporate to administer the social security scheme.

The scheme as at that time embraced all workers in establishments which had five (5) or more workers. Effectively, the scheme covered the non-pensionable officers in the Civil Service, workers in parastatal, multinational companies and the fully-established private companies. Exemption was granted to members of the security services, foreigners in the diplomatic missions, senior members of the universities and research institutions.

Benefits Provided

Benefits provided under the Provident Fund (PF) scheme were superannuation, survivors, invalidity, emigration and unemployment. Over the years, the PF scheme proved totally inadequate in providing a reasonable basis for social security. The rate of interest payable on contributions was based on a level fixed by government through the

compulsory purchase of government stocks. The rate of interest was far lower than the prevailing rate of inflation, resulting in a drastic erosion of the purchasing power of the benefits paid. The benefits paid which was a one-time lumpsum payment generally represented no more than a few months' earnings. Workers were only entitled to the principal amount saved plus interest on retirement.

In effect, the PF scheme ceased to be an instrument or mechanism for providing the worker with adequate income protection. Steps were initiated in 1987 towards the conversion of the Provident Fund scheme into a Pension Scheme. It came into fruition in 1991 with the promulgation of the Social Security Law (PNDCL 247).

2.6 THE SSNIT PENSION SCHEME

2.6.1 Characteristics of the Scheme

SSNIT operates a partially funded, defined benefit scheme, financed on a scaled premium basis. The contribution rate is 17.5% (i.e. 5% by employee and 12.5% by employer) of earnings for workers in formal employment, and 17.5% of declared income for the self-employed.

Being an employment related social insurance scheme, eligibility for benefits is based on the length of period of contribution to the scheme during the time of employment or self-employment. It is financed from employer/employee contributions.

- It is national in scope and coverage, thus, affording the contributing membership mobility of labour without loss of pension rights.
- It provides basic income security on retirement to its members.
- There is a system for upward adjustment of pensions annually referred to as indexation as a result of inflation. Over the years, the following

has been percentages used in indexing pension payments: 1991-17%, 1992-21%, 1993-86%, 1994-45%, 1995-10%, 1996-30%, 1997-25% and 1998-14%.

The scheme is a self-financing one where contributions received and the investment incomes are the only sources of finance to support the benefit the scheme provides - there are no other sources of income. Financial management of the funds will be discussed later in this paper.

2.6.2 Objectives

The major objectives of the scheme are as follows:

- a) Pay benefits promptly.
- b) Review and improve benefits.
- c) Increase the number of insured members.
- d) Improve fund management.
- e) Increase awareness and acceptance of the Scheme.

2.6.3 Functions

To enable the scheme achieve its corporate objectives, it is committed to performing the following functions:

- Collection of contributions.
- Keeping records of its members.
- Managing the funds of the scheme.
- Processing and payment of benefits promptly.

The main function of the scheme is to collect contributions from workers (members of the scheme), keep proper records of the members, manage the funds/contributions collected by way of investments and finally, process and pay benefits to its members on their retirement,

incapacitation or death. By this, the scheme functions as an institution responsible for the provision of social protection for the working population.

2.6.4 Coverage

The principle of universal coverage by social security is a desirable goal for all social security schemes. This is because the concept of social security draws its strength from notions of national solidarity.

It pursues the goal of universal protection for the whole community on a uniform basis. The social security law therefore makes it compulsory for all Ghanaians in formal employment to contribute to the scheme, and this is enforced. Contributors to the old Provident Fund Scheme became members of the new scheme on its inception with full credits from the old scheme. Membership is however voluntary for those in the informal sector and coverage of this sector has not so far been really extensive.

The subject of extending social security protection to the self-employed or non-wage earners has become an important issue which has engaged increased attention.

2.6.5 Types of Benefits Provided

Generally social security benefits may be classified into short-term or long term benefits. Short-term benefits as the name implies are normally paid for a limited duration. Such benefits include sickness and maternity cash benefits, medicare benefit among others.

Long-term benefits include old age, invalidity survivors benefit and employment injury. These are paid in most cases on monthly basis until the death of the individual beneficiary. These long-term benefits are the

type of benefit provided by the pension scheme, specifically old age retirement benefits, comprising lumpsum, full and reduced pension, invalidity pension, survivors benefits (currently paid as a lumpsum). It is anticipated that the Employment Injury Scheme would be introduced in the near future.

(I) **Old Age/Retirement Pension**

An old age/retirement pension is payable in full to a worker who retires after attaining the pensionable age of 60 and has made at least 240 months contributions.

Workers may opt at the time of retirement to receive 25% of the amount of their old age benefits in the form of lumpsum payment, as well as monthly payments known as monthly pensions.

Provision has however been made for retirees who might have not attained age 60 but are 55 and above to collect their benefits if they so wish. This is known as reduced pension benefits.

Computation of Old Age Pension

With the old age benefits whether full or reduced, the computation is based on the worker's average insured earnings of his best three years' earnings.

For a full pension, the amount payable is equivalent to 50% of the average earnings plus 0.125% for every additional month of contributions paid in excess of the first 240 months of contributions and up to a maximum pension equivalent to 80% of the average insured earnings.

The reduced pension is computed on the basis of the amount of a full pension, but is reduced to a percentage of the amounts of the full pension according to the age of the worker at the time of retirement as follows:

Age at Retirement	55	56	57	58	59
% of full Pension	60.0	67.5	75.0	82.5	90.0

From the above table, a pensioner who is 55 years takes 60% of a full pension whilst a fifty-seven-year old would take 75% of a full pension.

As discussed earlier, workers may opt to receive 25% of their total benefits as lumpsum payment. In this case, the amount of the 25% lumpsum conversion of an old age pension is equivalent to the present value (discounted at the prevailing real rate of interest of treasury bills) of an annuity certain payable for a period of 144 months (12 years) at a quarter of the value of the monthly pension.

In the case of those who do not qualify for the old age pension, they receive lumpsum benefits. The benefit paid to them is equivalent to the contributions made on their behalf by their employers over the years, plus interest at half the treasury bill rate.

(ii) Invalidity Benefits

Invalidity benefits are payable to a worker who is below the pensionable age, has been declared to be permanently invalid and has made at least twelve (12) months of contributions in the last thirty-six (36) months preceding the onset of his predicament.

Beneficiaries of this benefit may also opt at the time of retirement to receive 25% of the amount of their invalidity pension in the form of lump sum payment.

The invalidity benefit is calculated in the same manner as the old-age full pensions. The minimum amount of this pension is therefore equivalent to 50% of average best three years earnings, with the highest amount not exceeding 80% of the average earnings.

(iii) **Survivors Benefits**

Survivors benefit in the form of a lump sum payment is payable to nominated dependants of the family of a deceased person who at the time of his death was either a contributory member of the scheme, receiving a retirement pension, or receiving an invalidity pension.

For contributing members, the amount paid as lump sum benefit is equivalent to the present value of the monthly amount of the applicable pension for a period of 144 months. For the deceased pensioner or invalid, it is the unexpired period (up to age 72) of the pension that was being paid to the deceased pensioner or invalid.

2.6.6 Claim Processing

Claim processing is an important aspect of the functions of the scheme. At the point of retirement, death or incapacitation of a worker, the need arises for the beneficiary concerned to apply for a particular type of benefit as the situation or circumstance may demand. In respect of this study, retired workers apply for payment of old-age pension benefits.

Application for payment of pensions are submitted to the district offices which in turn assemble claim documents in respect of applicants and forward them to the Benefits Department of the scheme for computation of the benefits. Computation of benefits has been fully computerised at the Benefits Department. As part of the processing procedure, a claimant's identification form (CIF) is completed by the applicant, and forwarded by the district office to the Records Department of the scheme for clearance. By this process, the Records Department confirms or otherwise, the membership, number and other vital information of the applicant after which the documents are forwarded to the Benefits Department where computation of financial statement is prepared for payment of the pension to be effected.

Payments of pensions are effected through the banks. The scheme therefore ensures that all pensioners have or open bank accounts through which the monthly pensions would be effected. This system of payment reduces drastically if not totally eradicating the incidence of fraud and impersonation that may arise.

At this point pensioners who opted for 25% lumpsum of their benefits have their monies paid to them through the bank as well. Thereafter, pensioners receive regular monthly pension payments.

This year, management of the scheme provided a schedule indicating dates in each month when pension payments will be made. This enables the pensioners plan and know when to call at their banks for their pension payments.

2.7 FINANCIAL MANAGEMENT OF THE SCHEME

To sustain the scheme and ensure consistent payment of benefits to its members, monies paid into the scheme in the form of contributions are invested. Financial management is therefore very crucial in the operations of the scheme. For this reason, the Investment Department of SSNIT has the responsibility of managing the funds available to the scheme.

The Investment Department ensures long-term growth of the funds by investing in viable ventures, maintaining adequate liquidity of the fund and further ensuring that its investment activities contribute positively to the economic and social development of the country.

The Financial Management of the scheme is guided by its Investment Policy. In addition, there is an investment committee which identifies, evaluates and recommends investment opportunities or projects for approval by the executive and Board before implementation. As a strategy, Management of the Scheme considers both the micro and macro aspects of individual investments and makes conscious efforts to maintain a balanced portfolio in terms of safety, returns, adequate liquidity, diversification, maintenance of asset value and sector developmental needs of the country.

The funds of the scheme are invested in safe and high yielding areas to ensure growth in real terms and pay meaningful benefits whilst ensuring the sustainability of the Scheme. The main areas of the scheme's investment portfolios are Government securities, equities, corporate loans, residential and commercial properties, institutional building, and fixed deposits with Commercial Banks.

The Trust is also mindful of the social needs of its members, as a result, some investments have been made in provision of health centres in Amasaman -

The Trust is also mindful of the social needs of its members, as a result, some investments have been made in provision of health centres in Amasaman - Accra, Enyan Abaasa - Central Region, Larteh - Eastern Region, Akatsi - Volta Region, Dominase - Ashanti Region. There is also the SSNIT Hospital and SSNIT Clinic in Accra and Tema to serve the general public.

A number of public places of convenience have also been provided in Accra to serve the needs of the public. Furthermore, the scheme has instituted the provision of educational loans for students in tertiary institutions.

2.7.1 Research Policies

It is important that regular evaluation of the scheme the formulation of effective policies in the handling of issues that arise in the operation of the scheme. It provides policy makers of the scheme with new knowledge which is integrated into the formulation and implementation of policies.

2.7.2 Actuarial Valuation of the Scheme

The scheme is subject to actuarial evaluation every year by the Actuarial Department of the scheme and once every three years by a Consulting Actuary. The third and latest Actuarial review of the pension scheme was undertaken in April 1996 with assistance of a former Deputy Chief Actuary of the social security administration of the United States.

The review confirmed that the present rate of contributions is sufficient to support the present scale of benefits on the basis of the assumptions made and that the scheme would continue to accumulate substantial funds. In effect the review demonstrated that the scheme was financially and actuarially sound.



2.8 Conclusion

The foregoing has described the SSNIT pension scheme and related matters. The next chapter will present an analysis of a survey conducted on the impact of the scheme on retired workers who receive monthly pension payment from the scheme, being one of the categories of beneficiaries of the scheme.

CHAPTER THREE

3.0 DATA ANALYSIS AND FINDINGS

This chapter is on the analysis of data obtained from the field. The expected sample size as discussed in chapter one is hundred (100).

3.1 Personal Information of Respondents

The first part of the analysis looks at the socio-economic characteristics in terms of age, sex, marital status etc. of the subjects under study.

3.1.1 Age Distribution

The age distribution of respondents is presented in the table one below:

Table 1: AGE OF RESPONDENTS

Age Distribution	Frequency	Percentage	Cumulative %
56 - 60	13	13.0	13.0
61 – 65	47	47.0	60.0
66 – 70	35	35.0	95.0
71*	5	5.0	100

The ages of respondents ranged between 56 and 73 with a mean age of 65.5 years. Out of the hundred respondents only 13 i.e. 13% were aged 60 years and below. For the age range of 61-65 years, the number of respondents increased by 34% to 47. The number reduced to 35 and 5 for the age range of 66-70 and 71 and above respectively.

3.1.2 Retirement Information

The survey revealed that 22% of the respondents retired before age 60 normally suggesting a voluntary retirement whilst 78% retired at age 60 and above. Table 2 below gives further details on whether respondents retired voluntarily or compulsory.

Table 2: VOLUNTARY OR COMPULSORY RETIREMENT

TYPE	FREQUENCY	PERCENTAGE	CUM. PERC.
Voluntary	17	17.0	17.0
Compulsory	83	83	100
Total	100	100	-

From the above table, only (17%) i.e. 17 respondents retired voluntarily whilst the remaining 83% retired compulsorily. It can be explained that just a few workers are willing to retire voluntarily usually for health or personal reasons. Most workers on the other hand, are either willing or are constrained financially to hold on to their job until they reach the retiring age or are asked to compulsorily retire from the services of their companies or institutions.

Reasons offered by the 17% of respondents who retired voluntarily are as follows:

	<u>Frequency</u>	<u>% of the Total</u>
Health	5	5%
In order to rest	3	3%
Retrenchment/Liquidation of Comp.	9	9%

From the information a total of 8% of respondents had to retire either due to failing health, or to take a rest. The other 9% had to retire earlier because

either their companies were liquidated, or they were retrenched. This indicates that most workers will be willing to work to the retiring age barring any state of deteriorating health or setback from their employers or institutions.

3.1.3 Sex/Marital Status

Fifty percent (50%) of the respondents were females, 48% were males whilst 2% failed to indicate their sex. On their marital status, 72% of the respondents were married, 6% single, 14% widowed and 8% divorced. Considering the single, widowed and divorced respondents (comprising 28% of the total respondents), the scheme may have a negative impact on them if they fall within the low pension income group. This is because they will solely be responsible for caring for themselves and their children at school (if any) and attending to other domestic/financial responsibilities.

3.1.4 Last Place of Employment/Position Held

Out of the hundred respondents, 50% had retired from public institutions/ corporations (SOEs/parastatals) 40% from the Civil Service and 8% from private institutions, whilst 2% did not state their last place of employment. On positions held before retirement, 31% of the respondents were holding managerial grades, 40% in the middle level and 26% in the junior level, whilst 3% did not state their positions held. This information would be vital in explaining some basic issues on the disparity in pensions received by respondents later in the chapter.

3.1.5 Education

Generally there is a perceived correlation between education and income levels therefore making the educational background of respondents important for the study. Data gathered from the study indicated that 44% of respondents were in the primary/middle category, 44% have had secondary education, 2% have had University education 6% have no formal education whilst 4% did not state their educational background.

3.1.6 Dependants

The issue of dependants during post -retirement life, is a factor that has relevance on the financial life of respondents. From the study, 19% indicated they had no dependants, 76% had a minimum of 2 and a maximum of 20 dependants, while 5% did not indicate their status. Out of the 76 respondents who indicated they had dependants, 14 (modal frequency) have two dependants each followed by 13 with 3 dependants each. This suggests that gradually the society is moving from large and extended family systems to small nuclear families where individuals cater for their spouses and children. In this regard less financial pressure would be placed on the pension income received by pensioners since a high rate of dependants implies increased expenditure.

On the other hand, though the extended family system is on the decline due to migration, education, urbanisation and other socio-economic factors the system still continues to impose responsibilities on a few. From the study, 11% 11% and 2% of respondents had 6, 8, and 20 dependants (each) respectively suggesting high rate of dependency. This could imply that the society still demands that retired workers cater for their extended family in the sense that even though retired, they still continue to be the breadwinners and providers for their extended families. Additionally, some people live in large households or family houses surrounded by financially dependant family members. The high level of dependants therefore creates an undue pressure on the pensioners, creating financial burdens in their post retirement lives.

3.2 Analysis of the Scheme

The Social Security Scheme enjoins workers and their employers to contribute 5% and 12.5% respectively to the pension fund during their working life, and after retirement, receive monthly pension payments. The minimum number of months one needs to contribute in order to qualify for pension is 180 months though this need not be continuous, while the minimum qualifying age is 55 years. On the benefits side, the minimum and maximum percentage pension



paid is 50% and 80% respectively of one's best three years' salary.

Pensioners receive different levels of pensions depending on one's salary level and number of months of contributions made to the fund. Table 3 below shows the levels of pensions paid to respondents for the first time after retirement.

Table 3: FIRST PENSION PAYMENT

AMOUNT	FREQ.	PERCENTAGE	CUM. PERC.
¢8,500 or Below	17	17.0	17.0
¢8,500 - ¢50,000	52	52.0	69
¢50,000 - ¢100,000	20	20.0	89.0
¢100,000 - ¢200,000	5	5.0	94
Above ¢200,000	6	6.0	100
TOTAL	100	100.0	-

From Table 3 above, 17 of the respondents representing 17% received less than ¢8,500 which is the current basic pension payment as their first pension payment. Since the basic is ¢8,500, pensions that fall below that figure after calculation are automatically adjusted to ¢8,500.

Fifty-two (52%) of the respondents received between ¢8,500 and ¢50,000 as their first pension. 20% received between ¢50,000 and ¢100,000, 5% received between ¢100,000 and ¢200,000 whilst 6% received above ¢200,000. From the table it is evident that the bulk of pensioners (52%) received between ¢8,500 and ¢50,000 as their first pension payment.

There was a percentage reduction of 32 for the next range of pension payment, i.e. between ¢50,000 and ¢100,000, falling drastically in the next range of between ¢100,000 - ¢200,000 to 5%. It is observed that quite a large

percentage (17%) received the basic pension payment of ₵8,500 with a cumulative percentage of 69 of the respondents receiving below ₵50,000 cedis as their first pension payment. The reason for this low pension can be linked directly to the low salary levels since contributions to the scheme is based on 17.5% of salaries.

3.2.1 First/Present Pension Payment

A cross tabulation of the first pension received and the current pension received by respondents is provided in table 4 below.

Table 4: FIRST PENSION PAYMENT & CURRENT PENSION PAYMENT

Amount	₵8,500 or below	₵8,500 - ₵50,000	₵50,000 - ₵100,000	₵100,000 - ₵200,000	Above ₵200,000	Total
₵8500	1	14	2	-	-	17
₵8500 - ₵50,000	-	26	22	3	1	52
₵50,000 - ₵100,000	1	-	11	8	-	20
₵100,000 - ₵200,000	-	-	1	2	2	5
Above ₵200,000	-	-	-	-	6	6
Total	2	40	36	13	9	100

Out of the 17 respondents who received ₵8,500 as their first pension, only one is still receiving that amount as monthly pension. 14 out of the 17 have moved to the next category of between ₵8,500 and ₵50,000, whilst 2% are taking above ₵50,000. Out of the 52 respondents who received between ₵8,500 and ₵50,000, 26 are still within the range, whilst 22 have moved to the next category with 3 people taking between ₵100,000 - ₵200,000, and 1 person taking above ₵200,000. This pattern follows for the other categories.

From the above, it can be seen that monthly income of pensioners are not

fixed but increases with time, this is because the scheme has put in place a mechanism whereby pensions of retired workers are increased on yearly basis. The scheme has a system of indexation i.e. a factor by which pension incomes are indexed yearly. This factor takes into consideration the inflation rate existing in a particular year. As disclosed in the earlier chapter pensions have been indexed by the following percentage: 17%, 21%, 86%, 45%, 10%, 30%, 25% and 14% between 1992 - 1999.

3.2.2 Satisfaction with pensions paid

Despite the above-mentioned increments in the pensions paid over the years, the fact still remains that respondents are still not satisfied with the amount of pensions received. This is evident in table 5 below that sought to find out whether or not respondents were satisfied with the amount of pensions received.

Table 5: SATISFACTION WITH THE PENSIONS PAID

RESPONSES	FREQUENCY	PERCENTAGE	CUM. PERC.
YES	5	5.0	5.0
NO	94	94.0	99.0
NOT STATED	1	1.0	100.0
TOTAL	100	100.0	-

Out of the 100 respondents, 94 indicated they were not satisfied with the amount of pensions received, 5% indicated they were satisfied while one failed to indicate his/her position. Reasons offered by respondents for their positions are indicated below:

Table 6: REASONS FOR POSITION

REASON	FREQUENCY	PERCENTAGE	CUM. PERC.
Amount woefully inadequate in view of living conditions	62	62.0	62.0
Commitments greater than pension received	33	33.0	95.0
Satisfied with pension received	3	3.0	98
Not stated	2	2.0	100
TOTAL	100	100	-

Sixty two percent (62%) of respondents agreed that the amount paid to them as pension is woefully inadequate in view of the high cost of living. 33% responded that their financial commitments were greater than the pension received. In effect the income received by respondents is not adequate to meet their financial commitments and therefore does not replace their lost income. For many retirees, income resources are often reduced drastically upon retirement, and meeting basic survival needs is often difficult (Zastrow 1993). This confirms a report by Ejuba (1999) that the level of benefits is low in many African countries. This is partly due to the low incomes of the majority of the covered population or the low ceiling levied for contributions especially in countries where there are no mandatory schemes.

Low salaries of workers thus affecting pensions paid are not peculiar to particular categories of institutions, but runs across institutions. This was revealed in the study, as data collected indicated that out of the 50 respondents who retired from public institutions and corporations, 24 of them received between ₵8,500 - ₵50,000 as their first pension payment. Similarly, out of the 40 respondents who retired from the civil Service, 20 recorded the same level of pension (₵8,500 - ₵50,000) as their first pension payment. The same was identified for the private institution where out of 8 respondents, 6 fell into the same category, proving the fact that salaries are generally low and thus affecting pension payments on retirement.

3.2.3 The Economy and the Scheme

Earlier findings in this chapter have confirmed that the levels of pensions paid are woefully inadequate in view of high cost of living due to inflation. Also, financial commitments of pensioners are greater than pensions received as indicated by 62% and 33% of respondents respectively in table 6 above.

The low pension received by pensioners is made worse due to inflation, high cost of living and other economic and non-economic factors in the society thus aggravating the already bad financial standing of the retired worker.

Over the years, the rates of inflation have been generally high. The annual rate of inflation more than doubled in 1993. End of year inflation increased from 13.3% in 1992 to 27.7% in 1993, compared to 8% target set by the government which was later revised upwards to 20%. (Source ISSER 1993)

In 1995, the rate was 70% and in 1996 it was 42%. Factors behind the high level of inflation in the economy include:

- i. Increases in petroleum prices that affect inflation through direct impact on the consumer price index. It also has an indirectly impact on a wide range of commodities through transportation costs.
- ii. Depreciation of the value of the cedi.
- iii. Decline in agricultural output.

Inflation has a cyclical negative effect on the economy. It generally affects the prices of goods and services in the society thus reducing real incomes of all categories of persons in the society, resulting in a high cost of living. Basic utility services such as water and electricity are all affected leading to high service bills thereby making it difficult for the pensioner to adjust to his new life with his pension income.

Information obtained from "The State of the Ghanaian Economy in 1993" (ISSER 1994) revealed that the level of per capita real income which measures the standard of living of the Ghanaian was below the 1980 levels in 1991. In view of the above, respondents (45%) have called for a review of the benefits to "reflect the current cost of living."

Apart from the above economic factors impinging on the pensioners meagre income, other non-economic factors also affect the pensioner's financial life. In most institutions, workers have access to some services and benefits such as use of official vehicles, free or subsidized transportation, free or highly subsidized medical care for themselves and dependants, payment of utility bills and subsidized, or free accommodation in official bungalows. As workers retire all such services and benefits cease, pensioners therefore have to pay for or provide their own services thereby affecting their financial life. No wonder 58% of them suggested free medical care as an additional benefit to be provided by the scheme, and a total of 11% proposed that pensioners be allowed to use SSNIT vehicles for free while 2% and 9% recommended the provision of transport and rent subsidies respectively.

Furthermore, they need to purchase fuel for their vehicles (if they have) or pay for transportation fares and other bills, and also pay for their accommodation if they do not own houses.

3.2.4 Option for 25% Lumpsum of Benefits

An aspect of the scheme provides the opportunity for pensioners to take 25% of their benefits as lumpsum and take the rest as monthly pension. By this arrangement, the monthly pension received is reduced by that lumpsum factor. This facility was provided by the scheme to enable pensioners receive the 25% of their benefits in advance (if they so wish) to meet urgent financial commitments.

Tables 7 and 8 below show the options of respondents and the reasons for their options.

Table 7: OPTION FOR 25% LUMP SUM

RESPONSE	FREQUENCY	PERCENTAGE	CUM. PERC.
YES	59	59.0	59.0
NO	39	39.0	98.0
NOT STATED	2	2.0	100
TOTAL	100	100	-

Table 8: REASONS FOR OPTION

REASON	FREQUENCY	PERCENTAGE	CUM. PERC.
Meet some financial commitments	20	20.0	20.0
Get some money for use	31	31.0	51.0
Not aware of it	12	12.0	63.0
No reason	16	16.0	79.0
25% insignificant for any project	14	14.0	93.0
Complete Building	7	7.0	100
TOTAL	100	100	-

From table 7, 59% opted for 25% lumpsum of their benefits while 39% opted against it. Reasons for their option is provided in table 8.

The study furthermore uncovered that option for the 25% lumpsum by pensioners did not depend on the expected amount to be received. For the various levels of pensions paid out, about half the number of pensioners who fell in each level, opted for the facility. 12 respondents out of 17 who received an amount of ₵8,500 and below as their first pension payment, opted for the facility. 23 out of 52 respondents who received between ₵8,500 and ₵50,000 also did. 14 out of 20 respondents who received between ₵50,000 and ₵100,000,

respondents who received between ₵100,000 - ₵200,000 as well as 5 out of the 6 respondents who received above ₵200,000 as their first pension all opted for the facility. These figures revealed that irrespective of the expected amount of pension to be received, most pensioners were willing to take part of their benefits in advance for one reason or the other.

It is clear from the study that the option for 25% of one's benefit is a welcome news for retired workers because most workers retire without any financial benefits from their employers, and also for the fact that Staff Occupational Schemes are not popular in the country. Most workers therefore depend almost entirely upon social security benefits from the scheme.

3.2.5 Other Sources of Income

In view of the fact that pensions paid are not adequate to cater for all the needs of pensioners, some pensioners (either before or after retirement) initiate some activity to ensure them additional income. Quite remarkably, the study revealed that 36% of pensioners had other sources of income. These sources are as follows: assistance from wife and children (4%), tailoring (5%), employment/petty business (13%), farming (8), investment/shares (6%).

The above, information indicates that 6% of the total respondents have invested in shares and other forms of stocks against the future. This is an area where prospective pensioners could be counseled to invest in for the future. Such investments can be done during the working lifetime which can serve as a form of savings for the future. Regrettably however, it formed just a small percentage of sources of income for pensioners as revealed by this study. This may be due to the fact that salaries are low and therefore, workers cannot save for such purposes or information on such investment is not available. For such category of pensioners therefore, the monthly pension received is their only source of income, although it is inadequate.

There is the need therefore to encourage and educate workers to invest in such areas or take insurance policies for their own future since pension benefits can only be considered as basic income necessitating the need for other sources of income as a supplement.

3.2.6 Post-retirement Employment

Post-retirement employment or other forms of economic activity ostensibly to supplement incomes represents an important issue in the study. 14% of respondents indicated they were in some form of employment like petty trading, farming, tailoring for income generation, while 86% were not in any form of employment. The main reason for participation in employment for the aged is the need for persons in this age group to receive income on which to live (C. K. Brown 1995). Nevertheless, there may be other reasons for their participation in economic activities such as occupying themselves or the need for maintaining body fitness. However, the most compelling reason for these post-retirement economic activities is the need to hedge income against real income losses so as to be able to maintain a minimum standard of living. Following from this is the fact that the scheme is not adequately replacing the lost income of pensioners for which reason they need to hold on to some kind of job as a supplement. According to Lord Beveridge as reported by Atchley (1988), the purpose of social security is to guarantee each person a minimum livelihood through better distribution of income.

3.3 Evaluation of the Scheme

Certain aspects of the scheme such as time spent in processing claims, pensioners' satisfaction with the services received in the course of processing their claims, regular and timely payment of pensions monthly, are among factors that contribute to the perception of the scheme by respondents.

Table 9 below describes responses from the respondents on time taken in processing their pension claims.

Table 9: CLAIM PROCESSING PERIOD

PERIOD	FREQUENCY	PERCENTAGE	CUM. PERC.
Up to six weeks	5	5.0	5.0
Two months	11	11.0	16.0
Three months	44	44.0	60.0
Three to six months	11	11.0	71.0
Above six months	29	29.0	100
TOTAL	100	100	-

From the table only 5% of respondents had their claims processed before six weeks. 11% of pensioners had their claims processed within two months. The mode of 44% was respondents whose claims/benefits were processed up to three months. 11% of the claims were processed between 3 and 6 months whilst 29% of the respondents had theirs processed beyond six months.

From the above information, three months is seen as the modal processing period. However, processing figures for April, 1999 obtained at the Claims Unit of the scheme compared with the above stated figures, revealed a rather shorter processing time. Figures obtained gave the average processing period as 38 days, with 68 and 17 days being the maximum and minimum processing periods respectively. It can be said therefore that, an improvement has been made over the years as most of the respondents (over 79%) retired before 1997.

Factors that contributed to delayed claims were identified to be unreliable records, non-endorsement/improper completion of claim documents and replacement of student loan guarantors among others.

Matching the amount of pensions received to the processing period, it was seen that the pattern was evenly distributed among the various levels of pension paid. That is to say, the processing period did not depend on the expected pension to be paid, i.e. whether high or low level of pension. Table 10 Below provides a clear picture.

Table 10: Claim Processing Period by First Pension Payment

Period	¢8,500 or below	Above ¢8,500 - ¢50,000	Above ¢50,000 - ¢100,000	Above ¢100,000 - ¢200,000	Above ¢200,000	Total
Up to six weeks	-	3	-	1	1	5
Two months	-	5	5	-	1	11
Three months	6	18	14	3	3	44
Three to six months	2	9	-	-	-	11
Above six months	9	17	1	1	1	29
Total	17	52	20	5	6	100

3.3.2 Satisfaction with the processing of claims

Though the main interest of pensioners is the pension income, other factors that go into the processing of their claims mean much to them. For this reason, over half of the respondents 52% registered their satisfaction with processing of their claims while 48% registered dissatisfaction with the processing. Reasons provided for their dissatisfaction were long processing period 28%, and poor system of application (20%). Of the 28 who complained of long processing period, 16 (more than half) received between ¢8,500 and ¢50,000 as pension. It can be deduced from the above information that for those in the low income group, waiting for three months for their pension would seem unreasonable. The reason apparently being that their financial positions even before retirement are precarious, hence being without any income for three months would be very unbearable.

Discussions held with officials of the scheme and a study of the procedures for claim processing indicate that, prospective retirees are expected to lodge their claim with the scheme three months prior to retirement. This is to enable claims to be processed before pensioners retire in order not to create a gap between normal employment income and pension income, and additionally

to serve as a replacement of the lost income. However, it was deduced that many workers do not comply with this requirement as they wait till they see themselves out of their establishments before they proceed to process their pension benefits.

On the other hand, the 48% of respondents registered their satisfaction with the period of processing their claim. 11% said that their claims were processed within a short time, 6% said processing was smooth and 22% encountered no problems at all. It is worth noting here that the claim-processing period is a relative issue. Whilst some may consider three months of waiting for their benefits a long period of time because of economic circumstances, others see it as a normal phenomenon in view of probably earlier experiences elsewhere or what they consider to be the normal situation.

The table below provides information on the processing period vis-à-vis the responses of respondents.

Table 11: PROCESSING PERIOD OF CLAIMS BY SATISFACTION OF RESPONDENTS

PERIOD	YES	NO	TOTAL
Up to six weeks	4	1	5
Two Months	9	2	11
Three Months	34	10	44
Three to Six Months	-	11	11
Above Six months	5	24	29
Total	52	48	100

Out of the 5 respondents whose claims were processed by the sixth week, 4 expressed their satisfaction while one (1) was not satisfied with the processing. Nine out of the eleven (11) whose claims were processed within two

months were satisfied and 34 out of 44 pensioners whose claims were processed within 3 months registered their satisfaction.

On the extreme end of the spectrum were respondents whose claims took over 6 months to process. Obviously, such claimants or pensioners for that matter, will not be pleased with the scheme. This is shown by the fact that 24 out of the 29 respondents who fell within this category registered their displeasure. However, 5 respondents in this category were satisfied.

From the above results, it can be said that perception or impressions about the scheme as far as period of claims processing is concerned is relative, finding its roots partly in their own experiences with the scheme and partly in other economic factors. As a confirmation of the above, the study revealed that 42 out of the 78 respondents who retired at age 60 and above were satisfied with the processing of their claims as against 36. On the other hand, 10 out of the 22 respondents who retired before age 60, were satisfied whilst the 12 were not.

It can be concluded that whichever approach is used in this analysis, respondents will differ in their views depending on their own assessment and experiences.

3.3.2 Regular and Timely Payment of Pensions

Timely and regular payment of subsequent pensions after the initial claim processes is an important issue for pensioners. Just as workers expect to receive their salaries on specific dates, pensioners also expect to receive their pension incomes regularly and timely every month. These factors provide more insight about the perceptions of the scheme by pensioners.

Tables 12 and 13 provides the responses obtained from respondents on whether their pensions were regular and timely.

Table 12: REGULARITY OF PENSION PAYMENTS

RESPONSE	FREQUENCY	PERCENTAGE	CUM.PERC.
YES	97	97.0	97.0
NO	3	3.0	100.0
TOTAL	100	100.0	-

Table 13: PROMPTNESS OF PENSION PAYMENTS

RESPONSE	FREQUENCY	PERCENTAGE	CUM.PERC.
YES	97	97.0	97.0
NO	3	3.0	100.0
TOTAL	100	100.0	-

In both cases, 97% of respondents pointed out that their pension payments were regular and were paid on time. That is to say that once the initial payment (though delayed) was effected, subsequent payments were not delayed. Assessing the scheme from this response, it can be deduced that, the scheme has put systems in place that ensures that pensioners received their incomes regularly i.e. monthly and also ensures that these payments are made in time. If pensions paid were not regular and on time, the plight of the pensioner would have been aggravated due to the afore-mentioned economic factors. To circumvent this problem, from the beginning of this year (1999), the scheme has provided specific dates in each month when pensioners will be expected to visit their banks for their pension payments.

For this reason, accounts of pensioners are credited with their pensions by the third Thursday of every month. The scheme is working closely with the banks to ensure that this directive is adhered to. On the service charge levied on the pensioners by the banks, discussions are being held with them (banks) and hopefully an agreement would be reached to enable the banks waive the service charge or reduce it. (Culled from SSNIT Newsletter Vol.3 No. 7 Jan- Mar 1999).

In the case of minimum deposit required by the banks, official sources indicate that consultations are yet to be held on how best the pensioners could be assisted. This arrangement is seen as a step forward by the scheme to satisfy its pensioners. It could therefore be stated that the perception/impressions of the pensioners as far as monthly payments of pensions are concerned is very positive since scheme is meeting the expectations of pensioners by ensuring that they are paid regularly and on time.

3.3.4 Respondents Rating of the Scheme

The study sought to find out pensioners overall assessment of the scheme by asking them to rate the scheme from suggested answers of good, fair and poor. Responses obtained are indicated below in table 14.

Table 14: RATING OF THE SCHEME

RATING	FREQUENCY	PERCENTAGE	CUM PERC.
GOOD	25	25.0	25.0
FAIR	64	64.0	89.0
POOR	11	11.0	100
TOTAL	100	100.0	-

Twenty-five (25%) of the respondents rated the scheme as good, 64% rated it as fair while 11% stated it was poor. A total of 89 respondents in

effect agreed that the scheme was satisfactory (25% & 64%), since it provides some form of income for them to live on. This confirms the basic principles of social security that seeks to provide a minimum floor of income protection for contributors in the event of any contingency. It ensures that benefits paid provide a certain standard of living for contributors, thus attesting to Jin Kral's (1995) statement that the basic system of pension insurance is capable of ensuring a level of pension which represents only a limited replacement of the income of the insured worker.

3.4 Perception of the scheme

Perception and views held by pensioners in particular and workers in general is an important ingredient needed by management of the scheme to assist them in their attempt to review the scheme and make it efficient. It actually discloses the expectations of beneficiaries. It is therefore necessary to find out the general views of pensioners. Data gathered from the study on views of respondents is presented in table 15 below:

Table 15: VIEWS ON THE SCHEME

IEWS	FREQUENC Y	PERCENTAG E	CUM. PER.
Good, gives basic assistance to pensioners.	38	38.0	38.0
Inadequate pension, not helping pensioners with low salaries	40	40.0	78.0
The scheme should assist pensioners with loans	3	3.0	81.0
Government should contribute to the scheme from taxes for pension payments	2	2.0	83.0
Scheme should benefit only contributors.	3	3.0	86.0
The scheme needs to be improved	5	5.0	91.0
Too much Government interference	3	3.0	94.0
Not Stated	6	6.0	100.0
TOTAL	100	100	

Much as respondents agreed that the scheme was satisfactory, providing a basic income level for pensioners, sight was not lost of the fact that the pensions paid out were inadequate in view of current socio-economic factors that has led to high living expenses as indicated earlier in the chapter.

From the table, 38% of respondents agreed that the scheme was satisfactory as it provided a basic income assistance to pensioners, but 40% felt that the pensions paid were not adequate and therefore not of great help particularly to pensioners with low salaries. It can therefore be inferred that pensioners greatly depend on income received from the scheme for their livelihood and therefore desire for its review as evidenced by the 5% of respondents who indicated that the scheme needs to be improved.

Other views expressed by respondents (3%) are to the effect that the scheme should assist pensioners with loans whilst another 3% said the scheme should benefit only contributors to the scheme. 2% said the Government should contribute to the scheme from taxes paid by workers. 3% said there is too much interference by the government while 6% failed to state their views. This confirms a report of a research conducted by Barbone and Sanchez (1999) on governance of pension schemes in Africa that one of the key problems in that region has been the interference of the government in the Management of the scheme.

The view expressed by 3% of the respondents to the effect that SSNIT should assist with loans can be seen as rather far-fetched and not in consonance with the objectives for establishing pension schemes for workers. Social security schemes as previously discussed are established to replace lost income of workers or to provide a basic assistance for them. This is done by either providing a lumpsum benefit in terms of Provident Fund schemes or by the payment of monthly installments of one's benefits over a period of time, usually till the beneficiary dies. Granting of loans to pensioners will therefore render the objectives futile.

Furthermore, considering the levels of pensions paid out, it would be practically impossible to deduct some percentage of money out of the pensioners' meagre income to service loans collected.

3.5 Provision of Other Benefits apart from Monthly Pension

In view of the low pensions paid to pensioners, there seems to be the need for "extra" benefits either in cash or in-kind to supplement the pensioners income. Table 16 below reveals recommendations given by respondents as to some benefits that would be of assistance to them.

Table 16: PROVISION OF OTHER BENEFITS

BENEFIT	FREQUENCY	PERCENTAGE	CUM. PERC.
Free medical care	58	58.0	58.0
Use of SSNIT vehicles	2	2.0	60.0
Christmas bonus	6	6.0	66.0
Transport/ Rent subsidy	9	9.0	75.0
Relaxation/social centres	2	2.0	77.0
Help workers own houses	2	2.0	79.0
Agreed, but did not state	21	21.0	100.0
TOTAL	100	100.0	-

As indicated in the table, over half of the respondents (58%) suggested free medical care as one major benefit to be provided by the scheme. As many as 21% also agreed on the need for the provision of some other benefit but failed to state particularly what kind of benefit. This again buttresses the fact that pensions paid are low and therefore the need for some additional benefit as a supplement. The next highest frequency of 9% was posted by respondents who felt the need for pensioners to be provided with subsidies for rent and transport. In addition to this, another 2% of the respondents stated the need for the scheme to help workers own houses.

Lack of accommodation is a very important issue in the country now. As compared to other countries particularly the advanced ones, there seems to be no public policy or arrangement for mortgage facilities to enable workers own houses in this country, albeit similar facilities exist for a limited number of institutions who have the ability to assist their employees to own houses. In some countries, the government provides the needed elements that enable workers (all categories) to at least rent and consequently own houses/flats. Thus accommodation during retirement poses no problem.

On the Ghanaian scene however, owning a house is an expensive venture in view of the rising cost of land and building materials. Besides, the government is not much involved in the construction of houses or flats for workers. Houses are developed mainly by self-help approach. Just a small percentage of workers with high levels of income are able to put up houses during their working life in view of the cost involved. Nevertheless, few others in the low-income group are able to build their own houses over a period of time. SSNIT as an institution, has also been involved in the putting up of flats for workers for renting. A number of workers flats have been constructed in all the Regional Capitals for workers for renting, thus solving partly the accommodation problem facing workers in the country.

However, in view of the high default rate in the payment of rent, and the need to recoup monies invested in the buildings, the attention has now turned to outright sale of the flats instead of renting. Incidentally however, the poor workers for whom the flats were constructed are unable to purchase these flats only to be owned by non-contributory businessmen who are able to afford and in turn rent to workers.

In effect therefore, workers are unable to own the houses and are therefore faced with the problem of accommodation after retirement particularly those who might have lived in government bungalows and quarters while in public service.

As noted earlier, 58% advocated that there should be free medical care. This is a very serious issue. Medicare is a matter of grave concern to the society not to mention the aged. Aging as a phenomenon, carries with it an attendant deteriorating health. Medicare for the aged is therefore an expensive affair not to mention the cash and carry system introduced a few years back. Though the Government has proposed free medical care for the aged, in practice it does not exist. This therefore makes the pensioner worse off if they have to spend their meagre pension on medical care.

As the retired population grows older, good health becomes more imperative. Few survive beyond their seventies without some debilitating health problems such as arthritis, high blood pressure poor digestion or related problems. (Herffernan, Ambrosino and Shuttlesworth 1988). For most, such problems impose restrictions on mobility or achieving daily goals. For the retiree in poor health, health-related problems may diminish the satisfaction desirable in the world away from work.

In the advanced countries as reported by Herffernan, Ambrosino and Shuttlesworth (1988), health care resources are provided primarily through medicare and Medicaid. Medicare according to them is a government health insurance programme designed to pay for hospital care and related expenses for pensioners over 65 years.

It is for this reason that most pensioners would want the scheme to provide as an additional benefit, free medical care. In this regard, the pension scheme has initiated the introduction of health insurance scheme that will embrace all who contribute to it. This is a contributory scheme that caters for the health needs of the contributor. Currently results are being awaited on a pilot scheme on the National Health Insurance Scheme being undertaken in the Eastern Region. It is hoped that results will give clear indications to what direction and what form the Health Insurance Scheme will take and address the needs of the pensioner.

A further study of data collected indicated that the need for free medical care is not limited to a particular age or a particular group of people. All pensioners and for that matter the aged, need a good medicare. As revealed by table 17 below, the call for free medical care was evenly distributed among the various age groupings.

Table 17: AGE OF RESPONDENTS BY PROVISION OF OTHER BENEFITS

AGE	Free Medical Care	Use of SSNIT Vehicle	X'Mas Bonuses Loans	Trans/Rent Subsidy	Relaxation Social Centres	HelpW'kr's own Houses	Agreed But did not state	TOTAL
56-60	6	1	4	-	-	-	2	13
61-65	26	1	1	6	-	-	13	47
66-70	24	-	-	3	1	1	-	29
70 ⁺	2	-	1	-	1	1	6	11
TOTAL	58	2	6	9	2	2	21	100

The study revealed further that 55 out of the 58 respondents who asked for free medical care are those who stated they were not satisfied with the amount of pensions received confirming the need for a supplement to the low levels of pensions paid. It can therefore be concluded that irrespective of age, income (pension), satisfaction with the scheme and other factors, medical care is an important issue for pensioners.

3.6 Problems about the scheme

Any operational institution or scheme is not without problems. The pension scheme for that matter is beset with some problems. These need to be identified, assessed and addressed to make the scheme more acceptable. Problems gathered from the study are listed in table 18 below.

Table 18: PROBLEMS OBSERVED ABOUT THE SCHEME

PROBLEMS	FREQ.	PERC.	CUM. PERC.
Long processing period	19	19.0	19.0
Minimum pension inadequate	28	28.0	47.0
Pension payment to pensioners in rural areas	2	2.0	49.0
System for calculating benefits	6	6.0	55.0
No link between SSNIT and pensioners	3	3.0	58.0
No problems	28	28.0	86.0
Not Stated	14	14.0	100.0
TOTAL	100	100.0	-

The major problem observed by respondent was the low minimum pension which they indicated was inadequate - not meeting their basic needs (28%). This has been a general problem throughout the study. Most responses given to questions asked clearly indicate the inadequacy of the minimum pension as well as pensions paid generally to pensioners. It is clear from the study that the expectations of pensioners are not being met as they are not satisfied with the level of pension payments received from the scheme. Thus, their lost income has not been replaced by the pensions they received. This is further confirmed as 14 out of the 28 respondents who stated this problem receive between ₵8,500 - ₵50,000 as their monthly pension.

The next major problem identified by respondents was the long processing period as stated by 19 of the respondents. It is worth noting from the table that 10 out of the 19 receive between ₵50,000 - ₵100,000 a month as against 8 who received between ₵8,500 and ₵50,000. That is to say that, the question of pension received did not compensate for the long processing period.

Low pensions paid and long processing period revealed by the study confirms a report by Ejuba (1999) that many social security systems of Sub-Saharan Africa have experienced serious credibility problems due to many factors such as low benefit levels and poor services.

Fourteen (14) respondents on the other hand stated they had not observed any problems with the scheme. For this category of respondents, it can be inferred that they see the scheme as a system that is assisting pensioners to make a living and therefore see any problem as trivial.

3.7 Life After Retirement

Generally, pensioners have different views of themselves depending on the social, financial, physical and psychological life they find themselves in after retirement. To assess the lives of pensioners in the light of the issues earlier discussed, respondents were asked to indicate how they felt about their lives since retirement from four answers provided as 'very good' 'good' 'bad' and 'very bad'.

Out of the 100 respondents, 8% stated they felt very good about their lives. Over half the respondents (56%) stated they felt good, 25% and 8% felt rather bad and very bad respectively while 3% did not state their position. From the responses, a total of 64% of the respondents indicated a positive feeling of their lives since retirement while 33% had a negative impression of themselves. Thus, despite the low pensions received, pensioners feel quite good about their lives. The table below shows the various reasons offered by the respondents for their positions.

Table 19: REASONS FOR IMPRESSIONS ABOUT LIFE SINCE RETIREMENT

REASON	FREQUENCY	PERCENTAGE	CUM. PERC.
Have time to care for family	24	24.0	24.0
Feel Healthy	16	16.0	40.0
Have enough time to rest	9	9.0	49.0
Employment/Investment income of great assistance	6	6.0	55.0
Standard of living changed from good to bad	9	9.0	64.0
Pension too meagre to sustain	19	19.0	83.0
Accommodation problem	5	5.0	88.0
Involved in social activities	8	8.0	96.0
Not Stated	4	4.0	100.0
TOTAL	100	100.0	-

The mode of 24% are the pensioners who feel good or very good because they have enough time to care for their families. The next highest frequency of 19% on the other hand are those who feel bad or very bad because the pensions they receive is too meagre to sustain them. Other reasons provided in the table indicating a positive impression are those who feel healthy (16%), have enough time to rest (9%) involved in social activities (8%) and benefiting from income received from employment and investments.

It could be deduced that although many complained about the low levels of pension, they did not allow that to affect their life after retirement. It can therefore be stated that though money may be an important factor for satisfaction in old age, other factors such as those pointed out by respondents are significant.

3.7.1 Any Financial Changes After Retirement

Post-retirement income in terms of pensions paid is generally reduced at retirement as compared to pre-retirement income. For this reason, pensioners who neither have any source of income nor are engaged in any income generating activity to supplement their pension income generally experience gloomy financial changes in their lives. From the study, 77% stated there had been some financial changes in their lives since retirement. 20% had no financial problems while 3% failed to indicate their position. Examining the situation by gender, the picture was not different. The study revealed that of the 77 who responded in the affirmative, half of them i.e. 37 were females as disclosed by table 20 below, with females accounting for 48% of the total population. Reasons offered for their answers are indicated in the table below:

Table 20: FINANCIAL CHANGES AFTER RETIREMENT BY GENDER

FINANCIAL CHANGES	MALE	FEMALE	NOT STATED	TOTAL
Yes	38%	37%	2%	77%
No	11%	9%	-	20%
Not Stated	1%	2%	-	3%
Total	50%	48%	2%	100%

The above table confirms that in terms of financial obligations or responsibilities, gender is irrelevant. Females in general and retired female workers in particular have financial responsibilities towards their nuclear family, grandchildren (if any) and the society at large.

It is worth noting that the contemporary roles of women in general and Ghanaian women in particular include financial commitments towards the keeping of the home. This has become more important in view of the high cost of living and changing economy which to a large extent makes it difficult for the men to perform their traditional roles as the sole breadwinners for the

home. This new role performed by women does not erode with age or cease at retirement. The study confirms that retired female workers still have financial responsibilities towards their homes in particular and their social world in general as 18 of the 37 females explained that they could not afford some domestic responsibilities.

Table 21: REASONS FOR FINANCIAL CHANGES AFTER RETIREMENT

REASON	FREQUENCY	PERCENTAGE	CUM. PERC.
Feels O.K.	14	14.0	14.0
Inadequate pension	23	23.0	37.0
Cannot afford some domestic responsibilities	44	44.0	81.0
Life is so difficult	3	3.0	84.0
Support from voluntary organisations	2	2.0	86.0
Not Stated	14	14.0	100.0
TOTAL	100	100.0	-

A total of 67 touched on the limitation of the monthly pension paid thus: inadequate pension 23%, cannot afford some domestic responsibility 44%. For the bulk of the pensioners as revealed by the study, financial life after retirement is not an interesting affair. There is a great change in financial life as the meagre pension income received is unable to meet all needs of the pensioners thus making life very difficult for some of the pensioners as indicated by a section (3%) of them.

The anxieties expressed by respondents are not peculiar to the Ghanaian situation. Schulz (1980) admits that one of the more persistent anxieties experienced by older adults relates to income security. According to him, social security was never intended to be a complete retirement income plan. It was designed to supplement pension plans provided by the individual's employer. Yet today, about 75% of retired elderly have only social security to meet their financial needs. (Barrow and Smith 1983).

Many live at or below the governmentally established poverty level. While money does not always produce happiness, it is related to satisfaction in later life. The need for food, clothing, shelter, recreation, transportation and ability to care for family (and grandchildren) does not decline with age.

Following from this is the fact that most pensioners are unable to continue with a "normal" financially independent lives and therefore depend on assistance from other sources like children, spouses, extended family members friends etc. Some others, who may not have the afore-mentioned people to assist them, may become a liability to the nation and the society at large.

CHAPTER FOUR

4.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents a summary and conclusion of the main findings of the study that examined how the pension scheme has impacted on retired workers in Accra. It also offers suggestions and recommendations to address the identified problems of the scheme.

4.1 Summary of findings

The SSNIT pension scheme established by legal instrument PNDCL 247 performs as part of its functions, the payment of benefits to retired workers who have contributed to the scheme during their working lives. Benefits paid which are earnings related, is expected to replace lost income or at best form a floor of income protection to ensure a meaningful life for the pensioner.

However benefits paid as pension income to retired workers is inadequate. Currently, the basic/minimum pension paid is ₵8,500. Much as the introduction of a basic pension is admirable and supplements pension income of pensioners whose benefits fall below the basic after calculation, the level seems to be rather on the low side. The question that immediately comes to mind is “what financial needs of the pensioner can ₵8,500 per month meet for the pensioners alone” not to mention cases where pensioners may have dependants.

It is difficult to imagine how a pensioner can use ₵8,500 for food, clothing utility services and above all shelter and medical expenses. In addition, the banks deduct some monies from these meagre sums as bank charges worsening the plight of the pensioner.

Besides, quite a number of pensioners receive the minimum pension at the point of retirement with just a small percentage receiving comparatively higher levels of pension.

Findings of the study confirmed that pensions paid are not adequate. At the point of retirement, (i.e. between 1991 and 1998) 17% of respondents received the initial basic pension payment of ₵8,500, a total of 72% received between ₵8,500 and ₵100,000, 5% received pension income of between ₵100,000 and ₵200,000 whilst 6% had above ₵200,000.

The picture was not different with respondent's current pension levels. Currently, a total of 76% receive between ₵8,500 and ₵100,000 while 13% get between ₵100,000 and ₵200,000.

Although the two pension levels (initial and current) discussed above were low, the latter pension levels were a bit higher than the former indicating that there is a progression of pension levels. The factor that accounted for this difference was the yearly indexation of pensions that seeks to hedge pension income of pensioners against the effects of inflation.

Despite increments in pensioners' income over the years due to indexation, the amounts received are still very low. The plight of the pensioners is worsened with the persistent inflation in the country thus eroding real income making it difficult to make ends meet. Compounding the problems of pensioners is the cessation of some employment-related benefits that pensioners enjoyed or had access to, while in service.

The inadequacy of pensions paid were traced back to some economic factors existing in the economy such as high cost of living and the generally low salary levels of workers in Ghana. Since pensions are earnings related, the higher the salaries of workers, the higher pensions they receive and vice versa. Low salary levels therefore accounts for low contributions made toward the scheme resulting in the payment of low levels of pension.

Therefore in spite of the yearly indexation of pensions, pensioners are not satisfied with pension benefits received. The study revealed that 94% of respondents were not satisfied with pension payments received with the main reason being that the amount paid was woefully inadequate in view of high cost of living (62%) and also for the fact that their financial commitments were greater than the benefits received (33%). It is worth noting that almost half of the respondents covered in this study suggested an increase or a review in the benefits paid to "reflect current cost of living".

Similarly, national level statistics obtained from the Benefits Unit of the pension scheme for October 1998, and April 1999, revealed a comparable situation. The average pension paid were ₵71,748.45 and ₵82,048.05 respectively. Out of 29,773 pensioners paid in April, 24,782 received pensions below the average of 71,748.48. This information is not different from the findings of this study as in both cases, majority of the retired workers received pension income below ₵100,000.

However a few contributors received comparatively larger sums of pension income. For instance, the highest pension paid in October 1998 and April 1999 were ₵1,112,093.72 and ₵3,306,450.37 respectively while for the same period, the highest 25% lumpsum paid were ₵31,018,713.83 and ₵90,174,671.60 respectively. In spite of the above which forms just a small percentage of the total pension payment, the fact still remains that pensions paid are low and inadequate.

To beef up the financial position therefore, some workers plan for their post-retirement life by putting in place measures to enable them have other sources of income. Findings from the study indicated that about a third (36%) of respondents had other sources of income such as tailoring, investment/shares, farming petty business and part-time employment.

Most workers however rely almost entirely on pension income as data obtained indicated that 64% of the retired workers had no other source(s) of income. Also, 86% of them are not engaged in any income generating activity to supplement their pension income. For this category of pensioners, the inadequacy of the benefits received will be greatly felt.

It is worth stating here that to enable one invest in some income generating activity that will provide a source of income in the future, one has to set aside some resource for that purpose whilst in employment. But, the low salaries received by workers make it very difficult if not impossible to achieve this, although some workers may have remarkable plans for that. A few who may have the means are thus able to set up for themselves other avenues for future income. In this respect, most workers retire just to live on the meagre pension and probably, assistance from children or other family members.

There is a real need therefore, for the scheme to supplement pension income of its retired workers through the provision of other non-cash benefits to enable pensioners live a good and quality life. It is therefore not surprising that 58% of respondents, called for the institution of free medical care for pensioners as most retired workers are characterised by ill-health as well as the onset of some chronic diseases such as hypertension, diabetes etc. Health needs of pensioners are very crucial since maintaining a good health at that age is very expensive. Other benefits suggested by respondents were the use of SSNIT vehicles by pensioners, Christmas bonuses, transport/rent subsidies and the need for the scheme to assist workers own houses since accommodation is an imperative issue in the country.

Apart from the need for the scheme to provide other benefits for the pensioners, the study also found out that there were other aspects of the scheme that needed to be reviewed. These aspects include processing period of benefits. From the study, 44% of respondents had their pension

benefits processed in three months, 11% between three and six months while 29% had theirs processed beyond six months. Consequently, about one-fifth of the respondents (19%) observed long processing period as a problem with the scheme. Other problems noted were the system for calculating benefits, the need for the scheme to establish a link between it and its pensioners and finally, the scheme to institute measures to ensure that pensioners in rural areas receive their pensions without any problems.

The above-discussed problems notwithstanding, pensioners view the scheme as fairly good. 89% of them rated the scheme as satisfactory (fair and good) saying that it ensures basic assistance to pensioners through the provision of a minimum income protection for retired workers. Though incomes paid to pensioners may not be adequate to cover the total needs of the pensioner, it ensures them a minimum support for living in line with the main objectives of a pension scheme.

Finally it was noted from findings of the study that by and large, incomes of retired workers are reduced at retirement and therefore most of them experience a great change in their financial lives after retirement. Due to the limitation of the monthly pension income, most of them cannot afford some domestic responsibilities thus making life difficult for them. Retired female workers were not left out of this problem as 37 of the 48 covered in the study indicated there has been financial changes in their lives since they retired.

In view of the problems discussed above, Ghanaian workers do not normally retire voluntarily before the official retiring age of 60. 17% of the pensioners who retired voluntarily did so because of ill health or a deteriorating health or retrenchment/liquidation of their establishments. It can therefore be concluded that in the absence of any negative factors affecting the worker directly or indirectly such as the one discussed above, Ghanaian workers will be willing to work until they are officially retired.

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4.2 Conclusion of Findings

In conclusion, the study revealed that the impact of the pension scheme on Ghanaian workers has not been as expected in that, majority of its beneficiaries receive very low pension incomes. Also, a number of factors in the economy as well as others inherent in the scheme affect benefits paid out to pensioners. Ghanaian workers suffer loss of income in their old age basically because of low levels of incomes during their active service. Contributions made toward the scheme are minimal and therefore pensions paid subsequently after retirement are also low.

The problem of inflation was also identified as another important setback since the purchasing power of the pensioners are constantly being eroded as a result of this phenomenon.

Whereas a few retired workers from some well paid institutions collect comparatively high levels of pensions, majority of pensioners receive pensions below the average pension. Though the scheme attempts in a modest way to increase pension payments each year, the effect seem to be insignificant because of the constantly high rates of inflation and high cost of living. More so, the basic pension payment of ₵8,500 paid out by the scheme

is woefully inadequate. Therefore a few who are able to secure jobs do so mainly to supplement their meagre pension income.

For this reason, there is the need for the scheme to provide other non-cash benefits and also review upwards pension payments particularly the minimum pension of ₵8,500 since most retirees depend almost entirely on pension income received. Under these circumstances, life after retirement seems rather unpleasant for the retirees because they are unable to make ends meet to live a decent life.

In sum, the study has confirmed that pension incomes are low, pensioners are dissatisfied with pensions received and so require the provision of other supplementary benefits.

Sight was however not lost of the fact that though pensions paid are not adequate, the scheme provides a basic assistance to pensioners and therefore needs to be reviewed to ensure that meaningful pensions are paid to retired workers.

4.3 Suggestions/Recommendations

The social security scheme in Ghana has become a major player in the national scene in terms of its functions in providing income protection for retired workers. It is geared at mitigating problems of workers after retirement. Though this scheme is making efforts to meet the purpose for which it was established, much needs to be done to ensure that contributors to the scheme who retire, are financially protected.

At the moment, the scheme strives to achieve this by increasing pensions each year. However external factors like the rate of inflation and the high cost of living which are beyond the control of SSNIT greatly affect

incomes in the country including pensions. This is a very disturbing issue in that much as it is the objective of the scheme to ensure that its retired contributors are not destitute by ensuring an adequate income protection, external economic factors tend to negate the laudable objectives. In that regard, if the rate of inflation heightens after pensions have been indexed in a particular year, the pensioners consequently suffer the loss.

4.3.1 Establishment of Complementary Schemes

One major means by which this problem can be solved or at best minimised is through the provision of a safety net in the society to provide adequate post-retirement income and also protect the pensioner from the effect of inflation and other economic factors in the economy.

The main objectives of a social security policy are to reduce poverty and provide a social safety net of income protection for the people. The main ways by which such social security programmes can be administered is by their methods of allocation of cash payments and services to beneficiaries. These methods include social insurance, social assistance, universal programmes and public provident funds (A. Kapini Atafori, 1999). Currently, the SSNIT pension scheme covers only social insurance and not the rest and therefore does not serve as a safety net.

In a bid to provide a safety net for retired workers, the other systems of retirement income should be implemented in this country. Apart from the scheme which is a primary one, there is the need for other secondary schemes like occupational pension schemes regulated by a legal mechanism as well as private pension schemes.

In effect, pensioners need other forms of benefits to supplement the basic or primary pensions they receive to enable them live a decent financial life after retirement.

Complementary schemes provide benefits additional to those provided by the basic scheme by raising the level of total benefits received. It also complements the basic scheme by providing less stringent conditions for entitlements to benefits.

In this wise, income sources in post-retirement life should expectedly come from at least the three formal forms of retirement income schemes. These together form a safety net for the retired worker and also acts as a hedge against inflation.

Occupational schemes are those established for the benefit of employees working for a particular firm or for employees within a certain trade or profession. Personal pension schemes on the other hand, take the form of an individual contract between the employee or self-employed person and a pensions or insurance company under which the individual pays contributions into a fund managed by the company. The company will in turn provide beneficiaries with a cash lumpsum at retirement that could be used to purchase an annuity to provide periodic payments to the individual for the rest of his life.

Another income source that could be beneficial to the retired worker in his post-retirement life is income from investments. There is the need to invest in some ventures whilst working to make one comfortable after retirement. Diversified income sources thus provide better security and prevents the situation of over-reliance on pension income which for some people may not ensure adequate income security in retirement. Some useful areas of investment include among others, shares, unit trusts, life insurance policies and petty businesses.

4.3.2 Efforts by the Government

Due to the unfavourable economic conditions in the economy already identified in the study (as high cost of living, low salary levels due to inflation and the general poverty level existing in the country), there is the tendency for citizens in a country to expect the state to be fully responsible for their socio-economic affairs.

In actual fact, though people may be willing to take up other private pension scheme or invest in some shares or insurance policies, low salaries received make it rather difficult if not impossible to even save let alone contribute towards other schemes. Action needs to be initiated by the government in an attempt to address this fundamental issue to ensure payment of meaningful salaries to workers. If salaries are high, pension incomes will correspondingly be high and also, individuals can take up supplementary schemes and thus increase their post-retirement income. This can only be achieved if attempts made by the government to alleviate poverty are intensified. The high level of poverty in Ghana means that continued strong economic growth is a fundamental requirement to provide opportunities and resources for poverty alleviation (Kanbur and Link ,1994).

4.3.3 Increase/Review of Minimum Pension

Though it will be extremely difficult for the government or the scheme for that matter to provide all needed services of its pensioners, the scheme should be developed enough to absorb the increasing demand for review of benefits and other services and facilities. Pension benefits should be designed to provide the pensioners with an adequate level of income protection sufficient to maintain their financial independence or to a large extent, replace their lost income.

Public perception about the administration of the scheme has more to do with the adequacy of pensions paid. Therefore the scheme needs to be reviewed to make it more responsive to the demands of its contributors. The

minimum pension of ₵8,500 needs to be reviewed upwards and additional benefits provided.

Additionally the health needs of pensioners need to be seriously addressed as a means of providing other non-cash benefits to supplement pension income. With the trend of world economic affairs, it is imperative for the scheme to pay more attention to health care delivery of its aged retired members by ensuring that the institution of the proposed national health insurance scheme is expedited. It is one major way by which pensioners financial burden can be eased since at that age, a lot of money is spent to keep themselves healthy. As a preliminary measure, a special concession could be instituted for the pensioners whereby they would be given either free medical care in the government hospitals or to be attended to at subsidised costs.

4.3.4 Review of Policies and Social Security Law

The existing social security policies need to be reviewed to enable the informal sector that forms a greater portion of the working population in Ghana to be widely covered. New strategies need to be adopted by the scheme to attract that sector. By this, more funds will be made available for investment and consequently improve pension benefits.

In this regard, SSNIT's attempt to review the social security law PNDCL 247, is a step in the right direction. According to official sources, the idea is to review the law to address problems that were not anticipated when the initial law was promulgated. It is designed to meet the expectations of members of the scheme and also bring the scheme in line with changes in the pension industry worldwide.

New proposals made to widen the net to cover any person resident in Ghana who opts to join it, and to base the minimum contributions to the scheme on the national minimum wage are quite remarkable. This will lead to

an increase in the fund base for more investment income leading to an increase in the basic/minimum pension paid as well as general pension levels.

Another welcome proposal in the review of the law that is quite laudable is the introduction of retirement grant for those who do not qualify for the pension benefits, as well as those who though are ill do not qualify for invalidity benefits.

4.3.5 Delays in Claim Processing

On delays in payment of pension claims which is basically caused by unreliable records, improper completion and non-endorsement of documents among others, extensive education needs to be carried out for prospective claimants to be aware of their obligations and responsibilities to ensure smooth and quick processing of their claims. The scheme needs to ensure that records of contributors both financial and personal, are properly kept and made easily accessible for processing of claims. Efforts should also be made on the part of officials of the scheme to quicken and possibly shorten processing procedures to enable pensioners receive their first time benefits promptly.

In sum, findings from the study have laid bare the fact that the SSNIT pension scheme has not made a great impact on pensioners in terms of benefits offered. Though it was instituted not too long ago (1991), there is the need for management of the scheme to examine and review policies governing the scheme to respond to expectations of its contributors particularly in the area of additional benefits as well as increase basic minimum pension. Perception of the scheme by pensioners in particular and workers in general has not been positive because majority of pensioners in the country do not live good and quality lives. This is basically due to limited pension incomes coupled with high cost of living, inflation and low salary

levels that have a bearing on pension income.

Perhaps, a concerted effort from the government, management of the scheme, employers as well as individual workers to help address this issue is needed. The government on its part needs to address the salary problem of workers in Ghana and employers need to institute occupational schemes for their workers. Management of the scheme will also have to put measures in place to ensure payment of meaningful pension and other benefits while the individual (worker) subscribes to private pension programmes. Post-retirement income from all these sources will form a safety net for the retired worker and enable him live a meaningful life after retirement.



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THE IMPACT OF THE SSNIT PENSION SCHEME ON ITS RETIRED MEMBERS

Note: This survey is aimed at finding out the impact of the SSNIT Pension Scheme on its retired members. Please answer the questions as best as you can. Your personal views are very much needed. All information given will be treated as confidential. Thank you for your co-operation.

(1) PERSONAL INFORMATION

- (a) Age (b) Sex (c) Ethnicity
- (d) Marital Status: Married Single Widowed Divorced
- (e) Place of last employment
- (f) Position held before retirement
- (g) Educational Background:
Primary/Middle Secondary University
- (h) Number of Dependants (if any)

(2) RETIREMENT INFORMATION

- (a) Did you retire voluntarily or compulsorily ?
Voluntary Compulsory
- (i) If voluntary please state reasons.....
.....
- (b) What year did you go on retirement ?
- (c) At what age did you retire?
- (d) When did you receive your first pension ?
- (e) What was your first pension payment ?
(i) ₵8,500 or below (ii) Above ₵8,500 - ₵50,000
(iii) Above ₵50,000 - ₵100,000 (iv) Above ₵100,000 - ₵200,000
(v) Above ₵200,000
- (f) Are you receiving full or reduced pension ? (i) Full (ii) Reduced
- (g) Did you opt for 25% lumpsum ? Yes No Please give reasons for your option.
.....

(3) INFORMATION ON SSNIT

(a) How long did it take SSNIT to process your pension application ?

- (i) Up to 6 weeks (ii) 2 months (iii) 3 months
(iv) 3 - 6 months (v) Above 6 months

(b) Were you satisfied with the services offered by SSNIT in the course of processing your application ?

Yes No Please give reasons

.....
.....

(c) What is your present pension payment ?

- (i) ₵8,500 (ii) Above ₵8,500 - ₵50,000
(iii) Above ₵50,000 - ₵100,000 (iv) Above ₵100,000 - ₵200,000
(v) Above ₵200,000

(d) Are you satisfied with the amount of pension received ?

Yes No Please give reasons

.....
.....

(e) Are your pension payments regular ? Yes No

(f) Do you receive your pension payment on time ? Yes No

(g) Are there any benefits you feel SSNIT could provide apart from monthly pensions ?

.....
.....

(h) Are there any problems you have observed about the SSNIT scheme ?

.....
.....

(i) How would you rate the scheme ? Good Fair Poor

Please give reasons.

(j) What are your views about the scheme ?

(k) Are there any suggestions you could offer to help improve benefits/services of SSNIT ?

(4) OTHER INFORMATION

(a) Do you have other sources of income ? Yes No.

(b) What is your source of income ?

(c) Are you in any form of employment ? Yes No.

(d) If Yes to (c) above, is it for income or to occupy yourself ?

(e) If No to (c) above how do you occupy yourself ?

(f) Do you have any assistance from family members/children

Yes No.

If Yes, how often ?

Monthly

Frequently

Occasionally

(g) Do you have any dependants (children) currently in school ?

Yes No.

(h) Generally, how do you feel about your life since retirement ?

Very Good

Good

Bad

Very Bad

(Please give reasons).....

(i) Have there been any changes(financially) in your lifestyle after retirement ? *i.e. Are there certain things you used to do before retirement but cannot afford now.* Yes No

If yes, please explain

(j) Are there any benefits or assistance you receive from the SSNIT Pensioners Association ?

