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Ghana'S Pension Reforms in Perspective: Can the Pension Benefits Provide a House a Real Need of the Retiree?

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Abstract
The Government of Ghana enacted another pension reform in 2008 to establish a three-tier Pension Scheme with the objective of enhancing pension payments, financial independence to the retired worker and also for capital mobilization for national development. The purpose of any policy reforms that seeks to protect vulnerability of people must be significant to address identified inadequacies in a previous one. This paper is very critical of the new pension reform (Act 716) of 2008 as it provides unrealistic benefit to the pensioner to meet vital needs (i. e A HOUSE), a cultural demand, the lack of it, is killing many retirees in Ghana. The significance of the concept of building a house in Ghanaian cultural setting and retirees is discussed extensively. The mortgage industry which the Act or Scheme relies on is also evaluated. The conclusions are very revealing that the mortgage industry in Ghana is very expensive, unaffordable and therefore unreliable to provide any low cost housing to low income earners and many civil servants in Ghana. The paper proposes that a holistic Pension Scheme that is focused and targeted to identified cultural needs must be established. Financial independence as emphasized in the pension reform act is good but myopic and cannot guarantee longevity.
Keywords: Pension Reforms, Retirees, House Mortgage.

1. Introduction

Retirement or Pension scheme the world over is a deliberate social protection intervention by the state or organizations for their employees to reduce their vulnerability to the vagaries of the harsh socio-economic environment.

Social Security schemes and institutions have been established to achieve this objective. The schemes are statutory and are either contributory or non-contributory premium by beneficiaries.

The Pension Reform (Act 716) of 2008 is the fifth after colonial rule in Ghana. Both civilian and military governments have undertaken social security reforms to make workers comfortable on retirement. None of these reforms had made any meaningful impact on retirees, leading to another call for pension reforms culminating in the Pension Reform Act of 2008. Five years after, potential retirees are at the crossroads whether the reforms would meet their socio-economic needs.

This paper questions the ability of the new Pension Scheme (the three-tier pension system) to deliver a vital need a house- to the retiree. Would the lump sum benefits of the second tier of the scheme afford a mortgage loan for a home in Ghana? The paper discusses the relevance of a house in a cultural context as a requirement for older person particularly the aged or retirees to secure social acceptability and integration. This cultural factor in the view of the authors is of a major concern to many potential retirees and which many retirees who could not afford are confronted with on their retirement.

The paper examines the mortgage industry in Ghana which the new scheme seems to propose to workers on the scheme to meet this cultural requirement.

1.2 Historical Development of Social Security and Pension Scheme's in Ghana.

The introduction of formal social protections schemes for retired workers was a post second world war phenomenon. The first social institution for the welfare of the indigenous populations of the Gold Coast was during the hectic years of the Second World War (1939 –1945). It was established by the United Trading Company, a multinational corporation formed in 1921 by the Basel Mission for its African workers. This development led to the establishment of the African Pensions Fund, the first social institution for the welfare for the indigenous populations of the Gold Coast (Appiah-Gyan 1999:5). The African Pension Fund was meant for the employees of U.T.C. only. It was not a national social security scheme.

Just after the Second World War, the colonial government of the Gold Coast adopted an International Labour Conventions on workmen's compensation of cash benefits to injured workers and then passed the pension Ordinance of 1946 (Gockel 1996). This provided for a non-contributory pension scheme in respect of workers described as African Senior Civil Servants and their widows as well as orphans and children.

Subsequently in 1955, the Teacher's Pension Ordinance was passed to enable "certified Teacher" to enjoy the benefits provided under the pension ordinance of 1946. However, the senior members of the University of gold coast, now University of Ghana were given a separate superannuation scheme.

At independence governments of Ghana continued the colonial legacy of economic development and policy. Labour migrations, the search for wage employment in towns led to rapid pace of urbanisation, which still continues today. Migration alienated the migrant workers from the protection offered by the extended family system and they consequently became heavily dependent on the magnanimity of their employers in urban areas.

The negative impact of the socio-economic transformation on the social protections of the migrant worker led to the need to establish a nationwide social security system for migrant workers. In 1960, the Government of the Convention People Party established a compulsory savings scheme. This was financed by obligatory deductions from the wages and salaries of workers in the formal sector and paid into a "consolidated fund." Workers were entitled to the principal amount scored plus interest on retirement.

This compulsory saving scheme failed, due to poor education about the scheme among contributors, inefficient operations and poor record keeping of contributors' contributions. Consequently the scheme was abolished and replaced by Social Security Act of 1965. This act of 1965 laid the foundation of a National Social Security Scheme in Ghana.

The aim of the act was to create a provident fund where each worker was made to contribute 7.5% of monthly basic salary to the fund, while the employer added 15% to add up to a total of 22.5% each month.

The implementation of the scheme was executed by two institutions namely the Department of Finance under the Ministry was responsible for policy and general administration of the fund while the State Insurance Cooperation was in charge of inspectorate and operations divisions.

Contrary to the nine minimum standards of social security/contingencies enjoined by ILO Convention 102 of 1952, the benefits provided under the provident fund scheme of the social security system in Ghana had a superannuation benefit and five direct benefits to cater for the following contingencies: (1) sickness (2) invalidity (3) death/survivors (4) emigration and (5) unemployment (Gockel 1996). The sickness and unemployment contingencies were introduced in 1968 and 1972 respectively.

The other contingencies not covered by the provident fund social security scheme are the following:

1. Medical care of a curative or preventive nature. This should include any morbid condition irrespective of its cause, pregnancy, confinement and their consequences. It further provides for medical attention, surgery, drugs, and hospitalisation etc. for duration of 26 weeks.
2. Employment injury benefit, defined to include accidents at the work place or diseases contracted from the job performance.
3. Family benefit covering the maintenance of children in respect of food, clothing, housing, holiday and domestic help.
4. Maternity benefit to protect pregnant women and confinement, which incapacitate them from earning incomes.

The qualification for benefits under the provident fund social security scheme of 1965 was based on age and sex. To qualify for superannuation male contributors would have to attain 60 years while for their female counterparts the specified age was 55 years.

The Trade Union Congress also noted two shortcomings about the fund. First, was the provident nature of the fund, which the union requested to be transformed into a pension scheme, under which (monthly) payments would be paid to retired workers or other beneficiaries? Secondly there was the call for the merger of the two institutions in charge of the fund, into a single administration. The Government, of the National Redemption Council implemented the second demand by issuing a decree (NRCD 127) in 1972. This established the Social Security and National Insurance Trust (SSNIT) as an autonomous body charged to administer social security schemes in Ghana.

The NRCD 127 also brought some changes in the coverage of the provident fund of 1965. It made the coverage compulsory for workers in establishments, which employed at least five workers. Establishments with less than five workers were given the option to join the scheme. The decree however exempted the military, the police force and the prison service, foreigners in diplomatic missions and senior members of the universities and research institutions, from joining the scheme.

It must be noted that the NRCD 127 1992 was also aimed at instituting one scheme for all civil servants employed on or after January 1, 1972. The decree did not abolish the 1955 Teacher Pension Ordinance (cap 30).

In 1975, the Supreme Military Council, the then government of Ghana, issued a decree SMCD 8 to amend aspects of Pensions and Social Security act of 1972 (NRCD 127) section 4 (1) of SMCD 8 gave civil servants covered by CAP 30 the opportunity to opt for a pension under CAP 30 or social security scheme. An option for either scheme was made irrevocable and also, refusal to exercise the option automatically led to coverage under the Social Security Scheme.

In 1987, proposals to convert the social security fund from a provident fund to a social insurance scheme were made to government due to the shortcomings of the provident fund. Consequently, the PNDC government passed a law PNDC Law 247 to change the provident fund scheme into a pension scheme to be managed by SSNIT.

1.3 The Social Security and National Insurance Trust

The Social Security and National Insurance Trust of Ghana (SSNIT) is a pension scheme, which manages three main programmes:
(a) old age pensions
(b) invalidity pensions and
(c) survivors' benefits.

The scheme is contributory. Contributions of 5% and 12.5% of salary (insurable income) are paid by employees and employers respectively, on a monthly basis to the scheme. Membership by law is compulsory for all employees who have an employer-employee relationship with an identified employer, while for self-employed persons it is voluntary. The current number of active contributors is about 963,111 (by 2011 data), which is less than 10% of the estimated working population of about 10 million. This statistics clearly highlights the need to cover the informal sector.

With regard to old age pension a reduced pension is paid to an insured person who has contributed for a minimum of 240 months and has attained the minimum age of 55 years and above but has reached 60 years. A full pension is paid at age 60.

The pension payment ranges form 50 percent for the minimum contribution period of 240 months to a maximum of 80 percent of the average of the three best years of insurable income of the contributor.

After the initial 240 months contributions, which guarantee the contributor 50 percent of the pension, every twelve additional months of contributions earns an additional 1.5 percent of the benefit.

On qualification for an Invalidity Pension, a contributor should have paid a minimum of 12 months contributions within the last 36 months of membership before the contingency occurs. In addition, certification of a medical board for total and permanent invalidity is also required. The benefits range from 50 percent of the insured person's three best year's average insurable income or whatever he/she has earned, whichever is higher.

For survivors Benefits, the qualifying conditions are the same as for the invalidity pension but the benefits differ in structure. The benefits are paid as a lump sum instead of a pension, to nominee of the contributor.

Technically, the SSNIT scheme is autonomous, with a tripartite governing board of directors. It is a defined benefit social insurance scheme financed through the partial funding method. Accumulated reserves are invested. The 1991 PNDC Law 247 enacted to change the Provident Fund to a pension fund exempted the military, the police, first service, the prisons and senior members of the universities.

Apart from the National Social Security Scheme, some public and private institutions organised internal pensions schemes for their workers. The Ghana Commercial Bank until 1989 had in place a "Ghana Commercial Bank Pension Scheme." U.T.C. (now Unilever) also operated a special provident fund for mangers who were employed on or after 1991. Other workers are on the SSNIT Pension Scheme. Unilever had about five hundred retired workers (mostly junior staff who retired before 1991 or opted for the internally arranged provident fund in 1965 instead of the National Provident Fund).

1.4 Short Comings

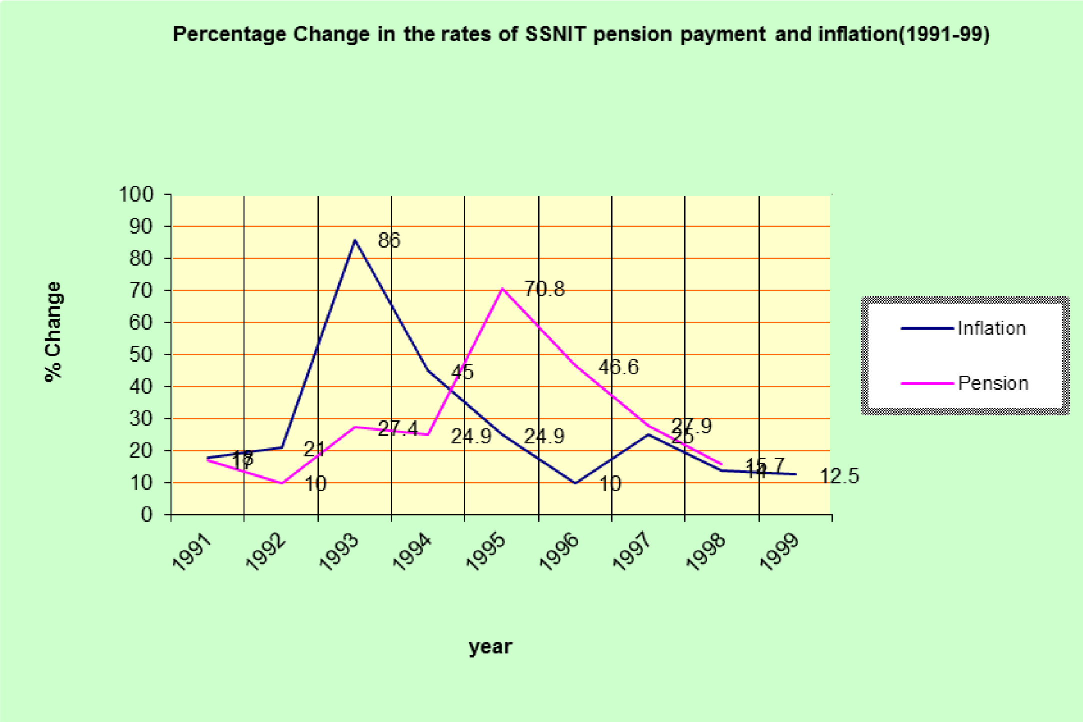
The various schemes established to protect the retired worker had come under serious criticisms, because the benefits did or had not been able to meet the socio-economic needs of the beneficiaries. The inability of the pension schemes to meet the satisfaction of beneficiaries had been attributed to a number of factors.

These were/are high inflationary trends and low wages and absence of supplementary pension's schemes and limited coverage. On the impact of inflation on pension payments, SSNIT experiences are illustrated in Figure 1.0. A critical analysis of the graph shows a steady percentage decrease and increase in inflation and SSNIT pension respectively from 1991 to 1998. Contrary to the increase in 1992, the percentage increase in SSNIT pension payments rocketed and attained its highest in 1993 with an increase of four times higher than the percentage increase in inflations. From 1993 to 1995 the rate of increase of SSNIT pension increment dropped form 86% to 10% in 1995.

The relation between the rate of SSNIT pension increment and inflation from 1994 to 1995 has a lot to say about the standard of living or the socio-economic position of Ghanaian pensioners under the SSNIT pensioners occurred in 1995. The second half of 1994 marked the equilibrium position of pensioners and therefore the beginning of the decline of the economic conditions.

The situation took a turn for the better (but some earned as little as GH¢4/($2) from 1995 to 1996 when SSNIT pension payments increased steadily vis-à-vis a steady decrease in inflation in the same period. However a decrease in inflation in 1996 led to a uniform percentage decrease in SSNIT pension payments. Comparatively inflation continued to be slightly higher than the pension payments. The rate of inflation forms part of the indexation to determine increments in pension allowances by the Social Security and National Insurance Trust as discussed above.

Figure 1.0 Percentage Change in the rates of SSNIT pension payment and inflation (1991-99)



Source: SSNIT. Benefit Department, 2000 (Obiri-Yeboah 2001)

The problem is that the percentage increment of pension allowances as a result of the inflationary trends did not make any meaningful impact on the level of the allowances. The problem was that SSNIT was yet to devise an indexed benefit formula that will prevent the real value of benefits from being eroded by inflation.

The indexation of pension payments to inflation was based on the previous year's inflation level instead of future projections. This practice had cyclical effects on the pension payments. The only option was for SSNIT to review its investment strategies. As observed in the next paragraph, in spite of several increases in SSNIT pension allowances the levels remained very low and therefore could in reality not help the majority of the pensioners to meet their basic needs.

As an observation of the monthly published returns of distribution of pension payments for January 1999 of the Social Security and National Insurance Trust revealed that 64.02% received between 80p/($0.30) and GH¢5/($2.5) ; 21.50% received between GH¢5/($2.5) and GH¢10/($5) while 13.48 received between GH¢10.1/($5.0) and GH¢50;/($25) 0.94% received about GH ¢50/($25).

An observation of the above figures reveals that a large majority of pensioners received amounts equal to or less than the 1999 and 2000 national minimum daily wage 29p (about 80 cents in 1999 and 20 cents in 2000) in Ghana. The same can be said of the Unilever Ghana Limited where the majority of its pensioners receive less than the minimum wage.

Comparatively SSNIT pension payments were the lowest among other schemes. For example the last pension payment by SSNIT in January was 85p ($0.35), while that of the Civil Service Pension Scheme (CAP 30) for 1998 for January to December was GH¢4.57 ($2.3) at range 11 the lowest range. At Unilever and Ghana Commercial Banks, the smallest pension payments in 1999 were GH¢4 ($2) and GH¢6 ($3) respectively.

Adjei G. (1999) making allusions to the concerns expressed by a pensioner, one Seth Attoh in his article captioned "pension pay too meagre" in the business column of the Daily Graphic issue of August 26, 1999 (page 23) called for a review of reforms of the national pension schemes for efficient management and higher emoluments for beneficiaries. He stated,

> "The need for adequate index – linked retirement incomes has become more relevant today due to the weakening of the extended family system."

Commenting on the level of pension payments in the country he noted,

> "Some pensioners argue that for GH¢5 ($2.5) a month, transport cost and domestic household basket cost can barely be met, let alone medical and accommodation cost."

He further contended that the,

> "Social Security Scheme should be the next great reform that should be divested as other state owned enterprises to encourage competition with the objective of offering the beneficiary a decent return."

Adjei's contentions reflected the general view of critics of the SSNIT pensions scheme. The monopoly of pension funds conferred on SSNIT by the National pension law removes the pressure on it to improve pensions because it had no competitors. It is quite healthy to involve other insurance companies in social security schemes but the observation is that the instability of private insurance companies affects the confidence of workers in such deals with private insurance companies.

Another problem with the Government sector pension scheme was the operation of a parallel scheme for the civil service. Even though the social security Law (PNDC Law 247) was meant for all public servants, the government continued with the Teachers Pension Ordinance of 1955 and exempted the military too. This generated heated debates, highlighting the positive and negative aspects of the schemes.

Those in favour of the civil service and Teachers Pension Scheme under CAP 30 had argued that in many respects the scheme was far better than that of the National Social Security Scheme. Whereas the qualifying period for the SSNIT scheme is 240 months that of the civil service was 120 months. Furthermore the scheme was non-contributory while SSNIT members pay 5% of their basic salary. Moreover the benefit paid to the retired civil servants was based on 70% of their terminal salary, whilst for SSNIT contributors it was based on 50% of average salary of the three best years of a working life.

Officials of the Social Security and National Insurance Trust had been quick to defend the SSNIT pension scheme as universal, equitable and fair, while the civil service pension scheme was discriminatory and inequitable, in the sense that only a few civil servants enjoy this facility made available through the general taxation of the people. They asserted that CAP 30 was very costly to government, as it took up a chunk of the national income, which could judiciously be used for national development.

The reasons of the poor low pension payment have also been attributed to the generally poor income levels in the country.

The problem was therefore not with SSNIT but the economy and income policy of government and employers. Therefore SSNIT pensions would become meaningful only when members receive higher incomes.

A formal social security scheme had become necessary in Ghana, as poor economic trends have undermined informal social protection of the elderly by family members. Baah Nuako (1997:194) pointed out that the economy of Ghana since Independence had been stagnant. After 5.5% growth achieved in the first three years after independence, the economy plunged into crisis in the sixties and a disaster into the seventies. Between 1950 and 1977 real domestic product jumped form 116.7% in total and declined by 16.7% in per capital income.

Government expenditures on social services and community services had also been declining. In 1959 social services and general services took 50.6% and 57.2% respectively of government expenditure. But by 1979 and 1980 the above service had declined to 16.8%.

Another major problem that confronted the Social Security Scheme for the past four decades was inflation. The high inflationary trends impacted negatively on the low incomes of many Ghanaians. The wage policy of succeeding governments in Ghana had been one of restraint, in spite of the high inflationary trend. No upsurges in wages till the over-throw of the first republic in 1966. The response to the wage restraint policies had been agitation for wage review by workers because of the impact of inflation on their meagre incomes.

Baah Nuako has pointed out that the inflation of 8.1% per annum of the sixties accelerated to an annual rate of 28.9% during 1970 to 1977. Since 1997 inflation rates exceeding 100% are not uncommon. With inflation those in the fixed income group have witnessed an erosion of their purchasing power. The working class, white-collar middle class and a large section of the population have been pushed down into the poverty class.

The inadequacy of incomes was compounded by intractable high rates of inflation and exchange rate depreciation so that those on fixed income particularly pensioners have become worse off. For example although inflation was brought down from its highest ever level of 123% in 1982 to 10% by the end of 1992, it nevertheless remained intractable. Indeed inflation coupled with the steady decline of the cedi dollar rate, which reverberates through the economy, has ever since been the bane of workers. Thus the sluggish per capita growth tends to cause Ghanaian workers to feel less well of as times go by. This is worse for retired workers. (Gockel and Kumado 2003)

The Economic Recovery Programme (E.R.P.) undertaken by the Provisional National Defence Council (PNDC) in 1983 to salvage the economy from the doldrums was yet to show positive signs of recovery. The removal of subsides on education, health and other public utilities led to loss of access to the services for many people. Unemployment had increased over the period partly due to the retrenchment of labour and poor employment generations (Ayemedu, 1993).

The poverty profile of Ghana published by the World Bank in 1995 indicated that 60% of the people were poor. The negative economic trend in Ghana had great implications for intergenerational support and generally on living standards.

In this gloomy economic situation the case of the vulnerable in society such as the elderly (including retired workers) was very significant, because the source of survival was threatened as the youth are unemployed and incomes were eroded by inflation. The indexation of pension payment to inflation to stabilize the incomes of pensioners had not achieved any appreciable results.

From the above discussion, the low levels of pension payments had serious implications for the very survival of the pensioners after two or more decades of dedicated working life. For a worker to receive far below the national minimum wage on retirement was a national conspiracy to send the pensioner to his or her grave prematurely. The low level of pension payment was also a pre-cursor for corruption and uncommitted attitudes to work by workers, because they have to use any available means fair or foul to secure a viable future for themselves and their families. (Obiri-Yeboah 2001).

It was very important to review the pension schemes in the country to make payment meaningful to beneficiaries. The only way to measure the success of the pension scheme is what the beneficiary receives at the end of the day and sufficient to meet his basic needs of shelter, clothing, health and food. [Officially the minimum wage in Ghana was 29p/ (14cents) as at August 2000. This amount was about 49% lower than one U.S. dollar. In relation to the purchasing power of workers and pensioners, in the country, they would have had to find other means to increase their purchasing power, which has been reduced by 59%, an indication of a precarious socio-economic situation of workers and pensioners and the collapse of inter-generational dependency in the country].

The above problems influenced the government to establish the Bediako Pension Reform Commission in 2005 which recommended the three-tier Pension scheme.

2.0 THE 2008 PENSION REFORM

In 2008, Ghana joined the "band wagon" by adopting the Chilean three tier pension scheme of 1982.

The Chilean three-tier pension scheme has apparently been touted as successful inspite of the challenges of sustainability and negative experiences. Kurt (2005) diffusion policy theory pointed out:

> "A bold reform adopted in one nation soon attracts attention from other countries, which come to adopt the novel policy approach. As such wave gets underway innovations often spread quickly to other countries following the trend seller."

Kurt (2005) further points out those countries adopt reforms by external influence or contribution to the reforms by developing countries through pressure. Mauricio (2005) indeed points out that:

> "The privatization of the Chilean security system was part of a set of economic reforms intended to modernize the economy, which included efforts to liberalize trade, regulate utilities, supervise banking systems, streamline labor market legislation and divest government assets."

This statement of Mauricio aptly echoes the recipe of economic development policy of international financial organization such as the World Bank and the International Monetary Fund. The economic policies of these institutions emphasize reduction of government expenditure on welfare, trade liberalization, and privatization and of course lean government and labor in the formal sector.

Following the Chilean Pension reforms in 1982, many African countries such as Ghana, Nigeria, Uganda, Tanzania, and Kenya have adopted the three-tier pension system without any modification. The 2008 Pension reform (Act 716) is therefore not unique to Ghana.

Assessing the Chilean reform Mauricio (2005) wrote:

"The Chilean experience with personal pension accounts underlines the importance of administrative fees and commissions. Personal accounts holders pay fees starting up and account as well as proportional and flat accounts on contributions which are included to cover records keeping and other administrative expenses."

Mauricio's conclusion on the above is very startling, he states:

> "At retirement the individual will find that more than a fifth of the potential accumulation was diluted by administrative charges and commissions, with the remainder the worker must then pay withdrawal

fees or annuity purchase charges."

The Chilean system is quite simple and highly transparent and is also supported by very effective regulation and supervision.

It has produced very high real returns, but suffers from very high operating cost. These afflict not only pension system itself but also private annuity market on which it is partly based. (Gockel and Kumado 2003)

Unlike Switzerland, neither Chile nor Singapore incorporates in their pension system intentional redistribution in favour of low income workers.

On the contrary, both may inadvertently cause unintended redistribution that may be perversed by penalizing low- income workers. Nevertheless both countries offer some forms of minimum pension. (Gockel and Kumado 2003)

In effect the individual retiree does not stand to benefit from these much acclaimed pension reforms. The real beneficiaries are the powerful players on the capital market; the state and the fund managers. By the Acts and Statutes of the state workers premium flows unhindered into the coffers of the state and fund managers for investments and depending on the size of the contributor's premium paid accordingly. (Are there any lessons for Ghana from the Chilean experience?)

The 2008 pension reforms (Act 716) established a three-tier contributory pension scheme as follows;

First Tier; A mandatory occupational scheme to be run by a restructured SSNIT. Contribution of 13.5% of gross monthly salary and retirement benefits will be only in the form of monthly income and death and invalidity benefits, should a contributor die before retirement.

Second Tier; A mandatory occupational scheme to be run by approved trustees by a regulatory body but managed by private fund managers. Contribution is 5% of employee's gross monthly salary. Retirement benefits would be lump sum payments higher than SSNIT and Cap 30.

Third Tier: A voluntary fully funded provident fund and personal pension scheme managed by private fund managers.

The main objectives of the three tier pension scheme are to achieve the following:

- Enhanced Pension Payments
- Increased retirement income security of workers both informal and formal sectors
- Enhanced security of elderly financial autonomy independence of retirees.
- Increased national savings and availability of long term funds for economic development and;
- The promotion of growth and development capital mortgage and insurance markets.

The regulatory body, the National Pension Authority has been established. Fund managers apart from SSNIT; however are yet to operate (at least at the time of writing this paper). It must be noted that the pension reform (Act 716) of 2008 is almost five years old and no public sector worker has been linked to any fund manager.

The five main objectives of the Pension Reform Act seems to re-echo the old adage "money is the root of all good things" by emphasizing on Financial Security for the Pensioner or retiree and availability of funds for economic development and the capital market. In all, the objectives of the Pension reform (Act 716) of 2008 can be summed as financial mobilization tilted more to the state and the private sector entrepreneurs as expressed in the last two objectives.

2.1 The Problem Statement

The issue of housing or accommodation for Ghanaian retirees is a major concern. Would the Tier 2 and Tier 3 of the Pension Scheme be adequate to provide a mortgage home? Is the mortgage market affordable to low income contributors? What is the state of mortgage market or industry in Ghana today? These are questions this paper seek to interrogate?

Some commentators have claimed that the second and third tier of the scheme could assist the beneficiary to solve a major need – a home. That"Tier 2 and Tier 3 schemes may be utilized at anytime as down payments for a mortgage in a primary home without paying any taxes making them the best way to save for a home ownership"(Petra-Trust Insights 2012).

This assertion emanates from article 103 of Act 2008, subsection 2 which states:

"Depite subsection 1 a scheme may allow a member to use that members benefit to secure a mortgage for the acquisition of a primary residence".

The following comments by Jaap Van Dam (an astute actuarist) cited by Ugwumadu (2014) on Ghana's pension reforms is quite revealing. ""These" recent reforms still have institutional weaknesses and up to now pension funds offer no adequate income to Ghanaian retirees."

"The challenge is that there is no experience on Ghana and the staff need to be trained in how Ghanaian pension Funds work." Also the regulator has no adequate software yet to register pension fund related information."

Further comments reveal the weaknesses in the pension reforms – These include; very low pillar 2 coverage, less than 10% of the formal working population; inadequate investment reforms; a complex and costly bureaucracy; and very low levels of knowledge about markets and Financial instruments.

2.2 Retirement and Accommodation

The Pension Reform (Act 716) of 2008 is supposed to be a response to the short comings of the various social security schemes to protect the retired worker from the harsh socio-economic environment on retirement. Pension payments are so low that for majority of Pensioners basic needs for survival cannot be met.

It is very important to review the pension schemes in the country to make pension payments meaningful to beneficiaries. The only way to measure the success of any pension scheme is what a beneficiary receives at the end of the day and sufficient to meet his basic needs of shelter, clothing, health and food. (Obiri-Yeboah 2001)

The multi-million question is would the Pension Reform 2008 (Act 716) address the real needs of potential retirees or would the so-called benefits address the needs of the beneficiaries on their retirement.

The Bediako Pension Reform Commission reports (2006) on pensions indicated; "the Bediako Commission took cognizance of the fact that in the Ghanaian circumstance, the needs of the individual rather increases on retirement as a result of demand of our traditional norms and customs that is family engagements, family leadership and other social responsibilities."

It further stated; "Additionally, in the absence of the well structured socio-economic systems, individuals on retirement need a certain quantum of money to provide benefits which ordinarily should have been acquired during their working life e.g. houses, vehicles, health insurance etc."

Indeed, the Bediako Pension Reforms Commission recognized an important element in fashioning out a Pension Scheme for Ghanaian Pensioners. This element is the cultural factor; the cultural environment of a Pensioner demands among others, the building of a house by an ageing adult (particularly males) or pensioners. Finding oneself a descent accommodation after retirement from public or civil service has remained one of the top worries of many civil and public servants. There are many civil servants who continue to reside in public office residence years after retirement because they simply have no where to go.

They did not build any houses for themselves or returned to the over-crowded dilapidated family house or rent an unaffordable apartment that compares with the public office residence he or she occupied while in active service. In fact many stories about public servants who passed on few years after retirement because they could not provide themselves a descent or to put it better, build a house to live in with others abound in Ghana. Building a house and occupying it in ones old age or retirement from work is considered before financial security.

Obiri-Yeboah (2001) confirmed this assertion in his studies among pensioners in the Akuapem South Municipality in the Eastern Region of Ghana. Respondents were unanimous on the impact of lack of ownership of accommodation by pensioners.

That many of those who could not build their houses had passed on as a result. The following statements by pensioners attest to the claim:

"without your own accommodation as a pensioner you will be poor and wretched. You cannot pay the rent advances. Lack of accommodation is the number one killer of pensioners"

"your own accommodation helps you the pensioner to reduce expenditure on accommodation every month. As for electricity and water bills one can manage to pay in bits, but it is more serious if one has to pay for accommodation in addition to utility bills."

"my sister and other relatives picked up quarrels with my wife and children. My sister once insulted my wife while she was at the ladies for wasting too much time while she kept waiting for her turn. My sister's remark was "if you had planned your life in the city you would not have come here to share a village toilet with us, useless people". This caused me a lot of stress, my wife even threatened to leave the house. Luckily I managed with few resources to complete two rooms on my plot and we quickly moved in for peace. My children are contributing to complete a third room"

"how would I have paid the high rent advances from my meager pension allowances. As for the family house I could not have had enough rooms for my family and me. In fact it would have been terrible for me; lack of accommodation is killing pensioners. It is the number one killer of pensioners" (This pensioner lived in his own house and told the authors he would have committed suicide if he had not built his own house before his retirement)

An ethnographic study on the elderly in a Ghanaian rural town of Kwahu Tafo by Van der Geest (1999) is very relevant to the study of pensioners in Ghana, because the cultural orientation of the image of the elderly also makes reference to retired government workers or pensioners in general. In his study titled "YEBISA WO FIE". Growing old and building a house in the Akan culture; the author emphasized the importance of house as a pre requisite for respect and honor for elderly persons. He writes;

"A house produces respect more than money because it suits two important requirements of respect: visibility and sociability."

The author revealed further that people who failed to build a house during their life are less respected than those who succeeded in doing. Men who are in rented rooms or someone's house find their social esteem drastically cut.

Such people will not be called elders. People in responsible positions in government or corporations have to fulfill the obligation of building a house in the town to gain respect and title "Opanyin" which means elder. According to the author,

> "A house is the proof that one has been successful in life, financially and socially. One has been able to turn economic success into a social good. The house shows that one has worked very hard. That is why people praise the builder. Economic success may be achieved by farming, trading, 'aban adwuma' (government work) or increasingly now- by work overseas".

The cultural perception of the elderly, including the retired government worker, as revealed by his study, has implications regarding the formal social security schemes in the country. The present social security schemes are contrary to the cultural philosophy of pensioners' cultural environment. Monetary benefits from the various pension's schemes by pensioners seem not to be as relevant as a house. Since a house brings honor and respect, the elderly or pensioner receives car and other services not only from children but other relatives. (Obiri-Yeboah 2001) There are in fact reciprocal benefits from building a house for the elderly, points out Van der Geest, (1999)

> "By building a house and inviting people to stay in it, you secure for yourself company and helpers when the time comes that you may no more be able to move about. More importantly, you can put a claim on those people because it is thanks to you that they stay there."

The lack of a house may make the pensioner disturbed and lead to early demise. From Van der Geest's study, the social and cultural requirement of retired civil servants to build a house may put many of them in a dilemma and psychological trauma; particularly those who could not afford to build their own accommodation.

Housing is therefore the core to fashioning a practicable scheme that would assist the retiree to afford a comfortable home. Any pension scheme that would ignore this important need is bound to fail.

Sing (2009) indeed supports the above view which is aptly captured as follows "it is prudent regulation emphasizes the need to preserve retirement savings for fund members old age. However what is the use of being assured of a comfortable retirement without a roof over one's head today?"

3.0 The Mortgage Industry

Since the issue of housing and mortgage feature in the Pension Reform (Act 716) 2008, it is important to evaluate the mortgage industry in Ghana.

Ghana has checkered history of mortgage financing with several but unstructured methods of housing finance. Financial Institutions such as Social Security and National

Insurance Trust (SSNIT), State Insurance Corporations, the defunct Bank for Housing and Construction (BHC), Social Security Bank (SG-SSB), mortgage institutions notably Home Finance Company and First Banking Society (FGBS) have at one point offered mortgage facilities to working class of the population. (Bank of Ghana 2007)

Their mortgage activities was hampered by relatively high costs of borrowing and therefore their combined input in housing was limited, benefiting only middle and higher income groups with the exception of the mortgages account for this stance. First, potential mortgages consider high commission fees of 1.5% per annum as punitive although the beneficiary bears 10% default risk. Secondly, issues of risk and affordability made the introduction of mortgages unacceptable. Last but not the least is the high prices of houses offered by real estate developers. (BOG 2007)

Housing units provided on the open market are rather expensive for the average Ghanaian. Quoted mostly in foreign currencies to avoid risks associated with exchange rate movements, the cedi equivalent of those houses could increase in absolute terms depending on the going exchange rates. As a result, the housing market appears fitted in favor of non-resident Ghanaians and foreigners whose incomes are denominated or indexed in foreign currencies. As a result, a large segment of population is effectively excluded from access to housing properties built by real estates developers. Payment-income ratio for many loan applicants, thus pricing them out of the market. (BOG 2007)

Additionally, estate developers quote prices in foreign exchange primarily as a hedge against currency depreciation which also served as a disincentive to demand for mortgage. Also, cultural and societal norms which often create apprehensions about use of loans or 'debts' to construct one's residential property.

Hadiya (2012) states :

> "The government housing scheme has not improved the situation. The research found that public servants in Ghana still find investing in home ownership as most important investment option, low salaries, difficulty in land acquisition, high cost of buildings and building materials as well as lack of confidence in the Ghanaian Financial Sector have deprived a lot of public servants of owning a house in

Ghana".

4.0 The Pricing Structure of Housing Units

Price structure of real estate properties in Ghana is the quotations in foreign currency notably the U.S Dollar despite the stability of the domestic currency over the last five years. Most semi-detached houses cost between $30,000 and $90,000 while detached houses are priced between $50,000 and $110,000. Clearly, these are prices over and above the reach of the ordinary Ghanaian salaried worker. (BOG, Research Department, November 2007).

Prices of affordable homes in Ghana (January 2013) are illustrated below:

Types of Homes	Prices
2 Bedroom semi-detached house	$ 38,000/ £ 23,750
2 Bedroom detached	$ 55,500/ £ 34,688
3 Bedroom detached	$ 65,000/ £ 40,625
4 Bedroom detached	$ 70,000/ £ 43,750
1 Bedroom affordable Semi-detached	$ 25,000/ £ 15,625
2 Bedroom affordable Semi-detached	$ 36,000/ £ 22,500
3 Bedroom affordable Semi-detached	$ 39,000/ £ 24,375

(Tracoat Estates 2013)

Recent surveys of the real estate and mortgage market in Ghana reveals how market prices are far beyond the purchasing power of the Ghanaian worker. The research findings indicate that about 85 percent of Ghanaians cannot buy a house. (Housing Data Ghana Limited 2014).
The research findings states;

> "In respect of the mortgage facilities the mortgage market has its own challenges making it extremely difficult for an average Ghanaian to access the facility now." (Housing Data Ghana Limited 2014)

This assertion is substantiated by the following illustrations.

> "During the Q1 of 2014 a worker needed a monthly income of GH¢ 1,820 ($600) for a one bedroom house with a quality income of GH¢4,000.00 ($1,600). Again the monthly repayment for a two bedroom house at Kuntunse costing GH¢142,000.00 was GH¢2,872 ($1,000) with a qualifying income of GH¢6,000.00 ($2,000)." (Housing Data Ghana Ltd 2014)

The highest average annual household income in Ghana which tallies with the Greater Accra Region where the mortgage market is concentrated is GH¢335.60 or $ 199.64 (GLSS 5) lacking effective demand due to low income levels affordability has suffered as about 90% of Ghanaians cannot afford a mortgage to purchase the least developer built unit according to previous research". Kenneth Donkor (2013).
Does the national pension fund possess this potential, now that section 103(2) of the national pension law (Act 716) 2008 allows members to use the second tier benefits to secure a mortgage for the acquisition of a primary residence?

The answers to these questions are found in the conditions of the works of Afranie et al (2014) as follows:

″………. The lack of long term finance, low incomes and high mortgage rates resulting in affordability problems has skewed the traditional mortgage market towards the rich to the detriment of low and middle income earners. Majority if not all low and middle income earners do not satisfy the five lending criteria. That is due to weak contact with formal financial institutions they cannot demonstrate enough character to access a mortgage loan. Their low income status makes it difficult to some and for that matter raise required deposit as well as show adequate capacity to repay the loan.

Further conditions of the state of the economy and the operation of the mortgage markets is well noted as follows:

"Unstable macroeconomic underpinned by unfavorable interest rates and volatile inflation regimes make mortgages excessively expensive against what low income earners can afford" .(Afranie et al 2014)

Clearly the revelation about the operations of the mortgage industry is scary to the ordinary or the average civil or public servants who are in the majority. The highly dollar rated prices of mortgage houses could only be affordable to a few highly paid civil and public servants.

The question is, looking at the turbulent mortgage industry, would the tier 2 and 3 of the new pension's scheme be adequate to support mortgage loans and housing considering high interests and prices of homes by real estate developers? Can the lump sum benefit of the retiree build him or her a descent house? If the potential retirees cannot be supported by the new pension scheme (Act 716) 2008 to afford a home which is almost like a "lethal killer" within their cultural environment then the state and other stakeholders need to look for a review for other practical options.

There are certain basic facts for policy makers on pension schemes to consider. Retirees would wish to be debt free on retirement,[The fear of losing homes to financial creditors to recover loans is a genuine concern and experiences of victims on retirement is quite rife in Ghana]. Less expenditure on retirement because real incomes are halved and do not wish to burden their children and other family members with a legacy of huge expenses, avoid stress and live comfortably in their own homes.

Financial security may be crucial and important but inadequate if not supported by social visibility- wealth- a home which enhances the social security of the retiree to access the natural social services from off springs, close kins and beneficiaries of extra available rooms. These are the real needs of the retirees.

5.0 Conclusions

For a pension scheme to meet the housing needs of the pensioners the state and policy makers need to formulate a retirement education plan programme for young employees or persons to create awareness of the cultural demands. Many older retirees lacked this vital information and suffered the consequences of shock, disgrace and early demise. They could have built their own homes from hind-sight but they dissipated at least the "windfalls"- the opportunities that came their way. It is practically not prudent to commence a building project close to or on retirement. Those civil servants who tried it hardly lived to complete their housing project. The frustrations of getting the materials and others together exerted stress on them to knock them out.

The young employees must have access to stress free small loans for incremental housing project of retiree's choice. Operators of the mortgage industry need to review their high prices to reflect the pockets of low income civil and public servants.

For example the operator may reduce the "cosmetics" such as the expensive fittings fixed in these homes, many of which are unfriendly to the retirees or the elderly such as the fixing of expensive slippery tiles.

Ghana needs an integrated Pension policy and scheme that is focused and targeted to the real needs of the retiree. The present pension reform Act 2008 is skewed more towards the capital mobilization for the state and fund managers. The Chilean experience must be a great lesson to policy makers and labor unions.

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