

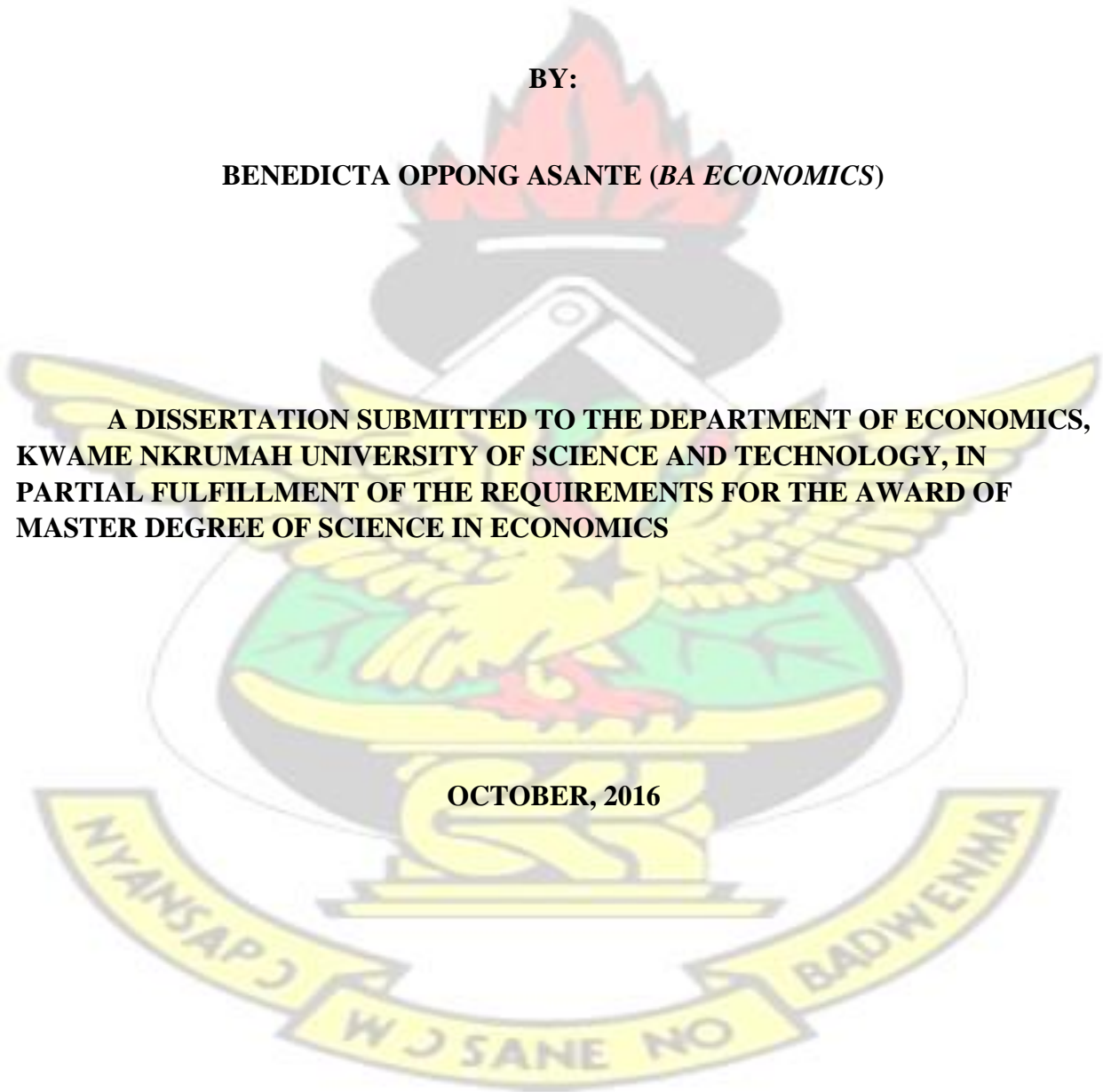
**PERCEPTION AND WILLINGNESS TO PARTICIPATE IN SOCIAL SECURITY
INSURANCE BY THE INFORMAL SECTOR: A CASE STUDY OF
COMMERCIAL DRIVERS IN THE KUMASI METROPOLIS**

BY:

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**A DISSERTATION SUBMITTED TO THE DEPARTMENT OF ECONOMICS,
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PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
MASTER DEGREE OF SCIENCE IN ECONOMICS**

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DECLARATION

I hereby declare that this submission is my own work towards the MSc Economics and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

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DEDICATION

This thesis is dedicated to my family: Fred, Paa K, Awurama and Junior, for their support and encouragement throughout this work. God Bless You.



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ACKNOWLEDGEMENT

My greatest appreciation is to the Almighty God for His protection, guidance and support in bringing me this far. To God be the glory. Amen.

I am most grateful to my supervisor, Mr. J. Appiah-Nkrumah, Department of Economics, for his excellent guidance and constructive criticisms towards the completion of this work.

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ABSTRACT

Social security insurance policy is an essential mechanism for a sustainable poverty eradication and development. The state-based pension scheme in Ghana tends to be better adapted to formal conditions and this limits the participation of majority of the populace, especially those in the informal sector. This study sought to investigate organised commercial drivers' perception and willingness to participate in informal social security insurance in the Kumasi Metropolis. Specifically, the study examined the drivers' knowledge and perceptions on social security insurance policy, analysed the extent to which their socioeconomic characteristics and perception influence their willingness to participate in the social security insurance scheme, and the constraints to participation. Cross-sectional data on 300 drivers were collected using survey questionnaire for the study. Descriptive statistics such as frequency and percentages, graphs and pie chart were used to summarise the socioeconomic characteristics of the drivers and the constraints to their participation in social security insurance scheme. The knowledge and perception of the drivers were analysed using frequency and percentages and a three point likert scale. The determinants to participation in social security insurance scheme were analysed using the logit/logistic model. The study found that majority of the drivers have heard, are aware and understand the importance of social security insurance scheme for socioeconomic development of the nation. The participants agree and consider social security insurance as a good policy for socioeconomic development of society in general. The personal characteristics of the drivers such as marital status and their perceptions about the insurance scheme have influence on their willingness to participate in the social security scheme. The respondents' low confidence in the scheme among other constraints, may negatively affect participation and sustenance of the scheme. Based on the findings of the study, it is recommended that programmes aimed at encouraging the participation of the informal sector, particularly commercial drivers, in the social

security insurance scheme should consider the socioeconomic characteristics of the heterogeneous people and their perceptions about the policy. Policy efforts by the government and other stakeholders (such as private insurance firms) toward improving the communication, visibility and availability of the insurance scheme to the informal sector are crucial for increased participation, performance and sustenance of the social security scheme in Ghana.



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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Social security and insurance policy is one of the essential policies of every nation, however developing countries have not realized the full benefit of it. Although socioeconomic condition in developing countries warrant the increasing demand for social security, yet there is a yawning gap between those who need and those who actually benefit from one kind of social security or the other. Formerly, pension reform around the world was focused mainly on the formal sector. Consequently, many of those working in the informal sector were left out of structural pension arrangements, particularly in developing countries. In recent years there has been the need to address the vulnerability and exclusion of the informal sector by policy makers. There has also been a renewed commitment to develop innovative approaches in the social security to help people moving from the informal to the formal economy (ILO, 2001).

Social security for the poorest and the most vulnerable can facilitate the implementation of structural reforms aimed at economic growth and development. Furthermore, it has a key function in promoting equity and reducing inequality and it represents a powerful instrument for redistributing wealth between different population categories. But for the excluded, the lack of social security constitute a denial of fundamental human right (Universal declaration of human right, 1948). Social security has a direct impact on poverty reduction, both in the risk prevention and through the provision of compensation against any consequences. The impact of 'shocks' due to the occurrence of social and economic risk such as expensive illness, accident leading to disability, and the loss of employment by the family head, has a significant adverse impact on the

level of poverty of individuals and families. The poor are the most affected by such risk and yet they are the most vulnerable. These 'shocks' push many individuals into poverty and prevent others from escaping.

In Ghana, the Social Security and National Insurance Trust (SSNIT) informal sector fund was established in 2005 to safeguard the future of these workers like their counterpart in the formal sector. The objective of the scheme is to operate a social protection scheme appropriate for the working population, the informal sector of the Ghanaian economy as part of the Trust mandate under the social security law of Ghana (PNDCL 247 of 1991), and to design, operate, and manage contingencies and pay benefit in accordance with the rules and regulations formulated and approved by the Trust. Contribution under the informal sector fund are not fixed but are based on an individual preferences as well as his ability to pay. There is however widespread evidence of failure of informal sector social arrangement (FES, 2011). Growing economic constraint and urbanization has also contributed to the inability for family members to provide the needed support.

Unfortunately effort to identify the reasons for the low participation seem missing among researchers. Ironically, Ghana Statistical Services report in 2012 indicate that over half of the employed (55.9%) are self employed, 20.4% is employed in family enterprise and only 17.6% are wage employees, thus informal sector economy account for about 86-90% of total employment (UNDP, 2012). Most of the people in this economy do not have any social security policy. The social security policies in Ghana have therefore not lived up to expectation, especially in the labour force in the informal sector, which has led to high share of Ghanaian informal worker at a risk of old age poverty without any social protection. It is this backdrop that this study seeks to find out

the perception of these workers on the social security insurance and their willingness to participate in the scheme.

1.2 Problem Statement

Social security is one of the most successful, effective and popular programmes for the aged, worldwide. It provides a foundation of income on which workers can build to plan for their retirement, it also provide valuable social insurance to workers who become disabled and to families whose bread winners die. Social security also has a direct impact on poverty reduction, both in risk prevention and through the compensation against its consequences. It also contribute to economic growth in that it encourages investment in particular for small businesses entrepreneurs, social security also promote productivity (better health status for workers) and sustains economic activities and wage security. It also contribute through intellectual development and human social capital growth. Social security for the poorest and vulnerable can also facilitate the implementation of structural reforms aimed at economic growth and development. Furthermore, it has a key function in promoting equity and reducing inequality and it represents a powerful instrument for redistributing wealth between population categories.

In spite of the importance of social security, majority of the Ghanaian population in the informal sector have not realised these social and economic benefits. In Ghana, social security policies are focused more on the formal sector and the number of informal sector workers who have access to social benefit through institutionalized social security schemes are very few. By March 2011, the informal sector fund, a subsidiary pension scheme operated by SSNIT had enrolled 83,488 people, 85 percent of which were formal sector members (SSNIT informal sector fund 2011).

The low proportion (15%) of the people in the informal sector means that the informal sector workers are completely at a higher risk to adverse condition and unavoidable aging.

Moreover, other reasons to the low participation in social security policies may be partly due to the high level of illiteracy among these groups, or it may be to the fact that, these workers may come from lower income and educated group, meaning their knowledge and understanding of pension and savings product are limited and their resources for long term savings are limited. Also, there are logistical difficulties in getting the informal sector workers to participate in pension schemes, which may be partly due to the traditional role of family support in pension provision. Collins-Sowah *et al.* (2013) noted the role of social security in reducing vulnerability and exclusion has gained popularity among policy makers, academicians and businessmen. This is in the right direction although recent policy include or are directed to attract the informal workers into the pension schemes, their participation or involvement still remain questionable.

Although most social security interventions are scaled neutral, that is available to all, effort is targeted in the formal sector workers. This may be due to the fact that the informal sector workers are not mandated to contribute to social security pension, since their income are not regulated by an agency which makes it difficult to make pension contribution mandatory as in the case of the formal sector workers. The informal sector workers therefore have to decide whether to willingly join the scheme or not. It is in the light of this that this research is designed to assess the perception of the informal sector workers on social security insurance and determinants of their willingness to contribute towards this pension scheme in the Kumasi Metropolis.

1.3 Research Questions

On the basis of the aforementioned issues, this study seeks to address the following specific questions:

- i. What are the perceptions and determinants of willingness to participate in social security insurance by commercial drivers in the informal sector in Kumasi?
- ii. To what extent do these drivers' personal and business characteristics influence their interest and willingness to participate in social security insurance premium?
- iii. What are the constraints to accessing insurance policy by people in the informal sector?

1.4 Objective of the Study

The main objective of the study is to assess the perception and determinants of willingness to participate in social security insurance by the informal sector workers in Kumasi metropolis, with particular focus on commercial drivers at urban transport stations in Kumasi Metropolis.

The specific objectives of the study are:

1. To assess the knowledge, attitudes and perceptions of commercial drivers in the informal sector on social security insurance policy.
2. To examine the extent to which the personal and business characteristics of the commercial drivers in the informal sector influence their willingness to participate in social security insurance premium.
3. To investigate the constraints to accessing insurance policy in the informal sector.

1.5 Hypothesis

Informal sector workers such as commercial drivers willingness to participate in social security insurance is influenced by their socioeconomic characteristics such as age, level of education, income, household size, household position, marital status and their perception about the policy. Specifically, the following hypotheses will be tested:

H₀: Age has no influence on willingness to participate in social security insurance by the informal sector workers.

H₁: Age has a positive influence on willingness to participate in social security insurance by the informal sector workers

H₀: Education has no influence on willingness to participate in social security insurance by the informal sector workers.

H₁: Education has a positive influence on willingness to participate in social security insurance by the informal sector workers

H₀: Income has no influence on willingness to participate in social security insurance by the informal sector workers

H₁: Income has a positive influence on willingness to participate in social security insurance by the informal sector workers.

H₀: Household size has no influence on willingness to participate in social security insurance by the informal sector workers

H₁: Household size has a negative influence on willingness to participate in social security insurance by the informal sector workers.

H₀: Marital status of the respondent has no influence on willingness to participate in social security insurance by the informal sector workers

H₁: Marital status of the respondent may have a positive or negative influence on willingness to participate in social security insurance by the informal sector workers.

H₀: Perception of social security insurance on economic development has no influence on willingness to participate in social security insurance by the informal sector workers

H₁: Perception of social security insurance on economic development has a positive influence on willingness to participate in social security insurance by the informal sector workers.

H₀: Perception of social security insurance on equitable distribution of income has no influence on willingness to participate in social security insurance by the informal sector workers

H₁: Perception of social security insurance on equitable distribution of income has a positive influence on willingness to participate in social security insurance by the informal sector workers.

H₀: Perception of social security insurance as an important programme for the aged has no influence on willingness to participate in social security insurance by the informal sector workers

H₁: Perception of social security insurance as an important programme for the aged has a positive influence on willingness to participate in social security insurance by the informal sector workers.

H₀: Perception of social security insurance as providing income for the retired has no influence on willingness to participate in social security insurance by the informal sector workers

H₁: Perception of social security insurance as providing income for the retired has a positive influence on willingness to participate in social security insurance by the informal sector workers.

H₀: Perception of social security insurance as taking long time to receive benefits has no influence on willingness to participate in social security insurance by the informal sector workers H₁: Perception of social security insurance as taking long time to receive benefits has a negative influence on willingness to participate in social security insurance by the informal sector workers.

H₀: Perception of social security insurance as giving small benefits has no influence on willingness to participate in social security insurance by the informal sector workers

H₁: Perception of social security insurance as giving small benefits has a negative influence on willingness to participate in social security insurance by the informal sector workers.

1.6 Relevance of the Study

Social security is a universal and basic human right (Universal declaration of human right, 1948). Based on the consensus reached by governments, employers and workers during the international labour conference in 2001, ILO launched the "Global campaign on social security and coverage for all" in June 2003. Despite the efforts made, Ghana's social security policies have not lived up to expectation of providing an inclusive social protection for the population, especially the labour force in the informal sector, and seems to have excluded the informal sector workers from any form of social protection. This may be due to the fact that most of these workers are illiterate, have

low incomes, or they do not have adequate knowledge about the scheme, these among others are envisaged to affect their participation in social security schemes.

On the basis of these challenges, it is envisioned that a study on the perception and willingness of the workers in informal sector to participate in social security insurance will help to provide valuable information to policy makers and other stakeholders to design policy initiatives to facilitate participation of workers in the informal sector unto the national or private pension schemes. Currently, there have been sensitization by the public regulatory authority and the national pension scheme on relevance and need for workers in the informal sector, particularly drivers, traders and farmers, to participate in national pension scheme. It is envisioned that this study will help provide valuable information for the consideration by insurance companies and SSNIT, in the design and implementation of a sustainable social security scheme. This research will also contribute significantly on the body of knowledge about the need for the informal sector workers to contribute to pension scheme in Ghana.

1.7 Scope and Limitation of the Study

The definition of Informal sector is multi-dimensional and nebulous, particularly in developing countries like Ghana. In an attempt to investigate the sector to help formulate appropriate policy for the improvement in the sector, it becomes imperative to identify specific segment of the sector for any relevant study. A study on informal sector workers on perception and willingness to participate in social security insurance will therefore require a focus on specific group of people by considering the size/scale, level and frequency of income generation, as can be observed in the case of commercial drivers. Consequently, the informal sector insurance scheme specifically target people with regular income (e.g. daily/weekly) in order to ensure efficiency of their operation.

This study therefore seek to focus on commercial drivers in major urban transport stations in Kumasi whose activities are in line with the requirements of the informal sector social security scheme. The study is limited by financial resources and time to consider all the informal sector workers in the Kumasi Metropolis.

1.8 Organization of the Study

The study is organized into five chapters. Chapter one provides the background of the study, the problem statement, the objectives and hypothesis, and the relevance of the study. Chapter two presents a review of literature relevant to the study. Chapter three provides information on the study area and the methodology for the study. Chapter four presents the results and discussion of the key findings of the study. Chapter five presents the summary, conclusion and recommendation based on the key findings of the study.

CHAPTER TWO LITERATURE REVIEW

2.0 Introduction

According to the Ghana Statistical Service estimate, 86.1 percent of all employment is found in the informal sector. About 91 percent of women and 81 percent of men are working under circumstances which are to a large extent not controlled, regulated or standardize by state institutions (GSS, 2008). It can therefore be said that the informal sector is the engine of growth for internally driven social and economic transformation. This is because most of the jobs needed to satisfy the labour market come from the informal sector.

2.1 Theoretical Review

Definition of the Informal Sector

Since the discovery of the concept, 'informal sector' by Hart (1970), following other seminar works on urban informal sector in Ghana, the term has not lent itself to a comprehensive and universally accepted definition. A number of attempts made by different researchers and national authorities to define the concept have resulted in diverse definitions. Frederick and Dominik (2000) states that "attempts to measure the shadow economy, that is, the informal sector, first faced the problem of defining it". There are varied definition of the concept in the existing literature. Two contradicting definitions are listed below that give an idea of the ideological momentum of institutional analysis.

- i. The World Bank (2014) define the informal economy as: 'the activities and income that are partially or fully outside government regulation, taxation, and observation. The main attraction of the undeclared economy is financial. This type of activity allows employers, paid employees, and the self employed to increase their take home earnings or reduce their cost by taxation and social contributions".
- ii. The ILOs (2002) perspective on the matter of informality also define the informal economy as: "all economic activities by workers and economic units that are in law or in practice not covered or insufficiently covered by formal arrangements. Their activities are not included in the law, which means that they are operating outside the formal reach of the law or they are not covered in practice which means that-although they are operating within the formal reach of the law, the law is not applied or not enforced, or the law

discourages compliance because it is inappropriate burdensome, or imposed excessive costs".

Civil society actors tend to use the ILOs definition since its focus is on the responsibility of state institution and governance set-up as well as the vulnerability of workers. Economic representative tends to go with the World Bank's definition since it emphasizes on an economic rational-choice decision process of group.

The informal sector in Ghana can be traced back to the colonial era in the Gold Coast. Even at such an early stage, an essential feature of labour in the informal sector was its heterogeneous character that provided for varieties of peasant proprietors and agricultural labourers, distribution agents, buyers, transport and employees, porters, among others (Ninsin, 1991, Adu-Amankwah 1999). Throughout the decades, instead of disappearing as the modern economy expanded, the informal sector has actually grown in the rural and urban areas of Ghana, the size of Ghana informal sector in 1998 was placed at 80 percent of the total labour force (Hormeka, 1998). This was due to the large-scale retrenchment of the labour force as overriding consequences of the structural adjustment in Ghana in the mid 1980s complied with the inability to provide employment which have naturally gravitated towards the informal sector.

According to Nyamekye (2009) the size of the informal sector employment in 1980s was twice that of the formal sector. However by the 1990s, informal sector employment had increased by five and a half times that of the formal sector (ibid). This increase was partly due to the low educational attainment, about 31 percent of Ghanaians aged 15 years and above as at that time had never attended school. A total of 55.7 percent of Ghanaians had attained only basic school

education and 13.6 percent had attained secondary education or higher, generally Ghanaian men had higher educational attainment than women (GSS, 2008).

Ghana's informal sector consist of both micro and small-scale enterprises, this involves producers, wholesalers, retailers and consumers. These informal sector workers are largely self- employed persons such as drivers, farmers, traders, food processors, artisans and craft-workers. In the rural areas the informal sector work are mainly agriculture (75%) (GSS, 2008), fishing and fish processing, and agro based processing. The urban informal sector workers, more than (43%) are also engage in non-agricultural activities.

Most of these informal sector workers in Ghana are trapped in poverty as they do not earn enough to cater for themselves and their families. Linked to the high poverty prevalence among the informal economy operators is the lack of access to productive resources, especially capital. This sector also lack skills and technology which also affect their level of production, they therefore work for longer hours but produce little. Labour for agricultural activities is in the form of family, apprenticeship, casual/permanent and communal. Permanent labour relations are common on the plantations such as cocoa, oil palm, coconut and rubber produce (APADEP, 1998). Casual workers earn daily wages in performing their activity such as land clearing, weeding, preparing moulds, planting and harvesting. This is in contrast with the urban centers where labour is largely wage-based mostly on daily/monthly bases. Urban centres informal sector workers are basically people in commercial businesses like trading and food vending business due to the high demand for their services in urban communities.

The operational definition of informal workers for the study, with particular focus on urban informal sector workers, is adapted from Fields (1990); Canagarajah and Sethuraman (2001); Betcherman (2002); MacKellar (2009) and Laura and Puerta (2010). For the purpose of the study, an urban informal worker is an employee (self-employed) who works without a labour contract, and tends to operate on a small scale basis and is ill-equipped in terms of education and skills, and possesses few resources for significant physical investment such as premises and equipment, and machinery. Such informal workers, like commercial drivers, are usually not registered with the authorities and do not participate in “official” tax systems, social security systems, and in meeting regulatory requirements. Their non-participation may be as a result of legitimate exclusion (by size of the firm) or from non-compliance and operate in a free-entry sector.

Often times, informal sector workers are victims to policy interventions (e.g. city decongestion) initiated by local government, municipal and metropolitan assemblies, as mostly seen in our bigger cities like Accra and Kumasi. This also makes them escape the regulations of government and consequently, suffers neglect of policy makers. Their escape has also culminated in their evasion of their civil responsibilities such as tax evasion. They also lack job security and social protection including pension, maternity and paid sick leave to mention but a few.

2.1.1 Structure of the Informal Sector

Ferrel *et al.* (2000) and Ofori (2009, p.36-37)states that structure of the informal economy comprises of the following elements:

i. *Absence of official protection recognition*

Unregistered economic activities, non-taxation, and incapability of public workers to fulfil their duty lead to a lack of recognition by state agents.

ii. *Predominance of self-employed workers*

Assistance of family members and low investment processes in production and sales as well as absolute reliance on his/her own physical health is wide spread.

iii. *Non coverage of minimum wage and social security*

Despite voluntary programs in social security such as SSNIT, most workers work for less than 6 cedi/day official minimum wage and are not able to invest in their pension, or save for investment.

iv. *Absence of trade union organization*

Underrepresentation increases workers vulnerability and decreases trust in their own capabilities. Lack of voice advocacy as well as the absence of mediators between state and the informal economy is harmful to workers as well as to the economy as a whole.

v. *Low income and wages*

No bargaining power and high dependency on businesses as well as small profit margin . Close to no possibilities for money-saving or investment such as new materials, tools, or education and training.

vi. *Little or no job security*

High flexibility goes hand in hand with high insecurity and low voice advocacy. Hire and fire policy inside the informal economy strengthens the dependency structure between

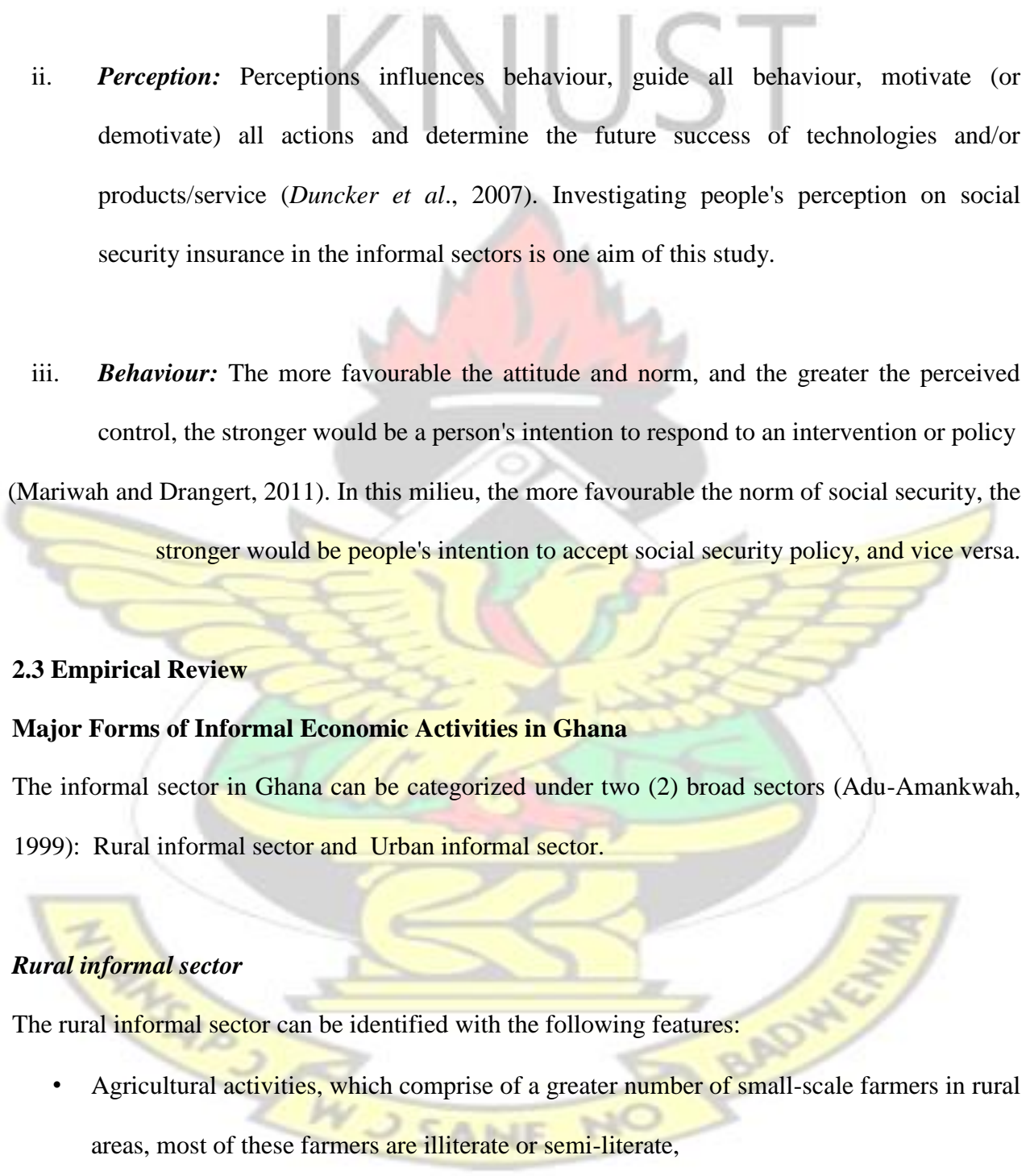
employers and employees. lack of standardized training makes vulnerable to injuries, the lack of proper health care and medical long term costs are a burden.

In addition, workers in the informal economy are mostly unskilled. Their level of training depends on their ability to get formal or informal education and/or to pay for a good apprenticeship. This, in combination with points i and v, creates an environment of very low standards of production as well as an underperforming output. Therefore unit labour cost are very high in comparison with the price they are able to get on the market. This lack of competitiveness adds to the vulnerability of local workers in markets that are internationally integrated.

2.2 Definitions: attitudes, behaviour and perception, product/services

- i. **Attitude:** Attitude is willingness or disposition to show characteristic ways of behaviour about specific objects (Ziniel, 2013); the behaviour stems from direct and indirect experiences with the specific object and usually displays cognitive (opinions), emotional and connotation (disposition for a behaviour) aspects (Rosentiel and Ewald, 1979 in Ziniel,2013). Padberg *et al.* (2002) also define attitude as the willingness or predisposition of a consumer to react positively (or negatively) to a stimulus pattern of a product offer (e.g. social security insurance); that is explaining an individual's evaluation or image of a product. Individual's attitudes towards a product depends on their perception of the product (Alvensleden and Meier, 1990; Padberg *et al.*, 2002). It should be noted that attitudes cannot be observed, they are hypothetical constructs and their existence cannot be proven, but the conjecture can be justified when the forecast and the explanation of human

behaviour succeed better with the help of the construct than without (Gierl, 1995 in Ziniel, 2013).

- 
- ii. **Perception:** Perceptions influences behaviour, guide all behaviour, motivate (or demotivate) all actions and determine the future success of technologies and/or products/service (Duncker *et al.*, 2007). Investigating people's perception on social security insurance in the informal sectors is one aim of this study.
- iii. **Behaviour:** The more favourable the attitude and norm, and the greater the perceived control, the stronger would be a person's intention to respond to an intervention or policy (Mariwah and Drangert, 2011). In this milieu, the more favourable the norm of social security, the stronger would be people's intention to accept social security policy, and vice versa.

2.3 Empirical Review

Major Forms of Informal Economic Activities in Ghana

The informal sector in Ghana can be categorized under two (2) broad sectors (Adu-Amankwah, 1999): Rural informal sector and Urban informal sector.

Rural informal sector

The rural informal sector can be identified with the following features:

- Agricultural activities, which comprise of a greater number of small-scale farmers in rural areas, most of these farmers are illiterate or semi-literate,

- Fishing and fish processing activities, people in these category are normally found along the coastline of Ghana who are mostly married males and illiterate, the females undertake the marketing and processing of the fish.
- Rural agro-based processing activities, these people are involved in changing the raw materials into finished goods like changing cassava into gari; palm kernel, groundnut and copra oils, local pito brewery, local gin distillery, and traditional soap -making.

Urban informal sector

- The urban informal sector in Ghana can be grouped under services, construction and manufacturing.
- Services: these include itinerant wholesalers and retailers, food sellers in the markets, health and sanitation workers, domestic workers, repairers, garages, graphic designers, audio-visual workers and hair dressers and barbers.
- Construction: construction workers, who are also made up of masons, carpenters, steel benders, small scale plumbers, house-wiring electricians and carpenters.
- Manufacturing: the predominate activities cover food processing, textile and garments, wood processing and metal works.

For the purpose of this study the main focus was urban informal workers who are drivers and mostly men.

2.4 Social Security Insurance in Ghana

Social security is a concept enshrined in Article 22 of the Universal Declaration of human right, which states that "Everyone, as a member of society, has the right to social security and is entitled

to the realisation through national effort and international co-operation and in accordance with the organisation and resource of each state, of the economic, social and cultural right indispensable for his dignity and the free development of his personality". In simple terms, the signatories agree that the society in which a person lives should help him to develop and to make the most of all the advantage (cultural, work, social welfare) which are offered to them in the country.

Historically, Ghana had a traditional system of social security which was strongest among the rural folks and the social security setup ensured that the extended family took the responsibility of taking care of the aged (Dei, 2001), the extended family provided the social and economic support to various family members at the appropriate times of need. Usually, the family was the critical focus in the provision of support when members become old and are threaten by economic deprivation, disability and social isolation. In appropriate cases, the community as a whole provided the social net for those aged without a family.

Even though the family and the community serve as institutional providers of social security, their importance in recent times as a first source of social security for most individuals is declining. As stated by Sikken *et al.* (2008), families traditionally play an important role in supporting ageing population in many less-developed countries and in some developed countries. However, this social convention is being challenged as many young people migrate to cities, family size shrink and people adopt more individualistic attitudes. Also westernization and education has put strain on the extended family that people begin to shift their attention towards self preparedness to live; thus without relying on any one at their old age or uncertainty times like sickness and disability.

Schwarz (2003) noted that, the extended family is not, and was never, a perfect safety net especially when their own children are too poor to support their parents.

2.4.1 Brief History of Pension Act in Ghana

Pension act in Ghana dates back to the pension ordinance of 1950. This was a non-contributory pension scheme known as the CAP 30 which was mainly for workers categorized as senior civil servants. In 1965, the national social security system was established under Act 279 of 1965. This was the beginning of a formal social security scheme in Ghana. The Act established a fund known as the Social Security Fund into which all contributions were paid. The Social Security Decree (NRCD 127) was established in 1972 to address some of the anomalies and the problem associated with the 1965 Social Security Act. It was during this reform that the Social Security and National Insurance Trust (SSNIT) was established.

In February 1991, a PNDC Law 247 was passed which led to the complete eradication of CAP 30 and revamped the SSNIT with proper management and administrative structures. A Pension Reform Implementation Committee began in 2004 and based on their recommendation, a new Pensions Law, the National Pensions Act, 2008 (Act 766) was promulgated on 12th December, 2008. This is known as the three-tier pension scheme. It consist of two mandatory scheme (first and second tier) and a voluntary scheme (third tier). The scheme provides that, workers in the informal sector (third tier) will receive monthly pension on a lump sum after retirement just as their counterparts in the formal sector (first and second tier). Urban informal sector workers like commercial drivers are all potential beneficiaries of the third tier pension scheme.

2.4.2 The Social Security and National Insurance Trust-SSNIT

The Social Security and National Insurance Trust was established in February 1991 under the PNDC Law 247 captioned "Social Security Law, 1991", this was an attempt to redress some of the major defeats of the defunct Provident Fund scheme. The main thrust of Law 247 is that the social security in Ghana has been converted from the payment of lump sum to a pension scheme under which periodic monthly payments are to be made to members until their death. The SSNIT was founded on insurance principle by which there is an element of social solidarity with pooling of resources to meet certain contingencies. It also involves inter-generational transfer of resources.

The National Pension Act, 2008 in Ghana established a contributory three-tier pension scheme consisting of the following; a mandatory basic national social security scheme, a mandatory fully funded and privately managed occupational pension scheme, and a voluntary fully funded and privately managed provident fund and personal pension scheme. The objective of the scheme is to provide pension benefits to ensure retirement income security for workers, to ensure that every worker receives retirement related benefits as and when due and lastly, to establish a uniform set of rules, regulations and standards for the administration and payment of retirement and related benefits for workers in the public and private sector.

The social security scheme under PNDC Law 247 is to be self financing and self sustaining through the contribution of members. Workers or employees are to contribute five and a half percent (5.5%) and employers are also to pay additional twelve and a half percent (12.5%) of employees basic salary every month to the scheme. In the case of self-employed person, a member must contribute 17.5% of his or her monthly earnings. The minimum age at which one can start contributing to the

scheme is fifteen years and the maximum age is forty-five years. The benefits to be provided by SSNIT are; superannuation pension, death/supervisors benefits and invalidity benefits.

2.4.3 Social Security and the Informal Sector

The Social Security and National Insurance Trust (SSNIT) Informal Sector (SIS) Fund was introduced in May 2005 to fulfill the mandate of the Social Security Law 247 of 1991. This was a pilot programme administered by a specialized department within the operation division of the Trust. The success of this programme led to the establishment of the SIS Fund in February 2008 to take over the administration of the informal sector scheme by SSNIT. This is a voluntary contributory pension scheme designed primarily for workers in the informal sector which provides members with benefits that are based exclusively on their contribution.

This programme is open to self-employed Ghanaians who are aged between 15 to 59 years. The contribution to this scheme is not fixed unlike the formal sector workers who are to pay a fixed amount, and is based on members preference and ability. Contributions by members are divided into two equal parts and credited to individual members sub-account, that is Occupational Scheme Account (50% contribution) and Retirement Account (50%) after Life Insurance premium has been deducted.

A member is permitted to make periodic withdrawal from the Occupational Scheme Account after five month of initial contributions provided the account has credit balance. A member can only withdraw from the retirement account in contingencies like old age, disability or death. Again a member can use his or her contributions as partial collateral to secure credit from other regular

financial institutions. Like their counterpart in the formal sector, members in the informal sector are also entitled to old age pension/lump sum, disability pension and survivors pension.

The scheme is currently operating in five regional capitals in the country with eleven contact offices. In 2005, the fund registered 6,577 members into the scheme and by the end of October 2009, the scheme had registered 49,795 Ghanaians and by December 2011 the fund had registered a total number of 91,000 members and as at May 2015 the scheme had registered about 200,000 members into the SSNIT Informal Sector Fund (SISF).

2.5 Other Studies on Social Security Insurance

Participation in an insurance policy is associated with several socio-economic characteristics such as age, gender, economic status, household size, marital status, income, health status, attitudes, perceived barriers and structures (Rasmussen *et al*, 2006). Several studies have been carried out on consumers' willingness to participate in an insurance policy, for instance CollinsSowah *et al* analysed consumers' willingness to participate in micro pension scheme using the logit regression model, factors that were considered in the model were age, gender, education, income, household size, marital status, health status and assets of participants.

The study found out that factors such as age, marital status, household size, investment options, tax or levy payments', the type of pension scheme and annuitization and affiliation of an urban informal sector to any work related associations were the most important factors in explaining urban informal worker's decision to participate in the hypothetical micro pension scheme.

Another study by Adzawla *et al* using Heckman two-stage approach found out that age, age squared, marital status, education, number of dependents and income were significant in determining the probability of a worker going in for pension scheme.

CHAPTER THREE

STUDY AREA AND METHODOLOGY

3.1 Study Area

The study was conducted in the Kumasi Metropolis, the capital city of Ashanti Region. The Metropolis lies between latitude 6.35o – 6.40o and longitude 1.30o – 1.35o, an elevation which ranges between 250 - 300 metres above sea level with an area of about 254 square kilometres, and located 270 km north-west of Accra. The unique centrality of the city as a traversing point from all parts of the country makes it a special place for many to migrate to in search of their livelihoods. The Metropolis shares boundaries with Kwabre East District to the north, Atwima District to the west, Ejisu-Juaben Municipal to the east and Bosomtwe to the south. The population of the Metropolis, according to the 2010 Population and Housing Census, stands at 1,730,249 with 826,479 (47.8%) males 903,770 (52.2%) females.

The economic activities in the Metropolis can be grouped into three main categories, namely: Agriculture, Industry and Commerce and the Service Sector. The major sectors of the Metropolis falls under trade/commerce/services which account for about 71% of the working population in the metropolis, followed by manufacturing/industry which takes up 24%, and the primary production sector which takes up only 5% of the working population. The Metropolis is made up of formal and informal sector. The formal sector is characterized by businesses with corporate ownership, large-scale operation, capital-intensive and the use of sophisticated technology and the

good access to infrastructure and land. The informal sector structure of Kumasi is “a confusing maze of thousands of tiny workshops and enterprises producing everything under the sun, with a complicated distribution and communication network at their disposal”. Kumasi’s informal sector, which comprises mainly drivers, traders and artisans, contributes so much to the total city economy

3.2 Population, Sampling and Data Collection

The population for the study was all commercial drivers in the urban transport stations in Kumasi. A multi-stage sampling approach was employed to select the study locations and participants for the study. Some of the major urban transport stations in Kumasi used for the study were Tech-Junction, Asafo and Atonsu transport stations. These stations were selected purposively as study locations; the selection was based on the fact that almost all the drivers operating in these stations form part of informal sector of the economy. The commercial drivers in these transport stations were selected using the simple random sampling technique and by proportion based on the number of drivers in each station. A total of 300 participants out of an estimated number of about 900 drivers in the selected stations were considered for the study.

A survey was conducted using semi-structured questionnaire to collect primary data for the study. The questionnaire comprised four sections which captured questions related to the specific objectives of the study. Section one solicited data on the personal and business characteristics of the commercial drivers in the study area. Section two captured data on the participants knowledge and perceptions on social security insurance. Section three captured data on the factors that influence the participants willingness to participate in social security insurance. Lastly, section

four solicited for information on factors that constrain the commercial drivers participation in social security insurance scheme.

3.3 Conceptual/Theoretical Framework

3.3.1 Consumer Utility and willingness to participate in social security insurance

Willingness to participate (WTP) in a programme can be analysed as a consumer choice decision making. In line with economic theory, which states that the decisions or responses regarding participating or not participating in any program depends on the level of perceived utility that participant gains from their choice (Adhikari *et al.*, 2003). In the decision making process, an individual weighs the utility of two alternatives and selects the alternative with the higher level of utility.

In the case of pensions as argued by Castel (2006), is based on actuarial principles. Thus, a worker will be willing to participate in a pension system, if the level of well-being he or she can attain with the pension system's benefits is higher than the level he or she can attain without participation and by simply saving the same amount of contributions. It is also established that aside the individual characteristics and socio-economic factors, the system's financial return or the present value of the expected pension benefits less the costs of contribution is an important determinant of workers' willingness to participate in a social security scheme.

Using this similar approach from Castel (2006), an urban informal worker will be willing to participate in a Voluntary Social Pension Scheme, if the level of well-being one can attain with the scheme's benefits is higher than the level of benefit to attain without participation, by simply saving the same amount of contributions, or by choosing another old age income strategy like continuing

working or getting the financial support of his/her friends and relatives. Consequently, participation is related to financial indicators that reflect the costs and benefits of the system and individual, households and socio-economic factors but in the case of this study, the financial indicators are not explicitly looked at since the study is exploratory in nature.

3.3.2 Theoretical logit model

The Logit model was used to analyse the factors that influence individuals willingness to participate in social security insurance, so as to achieved objective two of the study. Because the dependent variable (individuals willingness to participate in social security) is dichotomousbinary choice, having two options of participating and not participating in voluntary social security, the Logit model is appropriate. The Logit model is based on the cumulative logistic probability function (Pindyck and Rubinfeld, 1991).

The model is specified as:

$$P_i = F(Z_i) = F(\alpha + \beta X_i) = 1 / (1 + e^{-Z_i}) = 1 / (1 + e^{-(\alpha + \beta x_i)}) \quad (3.1)$$

where, e is the base of natural logarithms, which is approximately equal to 2.718. P_i is the probability that an individual will make a certain choice, that is decision to participate in social security insurance, given X_i (*personal and business characteristics of respondents - commercial drivers in Kumasi*).

Estimating of the model

Both sides of equation (3.1) are multiplied by $1 + e^{-Z_i}$ to get:

$$(1 + e^{-Z_i}) P_i = 1 \quad (3.2)$$

Equation (3.2) is divided by P_i , and then 1 subtracted from it to get:

$$e^{-z_i} = 1/P_i - 1 = 1 - P_i/P_i$$

(3.3)

By definition, however, $e^{-z_i} = 1/e^z$, so that;

$$e^{z_i} = \frac{P_i}{1-P_i} \quad (3.4)$$

Now by taking the natural logarithm of both sides we get;

$$Z_i = \log \frac{P_i}{1-P_i} \quad (3.5)$$

$$\text{or } \log \frac{P_i}{1-P_i} = Z_i = \alpha + \beta X_i \text{ (from equation (3.1))} \quad (3.6)$$

The dependent variable in this regression equation is the logarithm of the odds that, a particular choice would be made. Since P_i is the probability of the participation in voluntary social security insurance, $1-P_i$ is the probability of non-participation. Thus, $P_i/1-P_i$ is the odds-ratio in favour of participation in voluntary social security insurance premium. If P_i happens to equal either 0 or 1, the odds $P_i/(1-P_i)$ will equal zero or infinity and the logarithm of the odds will be undefined.

Thus, the application of the ordinary least-squares estimation to equation (3.6) is inappropriate.

3.3.3 Empirical model specification

For this study, from equation (3.6), the empirical logit model is given by:

$$\begin{aligned} \text{Log}(P_i/1-P_i) = & \beta_0 + \beta_1 \text{AGE}_i + \beta_2 \text{EDUC}_i + \beta_3 \text{INCOM}_i + \beta_4 \text{HH-SIZE}_{4i} + \beta_5 \text{MARISTAT}_i + \\ & \beta_6 \text{PECONDEV}_i + \beta_7 \text{PEQUITY}_i + \beta_8 \text{PAGED}_i + \beta_9 \text{PINCOMRE}_i + \beta_{10} \text{PLONGTIME}_i + \\ & \beta_{11} \text{SMALLBEN}_i + \dots U_i \end{aligned} \quad (3.7)$$

Table 3.1: Definition of variables

Variable	Description/measurement	a-priori expectation
Age	Age of respondent (years)	+
EduYr	Education of respondents (years)	+
Income	Personal gross income/month of respondents	+

hh-size	Household Size of respondents m	-
Maristat	Marital status of respondents (1=married; 0= otherwise)	+/-
PEconDev	Perception on SS for economic growth and development (1=Agree, 0 = Otherwise)	+
PEquity	Perception on SS promoting equity and redistribution of income (1=Agree, 0 = Otherwise)	+
PAged	Perception on SS as successful program for the aged (1=Agree, 0 = Otherwise)	+
PIncomRe	Perception on SS as income for retirement (1=Agree, 0 = Otherwise)	+
PLongTime	Perception that it takes a long time to process claims of SS (1=Agree, 0 = Otherwise)	-
PSmallBen	Perception that SS benefits is small (1=Agree, 0 = Otherwise)	-

The z-statistics was used to measure the level of significance for each of the estimated coefficients. The goodness of fit statistics given is the Mc-Fadden R-squared. The likelihoodratio (LR) test was computed to determine the joint significance of the independent variables in the model. The LR test statistics follows a standard chi-square (X^2) distribution with the degrees of freedom equal to the number of independent variables used in the model. The higher the percentage of the prediction, the greater is the prediction power of the model. The discussion of the results was based on the log-odds ratio. From equation (3.6), the log-odds was given by $\delta(\log \text{Pi} / 1 - \text{Pi}) / \delta X_i = \beta_i$

3.3.3 Participants Perception on Social Security Insurance

The first objective of the study, which is to examine the knowledge and perception of the informal sector workers (commercial drivers) was analysed using descriptive statistics such as frequency, percentages, graphs to summarise respondents socio-economic characteristic and attitude and

perception on social security insurance. A three-point Likert-type scale ranging from 1 (Agree) to 3 (Disagree) was used to measure the respondents' knowledge and perceptions to determine their response on pre-set statement on social security insurance. Participants were made to answer selected questions about their attitudes and perception on social security insurance. Prior to this interview, the researcher explained the purpose of the study and the need to take part in social security insurance to the participants.

3.4 Data Analysis

Data for the study were analysed using appropriate software such as that SPSS and STATA. Descriptive statistics such as frequency and percentages, graphs and pie chart were used to summarize socioeconomic characteristics of the drivers and the constraints to their participation in social security insurance scheme. The knowledge and perception of the drivers were analysed using a three point likert scale and frequency and percentages to summarise the findings. The determinants to participation in social security insurance scheme were analysed using a binary logit/logistic model.

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter presents the empirical results of the study. The chapter covers issues relating to the personal and business characteristics of organised commercial drivers in the informal sector in Kumasi, their perceptions and willingness to participate in social security insurance, the extent to which their personal characteristics and perceptions influence their willingness to participate in social security insurance premium and the constraints to accessing the insurance policy.

4.1 Socioeconomic Characteristics of Respondents

Table 4.1 presents the results of the socioeconomic characteristics of the respondents. All the respondents were males due mainly to the nature of the work. The average age of the respondents was 40 years, implying that they are in their active years to work, hence the need to participate in pension scheme in order to enjoy the future benefits. A majority (41%) of the respondents had basic education (that is JHS/MSLC) and an average of 8 years in schooling; this is below the national figure of 54% for only JHS/MSLC (GSS, 2012), implying that they may not have much knowledge of the pension scheme. Knowledge is an important ingredient to an individual's level of understanding of situation, hence necessary for participation in the informal social security scheme.

A majority (63.7%) of the respondents were married and had an average household size of four persons which is almost the same as the national figure of 4.4 persons per household (GSS, 2012). The small household size may likely have a positive influence on participation in the informal social security scheme as the respondents have less dependents to cater for and may have surplus income to contribute to the pension scheme. A majority (61%) of the organised commercial drivers earned above GH¢1000 per month which is above the per capita gross national average monthly income of GH¢224.7 (GSS, 2013), thus the high monthly income may imply that the respondents may be capable to contribute to participate in the insurance scheme.

Table 4.1: Socioeconomic Characteristics of Organised Commercial Drivers

Variables		Freq.	Percent
Location	Tech Junction	160	53.3
	Asafo	99	33.0

	Atonsu	41	13.7
Driver Category	Taxi	188	62.7
	Trotro	112	37.3
Education	Tertiary	5	1.7
	Secondary	66	22.0
	Junior High/MSCL	123	41.0
	Primary school	76	25.3
	None/no formal education	30	10.0
Marital status	Married	191	63.7
	Single	73	24.3
	Divorced	10	3.3
	Widow	5	1.7
	Separated	21	7.0
Monthly income (GH¢)	Less than 100	1	0.30
	101-200	1	0.30
	201 - 500	18	6.0
	501-1000	97	32.3
	More than1000	183	61.0

Descriptive Statistics	Mean	Min	Max
Age (years)	40	22	63
Family Size	4	1	11
Education (Years)	8	0	16

N = 300. *Source*: Field survey, 2016

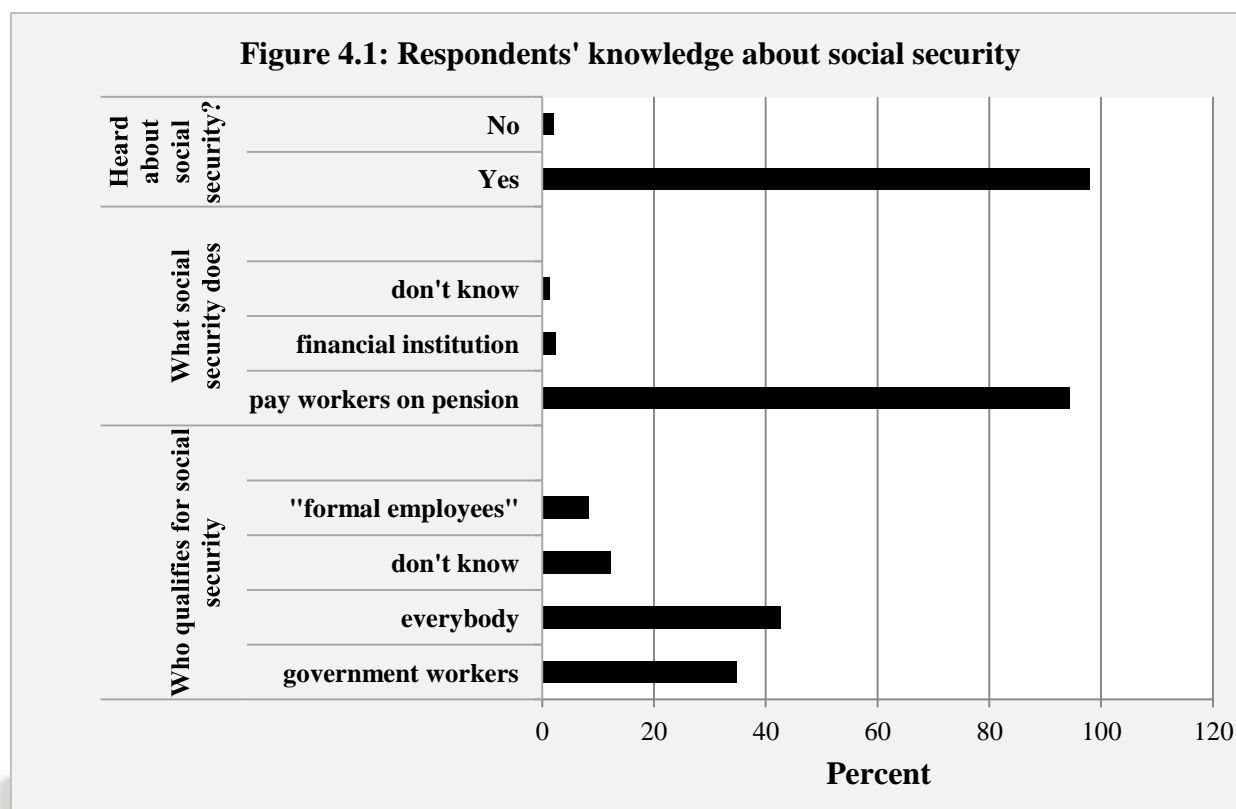
4.2 Drivers' Knowledge and Perceptions on Social Security Insurance

Assessing the knowledge and perception of a policy is crucial for planning, implementation and sustainability of the policy. This sub-section presents the results and discussions on the organised drivers' knowledge and perception about the informal sector social security insurance scheme.

4.2.1 Respondents' Knowledge about Social Security Insurance

Awareness of a programme or policy is one motivating factors that influences one to participate in that programme or policy. It would therefore be inappropriate to apportion blame on these organised commercial drivers if they are not aware of the social security insurance policy. The respondents were asked whether they have heard about the social security insurance scheme before, and out of the 300 respondents sampled, a majority (98%) of them had knowledge of the insurance policy (Figure 1). This concurs with the findings by Adzawla *et al.* (2015) who indentified that about 83% of informal sector workers in Ghana have knowledge of the social security insurance scheme. Out of the 98% who said they have heard of social security insurance scheme before, a majority (94%) of them had the understanding that the social security insurance is a policy that pays workers on pension, with the rest indicating otherwise (Figure 4.1).

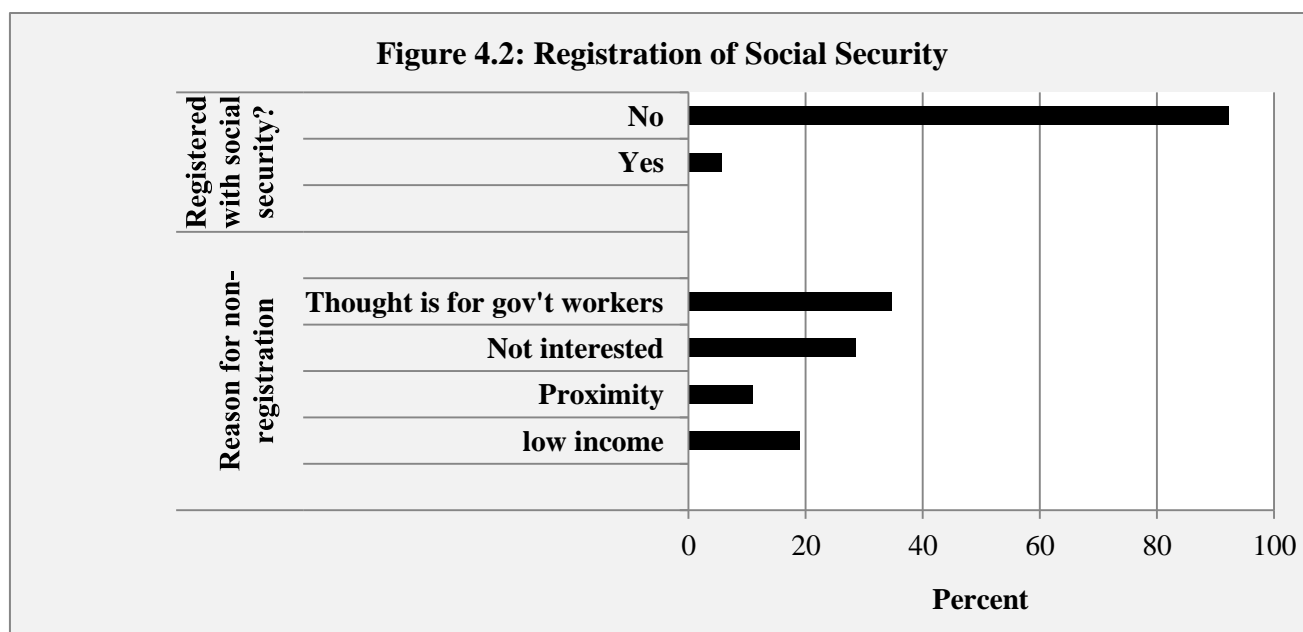
In assessing the respondents knowledge on who qualifies to be a member of the scheme, the study found out that about 43% of the respondents, representing the majority, indicated that social security insurance is for everybody, implying have a fair knowledge about the scheme that it is a policy available for everybody. About 35% of the respondents also indicated that the policy is for government workers with the rest reporting otherwise (Figure 4.1).



Source: Field data, 2016

4.2.2 Registration of Social Security by Respondents

The study revealed that of the 98% of the respondents who had heard of the social security insurance scheme, few (5%) of them had registered with the scheme with the majority (93%) of the respondents reporting otherwise (Figure 2). The reasons for non-participation in the social security insurance scheme were identified as that they thought it was for government workers (34.7%) and that they were not also interested (28.7%), among others (Figure 4.2) .



Source: Field data, 2016

4.2.3 Respondents' Perception about Social Security

Eight statements were used in this study to assess the organised commercial drivers' knowledge and perceptions on social security insurance (Table 4.2). From Table 4.2, it can be observed that more than half of the respondents (59%) agreed to the statement that social security insurance can facilitate the implementation of structural reforms for economic growth and development. Also, more than half (55%) of the respondents agreed to the statement that social security has a key function in promoting equity and reducing inequality and it represents a powerful instrument for redistributing wealth between different population categories. Again, a majority (81.7%) of respondents agreed that social security insurance has a direct impact on poverty reduction, with 52.3% of respondents also agreeing that social security insurance is one of the most successful, effective and popular programmes for the aged. Moreover, majority (79.3%) of the respondents agreed to the statement that social security provides a foundation of income on which workers can build to plan for their future. Furthermore, majority (76.7) agreed that social security insurance

policy provides valuable social insurance to workers who become disabled and to families whose bread winners die. The above responses by the study participants clearly indicate that they agree and consider social security insurance as a good policy for socioeconomic development of society in general.

However, about 62% of the respondents also agreed that it takes a longer time for one to obtain his/her social security claim, with 43.7% of the respondents disagreeing that social security gives smaller benefits to its members. This may be a disincentive for participation.

Table 4.2: Respondents' Perception toward Social Security Insurance

Statement	Level of agreement (%)		
	A	DK	D
Social security can facilitate the implementation of structural reforms for economic growth and development.	59.0	32.0	9.0
Social security has a key function in promoting equity and reducing inequality and it represents a powerful instrument for redistributing wealth between different population categories.	55.7	31.7	12.7
Social security has a direct impact on poverty reduction	81.7	12.3	6.0
Social security is one of the most successful, effective and popular programmes for the aged, worldwide.	52.3	30.3	17.3
Social security provides a foundation of income on which workers can build to plan for their retirement.	79.3	15.7	5.0
Social security provides valuable social insurance to workers who become disabled and to families whose bread winners die.	76.7	18.0	5.3
It takes a long time for one to process his/her social security claims	62.3	31.0	6.7
Social security gives smaller benefits to its members	39.7	43.7	16.7

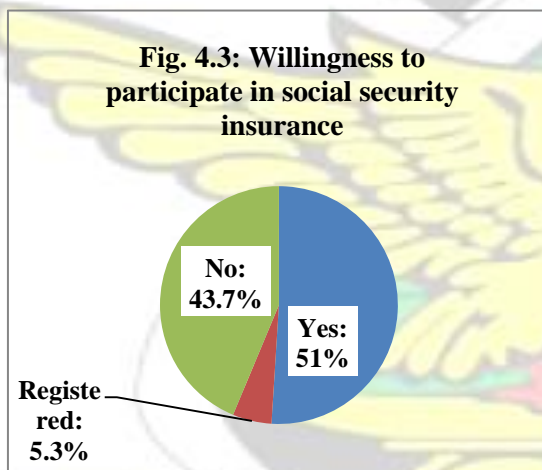
Note: N= 300; A, agree (1); DK, don't know (2); D, disagree (3) *Source:* Field survey, 2016

4.3 Willingness to Participate in Social Security Insurance

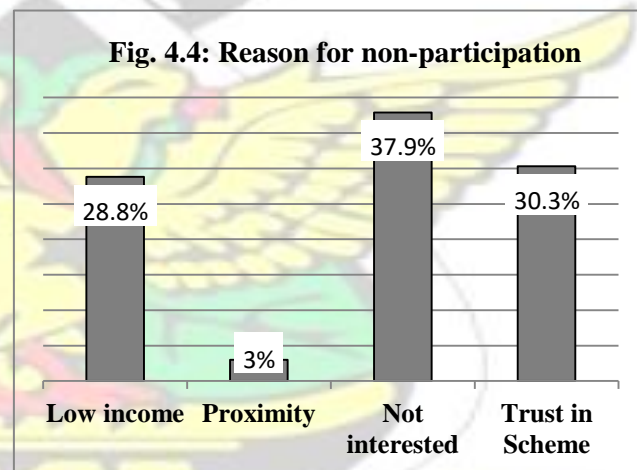
This sub-section presents the results and discussions on the organised drivers' willingness to participate in social security insurance.

4.3.1 Willingness and Reasons for Non-participation in Social Security Insurance

The study revealed that more than half of the respondents (51%) were willing to participate in the social security insurance scheme with about 5.3% of the respondents already registered with the scheme (Figure 4.3). However, the 43.7% of the respondents who were not willing to participate in the social security insurance gave reasons like not interested (38%), lack of trust in the scheme (30%), among others (Figure 4.4).



Source: Field survey, 2016



Source: Field data, 2016

4.3.2 Logistics Estimates on Willingness to Participate in Social Security Insurance

The decision to participate (or not) in social security insurance, as a dichotomous variable, was used as the dependent variable in an associative model of explanatory factors relating to the organised commercial drivers' personal characteristics and their perceptions about the social security insurance scheme. The empirical logistic estimates of organised commercial drivers'

willingness to participate in social security insurance are presented in Table 4.3. Other statistics presented based on the estimates include the z -values, McFadden R^2 and the log-likelihood statistics. The coefficients of the predictor variables representing marital status and the perception that social security helps to ensure equity and reduces inequality in an economy, that it is for the aged, that it provides income for the retired, but provides small benefits to its members were found to be significant at the conventional levels.

The results show that married drivers (aOR = 2.598, CI: 1.296, 5.206) had an increased odds willingness to participate in social security insurance compared with unmarried drivers. Married drivers were about three times more willing to participate in social security insurance than unmarried drivers. This imply that married drivers are more interested in planning for their future than the unmarried. This finding is consistent with the *a priori* expectation and the finding by Holzmann *et al.* (2001) and Sane and Thomas (2013) that married workers have a higher willingness to voluntarily join informal pension scheme than single workers.

Drivers with perception that social security has a key function in promoting equity and reducing inequality and it represents a powerful instrument for redistributing wealth between different population categories (aOR = 2.299, CI: 0.878, 6.022) had an increased odds decision and were about two times more willing to participate in social security insurance than those with disagreeing or neutral perception. This finding is consistent with the *a priori* expectation of the study. Moreover, drivers with perception that social security is one of the most successful, effective and popular programmes for the aged (aOR = 3.228, CI: 1.533, 6.799) had an increased odds decision and were about three times more willing to participate in social security insurance than those with

disagreeing or neutral perception. This finding is consistent with the *a priori* expectation of the study. Furthermore, drivers with perception that social security provides a foundation of income on which workers can build to plan for their retirement (aOR = 6.063, CI: 2.029, 18.115) had an increased odds decision and were about six times more willing to participate in social security insurance than those with disagreeing or neutral perception. This finding is also consistent with the *a priori* expectation of the study. However, drivers with perception that social security gives smaller benefits to its members (aOR = 0.180, CI: 0.084, 0.386) had a decreased odds and were reluctant to participate in social security insurance. This finding is also consistent with the *a priori* expectation of the study and implies that there is a high probability of nonparticipation if the social security scheme pays small benefit to its members.

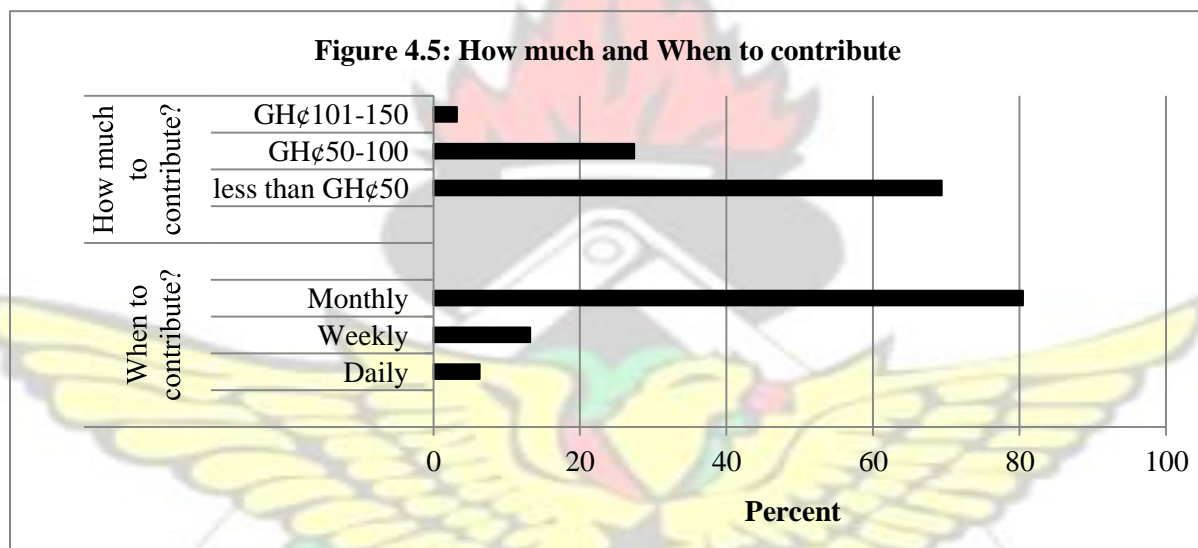
Table 4.3: Logistic Estimates of Drivers' Willingness to Participate in Social Security Insurance

Variables	Odds Ratio (CI)	Std. Err	z-Value	p-Value	Ref. Group
Age	0.969 (0.926, 1.014)	0.0225	-1.35	0.176	All other variables
Education (yrs)	1.088 (0.982, 1.205)	0.0568	1.61	0.108	All other variables
Family size	1.211(0.962, 1.524)	0.1421	1.63	0.103	All other variables
Married	2.598 (1.296, 5.206)***	0.9214	2.69	0.007	Unmarried
Income (mthly)	1.075 (0.542, 2.129)	0.3749	0.21	0.836	≤ GH¢1000
PEconDev	1.994 (0.765, 5.195)	0.9742	1.41	0.158	Disagree/Neutral
PEquity	2.299 (0.878, 6.022)*	1.1296	1.69	0.090	Disagree/Neutral
PAged	3.228 (1.533, 6.799)***	1.2269	3.08	0.002	Disagree/Neutral
PIncomRe	6.063 (2.029, 18.115)***	3.3859	3.23	0.001	Disagree/Neutral
PLongTime	1.076 (0.522, 2.219)	0.3975	0.20	0.842	Disagree/Neutral
PSmallBen	0.180 (0.084, 0.386)***	0.0701	-4.41	0.000	Disagree/Neutral
Pseudo-R ² = 0.3498 Log-likelihood = -127.433 LR chi2(11) = 137.13					
Prob > chi2 = 0.0000 Observations = 284					

*** Significant at 1%; * Significant at 10%. Source: Computation from field data, 2016

4.3.3 Amount and When Drivers are Willing to Contribute to Social Security Insurance

The study examined how much the respondents who were willing to participate would contribute to participate in the social security scheme. A majority (81%) of the drivers indicated that they would pay it on monthly basis and out of these, 69% of them indicated they can pay less than GH¢50 (Figure 4.5). This amount is about 5% of the monthly income for the majority of the organised commercial drivers considered for this study (Table 4.1).

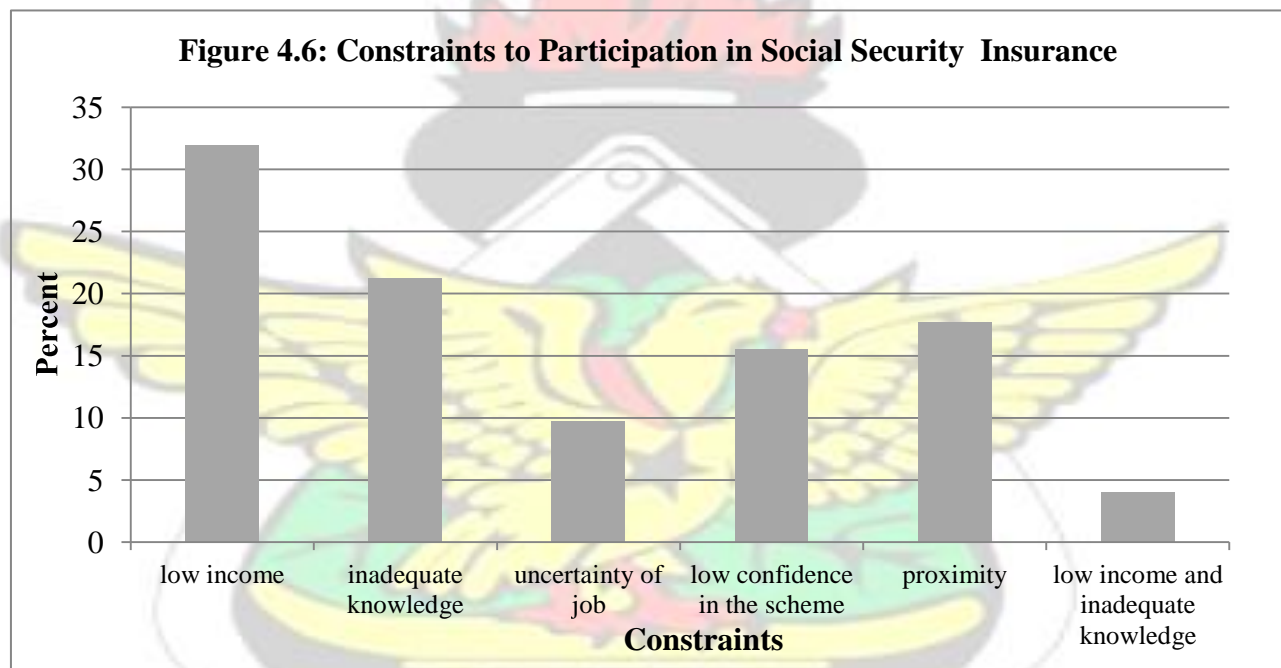


Source: Field data, 2016

4.4 Constraints to Participation in Social Security Insurance

In general, the respondents attested to the benefits associated with the social security scheme, albeit the several challenges or constraints to their participation. The major constraints identified to affecting their participation are low/irregular income, inadequate knowledge about the scheme, proximity to scheme's office, low confidence in the scheme, among others (Figure 4.6). The respondents indicated that the flow of their income is not regular and uncertain and therefore may make it difficult for them to constantly contribute to the scheme. With respect to the low knowledge about the scheme as another challenge, the respondents in their view indicated that there is a little

awareness creation on the scheme, thus they do not actually know much about the terms and conditions of the scheme. Moreover, the respondents noted that it was difficult to get access to the office of the pension scheme although it is located at the centre of the city; this may therefore be due to their low self-commitments in the scheme. Furthermore, the respondents low confidence in the scheme may attributed to some past experience of some relatives. All these may not auger well for participation and the sustenance of the scheme and therefore needs a redress.



Source: Field data, 2016

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary and Conclusion

Social security insurance policy has positive implications on the socio-economic development of nations, worldwide. The importance of social security insurance for the informal sector calls for its recognition in the 89th International Labour Conference (ILO) that provided a general discussion on social security with a renewed commitment of extending social security coverage as well as improving governance, financing and administration of social security worldwide. Improving the informal sector access to social security insurance is considered as a great relief in alleviating post-retirement poverty among the poorest sectors of society which consequently leads to economic growth and development. Conversely, non-participation of the informal sector in social security insurance can cause an increase in poverty particularly for the aged which negatively impact on economic growth and development.

This study sought to analyse the perception and willingness of organised commercial drivers to participate in social security insurance in the Kumasi Metropolis. Specifically, the study focused on: (a) the drivers' knowledge and perception of social security insurance policy for the informal sector; (b) the extent to which the drivers' personal and business characteristics and their perception influence their willingness to participate in the informal social security insurance scheme; and (c) the constraints to accessing social insurance policy in the informal sector. The study was motivated by the sensitization on the social media on the need for the informal sector workers to join the social security insurance scheme by the public regulatory authority and the national pension scheme, and the need to provide an in-depth analysis on the perception of these jgc informal sector workers and their willingness to participate in the scheme to help inform policy on the measures

that could be considered to get more of the informal sector workers to participate in the social security insurance scheme.

The population for the study comprised all organised commercial drivers in the Kumasi Metropolis. A multi-stage sampling approach was employed to select the study locations and participants for the study. Kumasi Metropolis was chosen purposively because it is the centre of the region with diverse commercial activities and numerous informal sector workers such as organised commercial drivers. The major urban transport stations in Kumasi such as TechJunction, Asafo and Atonsu stations were selected purposively as study locations; the selection was based on the fact that all the drivers operating in these stations form part of informal sector of the economy. The number of commercial drivers in these stations were selected by proportion based on the number of drivers in each transport station and by the simple random sampling technique individual drivers.

A survey was conducted using semi-structured questionnaire to collect primary data from 300 farmers for the study. The questionnaire comprised four sections. Section one solicited data on the personal and business characteristics of the drivers in the study area. Section two captured data on the drivers' knowledge and perceptions on social security insurance. Section three captured data on the factors that influence the participants' willingness to participate in social security insurance. Lastly, section four solicited information on factors that constrain the drivers participation in social security insurance.

Appropriate analytical tools were employed to achieve the various objectives of the study. Descriptive statistics such as frequency and percentages, graphs and pie chart were used to summarise the personal and business characteristics of the drivers and the constraints to their participation in social security insurance scheme. The knowledge and perception of the drivers were analysed using frequency and percentages and a three point likert scale. The determinants to participation in social security insurance scheme were analysed using the logit/logistic model.

5.1.1 Summary of Findings

- The average age of the drivers was 40 years, implying that they are in their active years to work, hence the need to participate in pension scheme in order to enjoy the future benefits. Majority of the respondents had basic education with average of 8 years in formal education. Majority of the respondents were married and had an average household size of four persons. Majority of the organised commercial drivers earned above GH¢1000 per month, thus the high monthly income may imply that the respondents may be capable to contribute to participate in the insurance scheme.
- Majority (98%) of the drivers had heard about the social security insurance scheme and had the understanding that the scheme is meant to pays workers on pension. The study found out that about 43% of the respondents, representing the majority, understood that the scheme is for everybody, while a third also indicated that the policy is for government workers. Of the majority who had heard about the scheme, few (5%) of them had registered with the scheme. The reasons for non-participation in the social security insurance scheme were identified as that they thought is for government workers, and that they were not also interested.

- It was found that more than half of the respondents agreed to the statement that social security insurance can facilitate the implementation of structural reforms for economic growth and development; has a key function in promoting equity and reducing inequality; it represents a powerful instrument for redistributing wealth between different population categories; and it is one of the most successful, effective and popular programmes for the aged. Majority of them also agreed that social security insurance has a direct impact on poverty reduction; it provides a foundation of income on which workers can build to plan for their future; and it provides valuable social insurance to workers who become disabled and to families whose bread winners die. However, more than half of the drivers agreed that the policy takes a longer time for one to obtain his/her benefits and that it gives small benefits.
- In spite of the drivers' negative perceptions about the social security policy, the study found that more than half of the them were willing to participate in the scheme. Majority of the drivers indicated that they would pay less than GH¢50 on monthly basis to participate in the informal social security. Empirical results from a binary logistic model showed that there exist some relationship between the drivers' willingness to participate in the scheme and their demographic characteristics and perceptions about the scheme. It was found that the coefficients of the predictor variables representing marital status and the perceptions that social security helps to ensure equity and reduces inequality in an economy, that it is for the aged, that it provides income for the retired, but provides small benefits to its members were found to be significant at the conventional levels. Notably, married drivers had an increased odds willingness to participate in social security insurance compared with unmarried drivers. Drivers with perception that social security can promoting equity and

reducing inequality; that it is the most successful, effective and popular programmes for the aged; and that it provides a foundation of income on which workers can build to plan for their retirement had increased odds willingness to participate in the social security insurance. However, drivers with perception that social security gives smaller benefits to its members had a decreased odds decision to participate in the scheme.

- The major constraints identified to affecting the organised drivers' participation in the social security scheme were low/irregular income, inadequate knowledge about the scheme, proximity to scheme's office, low confidence in the scheme, among others.

5.1.2 Conclusions

- The study has confirmed that majority of workers in the informal sector, particularly drivers have heard, are aware and understand the importance of social security insurance scheme for socioeconomic development of the nation.
- The responses by the study participants clearly indicate that they agree and consider social security insurance as a good policy for socioeconomic development of society in general.
- The personal characteristics of people and their perceptions about the insurance scheme have influence on their willingness to participate in the social security scheme.
- The respondents low confidence in the scheme attributed to some past experience of some relatives, among other constraints, may negatively affect participation and sustenance of the scheme.

5.2 Recommendations

Based on the findings of the study, the following recommendations are made to inform policy on the measures that could be considered to help improve the level of participation and operation of the social security scheme in Ghana.

- Programmes aimed at encouraging the participation of the informal sector, particularly commercial drivers, in the social security insurance scheme should consider the socioeconomic characteristics of the heterogeneous people and their perceptions about the policy.
- Since education on social security is almost a public good, policy efforts by the Social Security and National Insurance Trust (SNNIT) and the Public Regulatory Authority in collaboration with other stakeholders (such as private insurance firms) toward improving the education and communication, visibility and availability of the insurance scheme to the informal sector are crucial for increased participation, performance and sustenance of the social security scheme in Ghana.
- SSNIT should work hard to reduce the perception that it takes a longer time to process claims and that the benefits is small.

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QUESTIONNAIRE

PERCEPTION AND WILLINGNESS TO PARTICIPATE IN SOCIAL SECURITY INSURANCE BY THE INFORMAL SECTOR- A CASE STUDY OF WORKERS IN THE KUMASI METROPOLIS

CONSUMER QUESTIONNAIRE

Questionnaire No..... Date of Interview.....

Community/location..... Name of Enumerator.....

Demographic characteristics of drivers

1. Age of respondent: years.

2. Sex. 1. Male ☐ 2. Female ☐

3. Educational level of trader: *Years of Formal Education:*

1. No formal education 2. Primary education 3. JHS/Middle School 4. SHS/O or A Level

5. Tertiary institution 6. Other.....

4. Family size of trader.....

5. Marital status 1. Married ☐ 2. Never Married ☐ 3. Divorced

4. widowed ☐ 5. Separated ☐

6. What is your monthly income?..... (Pls Also Tick Below)

1= Less Gh¢100 2= Gh¢101.00- 200 3= Gh¢201.00-500 4= Gh¢501-1000 5= Above 1000

QUESTIONS ON SOCIAL SECURITY INSURANCE

7. Have you heard of any social security insurance scheme before?

1. Yes ☐ 2. No ☐

8. What does it do/What is it about?

1= pay workers who go on pension 2= is a financial institution 3= don't know

9. Who qualify to be a member?

1= government workers 2= everybody 3= don't know

10. If YES, to 7 above, are you registered with the scheme ?

1. Yes ☐ 2. No ☐

11. If NO , what is the reason?

1= Low income ☐ 2= Proximity ☐ 3= Not interested ☐ 4= Other (specify)

12. If NO, from 7 above, are you willing to participate in the social security scheme?

1. Yes ☐ 2. No ☐

13.a. If No (Qns. 10), why?

.....

.....

1= Low income ☐ 2= Proximity ☐ 3= Not interested ☐ 4= Other (specify)

14. How much are you willing to pay as premium in order to participate in the scheme?

1= Less GhC50 ☐ 2= GhC50.00- 100 ☐ 3= GhC101.00- 150 ☐ 4= GhC151-200 ☐ 5= Above200 ☐

16. How do you want to contribute?

1= daily 2= weekly 3= monthly

ATTITUDE AND PERCEPTION ON SOCIAL SECURITY INSURANCE

Please indicate your level of agreement by **ticking (✓)** the options in the following statements.

Statement	Perception Response		
	<i>Agree</i>	<i>Don't Know</i>	<i>Disagree</i>
i. Social security can facilitate the implementation of structural reforms for economic growth and development.			
ii. Social security has a key function in promoting equity and reducing inequality and it represents a powerful instrument for redistributing wealth between different population categories.			
iii. Social security has a direct impact on poverty reduction			
iv. Social security is one of the most successful, effective and popular programmes for the aged, worldwide.			
v. Social security provides a foundation of income on which workers can build to plan for their retirement.			
vi. Social security provides valuable social insurance to workers who become disabled and to families whose bread winners die.			
vii. It takes a long time for one to process his/her social security claims			
Viii. Social security gives smaller benefits to its members			

CONSTRAINT OR BARRIERS TO SOCIAL SECURITY INSURANCE

What factors (barriers/constraints) influence your choice in participating in social security insurance? (please list and rank by using 1,2,3,4,5.etc)

Constraint	Rank (1, 2, 3,, n)

