

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND
TECHNOLOGY, KUMASI**

**FACTORS INFLUENCING UPTAKE OF VOLUNTARY PENSION SCHEME BY
URBAN INFORMAL SECTOR WORKERS: EVIDENCE FROM TAKORADI
METROPOLIS**

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**A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND
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DECLARATION

I hereby declare that this submission is my own work towards the award of the MSc Accounting and Finance and that, to the best of my knowledge, it contains no material previously by another person or any 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

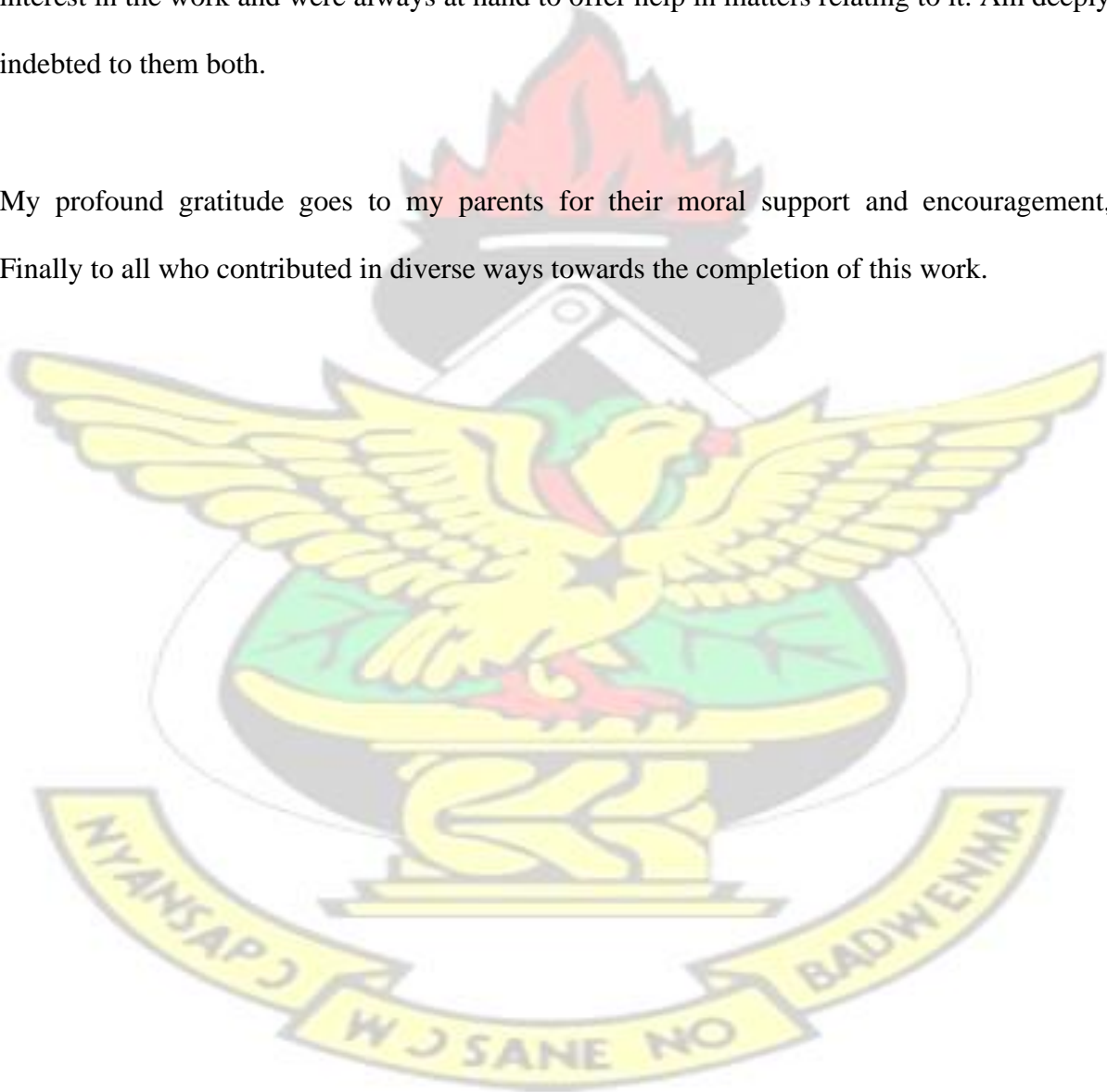
I dedicate this thesis to my late father Mr. Robert Abban Narh, my mother Beatrice Tetteh Narh, my siblings Alberta Dede Narh and Isaac Narh. And to the love of my life, ING Stephen Yaw Kwallah.



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ABSTRACT

This study examined the factors that influence the uptake of voluntary pension scheme by urban informal sector workers in Ghana. The study adopted the cross-sectional design which involves the collection of data once at a point in time, with a focus on the survey strategy. The study focused on 300 informal sector workers in Takoradi. The data was analysed descriptively as well as the binary logistic regression. The study found that respondents have high level of awareness on voluntary pension scheme in Ghana. It was also discovered that educational qualification and marital status do not have significant effect on uptake of voluntary pension scheme. However, gender, age and income level have significant positive effect on uptake of voluntary pension scheme. It was also found that lack of trust, low income, future uncertainty, and lack of awareness are the main barriers to enrolment on voluntary pension scheme. Additionally, it emerged that the major challenges faced contributors of voluntary pension scheme include high fees, irregular income, and poor customer service. Employers and Trade Associations should collaborate with pension scheme administrators and government bodies to facilitate enrolment in the voluntary pension scheme for informal workers. They should Promote the benefits of the scheme to employees and encourage participation through awareness campaigns and educational programs and provide support and guidance to employees during the enrolment process.

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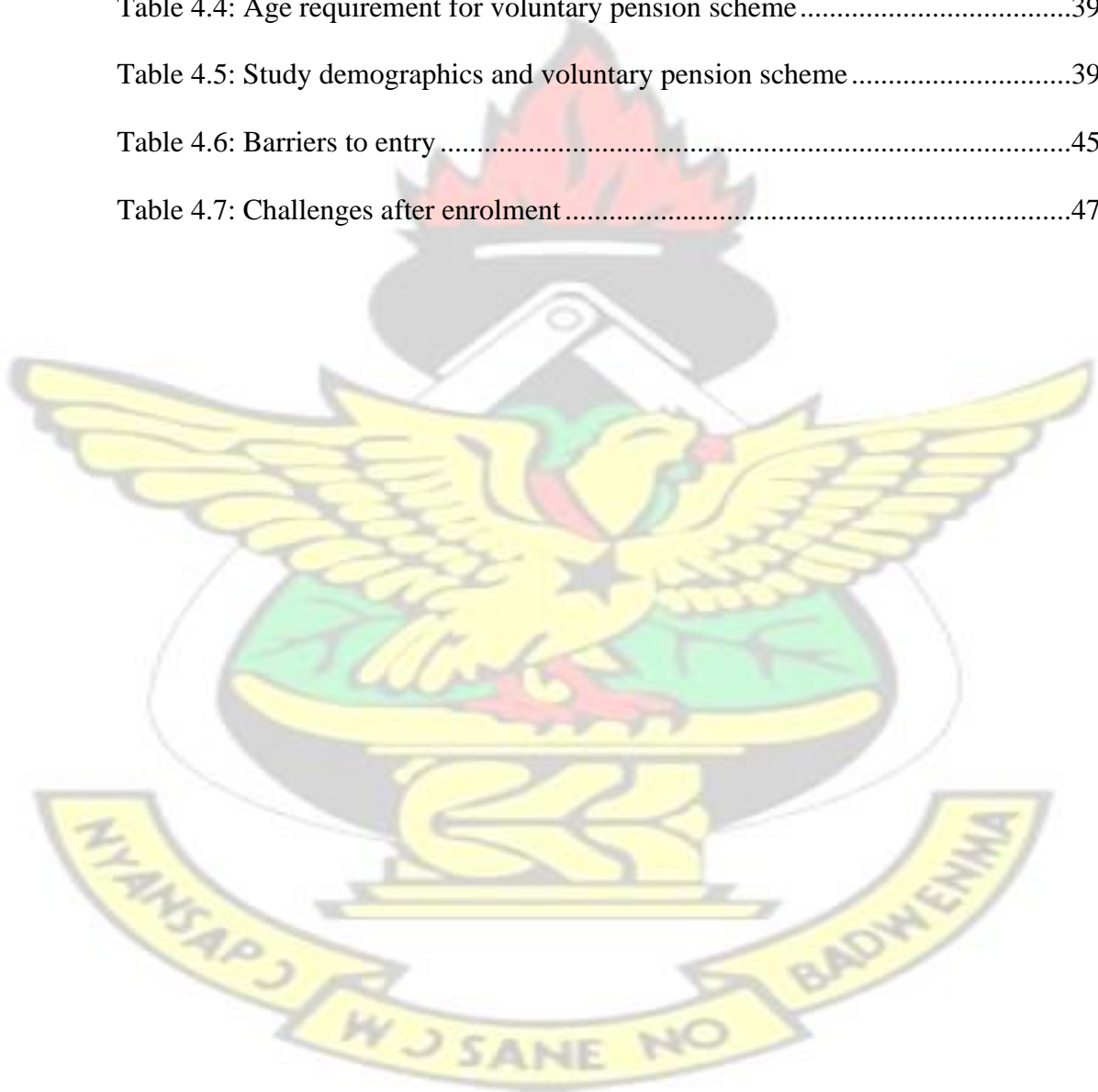
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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Social security or pension schemes is important for providing people with adequate social protection, especially at old age. Nonetheless, the vast majority of people around the world do not have access to any form of social security, which is one of the most fundamental global concerns endangering the concept of social security protection (Ngomba, 2020). Globally, the Sub-Saharan Africa is one of the regions with the lowest coverage rates for social security or formal pension schemes. It is worthy of note that social security and adequate preparation for pension is very important for financial independence at old age and longevity of life (Huang and Zhang, 2021).

Aside the invaluable role of providing adequate security for the aged in post working life, pension scheme or social security plays significant role in the economies globally since it is an integral part of the financial system. Therefore, it helps in performing the financial intermediation role of asset transformation. It is worth mentioning that irrespective of the great contribution of pension schemes in serving in a financial intermediation capacity as well as alleviating poverty in old age via provision of income payments, pension system in most developing countries in the world, especially in Africa is not adequately developed (Alemu, 2015). According to a discussion paper by the World Bank, the coverage of pension systems in Africa have long been restricted to the smaller population within the formal sector until recently when governments have started yielding to calls by various stakeholders for review of pension systems (Guyen, 2019).

In Ghana, same has been the case until the promulgation of National Pension Act, 2008 (Act 766) which established the three-tier pension scheme. The first and second tiers are mandatory for all employees irrespective of public or private sector employment. However, the first tier is managed by the government through the Social Security and National Insurance Trust (SSNIT) whilst the second tier is work-based (occupational) pension scheme which is privately managed by approved pension fund managers. Unlike the first and second tiers, the third tier is a voluntary provident fund and personal pension system for both formal and informal sector workers to make voluntary contributions to cater for their pension.

As part of the third tier, SSNIT has developed a separate voluntary pension scheme to enhance the informal sector participation in social security contribution. This is aimed at ensuring informal sector inclusion in social security contribution to help reduce poverty and protect the informal sector workers who form the chunk of the workforce at their old age. In spite of this novelty in pension administration in the country, usage of the voluntary pension scheme in Ghana has been very low with the NPRA indicating only one percent involvement among the informal sector workers. It is against this backdrop that this study seeks to ascertain the utilization of the voluntary pension scheme among informal sector workers in the Ghana (specifically Takoradi Metropolis) by looking at their level of awareness, prohibitive factors, and the operational effectiveness of the scheme.

1.2 STATEMENT OF THE PROBLEM

Formal pension arrangement for informal workers was non-existent in Ghana until 2008 when the Act 766 established the voluntary pension scheme to enable informal sector workers participate in formal pension scheme. Even though the voluntary pension scheme for informal sector workers has been in existence for a little over a decade, according to the National Pensions Regulatory Authority (NPRA), only one percent of informal sector workers contribute to the voluntary pension scheme. This is paltry and discouraging and it has become a source of concern for the government and all relevant stakeholders, which call for investigation into the situation.

In spite of the minimal and discouraging nature of the voluntary pension scheme utilization among the informal sector workers in Ghana, review of literature on utilization of pension schemes in the informal sector have been limited to the international context such as Kenya (Kwena and Turner, 2013; Onduko, Gweyi, and Nyawira, 2015), India (Venkatesh and Vanishree, 2013; Kumar and Kandpal, 2014), and Sri Lanka (Heenkenda, 2016). Others include Argentina (Ceni, 2017), Tanzania (Masanyiwa, et al., 2020), Zambia (Miti et al., 2021), and others. Literature on studies on the subject of pensions and social security conducted in the Ghanaian context have mainly focused on pensions in the formal sector and other themes. For instance, research by Kpessa (2011) focused on pension reforms and challenges in Ghana and Nigeria; Dovie (2017) focused on preparations of Ghanaian workers towards retirement; and Aboalik (2017) focused on the attitude of public sector workers towards voluntary pension schemes in Ghana. In addition, Oteng et al. (2022) looked at what is likely to inform the decision to retire for the over 50s in Ghana's informal economy. Not

ignoring the study by Adzawla et al. (2015), the subject of factors influencing informal sector workers' uptake of voluntary pension scheme in Ghana is scantily and inconclusively explored. The research by Adzawla et al. (2015) focused on informal sector workers in the Northern region using the Heckman two stage method of analysis. As far as the researcher is aware, there is no study conducted among informal sector workers in the Takoradi Metropolis that investigate the factors influencing their uptake of voluntary pension scheme. Given this paucity of research in this area, this study tries to investigate the factors that influence the uptake of voluntary pension scheme by informal sector workers in Takoradi Metropolis.

1.3 OBJECTIVES OF THE STUDY

The central aim of the study is to examine the factors that influence the uptake of voluntary pension scheme by urban informal sector workers in Ghana. The specific objectives are as follows.

1. To assess the level of awareness of the voluntary pension scheme among informal sector workers in the Takoradi Metropolis.
2. To examine the influence of demographic factors on participation in voluntary pension scheme by informal sector workers in Takoradi Metropolis
3. To ascertain the challenges experienced by informal sector workers in Takoradi Metropolis in participating in the voluntary pension scheme.

1.4 RESEARCH QUESTIONS

1. What is the level of awareness of the voluntary pension scheme among informal sector workers in the Takoradi Metropolis?

2. How do demographic factors impact on participation in voluntary pension scheme by informal sector workers in Takoradi Metropolis?
3. What are the challenges experienced by informal sector workers in Takoradi Metropolis in participating in voluntary pension scheme.

1.5 SIGNIFICANCE OF THE STUDY

The justification for this study stem from the benefit which the following stakeholders will obtain from the outcome of the study: the government, management of SSNIT, scholars and researchers, and employees in the informal sector.

For the government and policy makers, it will help them to identify the awareness level as well as the challenges affecting the informal sector workers in contributing to the voluntary pension scheme. This will enable the government regulatory body such as the NPRA to come up with policies that will enhance the awareness and participation by the informal sectors workers.

The study will also benefit management of SSNIT to identify the challenges confronting informal sectors worker in contributing to the scheme. This will enable them to develop strategies to remedy the situation and improve number of contributors from the existing one percent as indicated by the NPRA.

For employees in the informal sector, it will create a platform for them to share their views of the challenges the face in contributing to the voluntary pension scheme. This will help the relevant stakeholders to put up strategies to remedy the challenges, thus boosting their morale to contribute to the scheme which will serve as security for them at old age. The

study will also serve as an invaluable contribution to the existing literature on the subject of pensions. Hence, it will be an invaluable source of reference to scholar and researchers in future.

1.6 SCOPE OF THE STUDY

The study centers on voluntary pension scheme among informal sector workers. Therefore, the conceptual coverage of the study is around issues on pensions generally, voluntary pension schemes, and the determinants of pension scheme participation by informal sector workers. The study is confined to informal sector workers in the Takoradi Metropolis which is located in Takoradi, the capital town of western region in Ghana.

1.7 OVERVIEW OF METHODOLOGY

The study employs a combination of quantitative approach, cross-sectional design, and the survey strategy. The population for the study is the informal sector workers in the Takoradi Metropolis. The stratified sampling method is employed to select respondents. This method of sampling is used to ensure that different categories of workers in the informal sector participate in the study. Data are obtained from primary source with structured research questionnaire. Both descriptive and inferential analytical techniques are employed to analyze the data. The descriptive techniques employed are frequencies, percentages, and means whilst the inferential technique employed is the binary logistic regression. The analysis is done with the help of SPSS software.

1.8 ORGANIZATION OF CHAPTERS

This study is composed of five main chapters. Chapter one addresses the main introduction which highlights the background of the study, problem statement, objectives of the study, research questions, justification for the study, scope and limitations of the study, and the

structure of the thesis. Chapter two is the literature review which comprises the conceptual literature review, theoretical literature review, and empirical literature review. Chapter three contains the research methodology used in conducting the study. Chapter four is the presentation of analysis and discussions and the chapter five looks at the summary of findings, conclusions and recommendations.



CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter shows the review of relevant literature on the subject of investigation. It is composed of four major sections. Section one addresses the conceptual review of literature. Section two shows the theoretical review of literature. Section three tackles the empirical literature review. Section four presents the conceptual framework.

2.1 CONCEPTUAL REVIEW

2.1.1 Pension

Pension refers to the accumulation of assets for retirement (Sahu, 2014). Agblobi (2011) observe that pension is a way to invest in order to enjoy the benefit till death, after a minimum number of years of contributions. Consequently, it is a social protective strategy against the possibility of poverty at old age when a person has retired from active working life (MacKeller, 2009). Jacques et al. (2021) observe that pension is a fund into which money is periodically deposited throughout an employee's work and from which money is withdrawn to assist the individual during his or her retirement years (Jacques et al., 2021).

According to Bernal and Olivera (2020), pension used to be more focused on and related to people engaged in formal employment activities, but reforms have led to the inclusion of the informal sector in pension as part of efforts to ensure that those engaged in the informal sector also enjoy a reasonable level of financial independence in old age. It is important to note that the core reason for pension is to ensure revenue generation during old age (Li et al., 2021). Thus, pension ensures a dignified and respectable retirement for the elderly when they

are no longer able to produce a regular income. Boudin and Olsson (2021) indicate that pension systems constitute insurance against ageing and disability-related income uncertainties. Thus, essentially, the term pension can be described as payment a person receives upon retirement from active working life which is usually a pre-determined legal age. For instance, the compulsory retirement age in Ghana is 60 year and the voluntary retirement age is 55 years.

It is important to note that even though the terms pension and severance pay are both post-employment receipts, they differ in that the former is mostly paid as regular installment to cater for the person after the legal retirement from active work, while the latter is a fixed payment usually given to the person after involuntary termination of the person's employment. A pension may be a defined a benefit plan, where a fixed sum is paid regularly to a person, or a defined contribution plan, under which a fixed sum is invested that then becomes available at retirement age (Biondi and Sierra, 2018). A recipient of a retirement pension is known as a pensioner or retiree.

2.1.2 Pension Scheme

Regarding the concept of pension scheme, as the name suggests, the term is also known as pension plan. It basically refers to the system or the framework adopted for managing the pensions funds of workers towards retirement (Ambachtsheer, 2016). Irrespective of the form it takes, a pension scheme may be publicly or privately managed. Technically, a pension scheme varies from social security scheme. According to Ginneken (1998), social security scheme ensures that the state provides benefits to households and individuals on the basis of need without a corresponding direct contribution to the scheme, but a pension scheme

ensures that an individual or his dependents benefit from the scheme on the basis of the individuals employment record and prior contribution to the scheme. This means that social security scheme is essentially a social insurance programme meant to protect individuals against declining living standards arising out of a number of basic risks and needs.

2.1.2 Goals for Establishing a Pension Scheme

Smoothening of Consumption

Barr and Diamond (2006) observe that one of the primary objectives of every pension programme is to smoothen consumption (i.e. a process which enables a person to transfer consumption from her productive middle years to her retired years). This means that people seek to maximize their well-being not at a single point in time, but over time. Someone who saves does so not because extra consumption today has no value, but because he values extra consumption in the future more highly than extra consumption today.

Provision of Insurance

According to Mattil (2006), it is ordinarily difficult for an individual to determine with certainty how long he/she is going to live, hence, pension based on a person's saving subject the person to the risk of outliving those savings in a period of retirement. To address the problem of outliving your personal savings on retirement, a pension system creates the environment for people to pool their pension savings together which help to absorb an individuals' financial difficulties which could have emerged as a result of the longevity risk (Holzmann, 2013). Again, it is worthy of note that pension system serves as an insurance to protect spouses and young children from risk in the event of death of a worker before retirement or insure against disability which may occur in the course of employment.

2.1.3 Typology of Pension Schemes or Systems

Different schools of thought have provided different typologies of pension systems. Among the various typology of pensions advanced, the most commonly used typology is the one advanced by the World Bank. The World Bank provides a three-pillar classification of pension systems which include the publicly managed scheme (with mandatory participation), the privately managed mandatory scheme, and the voluntary scheme (World Bank, 1994).

The OECD further provide a different typology of pension. Similar to the World Bank classification, the OECD classification also provides two mandatory tiers together with a voluntary provision. The two mandatory tiers are basically the redistributive components of pension systems are designed to ensure that pensioners achieve some absolute, minimum standard of living while insurance components are designed to achieve some target standard of living in retirement compared with that when working (OECD, 2006). Irrespective of the class, virtually all pension schemes fall under two strands of schemes. It could be a publicly managed scheme or a privately managed scheme as well as being

Defined contribution Pension Scheme

Williamson (2004) refer to the defined contribution model of pension as a pension scheme arranged by the employer or the state where both the employer and the employee contribute to the scheme, or may be a private pension arrangement by the employee where the employee privately contribute to the scheme without the employer. Cannon and Tonks (2013) indicate that the pension provider or the fund manager invests the contribution on behalf of members and for this reason, the value of defined contribution depends on the performance of the

funds invested by the pension provider. Therefore, the size of the pension pot may increase or decrease depending on the dynamics of the financial market which determines the returns and risks of the fund.

Defined Benefit Pension Scheme

Siegmann (2011) explain that the defined benefit pension scheme is sometimes known as final salary pension schemes or career average pensions. According to the author, the defined benefit scheme is a workplace pension arrangement by an employer where the employee do not contribute to the scheme on their own. It is worthy of note that the defined benefit pension scheme is an employer-sponsored retirement plan, therefore, company is responsible for managing the plan's investments and risk and usually hire a private investment manager to perform this task (Orszag and Stiglitz, 2001).

2.1.4 Factors that Influence People's Participation in Pension Scheme

Income

Hastings et al. (2011) argue that budget constraints limit an individual's participation in pension scheme. This is because an individual's participation in a pension scheme requires commitment of funds into the pension scheme. Therefore, once the person is constrained with inadequate income, it affects the willingness to engage in pension contribution. Bell et al. (2005) succinctly explains this by indicating that retirement savings rise in proportion to income and vice versa.

Marital Status

Agnew et al. (2007) advance that the marital status of an individual significantly influences the persons participation in a pension scheme. According to the authors, married workers

mostly have a higher level of responsibility due to their nuclear family which warrant the protection of their future.

Education Level

Once school of thought argues that an individual's level of education serves as an influencing factor in the person's contribution to a pension scheme (Onduko, Gweyi, and Nyawira, 2015). Similarly, Hastings et al. (2011) provide that individuals who possess higher education tend to be more knowledgeable on financial matters which enable them to plan properly towards pension, thus, their higher level of involvement in pension schemes.

Gender

Venkatesh and Vanishree (2013) and Onduko, Gweyi, and Nyawira (2015) posit that gender plays a crucial role in affecting the uptake of pension scheme by individuals. According to Onduko, Gweyi, and Nyawira (2015), men mostly have a high level of responsibility as the breadwinners of their families which normally compel them to contribute to pension scheme to guarantee a given level of financial liberty for up their exit from active work life. However, Nawrocki and Viole (2014) document that in as much as gender is very key in affecting participation in pension scheme, women mostly tend to participate in pension schemes more than their male counterparts.

Age

According to Arnone (2004), older individuals are likely to be more knowledgeable on pension finance matters since retirement planning programs are mostly tailored towards those

who are about to retire, with the goal of this pre-retirement planning program to help participants identify their basic retirement decisions and start preparing for retirement. Additionally, retirement savings increases with age, which creates consciousness amongst the population as they grow older suggesting that they will seek more of pension finance knowledge which will serve as additional booster to their participation in pension schemes.

2.1.5 The Informal Sector

As the name suggests, the informal sector refers to that sector of the economy where activities are unstructured and non-formalized. It principally embodies range of activities all economic activities which are not subjected to stringent regulatory measures with activities highly unstructured (Abeberese and Chaurey, 2017). Although the economic activities found in the informal sector are mostly non-formalized and not well structured, they do not represent illegal economic activities. In less developed countries such as Ghana, the informal sector engages chunk of the workforce in the economy. For instance, in Ghana the informal sector employs not less than 80 percent of the total labour force in the country (Koto, 2015). According to Tettey (2019), the informal sector essentially possesses characteristics which include lack of official protection and recognition, self-employment dominated, no adherence to minimum wage legislations, predominantly small-scale operation with individual or family ownership, and keeping of little or no formal books of accounts, among others. More often than not, employment in the informal sector is not structured with clear written rules of employment.

Osei-Boateng and Ampratwum (2011) advance that the informal sector can be classified as urban informal sector or the rural informal sector. The urban informal sector relates to the

embodiment of informal economic activities which are found in the cities and urban areas whereas the rural informal sector has to do with informal economic activities which are common in the rural areas. In this regard, the authors observe that people engaged in the informal sector may either belong to the urban informal sector working class or the rural informal sector working class depending on the geographical local and the nature of economic activity common in the area.

With regards to the urban informal sector in Ghana which make up the focus of this study, Osei-Boateng and Ampratwum (2011) indicate that it is made up three key class of activities, namely, services; construction; and manufacturing. For the purpose of this study, the informal sector worker is adopted from the definition given by Betcherman (2002), MacKellar (2009), and Laura and Puerta (2010). Thus, the operational definition of urban informal sector worker is given as “an employee (micro entrepreneur or self-employed) who works without a labour contract, and tends to operate on a small scale basis and may be ill-equipped or otherwise in terms of education and skills, and possesses few resources for significant physical investment such as premises, equipment, and machinery”. According to Osei-Boateng and Ampratwum (2011), the service sub-sector of the urban informal sector is mostly made up of people who work as food traders and processors, graphic designers, health and sanitation workers (e.g. chemical sellers, drugstore operators, funeral undertakers, refuse collectors, etc.), garage workers (e.g. auto mechanics, sprayers, welders, vulcanizers, auto electricians etc.), hairdressers and barbers, tailors and seamstresses, transport operators, among others. With regards to the construction workers, they are mostly made up of masons, carpenters, steel benders, small-scale plumbers, house-wiring electricians, other artisans who

are mostly engaged in construction projects. The manufacturing workers in the informal sector mostly engage in food processing, textile and garments, wood processing and metal works, among other things.

2.1.6 Brief History of Pension Acts in Ghana

Ghana's pension system history points back to the Pension Ordinance of 1946. This is a non-contributory pension scheme known as CAP 30 for workers categorized as senior civil servants. However, the establishment of a national social security system by Act 279 of 1965 began the establishment of the formal social security scheme in Ghana. The Act established a Fund known as the Social Security Fund into which all contributions were paid. In 1972, the Social Security Decree (NRCD 127) was introduced to address some of the challenges identified with the Social Security Act of 1965. The reform to ameliorate the problems with the pension system existing at the time led to the establishment of the Social Security and National Insurance Trust (SSNIT). Later after the establishment of SSNIT, the CAP 30 was eradicated with recommendations to improve the management and administrative structures of SSNIT as the national pension management body. Subsequently in 2004, the Pension Reform Implementation Committee was set up to review the pension law which established SSNIT. In line with the recommendations of the committee, the National Pensions Act, 2008 (Act 766) came into force on December 12, 2008. The Act 766 introduced the three-tier pension scheme which involves two mandatory schemes (i.e. the first and second tiers) and a voluntary scheme (i.e. third tier). Ordinarily, the first and second tiers are mandatory schemes to be contributed by employers and employees in the formal sector. The third tier is a voluntary pension scheme which is opened to both formal and informal sector workers.

Following this, the SSNIT has carved out the Informal Sector Voluntary Pension Scheme which is tailored to specifically handle informal sector pensions and is open to all every worker in the informal sector.

2.2 THEORETICAL REVIEW

The relevant theories are the Human capital theory and life cycle theory of savings.

2.2.1 Human Capital Theory

The human capital theory, proposed by economists Becker (1962) and Rosen (1976), explains the relationship between education, skills, and earnings. According to this theory, individuals make investments in their education, training, and skills development, considering them as forms of human capital that enhance their productivity and earning potential. The human capital theory suggests that individuals' investment in education and skill development is motivated by the expectation of higher future earnings. By acquiring knowledge and skills, individuals increase their productivity, making them more valuable in the labour market and increasing their potential for higher wages and better job opportunities. The human capital theory recognizes that higher education and skill levels generally lead to higher incomes. Individuals who invest in their human capital by pursuing education and acquiring valuable skills are likely to earn more over their working lives. This increased earning potential can positively impact their ability to save for retirement, including participating in voluntary pension schemes to secure their financial well-being in later years (Holda, and Renkas, 2015). The human capital theory underscores the importance of investing in human capital to enhance long-term financial security. By building their knowledge and skills, individuals can improve their employability, career advancement prospects, and earning potential. This, in turn, can contribute to a more secure and

comfortable retirement by enabling individuals to save and accumulate wealth throughout their working lives (Banyár, 2021). In summary, the human capital theory highlights the significance of education, skills, and productivity in determining individuals' earnings and financial well-being. It aligns with the voluntary pension scheme by emphasizing the importance of income, long-term financial security, and the value of skills in retirement planning and savings.

2.2.2 Life Cycle Theory of Savings

The life cycle theory of savings, proposed by Modigliani and Brumberg (1954), suggests that individuals save and consume based on their expected lifetime income. According to this theory, individuals aim to maintain a relatively stable standard of living throughout their lives, adjusting their saving and consumption patterns accordingly. The theory posits that individuals typically save during their working years to accumulate wealth and prepare for future expenses, such as retirement or major life events. During their working years, individuals have higher incomes and fewer financial responsibilities, allowing them to allocate a portion of their income towards savings. As they approach retirement, their income may decline, and they gradually draw on their accumulated savings to maintain their desired standard of living (Feng, 2018).

The theory emphasizes the importance of saving during working years to ensure a stable standard of living during retirement. The voluntary pension scheme provides a means for individuals to contribute to their retirement savings, aligning with the principle of saving during the accumulation phase to support future consumption needs. The theory suggests that individuals strive to maintain a relatively stable level of consumption throughout their lives.

By contributing to a pension scheme during their working years, individuals can smooth out their income and consumption patterns, ensuring a more consistent lifestyle during retirement (Bonekamp and van Soest, 2022). Overall, the life cycle theory of savings provides a conceptual framework that supports the rationale behind the voluntary pension scheme. It recognizes the importance of long-term financial planning, saving during working years, and ensuring a steady income stream during retirement. The voluntary pension scheme serves as a practical mechanism for individuals to implement these principles and secure their financial well-being in the future.

2.3 EMPIRICAL REVIEW

Several empirical studies by various authors have revealed different outcomes in respect of the factors that influence participation in pension schemes. The discussion below focuses on the various factors that influence participation in pension schemes.

2.3.1 Demographic factors and Participation in Pension Scheme

Research conducted by Isiaka (2011) reveals that age greatly affect informal workers to join pensions scheme. Therefore, the author concludes that the age of the respective informal sector employee is considered as the strong factor in affecting informal sector employees' participation in social security system. In consonance with the above outcome, Adzawla, Baanni, and Wontumi (2015) find a direct relationship between aging and contribution to voluntary pension scheme. The authors contend that older worker tend to be more cautious of their old age compare to young worker who have the advantage of long period before exiting from active work, hence usually focus on contributing to pension scheme to enable them maintain a fairly financial independent life during their inactive work life.

Similarly, a study pursued by Sane and Thomas (2013) reveal a direct relationship between old age and willingness to contribute to pension scheme. The authors indicate that as people who are near the retirement are more active and willing to participate contribute to pension scheme in order to enjoy the benefits offered by the scheme in the post-retirement period where income from employment reduces drastically. In contrast with the above outcomes, Collins-Sowah *et al.* (2013) and Masanyiwa, Mosha, and Mamboya (2020) find no significant relationship between age and workers' participation in pension schemes.

In a study conducted by Onduko, Gweyi, and Nyawira (2015), the authors find that gender play a critical role in influencing the employees' willingness to contribute in a voluntary pension scheme. The authors conclude that men mostly have a high level of responsibility as the breadwinners of their families which normally compel them to contribute to pension scheme to guarantee a given level of financial liberty upon their exit from active work life.

However, at contrast with the finding from the study conducted by Onduko, Gweyi, and Nyawira (2015) above, Nawrocki and Viole (2014) also find that in as much as gender plays a critical role in influencing participation in pension scheme, female workers tend to be more willing and actively contribute to pension schemes than male workers. The authors conclude that women tend to be more risk averse compared to their male counterparts, hence, their high level of participation in pension scheme to serve as a buffer in the post-work life period where income from employment is cut off.

Studies pursued by Holzmann et al. (2001) and Collins-Sowah et al. (2013) both find that married workers have a higher willingness to voluntarily join informal pension scheme than the single workers. Surprisingly, the outcome of studies conducted by Sane and Thomas (2013) and Adzawla, Baanni, and Wontumi (2015) contradict the finding of the works former authors. Sane and Thomas (2013) and Adzawla, Baanni, and Wontumi (2015) conclude in their studies that single or unmarried workers do not have a higher probability of contributing to a pension scheme than the married workers.

Further to the above, the work of Sane and Thomas (2013) reveal that illiterate informal workers have a lower probability to participate in voluntary pension system. This finding confirms the outcomes of similar work by Castel (2006) and Olivier et al. (2012) which disclose that lack of education among informal workers greatly influences their non-participation in voluntary pension schemes. In consonance with the above findings, a study done by Maduga (2015) which explores the factors that restrict the widening of social security coverage in the informal sector in Tanzania finds illiteracy and low level of education to be inversely related to the participation in pension schemes. Despite the above outcomes, the work of Collins-Sowah et al. (2013) reports no significant relationship between the level of education and willingness to participate in pension schemes.

In a study pursued by Van Rooij, Lusardi, and Alessie (2012) which explores the link between financial literacy and retirement planning, the authors find that literacy in finance significantly influences people's participation in pension scheme. The outcome of the above study corroborated the finding from a similar prior study by Lusardi and Mitchell (2007)

which also investigated the influence of financial literacy on usage of pension. The study reveals that financial literacy plays a major role in workers usage of pension schemes.

It is also important to note that previous studies have reveal that the income level of informal sector workers play very critical role in their uptake of voluntary pension scheme. In the work of Mos and Seulean (2010), there is a revelation that the income level of the workers positively influence participation in formal pension scheme since their ability to make contribution to the scheme is highly dependent on regular receipt of fairly adequate income from their whatever work they engage in.

The above outcome is supported by the finding from a study pursued by Adzawla, Baanni, and Wontumi (2015) which reveal income among other factors as very essential in igniting informal sector workers desire to join pension schemes. In tandem with the above outcomes, Kayitare (2016) also find that lower and irregular incomes serve as barrier to joining pension scheme by informal workers. The author concludes that by suggesting that adequate level of regular income significantly influence participation in pension scheme.

2.3.2 Awareness of Pension Scheme and its Benefits and Participation in the Scheme

A study by Idowu (2006) also documents that one of the critical factors which influence informal workers to join pension scheme is the level of awareness of existence and products offered by the pension scheme. The author concludes that lack of awareness limit informal worker ability to join a pension scheme in spite of how nicely the scheme has been packaged to help informal workers. Similarly, Njuguna (2010) and Longman (2014) find evidence in their respective study which is consistent with the outcome of the study by Idowu (2006).

Both authors conclude that increased awareness regarding the existence, the modalities for joining, and the benefit contributors stand to gain serve as a strong factor to attract informal worker to contribute to a pension scheme.

The World Bank (2014) argue along similar line in the outcomes above and indicates that lack of awareness and accessibility to social security system and its relevant products meant for the informal workers serve as a significant barrier to join the scheme. Kayitare (2016) also corroborates the above findings with his work which reveals that lack of awareness of the voluntary pension scheme coupled with the benefit design and structure negatively affect informal workers participation in the pension scheme.

In a study done by Mos and Seulean (2010), the authors find evidence that the benefits package provided by pensions scheme serve as a major boost in affecting informal sector workers become participants in a pension scheme. Based on the findings above, the authors argue that workers are concerned about the utility they obtain from the use of pension schemes, thus, if the benefit at the end do not outweigh the benefit received from other alternative mechanisms of investment, they are probability of joining pension scheme is extremely low.

2.4 CONCEPTUAL FRAMEWORK

The conceptual framework is presented in figure 2.1. The conceptual framework provide the pictorial view of how the variables of the study are connected. The framework provided below show how the various demographic factors which make up the predictor variables are linked to the response variable which is uptake of voluntary pension scheme. In the

framework the independent or predictor variables are age, gender, marital status, educational qualification, and income. These variables are expected to exert some effect on the participation in voluntary pension scheme or otherwise which is the dependent variable.

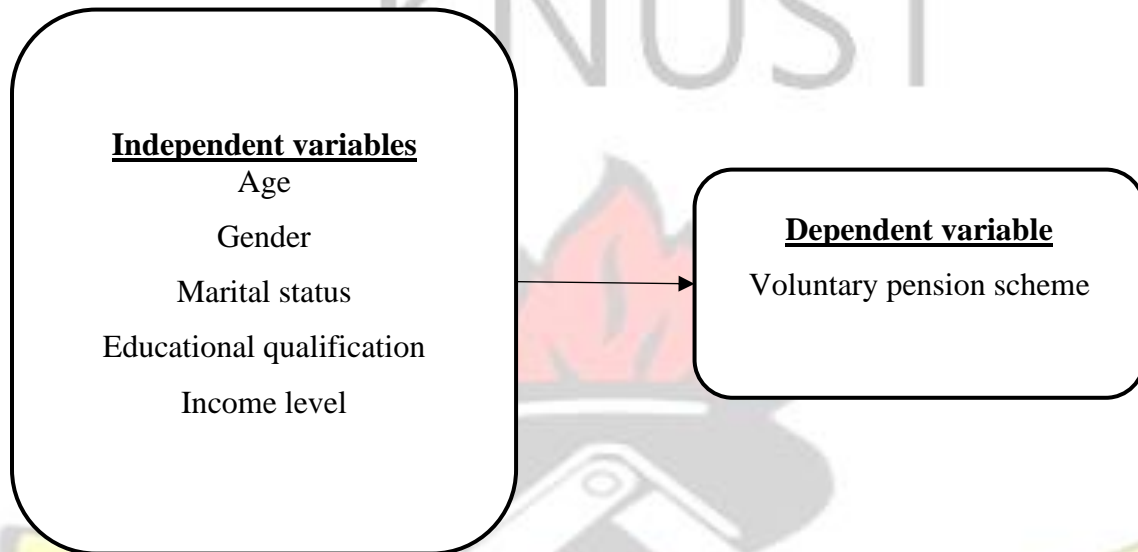


Figure 2.1: Conceptual Framework

Source: Author (2023)

CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

This chapter presents the research methodology of the study. It comprises five main sections. The first section contains the research design, followed by the population of the study in the second section. The third section presents the sampling method and sample size, after which source of data and data collection procedures are explained in the fourth section. The fifth and sixth sections deals with the data analysis and validity testing respectively. The last section is the ethical considerations.

3.1 RESEARCH DESIGN

The study adopts the cross-sectional design which involves the collection of data once at a point in time, with a focus on the survey strategy. Since the study uses quantitative data which involves the use of quantitative analytical procedures, the quantitative approach to research is adopted. The use of the survey strategy is due to the solicitation of data from wide and varied range of respondents who make up the study population, because the survey strategy enables the collection of large amounts of data within a shorter period of time at a minimal cost. Again, the study adopts both the descriptive and explanatory method of research since it seeks to describe the extent of awareness of voluntary pension scheme among the participants as well as seek to examine how one set of variables (i.e. demographic variables) explain the changes in another variable (participation in voluntary pension scheme).

3.2 POPULATION

The target population is all the urban informal sector workers who engage in economic activities within the Takoradi Metropolis. Specifically, the study focuses on informal sector workers within the Takoradi Metropolitan Area.

3.3 SAMPLING METHOD AND SAMPLE SIZE

The study adopts the convenience sampling method to select participants. This method of sampling is adopted to ensure that respondents who are available and willing to participate in the survey are used to eliminate difficulty in obtaining data since the sector within which the participants operate is not formalized. The sample size for the study was 300. The sample size is determined using the sample size determination formula used by Masanyiwa et al. (2020) in situation where the total population cannot be determined with certainty. This formula is given as:

$$n = [Z_{\alpha/2} * P(1-P)] / e^2;$$

where;

n = Sample size; P= percentage of the population; $Z_{\alpha/2}$ =critical value (1.96); and e =maximum error margin. Since P is not known for the defined informal sector workers, 50% is used to ensure adequate sample size. Employing a confidence interval of 95%, the error margin is 5%. Hence, the sample size is computed as: $n = [1.96 * 0.50(1-0.50)] / 0.05^2 = 196$. However, a larger sample size is argued as ideal to represent a target population (Polit and Hungler, 2004). Hence, a larger sample size of 300 respondents is used instead of 196 respondents.

3.4 DATA SOURCE AND COLLECTION PROCEDURE

The study employs primary data which are obtained from informal sector workers within the Takoradi Metropolis. Structured research questionnaire was adopted as the data collection instrument. The questionnaire was designed to solicit information from respondents regarding their demographic characteristics, their knowledge, and usage or otherwise of voluntary pension scheme. The rationale for the use of questionnaire is due to its ability to obtain tailor made data in a cost-effective manner.

3.5 DATA ANALYSIS

The data obtained from the field are sorted and edited to ensure uniformity across all respondents. Thereafter, the data are coded and analysed with the help of the SPSS statistical software. Both descriptive and inferential statistical analysis were used to perform the analysis. Specifically, descriptive statistics such as mean, frequencies and percentages were used to analyse the background information and the first and third objectives. The inferential analytical approach of binary logistic regression was employed to analyse the influence of demographic factors on uptake of voluntary pension scheme which was the second objective. Therefore, the binary logistic regression model is expressed as:

$$VPS_{it} = \alpha + \beta_1 GEN_i + \beta_2 MRST_i + \beta_3 EDU_i + \beta_4 AGE_i + \beta_5 INCME_i + \varepsilon_{it} \dots (1)$$

VPS: Voluntary pension scheme, GEN: gender, MRST: marital status, EDU: educational qualification, INCME: Income level

3.6 MEASUREMENT OF VARIABLES

The variables were measured following the studies of Masanyiwa, Mosha, and Mamboya (2020) and Onduko, Gweyi, and Nyawira (2015).

Table 3.1: Measurement of variables

Variable	Measurement
Dependent variable	
Voluntary pension scheme	1 = Yes and 0 = otherwise
Independent variables	
Gender	1 = male and 0 = Otherwise
Age	Age in years
Marital status	Current relationship status
Education	Level of education
Income level	Amount of monthly income

Source: Author (2023)

3.7 VALIDITY TEST

To ascertain the validity of the research instrument, the structured research questionnaire was pilot-tested using a sample of 25 informal sector workers within the Ahanta West District. Subsequently, the research instrument is edited to ensure the questions appropriately reflect what they seek to according to the objectives of the study.

3.8 ETHICAL CONSIDERATIONS

The researcher followed all the necessary ethical protocols in conducting the study. The consent of respondents is sought prior to questionnaire administration. Again, the survey instrument is designed to ensure the anonymity of respondents is maintained while also assuring the respondents of utmost confidentiality to information provided. Further,

information provided by the respondents are managed with highest level of confidentiality.

Also, the data are used for the purpose of this academic work and nothing more.

KNUST



CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

This chapter presents the results of the study. It also includes a discussion of the results. The demographics of the respondents is presented, and then the main results are also presented.

4.1 DEMOGRAPHICS OF RESPONDENTS

Table 4.1 presents the demographics of the respondents. These are the breakdown of respondents for Educational qualification: SHS and below: 189 respondents (63%); Postgraduate: 7 respondents (2.3%); Diploma: 88 respondents (29.3%); First degree: 16 respondents (5.3%). The majority of respondents (63%) have an educational qualification of "SHS and below," indicating that a significant portion of the sample has completed secondary education or lower levels of education. The percentages of respondents with higher educational qualifications (postgraduate, diploma, and first degree) are relatively low, suggesting that a smaller proportion of the sample has pursued further education beyond secondary school. The lower representation of respondents with higher educational qualifications might indicate a potential gap in access to higher education or a higher prevalence of individuals with lower levels of education in the informal sector.

These are the breakdown of respondents for Profession: Retailers and wholesalers: 44 respondents (14.7%); Drivers: 44 respondents (14.7%); Artisans: 51 respondents (17%); Farmers: 76 respondents (25.3%); Skilled trade people: 85 respondents (28.3%). The top

three professions represented in the sample are retailers and wholesalers, drivers, and artisans.

Table 4.1: Demographic of respondents

		Frequency	Percentage
Educational qualification	SHS and below	189	63
	Postgraduate	7	2.3
	Diploma	88	29.3
	First degree	16	5.3
	retailers and wholesalers	44	14.7
Profession	Drivers	44	14.7
	Artisans	51	17
	farmers	76	25.3
	Skilled trade people	85	28.3
	Female	120	40
Gender	Male	180	60
	Single	83	27.7
Marital status	Married	99	33
	Divorced	64	21.3
	Separated	24	8
	Widow/widower	30	10
	Below 500	70	23.3
Income level	500 - 1000	82	27.3
	1001 - 2000	71	23.7
	Above 3000	77	25.7
	18 - 30	144	48
Age	31 - 40	131	43.7
	Above 40	25	8.3

Source: Author (2023)

Farmers and skilled trade people also account for a significant portion of the respondents. The distribution of professions in the sample suggests that the respondents come from diverse occupational backgrounds. It includes a mix of individuals involved in retail, transportation, skilled trades, and agriculture. These professions may reflect different income levels, employment stability, and opportunities for financial planning, which could influence their likelihood of participating in a voluntary pension scheme.

These are the breakdown of respondents for Gender: Female: 120 respondents (40%); Male: 180 respondents (60%). The sample consists of 60% male respondents and 40% female respondents. The gender distribution in the sample indicates a higher representation of males compared to females.

These are the breakdown of respondents for Marital status: Single: 83 respondents (27.7%); Married: 99 respondents (33%); Divorced: 64 respondents (21.3%); Separated: 24 respondents (8%); Widow/widower: 30 respondents (10%). The sample consists of respondents who are single, married, divorced, separated, and widow/widower. There is a relatively balanced representation of married individuals, while single and divorced respondents make up a significant portion of the sample. The diverse marital status distribution indicates that individuals with different relationship statuses have participated in the survey. Marital status can influence financial decision-making, including participation in a voluntary pension scheme.

These are the breakdown of respondents for Income level (in GHS): Below 500: 70 respondents (23.3%); 500 - 1000: 82 respondents (27.3%); 1001 - 2000: 71 respondents (23.7%); Above 3000: 77 respondents (25.7%). The income levels are categorized as below 500 GHS, 500-1000 GHS, 1001-2000 GHS, and above 3000 GHS. The percentages of respondents in each income level category are relatively balanced. The distribution of income levels indicates that the sample includes individuals from various income brackets. Income level is an important factor influencing the ability to participate in a voluntary pension scheme. Higher income levels may be associated with greater disposable income available for retirement savings and an increased likelihood of participating in such schemes.

These are the breakdown of respondents for Age (Years): 18 - 30: 144 respondents (48%); 31 - 40: 131 respondents (43.7%); Above 40: 25 respondents (8.3%). The age groups are categorized as 18-30, 31-40, and above 40. The majority of respondents fall within the 18-30 and 31-40 age groups. The distribution of respondents across different age groups suggests a relatively younger sample. Age is a significant factor in retirement planning and the uptake of pension schemes. Younger individuals may have different financial priorities and longer time horizons for retirement savings compared to older individuals.

4.2 LEVEL OF AWARENESS OF VOLUNTARY PENSION SCHEME

The sections addresses respondents knowledge on voluntary pension scheme in Ghana.

4.2.1 Purpose of Voluntary Pension Scheme?

Table 4.2 presents the results obtained from the respondents on the objective of voluntary pension scheme in Ghana.

Pay workers when on pension: The majority of the respondents, 195 individuals (65%), believed that the voluntary pension scheme is meant to provide payments to workers when they retire and are on pension. This indicates that there is a widespread understanding that the primary purpose of the scheme is to provide retirement income. The high percentage of respondents (65%) recognizing the voluntary pension scheme as a means to pay workers when on pension suggests a general understanding that the scheme is designed to provide financial support during retirement. This aligns with the primary objective of pension schemes, which is to ensure income security in old age.

Pay workers when ill: 68 respondents (22.7%) mentioned that the scheme is about providing payments to workers when they are ill. This response suggests a misconception or misunderstanding about the purpose of the voluntary pension scheme. The response of 22.7% of respondents associating the scheme with providing payments when ill indicates a misinterpretation or confusion about the purpose of the voluntary pension scheme. This misconception may arise from a lack of awareness or insufficient information about the specific benefits and coverage provided by the scheme.

Financial institution: 37 respondents (12.3%) associated the voluntary pension scheme with being a financial institution. This response indicates a lack of clarity or confusion about the nature of the scheme. While financial institutions may be involved in managing and administering pension funds, the scheme itself is not solely a financial institution but a mechanism for individuals to save for their retirement. The response of 12.3% of participants associating the scheme with a financial institution suggests some confusion about the

structure and operation of the voluntary pension scheme. It indicates a need for better communication and education about the roles and responsibilities of different entities involved in the scheme, including financial institutions.

Table 4.2: Objective of voluntary pension scheme

	Frequency	Percent
Pay workers when on pension	195	65
Pay workers when ill	68	22.7
Financial institution	37	12.3
Total	300	100

Source: Author (2023)

The primary purpose of the voluntary pension scheme is to help individuals build a retirement nest egg by making regular contributions to their pension accounts. These contributions are invested over time, aiming to grow the funds and generate returns. When workers reach retirement age, they can access the accumulated funds as a source of income to support their living expenses in their post-employment years. In summary, the correct answer is that the voluntary pension scheme allows workers to save and invest funds during their working years, which can then be utilized as a source of income during retirement.

4.2.2 Membership of the voluntary pension scheme

Table 4.3 presents the results regarding who qualifies to be a member of the voluntary pension scheme.

Government workers: Out of the 300 respondents, 50 individuals (16.7%) believed that government workers qualify to be members of the voluntary pension scheme.

Formal sector workers: 31 respondents (10.3%) stated that formal sector workers are eligible to be members of the scheme.

Informal sector workers: The majority of respondents, 176 individuals (58.7%), believed that informal sector workers can participate in the voluntary pension scheme. This indicates that there is significant recognition and acceptance of the scheme among individuals in the informal sector.

Everybody: 43 respondents (14.3%) expressed the view that anyone, regardless of their employment status or sector, qualifies to be a member of the voluntary pension scheme.

In Ghana, the voluntary pension scheme is known as the Tier 3 Pension Scheme. According to the National Pensions Act, 2008 (Act 766) and subsequent amendments, the following groups are eligible to participate in the Tier 3 Pension Scheme:

Formal sector workers: This includes individuals employed in the formal sector, such as employees of government institutions, private companies, and organizations that are registered with the Social Security and National Insurance Trust (SSNIT). These workers are typically required to contribute a portion of their income to the pension scheme.

Informal sector workers: The National Pensions Act introduced a separate category called the Informal Sector Fund under the Tier 3 Pension Scheme. This allows individuals in the informal sector, such as self-employed individuals, artisans, traders, and farmers, to

voluntarily contribute to their pension savings. The Act encourages the establishment of informal sector groups or associations to facilitate pension contributions for these individuals.

Table 4.3: Membership of voluntary pension scheme

	Frequency	Percent
Government workers	50	16.7
formal sector workers	31	10.3
informal sector workers	176	58.7
Everybody	43	14.3
Total	300	100

Source: Author (2023)

Based on the Act, the 50 respondents (16.7%) who mentioned government workers as eligible for the voluntary pension scheme are correct. Government workers are considered part of the formal sector and are eligible to participate in the Tier 3 Pension Scheme. The 31 respondents (10.3%) who identified formal sector workers as eligible are also correct. Formal sector workers, including employees of private companies and organizations registered with SSNIT, are eligible for the Tier 3 Pension Scheme. The 176 respondents (58.7%) who mentioned informal sector workers as eligible are correct as well. The National Pensions Act provides provisions for informal sector workers to voluntarily contribute to the Tier 3 Pension Scheme through the Informal Sector Fund. The 43 respondents (14.3%) who stated that everybody qualifies for the voluntary pension scheme have a broader perspective. While the pension system in Ghana allows for voluntary contributions from individuals in both

formal and informal sectors, it is not explicitly open to everyone, such as individuals without any employment or income source.

4.2.3 Age Requirement to Benefit from the Voluntary Pension Scheme

Table 4.4 presents results regarding the age at which a contributor is entitled to benefit from the voluntary pension scheme, the following results were obtained:

At any given age: 40 respondents (13.3%) believed that a contributor can benefit from the voluntary pension scheme at any given age. The response of 13.3% of the respondents indicating that a contributor can benefit from the voluntary pension scheme at any given age is incorrect. The pension regulations in Ghana specify specific ages for accessing benefits.

Compulsory age of 60 or 55 voluntary: The majority of respondents, 184 individuals (61.3%), indicated that a contributor is entitled to benefit from the voluntary pension scheme at the compulsory retirement age of 60 years or at the voluntary retirement age of 55 years. The response of 61.3% of the participants aligns with the provisions of Act 883. The retirement age of 60 years and the provision for voluntary early retirement from the age of 55 years are correctly identified.

At age 50: 76 respondents (25.3%) stated that a contributor can access the benefits of the voluntary pension scheme at the age of 50. The response of 25.3% of the respondents stating that a contributor can access benefits from the voluntary pension scheme at age 50 is incorrect. Act 883 does not specify age 50 as a retirement age for the voluntary scheme.

Table 4.4: Age requirement for voluntary pension scheme

	Frequency	Percent
At any given age	40	13.3
Compulsory age of 60 or 55 voluntary	184	61.3
At age 50	76	25.3
Total	300	100

Source: Author (2023)

Under the pension Act, the retirement age for the voluntary pension scheme in Ghana is as follows: The normal retirement age for accessing benefits from the voluntary pension scheme is generally set at 60 years. Act 883 introduced the provision for voluntary early retirement, allowing individuals to access their pension benefits from the age of 55 years, subject to certain conditions and reduced benefits.

4.3 DEMOGRAPHIC FACTORS AND UPTAKE OF VOLUNTARY PENSION SCHEME

Table 4.5 shows the regression results between the study demographics and uptake of voluntary pension scheme. The r-square is 16% which suggests that the independent variables explain 16% variance in the dependent variable.

Table 4.5: Study demographics and voluntary pension scheme

	Coefficient	S.E.	Wald	Sig.
Educational qualification	0.04	0.116	0.121	0.728
Gender	0.251	0.138	3.296	0.04**

Marital status	0.046	0.096	0.23	0.632
Income level	0.155	0.08	3.725	0.054**
Age	0.377	0.171	4.847	0.028**
Constant	0.179	0.565	0.1	0.751
R-square	0.16			

Source: Author (2023), **: 5% significance level

4.3.1 Educational Qualification and Uptake of Voluntary Pension Scheme

Educational qualification has a coefficient of 0.04, a standard error of 0.116, a Wald statistic of 0.121, and a p-value of 0.728. The educational qualification variable measures the level of education of the individuals. In this analysis, having a higher educational qualification is associated with a slightly increased likelihood of participating in the voluntary pension scheme. However, the coefficient is small (0.04) and not statistically significant (p-value > 0.05), indicating that the relationship may not be substantial or reliable. This finding supports the study of Collins-Sowah et al. (2013).

4.3.2 Gender and Uptake of Voluntary Pension Scheme

Gender has a coefficient of 0.251, a standard error of 0.138, a Wald statistic of 3.296, and a p-value of 0.04. The gender variable indicates the individual's gender. The coefficient of 0.251 suggests that being male is associated with a higher likelihood of participating in the voluntary pension scheme. Moreover, the p-value of 0.04 indicates that the relationship is statistically significant at a significance level of 0.05. The finding relates to the study of Onduko, Gweyi, and Nyawira (2015) and Nawrocki and Viole (2014).

A possible explanation for this relationship could be attributed to societal and cultural factors. In Ghana, there are differences in social and economic opportunities between genders. Men have greater access to formal employment, higher income levels, and more stable career paths, which can contribute to their increased likelihood of participating in pension schemes. Additionally, gender roles and expectations may play a role. Men may have traditionally been seen as the primary earners and providers for their families, which could lead to a greater emphasis on financial planning for retirement, including participation in pension schemes.

This finding supports the Human Capital Theory: This theory suggests that individuals' investment in education, skills, and human capital affects their economic outcomes and financial decisions. In the context of gender and pension scheme uptake, it could be argued that men, on average, have higher levels of human capital due to various factors such as greater access to education and career opportunities. As a result, they may have higher incomes and financial resources to allocate towards pension schemes.

4.3.3 Marital Status and Uptake of Voluntary Pension Scheme

Marital status has a coefficient of 0.046, a standard error of 0.096, a Wald statistic of 0.23, and a p-value of 0.632. The marital status variable represents the marital status of the individuals. The coefficient suggests a slight positive association between being married (or having a particular marital status) and the likelihood of participating in the pension scheme. However, the coefficient is not statistically significant ($p\text{-value} > 0.10$), indicating that the relationship may not be reliable. This finding supports the study of Adzawla, Baanni, and Wontumi (2015).

4.3.4 Income Level and Uptake of Voluntary Pension Scheme

Income level has a coefficient of 0.155, a standard error of 0.08, a Wald statistic of 3.725, and a p-value of 0.05. The income level variable captures the individuals' income or income bracket. The coefficient of 0.155 suggests that individuals with higher income levels are more likely to participate in the voluntary pension scheme. The p-value of 0.05 indicates that the relationship is significant at a significance level of 0.05. The finding supports the study of Mos and Seulean (2010).

An explanation for the finding is that higher-income individuals generally have more disposable income and financial resources available to allocate towards savings and investments, including pension schemes. They may have greater financial capacity to make regular contributions to a pension plan without compromising their current standard of living. Also, higher-income individuals may be more future-oriented and engaged in long-term financial planning. They might prioritize saving for retirement and recognize the benefits of participating in a pension scheme to secure their future financial well-being.

The results aligns with Life-Cycle Theory. The life-cycle theory of saving suggests that individuals adjust their saving and investment behaviours over their lifetime. According to this theory, individuals tend to save more as they approach retirement age to ensure sufficient funds during retirement. Higher-income individuals may be more aware of the need for retirement savings and actively participate in pension schemes as part of their long-term financial planning.

4.3.5 Age and Uptake of Voluntary Pension Scheme

Age has a coefficient of 0.377, a standard error of 0.171, a Wald statistic of 4.847, and a p-value of 0.028. The age variable represents the individuals' age. The coefficient of 0.377 suggests that older individuals have a higher likelihood of participating in the pension scheme. The p-value of 0.028 indicates that the relationship is statistically significant at a significance level of 0.05. The finding supports the study of Masanyiwa, Mosha, and Mamboya (2020).

An explanation for the finding is that older individuals typically have a shorter time horizon until retirement compared to younger individuals. They may have a heightened sense of urgency to accumulate sufficient savings for retirement. This awareness of the limited time available for saving and the need for long-term financial security may contribute to their increased likelihood of participating in pension schemes. Also, older individuals who are closer to retirement age may have a greater awareness of their financial needs during retirement. They may have already started envisioning their post-retirement lifestyle and the associated costs.

This finding supports the Life-Cycle Theory. The life-cycle theory of saving suggests that individuals adjust their saving and investment behaviours over their lifetime. According to this theory, as individuals age, they become more aware of the need for retirement savings and actively participate in pension schemes as part of their long-term financial planning. Older individuals may prioritize securing their future financial well-being and recognize the benefits of participating in a pension scheme to ensure a stable income during retirement.

4.4 CHALLENGES RELATED TO VOLUNTARY PENSION SCHEME

This section presents results related to challenges posed at respondents concerning the voluntary pension scheme.

4.4.1 Barriers to Uptake of Voluntary Pension Scheme

Table 4.6 presents responses of the 129 respondents who had not enrolled in any voluntary pension scheme in Ghana, their reasons for the barrier to entry are presented in the table.

Low income: 33 respondents (25.6%) cited low income as a barrier to enrolling in the voluntary pension scheme. This suggests that these individuals perceive their current income level as insufficient to contribute to a pension scheme, prioritizing immediate financial needs over long-term savings. The response of 25.6% of respondents citing low income as a barrier highlights the significance of financial constraints. For some individuals, the inability to meet their immediate financial needs may prevent them from allocating funds to long-term savings, such as a voluntary pension scheme.

Lack of trust: 35 respondents (27.1%) mentioned a lack of trust as a barrier. This imply a lack of confidence in the management or effectiveness of pension schemes, due to concerns about mismanagement, corruption, or a lack of transparency in the pension system. The response of 27.1% of respondents indicating a lack of trust suggests a lack of confidence in the pension system. This highlights the importance of building trust and ensuring transparency in the management and governance of pension schemes to encourage participation.

Uncertainty about the future: 39 respondents (30.2%) expressed uncertainty about the future as a reason for not enrolling. This may indicate a lack of confidence in the stability of the pension system or doubts about the availability and adequacy of pension benefits when they reach retirement age. The response of 30.2% of respondents expressing uncertainty about the future suggests concerns about the stability and adequacy of the pension system. This may stem from uncertainties regarding economic conditions, political stability, or the ability of the pension system to provide adequate benefits in the long term. They stated that they also stated that they feel somebody will spend the money since they do not believe they will live to that age

Lack of awareness: 22 respondents (17.1%) cited a lack of awareness as a barrier to enrolling in the voluntary pension scheme. This suggests that these individuals may not have sufficient knowledge or understanding about the benefits, eligibility criteria, and process of enrolling in the scheme. The response of 17.1% of respondents citing a lack of awareness indicates a need for improved education and information dissemination. Efforts should be made to raise awareness about the benefits and importance of enrolling in a voluntary pension scheme, as well as providing clear information about the eligibility criteria, contribution process, and potential advantages of participation.

Table 4.6: Barriers to entry

	Frequency	Percent
Low income	33	25.6
Lack of trust	35	27.1
Uncertainty about the future	39	30.2
Lack of awareness	22	17.1

Source: Author (2023)

4.4.2 Challenges After Uptake of Voluntary Pension Scheme

Table 4.7 presents responses of the 171 respondents who are currently enrolled in a voluntary pension scheme in Ghana, the challenges they currently face are presented in the table:

High fees: 35 respondents (20.5%) mentioned high fees as a challenge they face. This suggests that these individuals perceive the fees associated with the voluntary pension scheme as burdensome or too costly, potentially impacting their ability to contribute regularly or accumulate sufficient savings. The response of 20.5% of the respondents highlighting high fees as a challenge suggests the importance of addressing the affordability and transparency of fees associated with voluntary pension schemes. Lowering fees or providing clearer information on the fees structure could help alleviate this concern and encourage continued participation.

Irregular income: 72 respondents (42.1%) identified irregular income as a challenge. This indicates that these individuals face difficulties in making consistent contributions to their pension scheme due to the nature of their income, which may be sporadic or uncertain. Irregular income can make it challenging to commit to regular pension contributions and maintain a steady savings pattern. The response of 42.1% of respondents indicating irregular income as a challenge highlights the need to address the financial stability and flexibility of contributors. Offering options for flexible contribution amounts or schedules, especially for

individuals with irregular income, could help overcome this challenge and ensure continued participation in the pension scheme.

Poor customer service: 64 respondents (37.4%) cited poor customer service as a challenge. This suggests that these individuals have experienced dissatisfaction or issues related to the quality of customer service provided by the pension scheme administrators or service providers. Poor customer service can create frustration, hinder effective communication, and undermine confidence in the pension scheme. The response of 37.4% of respondents expressing dissatisfaction with poor customer service emphasizes the significance of providing a high level of service quality and effective communication. Improving customer service, responsiveness, and addressing any concerns promptly can enhance trust, satisfaction, and overall engagement with the pension scheme.

Table 4.7: Challenges after enrolment

	Frequency	Percent
High fees	35	20.5
Irregular Income	72	42.1
Poor customer service	64	37.4
Total	171	100

Source: Author (2023)

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

This section presents a summary of the overall studies. The chapter is presented in four main sections. Summary of the findings are presented followed by a conclusion of the study and recommendations and suggestions for further studies are presented as well.

5.1 SUMMARY OF FINDINGS

The study found that respondents were aware of voluntary pension scheme in Ghana. Majority (65) of them acknowledged that the scheme was to pay workers when they retire. 75.7% of respondents also understood that voluntary pension scheme covered government formal and informal sector workers. 61.3% of respondents understood the age at which a contributor was entitled to benefit from the voluntary pension scheme is from 55 to 60 years. It was also discovered that educational qualification, marital status does not have a significant effect on uptake of voluntary pension scheme. However, gender, age and income level had a significant positive effect on uptake of voluntary pension scheme. Respondents listed, lack of trust, low income, future uncertainty, and lack of awareness as barriers to enrolment of voluntary pension scheme. Also, those already enrolled faced challenges such as high fees, irregular income, poor customer service.

5.2 CONCLUSION

The central aim of the study is to examine the factors that influence the uptake of voluntary pension scheme by urban informal sector workers in Ghana. The study adopts the cross-sectional design which involves the collection of data once at a point in time, with a focus on the survey strategy. Theories underpinning the study was the human capital theory and the life cycle of savings theory. The study focused on 300 informal sector workers in Takoradi. The data was analysed descriptively and also logic regression was employed. The finding indicates a level of knowledge and understanding among the respondents regarding the purpose of the voluntary pension scheme. the awareness and understanding of the voluntary pension scheme extend beyond specific occupational categories, which is positive for inclusivity. Also, age, gender and income level are significant factors of uptake of voluntary pension scheme because as respondents get older, they are more likely to enrol in the voluntary pension scheme, possibly recognizing the importance of retirement savings. Men are the traditional providers of the home as such financial planning is paramount which will lead them to save for retirement. Individuals with higher income consider pension schemes as investment opportunities which will lead them to invest. However, the study still highlights that there are still barriers to enrolment, including trust issues, low income, and lack of awareness.

5.3 RECOMMENDATION

5.3.1 Recommendations for Pension Managers

Pension Scheme Administrators should improve communication and customer service for individuals enrolled in the voluntary pension scheme. Enhance transparency by providing clear fee structures and investment information. Invest in efficient and accessible customer

service channels to address inquiries and concerns promptly. Continuously monitor and evaluate the performance of the scheme to identify areas for improvement.

5.3.2 Recommendations for Policy

The government through employers and trade associations should collaborate with pension scheme administrators and government bodies to facilitate enrolment in the voluntary pension scheme for informal workers. They should Promote the benefits of the scheme to employees and encourage participation through awareness campaigns and educational programs and provide support and guidance to employees during the enrolment process.

The government and policy maker can liaise with financial institutions to develop innovative and flexible products or investment options tailored to the needs of informal workers with low income. They should explore the possibility of offering lower fees or incentives to make the voluntary pension scheme more affordable and attractive to low income individuals and also provide financial literacy programs to increase understanding of retirement savings and investment strategies.

The government and policy makers can liaise with Civil Society Organizations and NGOs to play an active role in raising awareness about the voluntary pension scheme and addressing barriers to enrolment. They could conduct educational workshops, seminars, and community outreach programs to inform and empower informal workers and advocate for policy changes that support the needs of this population and ensure their inclusion in retirement savings initiatives.

5.4 RECOMMENDATION FOR FURTHER STUDIES

Further studies can replicate the study in other regions to provide more empirical evidence.

Also, other demographic variables can be explored.

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APPENDIX

QUESTIONNAIRES

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY (KNUST)

DEPARTMENT OF ACCOUNTING AND FINANCE

RESEARCH QUESTIONNAIRE

Dear Respondent,

I am a graduate student of KNUST and undertaking this research work as part of the requirements for the award of degree of Master of Science in Accounting and Finance on the topic: *Uptake of voluntary pension scheme among urban informal sector workers in the Takoradi Metropolis*. I will be very grateful if you could answer this questionnaire to aid the study. Please be assured that every information you provide will be held confidential and will be used only for the purpose of this academic research. Please do not indicate your name or telephone number on the questionnaire for the purpose of anonymity. Thank you for your time and contribution in advance.

SECTION A: BACKGROUND INFORMATION

This section seeks to gather some demographic data on socio-economic factors. Kindly tick (✓) as applicable.

1. Gender: Male [] Female []

2. Age: a. 18-30 years [] b. 31-40 years [] c. Above 50 years

3. Education level: a. SHS and Below [] b. Diploma [] c. First degree [] d. Postgraduate []

4. Marital Status: a. Married [] b. Single [] c. Divorced [] d. Widowed [] e. separated []

5. Estimated monthly income: a. Less than/equal to Gh¢500 [] b. Gh¢500-1000 [] c. Gh¢1001-2000 [] d. Gh¢2001-3000 [] e. Above Gh¢3000 []

6. Nature of work: a. Skilled trade people [] b. Drivers [] c. Artisans d. farmers [] e. General Retail/wholesale Trader []

SECTION B: KNOWLEDGE OF VOLUNTARY PENSION SCHEME

This section seeks to know knowledge of respondents on the voluntary pension scheme. Please tick (✓) or write the applicable response in the box or space provided.

9. 10. What does the voluntary pension scheme do or what is it about?

a. Pay workers who go on pension []

b. Pay workers in the event of ill-health []

c. Is a financial institution []

d. Don't know []

11. Who qualify to be a member of the voluntary pension scheme?

a. Government workers []

b. Formal sector worker

c. Informal sector workers

d. Everybody

e. Don't know

12. At what age is a contributor entitled to benefit from the voluntary pension scheme?

- a. At any given age
- b. Compulsory age of 60 or 55 voluntary
- c. At age 50
- d. Don't know

SECTION C: PARTICIPATION IN VOLUNTARY PENSION SCHEME AND CHALLENGES

13. Are you registered and participate in the voluntary pension scheme? a. Yes [] b. No []

14. If yes, what are some of the challenges that you face in your participation in the voluntary pension scheme? Please outline them in the space provided.

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15. If No, what are the challenges hampering your participation in the voluntary pension scheme.