Knowledge Systems and Social Security in Africa: A Case Study on Ghana

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INTRODUCTION

Social security (SS) has been given several definitions. The American Heritage Dictionary of the English Language (2004) defines SS as a government programme that provides economic assistance to persons faced with unemployment, disability, or agedness, financed by assessment of employers and employees. SS has also been defined by the New Dictionary of Cultural Literacy (2002) as a system of federally funded service and payments to help support the needy, the aged, and the temporarily unemployed as well as providing support for the needy, dependent, disabled, or neglected children, rehabilitation for the disabled, and a host of other social services.

The Columbia Electronic Encyclopaedia (2003) defines SS as government programme designed to provide for the basic economic security and welfare of individuals and their dependents. These programmes which are classified under the term SS differ from one country to another. All SS programmes are the result of government legislation and are designed to provide some kind of monetary payment to defray a loss of or a deficiency in income.

SS mainly refers to a field of social welfare concerned with social protection, or protection against socially recognised needs. The term is also used to refer to social insurance, where people receive benefits or services in recognition of contributions to an insurance scheme. These services typically include provision for old age, disability and provision for survivors. In many welfare states, they might also include medical care and unemployment (*Source: en.wikipediia.org/wiki/social_security*).

Schmidt (1995) defines SS as the sum of all regulations within a society which aim to guarantee the individual or a group not only physical survival but also general protection against unforeseeable risks which would entail deterioration of the situation and consequences which could be borne by the individual or group without external assistance. This definition implicitly justifies focusing on issues like gender bias, which tend to deteriorate women's situation and make them more vulnerable to unforeseeable risks.

The International Labour Organisation (ILO, 1984) describes SS as "the protection which society provides for its members through a series of public measures against economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, invalidity and death. It includes the provision of medical care and the provision of subsidies for families with children". Deborah Kasente (1998) acknowledges that SS includes formal (government regulated, public) and informal arrangements. Social security is a system, whether formal or informal, that seeks to protect individuals against old age, disability, among others, when income from employment ceases. This chapter analyses the informal and formal social security systems in Ghana. It advocates for an optimal combination of the two as the best option for improving the delivery of social security services to the majority of people in Ghana and Africa.

HISTORY OF SOCIAL SECURITY IN GHANA

The Informal Social Security System and the Role of Traditional Values

Before the institution of a formal SS in Ghana, the people had their own traditional forms of social protection. The traditional people were very much concerned about problems of the aged, the disabled, the sick, dependent widows and children, and even with the victims of natural disasters (fire outbreak, floods and war). Traditionally, the extended family has always been seen as a social security system (SSS) that provides protection to its members. It is based on the principles of solidarity and reciprocity, involving obligations on members to support each other in times of need. The elderly were respected and revered for their knowledge and wisdom and their role in interceding between the living and the dead. This guaranteed, to a considerable extent, social protection for the elderly. Children too were seen as a source of social protection against the contingency of old age. This explains why African families are usually large.

In the past, the extended family was jealously protected against any social problems through the promotion of group or family loyalty and discipline. This ensures that every individual member constituted himself or herself into a formidable economic security. Even in these modern times, the extended family system (EFS) is still a viable traditional social security option.

African cultural values and practices constitute the basis of a sustainable social protection system. Traditionally, the African family is referred to as an extended one and usually comprises a generation of three to four all living together in a traditional compound (Grieco et al., 1994 and Apt, 1994). In other words, a typical traditional household consists of multiple generations – the old, the middle-aged and the young. The role of the extended family in marriages, childbirth, raising of children, performing puberty rites, old age care, and organisation of funerals provides a formidable form of sustainable social protection and placement for each member of the family. According to Gockel (1996), "traditionally, the extended family system (EFS) or the clan is the bastion of social protection and serves as the cohesive unit that provides income security for not only the aged and the disabled, but care for the sick members of the family, the new born child and the mother, and the orphan."

Mutual help reinforces family solidarity as adults provide for the needs of the children and the elderly, the elderly socialize the children and give advice to other adults, and children provide labour and companionship to parents and grand parents. Gockel (l996) describes the role of the extended family in social protection as follows:

"It is widely acclaimed that traditional extended family practices transcend socio-economic protection to offering psychological stability and moral upliftment. In traditional areas where there is this strong social protection and cohesion, the rates of individual hunger and destitution are virtually non-existent. The hunger or destitution of one member is that of the entire family."

The Inheritance System

The inheritance system among kinship groups was another form of traditional SS. Here, people accumulated wealth in anticipation of what future members of the group are entitled to inherit. For instance, in the inheritance system of the Akans in Ghana, a sister's son (nephew) is always the beneficiary of the uncle's wealth after his death; brother and sister bond has a greater value than the marriage bond.

Traditional Agriculture

Traditional agriculture is another form of social security. Traditionally, agriculture was and is still a major sector in which all other indigenous economic activities are set. It provides them with a more assured supply of food, which is meant for everybody; the widow, the orphan, the disabled, the aged, etc.

Polygamy

Polygamous marriages were also highly recognised in traditional communities as another form of social security. Children from the polygamous family were a source of cheap labour and were always at the disposal of any member of the community, especially the sick, the disabled and the aged.

Voluntary Savings Association

Another social protection mechanism in Ghana is the voluntary savings associations popularly referred to as "susu". It is an informal protection scheme used by Ghanaians to save towards raising capital for starting small businesses, trading, credit for domestic expenditure and life long savings against contingencies as old age, invalidity and death.

THE IMPACT OF GLOBALISATION ON TRADITIONAL SOCIAL SECURITY SYSTEM

Globalisation, which is fuelled by westernisation, modernisation and urbanisation, is causing a gradual and systematic disintegration of the EFS and rendering it ineffective as a SS institution. Consequently, the elderly now find themselves very vulnerable. Some children no longer feel obliged to support their parents and this undermines their role as a source of social protection in old age. While some Ghanaians still do recognise their obligations towards the extended family, they are seriously constrained by the prevailing harsh economic conditions and poverty. This makes it difficult for them to extend effective support to their parents. In general, the assistance extended family members are able to offer is too little to make a difference in the lives of elderly people, the handicapped and children.

Emergence of Mutual Aid Societies

Recognising the declining role of the extended family in Ghana, many communities are establishing mutual aid societies to provide social protection; most common is the burial societies. These societies are also mushrooming in urban centres in many African countries and include rotating saving and credit schemes, which allow members to pool resources and benefit from their contributions on a rotational basis. Unfortunately, the very poor find it difficult to participate in such schemes because they do not have the capacity to make regular contributions.

EVOLUTION OF FORMAL SOCIAL SECURITY IN GHANA

Earlier Social Security Attempts in Ghana

Before independence, there was neither a national or uniform SS scheme in Ghana. A number of public and private schemes catered for the security of various categories of workers. For example, the adoption of the International Labour Organisation's convention on workers by Ghana in 1940 required or mandated payment of cash benefits to workers who suffered - work injury. The workmen's compensation ordinance (No. 52), passed in July 1940, can be regarded as the first legislative enactment on SS in the private sector.

The Pension Ordinance of 1946

The Pension Ordinance of 1946 instituted a non-contributory pension scheme, (known as CAP 30) for workers categorised as senior civil servants. This was extended in a limited form to their widows and orphans. CAP 30 derives its name from Chapter 30 of the Pension Ordinance of 1946. This Ordinance served as the "pension right" for pensionable officers in the Civil Service and the Armed Forces until the promulgation and coming into force of the Pension and Social Security Amendment Decree 1975 (SMCD 8), and the subsequently PNDC Law 247 of 1992. One major reason for setting up the CAP 30 scheme was to encourage and maintain high calibre officials.

Although the CAP 30 Pension Scheme was established as a non-contributory facility with defined benefits, subsequent amendments have made it contributory to civil service and teachers. These members contribute 5% of their pre-tax salary. The contributions are not saved but recycled into the Consolidated Fund. CAP 30 is still a non-contributory plan for the armed forces, the police, and the prisons service. These employers take home all of their earnings; no deductions are effected for pension coverage.

The Teachers Pension Ordinance of 1955

In 1955, under the Teachers Pension Ordinance, certified teachers became covered under the ordinance of 1946. The senior members or lecturing staff of the then University of the Gold Coast (now University of Ghana) also had a private superannuating scheme.

Compulsory Savings Scheme of the 1960s

A compulsory savings scheme was introduced in the early 1960's. Under the scheme, compulsory deductions were made from the wages and salaries of all workers and paid into government chest. The workers would be paid their savings with interest at the appropriate pensionable age. This scheme was however abolished in 1965 and replaced by a broader social security system.

INTRODUCTION OF FORMAL SOCIAL SECURITY SYSTEM IN GHANA

The establishment of a national social security system (SSS) by Act 279 of 1965 saw the beginning of a formal social security scheme in Ghana. The Act established a Fund known as the Social Security Fund (SSF) into which all contributions and other monies were paid, and out of which benefits and other sums were made. The SSF was initially managed by the State Insurance Company (SIC) and the Department of Pensions. The Act sought to guarantee SS for workers against sickness, invalidity and old age, and to ensure workers and their dependents against destitution in the event of death of the breadwinner. The introduction of a formal SSS coincided with difficult economic conditions prevailing throughout the country. High inflation helped to obfuscate and discredit the objectives of the scheme. The general public looked askance at the scheme.

Reasons for a Formal Social Security System

Several factors contributed to the establishment of the SSS in 1965. Firstly, the earlier rudimentary formal social security schemes had a number of fundamental limitations. For instance they did not cover all grades of labour; they excluded daily rated workers. Moreover, the established private provident fund schemes did not make any room for continuity in labour mobility. In other words, any worker who left his establishment for a new job forfeited all his previous accumulated conditions in his former establishment.

Secondly, with the rapid growth of industries after independence, industrial accidents were on the increase. This necessitated the introduction of a more organised SSS. In addition, urbanisation emerged with its own problems. The individual was deprived of many privileges which he used to enjoy free of charge from family members at the village or rural level. More money had to be spent on food, housing, education and health services in the urban areas. Confronted with these and other uncertainties, organised workers in the formal sector demanded a more reliable and uniform system of social protection.

Problems Associated with the Scheme

A number of fundamental problems affected the scheme. A major problem was the inability of the administrators of the scheme to invest the social security contributions into high yielding ventures. The law was particularly nebulous with regard to investment of the contributed funds. It was deliberately designed to permit government a free use of the funds for national development purposes. Consequently, with time, inadequacy of funds became a major challenge of the system.

Social Security Decree of 1972

In 1972, the Social Security Decree (NRCD 127) was introduced to address some of the anomalies and the problems associated with the 1965 Social Security Act. It also established the Social Security and National Insurance Trust (SSNIT) to administer the fund. Legislative Instrument 818 established rules and regulations for employers and mandated all employers with a minimum of five workers to participate in the scheme. The scheme covered non-pensionable officers in the civil service, workers in emerging parastatals, multinational corporations, and fully established private companies. The major objective behind the decree was to gradually reduce government expenditure on CAP 30 and abolish it after the last member had been catered for.

All workers who joined the Civil Service from 1 January 1972 were mandated by the Decree to register with the SSNIT. However**,** the following institutions were exempted from being part of the scheme:

- The Armed Forces
- The Police Service
- The Prisons Service
- The National Fire Service
- Foreigners in Diplomatic Missions
- Senior members of the Universities
- Senior members of Research Institution

However, the decree provided an option for workers who on January 1, 1972 became members of the Social Security Fund (SSF) and who immediately before that date held a pensionable office in the public service. They could either remain with the CAP 30 Pension Scheme or the SSNIT Provident Fund Scheme, which was converted to a Pension Scheme by PNDC Law 247 of 1991. Workers who failed to exercise the option within the allowed period under the enactment were deemed to have opted for the SSS.

Once the option was exercised, it could not be revoked. This provision meant that fewer people would remain on CAP 30. Members of the Police, Prisons and Fire Services opted for the SSNIT Scheme.

The Social Security Law of 1991, PNDC LAW 247

The government of the Provisional National Defence Council (PNDC) repealed NRCD 127 in February 1991 and replaced it with PNDC Law 247, captioned “Social Security Law”. According to Kumado and Gockel (2003) “the main thrust of PNDC Law 247 is that the social security system in Ghana has been converted from the payment of lump sum benefits into a pension scheme under which periodic monthly payments are to be made to members until their death."

The 1991 SS was founded on the insurance principle of social solidarity, which required the pooling of resources to meet certain contingencies. It was also anchored on intergenerational transfer of resources. The Law empowers SSNIT to administer the national pension scheme. SSNIT administers three social security contingencies for old-age, invalidity and survivors. The SS Law enjoins the Trust to:

- be responsible for the general administration of the fund and any regulations made thereunder.
- provide social security protection for the working population for various contingencies such as old age, invalidity and such other contingencies as may be specified by law.
- be responsible for the administration and investment of the scheme within the framework of general directives issued by the Board.
- carry out such other activities as may appear to the Trust to be incidental or conducive to attainment of its objects under this law.

Since the promulgation of the Law, the Trust has initiated programmes and plans to realise these objectives. The key mechanism and instruments that enable the trust to realise its objectives are:

- Collection of contributions,
- Keeping records on members,
- Managing the funds of the scheme, and
- Paying benefits to eligible members

Working Population and the Beneficiaries

Ghana's working population is about 9 million. However, as at the end of the year 2004 the total number of active contributors in the scheme was 1,068,728. Over 4 million people have registered with the scheme. Figure 1 depicts the membership of the scheme from 1997 to 2004. Only people who contribute to the scheme and their dependants benefit. Employers and workers to whom the PNDC Law 247 applies include:

- Every employer of an establishment and to every worker employed therein
- Every other employers and workers to whom the SS Decree, 1972 (NRCD 127) applied immediately before the commencement of this law, and
- All self- employed persons who opt to join the scheme.

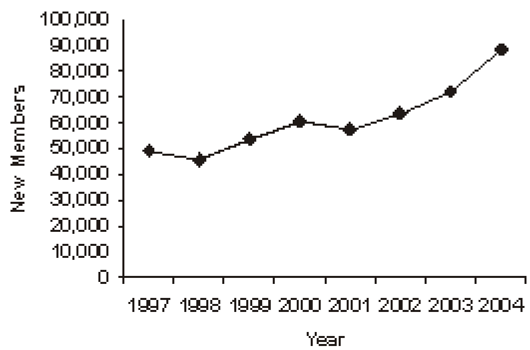

Fig. 1. New Members (1997-2004)

Where a member has ceased to be employed, he may continue to pay his monthly contribution at the rate being paid by a self-employed person.

Generally, there has been an increase in the number of new members joining the scheme. With the exception of 1998 and 2001, each subsequent year registered an increase in the number of people who joined the scheme. Similarly, as Figure 2 illustrates the number of active contributors to the scheme experienced an upward trend. It increased from about 720,000 in 1997 to about 1.1 million in 2004. The increase in the number of new members and active contributors may be attributed to the increase in educational awareness raising programmes organised by SSNIT.

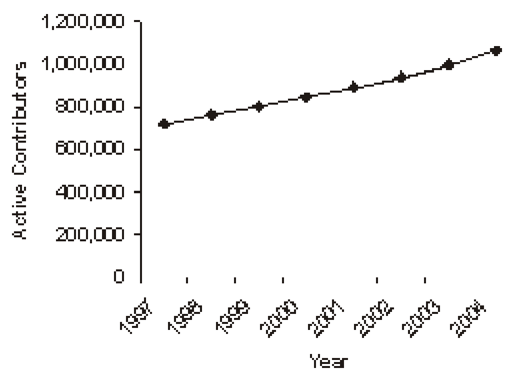

Fig. 2. Active Contributors (1997-2004)

Figure 3 shows the average growth rate of total contributors to the scheme. A decline in the growth rate was recorded between 1997 and 2001. This was basically due to the fact that the formal sector from which the scheme obtains most of its members was not expanding fast enough. The informal sector which comprises the majority of the workforce, is yet to sign up and contribute to the scheme. The number of contributors in this sector is about only 1% of the total. However, intensification of education and increase in the number of businesses in the country between 2001 and 2004 resulted in an increased growth of registered members.

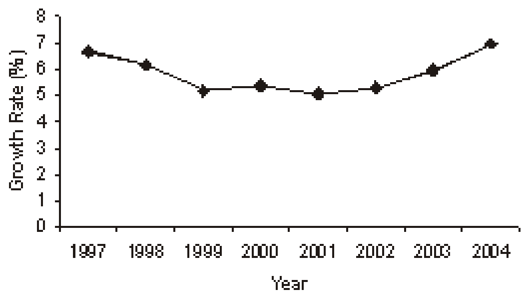

Fig. 3. Growth Rate of Total Contributors

Registered Establishments

The number of establishments from which the scheme drew its membership during the period 1997 – 2004 is shown in Figure 4. The registered establishments have been increasing consistently.

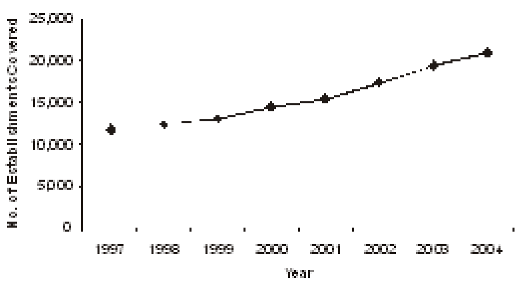

Fig. 4. Establishments Covered (1997-2004)

As is shown in Figure 5, the growth rate has been erratic over the period under review. A decrease in growth rate was experienced between 2002 and 2004. Appropriate strategies need to be adopted to reverse the trend.

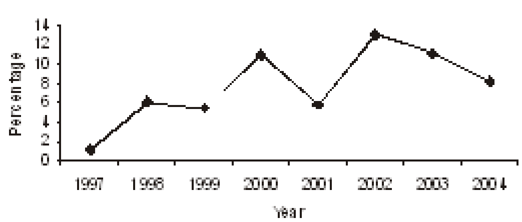

Fig. 5. Growth Rate of Number of Establishments

Contribution Trends

Figure 6 shows the contributions collected from 1997 to 2004. The positive trend is due to the enforcement of compliance and effective communication with employers. Effective inspection activities and seminars organised by employers have contributed towards the phenomenal increase in the amount of contributions.

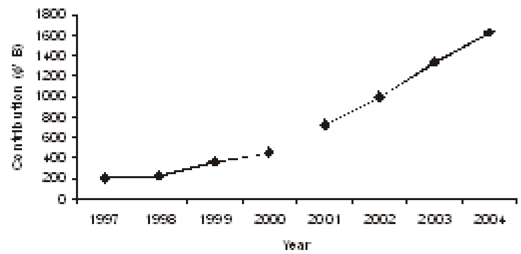

Fig. 6. Contributions (1997-2004)

Figure 7 shows the rate of growth of contributions. This growth rate has also been erratic, with the recent years depicting a constant decline.

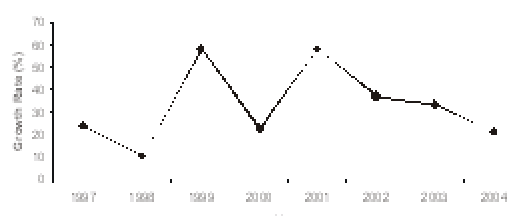

Fig. 7. Growth Rate in Contribution

Payment of Benefits

Benefits payable under the scheme are old-age pension and survivors' lump sum. The payment of these benefits is an important function of SSNIT. Every member of the scheme ultimately expects to receive his/her due share of the benefits, either directly or indirectly through nominees. The trend in benefits paid and growth rate are shown in Figure 8 and Figure 9 respectively. Since 2002, the minimum pension paid in Ghana has been substantially reviewed. The aim is to improve the security of pensioners who earn low pensions because of the low salaries they earned during active employment. The practice gives meaning to the principle of solidarity, which is a cardinal value of insurance.

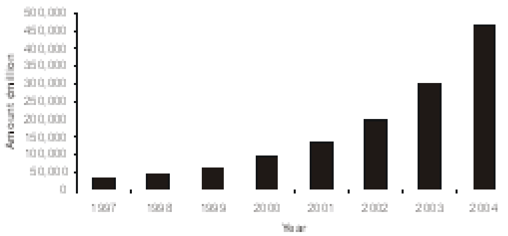

Fig. 8. Trends of Benefits Paid (1997-2004)

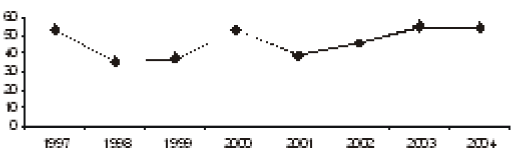

Fig. 9. Growth Rate (%) of Benefits

The Trust also introduced a minimum lump sum benefit payment facility to address the situation where contributors who do not earn a pension right are guaranteed a minimum amount in case application of the lump sum formula does not work in their favour.

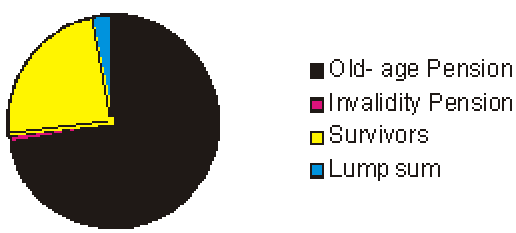

Fig. 10. Categories of Benefits Paid in 2004

In 2004, an amount of ¢466.93 billion was paid as benefits to eligible beneficiaries and dependants. The breakdown of the benefits paid to the three categories of beneficiaries in 2004 is shown in Figure 10. The figure shows that the old-age pension was about 72% of the total benefits paid. This was followed by survivors' pension with about 24% while the lump sum and invalidity took the remaining 4%. The invalidity pension was less than 1% of the total amount paid.

EMERGENCE AND PERSPECTIVES OF THE NATIONAL HEALTH INSURANCE SCHEME (NHIS)

Rising costs of health care delivery in Ghana and the country's rapid population growth rate of 2.6% have made it difficult for the government to solely finance the health sector adequately and to achieve its objective of providing better subsidized health services to all citizens and residents in the country.

In view of these challenges, a National Health Insurance Scheme (NHIS) was introduced in the country in 2004 for financing health care delivery. A feasibility study was conducted and completed in August 1995 by a local Ghanaian consultant. A second study was done by Messrs J.S. Addo Consultants and Tri Star Actuarial and Management Group of U.S.A. The Ministry of Health has carried out a series of studies and organised workshops and conferences on the scheme. A National Health Insurance Secretariat has been created to provide the necessary institutional framework for implementing the policy.

The Vision

The vision of government in instituting a health insurance scheme in the country is to ensure equitable universal access for all residents of Ghana to an acceptable quality package of essential health services without out of pocket payment being required at point of service use. This way, everyone will be protected from the problems that are associated with having to find money at the time of illness before necessary services can be provided.

Objectives and Goals

Health insurance will replace out of pocket payment for certain minimum benefits package at the point of service use (the Cash and Carry System CCS) over time. The replacement of the CCS by health insurance will be gradually phased out. The short- medium- and long-term policy objectives of instituting a national health insurance scheme are summarised below:

Short-term Policy Objectives

Within the next five years, the necessary bodies will be created, awareness raised and consensus building carried out, the needed legislation passed and an enabling environment developed to ensure the realization of the medium- and long-term health insurance policy goals of the government. At the same time, efforts will be made to achieve at least 30 to 40 % nationwide insurance coverage.

Medium-term Policy Objectives

Within the next 5 to 10 years, at least 50- 60% of residents of Ghana will belong to a health insurance scheme that adequately covers them against the need to pay out of pocket at point of service use to obtain access to a defined package of adequate quality health services.

Long-term Policy Objective

Every resident of Ghana shall belong to a health insurance scheme that adequately covers him or her against the need to pay out of pocket at point of service use to obtain access to a defined package of acceptable quality health services.

Types of National Health Insurance Schemes

There are three types of national health insurance schemes available under NHIS:

- The District – Wide Mutual Health Insurance Scheme.
- The Private Mutual Health Insurance Scheme.
- The Private Commercial Health Insurance Scheme.

Health Insurance Community

Each district will be divided into Health Communities so that health services could be delivered to the doorstep of all Ghanaians and residents. A health insurance community is any group of adults who live in the same geographical area and are registered to vote at specifically pre-determined polling station or stations in the area. A Health Insurance Committee will be formed in each Health Insurance Community to oversee the collection of contribution and supervise its deposit in the District Health Insurance Fund (DHIF). The committee members will comprise the chairman, the secretary, the collector, the publicity officer and member. The collector is responsible for collecting contributions from residents in the Health Insurance Community under close supervision of the other committee members. To ensure that the contributions of residents are safe and properly accounted for and to facilitate access to equity health care, the Chairman or Secretary of all Community Health Insurance Committees (CHIC) will come together to form a District Health Insurance Assembly (DHIA).

The Health Insurance Assembly

It is the highest decision making body on health insurance in the district. It shall prepare a constitution to provide general guidelines for the operation of health insurance in the district. The Health Insurance Assembly (HIA) will also appoint a board of trustees, which will in turn appoint a management team to handle the day-to-day management and control of the scheme. The management team comprises the scheme manager, the accountant, management information systems manager, claims manager, publicity and marketing manager and data entry operators. The capacity of the HIA members, the board of trustees, the community health insurance collectors, and the management team of all District Mutual Health Insurance Schemes (DMHIS) and the health providers will be strengthened through training to ensure an efficient management of the District Health Insurance Scheme (DHIS).

Contribution to the Scheme

Since the socio-economic conditions of all residents in Ghana are not the same and the contributions must be affordable to all to ensure that nobody is forced to remain in “cash and carry” system, no universal contribution standard has been established.. This means that contributions payable could vary from one district to the other, especially that the disease burden also varies from district to district.

The NHIS enables workers to join the district wide health insurance scheme. All Ghanaians are to pay 2.5% Health Insurance Levy on selected goods and services on which Value Added Tax (VAT) is charged. These contributions are put into a National Health Insurance Fund (NHIF) for complementing the contributions collected by the DHIS. Examples of VATable goods and services in Ghana include milk, soap, textiles, hoteliering and catering.

The law makes it mandatory for 2.5 % of workers SS contributions to be put into the National Health Insurance Fund (NHIF) for disbursement to the DMHIS. Children under 18 years who work in the formal sector are exempted from paying any contributions. The deduction of workers contributions from their social security instead of from their salaries aims to achieve the following:

- To provide free health insurance coverage for workers within the minimum benefit package.
- To minimize the healthcare component of workers' household budget to enable them have more disposable income during their working days.
- To minimise the healthcare component of workers' household budget when they go on pension to enable them get treatment within the minimum benefit package for the typical old age chronic disease and hypertension and to have more disposable pension income to improve their general well- being.
- To ensure that formal sector companies and organizations comply with payment of workers contributions to the SSNIT fund.

All that the contributors need to do is to register with a health insurance scheme of his/her choice. S/he is then given an identification card which will enable him/her children under 18 years of age to access health services free of charge. For those who are not registered with the SSNIT, they have to register with any of the health insurance schemes and pay ¢6,000 a month to enable them access health services free of charge.

Diseases Covered

A minimum benefit package of diseases has been defined which every district-wide scheme must cover. This package covers about 95% of diseases in Ghana. They include malaria, diarrhoea, upper respiratory tract infection, skin diseases, hypertension, diabetics, asthma, etc. However, all district-wide schemes have the right under the law to organise their schemes to cover as many diseases and services as they desire, provided the National Health Insurance Council (NHIC) approves them.

Exclusive List

Certain diseases are excluded from the benefit package. This is mainly because it may be too expensive to treat those diseases and therefore other arrangements are being considered to enable people get these diseases treated. Diseases currently not covered are optical aids, hearing aides, orthopaedic aids and dentures.

KEY CHALLENGES OF SOCIAL SECURITY IN GHANA

Traditional Social Security

As has already been mentioned, the traditional SSS has broken down as a result of globalisation, misplaced modernisation, and rapid urbanisation, which have attracted the rural youth to the urban centres in search of non-existent white colour jobs. In these areas, the youth engage in selling of dog chains whilst others operate as truck pushers and porters or carriers popularly known as "Kayayees (singular Kayayoo)."Many do not get jobs and often engage in social vices such as drugs deals, stealing and prostitution. The influx of the youth into the cities has increased congestion and the expansion of slums. The aged, children and the handicapped left in the rural areas, are becoming poorer and destitute.

Problems of the Formal Social Security System

The establishment of the SSNIT Pension Scheme in 1991 has made strides in the provision of social security in Ghana. However, a number of fundamental challenges need to be addressed in order to improve and expand the coverage of protection in Ghana.

Low Coverage with Marginalization of the Informal Sector

Coverage of the scheme is primarily concentrated in the formal sector of the economy. The scheme essentially covers employees of private and government organisations. The active contributing population is approximately 1 million of Ghana's working population of about 9 million. This therefore makes coverage of the scheme as low as 11% of the working population. SSNIT has not been able to extend its coverage to the informal sector, which contains the bulk of the Ghanaian work force. The extension of coverage of social security has not been possible due to the following reasons:

- Lack of understanding of the scheme among the working population.

· Low economic activities and incomes of the majority of workers who largely engage the informal sector.
· Workers in the informal sector mostly do not have fixed incomes.
· Practices of the informal sector to under declare their true income upon which 17.5% of their monthly income is paid as contribution to the Trust.
· Over reliance on relatives, friends and sympathisers in old age and in times of trouble.
· The voluntary membership requirement with respect to the informal sector and self-employed and the failure of the average Ghanaian to plan for the future.
· General attitude of the population not to have anything to do with bureaucratic institutions.

Difficulty in Collection of Contributions

Although the collection of contributions has improved steadily over the years, the progress is largely due to an upward review of the earnings of members rather than through an increase in membership of the scheme. Indeed, the average annual increase in membership is only about 5%.

Delays in Processing of Benefits

Processing of benefits takes a relatively long period. For example, the processing time for old age pension is on the average 46 days after receipt of applications. Processing of the death benefit could take several months in some cases. This creates dissatisfaction among the beneficiaries. The reasons are partly due to:
· Incomplete and inaccurate data on members
· Difficulty in releasing students' loan guarantors
· Difficulty faced by applicants in assembling documents in respect of benefits of the dead.

Low Benefits

Pensions earned are computed based on a member's best three years salaries in his entire working life. Unfortunately, earnings are generally low in Ghana and this is reflected in pensions paid by the Trust. The current average monthly pension is ¢100,000.00 (US $ 10.00). This is certainly not adequate and has made the scheme unattractive. At the beginning of every year, pensions are reviewed based on the average increase in salaries of the contributing population so as to maintain the purchasing power of the pensioners. Even though the Trust effects yearly increases in pension payments, in view of the prevailing low levels of salaries and the method of computation of pensions, the impact of the indexation on most pensions is very minimal or negligible.

Low Investment Return

Low investment returns have resulted from the granting of bad corporate loans, unsuccessful investments in unlisted securities and property that yield inadequate cash flows.

Excessively High Administrative Costs

General and administrative expenses of SSNIT as a proportion of members' contribution averaged 23.3% between 1997 and 2004. The expenses are made up of operating and staff costs. From a high of 30% in 1998, the ratio of administrative expenses to contributions declined to 17% (or 20% with NHIS transfers) in 2004.

Figure 11 shows the trend in contributions, administrative expenses and benefits paid to contributors. The figure shows an increasing trend for all the three variables. Until 2002, the administrative expenses were higher than the contributions paid. The good news is that the management of SSNIT has exercised strict control over expenditure in recent years, which have led to a significant reduction in administrative expenses.

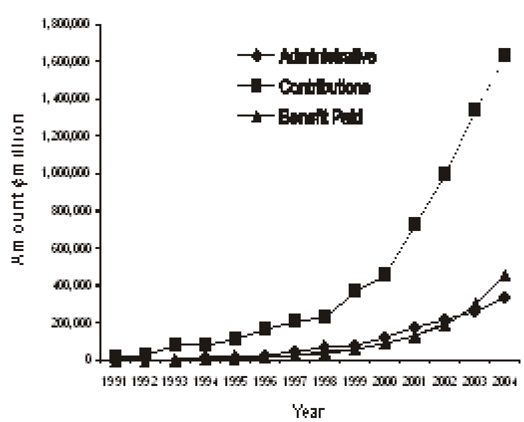

Fig. 11. Trends in Contribution, Administrative Expenses and Benefits Paid

Excessive Government Control and Interference

Government is said to have much control over SSNIT. For instance, it is responsible for appointing the Director General. It also has a greater percentage of nominees on the Board of Directors and this has resulted in serious government interference in the management of the organisation.

Other Challenges Facing the NHIS

Elvis Darko (Daily Graphic June 14, 2005) enumerated a number of additional problems, which should be anticipated under the NHIS. People have the impression that once they are registered with the NHIS they can walk to any hospital in any part of the country and be attended to free of charge. However, without a good and widespread information and communication technology infrastructure in the country, especially internet facilities, the efficiency of the NHIS will be seriously compromised. It is therefore important to provide seed money to finance the operational expenses of the scheme. It is also suggested that public health authorities should be out in the field to educate people on avoidable diseases (Koyim de Heer, The Mirror, June 11, 2005) The success of the NHIS depends to a large extent on the facilities in the hospitals and health centres.

STRATEGIES FOR IMPROVING THE SOCIAL SECURITY SYSTEM IN GHANA

Kaseke (1999) proposed the following strategies for improving the social security system in Ghana:

Strengthening Traditional Support Systems

It is important to strengthen traditional support systems by reasserting the principles of solidarity and reciprocity, which have been the cornerstone of the extended family system. One appropriate option is to offer tax incentives and/ or subsidies to people taking care of elderly parents, children and relatives.

Payment of a Living Wage

Another strategy for improving SSS in Ghana is to lobby the Government and employers to pay a realistic living wage to enable workers not merely to meet their current consumption needs but also to save and prepare for old age.

Mandatory Occupational Pension

Payment of occupational pension to employees should be made mandatory for all employers. It is also very important to make pensions transferable.

Improved Coverage of Social Security System

The coverage of SSS needs to be improved through the organisation of effective and comprehensive educational and awareness raising programmes. Important target groups of such a programme are self-employed people, including peasant farmers and proprietors of small and medium-scale enterprises (SMEs).

Allocation of Adequate Resources for Public Assistance

The government should be lobbied to allocate adequate resources for public assistance in times of disaster. Governments tend to spend considerable resources on programmes that do not enhance human wellbeing.

Improving Social Welfare Expenditure

Government expenditure on social welfare should not be considered wasteful but rather as an investment in human capital. Public authorities need to take a two-pronged approach to the social protection of the elderly with a view to ensuring that their basic needs are met. Efforts should be directed at the young and middle aged in order to enable them to plan adequately for their retirement. Since a large majority of the population is unable to access formal (cash) SSS, it is urgent that innovative ways are found to effectively combine the latter with the informal (in- kind) system that is mainly serviced by the traditional extended family relations.

Strategic Restructuring of SSNIT

Kumado and Gockel (2003) made very pertinent recommendations for redressing the organisational and managerial problems confronting the SSNIT:

- SSNIT should have the force of government legislation behind it as a First Tier National Pension Scheme. The SSNIT Board should be re-engineered: how it is constituted, its responsibilities and associated corporate governance issues must be recast in the light of best practices and SSNIT'S own history.
- The Board should be reduced in number from fourteen to eleven. SSNIT must be purged of excessive government presence and interference by reducing Government representation on the Board to about four.
- SSNIT lacks an effective formal oversight body although the Board and external auditors ostensibly play this role. The oversight responsibility is weak, probably because of politics in the appointment of the Board. It is therefore recommended that SSNIT must be made accountable to Parliament through annual submission of reports and/or appearance in the House to answer questions. The report which should be accompanied with audited statements needs to be subject to the scrutiny of the Public Account Committee of Parliament. This will bring transparency and accountability to its operations and may protect SSNIT from excessive government intervention.
- SSNIT is virtually a private fund. However, since government has an intrinsic responsibility for social protection, it must bear residual responsibility for some minimum pension. In other words, it should provide some form of guarantee for the scheme.
- The administrative costs of SSNIT are too high compared with best practices. The organizational structure would have to be clearly defined, especially as regards senior staff and junior staff rations, which is one major source of inefficiency. This would entail staff rationalization as a cost reduction strategy to infuse efficiency into the organisation's operations.
- The core business of SSNIT entails collection of contributions, investing such collected funds and making pension payments. This can be done using IT solutions as ways of capturing economies of scale and scope so that these services are delivered accurately and efficiently.
- Stakeholders need not fill their representation on the Board from among their membership. In this connection, qualifications for membership of the Board should be set taking into account the core business of SSNIT and its allied responsibilities to guide the stakeholders in choosing their representatives.
- Since the Board is made up of representatives, they must have the legal authority to report back to their constituencies. This will suggest that the Oath of Secrecy presently required of the Board members should be abolished because it may have a chilling effect on members. If need be, confidentiality requirements which protect SSNIT's trade secrets and competitiveness may be introduced.
- CAP 30 as it exists today should be preserved only for the following security service personnel who are already under the scheme: Armed Forces, Police Service, Prisons Service, and Fire Service. This conforms to best practices worldwide where these security services are under unfunded schemes. This does not however preclude them from taking part in other schemes in so far as they have not exceeded the allowable tax incentives. They should be free to join the SSNIT scheme.
- As best practices have shown, a second tier private retirement scheme with wider objectives tends to enhance social protection, increase national savings, promote investment and facilitate economic growth for poverty reduction and wealth generation. Consequently, it is recommended that Government facilitate the establishment of a second tier long-term savings plan.

CONCLUSION

SSS in Ghana has undergone a series of changes. The traditional in- kind SSS serviced by the extended family system provided an appropriate environment through which tradition and culture acted as a safe net for children, the aged and the vulnerable and protected them from total deprivation. As the youth move to the urban centres, the aged and the children are particularly left to their own fate. The traditional non-cash SSS provided by the extended family arrangement is gradually being abandoned and replaced by an accelerated process of social and economic disintegration. The various formal national social security schemes introduced in the country have been limited in scope and beset by serious policy and institutional problems. A major result is that only 11% of workers in Ghana are covered by the formal SSS. The majority of the workforce, which is in the informal sector, does not benefit from the scheme.

Table 1: Summary of Challenges and Recommendations

Challenge	*Recommendation*
Low coverage with marginalisation of the informal sector	Extension of Coverage in the Informal Sector
Difficulty in collecting contributions	Payment of a living wage
Delays in processing benefits	Mandatory occupational pension
Low benefits	Improve coverage of social security system and the living wage
Low investment return	Allocation of adequate resource into good business ventures
Excessively high administrative costs	Restructuring of the administrative structure of SSNIT
Excessive government control and interference	Strategic restructuring of SSNIT

The introduction of the NHIS aims to redress the shortcomings of the previous social security scheme and prevent poverty from denying any citizen and resident of the country the right to good health services. To achieve this objective, this chapter has identified a number of fundamental challenges that require urgent redress. An effective implementation of the strategies proposed will lead to a significant improvement of the SSS in Ghana. The principal recommendation of the chapter is that an innovative combination of the traditional in- kind SSS, which is serviced by the extended family arrangement, with the formal (cash) SSS is one of the surest ways of improving and extending social security services to the poor and the deprived in Ghana.

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KEYWORDS Cash; in-kind; extended family system; formal sector; globalisation; informal sector; inheritance; social security; solidarity

ABSTRACT Social security (SS) refers to a field of social welfare concerned with social protection or protection against socially recognized needs. It is a social insurance from which people receive benefits or services in recognition of contributions to an insurance scheme. These services typically include provision for old age, disability and provision for survivors. African cultural values, practices and the extended family system (EFS) constitute a formidable social protection for the population. It is an informal social security system (SSS) and is largely non-cash in character. The EFS is based on indigenous knowledge and the principles of solidarity and reciprocity and involves obligations on members to support each other in times of need. For instance, the role of the extended family in marriage, childbirth and care, management of puberty rites, care for the aged, and management of funerals provides a formidable form of social protection for each member of the family. However, globalisation, modernisation and urbanisation are causing a gradual disintegration of the EFS, thus rendering it ineffective as an SSS. In Ghana, the establishment of a national SSS by Act 279 of 1965 saw the beginning of a formal social security scheme in the country. A formal National Health Insurance Scheme (NHIS) was established in 2003 to serve as a financing mechanism for health care delivery. Despite the good intentions of the formal SSS, only 11% of the working population is covered. The majority of workers in Ghana are in the informal sector and are not covered by the formal SSS. The system is beset by a number of fundamental challenges that need urgent redress. One of its principal problems is externalisation of the traditional in-kind SSS which is anchored on the EFS. One of the surest ways of improving social security in Ghana and Africa as a whole is to adopt innovative mechanisms that allow an optimal combination of the in-kind SSS and the formal (in-cash) SSS which mainly targets the formal sector workers.

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