

ARTICLE

NO COUNTRY FOR OLD MEN

Ghana's Pensions Systems

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The second part of the title of the article was a book that was adopted for the screen and starred the likes of Tommy Lee Jones, Javier Bardem and Josh Brolen. If these names do not sound familiar don't bother, you are not alone. The movie was about the violence and mayhem that ensues after a hunter stumbles upon a drug deal gone wrong and more than two million dollars in cash left behind near the Rio Grande. The movie has a lot of violence and is not everyone's cup of tea. The movie title hits the nail right on the head when you think of retirement in Ghana and the bleak future that awaits workers who fail to invest for their retirement beyond what the entitlement provided by the current pension scheme for retirees.

If you have lived in Ghana for some time you will realize that our pension schemes do not ensure a comfortable retirement. This is made worse by the fact that our health systems does provide adequately for the old who will have a much greater need for these services because old age brings with it a lot of medical problems.

The *Old AgeWatch 2015* report on Ghana makes grim reading and brings to the fore the realities faced by retirees who happen to be in the above 60 year group. This article will look at where we stand currently when it comes to pensions for old, it will also look that the implications of the *Old AgeWatch* current report and then delve a little into what can be done to salvage the situation.

New pension act and the changes made

Pension schemes in Ghana have evolved over the years since the colonial era due in part to a continuous drive increase the coverage of such schemes and also to improve the entitlement of retiree covered under these schemes. The simplest goal of a pension scheme is to provide adequate income for retirees so they can have a *comfortable* life after work. The word *comfortable* is stressed in this case because if you go back in history and look at all the pension schemes that have come and go, you will find that *comfortable* is not a word that will be associated with retirement under these schemes. Pension providers have over the years tried to improve the entitlement of retirees but the problem is that *Ghana is no country for old men*.

From the first pension scheme that was introduced in 1946, through the CAP 30 scheme in the 1950s and 60s, the Social Security Act of 1965, on to the establishment of the Social Security and National Insurance Trust in 1972 and then the Social Security Act of 1991, the situation though improved still did not provide a significant improvement in the lives of workers when they retire. Lucky enough, the powers that be thought it wise to again reform the old pension scheme and come up an all-encompassing one that will among other this provider better coverage in retirement and also extend the cover to workers in the informal sector. This resulted in the birth of National Pension Act of 2008, Act 766.

The new pension scheme is made up two mandatory schemes and a voluntary scheme which have named first tier, second tier and third tier. The first tier is the basic national social security scheme of old but with some enhancement and pays only monthly pensions and related benefits like survivors benefits. The second tier is a

work-based pension scheme which is mandatory for all employees but is privately managed to provide a lump sum to contributors when they retire, just like under the SSNIT or Cap 30 schemes. The third tier is the newest addition, providing a voluntary provident fund and personal pension schemes which provide tax benefits for employees who decide to contribute for their pension beyond what the law mandates.

Tier two is privately managed and tier three allows the employee to make extra contributions to their retirement. This means that the law has put some of the burden of ensuring a comfortable retirement on the employee. The Act among other things encourages private investment to cater for some of needs of employees when they retire. Ghana: still no country for old men, but you can better your chances on retiring in comfort by also investing for your pension.

In an ideal situation an employee should be able to live on about 70% of his pre-retirement income because retirees are expected to spend less in retirement. The problem is that our social structure makes it difficult for retirees to spend less in retirement. We tend to place a lot of responsibility on the heads of older people by making them the first point of call when family members need financial help. Healthcare cost for the old also increases after they retire and therefore the cost of retiring in Ghana tends to higher than in other cultures and therefore there is always a gap between what the retiree earns as retirement benefit and how much expenses he makes. Poor old man. What he doesn't realize is that *Ghana is no country for old men!*

Where Ghana stands on the Global AgeWatch Index

If you want to assess the situation with old age in Ghana just read the current report on the Global AgeWatch Index and you will find that those actively working have a lot of work on their hands if they want to retire comfortably. The Global AgeWatch Index was developed and constructed by HelpAge International, which obtains its data sets from reputable institutions like the World Bank, World Health Organisation, International Labour Organisation, UNESCO, United Nations Department of Economic and Social Affairs among others.

The aim of the index, as stated on their website, is to capture the multidimensional nature of the quality of life and wellbeing of older people and to provide a means by which to measure performance and promote improvements.

The index ranks countries according to the quality of life and wellbeing of older people using four main domains: *Income Security, Health Status, Capability and Enabling Environment*. *Income Security* ascertain access to sufficient income and the power to use it independently to meet basic needs in old age. *Health Status* looks at the complete wellbeing of older people-think healthcare and health insurance (NHIS!!!). The *Capability* domain measures the employment and educational advancement of older people in a country and *Enabling Environment* looks at issues that older people have singled out as particularly important.

Let us cut to the chase and zero in the Global AgeWatch Index for 2015, which ranked 96 countries using the four domains mentioned, to see our rank in the index. Our rank on the index will that indeed *Ghana is no country for old men*. From the ranking, Switzerland came up tops as the best country to grow old in, followed by Norway, Sweden, Germany and Canada. Where are the Americas and the British? They are in 9th and 10th positions respectively. Apparently, the worst country to grow old in is Afghanistan which was ranked bottom at number 96. As for Afghanistan it's understandable because the country is recovering from a protracted war. Ghana made it to number 81 out of 96 countries! Can you just imagine how low we ranked when the welfare of the old is concerned? Maybe we can console ourselves with the fact that our brothers in Nigeria ranked even worse at position 86 but that is no consolation at all. The *Global AgeWatch Index 2015* did not just stop

at the ranking but provided a report on each country's situation and breaking it down to single out the issues associated with each country. Maybe we should have a CSI: Ghana version to take a closer look at the old age problem in the country.

Global AgeWatch 2015: Ghana

Ghana has a population of 1.4 million people who are over 60 years but only 7% of those over 65 years receive a pension. The question is what happens to the 93% who don't receive pension? No country for old men! The good thing is that we have a national policy on ageing the authorities are trying very hard to implement.

Ghana ranked very high on Capability, which means older folks in Ghana have enough education and have advanced in their employment. Not surprising when you look at how many old people are on the upper part of the corporate ladder and are still climbing. We also did satisfactory on providing an *Enabling* environments for the old to flourish.

Where we did very poorly are the areas that matter most in old age: *Income Security* and *Health*. Ghana ranked 88 out of 96 on Income Security and 77 out of 96 for Health Status in old age. We ranked low on Income Security because only about 8% of old people above 65 have pensions to depend on and because of our high old age poverty rate which was around 21% of old people. In other words, even those we think are covered because they have pensions don't have enough of a cover.

The low score on Income Security is worsened by a lower score on Health Status. Life expectancy in Ghana is averaged at 57 year but if you are lucky to make it pass 60 you will be able to live another 17 to a ripe age of 77. Of the 17 more years you will be able to live when you make it to 60, 14 of those will be in good health with the last 3 years of your life spent trying to just stay alive. The medical experts will tell you that the older you are, the longer your prescription will be and the more money you will need to maintain your health. The low score on *Income Security* means that unless an old person gets financial assistance from external sources he or she will have a challenge living a healthy life in old age. No country for old men indeed!

What has to be done?

How can we retire in comfort even when we know Ghana is *no country for old men*? Pension reforms over the years have helped to expand coverage and improved the benefits to retirees. The new act has also put some of the responsibility of providing a comfortable pensions on the workers themselves and they must take up the task and start making personal investments for their pensions. If you are a worker reading this article and you don't have an investment account then please stop reading and go and speak to an investment advisor before you gnash your teeth in retirement because *Ghana is no country for old men*.

The best way to secure your retirement is to start putting money aside to invest by living within your means and cutting the not-so-important spending, unless you want to become a statistic to be used by the Global AgeWatch to construct their indexes in future.

In the movie, *No country for old men*, there were no real winners and we cannot say the situation is dire for Ghanaian workers looking to retire in comfort. In Ghana thinking off retiring and living comfortably for the seventeen years they are expected to live after retirement. Start investing for your retirement now and maybe your effort might increase our score in the *Global AgeWatch Index* ranking in the future. Nobody wants to be a statistic but remember Ghana is still *No Country For Old Men!!!*

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