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Contributory Pension Scheme, Workers Commitment, Retention and Attitude towards Retirement in The Nigerian Civil Service

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Contributory Pension Scheme, Workers Commitment, Retention and Attitude towards Retirement in The Nigerian Civil Service

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Abstract : This study seeks to evaluate the impact of contributing pension scheme (CPS) on workers commitment, retention and attitude towards retirement in the Nigerian Civil Service. The study drew respondents from the federal and state civil service in Calabar Metropolis. Five hundred and forty eight participants were purposively selected from the University of Calabar, Cross River University of Technology and Governor's Office Calabar. The study elucidated data from respondents using four point Likert scale questionnaire. Data obtained were analyzed using Pearson product moment correlation (*r*). Findings revealed that contributive pension scheme significantly affects workers commitment to work, retention and attitude towards retirement. The study recommends among others that strict measures be put in place by government to ensure the effective monitoring and implementation of the provisions of the 2004 Pension Reform Act.

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I. INTRODUCTION

Life after retirement is one of the dreaded periods of most workers in Nigeria. The fears of facing the future after retirement "creates an ambiance of disturb' among employees' (Editorial, 2009:1). Retirement is seen by workers as a transition that could lead to psychological, physiological and economic problem (Ogunbameru & Bamiwuye, 2004). The provoking thoughts of facing uncertain future after retirement by workers is responsible for most bureaucratic corruption (Agba, Ikoh, Ushie & Agba, 2008); and could also be responsible for low commitment to work by employees and service ineffectiveness of vital institutions in Nigeria. The extended family system, the lack of adequate social welfare for the aged (Awiosika, 2009), huge deficit, arbitrary increase in salaries/wages, poor administration of retirement benefits informed the Pension Reform Act

of 2004 by the Obasanjo led administration (Aderinokun & Adoba, 2004, National Pension Commission, 2008). The reform is contributory in nature with the intent of ensuring that every person who has worked in either the public or private sectors receives his or her retirement benefit as in when due. The reform was to serve as social welfare scheme for the aged, by ensuring that workers save to cater for their livelihood during old age (National Pension Commission, 2005; Sule, 2009).

Six years after the establishment of the new pension act, there is still speculation among Nigerians about the success of the scheme. Whether the new pension act will be able to address the many problems associated with retirement schemes in the past. Specifically, some have asked whether the Contributory Pension Act of 2004 would be able to address the problems of corruption, poor administration of pension fund, embezzlement, inadequate build-up of pension fund, poor monitoring, evaluation and supervision of pension fund that usually characterized pension schemes in Nigeria. Consequently, workers often ask whether they would ever have financial security after retirement. What is the fate of their children and other household after retirement? Does life after retirement means signing bond with poverty? These questions among others occupied the minds of workers in Nigeria and could be responsible for workers negative attitude towards retirement, low commitment to work as well as high labour turnover. This study is therefore set to investigate the impact of the Pension Reform Act of 2004 on workers commitment, turnover, and attitude towards retirement.

II. STUDY AREA

This study is carried out in Calabar Metropolis, Cross River State, Nigeria. Calabar is located at the extreme end of South-Eastern Nigeria and lies between latitude 04^o, 58 North of the equator and Longitude 08^o, 58 East of the Greenwich Meridian (Agba, Ikoh & Ashibi, 2010). Calabar metropolis lies within a tropical region with well marked rainy and dry seasons. The wet season starts from May to October while the dry season starts from November to April.

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Calabar is historically the settlement of the Efiks, Quas and Efuts (Effiong-Fuller, 1996). Calabar Metropolis is the Capital of Cross River State. For administrative governance, Calabar is divided into two local government areas viz: Calabar Municipality and Calabar South Local Government Area. Calabar Metropolis is a cosmopolitan society with a mixed bag of people from different cultural backgrounds. The city has an estimated population of 328,877 and a density of 980 persons per square kilometer (National Population Commission, 2006). Calabar metropolis is the economic nerves of Cross River State. It is a seaport and airport town; and a home of federal and state governments' ministries, departments and parastatals. This study elicits data from employees in these government establishments.

III. LITERATURE REVIEW

1) Pension Schemes In Nigeria

Pension schemes are social security maintenance plan for workers after their disengagement as employees through retirement (Ilesami, 2006). The exact origin of pension scheme in Nigeria is debatable; however the history of pension in Nigeria could be traced to the prolong battle between workers and employers of labour. The victory of employees over employers marked the privilege of receiving gratuity and pension in Nigeria (Sule & Ezugwu, 2009:50). Pension here entails money paid at regular bases by government or any establishment to someone who is officially considered retired from active service after serving for a stipulated time usually minimum of ten years and maximum of thirty five years.

The Pension Ordinance of 1951 was the first ever legislative act on pension in the public sector in Nigeria. Nine years later (that is in 1961), the National Provident Fund (NPF) was established to address pension issues in the private sector. This was followed by the Pension Act No.102 of 1979 and the Armed Forces Pension Act No.103 of 1979. In 1987, the police and other government agencies pension scheme was established under Pension Act No.75 of 1987; in the same year, Local Government Staff Pension Board (LGSPB) was established to cater for pension matters among local government employees (Sule & Ezugwu, 2006). However, in the private sector, pension reforms were slow and marginal since 1961. It was only in 1993 that a pragmatic step was made by government to address the many problems of pension in the private sector. In this regard, government established the National Social Insurance Trust Fund (NSITF) in 1993, to cater for pension issues in the private sector.

The general characteristics of the Nigerian Pension Scheme before 2004 reform were non-contributory and bedeviled by many impediments. The

large number of pensioners and mismanagement of pension funds impose heavy burden on government and the private sector. According to Buhari (2003), the public pension debt as in 2003 was over one trillion naira. The cumulative effect of the debt is that, government was unable to service pensions of retirees, as a result, pensioners could not pay children school fees, cater for their health and other necessities of life. This precarious situation necessitated the enactment of the Pension Reform Act of 2004.

2) Contributory Pension Scheme of 2004

The 2004 Pension Reform Act is a paradigm shift from the 1979 Pension Act. Under the new scheme, employers and employees alike are to contribute 7.5 percent of employees' monthly emolument which include basic salary, housing and transport allowance. However, military personnel are to contribute 2.5 percent while the Federal Government contributes 12.5 percent of the employees' monthly emolument (Pension Reform Act, 2004). The scheme covers the private sector with five or more employees. The only exceptions are public employees who have three years or less to retire with effect from the date of enactment of the Pension Act being 30th June 2004 (National Pension Commission, 2004). The employer may elect under the 2004 Pension Act to bear the full burden of the pension by contributing not less than 15 percent of the employees' monthly emolument.

The objective of the new pension scheme include among others to ensure that every employee in the private and public sectors receives his/her benefits as and when due; to establish a uniform rules, regulations, standards and laws for the administration, management and payment of pension funds in the country. The scheme was also established to assist employees by ensuring that they save to cater for life after retirement. More so, the scheme was to address the huge unsustainable pension deficit estimated at about two trillion naira which characterized the former Pay-As-You-Go (PAYG) Pension Scheme. According to Aminu (2004), the contributory pension scheme would address the pension deficit of the past in Nigeria; that the scheme as of July, 2010, has an asset of 1.7 trillion naira (11.3 billion dollars) across the country.

The contributory pension scheme is expected to have multiplier effect on workers attitude towards retirement, commitment to duty, and labour retention as well as attitude towards corruption especially in the civil or public service. This is because the uncertainty of receiving pension and gratuity after retirement was largely responsible for high labour turnover in the civil service. WHO (2007), posits that, poor remuneration, delay in payment of fridge benefits and poor condition of service among others are jointly responsible for the exodus of medical personnel from Nigeria to the United

States of America and the United Kingdom.

3) *Pension Scheme and Employees Commitment*

Workers commitment to organizational goals has received wide attention by scholars (Steer, 1977). Workers commitment here entails the level of job involvement (Lodahl & Kejners, 1965). It includes internal work motivation (Hackman & Oldham, 1978) and the willingness of an employee to invest personal effort for the sake of the organization (Agba, Nkpyoen & Ushie, 2010). It involves attitudes or orientation towards organizational goals or objectives (Hall & Schneider, 1972). Commitment is positive and consistent attitude towards organizational goal that are produced by exchange consideration. Workers commitment is a function of many variables including, characteristics of job situation, the work environment, leadership style and career development (Salanick, 1977; Agba, Nkoyen & Ushie, 2010; Ushie, Agba, Agba & Chime, 2010; Ushie, Agba, Agba & Best, 2010). Employees' commitment could also be influenced by the level of job involvement or the responsibilities of the worker (Lodahl & Kejners, 1965).

Commitment is also tied to how well an employee is motivated. Motivation here entails the process of influencing employees' behaviour towards the attainment of organizational goal (Dhameji & Dhameji, 2009). Motivation includes meeting the psychological, financial and emotional needs of workers. Pension is part of motivation and could help attain the psychological and emotional needs of workers, because it assures them of life after retirement. A good pension scheme could determine the level of workers commitment as well as influence whether an employee will do his/her work properly. According to Sule & Ezugwu (2009), good pension guarantees employee's comfort and commitment to the organization during his/her active years.

4) *Pension and Workers Retention*

There is a significant positive relationship between pension and workers turnover/retention. According to Becton, Wysocki & Kepner, 2009, staff retention refers to the necessary measure put in place by management of an organization to encourage workers to remain in the establishment for a maximum period of time. Ushie (2000) and Agba (2007) posit that in Nigeria rather than providing the means by which workers could be retain, employees are continually deprived of their psychological needs.

Delay in payment of salaries and fridge benefits to workers even after retirement has negative behavioral consequences among employees in Nigeria (Agba, 2007). This also is responsible for low morale among workers and workers ineffectiveness in most organizations (Ushie, Agba, Agba & Best, 2010). According to Onyene (2001), workers attitude to work

and the goal attainment of any organization is tied to various degrees on staff motivation and retention. Agba and Ushie (2010) observed that workers in the hospitality industry in Nigeria are always moving to where good condition of service exists and where their future is protected after retirement. They observed a linear relationship between salary, payment of benefits, promotion, career development, worker-hours and labour turnovers in Cross River State, Nigeria. Similarly, Akingbade (2006), posit that there is high labour turnover in the medical sector in Nigeria and that the movement of medical personnel especially to USA and UK is not unconnected with payment of benefits including retirement benefits.

5) *Pension Scheme and Workers Attitude towards Retirement*

The absence of good pension scheme in the past was largely responsible for the psychological, physiological and economic problems among retirees in Nigeria. It is expected that retirees receives certain benefits such as gratuity and pension. Gratuity here is the worker's entitlement as soon as he/she makes exit from active service; while pension is the regular payment to a retiree until his or her last days on earth. Most often gratuities and pension are not paid as and when due; consequently retirees cannot afford school fees for their children, pay house rents or take care of other necessities of life (Global Action on Aging, 2006).

The provoking thought of facing life after retirement creates psychological and emotional abnormally among workers especially those who are approaching retirement age (Ogunbameru & Ramiwuye, 2004). While retirement remains luxury in developed countries in Nigeria workers are always afraid of financial insecurity after retirement. The social insecurity makes retirement unattractive to workers in Nigeria (Jonathan, 2009). Workers who are in the payroll of government cannot fend for themselves, not to talk of when they are retired.

The fear of uncertainty after retirement is also responsible for age falsification among civil servants in Nigeria. Retirement in Nigeria also goes with social isolation and poverty; consequently retirees even at very old age look for employment or jobs to maintain themselves. This scenario shows that the meager amount received by pensioners before the introduction of the contributory pension scheme was grossly inadequate to sustain a retiree and his/her family.

IV. THEORETICAL CONSIDERATION

This study adopted two schools of thoughts to explain the antecedences and attributes of pension schemes in Nigeria as well as workers attitude towards work and retirement. The first is the non-contributory

school; this school is advocated by professional accounting bodies. The school holds that the employer of labour alone should fund the pension benefit of workers. The school posits that singular sponsor of pension by the employer attracts qualified and dedicated staff to such organization. Non-contributory school also held that retirement benefits of staff be defined based on formula and pension at retirement should be paid either as a lump sum or monthly throughout the life time of the pensioner (Sule & Ezugwu, 2009).

The Pension Act of 1979 in Nigeria adopted the non-contributory school of thought philosophy. This scheme was largely responsible for the low commitment of employees to work especially in the public service. The scheme is also responsible for the falsification of age among civil servants who are skeptical of retiring and facing uncertain future that is characterized by poverty, isolation and general social and financial insecurity (Jonathan, 2009). It was also envisaged that the exodus of worker from the public service to foreign countries especially in the medical field is not unconnected with the poor pension scheme established after the philosophy of non-contributory scheme.

On the other hand, the contributory school of thought emphasizes on contribution from the employer and employees. Just like the non-contributory school, the contributory school was advocated by set of accounting bodies. The contributory school posits that contributory pension scheme encourages efficiency, accountability and prudent management of pension asset. It reduces corruption and mismanagement of pension funds. The contributory school also holds that a scheme that is contributory in nature enables the employee to receive certain or entire percentage of his retirement benefits at retirement, termination or dismissal (Sule & Ezugwu, 2009). However, some of the claims of the contributory school of thought is yet to be empirically investigated in Nigeria; and this study is posed to do so.

existing phenomenon (Agba, Ikoh & Ashibi, 2010). Since the design allows for the use of questionnaire and representative sample, it is therefore economical over other designs (Denga & Ali, 1998).

Purposive techniques were used to select 548 respondents from the University of Calabar, Cross River University of Technology – Calabar Campus, and Governor's Office Calabar. The study elicited data from respondents using structure questionnaire. The questionnaire was divided into two sections, the first section deals with the demographic characteristics of respondents while the second section elicited data on the impact of the contributory pension scheme on workers commitment, retention, and attitude towards retirement.

Elicited data were coded for various response on the four point Likert scale questionnaire as shown in table 1, where

- SA - Strongly Agree
- A - Agree
- D - Disagree and
- SA - Strongly Disagree.

As depicted in table 1, positive response to a positive question is rank highest (4) that is Strongly Agree (SA). While negative response to negative answer received the highest score of (4) for Strongly Disagree (SD). Other scores follow these sequences.

VI. RESULTS

Table 2 presents the socio-demographic information on gender, age, marital status, occupation, educational qualification and religion of respondents. Most of the respondents (79.9 percent) were male while 20.1 percent were female. Majority of the respondents (n=516; 94.2 %) were between the ages of 31 – 40 years; 5.8 percent were 41 years and above. Fifty

Table 1: Coding of Variables

Response Option	Position	Negative
SA	4	1
A	3	2
D	2	3
SD	1	4

V. METHODOLOGY

The study utilizes survey design. The design was adopted because it allows for the drawing of inference (Hart, 1969, Agba, Nkpoyen & Ushie, 2010). It was opted for, because it uncovers data, integrate and point out inter relationship among variables (Cohen & Manion, 1986). It allows for the use of questionnaire (Babbie, 1985). It allows for the objective description of

percent of the respondents had university education; 12.6 percent were Ph.D holders, while 19 percent had Senior School Certificate of Education. Seventy five percent of the respondents were Christian, 23.7 percent were Muslim while 1.3 percent practice traditional religion.

Table 2: Bio data of Respondents

Variables		N	\bar{X}	SD	%
Gender:	Male	438	2.7352	.80228	79.9
	Female	110	3.1727	.71497	20.1
	Total	548	5.9079	1.51725	100
Age:	31-40 yrs	516	3.000	.8738	94.2
	41 and above	32	2.6434	.0000	5.8
	Total	548	5.6434	0.8276	100
Marital Status:	Married	506	2.8142	.8259	92.3
	Single	32	3.000	.0000	5.8
	Separated	10	2.700	.9486	1.8
	Total	548	2.8230	.8042	100
Educational Qualification	FSLC	101	3.3465	.47824	18.4
	SSCE	104	2.3269	.94963	19.0
	University Degree	274	2.6460	.68114	50.00
	Ph.D	69	3.55072	.50361	12.6
	Total	548	2.8230	.80427	100
Religion:	Christianity	411	2.6764	.8438	75.0
	Muslim	130	3.2462	.43244	23.7
	Tradition Religion	7	3.5714	.53452	1.3
Total	548	2.8230	.80427	100	

Source: Field work (2010)

Hypothesis 1

There no significant relationship between contributory pension scheme and workers commitment to work in the Nigerian Civil Service. This hypothesis was tested using Pearson product moment correlation (r). Result of the analysis as presented in table 3 revealed that the calculated r-value of 0.175 is greater than the tabulated r-value of 0.115 at 0.01 level of significance

with 546 degree of freedom. This shows that, there is a significant relationship between the contributory pension scheme and employees commitment to work. This finding is consistent with Salanick (1977), Agba, Nkpoyen and Ushie (2010), Ushie, Agba, Agba and Chime (2010), Ushie, Agba, Agba and Best (2010), who observes that pension is part of motivation and could determine the level of employees' commitment to work

Table 3: Pearson product moment correlation analysis of the relationship between pension and employees' commitment to work

Variables	$\sum x$	$\sum x^2$	$\sum xy$	r-value
Workers commitment to work	1368	18714		
			2915	0.175
Contributory pension scheme	1549	23932		

* Significant at 0.01 level, critical r = 0.115, df = 546

Hypothesis II

Contributory pension scheme does not significantly influence workers retention in the Nigerian Civil Service. Pearson product moment correlation was used in the analysis. As depicted in table 4, the calculated r-value of 0.257 is greater than the critical r-value of 0.115 at .01 level of significance with 546 degree of freedom. This implies that, there is a significant positive relationship between the contributory pension scheme and workers retention in the Nigerian Civil Service. This finding corroborate with Onyene

2001), Akingbade (2006), Ushie, Agba, Agba and Best (2010), Agba and Ushie (2010), who all posits that the movement of workers from one job to the other in Nigeria is not unconnected with payment of benefits including retirement benefits.

Table 4: Pearson product moment correlation analysis of the relationship between contributory pension scheme and workers retention

Variables	Σx	Σx^2	Σy	Σy^2	Σxy	r-value
Workers retention	5770	33293				
					7317	0.257**
Contributory pension scheme	1547	23932				

* Correlation is significant at 0.01 level, critical r = 0.115, df = 546

Hypothesis III

Contributory pension is not a significant factor in determining workers attitude towards retirement. Pearson product moment correlation was used to test this hypothesis; findings as depicted in table 5 revealed that the calculated r-value of 0.353 is greater than the tabulated r-value of 0.115 at 0.01 level of significance with 546 degree of freedom. This suggests that there is a positive significant relationship between the contributory pension scheme and workers attitude

towards retirement in the Nigerian Civil Service. This finding corroborates Ogunbameru and Ramimuye (2004), Global Action on Aging (2004) and Jonathan (2009), who observed that the absence of good pension scheme in the past was responsible for the provoking thought among workers of facing the future after retirement and the falsification of age among civil servants.

Table 5: Pearson product moment correlation analysis of the relationship between contributory pension scheme and workers attitude towards retirement

Variables	Σx	Σx^2	Σy	Σy^2	Σxy	r-value
Workers attitude towards retirement	1338	17902				
					2885	0.353
Contributory Pension Scheme	1547	23932				

*Significant at 0.01 level, critical r- value = 0.115, df = 546

VII. DISCUSSION OF FINDINGS

Prior to the introduction of the Contributory Pension Scheme, payment of gratuity and other retirement benefits to retirees remained a high profile challenge in Nigeria. The absence of good pension scheme was responsible for the psychological, physiological and economic problems among retirees (Editorial, 2009). The cumulative and multiplier effect of the poor pension scheme was low morale and commitment to work among employees, fear of retirement, and bureaucratic crime, falsification of age and high labour turnover (Agba, Ikoh, Ushie & Agba 2008).

In consonant with the above assertions, this study demonstrated a significant positive relationship between workers commitment and the contributory pension scheme. The study revealed that workers are more committed to their duties since the introduction of the contributory pension scheme in Nigeria. This could be attributed to the motivational force behind pension benefits. According to Dhameji and Dhameji (2009), employees' commitment to work is significantly related to how well he/she is motivated. Agba and Ushie (2010) observed that workers commitment is a function of monetary and non-monetary motivation. Agba, Nkpoyen and Ushie (2010) posit that the more a worker is motivated through monetary incentive and the more he or she is sure of his/her social security after retirement, the higher the degree of commitment to work.

Similarly, Sule and Ezugwu (2009), posit that good pension scheme guarantees employee's comfort and commitment to the organization. Agba (2007) observed that delay in payment of gratuity and pension to workers after retirement have negative behavioural consequences on employees in Nigeria. According to Ushie, Agba, Agba and Best (2010), the low morale and carefree attitude among civil servants in Nigeria is not unconnected to the delay in payment of benefits to workers. However, it would be undertone to limit workers commitment to only pension or payment of benefits. According to Lodahl and Kejners (1965), Sulanick (1977), workers commitment could also be influenced by variables such as – work environment, level of job involvement or the responsibility of the worker, leadership style and career development.

Respondents acknowledge that there is a significant positive relationship between the contributory pension scheme and worker turnover in the Nigerian Civil Servants. The study demonstrated that, prior to the introduction of the contributory pension scheme, there was high labour turnover in the Nigerian Civil Service. Workers leave their jobs in the Civil Service to other well paid jobs or to places where their retirement benefits are

guaranteed. Corroborating this findings, Akingbade (2006), observed that the high labour turnover in the Civil Service especially among medical personnel is not unconnected with payment of benefits including retirement entitlements to workers.

Delay in the payment of workers benefits deprived employees of their psychological needs and could result into high labour turnover. Agba and Ushie (2010), observed that in the hospitality industry in Nigeria where pension and good salaries are hardly available labour turnover is significantly high. Similarly, Onyene (2001) posit that poor condition of service and poor retirement benefits in the teaching profession is jointly responsible for the exodus of teachers to other juicy occupations.

The study further demonstrated a significant positive relationship between workers attitude towards retirement and the introduction of the contributory pension scheme in the Civil Service. The study suggests that workers are more confident towards retirement now than when the contributory pension scheme was not introduced. The study revealed that the psychological and emotional abnormality among workers occasioned by fear of retiring is gradually fading away in the Nigerian Civil Service.

The non-contributory pension or the poor pension scheme in the past creates fears among workers. The fears of facing uncertain future after retirement "creates an ambiance of disturb" among employees in Nigeria (Editorial, 2009:1). According to Ogunbameru and Bamiwuye (2004), prior to the establishment of the contributory pension scheme in Nigeria, workers view retirement as a transition to psychological and physiological problem. Jonathan (2006) observed that the falsification of age in the civil service is attributed to poor pension schemes that characterized the Nigerian Federation before the contributory pension was introduced in 2004.

VIII. RECOMMENDATIONS

On the strength of this study finding, the following recommendations were made:

1. Government should put strict measures in place to ensure the proper monitoring and implementation of the provision of the Pension Reform Act of 2004. Pre-retirement enlightenment workshops should be organized for workers who are about to retire.
2. Workers and employers of labour should be properly enlightened on the benefits of the contributory pension scheme. This would further ensure worker confidence towards retirement as well as reduce falsification of age in the civil service.

IX. CONCLUSION

Contributory pension scheme is one of the social security maintenance plan put in place by government to cater for the psychological, physiological and economic need of workers after their disengagement as employees through retirement. It is a paradigm shift from the 1979 Pension Act (which was non contributory). The new scheme was to correct the irregularity that characterized pension schemes in Nigeria. It was also established to build confidence among workers towards retirement and ensure employees commitment to work, as well as reduce unnecessary labour turnover especially in the civil service. Six years after the establishment of the contributory pension scheme in the Nigeria; findings in this study revealed that, the scheme significantly promoted workers commitment to work, reduced unnecessary labour turnover, as well as build positive attitudinal change among civil servants towards retirement. The study recommended among others that measures be put in place by government to ensure the proper implementation of the 2004 Pension Reform Act.

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