

Non-Contributory Pension Scheme and the Welfare of the Retirees in Akwa Ibom State Civil Service, Nigeria

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ABSTRACT

The government of the people is responsible for safeguarding the wellbeing of the people and is the anchor for the sustenance of demonstrable development. The main thrust of this study was to investigate the extent of non-contributory pension scheme and the welfare of the retirees in Akwa Ibom State Civil Service. The survey research design was employed. A sample of 400 respondents was selected from the population of retirees in the State using simple random sampling method. Data were gathered with a reliable and validated instrument titled “Non-contributory Pension Scheme and Retirees Welfare Questionnaire (NPSRWQ)”. The data were analysed using simple percentage, frequency count, mean scores and standard deviation. The results indicate the extent to which non-contributory pension affect the welfare of retirees in Akwa Ibom State Civil Service to be low. The implication is that the defined (non-contributory) pension scheme operating in Akwa Ibom State does not promote effective living, or provide medical care and services vis-à-vis cannot ideally provide the retirees with decent accommodation, balance diet, good access to medical service, and cannot to a high extent provide household with good quality education as well as the payment of other utility bills. This is attributed to untimely payment of pension, unpreparedness of the retirees in early planning while in active service, and government bureaucratic policies. It is recommended that early documentation of retirees should be conducted before the retirement. Also, government should ensure routine auditing of managers of pension fund to ensure accountability in the service.

Keywords: *Non-contributory pension scheme, welfare, retirees, Akwa Ibom State Civil Service*

INTRODUCTION

Pension may be regarded as the saving made by employer for employees of government for utilization in the retirement period. Pension as a structure is design to furnish recipients with sufficient income stream throughout their post-employment period (American Academy of Actuaries, 2004). In other words, pension is the after retirement benefits or entitlements set aside or calculated for the retiree. The reformations in the pension regimes were to drastically annual the influences of fund scarcity, check malpractices and prominently enhance social welfare services. Thus, these regimes culminated to what is known as non-contributory and contributory pension schemes. In any case, pension provides employees a level of economic benefit and according to Ilesami (2006), it is a

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social security maintenance plan for workers after their disengagements as employees through retirement. These plans (non-contributory and contributory) utilized different parameters in estimating the accrued entitlements.

Non-contributory pension is a pension plan that is entirely funded by the employer; the employees make no contribution to it. World Bank advocates three pillars of pension structure for developing nations like Nigeria (Non-contributory pillar, compulsory contributory serving based and voluntary savings plans) (World Bank, 2010). Compulsory contributory pension regime is the most commonly practised recently in Nigeria. However, Akwa Ibom State is one of the few States in Nigeria still practising the non-contributory pension plan for its retirees because of its assumed functions in ensuring and securing social security, enhancing psychological balancing, and improving financial growth. But these laudable objectives of the scheme generally has been bedeviled with series of challenges such as poor pension fund management , utter corruption, misappropriation of pension reserve, poor buildup of funds and poor supervision. Supporting this position, Oviomo (2007) highlights that rather than demonstrating balanced life after active service, retirees are stranded, anguished and distressed due to the neglect of their welfare.

Studies have shown that in the context of social protection, non-contributory pension programme has the potential advantage of reaching vulnerable groups with relatively low administration costs, helping sustain households affected by extreme poverty and vulnerability, and enabling the investment needed for households to overcome their conditions (Carvalho 2000; Case and Wilson, 2000; Case, 2001; Jensen, 2002; Lund 2002). Also, Barrientos (2003) considers the impact of non-contributory pension programmes for the old in Brazil and South Africa, using data sets collected specifically for the purpose, he constructed conditional and unconditional estimates of the poverty reduction capacity of this programme. The non-contributory pension have a measurable and significant impact upon poverty reduction and prevention in the two countries studied (Barrientos, 2003). This seems not to be the case with the evidence on ground on the implications of pension on the economic welfare of the retirees in Akwa Ibom State Civil Service. Thus, this contemplation of whether or not the operationalisation of non-contributory pension scheme in the State promotes welfare of the retirees form the main thrust of the study.

The government of the people is responsible for safeguarding the wellbeing of the people and is the anchor for the sustenance of demonstrable development. Basically, government at all levels determines the extent of growth in an economy as they are the deciding factor for the actualization of micro and

macro economic variables. Hyun (2006) infers that government plays an active role in the mobilization and allocation of resources; stabilization of the nation's economy; and promotion of technological development.

Primarily, every government tends to guide the overall pace of economic activity, attempting to maintain steady growth, high levels of employment, and price stability. For instance, by adjusting spending and tax rate (known as fiscal policy) or managing the money supply and controlling the use of credit (known as monetary policy), government can slow down or speed up the economy's rate of growth and, in the process, affect the level of prices and employment. Using the market friendly view model developed by World Bank (2010), the roles of government covers areas of:

- (i) Securing sufficient investment in human resources
- (ii) Ensuring an environment that promotes competition among private enterprises
- (iii) Maintenance of an economic system open to international trade and
- (iv) Maintenance of stable macro economy.

Nevertheless, no matter the efficiency of government in the management of the economy to attain/achieve the aforementioned roles, if these roles are not translating to infrastructural development in terms of good roads, quality health services, poverty reduction, qualitative education, better welfare of the people, portable water supply among others, then the government can be term ineffective.

Better welfare of the people can be considered as the enabler of essential development. Several authors opined that expenditure on human welfare is very crucial to and highly related to economic growth and poverty reduction (Roller and Wavesman 2001, Calderon and Serven, 2003; Canning and Pedroni 2004). Categorically, Effiong (2015) maintains that development of quality arsenals for the promotion of welfare contribute to the economic development in several ways such as:

- (i) Enhancement of morale that stimulates economic activities,
- (ii) Reduction in negative attitude to work,
- (iii) Promotion of desire for high productivity.

Investment in workers welfare are often regarded as the wheel of economic activity because of the crucial role they play in providing the foundation upon which production and distribution stand (Effiong, 2015). It contributes to raising the quality of life by creating amenities, providing consumption goods and services, enhancing industrial relation and contributing to macroeconomic stability. Pertaining to the workforce, government has the cardinal responsibility to coordinate plans for investments in human capital of its workforce. The long

run behavioural effect of investment in human resources has the potency to protect the retirees from social insecurity, psychological distress and financial encumbrance associated with the retirement in Nigeria. Sadly, this seems not the case with what is on ground as evident in the difficulties retirees experienced in the course of collecting their entitlement, high rate of poverty among retirees, geometric increase in health issues, problems of lack of comfortable residence among others. These problems and challenges of retirees prompted the establishment of pension scheme to facilitate effective planning for the betterment of retirees.

In Nigeria, despite the fact that its economy is paradoxically growing, the proportion of Nigerians living in poverty is increasing every year (National Bureau of Statistics, 2014). Furthermore, the Brooking Institution (2018) reveals that Nigeria has now taken over as the nation with the highest number of extremely poor people. According to the report, the number of Nigerians in extreme poverty increases by six people every minute. Statistically, the poverty index of Nigeria has reached the umpteen level of 53.70% (UNDP, 2018). However, in Akwa Ibom State, despite being the major producer of crude oil in Nigeria, it is placed among the top 15 States in Nigeria with multidimensional poverty (NBS, 2018). Sadly, this poverty level is characterized by disease, low life expectancy, physical and mental retardation.

More concern about the level of poverty in Akwa Ibom State in particular and Nigeria in general, is that retirees or the aged is the most affected group in the country. According to Romer (1987), the prevalence of poverty is higher among aged retirees of government. This is in spite of the Akwa Ibom State government non-contributory pension plans and entitlements acclaimed to be most efficient and beneficial to the retirees. Thus, prompted the researcher to ask: To what extent does non-contributory pension plans affect the welfare of retirees in Akwa Ibom State Civil Service? Significantly, understanding the extent of efficiency of the pension plan operation in the State would provide blue print for strategic planning and possible reformation or re-planning of functional mechanisms for retirees welfare in the State Civil Service.

The main thrust of this study was to investigate non-contributory pension scheme and the welfare of the retirees in Akwa Ibom State Civil Service. Specifically, the purpose of the study was to examine the extent to which non-contributory pension scheme affect the welfare of the retirees in Akwa Ibom State Civil Service. However, the study sought to answer the research question: To what extent does the non-contributory pension scheme affect the welfare of retirees in Akwa Ibom State Civil Service.

METHOD

The survey research design was employed in the study. The design was adopted to gather information from the respondents which were the retirees of the Akwa Ibom State Government. In a determined effort to rapidly industrialize the State, and create employment opportunities as part of poverty reduction policy, the government of Akwa Ibom State has in its payroll total of 402,312 workers (Akwa Ibom State Ministry of Information, 2019). The choice of the study area was because of its prominent place in the economic development in Nigeria. The population of this study is made up of all retired civil servants in Akwa Ibom State. According to Akwa Ibom State Civic Service Commission (2019), there are 8,426 retirees in the Akwa Ibom State Civil Service as at 2019.

Simple random sampling technique was used for the selection of 400 respondents. The respondents' retirees of government were selected for the study at the Idongesit Nkanga Secretariat during screening exercise in the first quarter of the year 2020. The instrument employed for data collection was a structured questionnaire developed by the researcher, entitled "Non-contributory Pension Scheme and Retirees Welfare Questionnaire (NPSRWQ)". The questionnaire was clustered into two sections (A and B). Section A consisted of items on the demographic data of the respondents while items on the objective of the study was in section B. Section B was designed on four likert modified rating scale of "Very High Extent (VHE), High Extent (HE), Low Extent (LE), and Very Low Extent (VLE). These scales were coded based on rating as follows: VHE=4; HE=3; LE=2; VLE=1. A total of 400 copies of the questionnaire were administered to the retirees and 395 copies were correctly filled and returned through the assistant of researcher's ad-hoc staff using the instant retrieval approach giving a percentage return of 98. The data gathered were analysed using simple percentage, frequency count, mean score and standard deviation.

Decision Rule:

The findings of the analysis were interpreted thus:

When mean score is between

0 to 1.25 implies very low extent (VLE)

1.26—2.5 implies low extent (LE)

2.6—3.75 implies high extent (HE)

3.76—5.00 implies very high extent (VHE)

RESULTS AND DISCUSSION

Table 1 indicates that majority of the respondents are female, while 42% are males. In the aspect of the highest educational qualification as at retirement, it is shown that 49.6% retired with first degree (BSc/HND), followed by SSCE (20.0%) and OND/NCE (14.7%). Concerning the household size currently under the care of the respondents, the study indicates that majority have household size of 1 to 5 (48.1), closely followed by 6 to 10 members (43.1%). The findings also reveal that majority of the respondents are married (48.4%), closely followed by the separated (24.8%). In terms of the number of years put in the service, majority of the respondents indicated that they have put in above 29 years (87.1%). Also, the study observes that majority of the respondents (61.5%) live in rented apartments. Table 2 indicates the cluster mean score of 2.00 and standard deviation of 0.848, which the implication is that the extent to which non-contributory pension affect the welfare of Akwa Ibom State Civil Service retirees is low. Hence, the defined (non-contributory) pension scheme operating in Akwa Ibom State does not promote effective living, or provide medical care and services vis-à-vis cannot ideally provide the retirees with decent accommodation, balance diet, good access to medical service and cannot to a high extent provide retirees' household with good quality education as well as the payment of other utility bills. This points to low extent of effectiveness of non-contributory pension scheme in Akwa Ibom State Government.

From the analysis, the findings reveal that based on the experience of the Akwa Ibom State Civil Service retirees, the non-contributory pension scheme in operation has low extent of impact on the welfare of the retirees in the Akwa Ibom State Civil Service. This may be related to the untimely payment of the pension to the retirees and the household size still under the care of the retirees. However, this is evident in the responses of the retirees in the aspect of low extent impact in the provision of household with decent accommodation, balance diets, access to good medical care and services, good quality education, good clothing, and enhancing their effort in the payment of utility bills. In other words, non-contributory pension scheme in Akwa Ibom State does not significantly lead to enhanced welfare package for the Civil Service retirees. The finding of the study is supported by the assertion of Kolawole and Mallum (2004) that the typical retiree in Nigeria is confronted with managing the following: insufficient financial resources; the problem of securing residential accommodation; the challenge of a new and low social status; the difficulty in having access to good food, and challenges of declining health. Also, in the study conducted in

Zimbabwe, WHO (2002) finds that some of the elderly people's households lost the savings they accrued over a long period due to the long term illness of their adult children and the cost of taking care of their health care needs before they eventually die.

Table 1: Respondent's Demographic Details

| Variables | Frequency | Percentage |
|---|------------------|-------------------|
| Gender | | |
| Male | 166 | 229 |
| Female | 42 | 58 |
| Highest Educational Qualification | | |
| No formal education | - | - |
| FSLC | 16 | 4.1 |
| SSCE | 79 | 20.0 |
| OND/NCE | 58 | 14.7 |
| HND | 56 | 14.2 |
| First Degree | 140 | 35.4 |
| Master's Degree | 40 | 10.1 |
| PhD | 6 | 1.5 |
| Marital Status | | |
| Single | 16 | 4.0 |
| Married | 191 | 48.4 |
| Separated | 98 | 24.8 |
| Divorce | 90 | 22.8 |
| Household Size currently under retirees care | | |
| 1-5 | 190 | 48.1 |
| 6-10 | 170 | 43.1 |
| 11-15 | 25 | 6.3 |
| 16 above | 10 | 2.5 |
| Years put in Service | | |
| 9-18 | 17 | 4.3 |
| 19-28 | 34 | 8.6 |
| 29 above | 344 | 87.1 |
| Accommodation Status | | |
| Owned | 152 | 38.5 |
| Rented | 243 | 61.5 |
| Timely Payment of Pension | | |
| Yes | 149 | 37.7 |
| No | 246 | 62.3 |

Source: Survey, 2020



Table 2: Extent of Impact of Non-contributory Pension Scheme on Welfare of Retirees in Akwa Ibom State Civil service

| Description | Mean | Standard deviation | Decision |
|---|-------------|--------------------|-----------------|
| <i>The non-contributory pension scheme has satisfactorily provide</i> | | | |
| Retirees with decent accommodation | 2.03 | 0.782 | Low Extent |
| Retirees with balance diets | 2.06 | 0.862 | Low Extent |
| Retirees with access to good medical care and services | 2.01 | 0.870 | Low Extent |
| Retirees with good quality education | 2.43 | 0.793 | Low Extent |
| Retirees with good clothing | 1.61 | 0.964 | Very Low Extent |
| Ability to extend assistance to extended relatives | 2.31 | 0.816 | Low Extent |
| Enhanced effort in paying utility bills. | 2.31 | 0.813 | Low Extent |
| Clustered mean score | 2.00 | 0.848 | Low Extent |

Source: Survey, 2020

CONCLUSION AND RECOMMENDATIONS

The study mainly focused on assessing the non-contributory pension scheme and the welfare of the retirees in Akwa Ibom State Civil Service. Basically, it was discovered that pensionable retirees of government in Akwa Ibom State experienced low impact of the non-contributory pension in operation in the State. This is indicated in the low extent of effectiveness and inability to serve as effective protection to the vulnerable retirees. This means that defined pension scheme in operation in the State does not have significant impact on the welfare of retirees. From the results, the issues is emanated from

- The case of unpreparedness of retirees in early planning for effective organization of their families to cushion the effect of late family building and empowerment;
- The redundancy in advancing their professionalism while in active service;
- Government bureaucratic policies that hinder effective management of funds and untimely release of the retirees' entitlement which is not unconnected with embezzlement of allocated pension fund, mismanagement of pension fund by the pension managers, and other sharp corrupt practices that hinder efficiency in the administration of pension scheme.

It is therefore premised on these facts that if the operational pension policy allowed timely documentation by the employees, encourage savings by way curtailing or controlling unprioritized expenses of the workers, this would have effectively managed the psychological stress associated with the thought of retirement as well as enhance retirees welfare and spirit of savings. Also,

government should enact laws to compel pension scheme administrators in the State to plan for retirees before the retirement period. This would expand the scope of livelihood and drastically enhance their welfare.

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International Journal of Economic Development Research and Investment
Volume 11, Number 1; April 2020; ISSN: 2141-6729

Published By

International Centre for Integrated Development Research, Nigeria

In collaboration with

Copperstone University, Zambia.

- of the Counselling Association of Nigeria (CASSON), Maiduguri, Nigeria.
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