
**EMPLOYEE RETIREMENT MOTIVATION: AN ANALYSIS OF
CONTRIBUTORY PENSION AMONG WORKERS IN AKWA IBOM
STATE CIVIL SERVICE**

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Abstract

This paper on employee retirement motivation: an analysis of contributory pension among workers in Akwa Ibom state civil service have three objective thus; to determine how pension administrators' commitment to pension obligation affects motivation to retire among civil servant in Akwa Ibom State; to examine how employee involvement in pension management affects motivation to retire among civil servants in Akwa Ibom State; and to investigate how the encouragement of employee fund investment affects motivation to retire. The study was conceived on the basis of determining the relationship between contributory pension scheme and motivation to retire among workers in the civil service of Akwa Ibom State, Nigeria. The findings of the study revealed that fund administrators' commitment to pension scheme significantly affect motivation to retire in civil service. Following the analyses of the work, it was affirmed that the arguments in the body of the work that contributory pension scheme correlates with motivation to retire in Akwa Ibom State civil service. However, it was recommended that fund administrators should maintain their high level of commitment to management of the pension scheme since no reasonable employee will hesitate to retire when they are due, Civil servants should be encouraged to be involved in making of decisions towards the management of the pension scheme since it could facilitate better pension management.

Keywords: Motivation; Retirement; Civil Servant; Administrators; Mental Health.

1. INTRODUCTION

Motivation to retire in civil service implies skewing of employee's behaviour towards attaining the goal of retirement. Motivation to retire involves the drive or energy that ignites retirement behaviour, this type of conduct that is put up and if it is in line with organization's laid down policy. It means the forces that affect employee's willingness to engage particular retirement behaviour (Mitchell, 2002). It relates to reasons that include workers to accept certain behaviours over others before and after retirement.

Interests in enhancing motivational behaviour among civil servants in Nigeria is not new. What is new however is the unprecedented concern as the problems of motivation to retire increase at a faster rate. It appears workers in public organizations do not exactly understand the things they are required to do and why they expend effort to do it.

It helps to make this group of workers have satisfaction over their work leading to sound physical and mental health; feel committed to their organization and show less grievance. Robinson (2010) stressed that the overall goal of workers' motivation to retire by organizations has always been to have workers with lower rates of work accidents, ethical problems, turnover as well as lesser levels of absenteeism as they look towards retirement.

This is because one of the greatest challenges that face typical workers throughout their working period is life after retirement. Thus, it becomes expedient that civil servants are motivated to retire since retirement concerns emotional, psychological as well as financial challenges. Retirement means the take backing of the individual from gainful employment or engagement in the later part of his or her life in order to enjoy a period of leisure till death.

Pension is money paid to a worker after leaving employment. It allows public servants that have worked for 35 years or 60/65 years of age for public servants and professor respectively to receive a maximum pension and gratuity for their different grades and ranks. The pension ordinance of 1951 established in Nigeria took effect from January, 1946. The next was the civil service pension scheme that came into force following the Local Government Pension Scheme of 1977.

Despite these pension policies, retirement counseling, and the often organized capacity building, pre-retirement workshops for civil servants in Akwa Ibom State retirees are still exposed to a life of frustration, untold hardship and penury. Failure to have access to pension and gratuity by retirees from federal, state and local governments have aggravated their socio economic and psychological conditions. Retirees are still left to suffer unnecessarily or die in the course of waiting for their benefits.

Negative consequences are attached to retirement by civil servants to the extent that fear of retirement and old age sometimes results in ill health and even sudden death before their actual retirement (Ahmad, 2008). Retirement, thus implies work role detachment, loss of network of social contact and professional colleagues, reduced self-esteem, emotional instability, reduced income, relocation, health constraints etc. all these combines to negatively affect motivation to retire (Ebigide, 2013).

In Akwa Ibom State, large number of pensioners waiting to collect their entitlement is a common phenomenon. The inability of pensioners to cater for their families and dependents; meet their health needs and other necessities of life has negatively affected motivation towards retirement. Moreover, retirement income is not predictable and adequate. Civil servants do not receive retirement benefits in time.

The cumbersome process of pension payment itself subjects pensioners in the state to untold hardship. Civil servants thus associate retirement with work role detachment loss of network of social contact, reduced self-esteem, emotional instability, reduced income, relocation, quick death etc. The Akwa Ibom State civil service may not have properly equipped them with the right orientation to face retirement.

In order to address the issue of motivation to retire, civil servants are exposed to periodic counseling with the aim of conditioning them for better retirement life. Importantly, pension policies have been formulated and implemented such as Defined Benefit Scheme, National Provident Fund Scheme, National Social Insurance Trust Fund (NSITF) and Local Government Staff Pension Board. The Nigerian Constitution in sections 180 and 216 states in sub-section 3 and 4 that “pension shall be reviewed every five years or together with any Federal Civil Service salary reviews and pension is non-taxable” (Aseibare & Oniye, 2008).

The study intends to find out employee retirement motivation: an analysis of contributory pension among workers in Akwa Ibom State civil service the relationship that exists between contributory pension scheme and workers' motivation to retire among civil servants in the civil service of Akwa Ibom State, Nigeria.

Specifically, they sought to:

1. Analyze how pension administrators' commitment to pension obligation affects motivation to retire among civil servant in Akwa Ibom State.
2. Examine how employee involvement in pension management affects

- motivation to retire among civil servants in Akwa Ibom State.
3. Investigate how the encouragement of employee fund investment affects motivation to retire.

2. OVERVIEW OF PENSION POLICIES IN NIGERIA

According to the Director General of National Pension Commission (NPC), the pension ordinance of 1951, permitted the Governor-General to grant pension and gratuities (Okechukwu, Eme, Ugwu & Chijioke, 2011). Vesting period was fixed for ten (10) years of service and was not guaranteed. Pension could be reduced or withheld altogether if it was established to the satisfaction of the Governor – General that the officer was found guilty of negligence, irregularity or misconduct.

The public sector pension scheme has gone through various developments; the civil service pension scheme, the local government pension scheme and the armed forces pension scheme. Also Pension Right of Judges Decree No.5 1985 as amended by Amendment Decrees No. 51 of 1988, 29 and 62 of 1991. The police and other Agencies Pension scheme Decree no. 75 of 1993 which took retroactive effect from 1990, was another landmark development in the history of the Nigerian Pension system (Okechukwu, Eme, Ugwu & Chijioke, 2011). Ogumbameni (2000) recorded that, “the first Pension Reform Act No. 102 of 1979 was introduced before The Nigeria Second Republic by the Federal Government with effect from 1st April, 1974. The Act Consolidated all enactment on pensions and gratuity scales devised for public officers by Udoji Public Service Review Commission 1974”. Other pension laws included: Armed Forces Pension Act, Pension Right of Judges etc. (Nwaregbo, 2007). Local Government Pension Board was also set up.

Pension scheme in Nigeria before 2004 reform were non – contributory. Workers were paid their benefits through annual budgetary provisions rather than their previous contributions. Since the scheme was not funded, it was bedeviled by many impediments. The large number of pensioners and mismanagement of pension funds imposes heavy burden on government and the private sector (Agba, 2011). The unfunded scheme led to unsettled pension claims amounting to over one trillion naira in 2003 (Buhari, 2003). The effect was that government could not service the retirement benefits of retirees, which resulted in pensioners' inability to take care of school fees of children and health needs (Agba, Ikeji & Nwosu, 2011).

Based on the existing condition, Obasanjo's Administration put in place a system to make available enough source of income for retirement for retirees. Thus, in 2004, a new Pension Scheme replaced the old one. This was the Contributory Pension Scheme. It was obligatory for all workers in both public and private organizations (Udofot, 2012).

Organizations in Akwa Ibom State are required to deduct 7.5 per cent of the employee's total payment and a counterpart funding of 7.5 per cent to Retirement Savings Account (RSA) which the employee is required to set up with any Pension Fund Administrator (PFA) of his choice. It means 15 per cent goes into employee's account monthly. However, both the employer and the employee may decide to fund the RSA above the compulsory minimum of 15 per cent. Employers may also opt to bear more than half of the compulsory minimum of 15 per cent.

3. CONTRIBUTORY PENSION SCHEME IN FOCUS

The Pension Reform of 2004 in Nigeria according to Nkpoyen (2012) represents “a paradigm shift in social policy from the social model of the pre 2004 era to the Anglo – Saxon contributory model that aligns with the emergent conveyance downwards” in the global south, driven by the globalization of neo – liberalism. Agba, Ikeji and Nwosu (2011) corroborate Nkpoyen (2012) that the 2004 Pension Reform Act is a paradigm shift from the 1979 Pension Act.

The need to avert the problems that has to do with the old DB pension scheme necessitated the establishment of the new scheme. The large number of pensioners and mismanagement of pension funds that impose heavy burden on government and the private sector, massive accumulation of pension debts which make it impossible for government to service pensions of retirees, bankrupts' scheme among others. As a result, pensioners could not cater for their families and dependents, their health needs and other necessities of life. The government clearly recognized the problems and worked towards ameliorating them (Ugwu & Eme, 2011). A committee that was put in place to constitute the Chilean model of private contributory retirement account as the base model for the new Proposed Defined Contributory Scheme. After very extensive dialogue with the civil service, the organized private sector and set up session by members of the public, the former President Chief Olusegun Obasanjo signed the Pension Reform Act into law after being passed by both houses of the national Assembly on June 25th 2004.

According to National Pension Commission (2008), the key concerns are to foster prompt receipt of pension benefits, assist workers to save for retirement, harmonize the private and public sector pension administration and stem outstanding pension liabilities.

Other objectives of the contributory Pension Scheme are enumerated by Agba, Ikeji and Nwosu (2011) and Nkpoyen (2012) as follows:

- i. To empower workers for savings account operation, encourage mobility, ensure effective funds administration, alleviate plight of the retired properly.

- ii. The new contributory pension requires pension funds to be managed privately by Pension Fund Administrators and Pension Fund Custodians. Pension Fund Administrators have been duly licensed to set up retirement savings accounts for workers, invest and manage the pension funds in fixed income securities, listed and other instruments as the commission may from time to time prescribe, maintain books of accounts on dealings relating to the pension funds managed by it, and customer service support to RSA holders.

4. FUND ADMINISTRATORS' COMMITMENT TO PENSION OBLIGATION AND MOTIVATION TO RETIRE IN AKWA IBOM STATE

The commitment of pension administrators to meeting pension obligation to the retirees is one major aim of the contributory pension scheme. In Akwa Ibom State, there must be a good and efficient administration of the pension fund to guarantee financial security for the contributors during retirement.

Mullis & Armstrong (1998) assert that pension is the most important employee benefits, financed from regulation contributions by workers to ensure that income for workers and their dependents are guaranteed during retirement. In the view of Mullis and Armstrong (1998), administrators or managements usually provide adequate pension plan for the following reasons:

1. As a way of assuring security to workers.
2. Good pension scheme shows that the management has long term interest of the workers at heart.
3. Good pension scheme helps to attract and retain high quality staff.
4. Pensions are a tax-efficient form of remuneration.

Pension fund administration according to Orifowomo (2006) an issue of great concern with trillions of retired Nigerian workers living in acute poverty. It was sad that retirees went through difficulties at retirement. Afore time the money to pay workers benefits were not available and another time, the pension fund administrators were never available to meet the pension obligation of retirees. This made Orifowomo (2006) to assert that, "with high level of commitment of management to the new scheme no reasonable employee will hesitate to retire when they are due. The old scheme was beset with serious problems. Dalang (2006) states, "that for the sake of keen interest of the employee, gross abuse of pensioners and pension fund benefits which are politically motivated in some cases should be a thing of the past in the new pension scheme if the pension administrators show reasonable level of commitment".

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The contributory pension scheme introduced over a decade ago has assumed a

high degree of prominence in the state civil service. It emerged from the weaknesses of the earlier pension scheme introduced. The faulty assessment of pension liabilities, impulsive increases in pension without comparable funding arrangement, etc were all part of the old pension scheme. These negatively affected motivation to retire by civil servants. The contributory pension scheme, as shown in this study, has been able to address these shortcomings.

The scheme allows the funds' administrators to become more committed, encourages employee fund investment, ensures ease of access to pension benefits and sensitizes civil servants on receivable/potential benefits prior to retirement. This makes the scheme an attractive device for smooth retirement of civil servant.

5.2 Recommendations

1. Fund administrators should maintain their high level of commitment to management of the pension scheme since no reasonable employee will hesitate to retire when they are due.
2. Civil servants should be encouraged to be involved in making of decisions towards the management of the pension scheme since it could facilitate better pension management.
3. Civil servants should be encouraged to see the fund's investment as beneficial compulsory savings for post-retirement activities.
4. Since ease of access to pension benefits is positively linked with motivation to retire, pension fund administrators should put in place appropriate measures to ensure that retired civil servants have access to their funds.

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