Post Retirement and Welfare Challenges in Nigeria: Issues and Prospects

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Abstract

Today, pension management poses a major challenge to government, the active employees and retirees alike, in terms of contribution and payment. The totality of plans, procedures and legal process of separating funds and administering the fund as and when due, to meet the demands of workers on retirement is what makes for meaningful living of retirees. The fund separated and given to these categories of employees in lump sum is gratuity and the one given on installment basis is pension. The inability of organizations to fulfill this obligation to the employees that have used their productive age to serve in various capacities have made life after retirement miserable and undesirable for the affected workers. This study examined the various factors responsible for poor administration of retirement benefit, the pension schemes and its challenges, and identified strategies towards easing the challenges. The study adopted secondary data. It discovered that; government had put in place several pension scheme overtime, employers and employees themselves have part to play at retirement so that employees can look forward to retirement with excitement. It concluded that strict government regulations, retirement planning by both employer and employees will enhance post retirement welfare. It is recommended that government should engage in aggressive orientation of citizens on the need for retirement planning, employers should give employees early notification on retirement date, followed by regular reminder. Employees should embrace savings and investment culture, and desist from lavish lifestyle.

Keywords: Retirement, Pension, Gratuity, Retiree, Employee

Introduction

Retirement has been dreaded by most employees as they advance in age. It connotes loss of income and quality of life to some and others may view it as a movement to solitary life of abandonment by friends and relatives who feels they have little or nothing to offer in terms of finance. Orifowomo (2008), reiterated that news of pensioners slumping and dying after several hours or days on queues at pay offices either for accreditation or payment is a common occurrence across the country. They go through hard times and strenuous processes at an old age before they can access their entitlements at retirement. This has contributed immensely to the hardship experienced by the employees on retirement.

Life after retirement poses great challenge to most employees as they are not prepared due to non regular payment of salaries and wages, low level of income and savings, huge family size, extended family demands and inadequate housing. This explains the plight of most public servants in Nigeria. The quality of life of a retiree depends to a large extent on the level of preparedness while in active service as prompt payment of retirement benefit has been a mirage in the recent past.

Pension programmes are crucial to the welfare of retirees at old age. A major challenge of pension fund management in Nigeria is non-payment or/ands delay in payment of gratuity and pension by the federal and state governments. Pension fund management became a crucial issue with millions of retired Nigerian employees living below poverty level due to neglect after retirement (Orifowomo, 2008).

Conceptual Analysis

Concept of Retirement

Retirement is a necessary phase of life of every employee irrespective of their preparation. This occurs when an employee exits his or her employment permanently (it could be employee or employer influenced). At this point, an employee is entitled to receive retirement benefits ranging from gratuity, pension, etc. It is a mandatory phase of life of employees of private or public organization. It is a period of time whereby an employee's productive activities in an organization and role as a paid employee cease. (Agoro, 2009; Ahmed, 2007; Bassey & Asinya, 2008, Adeniji et al, 2017).

This can be due to poor health status, age or statutory completion of number of years. Civil service decree No. 43 of 1988 puts retirement age at 60years or 35 years in service, which of this comes first. The Retirement Age Harmonization Act of 2012 puts the retirement age of judicial officers and academic staff of tertiary institutions at 70 and 65years respectively due to the notion that "the older, the wiser" (Maji, 2014). This call for effective and efficient management of this type of employees, who had contributed most of their life, time and effort to the achievement of organizational goals and objectives. Thus, it poses a threat when the retiree is not effectively prepared to step into this stage of life. This is one of the reasons for the need for pension administration in order to prepare for the future responsibilities of these type of workers and to have a standard of living reasonably compared to when in active service (Adeniji, et al 2017).

Government of most developing countries, restrict working age of workers so as to guide against ageing labour force while allowing the infusion of young and agile labour in order to enhance efficiency and productivity (Federal Republic of Nigeria Official Gazette, 2004). This is crucial because as worker age increases, his Marginal Physical Productivity of Labour (MPPL) will decline. Thus, keeping such an employee will reduce the profit of an organization and leading to a loss. (Adeniji, 2017).

Gratuity and Pension

At retirement, a retired public servant usually receives certain compensation in form of gratuity and pension. Gratuity is a lump sum payment due to a worker on leaving the service either through withdrawal or retirement, while pension is a periodical payment of sum of annuity. Usually on monthly basis to public servant who exit service after reaching a stipulated age limit, usually 60years or 35years of productive service, (Ezeani, 2001; Ebosele 2001). In other words, gratuity and pension are compensation paid to employees after exiting an employment. These rewards are put in place to guide against sudden sharp drop in the financial capacity and standard of living of employees which would result from stoppage of monthly compensation after disengagement. The gratuity is paid to retirees to enable them to finance any post retirement activities of choice while pension is a replacement of monthly reward the retiree gets while he was still productively engaged (Babasola, 2000).

Pension according to Adams (2015), is the amount paid to an employee by public or private employer after working for a stipulated period due to illness reaching statutory age of retirement. To Ozor (2006), pension is monthly installment payment paid to workers as salary after leaving active service of an organization to ensure their welfare after work life. In the advance and developing economy, old age poverty and uncertainty has been an issue of concern. Pension is a tool for combating it (Casey, 2001; Taiwo, 2014).

To this end, an overview of post retirement challenges on retirees and how the challenges can be minimized is the focus of this work.

Objective of Pension and Gratuity

The major objective is to serve as a social security scheme, which is designed to cater for employee after work life. This will motivate the employee while he or she is still active in service knowing fully that their future is secured financially. (Egbuta, 2001; Fapohunda, 2013; Mohammed, 2013 & Ali, 2014).

According to Pension Reform Act 2004, the objective of pension scheme shall be to:

i. Ensure that every person who worked in either public service of Federation, Federal Capital Territory or Private Sector receives his retirement benefits as and when due:

ii. Assist improvident individuals by ensuring that they serve in order to cater for their livelihood during old age: and

iii. Establish a uniform set of rules, regulations and standards for administration and payments of retirement benefits for the public service of the Federation, Federal Capital Territory and the Private Sector (http:www.pencom.gov.ng/wp-content/uploads/2017/04/Nigeria_PensionReformAct2004.pdf.).

Factors Responsible for Poor Administration of Retirement Benefits

The following are the factors responsible for poor administration of retirement benefits among others:

i. Corruption – corruption is an attitude of deviation from the set rules and agreed norms. Some greedy officials see every position they find themselves as an opportunity to fulfill their selfish interest and immerse wealth through fraudulent means. Corrupt practices of officials at pension offices ranging from over bloating the pension budget, putting ineligible pensioners on the pension payroll, requesting bribe from the retirees for processing their entitlement to other unethical behaviours.
ii. Bureaucratic bottlenecks – bureaucracy makes decision making to be predetermined, thus discouraging the search for alternative solutions to problems. There is too much of unnecessary processes and paper work. Some officials delay unnecessarily so as to induce payoffs.
iii. Inadequate database – most organization do not keep up to date record of employee details. Inadequate employee records keeping can hamper pension administration.
iv. Computation error – inadequate training of employees on pension desk makes them unacquainted with the current scheme and this can result in usage of wrong scheme for pension calculation which may result in delay in gratuity and pension payment when employees attempt to rectify it.

Pension Administration in Nigeria

Pension administration in Nigeria has adopted several Pension Acts over time. it will be divided into three for the purpose of this study:

Pre-Pension Reform Act 2004, Nigeria operated a Defined Benefit pension scheme, which was largely unfunded and non contributory. Under the scheme pension debt accumulated, making the scheme unsustainable majorly as a result of inadequate and untimely budgetary provisions, and increases in salaries and pension. The management of the scheme was very weak, inefficient and less transparent and complex, leading to bureaucratic bottlenecks and high level of corruption (Eme, Uche, &Uche (2014); Adeniji et al, (2017)).

Due to inadequate database for pensioners, huge amount of resources was spent annually on verification exercise which led to untimely and ineffective payment of pension (Chilekezi, (2005); Sterns, (2006) & Oniye, (2011). On the other hand, many private sector employees were not covered by the pension scheme adopted by their employers and many of those schemes were not funded or funded with malpractices between the fund managers and trustees of pension funds marring the administration of the scheme.

The Pension Reform Act 2004 welcomed a contributory pension scheme that is fully funded, managed privately and based on individual account of employees in both public and private sector in Nigeria (National Pension Commission, 2006). Under the Act, the National Pension Commission was established as the sole regulatory and supervisory body for all pension issues in the country. This scheme lasted for 10years. The scheme was bedeviled with pension scams, low level of coverage and non-remittance of pension deductions by organizations.

The Pension Reform Act 2014 was enacted on July 1st 2014. It repealed the Pension Reform Act 2004. The major objective of the reform is to ensure that the contributors collect their entitlements as and when due to assist improvident. While the new Act was an improvement on the previous Reform Act, it has its own shortcomings of ambiguities and inconsistencies within the law (Taiwo, 2014).

Factors that Can Enhance Post Retirement Welfare

Retirement according to Olatunde & Onyinye, (2008) is a movement from one phase of life to the others (i.e. from being productively engaged to being retired). Social issues such as the size of family, polygamy, additional responsibilities of the extended family and inadequate access to medical facilities make planning for retirement unachievable for civil servants with low income and savings (IBTC pension manager, 2008). Garba & Maniman (2014), reiterated that the challenges of retirees in Nigeria include corruption at the pension board, physical disabilities and aging, anxiety about residence for those who have not built a house before this time, societal discrimination and sudden death.

However, planning as a predetermined course of action entails those actions taken before the exit of an employee from active service to make retirement phase pleasurable. Retirement planning is affected by micro factors which an employee can control and macro factors which is beyond control of employee. The micro factors include the size of the family, finance, polygamy, responsibilities to the immediate and extended family, while at the macro level, such factors include the state of the economy, sudden death, societal discrimination, weak and inefficient pension administration system, arbitrary increase in salaries and pension and non existence of legal structure for regulation/ supervision of pension instructions (ayegbaju & Iyefu, 2004; Robolino, 2006; Adebayo, 2010). The following are some of the ways in which employees and employers can adequately prepare for after work life.

i. Savings towards retirement - contributory pension scheme affords employees opportunity to safe retirement. This affects employees whose employer adopted the scheme. Besides, employees can safe individually by opening retirement savings account with commercial banks that offer such package. It is a fixed deposit account that allows employee to safe and withdraw only after retirement.
ii. Investment – employee can invest in bonds and securities. (Okolie & Omenma, 2011; adeniji et al 2017). The proceed of this investment can be used to augment monthly pension. This should be started earlier before retirement approaches.

Employers can enhance retirement life of their employees through:

i. Early notification- employees should be notified five years before retirement and should be followed by yearly reminder until retirement.
ii. Workshop – workshop should be organized for them to orientate them on their health at old age, need for an additional source of income as retirement approaches and the kind of business they can engage in. Business advice should be given to them on regular basis as employees

approach retirement. Those that have not built houses of their own should be advice to do that and how to do it with ease before retirement.

iii. Accurate database for employees should be created.

The government also has a part to play in ensuring that the retirees which forms part of the citizens to be catered for live meaningfully after their productive years. The welfare of the retiree of a country is one of the major duties of government. The government at all levels in Nigeria should be interested in what befalls their citizens after retirement. Government should also put in place very strict regulation to curb pension payment mismanagement.

Through the use of National Orientation Agency and the media organizations. Government should engage in aggressive orientation of citizens on:

i. Investment in children education so that they will be relieved of their burdens at old age.
ii. Avoidance of lavish life styles
iii. Accessing healthcare at old age.

Conclusion

This study has succeeded in explaining the concept of retirement, gratuity and pension, stating the objectives of pension, examining factors responsible for poor administration of retirement benefits, assessing pension administration in Nigeria, and factors that can enhance post retirement welfare.

Retirement is mandatory for every employee irrespective of what type of organization they work for. No matter the amendment that employees have done to their age, retirement will still take its course. The best way to enjoy life after retirement is for the employees, employers and government to prepare and plan towards making retirement years a success.

Recommendations

The following are the recommendation of this study;

i. Employees should save and invest in business of their interest during their productive years in order to cater for their livelihood during the old age as doing this will help them to nurture the business to a stage where the proceed will be coming in before employee retires.
ii. Employers should create accurate database for employees in their organization so as to guide against delay in processing of pension that may result when employees record is inadequate.
iii. Early notification and regular reminder should be provided by employer to employees as their retirement approaches, so as to guide against shock experienced by some employees who are given short notice.
iv. Regular public orientation of citizens on retirement issues by government is encouraged so that citizens will be well informed so as to prepare adequately for old age income sustainability.

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