

A SURVEY OF PENSIONERS' REACTIONS TO THE PUBLIC SERVICE PENSION SCHEME IN EDO STATE

Ehiabhi, Simon Odion

Abstract

The issue discussed in the paper is the result of research findings conducted in September 2002. The paper focuses on the reactions of pensioners to the operation and implementation of the Public Service Pension Scheme, using Edo State pensioners as a case study. Attempt is made to represent, ascertain and analyze the various patterns of reactions using simple percentages. The research demonstrate that pensioners are not happy with the poor and neglected situation they have found themselves and blamed the government for their woes. The study also show that a greater percentage of pensioners are ignorant of the existence of the Public Service Pension Act as they have neither seen, read nor understood its provisions. Some useful recommendations were suggested to improve the operation of the scheme.

Introduction

The Royal Commission assessment on the (British) civil service 1929-31 (The Tomlin Commission) defines the civil servant as "those servants of the Crown, other than the holders of political or judicial offices, who are employed in a civil capacity and whose remuneration is paid wholly and directly out of the monies voted by parliament"(Campbell, 1955:12). This definition suggests that, judicial and political office holders are not civil servants and secondly, only those whose remuneration is paid from monies voted by parliament are civil servants. The definition is limited because the parliament vote monies to pay not only the civil servants but to all categories of workers under the payroll of government, judicial and political office holders inclusive. A civil servant is "someone employed in (he civil service" (Fox, et al, 1995:234), while the civil service is "the government departments that manage the affairs of the country" (Fox, et al, 1995:234). The significance of the civil service to any government in power cannot be over emphasized. In the words of G.A.E. Longe:

successive governments since independence in 1960 have acknowledged that no matter how well meaning and how well articulated the programmes of any government may be, they cannot be successfully implemented without an effective civil service on whose loyalty and commitment depends the translation into action of ministerial decisions. The strength and efficiency of the Civil Service is vital to the success of the government as a whole (Edigin, 1994:28).

Ibrahim Babangida, former Military Head of State of Nigeria made the following remarks about (he civil servant, "they have gone through a lot of turbulence...but they keep on...they are patriots...despite all odds have continued to provide government, and succeeding administration with what it takes to run an administration" (Servcon and Smedcon, 1997:xiii). Normally on retirement from the Nigeria civil service either after spending not less than 10 years in service or attained the age of 60, the civil servant is entitled to receive his lump sum gratuity and monthly stipend from the pension scheme (Decree 102:A781-782). As shall be demonstrated, majority of the number of pensioners who served as our sample did not attain the statutory age of 60 years before they 'retired'.

The promulgation of the Pension Act caption 147 by the colonial regime can be said to be the genesis of organized pension scheme in Nigeria (Inem, 1996). In 1951, the first pension legislation was enacted known as the pension ordinance, which had retrospective effect from January 1, 1946 (Inem, 1996). Details of the policy regulating the pension scheme can be found in the Udoji Commission Report, Pension Decree No 41 of 1972, Decree No 102 of 1979 and official Gazette of 1993 (Olayiwole, 1998:10). The payment of pension in Nigeria is a constitutional obligation of the government to their retirees. Section 173 of the 1999 Constitution of Federal Republic of Nigeria is

concerned with the protection of public service pension rights. Sub-section (1) states:- subject to the provisions of this constitution, the "right of a person in the public service of the Federation to receive pension or gratuity shall be regulated by law, sub-section (2) stipulates that:- Any benefit to which a person is entitled in accordance with or under such law as is referred to in sub-section (1) of this section shall not be withheld or altered to his disadvantage except to such extent as is permissible under any law, including the code of conduct.

For State public service, section 210 secure the protection of pension right and the content of section 210 are not different from that of section 173.

A pensioner is a retired worker who receives regular monthly stipend (pension) from his ex-while employer till death. In the Public Service, the pension scheme is funded out of the Consolidated Revenue Fund of the Federation (Laws of Nigeria, 1990:CAP346). The scheme is operated on the basis of Pay-As-You-Go and it is non-contributory, that is, the retirement entitlement is paid when the worker is leaving the service. Four main types of pension scheme are operated in Nigeria. These are the Unfunded Defined Benefit Scheme for Civil Servants, a Defined Contribution Scheme for employees in the private sector, Insured Scheme and the Self-Administered Scheme, which are fully funded (Olayiwole, 1998:9).

Statement of the Problem

Writing in 1955, Campbell expressed his feelings about the British public service pension scheme as "one of the greatest attractions of the civil service and it is still valuable" (Campbell, 1955:283). The Nigerian governments can only determine how valuable the scheme is for the Nigerian retired civil servant. For some years now, the difficulty of governments both at the Federal and State levels to discharge their constitutional duties on the payment of gratuity and pension to their retirees made the Obasanjo/Atiku regime to set up a Committee to review the civil service pension scheme (Ehiabhi, 2003). The Nigerian Tribune quoted Fola Adeola, Chairman Committee on Pension Reforms that the Federal government is indebted to pensioners up to the tune of one Trillion Naira (*Nigerian Tribune, June 75,2002:3*). Not too long, the office of the Head of Civil Service of the Federation announced that Federal pensioners should make themselves available for physical verification at Lagos and Abuja payment centres (*The Guardian, August 24,2002:18*).

In Edo State, pensioners adopted the use of demonstration and disruption of government activities to register their displeasure over the attitude of the government in not paying their overdue gratuity and pension. The Independent Television reported that pensioners prevented Assembly members from working (ITV Benin, August 26,2002). Reacting to the activities of the pensioners, Matthew Eebadon, former Speaker of Edo State House of Assembly explained that about =N=280,000,000 (two hundred and eighty million Naira) was spent monthly to pay pension. He added that the Assembly had approved the sum of 2.5 billion Naira to pay gratuity and pension and he blamed the Edo State Pension Board for mis-informing the government on the number of pensioners and amount needed to pay them (ITV Benin, August 26,2002). These developments indicate that Nigerian National Pension Scheme needs a review in its operation. Some of the possible problems associated with the operation of the scheme are inadequate pension, irregular reviews of pension scheme, delay in payments, lack of welfare arrangement for pensioners, non-transferability of pension and under funding of the schemes (Olayiwole, 1998:2). It is this unfortunate situation that necessitated this study with the intention of ascertaining the feelings of pensioners to the scheme.

In this research, emphasis would be on the reactions of pensioners to the unfunded defined benefit scheme i.e public pension scheme.

Purpose of the Study

The purpose of the research is basically structured to ascertain the feelings of pensioners to the operations of the public service pension scheme.

Objective of the Study

The fundamental objectives of the study are to determine how best to ameliorate the pension crisis in Nigeria and to sensitize pensioners on the need to acquaint themselves with the provision of the Nigerian

civil service Pension Act.

Methodology

Importance of the Study The importance of the study is aimed at assisting policy makers in the formulation of policies that would best ameliorate the problems associated with pension management in Nigeria. It also reveals the level of ignorance of most pensioners to the existence of the Public Service Pension Act and its constitutional provision. The study shows the negative effect of nonpayment of gratuity and irregular pension on the pensioners. And some useful recommendations were suggested based on the findings from the research.

Population of the Study Seven hundred and sixty-five (765) pensioners in Edo State served as our population of study out of the One thousand (1000) expectedly sampled. Out of 765 respondents, 430 were male while 335 were female; these represent 56% and 44% respectively.

Sampling Technique The simple random sampling technique was adopted in selecting respondents for the study. In all, 1000 respondents were selected.

Data Collection Primary data were collected for the study. The instrument employed in collecting primary data is the use of questionnaire. The questionnaire was designed to contain both open and close-ended questions and was divided into sections. The first section contained the demographic characteristics of the respondents while the second section contain the substantive aspect of the study. **Data Analysis** Data collected were analysed descriptively using simple frequencies and percentages.

Limitation of the Study

The study was fraught with some problems. Finance was one of the major obstacles in the course of carrying out the research. Coupled with the above was the uncooperative attitude of staff of the Edo State Pensions Board, thus making access to necessary information and documents that would have enriched the findings of this research to be limited.

The Area Under Study

Edo State of Nigeria came into existence following the broadcast of General Ibrahim Babaginda on August 27, 1991. The State metamorphosed from the Western Region (1960-63), Mid-Western Region (1963-67), Mid-West State (1967-76), Bendel State (1976-91) and now Edo State. Like other States, Edo State civil service has similar structures and functions as that of the Federal civil service and it is equally regulated by the Federal Public Service Rules. Chapter 2, NO. 02807 of the rules stipulates that; the Pension Act NO. 102 of 1979 and current circulars govern the grant of pension and gratuities to holders of pensionable posts in the Federal public service (Civil Service Rules, 2002). In order to solicit the reactions of pensioners in the State to the public pension scheme the administration of questionnaires was adopted.

Presentation of Data

This section presents the findings from the field. Basically the presentation is done using frequency tables and percentages. Thus, we present the demographic characteristics of respondents.

Value Label	Frequency	Percentage
Male	430	56
Female	335	44
Total	765	100%

Table 1: Sex of Pensioners

Source: Fieldwork, 2002.

The above table shows that 56% of the respondents were men while 44% represents female. A likely reason for this difference may be due to the fact that more males are employed into the Civil Service than females. This corroborates with the findings of Udegbe (Udegbe, 1990:pp71-77). What this implies is that since the male is the head of the family within the Nigerian context, his ability to take care of his dependants will be tasked by many variables that include the regular payment of his monthly pension. Unfortunately, the inability of government to meet up with this demand will surely have a

multiplier effect on pensioners' families.

Table 2: Age of Pensioners

Value Label	Frequency	Percentage
Below 60	483	63
Above 60	282	37
Total	765	100%

Source: Fieldwork, 2002.

Table 2 indicate that 63% are below the age of 60 while those above 60 years represent just 37 %. This means that the bulk of the pensioners are still fairly young and can still get involved in productive economic activities. The non-payment of their retirement benefits can limit and in fact confine them to a static economic status

Table 3: Marital Status

Value Label	Frequency	Percentage
Single	0	0
Married	765	100
Divorced	0	0
Total	765	100%

Source: Fieldwork, 2002.

The above (able shows that all the pensioners are married. This means that they are not only responsible for their upkeep but also that of their families. Where pension is irregular, the effects on the dependants of the pensioners can better be imagined.

Table 4: Length of Service before Retirement

Value Label	Frequency	Percentage
Below 35 years	518	68
At 35 years	247	32
Total	765	100%

Source: Fieldwork, 2002.

The above statistics in Table 4 shows that, the majority of the pensioners did not reach the statutory age of 35 years in service before retirement. This indicates a breach in the fundamental rights of the Nigerian civil servant, Again, if this trend of retirement remains unchecked, government will always be faced with the inability to pay retirement benefits because the more the pensioners, the more the money needed to pay them.

Table 5: Nature of Retirement

Value Label	Frequency	Percentage
Voluntary	320	42
Compulsory	445	58
Total	765	100%

Source: Fieldwork, 2002.

The statistics in Table 5 revealed that 58% of the pensioners were forced into retirement.

Table 6: Has Gratuity Been Paid

Value Label	Frequency	Percentage
Yes	195	25
No	570	75
Total	765	100%

Source: Fieldwork, 2002.

Table 6 indicates that 75 % of pensioners have not been paid their gratuity. While about 25% have received

theirs. Findings from this study shows that some of the pensioners who left the service as late as 1996 received their gratuity, while those who retired from the year 2000 are yet to be paid.

Table 7: Are You on Regular Pension

Value Label	Frequency	Percentage
Yes	0	0.
No	765	100
Total	765	100%

Source: Fieldwork, 2002.

Table 7 indicates that all the respondents to the question agree that their pension is irregular. This situation of irregular pension payment has affected the life style of these pensioners and their responsibilities to their dependants.

Table 8: Do You Understand the Operations of the Pension Act

Value Label	Frequency	Percentage
Yes	115	15
No	650	85
Total	765	100%

Source: Fieldwork, 2002.

Table 8 represents the level of awareness of pensioners about the Pension Act, if they have seen, studied and understood how retirement benefits are calculated. Of the 765 questionnaires retrieved, only 15% understand the operations of the Pension Act and 85% are ignorant of it. This nature of ignorance has often led to conflict between pensioners and management of the Pensions Board (Ehiabhi, 2002).

Table 9: Are You Satisfied with the Scheme

Value Label	Frequency	Percentage
Yes	450	59
No	315	41
Total	765	100%

Source: Fieldwork, 2002.

Table 9 shows a contrary data to that in Table 8. Since most pensioners agreed that they do not know how the pension scheme operates, it should therefore be logical to conclude that they will not be in a position to comment on the scheme. But interestingly, 59% are satisfied with the existence of the scheme while about 41% are not. It indicates therefore, that, despite their ignorance of the Pension Act, they still appreciate the provision of the scheme.

Table 10: Is Government the Problem with the Scheme

Value Label	Frequency	Percentage
Yes	765	100
No	0	0
Total	765	100%

Source; Fieldwork, 2002.

Table 10 reveals that all the respondents agreed that the problem with the scheme lies with government. Here, we may want to comment that in spite of the fact that about 85% of pensioners are ignorant of the operations of the Pension Act (see Table 8), yet they refused to blame themselves as part of the problem. 100% was recorded against the government as the problem of the scheme. It is our belief that, if pensioners understand the operations of the scheme, it would help them to psychologically prepare for retirement.

Table 11: Should the Scheme Be Cancelled

Value Label	Frequency	Percentage
Yes	165	22
No	600	78
Total	765	100%

Source: Fieldwork, 2002.

Table 11 shows that, in spite of the shortcomings of the scheme as indicated by most pensioners, about 78% agreed that the scheme should remain. When we compare the reaction of pensioners in Table 11 to that of Table 9, we will observe some degree of corollary. We can deduce from the above that pensioners are in favour of the scheme but are not happy with the operators.

Table 12: How Is Life In Retirement

Value Label	Frequency	Percentage
Good	80	10
Fair	85	12
Bad	600	78
Total	765	100%

Source: Fieldwork, 2002.

Table 12 gives us an idea of pensioners living conditions after retirement. It shows that 10% believe that life is good while 12% indicate that life is fair. It should be noted that those who represent 10% and 12% respectively retired before the year 2000. 78% who indicated that life is bad represent those who retired as from the year 2000. Some of the likely reasons that could be responsible for the differences in responses are that, gratuities are not paid as well as pensions paid irregularly. Educational background of the respondents may also have been responsible for this great difference. For instance, workers who are not learned are likely to retire on lower cadre, while those with high educational qualifications are likely to retire on higher cadre. This has implication for them at retirement. Fayankinnu (2003), reported that pensioners who retired as high cadre officers considers life after retirement as good while retirees from low cadre consider life as bad. He further reported that low cadre workers are usually more in number than high cadre workers.

Summary of Findings

Majority of the pensioners that served as our population of study was forced into retirement before they completed their mandatory 35 years in service before retirement. As retirees, they are expected to receive gratuity as they disengaged from service and a regular monthly pension. Unfortunately, those who retired from the year 2000 had not been paid their gratuity while the payment of pension is epileptic and irregular. These have some adverse effects on their daily survival as majority of them complained that life was bad for them. Despite the high level of ignorance of the existence of the Pension Act by a majority of the pensioners and the shortcomings in pension management, pensioners still appreciate the existence of the scheme.

Conclusion

The above process of statistically representing the reactions of pensioners using Edo State pensioners as our case study to the pension scheme is to put in figure the different patterns of thoughts towards the scheme. This method has helped us to establish the fact that pensioners still desire the pension scheme but are not happy with the poor and neglecting attitude of government to the scheme.

Recommendations

The following recommendations are inferred from the study of the pension scheme in Edo State.

In order to reduce the impact of paying gratuity and pensions on government resources, the unfunded defined benefit scheme should be revised, in its place the scheme should be contributory. Legislation should be enacted to prevent government from sacking workers when there is no money to pay gratuity and pensions.

Legislation should be passed making it compulsory that a percentage from civil servants monthly salary is saved as fixed deposit in Federal government guaranteed banks. This law must go with a proviso that, neither the government nor the civil servant can transact with the money which should only be released by the banks when the necessary certified retirement documents are tendered before the management of the banks. For example, if a worker saved an average of five thousand Naira (5,000.00) monthly for twenty years before his retirement, he would have been able to save about one million two hundred thousand Naira (1,200,000.00) as his gratuity and pension; $5,000 \text{ monthly} \times 12 \text{ months} \times 20 \text{ years} = 1,200,000.00$

The practice of unduly retrenching civil servants in the name of conserving funds by government is illogical. When a worker is retrenched, government no longer pays him his monthly salary, but will still continue to pay him some monies after his retrenchment. It therefore means that government will continue to pay money as salary to the worker in the service and pensions to the retired worker outside the service, which amount to double expenses. It is therefore cheaper to retain a serving contributory worker and pay salary than to retrench and continue to pay pensions. Regular workshops should be organised to educate serving civil servants on the provision of the Pension Act. This would always serve as a reminder to prepare for retirement.

Therefore, serving civil servants should be re-oriented on the need to plan for retirement through savings in investments so as to reduce the economic effects of non-payment of gratuity and the problem of irregular pension payment. In view of the background presented, Faromaju recommends the following types of investment for an average worker during his/her working years. Bank savings account/deposit account, taking life insurance policies, investment in government bonds, investment in real-assets and investment in shares (Faromaju, 2001:17).

References

- Adodojvy. (2002). Pensioners Prevent Assembly Members from Working. Reported in the Independent Television 7.30 p.m. News in Benin City: Edo State.
- Campbell, G. A.(1955). *The Civil Service in Britain*. Middlesex: Penguin Books Ltd.
- Edigin, L.U. (1994). *The Dynamics of Comparative Public Administration*. Nigeria: Nationwide Publication Bureau.
- Ehiabhi, S.O. (2002). *The Nigerian Civil Service and the Pension Scheme: A Case Study of Edo State, 1991-2002*. Unpublished M.A. Thesis, Submitted to the Department of History, UNIBEN for Assessment, October 2002,
- Ehiabhi, S.O. (2003).The Changing Phases of the Nigerian Civil Service: From the Colonial Era To 1999. In *The Nigerian Journal of Research and Production*, 3: 2.
- Fayankinnu, E.A. (2003). Life After Labour: The Case of Women Retirees From The Nigerian Civil Service In *Knowledge Review*, 6:1, February 2003.
- Farotvqju, T.T, (2001). *Preparing for a Blissful Retirement: The Need to Invest in Shares*. Paper Presented at the Ondo Fourth Quarterly Public Service Lecture for the year 2001. Organized by Office of Establishment and Management Services, Office of The Head of Service. Held on Friday, 23rdNovember, at Ondo State Cultural Centre (Adegbemile) Alagbaka, Akure, Ondo State.

- Federal Republic of Nigeria (1999) Lagos: *Constitution of the Federal Republic of Nigeria 1999* Federal Government Press.
- The Federal Military Government of Nigeria (1979) *Decree No 102 Of 1979*.
- Federal Republic of Nigeria Public Service Rules (Revised to 1st January, 2002)*. Lagos: Federal Government Press.
- Fox, C, Patrick, G., Jackson, T. and O'Shea, S. (eds.), (1995). *Longman Dictionary of Contemporary English the Complete Guide to Written and Spoken English*, New Edition. London: Longman Group Ltd.
- Giwa, Y (2002). FG owes Pensioners N1 trillion. *Nigerian Tribune, Tuesday, 25th June*.
- Inem, I. (1996). *An Overview of Private Sector Pension Scheme in Nigeria*. A Seminar Paper Presented at the Civil Service Pension Workshop, on November 19, at Durbar Hotel Lagos.
- Olayiwole, K. (1998). *Pension Scheme Administration in Nigeria*. Working Paper Presented on August 33, at Development Policy Centre, Ibadan, Nigeria.
- The Guardian*, August 24, 2002. Public Notice From the Office of the Head of Civil Service of the Federation of Nigeria, on Physical Verification of Federal Pensioners for Lagos and Abuja: Payment Centers.
- Servcon and Smedcon (1997) "Nigerian Civil Servant, the best-IBB." Quoted in Olugbemi, S.O. et al. (ed.) *The Nigerian Public Service Journal [The Sustainer]*, 1:1, June/July.
- The Laws of the Federation of Nigeria in Force on the 31st Day of January 1990*. Revised Edition Prepared Under the Authority of the Revised Edition (Laws of the Federation of Nigeria) Decree 1990. Under the Chairmanship of the Honourable Mr. Justice G.B.A. Coker, Retired Justice of the Supreme Court of Nigeria, Volume xix. Printed by the Grosvenor Press (Portsmouth) Limited Kingston Crescent, North End, Portsmouth Po2 8tl for Eyre and Spottiswoode.
- Udegbe, I.B. (1990). Supporting Order Women in Nigeria: Current Issues and Implication *Journal of Issues in Social Sciences*, 1:1, pp.71-77.