

ASSESSMENT OF THE ADMINISTRATIVE CHALLENGES ASSOCIATED WITH NON-CONTRIBUTORY PENSION SCHEME IN EBONYI STATE, NIGERIA

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Abstract

Pension schemes all over the world are confronted with a lot of challenges. In Nigeria, the non-contributory pension scheme faces a lot of administrative challenges since its introduction in 1979. The major challenges are: embezzlement of pension funds, and delay in the payment of retirement benefits to retirees and on time. This study assessed the influence of these challenges in the administration of the scheme in Ebonyi State, Nigeria. Structural Functionalism theory was adopted, and survey design was used. The study took place in Ebonyi State and the study population were pension managers. Questionnaires were administered to 108 respondents, out of which 85 were returned. Data obtained were analysed both quantitatively and qualitatively. The administrative challenges identified by pension managers were; lack of adequate staff (51.8%), lack of biometric data capturing machine (81.2%), too many pensioners on the payroll (57.7%), ghost pensioners (55.3%) and embezzlement of pension funds (54.2%). In-depth interviews revealed inadequate preparations for retirement by pensioners, delay in payment of retirement benefits, embezzlement of pension funds, corrupt practices among pension managers and governments' unwillingness to review pensions as challenges confronting the non-contributory pension scheme. The study therefore recommended upwards review of pensions, adequate preparations of civil servants before retirement, provision of biometric data capturing machines and the prosecution of indicted pension managers.

Key words: Welfare, Pension administration, Systemic corruption.

Background to the Study and Statement of the Problem

The pre-2004 Pension Reform Act refers to Pension Act 102 (PAYG) was signed into law in 1979. The scheme was a failure in the public sector because those in the private sector introduced a contributory scheme that empowered them economically far above their counterparts in the public sector (the civil service) Nwalo. (2007). World Bank(1994) reports that the system failed as a result of output contraction and rising system dependency ratio- the ratio between the population of age 65 and above to the

population of age 15-64, reflecting both the decline in the number of contributors and the growth in the number of pensioners.

Monye (2011) states that as the proportion of the older persons in the total population increases that of the younger population (0-16) decreases indicating higher life expectancy and better living standard for the entire population. From all these, there is the tendency that individuals will live longer than before in all countries. This is attributable to the fact that the world is focusing and recording improvement in peoples' quality of life (standard of living) which, in effect, is manifesting in longer life expectancy.

This agrees with the position of Makama (2011) when he posits that the population of the elderly in Nigeria is, however, expected to grow in future, both in terms of absolute number and the effects of demographic process of mortality and fertility. The Nigerian fertility, according to the Nigerian Demographic and Health Survey (NDHS data NPC, 2008), is showing signs of decline, and for this reason, the elderly population will also increase.

In Nigeria, retired civil servants constitute a great percentage of the elderly population. Pension is the major welfare scheme the society puts in place to weather the storms of old age. Olayiwola (2002) identifies several problems inherent in the Nigerian Pension Scheme. He states that the most critical among them is demographic; arising from the increasing agedness of the working population. A minimal increase in fertility rate of about 6.4 % in 1994 and rising adult life expectancy rate from 39.5years in the 1960s to 51 years in 1990s have combined to produce a rapid increase at the apex of the population pyramid. The proportion of persons entitled to pension is, thus, rising and so is the volume of total pensions required to support these older people who, for a complex mix of social, economic and psychological factors, can no longer support themselves through participation in the labour market hence, this study.

Literature Review

Challenges of Effective Administration of Non-Contributory Pension Scheme in Nigeria

Today, civil service pensioners are confronted with many challenges. These challenges often times hinder smooth pension administration. The daunting challenges range from embezzlement of pension funds, delay of government to pay pensioners, bureaucratic bottlenecks in processing retirement papers, payment of pension funds to individual accounts, fixed deposit accounts and wrong banks, short payment vouchers, privatisation of companies and parastatals, death arising from the exposure of pensioners to adverse weather conditions during screening exercises among others.

- (a) **Embezzlement of pension funds** One major factor against good pension administration is embezzlement of funds meant for payment. In this light, Oviomo (2007) and Ajayi (2008) affirm that the situation of retired civil servants or pensioners is generally very disappointing, sad, pitiable and discouraging as a result of high level of corruption in the system. Abu and Musari (2012) state that Economic and Financial Crimes Commission seized property worth N4.5 billion of

ex-pension boss-Dr. Sani Teidi Shuaibu over pension scam. In the same vein, Musari (2012) says that EFCC would seize assets of 31 persons involved in pension fraud of over N4.56 billion. Still writing on pension frauds, Musari (2012) reports on how a task force on Police Pension exposed N1.1 billion monthly frauds in Police Pension Office. The position of Alli (2012) is not far from this when he observes that detectives at the EFCC interrogated a Federal Permanent Secretary and two others for allegedly stealing N14.3 billion Police Pension cash.

- (b) **Delay of Government to Pay Pensioners** The Vanguard Newspaper also reports that over 15,000 Federal Civil Service Pensioners, residing in Lagos sent a save-our-soul message to the then President Olusegun Obasanjo to effect the payment of 142 per cent increase in pensions. In a statement issued by the Nigerian Union of Pensioners, 2002 the union expressed its concern over the delay members encounter whenever pension rates are reviewed by circular which are never paid until one or two years (Vanguard Newspaper, November 22, page 4). Supporting this position, Onwe (2011) states, my banking Sojourn in four commercial banks had severally brought me face to face with miserable old retirees who crowd the banking halls eagerly waiting for their skimpy monthly pensions. In each case, I could see from the horrible looks on their faces that the money was all they hoped on for survival till the next payment. Some of them I interviewed said they were hopeless as the monies they were being paid was just for the settlement of old debts-the worst of it being that they did not know when the next payment would come.
- (c) **Death of pensioners arising from their exposure to harsh weather conditions:** The Vanguard News paper in August 4, 2005 reveals that three pensioners of the Nigerian Railway Corporation (NRC) died while waiting for their pension arrears of 20 months. The umbrella body of the Nigerian Railway Corporation Pensioners Welfare Association alleged that 3,000 of its members had died since the pension crisis started. Corroborating this view, Adunwoke (2010) states that there is high death toll as a result of the exposure of pensioners to adverse weather conditions.
- (d) **Payment of Pensions Fund to Private Account or in Fixed Deposit Accounts and in Unauthorized Banks** Uwerunonye (2013) states that Police Pension Reform Task Team was accused of looting N197 billion. The implications of the cases cited above show that pension administration, in Nigeria, is driven with frauds which has adverse effect on the life of pensioners and would be pensioners.
- (e) **Privatisation of Companies/Parastatals by Government** The privatisation of government owned companies often has adverse effect on retirees. It exposes them to dangers of losing their pensions. This is the case that confronted the protesting workers and retirees of Delta Steel Company (DSC) when they shut

down production and blocked the main entrance to the company for failure by the Federal Government to pay their entitlements following the sale of the company to Global Infrastructure by Bureau of Public Enterprise (Vanguard of 23rd April, 2003;9).

The lamentations of civil service retirees on the ugly treatment they received from the government they served up to thirty-five years as a result of the ineffectiveness of the old pension scheme in meeting their welfare demands was noted. Soyimbo (2010:3) summarised them as follows;

Tell the President and all these politicians, that this is not the way to treat elderly people... Tell them that they will also grow old and will be treated the way they have treated older people... Tell them that we have served this country with the whole of our youthful life, we deserve some respect... Tell them this pension is our entitlement, not a gift from their personal purses.

Theoretical Framework

Talcott Parsons structural functionalism model is adopted in this work. In the position of Talcott Parsons, every system has four functional imperatives. They are: adaptation (A), goal attainment (G), integration (I), and latency (L) or pattern maintenance. This is known as the AGIL scheme. Each of these imperatives has implications in this study.

Adaptation

The system must cope with the external situational exigencies. It must adapt to its environments and adapt the environment to its needs. By implication, the ability of pensioners to survive in their external environments depends on their access to good accommodation, nutritious food, good clothes for their household, good health services, good education for their household, and their ability to meet up with other social responsibilities and adapt to the pressures in the socio-economic environment.

Goal Attainment

The system must define and achieve its primary goals. The political structures and systems established in the society, in which the civil service is a part have the mandate of setting target goals for the society. These goals are geared towards the maintenance of decent life styles and the dignity of the human person. Government also makes provision for the protection of retirees' welfare through the establishment of the pension scheme with its budgetary allocation to sustain the system. Thus, it is government's responsibility to protect and provide for the dignity of life for both retirees and civil servants. However, it appears that government has failed to achieve these set goals. There is also government's failure in the protection of the dignity of labour. The civil service is, therefore prone to corrupt practices. Government's failure, in this regard, affects pensioners in the fulfillment of their social goals and responsibilities.

Integration

The system must regulate the interrelationship of its component parts. It must also manage the relationship among the other three functional imperatives (A.G.L). Government's failure to protect the fundamental human dignity and other set goals triggers off, among individuals, behaviour which run contrary to social order and social justice. For instance, crimes of varied magnitudes, corruption in the civil service sector, age falsification, and embezzlement of public funds among others are examples of anti-social behavior. Given the fact that the regulatory system is weak and inefficient, it creates room for deviant behaviour to be exhibited.

Latency (Pattern Maintenance)

A system must furnish, maintain, and renew the motivation of individuals and the cultural patterns that create and sustain this motivation. Through education, social norms and values are inculcated into the lives of members of the society. Therefore, among the yet to be civil servants, these inculcated values affect them adversely. Anomic situations are, thus, created. There is deep corruption in the system as a coping strategy for survival. The post retirement life becomes uncomfortable since retirees found it difficult to meet up with the provision of their basic needs. They are deprived access to good welfare provisions which have far reaching influence on their livelihood.

Methodology

This study is survey oriented and the population is made up of all the pension managers who are one hundred and forty nine (**149**) in number. These are the staff of the Department of Pensions under the office of the Head of Service, Ebonyi State. Also inclusive, are the staffs of the Sub-treasury and Audit (all in the ministry of finance).

Sample Size

The sample size for the retirees was drawn from the study population of 4149 using Yaro (1967) formular of:

$$\frac{N}{1+N(e)^2}$$

Where N = total population, 1 = constant and e = error margin.

The sample size was determined using the formular above ie: $149/1+ 149 (0.05 \times 0.05)$
= **108** (72% of the total population of pension administrators).

Sampling Techniques

The total sample for the study was drawn from the pension managers/administrators in Ebonyi State. A multi-stage sampling technique was used to draw the samples. One hundred and eight (108) pension administrators were purposively sampled. In addition, snow balling procedure was used for in-depth interviews on pension union executive, other pensioners and stakeholders in pension administration in Ebonyi State.

Table 1: Selected sample for pension administrators / managers category

S/N	DEPARTMENT/ UNIT	POP.	PROP. OF POP.	% OF POP.	SAMPLE
1.	Sub-treasury	94	0.63	63	68
2.	Department of Pensions, office of the Head of Service	33	0.22	22	24
3.	State Audit	22	0.14	15	16
	TOTAL	149		100 %	108

Methods of Data Collection

Relevant data for this study were generated in two ways: primary and secondary sources. The primary sources of data were questionnaire administration and in-depth interviews. In-depth interviews were conducted on six stakeholders in pension matters. The secondary sources of data were: the information obtained from libraries and documents dealing with civil service and pensions. In addition, works on pensions were generally sourced for and reviewed accordingly.

Data Analysis

Both qualitative and quantitative data were collected for this study. In view of this, the analysis is both qualitative and quantitative in nature.

Results and Discussion

Data generated from the field, through primary research instruments: questionnaire administration and in-depth interviews are presented, analyzed, and discussed. Using the sample size indentified earlier, the questionnaires were distributed to one hundred and eight pension administrators (108). Twenty three (23) copies were rejected because some were not properly filled, while some were not completely filled. The analysis, therefore, was done on eighty five respondents. Also six (6) in-depth interviews were conducted.

Administrative Challenges of the Non-Contributory Pension Scheme

This study was designed to find out the challenges that pension managers' experience in the administration of non-contributory pension scheme. Data generated from the pension managers are presented in table 1.

Table 1: Responses from Pension Administrators on the Challenges Encountered in the Management of the Non-Contributory Pension Scheme

Variable	SD (%)	D (%)	U (%)	A (%)	SA (%)	No resp. (%)	Mean decision	Remarks
Lack of adequate staff	14 (16.5)	12 (14.1)	9 (10.6)	35 (41.2)	9 (10.6)	6 (7.1)	3	Agree
There is no biometric data capturing machines	7 (8.2)	1 (1.2)	5 (5.9)	31 (36.5)	38 (44.7)	3 (3.5)	3.9	Agree
Too many pensioners are on the payroll	3 (3.5)	13 (15.3)	17 (20)	30 (35.3)	19 (22.4)	3 (3.5)	3.4	Agree
Some retirees don't know how to fill data	3 (3.5)	17 (20)	6 (7.1)	47 (55.3)	9 (10.6)	3 (3.5)	3.3	Agree
There are some ghost pensioners	10 (11.8)	5 (5.9)	19 (22.4)	38 (44.7)	9 (10.6)	4 (4.7)	3.2	Agree
Some pensioners are too old to come around	5 (5.9)	8 (9.4)	9 (10.6)	32 (37.6)	28 (32.9)	3 (3.5)	3.7	Agree
Government does not release enough pension funds	7 (8.2)	7 (8.2)	7 (8.2)	32 (42.4)	25 (29.4)	3 (3.5)	3.6	Agree
Most times pension funds are embezzled	10 (11.8)	6 (7.1)	17 (20)	19 (22.4)	27 (31.8)	6 (7.1)	3.3	Agree

(Field survey 2013)

Table 4.0.1 shows 41.2% respondents declared that lack of adequate staff is the major challenge encountered in the management of the old pension scheme while 16.5%disagreed. The calculated mean decision among the respondents which is 3, and is same as the standard mid-value of 3. Also, 44.7% respondents strongly believed that one other challenge is the non-availability of biometric data capturing machines while 1.2% disagreed. The calculated mean decision among the respondents is 3.9, and is more than the standard mid-value of 3. This implies that respondents agreed that one major challenge they face in the administration of the old pension scheme is the non availability of biometric data capturing machines. 35.3% respondents agreed that there are too many pensioners in the payroll while 3.5% strongly disagreed. This result shows that the number of pensioners are much and beyond the capacity of the few available staff to manage. The calculated mean decision among the respondents which is 3.4, and is more than the standard mid-value of 3.

Also, 55.3% respondents contended that some retirees do not fill their data very well and this brings confusion in the system's management while 3.5% strongly disagreed. The calculated mean decision among the respondents is 3.3, and is higher than the standard mid value of 3. This implies that respondents agreed that some retirees find it difficult to fill in their data very well.

In line with available data 40.7% respondents reveal that there are too many ghost pensioners in the payroll while 5.9% respondents disagreed. The implication is that many ghost pensioners are in their payroll which is responsible for the high pension bills recorded in the system. The calculated mean decision among the respondents which is 3.2, and is higher than the standard mid-value of 3.

It is important to note that 55.3% respondents said some retirees are too old to visit pension offices to collect their benefits while 3.5% strongly disagreed. The calculated mean decision among the respondents is 3.7, and is higher than the standard mid-value of 3. This implies that the respondents agreed that some pensioners are too old to go about the rigors inherent in processing their retirement benefits.

In another view, 42.4% respondents are also of the view that government does not release pension funds on time to pay retirees. In this light, 8.2% respondents disagreed. Thus, government non release of pension funds on time could be as a result of high pension bills it bears every month which might be as a result of influx of ghost pensioners in the payroll. The calculated mean decision among the respondents which is 3.6, and is higher than the standard mid-value of 3.

31.8% respondents reveal that pension funds are embezzled while 7.1% respondents disagreed. The calculated mean decision among the respondents which is 3.3, and is higher than the standard mid-value of 3.

Confirming these results, Soyimbo (2010:3) summarised the effect of all these administrative challenges on pensioners as follows;

Tell the President and all these politicians, that this is not the way to treat elderly people... Tell them that they will also grow old and will be treated the way they have treated older people... Tell them that we have served this country with the whole of our youthful life, we deserve some respect... Tell them this pension is our entitlement, not a gift from their personal purses.

Data are also presented on the perception of the respondents on how the administrative challenges, associated with non-contributory pension scheme could be overcome. Table 4.0.2 shows the data.

Table 2: Responses from Pension Administrators on Ways to Overcome Administrative Challenges of the Old Pension Scheme

Variable	Frequency	Percentage
Equip offices with biometric data capturing machines	23	27
To train more staff to know the demands of their jobs	18	21
Employ stringent measures to overcome the administrative flaws	15	18
Change to contributory scheme	15	18
Employ more staff to handle crowd of pensioners	9	10.5
Provide good welfare scheme for pension managers	2	2
Neutral	3	3.5
Total	85	100

(Field survey 2013)

Data in table 4.0.2 shows that 23 or 27% respondents are of the view that one of the measures to adopt in order to overcome administrative challenges is to equip pension managers' offices with biometric data capturing machines. This would ease off the problem they usually encounter in the collection and documentation of retirees bio-data. 18 or 21% respondents are of the view that there is need to train more staff to know the demands of their jobs. In addition, 18% respondents suggested employing stringent measures to ensure that those who flout rules and embezzle pension funds are punished. Similarly, 18% respondents advocated a change from non-contributory pension scheme (the old pension scheme) to contributory pension scheme (the new pension scheme). 10.5% respondents suggested the employment of more staff for effective management of pensioners. Also, 2% respondents opined that there is need to provide good welfare scheme for pension managers in other to boost their morale and preserve civil service rules.

Summary

In this study, results indicate that pension funds are usually tampered with by some stakeholders. This affects the timely release of pensions and gratuities to retirees and it has far reaching consequences on their lives. Result further indicates that the old pension scheme has complex administrative structures which result in many administrative challenges.

Conclusion

This study opened a new chapter in pension administration in Nigeria. Results indicate that several administrative challenges hinder the management of the non-contributory pension scheme. These include inadequate staff, lack of biometric data capturing machines, embezzlement of pension funds by stakeholders of the scheme and so forth.

Recommendations

Drawing from the results of this study, the following recommendations are made:

1. Pension managers who embezzle pension funds should be prosecuted and punished in accordance with the enabling law. This will help to overcome some of the challenges in pension administration; whether contributory or non-contributory pension scheme.
2. There should be the introduction of biometric data capturing machines. This will help to control the influx of ghost pensioners and ease the process and control of pension frauds.
3. The adoption of contributory pension scheme in place of the non-contributory scheme is recommended. This is on the basis that it provides more funds for retirees and it is beneficial to government since funds contributed can be invested.

Contribution to Knowledge

This study contributes to knowledge by providing an added literature to the body of knowledge on pension administration in Nigeria.

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