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Abstract: Corruption, lack of transparency, Poor Public accountability, Delay in payments of pension benefit, the existence of ghost pensioners etc made it imperative for the government to change from Defined Benefit Scheme to Defined Contributory Scheme in order to get rid of the problems and further improve the economy. This study explores the reasons for non implementation of the new scheme in Gombe State of Nigeria. Findings revealed lack of political will, poor level of awareness among the labour union leaders, scepticism as regards the workability of the new scheme. The study therefore recommends a push from the centre (Federal Government) on the state to hasten implementation, creation of awareness campaign by Pension Commission of Nigeria (PENCOM) and Pension Fund Administrators (PFAs), and dealing severely with corruption cases.

1. Introduction

Labour is one of the most fundamental aspects of production in whatever means necessary because every amount of output requires a significant amount of labour. As such, it is very fundamental and necessary for a labourer to receive his reward as at when due in form of salary or wages while in active service and pensions after retirement from active service. Pension is thus describe as a programme meant to improve the living standard of the elderly people who have outlived the labour force group (Bertrand 2003)

Pension issues are a major source of concern in the world that the International labour Organisation (ILO) approved it as a solid security attribute since 1966. It is thus accepted as a right enshrined in the constitutions of most if not all countries of the world. After a critical assessment of pension scheme of various countries, the World Bank on 21st February, 2005, released a new report titled "old age income support in 21st century" the report emphasised the need for change as most pension scheme in the world do not deliver on their social objectives. They create distortions, impose marginalization, old age poverty, post retirement sufferings and ultimately lead to untimely retirement death. As a result different countries of the world especially the less developed countries evolved new policy frame work to reform their pension administration sectors.

Issue of pension’s administration in Nigeria is equally a disturbing phenomenon. According to Akobom, Akphan and Tapang (2012) the problems of the old pension scheme in Nigeria are in the form of Delay in releasing pensions and gratuity, wrong computations of pension benefit, corruptions, and poor accounting procedures. The problem is not peculiar to government employees alone it affects also private employee which makes a general problem. Its administration depends on epileptic budgetary allocations, largely unfunded as a result rendering it vulnerable (Nasir 2008). Fir instance as at August 2003, the Federal Government was owing N841,311,709.74 while State and Local Government were indebted to the Board to the tune of N295,805,158.5 and N2,263,630,679.71 respectively. This implies that if the trend continues the government will not be able to pay salaries. Other problems include gross abuse of pensioners and pension fund benefit which were politically motivated in some cases. Worst case is the situation of a dismissed civil that goes without gratuity and pension benefit. The old pension system is structurally flawed, with fundamental demographic and technological trends coupled with natural ageing process, there is bound to be fewer workers and more pensioners. Which means in a few years to come pension salary might exceed the salary of active workers.

Granting the foregoing, the Nigerian government in 2004 deemed it necessary to alleviate the suffering of retirees by introducing a new contributory pension scheme which was signed into law on 1st July 2014. The contributory pension scheme is a situation where the employers and employee are suppose to pay a certain percentage of the employees monthly earnings to a
retirement savings account from which they would be drawing their pension benefits after retirement. (Okoye ans Odia 2012). The new pension Reform Act (PRA) is quite elaborate in its design feature. The scheme is contributory, fully funded, based on individual accounts that are privately managed by Pension Fund Administrators (PFA) or Close Pension Fund Administrator (CPFA) with the Pension Funds Assets held by Pension Fund Custodians (PFC). It is believed that the PRA will eliminate the problem of delay in payments of benefit, corruptions, ghost workers syndrome, and increase the living standard of employee. Above all the PRA will relieve the government from expenditure burden especially now that the government is in recession with inflation rise to about 18% percent (Sahara reporters 16th June 2016). Another envisage development is a boost in the private sector since the PFA,CPFA and CPA will great jobs opportunities in their organisations, and invest pension funds in the relevant sectors of the economy. The ripple effect will generate positive economic externalities by deepening investment in the financial sector. There is also a sense of accountability and transparency in pension investment since the activities of the PFA,CPFA, and CPA is regulated by Pension Commission of Nigeria (PENCOM).

The problem now is despite the aforementioned problems of the old pension scheme and the advantages of the new pension scheme, a lot of states in Nigeria have not subscribe to it. Only twenty six (26) have enacted the law, eighth (8) have fully implemented the law, ten(10) are yet to enact the law but have drafted their CPS bills, while fifteen (15) are at various stages of roll out. Gombe state, the focus of this research is among the states that have drafted the bill but yet to enact the law (PWC 2016).

Therefore the overall objective of this research is to understand why Gombe States government which is presently owing its retirees about three (3 ) billion naira is yet to enact the law of the new pension scheme? In order to achieve these objectives, the research will seek responses on reasons why the state is lagging behind? Whether the new package is not feasible in the Nigerian context? Or whether it will not improve the welfare of retirees as claimed by the government. Etc.

2. Literature Review

Much attention has been given to pension matters long time ago especially in the advanced countries of the world, in United State of America (USA), after observing a loss of right to pension benefit by persons who transferred from one company to another, the US congress passed a law in 1975 to amend the situation before retirement age by given an employee the right to enjoy pension even if he is not with a particular company at the time of his retirement. Germany made a decisive step in 2004 by introducing the so-called sustainability factor in the pension formula. The factor makes the current value of pension a function of the ratio of pension to contributors in the system. Whereas most of the middle East Countries have not implemented any noteworthy pension Reform in the past due to the nature of political regime, hence unable to finance deficit of their pensions scheme United Nation Research Institute for Social Development (UNRISD 2009).

In Nigeria, the administrations of the pension system metamorphosed through stages as the country evolve through different circumstance of state development. Pension issue first came in to being with 1951 pension ordinance, National Provident Fund Scheme (NPF) of 1961, to Armed Forces Pension Acts No. 103 of 1972 and Act 102 of 1979. Others include Right of judges Act No 5 of 1985, police and other pension agencies under Acts No 75 of 1987, establishment of Local government pension board in 1987, National Social Insurance Trust Fund (NSITF) decree No. 73 of 1993. In 1997 Parastatals were allowed to have individuals pension account arrangement to administer their pension Plan. Then, finally the adoption of Chilean Model in 2004 which was ratified into law on 1st July 2014.

Taiwo, ( 2016) in his article " the Good the Bad and the Ugly" observed that: the objective of the 2014 enactment of pension reform is to ensure that contributors receive their benefit as and when due and assist improvident individuals to save in order to cater for their lively hood during old age.

The article a opined that the good are in the areas of

i. Tax exemption on any interest, profit, dividends, investment and other income accruable to pension funds.

ii. Withdrawal from retirement savings accounts by those who retire before the age of fifty (50) is allowed twenty five percent (25%) of his savings

iii. The latitude of changing of choosing a PFA even if his employees operate a close pension scheme.

Whereas the bad includes the following

i. Poor scope and coverage because it captures organisations that have above fifteen (15) or more employees.

ii. Increase in cost of employment since employers are expected to contribute 10% and 8% by employees.
However, the ugly include

i. Commencement date is not clearly specified in the Act.

Thus the article concluded that unless bad and the ugly are addressed properly employees will be at the disadvantage side.

Imihanlahimi (2011) observed the challenges of the 2004 pension reform in of being monolithic nature of scheme whereas other countries have different options of the scheme available to organisations and individuals. He also noted that the system is also skewed to favour PFAs not employees because the commission for PFAs is constant while the investment for the employees is left at the vagaries of Market Forces as such yield inadequate returns on investment which is not adequate and also contributors receive inadequate information from PFAs due to distance head quarters locations at Abuja or Lagos. He thus concluded that CPS should operate under a strict constitutional provision as regards review of pension salaries every after five years and whenever there is salary increase by the government. Similarly Kabiru (2007) noted the transitional challenges of CPS in the areas of general misconception of the public, widening its coverage to include the private sectors, capacity building PFAs staffs, and quantifying and transferring legacy funds and assets managed by employees’ insurance companies and pension managers. Therefore it is important to get full involvement of State and local Government, and also the need for enrichment and adequate funding of data base by PENCOM (Bologun 2006).

Despite these challenges the CPS has so far fared well in states that have implemented the CPS. For instance Akabom et al (2012) in his article “Nigeria Pension Reforms and Management: New Strategies for Rewarding Past Intellectual Towards Sustainable Development in the Third World” opined that there exist a significant relationship between CPS objectives of ensuring prompt payment of pension salaries by PFA. It has so far inculcated the spirit of savings among the civil servant and also succeeded in removing bottlenecks and corruption in Cross River State. In addition, the industry has grown from zero position to having a subscriber base of over N5.28billion, created an atmosphere of transparency and trust in dealing with stake holders, it has created a robust regulatory framework which has successful guide the affairs of the industry to date, and enhanced the security of pension fund asset by separating the functions of PFA and PFC. (PWC, 2012).

In addition, due asset allocation policies of pension funds, the pension funds have continued to garner performance gains month after months despite the turbulent market, continuous devaluation of naira, unstable crude oil prices and ever increasing inflation(Ayo 2016). Although it is skewed in favour of government and other fixed income securities as such lacks diversification in terms of investment. Whilst there have been many studies on the challenges on the new pension scheme and it successes so far not much has been focused on the understanding the reasons why so many states of the federation are foot dragging on implementing the package in order to relieve the government from incurring future expenditure burden of billions of naira, reduced public sector corruption in the pension industries, and further reduce the suffering of the retired civil servant with regards to delay in payments of benefits and political witch hunt.

3. Methodology

Survey research method was adopted in order to achieve the objectives of the research. Since the study involves large population this approach helps the researcher to find out, describe and explain reasons by drawing generalisation based on the findings from generated data of the population.

a. Research area

The research area covers Gombe state of Nigeria. It is located in the north eastern part of the country shrouded in savannah vegetation with a lot of natural resources. It shares border with Borno, Yobe, Taraba, Adamawa, and Bauchi State. It has a population of around 2,353,000 people as of 2006. Gombe state has 11 local government areas and 14 Emirates/chiefdoms. It has 24 state House of Assembly members, 3 Senators, and 6 six members in the National Assembly. (www.wikipedia 2016)

b. Population of the study

The population of the study constitute the staffs of the state pension Bureau and that of the Local Government Burea . The State Pension Bureau has a total number of twenty (27) Staff while the local government has a total number of fifty (53) staff, as such a population of study of eighty (80) staffs. The choice of the two institutions was made because the staffs of the organisation have a better knowledge of the problem of the study or the research compared to other institutions of the state.

c. Sampling size

From a total population of eighty (80) a sample size of fifty (50) is drawn so as to have a good representation of the study
population. Twenty (20) staffs were selected from the State Bureau and while thirty (30) staff were selected from the local government Bureau.
d. Sampling procedure
A combination of stratified and systematic technique was adopted in both organisation order not to under present or over present the given sampled size.
e. Instrument.
Basically, since the research qualitative in nature the instrument used for data collection is interview questionnaire. The interviews were conducted through the aid of a field assistance who is conversant with the environment. The questions were design in a simple language and open ended format so as to generate ample responses.

4. Discussion of Findings
The interview questions were descriptively analysed based on the following variables
i. Working experience
ii. Awareness of New pension Scheme
iii. Problems of the old pension Scheme
iv. Reasons for non implementation of the new scheme
v. Future challenges of the new scheme.
Out of a total population of eighty only fifty were successfully interviewed, the remaining were however not accessed due to one or two reasons.
Starting with the first variable;
i. Experience: it is to determine the ability of an individual to make judgement base on his level of acquaintance with an issue. It is a proven fact that longer experience produces better idea due to exposure to both theory and practice. As such the research targeted interviewees that have experience of five years and above with the hope of getting quality responses. Therefore all those interviewed were experience to a certain level as far as the problem of pension is concerned in Gombe State. The researcher is certain to get a good response.
ii. Awareness of the new pension scheme: from the interview, virtually everyone is aware of the existence of the new pension scheme in the country because some them go up to the level of mentioning the PFAs in existence as far as Gombe is concerned. In fact to prove that much, some of the staffs in both organisation served as members of a committee for the implementation of the contributory Pension scheme in the State.
iii. Problems of the old pension scheme: when asked on problems they are facing with regards to old pension scheme which is what is obtainable right now in the state, their responses revolves around the issues of; delay in payments of gratuity, non immediate inclusion of pensioners in pension payroll list due to lack of funding by the state, bureaucratic corruption, existence of ghost pensioners, inefficiency of the system etc.
iv. Efficacy of the new scheme in solving the problems: when asked whether the new pension scheme will solve the problems? A sizeable number of the respondence at the top hierarchy offered a positive answer. Although some of them had misgivings in its efficacy. One of the them said it is good in theory, while majority of the respondence at the lower level responded positively. Some even claim to have seen family and friends members collecting their benefits easily without hitches in other states that are subscribed to the new scheme.
v. Reasons for non implementation: the response generated a lot of reasons which falls in the category of; lack of political will of the political executive especially the Governor., low level of consciousness of the labour unions to pressurise the government to implement the policy, bureaucratic corruption (staffs of both organisation benefit directly or indirectly from rot system), and inability to embrace innovation and change.
vi. Possible future challenges: very many of the responded with good understanding of the new scheme expounded a great deal on the issues of lack of coverage because the scheme covers only the formal public and private sector. They observed that it is also monolith in nature in the sense that the whole country operates one package, why not other packages for customers?
Another possible threat is the socio-cultural and religious dimension of it with regards to its nature of investment which deals with interest and insurance in a non Islamic ways. this is bound to create rift in the future as we have seen in the banking industries in Nigeria.

5. Summary of Major Findings
Some of the findings are in agreement with some ascertations of some literature while other findings call for the need to explore the new pension scheme in an innovative dimension.
For instance looking at the problems of the old pension the interview revealed that there were problems of corruptions, delay in payments of pension benefits, existence of ghost worker etc. it is true that corruption prevails in every government level as far as pension is concerned. A case in point is the One Hundred and Ninety Five (195,000,000,000,000) billion Maina pension scam. While In relation to the problem of delay in payment, is because the disbursement of pension funds depends on budgetary provisions for funding making it unsustainable (PWc 2016). Thus making states like Gombe to owe retirees three billion naira (3,000,000,000,000),. It becomes difficult for such states to finance capital project since there is no reduction in wage bills i.e. the bills keep growing as people retiree. Also retirees go through tough times and rigorous processes before they are been paid their pension. For ghost pensioners, it true from the discoveries of recent committee reports on State Civil Service and Pension verification exercise in Gombe. A lot of people could not come forward for the verification exercise. so in summary we can conclude that the old pension scheme i.e Defined Benefit Scheme is bedevilled with myriad of problem that needs to be addressed urgently and in the most appropriate ways to help improve the economy and the welfare of retirees.

Further to the above, interviews on the efficacy of the Defined Contributory pension scheme in solving the problems of the Defined Benefit Scheme alluded to the fact that implementing it will go along away in solving the problems. As such state government workers will want a situation where by they will get free from the entangled web of bureaucratic delay when it comes to the issue of processing their benefits. Also reasons abound as regards non implementation revealed mostly to the irresponsible action of the political executive and also in awareness of the Labour Unions to mobilise and pressurise the government for action. In the light of this Dlakwa (2009) noted that a policy in any nation is a mirror image of the quality of its civil society.

Finally it reveals future challenges in the area of lack of proper coverage because the policy seems to cater for the formal sector of the economy alone. It is also monolithic in nature because the package is uniform all over the country while in other countries like Germany, India workers opt for packages they wish. Further observed the system might suffer a socio-cultural and religious frustration due to it nature of investment policies.

6. Conclusion

The old pension scheme is archaic and no longer effective and efficient in dealing with the problems of government retirees as such the need to change and adapt innovative ways of dealing with the pension issues by embracing the contributory scheme which has benefits to states in the areas of:

i. Possible reduction in wage bill and elimination of ghost workers because workers to be transferred to the new scheme will be validated and registered.

ii. Access to fund for capital project. State with CPS can float infrastructure bonds to access pension funds that can be used for development projects.

iii. Security of pension funds due to transparency and accountability as reflected in the reporting requirement of PFA and PFC to the contributors and regulatory bodies.

iv. Additional income earned as administration fees because state and local government bureaux can earn a maximum of forty naira (N40) fee per state employee RSA on monthly basis.

7. Recommendation

i. The state government should implement the scheme because it will be a relief on its retirees and also on the part of the government with regards to expenditure burden.

ii. The federal government should embark on awareness campaign focusing on labour unions in order to fast track state and local government implementation.

iii. The federal government through the National Pension Commission should redesign the investment policy of PFA in terms of where and how to invest contributors moneys.

iv. The government should deal severely with corruption cases.

v. The government should in the future make it in such a way that there are options of choice on packages because it is monolithic in nature.
8. Reference


12. www.wikipedia.com