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The Perception of the Contributory Pension Scheme Administration by the Staff of University of Benin

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Abstract

This paper x-ray the perception of the staff of University of Benin on the contributory pension scheme administration. The research instruments used in the data collection were structured questionnaire and face to face interview. A sample size of 250 made up of both the academic and non-academic staff were selected from the total

populations of about 5,000 staff. The research findings indicated non-significant relationship between the variable on the hypothesis. They faulted the scheme for lack of transparency and accountability and the life time pension payment as in defined benefit scheme. Based on the finding, appropriate recommendations were made to make the scheme attractive.

Introduction

Pensioners belong to a segment of the population that should be highly revered and cared for due to their age and of course for their long years of labour to build the nation but it is disheartening to see them now suffering neglect at the time they are most vulnerable. An encounter with some of the retirees also reveals the untold hardship that they go through on a daily basis (Ebun, 2012).

According to Edukugho (2012), there is delay in payment of pension which in some cases are not paid as when due. This makes many pensioners to be borrowing until payment is ready. They were also subjected to frequent frustrating verification exercises under the scorching sum. Many have been mentally traumatized and dead while thousand have been separated from their family as a result of their inability to shoulder the financial obligation.

The country had pension deficit of about N2.3 trillion before 2004. This enormous amount became very difficult for the Federal Government to settle as a result of the increase in the pension entitlement thereby leading to the defined benefit pension scheme failure. The Federal Government of Nigeria being aware of the travails of the pensioners came up in the 2004 pension reform Act which ushered in the contributory pension scheme. The pension scheme was put in place to stem the pension management crises that was plaguing the country over the years.

According to Abimbuiye and Obasi (2012), the reform is to ensure prompt payment of retirement benefits, facilitate efficient savings culture among the Nigerians towards old age and the development of simple, transparent and sustainable pension system in the country. In the contributory pension scheme, an employee contributes a percentage of his salary and the employer contributes a percentage for the employee's salary toward the retirement benefit of the employee. The total contribution will be paid by the employer directly to a Pension Assets Custodian (PAC) and will be managed and invested by the Pension Fund Administrator (PFA) of the employee choice. Thus to give the employee immediate ownership of his or her pension benefits (Aibieyi, 2009).

Statement of the Problem

In response to the pensioners' plight, the federal government of Nigeria came up with the 2004 pension reform acts which ushered in the contributory pension scheme thereby dumping the Defined Benefit Pension Scheme. That with the new pension

reform act, the situation of delayed or non-payment of pension entitlement will be curbed.

The new pension scheme was put in place to eradicate the pension management crises that was plaguing the country over the years. Though the introduction was laudable to majority of Nigerians. Surprisingly, the Nigerian Union of Pensioners (NUP) has expressed lack of confidence in the pension reform act and called on the National Assembly to review the law to be, is more responsive to the plight of pensioners. More worrisome is the fact that some corporate organizations and government institutions are threatening to pull out of the scheme.

The pension act stipulates that every worker in both the public and private institutions should be part of the scheme. In spite of this provision, some institutions are not part of the scheme. The army recently pulled out. The judiciary is still operating the old pension system. The popular idea is that whenever government makes any policy, the first place to check if the policy is a good one is the military and judiciary. Hence the question that is readily asked is why the government exempted the two institutions from the scheme. If it is good? According to Ogbinaka (2011) since these strategic government agencies were allowed to run a separate pension system, the academics should not be used as guinea pigs to experiment the workability of the new pension scheme.

Following the outcries of both the Nigerian Labour Congress (NLC) and the Free Trade Union (CFTU) and the generality of the citizens especially the workers, who are the stakeholders, this research intends to ascertain the perception of the staff of the University of Benin towards the contributory pension scheme.

Research Questions

1. Do you agree that the Pension Reform Act 2004 is the right policy by the Government to address the problems of pension Administration in Nigeria?
2. What is the level of acceptability of the contributory pension scheme by the staff of the University of Benin?
3. Do you agree that contributory pension scheme has a positive impact in the productivity/morale of the staff of the University of Benin?
4. How effective are the regulatory organs of the contributory pension scheme?

Hypotheses

The hypotheses formulated for the study are:

(1) H_o - There is no relationship between the contributory pension scheme and the problems of pension administration in Nigeria.

H_R - There is a relationship between the contributory pension scheme and the problems of pension administration in Nigeria.

(2) H_o - There is no relationship between staff of University of Benin and the high level of acceptance of the contributory pension scheme.

H_R - There is a relationship between staff of University of Benin and the high level of acceptance of the contributory pension scheme.

(3) H_o - There is no relationship between the Pensionable Staff of the University of Benin and Productivity due to the positive impact of the contributory pension scheme.

H_R - There is a relationship between the pensionable staff of the University of Benin and productivity due to the positive impact of the contributory pension scheme.

(4) H_o -There is no relationship between the contributory pension scheme and government effective regulatory and control organs.

H_R - There is a relationship between the contributory pension scheme and government effective regulatory and control organs.

Objectives of the Study

The objectives of the study are:

(1) To assess the respective views of the staff of the University of Benin on the contributory pension scheme and the administration of the scheme in the University.

(2) To examine the effects of the contributory pension scheme on the staff of the University of Benin.

(3) To identify the inadequacies of the contributory pension scheme.

(4) To make appropriate recommendations on the management of the scheme in the Universities.

Methodology

Research Design: The research design of this study is a survey based on the use of structured questionnaire. This type of research design has no control over the variables from which the opinions of respondents are elicited. It enables hypotheses to be tested empirically and local conclusion can be generalized from the entire sample used for the study.

Population of the Study: The population of this study consists of the pensionable staff of the University of Benin (Academic and non-Academic). An estimated population of 5000 staff.

Sample Size/Sampling Technique: A total of 250 respondents, representative of the pensionable staff of University of Benin were selected for this study. The quota sampling method was used in selecting the respondents. The academic staff consists of 40 percent while the Non-Academic Staff (NASU, SSANU, NAAT) consists of 60 percent of the respondents. Questionnaires were administered to the respondents. Selected respondents were interviewed to solicit oral information.

Method of Data Collection: The data for the study was by the administration of questionnaire and the interview schedule. The questionnaire comprises of close-ended and open-ended questions.

Sources of Data Collection: The study data were sourced from both primary and secondary methods.

1. Primary Source: The primary source of data collection for the research was based on administration of questionnaires.

2. Secondary Source: The secondary information for this research include the following:

      (i)   Newspapers and Magazines

      (ii)   Books

Techniques of Data Analysis: Data from the questionnaire and interview were collected and analyzed with techniques that enable the hypothesis to be tested and a descriptive analysis was made. In testing the hypothesis, the chi-square (X^2) statistical formula was used. The chi-square computation formula is presented as:

(i) $X^2 = \dfrac{n(ad-bc)^2}{(a+b)(c+d)(a+c)(b+d)}$

Where the a, b, c, d = observed frequencies

(ii) $X^2 = \sum\limits_{1-1}^{n} \dfrac{(fo-fe)^2}{fe}$

Where

    Fo = Observed frequencies

    Fe = Expected frequencies (Ogbeide, 1997).

Where:

X^2 = Chi – square

fo = Observed frequencies

fe = Expected frequencies

The test was made at 20% error or level of significance. If the computed X^2, is less than the critical X^2 the null hypothesis (Ho) is accepted. If otherwise, Ho is rejected while the Research Hypothesis (Hr) is accepted.

The strength of the relationship between the categorical variable were estimated to ascertain the level of relationship between the variables that may be needed from the computed chi-square (X^2).

Data Analysis and Interpretation of Results

The analysis is based on the four hypotheses formulated for this study. The result of the analyses was also discussed extensively.

Hypothesis I: There is no relationship between the contributory pension scheme and the problems of pension administration in Nigeria.

Table I: Test if it is the right policy by Government to address the problems of pension in Nigeria

THE PENSION ACT BEING THE RIGHT POLICY	RESPONDENTS		PERCENTAGE
	Academic	Non - Academic	
Agree	40	60	100
Disagree	52	80	132
Not sure	3	5	8
Total	95	145	240

Source: Field survey, 2015.

Calculation of expected frequencies (fe)

$$X^2 \sum_{1-1}^{n} \frac{(fo - fe)^2}{fe}$$

Degree of Freedom

df = (r -1) (c -1)
= (3 – 1) (2 – 1)
= (2) (1)
= 2.

Research Decision

Calculated X^2 = 0.02
Critical X^2 = 3.22
Alpha (a) = .20
    df   = 2.

Research Result

The calculated X^2 is 0.02 while the critical X^2 is 3.22. The calculated X^2 did not exceed the critical X^2 even at 20% probability sampling error allowed. For the calculated chi-square value, see Appendix (ii). Hr is rejected and Ho is accepted.

Interpretation of Result

Based on the research result, Hr is rejected while Ho is accepted. Meaning, the Staff of the University of Benin disagreed that the 2004 Pension Act is a right policy by the Government to address the problems of pension administration in Nigeria.

Hypothesis 2:   There is no relationship between staff of University of Benin and the high level of acceptance of the contributory pension scheme.

Table 2:   Test the level of the contributory pension scheme acceptance by the staff of the University of Benin

Acceptability of Contributory Pension Scheme	RESPONDENTS		PERCENTAGE
	Academic	Non – Academic	
Higher	44	61	105
Low	50	82	132
Not sure	1	2	3
Total	95	145	240

Source: Field survey, 2015.

Calculated of expected frequency (f)

              n

(ii) $X^2 \Sigma \underline{(fo – fe)^2}$

         1-1   fe

Degree of Freedom

        df = (r -1) (c -1)
          = (3 – 1) (2 – 1)
          = (2) (1)
          = 2.

Research Decision

Calculated X^2 = 0.02
Critical X^2 = 3.22
Alpha (a) = .20
  df   = 2.

Research Result

The calculated X^2 is 0.44 while the critical X^2 is 3.22. The calculated X^2 is less than the critical X^2 even at 20% probability sampling error allowed. The calculated chi-square value is shown in Appendix (ii) Ho is accepted while Hr is rejected.

Interpretation of Result

Based on the research result, we reject Hr and accept Ho. This means that there is low level of acceptance of the Contributory Pension Scheme by the staff of the University of Benin.

Hypothesis 3: There is no relationship between the pensionable staff of the University of Benin and productivity due to the positive impact of the contributory pension scheme.

Table 3: Test the impact of the contributory pension scheme on the productivity of the staff of University of Benin

Positive Impact of Contributory Pension Scheme on Productivity	RESPONDENTS		PERCENTAGE
	Academic	Non - Academic	
Agree	35	45	80
Disagree	50	80	130
Not sure	10	20	30
Total	95	145	240

Source: Field survey, 2015.

Calculated of expected frequencies (fe)

$$X^2 \sum_{1-1}^{n} \frac{(fo - fe)^2}{fe}$$

Degree of Freedom

df = (r -1) (c -1)
  = (3 − 1) (2 − 1)
  = (2) (1)
  = 2.

Research Decision

Calculated $X^2 = 0.02$
Critical $X^2 = 3.22$
Alpha (a) = .20
df   = 2.

Research Result

The calculated X^2 is 1.11 and the critical X^2 is 3.22. The calculated X^2 is less than the critical X^2 even at 20% probability sampling error allowed. The calculated chi-square value is shown in appendix (ii)

Interpretation of Result

From the research result, Hr is rejected while Ho is accepted. This means that the contributory Pension Scheme has no positive impact on the productivity/morale of the staff of University of Benin.

Hypothesis 4: There is no relationship between the contributory scheme and government effective regulatory and control organs

Table 4: Test effectiveness of the regulatory and control organs of the contributory pension scheme

Effectiveness of Regulatory Organs of the Pension Scheme	RESPONDENTS		PERCENTAGE
	Academic	Non - Academic	
Effective	35	45	80
Ineffective	60	100	160
Not sure	-	-	-
Total	95	145	240

Calculated of expected frequencies (fe)

(ii) $X^2 \Sigma \dfrac{(fo - fe)^2}{fe}$

                1-1   fe

Degree of Freedom

    df = (r -1) (c -1)
       = (2 – 1) (2 – 1)
       = (1) (1)

= 1.

Research Decision

Calculated $X^2 = 0.85$
Critical $X^2 = 1.64$
Alpha (a) = .20
df   = 1.

Research Result

The calculated X^2 is 0.85 while the critical X^2 is 1.64. The calculated X^2 did not exceed the critical X^2 even at 20% probability sampling error allowed. The calculated chi-square value, see Appendix (ii).

Interpretation of Result

Based on the research result we reject Hr and accept Ho. This means that the regulatory and control organs of Government for the successful administration of the contributory pension scheme are not effective.

Summary, Conclusion and Recommendation

Summary of Findings

In this study, the four hypotheses formulated and tested shown non-significant relationship between and among the variables. All the research hypotheses were rejected while the null hypotheses were accepted.

The findings of this work have revealed that the staff of University of Benin did not see the 2004 Pension Act (The Contributory Pension Scheme) as a right policy by Government to solve the problems of pension administration in Nigeria. They faulted the scheme for the following reasons:

(i)   Lack of Transparency and Accountability – Since the inception of the policy in 2004 till date, most of the staff of the University of Benin have not receive any information regarding the amount of money deducted from their monthly salaries so far. Most of the workers are kept in darkness by their various Pension fund administrators as they are denied the information to their savings.

(ii) The Contributory Pension Scheme only cater for a part of Pensioner's life as the payment of the pension is for a stipulated time instead of life time as in Defined Benefit Pension Scheme.

(iii) The respondents were also of the view that the monthly pension deduction from their salaries is too high.

(iv) The fear of financial mismanagement by the custodians of the fund.

Conclusion

During the course of this study, it was discovered that the staff of University of Benin have a low level of acceptability of the contributory pension scheme due to non-availability of information of their monthly deductions from their salaries, ineffectiveness of the regulating and controlling organs of the administration of the scheme and the fear of financial mismanagement by those entrusted with the fund management.

Recommendations

The study revealed that the staff of University of Benin have negative perception toward the contributing Pension Scheme and to erase the negative opinion, the following recommendations are put forward.

(1) The monthly deduction of $7^1/_2$ from the employees' salaries should be reduced.

(2) The payment of gratuity and pension should be reversed to that of the Defined Benefit Pension Scheme. That is the payment of gratuity and pension should be throughout the life span of the retiree.

(3) The National Pension Commission Pension should be primarily concerned with the ensuring the safety of savings by the Pension fund administrators and pension fund custodians.

(4) Pension Fund Administrators should be mandated to issue regular statement of accounts to the employees.

(5) The National Pension Commission should be conducting inspections and examination of Pension funds administrators, pension fund custodians and pension department once a year.

(6) The external auditors of PFAs are to be put under obligation to report specific problem to the National Pension Commission (PENCOM).

(7) The license granted can be revoked by the Pension for proven cases of persistent contravention.

(8) The contributory pension scheme should be implemented holistically by Governments (federal, state and local) and private sectors. All institutions, parastatals, armed forces must be involved.

(9) No 1 – 8 should be implemented to encourage the respondents toward high level of acceptability of the scheme or in the alternative a separate pension scheme should be carved out for all Nigeria Universities to be managed by their authorities.

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APPENDIX 1: Critical Values of Chi Square

df	Level of significance for a directional test (One-tailed)					
	.10	.05	.025	.01	.005	.0005
	Level of significance for a non-directional test (Two-tailed)					
	.20	.10	.05	.02	.01	.001
1	1.64	2.71	3.84	5.41	6.64	10.83
2	3.22	4.60	5.99	7.82	9.21	13.82
3	4.64	6.25	7.82	9.84	11.34	16.27
4	5.99	7.78	9.49	11.67	13.28	18.46
5	7.29	9.24	11.07	13.39	15.09	20.52
6	8.56	10.64	12.59	15.03	16.81	22.46
7	9.80	12.02	14.07	16.62	18.48	24.32
8	11.03	13.36	15.51	18.17	20.09	26.12
9	12.24	14.68	16.92	19.68	21.67	27.88
10	13.44	15.99	18.31	21.16	23.21	29.59
11	14.63	17.28	19.68	22.62	24.72	31.26
12	15.81	18.55	21.03	24.05	26.22	32.91
13	16.98	19.81	22.36	25.47	27.69	34.53
14	18.15	21.06	23.68	26.87	29.14	36.12
15	19.31	22.31	25.00	28.26	30.58	37.70
16	20.46	23.54	26.30	29.63	32.00	39.29
17	21.62	24.77	27.59	31.00	33.41	40.75
18	22.76	25.99	28.87	32.35	34.80	42.31
19	23.90	27.20	30.14	33.69	36.19	43.82
20	25.04	28.41	31.41	35.02	37.57	45.32
21	26.17	29.62	32.67	36.34	38.93	46.80
22	27.30	30.81	33.92	37.66	40.29	48.27
23	28.43	32.01	35.17	38.97	41.64	49.73
24	29.55	33.20	36.42	40.27	42.98	51.18
25	30.68	34.38	37.65	41.57	44.31	52.62
26	31.80	35.56	38.88	42.86	45.64	54.05
27	32.91	36.74	40.11	44.14	46.96	55.48
28	34.03	37.92	41.34	45.42	48.28	56.89
29	35.14	39.09	42.69	46.69	49.59	58.30
30	36.25	40.26	43.77	47.96	50.89	59.70
32	38.47	42.59	46.19	50.49	53.49	62.49
34	40.68	44.90	48.60	53.00	56.06	65.25
36	42.88	47.21	51.00	55.49	58.62	67.99
38	45.08	49.51	53.38	57.97	61.16	70.70
40	47.27	51.81	55.76	60.44	63.69	73.40
44	51.64	56.37	60.48	65.34	68.71	78.75
48	55.99	60.91	65.17	70.20	73.68	84.04
52	60.33	65.42	69.83	75.02	78.62	89.27
56	64.66	69.92	74.47	79.82	83.51	94.46
60	68.97	74.40	79.08	84.58	88.38	99.61

Source: McCall, R.B. (1986): *Fundamental statistics for behavioural science*. Fourth Edition. New York: Harcourt Brace Joanvich Publishers p. 395.

APPENDIX II

COMPUTATION OF X²

Table 1:

RESPONDENTS	RESPONDENTS		PERCENTAGE
	Academic	**Non - Academic**	
Agree	40	60	100
Disagree	52	80	132
Not sure	3	5	8
Total	95	145	240

Calculation of expected frequencies cell:

(a) = (100 x 95)/240 = 39.58

(b) = (100 x 145)/240 = 60.41

(c) = (132 x 95)/240 = 52.25

(d) = (132 x 145)/240 = 79.95

(f) = (8 x 95)/240 = 3.16

(e) = (8 x 145)/240 = 4.83

Calculation of chi-square

Cell	Fo	Fe	fo-fe	(fo-fe)$^{2/}$	(fo-fe)^2/fe
a	40	39.58	0.42	0.17	0.004
b	60	60.41	-0.41	0.16	0.002
c	52	52.25	-0.25	0.06	0.001
d	80	79.75	0.25	0.06	0.001
e	3	3.16	-0.16	0.02	0.008
f	5	4.83	0.17	0.02	0.005

$X^2 = 0.027$

Approx. $X^2 = 0-.02$

Degree of Freedom

$$df = (r - 1) (c - 1)$$
$$= (3 -1) (2 - 1)$$
$$= 2 \times 1$$
$$= 2.$$

Research Decision

Calculated $X^2 = 0.02$
Critical $X^2 = 3.32$
  df = 2
  (a) = .20

Interpretation of Result

Data are not statistically significant since calculated X^2 (0.02) is smaller than critical X^2 (3.22) even at 20% sampling error allowed. We accept Ho and reject Hr. This implies that the staff of University of Benin disagree that the 2004 Pension Act is a right policy by the Government to address the problems of Pension Administration in Nigeria.

Table 2:

RESPONDENTS	RESPONDENTS		PERCENTAGE
	Academic	**Non - Academic**	
High	44	61	103
Low	50	82	132
Not sure	1	2	8
Total	95	145	240

Calculation of expected frequencies cell:

(a) = (105 x 95)/240   =   41.56

(b) = (105 x 145)/240   =   63.43

(c) = (132 x 95)/240   =   52.25

(d) = (132 x 145)/240   =   79.75

(e) = (3 x 95)/240   =   1.18

(f) = (3 x 145)/240   =   1.81

Calculation of chi-square

Cell	Fo	Fe	fo-fe	$(fo-fe)^{2/}$	$(fo-fe)^2/fe$
a	44	41.56	2.44	5.95	0.14
b	61	63.43	-2.43	5.90	0.09
c	50	52.25	2.25	5.06	0.09
d	82	79.75	2.75	7.56	0.09
e	1	1.18	-0.18	0.03	0.02
f	2	1.81	-0.19	0.03	0.01

$X^2 = 0.44$

Approx. $X^2 = 0-.02$

Degree of Freedom

$$df = (r - 1) (c - 1)$$
$$= (3 -1) (2 - 1)$$
$$= 2 \times 1$$
$$= 2.$$

Research Decision

Calculated $X^2 = 0.44$
Critical $X^2 = 3.22$
$df = 4$
(a) $= .20$

Interpretation of Result

Data are not statistically significant since calculated X^2 (0.44) did not exceed critical X^2 (3.22) even at 20% sampling error allowed. The Hr is rejected while Ho is accepted. This means that there is low level of acceptance of the contributory pension scheme by the staff of the University of Benin.

Table 3:

RESPONDENTS	RESPONDENTS		PERCENTAGE
	Academic	Non - Academic	
Agree	35	45	80
Disagree	50	80	130
Not sure	10	20	30
Total	95	145	240

Calculation of expected frequencies cell:

(a)   = (80 x 95)/240   =   31.66

(b)   = (80 x 145)/240   =   48.33

(c)   = (130 x 95)/240   =   51.45

(d)   = (130 x 145)/240 =   78.54

(e)   = (30 x 95)/240   =   11.87

(f)   = (30 x 145)/240   =   18.12

Calculation of chi-square

Cell	Fo	Fe	fo-fe	$(fo-fe)^{2/}$	$(fo-fe)^2/fe$
a	35	31.66	3.34	11.15	0.35
b	45	48.33	3.33	11.08	0.22
c	50	51.45	-1.45	2.10	0.04
d	80	78.54	1.46	2.13	0.02
e	10	11.87	1.87	3.49	0.28
f	20	18. 12	1.88	3.52	0.19

$$X^2 = 1.11$$

Degree of Freedom

$$df = (r - 1)(c - 1)$$
$$= (3 - 1)(2 - 1)$$
$$= 2 \times 1$$
$$= 2.$$

Research Decision

Calculated $X^2 = 1.11$
Critical $X^2 = 3.22$
(a) = .20
df = 4

Interpretation of Result

Ho is accepted and Hr is rejected as data are not statistically significant. The calculated X^2 (1.11) is smaller than the critical X^2 (3.20) even at 20% sampling error allowed. This implies that the contributory pension scheme has no positive impact on the productivity/morale of the staff of the University of Benin.

Table 4:

RESPONDENTS	RESPONDENTS		PERCENTAGE
	Academic	Non - Academic	
Effective	35	45	80
Ineffective	60	100	160
Not sure	-	-	-
Total	95	145	240

(a) = (80 x 95)/240   =   31.66
(b) = (80 x 145)/240   =   48.33
(c) = (160 x 95)/240   =   63.33
(d) = (160 x 145)/240   =   96.96

Calculation of Chi-square

Cell	Fo	Fe	fo-fe	$(fo-fe)^{2/}$	$(fo-fe)^2/fe$
a	35	31.66	3.34	11.15	0.35
b	45	48.33	-3.33	11.08	0.22
c	60	63.33	-3.33	11.08	0.17
d	100	99.66	3.34	11.15	0.11
					0.85

Degree of Freedom

$$df = (r – 1) (c – 1)$$
$$= (2 -1) (2 – 1)$$
$$= (1 \times 1)$$
$$= 1$$

Research Decision

Calculated $X^2 = 0.85$
Critical $X^2 = 1.64$
(a) = .20
df = 2

Interpretation of Result

Hr is rejected while Ho is accepted. The calculated X^2 (0.85) did not exceed critical X^2 (1.64) even at 20% probability sampling error allowed. This implies that there is no effective regulatory and control organs of Government for the successful administration of the contributory pension scheme.