

PENSION PAYMENT IN NIGERIA: CHALLENGES AND ETHICAL IMPLICATIONS

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ABSTRACT

Pension is the payment intended to sustain a worker after service life. It is made of deductions from the workers' wages while at work. Successive administrations at all levels of government in Nigeria have found it difficult, and to a large extent, impossible to pay retirees their pension. This challenge has so far defied all the feeble attempts made to tackle it due to several reasons. Consequently, a great number of Nigerian senior citizens languish in penury and a lot of them have been sent to their untimely graves. This situation has made retirement a nightmarish concept in the public service lexicon of Nigeria. This paper analyzed both the historical, socio-economic and ethical angles of the subject matter through the use of primary and secondary sources of information. This paper found out that it is unethical not to pay pension because the labourer deserves his/her wages. Among others, corruption and lack of diligent enforcement of rules are the root causes of the problem. To mitigate and eventually solve this problem, this paper recommended for a better pay for workers and a more diligent enforcement of applicable laws. There is an urgent need for a thorough reform of the sector.

Keywords: Pension, Retirees' challenges, Social security, Contributory pension scheme.

INTRODUCTION

At a certain point in time an employee would have to retire from active service. Retirement could be a function of age, length of service and health considerations. It marks the official withdrawal from service as stipulated by law. It is only after official retirement that the issue of pension comes into play. Pension is a monetary remuneration given to a retiree after disengagement from service. However, Nigerian pensioners have suffered severe deprivations due to the failure of their respective organizations to pay them. While a few lucky ones are owed only a few months arrears, the rest have not been paid for several years. In some states, laws were made to permanently deny pensioners of their legitimate income. This paper interrogates the issue of delay and non-payment of pension in Nigeria with a view to highlighting the causes, the ethical implications of the malaise and to proffer some solutions.

Pension has been variously defined. Oxford Advanced Learners Dictionary (2010) says it is "an amount of money paid regularly, by a government or company to somebody who is considered to be too old or too sick to work". This definition is germane as it puts a stress on the regularity of the payment. However, a pensioner may not necessarily be too old or too sick to work. Another perspective conceives pension as a form of income maintenance which acts as a social security or a kind of social protection measure. Furthermore, pension constitutes one of the mainstream government domestic issues involved in the public policy process.

Ethics has been described as the study of the science of human conduct with a view to determining what is good and right and what is bad and therefore wrong. Every human activity possesses a certain level of ethical relevance. Ethics acts as a form of guide to enable human

beings act within established limits of freedom. Eze (1997) says an ethical consideration examines human actions to know how they reflect to human good. Although much has been written about the challenges of pension payment in Nigeria, the ethical perspective seems to have received trite attention. This is the lacuna that necessitated this paper. It is hope that it will provoke more deliberative action on the part of those concerned.

THE IDEA OF PENSION

Prior to the Industrial Revolution in Europe, people engaged in substance farming and worked for a daily pay. Whoever can no longer work due to sickness or old age was left to his/her fate. Many of such people encountered severe hardship and faced imminent death due to lack of resources. The pension plan was conceived to fill this terrible vacuum. Pension is a futuristic plan by an employer to pay employees a stipulated amount of money after disengagement from service either due to age or length of service (Allwell, 2010). It is designed to ensure that retired employees are appreciated for their faithful services and to guarantee them reasonable levels of life after leaving paid work. Mboti (2002) corroborates the above assertion by emphasizing that retirees need to boost their purchasing power and also receive adequate medical attention. Old retirees are usually confronted with age-related health challenges such as arthritis, pain and loss of strength among others. If such people lack regular sources of income, they face a sorrowful future.

Hill (2009) avers that pension is a social protection policy aimed at income stabilization. He stresses its importance with reference to the fact that some countries prioritized it for certain classes of workers even before regularized income provisions were made. Hill concludes that pension involves an element of forced savings income maintenance system aimed at responding to such issues as old age, sickness, disability and several other contingencies.

Hooymann and Kiyat (1996) posit that pension was never conceived as a measure to provide adequate income to a retiree. Rather, it was to act as a basic protection measure and a first level of support to a retiree. Ogletton (2010) agrees with Hooymann and Kiyat. He argues that retirees easily become vulnerable to income changes and social exclusion making them incapable of actively participating in economic activities. The above factors affect their self-confidence and increase their levels of dependence. Without pension, this situation degenerates inexorably.

Continuing in the same line of thought, Jhingan (2013) avers that pension being a form of social welfare must be properly monetized for it to be effective. He aligns with Pigiou's (2015) submission that for pension to be effective, it must 'be brought directly or indirectly into relation with the measuring rod of money'. Jhingan insists that since social welfare is regarded as the summation of all individual welfares in a society, its effectiveness can only be measured in relationship to the extent it addresses individual needs. In accord with Jhingan, Schiller (2004) views pension as unarguably, the largest income transfer program in social security. To him, the importance of pension far weighs in favour of the aged retirees who in its absence could languish in severe poverty.

Pension has also been seen as an integral part of social and economic justice. As a theory of justice (Rawls, 1971), pension strives to achieve the greatest benefit to the least advantaged, especially the aged and the sick.

CONCEPTUALIZING THE COGNITIVE VALUE OF PENSION

All over the world, pension has become an essential part of the rule governing the workforce, especially the public service. The need for pension cannot be over-emphasized given its social, economic and physical importance in the society.

Pension is made up of a part of a worker's emoluments which are deducted at source on a monthly basis. It is, therefore, a right—being part of the pensioner's money that had accrued over the period of service years. Perceived from this angle, some have argued that to deny such a worker of pension is tantamount to stealing. Stealing is a punishable offence under Nigerian legal code.

More often than not, retirees are people who have advanced in age and may not be in the best physical and mental health to undertake any productive work. The retirement age for most public servants in Nigeria is sixty years. It is only the teachers in the higher institutions of learning, and until recently, the primary and secondary school teachers, who retire at sixty five or seventy years as the case may be. At such an age, one has unarguably passed the most productive years of life. Also, it is at this time of life that some age-related ailments begin to manifest thereby complicating the already complex situation. Without pension, the fate of some of these retirees is likely to become "harsh, brutish and short" (Hobbes). For several reasons—including the unstable economic and political environment in Nigeria—most employees are unable to make adequate saving for the future. Poor remunerations are common features of the Nigerian workplace. The Nigerian national minimum wage is ₦ 30,000 following the approval of the demand of the Nigerian Labour Congress (NLC) for increased wages by the Federal Government in 2019. This amount is barely a survival wage for any worker for a whole month. The present economic challenges resulting from the removal of petrol subsidy and the floating of the naira have exacerbated the trauma being faced by pensioners. Consequently, labour unions are making demands for an upward review of the minimum wage. It is only when a worker has enough disposable income for basic needs that savings can make sense. There have been a lot of policy summersaults from the Nigerian government over the years. These economic and political instabilities make savings difficult, if not impossible for the Nigerian worker. The administration of Mohamadu Buhari from 2015 to 2023 has been accused of being nonchalant to the plight of workers and pensioners as its policies impoverished more Nigerians.

Furthermore, some people are not good financial managers. There are several instances where employees exceed the limits of their salaries even before the end of the month. Sadly, when salaries come, they are severely mutilated through numerous inexplicable deductions. This has further compounded the dilemma of the average Nigerian public servant, in particular, and makes financial planning nonsensical. Such people are almost always in debt and cannot make ends meet. Since savings are constituted by what is left unspent, such persons lack what to fall back on when they retire from service. Thus, without pension, life for them can only be imagined.

As earlier adumbrated, the Nigerian worker is, perhaps, among the most poorly remunerated in the whole world. Nigerians are paid peanuts as salaries. This makes savings difficult, if not impossible. It was only in April 2019 that the government approved a national minimum wage of ₦30,000 (about 60% increments) for workers. Prior to this time, the minimum wage was ₦18,000 per month (Nigeria Minimum Wage Act, 2019). Despite the approval of ₦30,000 as minimum wage for the Nigerian worker only an egligible number of them have received the

new salary several years after. It is doubtful if governments at all levels and private sector will implement whatever will be the outcome of the present negotiations between the labour unions and the government, as the labour unions agitate for the increase the national minimum wage to ₦70,000. The exchange rate of a dollar to the Nigerian naira is about ₦1,600. At this rate, the newly proposed minimum wage will still amount to less than \$60 for a whole month. The implication of the above scenario is that many people do not have enough to cater for the basic needs of life and thus are left with nothing to save for the future. The severity of this fact is made even more poignant by the observation of Hubbard and Obrien (2013) that one of the common traits of the average citizen is the reluctance to save money.

Pension serves as a modest way to appreciate a retiree for the services he/she rendered to the organization throughout the time of the Retiree's service life. This assures the people concerned that their useful contributions while in service have not been forgotten. Consequent upon the above, those who are still in service are encouraged to put in their best in view of the fact that they will continue to be appreciated even long after leaving office.

PENSION AS RIGHT, NOT A PRIVILEGE

This aspect could be approached from two broad perspectives, the old and the modern. At the inception of the Industrial Revolution which gave birth to pension, it was largely considered as a privilege which the employers of labour gave to the retired employees as a compassionate gift. It was not codified because what would be paid was totally dependent upon the whims and caprices of the employer. Consequently, the "pension" was largely a privilege.

However, modern day pension is the right of any pensionable employee. Pension laws have been codified and enacted by the appropriate arm of government. The provisions of the law are not negotiable as it stipulates some penalties for any breach. The pension reform Act (2004) of Nigeria introduced the contributory pension scheme whereby a part of the monthly earning of a worker is deducted as part of his/her contribution to a future pension. It is within the above context that pension has become a right and not a privilege. From another conceptual angle, pension is the right of the worker regardless of whatever amount of salary he/she had received during service life. The argument is hinged on the fact that no salary could be commensurate with the contributions of an employee in a workplace. Every worker, it is believed, is always underpaid, and in view of that, is entitled to a pension.

PROBLEMS OF PENSION PAYMENT

The average Nigerian pensioner has virtually become an endangered species because of nonpayment of his/her monthly pension. The federal government and the various state governments have found it extremely difficult to fulfill their monthly obligations to individual pensioners. And when pensions are paid, they often come in fits and in starts. Some states owe their pensioners arrears that run into several years. Here below are some of the factors militating against the prompt and regular payment of pensions in Nigeria:

Corruption, perhaps, is the greatest social evil prevalent in Nigeria. The pensions sector is not spared from the corruption monster. In 2016, the director of pension in the office of the head of service of the Federation, Alhaji S. S. Teidi was alledged to have stolen ₦3 billion pension money. About ₦23.1 billion belonging to the police pension fund went missing and Mr. John Yusuf and his collaborators were tried and convicted for the crime. Similarly, the former chairman of the Pension Reform Task Team (PRTT), Alhaji M. Maina, is undergoing trial for

embezzling several billions of naira belonging to the organization. These are the notable ones but it is widely believed that more corrupt activities are carried out in that area.

The Pension Fund Administrators (PFAs) in whose hands the huge pension resources are entrusted seems to lack adequate capacity to manage pension funds. These funds are usually invested in government bonds and other safe but low yielding schemes. This deprives pensioners of huge returns on investment. According to the National Bureau of Statistics (NBS), Nigeria has about 69 million workers but only about 7 million have retirement savings accounts (RSAs). This poor savings culture affects the amount of funds available to the PFAs. Contrarily, about 50% of employees in the USA and UK respectively, have retirement savings accounts. This challenge is largely attributable to the low level of awareness and education concerning pension matters.

There is also the problem of non-remittance of pension deductions by some establishments, including government owned institutions. It was reported that the Pension Commission (Pencom) imposed and collected about ₦7 billion penalties from certain employers for non-remittance in 2018. This is in accordance with the 2% penalty as stipulated by the law.

Small and medium scale business establishments have resisted and restrained their workers from following any kind of retirement plan. This is contrary to the pension laws of the country which says any organization with 15 workers is expected to join in a contributory pension plan (PRA, 2014).

Furthermore, Hill (2009) had contended that part of the problem bedeviling the payment of pension in several parts of the world is that most pension laws were made during a period when life expectancy was lower than what obtains today. According to him, rising settlement of entitlements as fresh retirees join the long queue puts so much pressure on available pension funds. Perhaps, this is one of the main reasons for which the contributory pension scheme came into operation.

ETHICAL IMPLICATIONS OF NON-PAYMENT OF PENSION

The ethical implications of non-payment of pensions to retirees are not farfetched and can be fairly deduced from the angles already addressed by this paper.

1. **High sense of indignation:** Pension serves as a way of expressing appreciation for the years the retiree offered in service and when it is not being paid, it generates a high sense of indignation in the mind of the retiree. He/she wonders if the services provided over the years were indeed worth the effort and the sacrifices. This corroborates the assertion of Bond (1997) that the society rewards, usually, the present and not the past. Concomitant with the above is the fact that pension encourages those who are still in service to put in their best, cognizant of the fact that their contributions shall be well appreciated on retirement. When this expectation is not fulfilled, it tends to breed a lackadaisical attitude to work. Some people see it in local Nigerian parlance as “monkey dey work, baboon dey chop”.
2. **Encouragement of fraudulent conduct:** The sufferings which befall retirees as a result of non-payment of pension usually encourage some workers to get involved in fraudulent conduct. A large portion of the fraud that occur in different places of work is traceable to the attempt by some employees to gather as much as possible from their various organizations since they are most likely to die in penury after retirement. The

objective here is to “draw” your own pension plan and equally “collect” it while in service.

3. **Age falsification and alteration of records:** This is one of the prominent and common issues related to non-payment of pension. Many workers out of fear of an uncertain future after retirement falsify their ages as an alternative so that they can spend more time in service and avoid, at least for a time, the drudgeries that come with retirement in Nigeria. Others alter their service records to bring forward their years of resumption of duty.
4. **Untimely death of retirees:** It is common for retirees to take ill and die not long after disengaging from work. This syndrome is easily attributable to nonavailability of funds to take care of their basic needs. Such needs include proper medication for those who are sick, good housing, food and other family related issues. Inability to address such needs often lead to avoidable untimely death. Elderly retirees who hardly receive pension have been subjected to all forms of deprivations, especially those who have no children or relatives capable of caring for them. Oluwabamide (2007) aptly captures this situation while arguing that most aged retirees in Africa are poor and cannot cater for themselves. The dilemma of the aged retiree is aggravated by the breakdown of the much cherished African culture of care for the elderly and the spirit of communalism.
5. **Contradiction of divine injunction:** The Holy Bible (Jer. 22: 13) expressly states that the worker deserves his or her wages, therefore, whoever withholds the wages is already in breach of divine injunction. Pension is constituted by a portion of a worker’s monthly pay and for that reason belongs, unconditionally, to the retiree. Consequently, there could be no acceptable reasons for retirees not to be paid their entitlements. As earlier adumbrated, pension is a right and not a privilege that could be negotiated. Unfortunately, certain state governments have made laws designed to short-change pensioners.
6. **Corruption:** Corrupt practices in the pension sector seem to suggest that the younger generations which are still in service are desperately stealing the savings made by their elders. This unconscionable action presents a case of double jeopardy where those in service and therefore receive regular salaries are depriving retired and often tired and old workers of their due entitlements.
7. **Erosion of trust in government:** The inability or outright unwillingness by the government to abide by the pension laws which it freely enacted makes the ordinary citizen to lose confidence in the ability of the government to protect him/her. The general implication of this development is that people easily resort to self-help with its dire consequences.
8. **Crime:** Retirees who have young children, especially those who are still in school, can no longer afford school fees and sundry needs because their pensions are unpaid. This exposes the children to all sorts of criminal tendencies. Furthermore, a retiree who can no longer make basic provisions for his/her family easily loses self-esteem and the dependants often consider them as disposable liabilities. The Bible alludes to this (I Timothy 5:8).

RECOMMENDATIONS AND PROGNOSIS FOR ACTION

1. **Proper supervision:** A thorough and efficient supervisory system should be put in place to ensure that the rules and regulations guiding all pension matters are strictly

followed. It is not enough to make laws, it is more important to enforce such laws. Nigerian public officers easily over-reach themselves and break laws with impunity.

2. **Punishment of offenders:** Following from the preceding point, it is necessary to visit the full sanctions of the law on any confirmed offender. This will act as a deterrent to others with similar intentions. When people in breach of the law are not swiftly punished or in extreme cases, not punished at all, criminals are more emboldened to wreck havoc on law abiding citizens.
3. **Use of technology:** Developments in science and technology have made it easier to computerize pensioners and their monthly benefits. Diligent application of technology will make it difficult for fraudulent persons to manipulate the system for their selfish interest. It will also curtail the seemingly endless verification exercises with its attendant implications and challenges.
4. **More stringent law against non-remittance of deductions:** Pension laws should be tightened, especially, with regard to non-remittance of deductions by MDAs and other corporate bodies. The current 2% penalty seems not be enough encouragement for them to remit their pension deductions to Pencom. Also, any reluctance on the part of employers to remit deductions and subsequent failure of Pencom to wield the big stick should be criminalized.
5. **Capacity building for Pencom and other pension managers:** The inability of pension fund administrators (PFA's) to invest in high yielding ventures could be traced, largely to a lack of capacity. These organizations must be run like the business venture which they are. Capable business-minded people should be recruited to fill this gap and the civil service oriented ones should be retrained so as to equip them to fit into the new paradigm. In many countries, pension funds constitute the main source of funding groups and therefore, control the capital exchanges where they operate (Nawal and Noura, 2020).

CONCLUSION

This paper has perused the issue of non-payment of pension in Nigeria and concludes that it is unethical not to pay retirees their due benefits. Most pensioners are elderly people and are prone to a lot of vulnerabilities. Emphasis on the youth for the realization of economic goals and the erosion of the extended family system for which Africa was known has made life unbearable for retirees. Non-payment of pension could simply imply a death sentence. Therefore, those who engage in any organized, interdependent system of corruption to deny pensioners of their money should be visited with the appropriate severity of sanctions. Nigerian pensioners should be treated with the highest level of decorum and as first line charge in the financial system.

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