



## **Pension Fund Motivation and Pension Sustainability in Nigeria: A case of the University of Benin Teaching Hospital Benin City, Edo State, Nigeria.**

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### **Abstract**

*This study empirically examined the pension fund motivation and pension sustainability using both active and retired staff of the University of Teaching Hospital in Benin City, Edo State, Nigeria. The study adopted a cross-sectional design. The researched population was the entire active staff and retired employees from 2010 to 2022 both University of Benin Teaching Hospital who are beneficiaries of the contributory pension scheme in Benin City, Edo State, Nigeria irrespective of their cadre. The sample size of 400 was used for the study. Questionnaires were administered as the research instrument for data collection. Data analysis was carried out using descriptive statistics which include frequency and mean while linear regression analysis was engaged to examine the hypothesis of the study at 5% significance level as well as the Statistical Package for the Social Sciences (SPSS) version 23 software. The study established that pension sustainability is significant and positively related to pension fund motivation. The study recommends bearing in mind the strategic significance of pension to employees and pensioners. Contributory pension reforms should be continuous, regular and adjusted to meet the evolving needs of retirees. This will help with the persistent motivation of existing employees.*

**KEYWORDS:** Motivation, Pension Fund, Pension Sustainability. Pension Reform Act, Contributory Pension Scheme.

### **Introduction**

The advent of the contributory pension scheme of 2004 heralded the beginning of a new set of reforms in the pension sector in Nigeria. Issues of pension have existed globally evolving in the 18th and 19th centuries in Europe and America before it was incorporated into the Nigerian work environment about eighty years ago (Oseghale, *et al* 2017). Pension as a concept has been defined by scholars but summed up generally as entitlements (pension and gratuity) a retired worker of an organisation gets from his or her employer after serving for a minimum period of time or an agreement for a certain amount to be paid to a retiree upon retirement from service when he or she can no longer work or earn much income (El-Rufai, 2013).



The contributory pension scheme perceived to be the way out of the historical challenges faced by employees and pensioners in its twenty years of existence has grown in financial assets to the tune of N20.484 trillion as at June 2024 (PenCom monthly report, June 2024). This indicates a significant departure from the pre-contributory era dotted with pension deficits, sufferings and neglects of pensioners which have now changed manifested in the essence of the new contributory scheme with the aim of motivating stakeholders and beneficiaries of the new pension regime.

As a way to motivate the Nigerian worker, the objectives of the Pension Reform Act (2014) Section 1, opens with the goal of ensuring a uniform set of rules, regulations and standard for the administration and payment of retirement benefits for the public service of the federation, the public service of the federal capital territory, the public service of state governments, public services of the local government councils and the private sector; provision for the smooth operations of the contributory pension scheme; ensuring that every person who worked either in public or the private sector receives his retirement benefits as and when due and assistance of improvident individuals by ensuring that they save in order to cater for their livelihood during old age.

Section 13 of the Pension Reform Act (2014) further provides for a personalised retirement savings account which the employee can continue to maintain whether he or she changes job. Section 16 provides for part withdrawal from the Retirement Savings Account by the worker in the case of health challenges, mortgage financing and loss of job. Section 10 exempts retirement benefits from tax deductions while Section 7, 8, & 9, makes provision for optional retirement benefits, handling of missing workers and disbursement of a dead employee's benefit.

#### **Statement of the problem.**

An evaluation of the contributory pension scheme gleaned from the provision of the Act when compared to the defined pension arrangement shows a deliberate attempt on the part of the government and employers to cater for the welfare of their employees in a sustainable manner upon retirement which ought to be a source of motivation to the pension stakeholders. However, there is an array of empirical evidence indicating dissatisfaction with the contributory pension regime.

Olanrewaju (2011) identified some of challenges the contributory pension scheme. He asserted that the issue of the release of deductions to the RSA by organisations and workers could be challenging and queried the legitimacy of structures in place by the government in the event of political uncertainty and how the pension scheme could be sustained by successive governments.

Folorunso (2015) examined the effects of pension reform on household savings in Nigeria and discovered that, the relationship between the new pension reform and unemployment, pension wealth and disposable income shows a negative relationship. He pointed out that the deduction of 7.5% (now 8%) from the income of employees for retirement savings puts a constraint on the purchasing power of the employee.

Oyemwinmina and Edomwonyi (2016) criticised the contributory pension scheme, noting the absence of clarity and accountability and the non-existence of life-time payment of pension as guaranteed in the Pay- As -You Go pension scheme.

Akhiojemi, *et al* (2018), discovered that practitioners of the pension scheme, either in the defined contributory and non-contributory plan type, are not accessible, accountable and open enough for enquiry. Their study further shows that the existing conditions of pensioners were seriously affected by



inconsistency in payment delays of the pensioners pension and lump sum, meaning that the wellbeing of retired persons have not been enriched resulting in them seeking funds from other sources to establish alternate means or retirement jobs to meet basic necessities.

All these issues about the contributory pension scheme have raised concerns about the motivation of employees and retirees as it is not known whether employees are motivating with new pension regime.

### **Research objective**

Arising from above the objective of the study is to provide insight using empirical study to ascertain whether there is a relationship between Pension Fund motivation and the contributory pension scheme in Nigeria with a case study of the University of Benin Teaching Hospital and to understand the nature of relationship if any.

### **Research Hypothesis**

The hypothesis stated in the null form was used to guide the study:

H<sub>01</sub>: There is no significant relationship between Pension Fund motivation and contributory pension sustainability in Nigeria.

### **Literature Review**

According to Brundtland Commission's report, cited by Mollenkamp (2022), sustainability means the capability to attend to today's necessities without hampering that of generations to come. Balogun (2006) asserted that for there to be a sustainable pension scheme it must be fiscally sound, funded and sustained over an anticipated scope under a robust set of realistic assumptions with the capacity to survive major economic, demographic and political shocks.

Ijeoma and Nwufu (2015) stressed that for contributory pension scheme to be sustainable, it is imperative to develop comprehensive risk management and investment policies and eradicate issues of exemption clauses, fractional implementation of the scheme and payment of pension delays. Ezugwu, *et al* (2009), advocated effective supervision, monitoring, enforcement and implementation of the penalties provided by the Pension Reform Act, 2004 as a way of sustaining pension assets. Egunjobi, *et al* (2020), in their study observed that contributory pension scheme looks bleak in Nigeria in terms of sustainability except challenges of non-remittance of pension contribution and non-compliance issues are handled by the relevant authority. Alamdin, *et al* (2019) submitted that pension sustainability is achievable through a proper corporate governance mechanism. Adekunle *et al* (2019) opined that pension fund governance, operational efficiency and adequate risk management strategies have significant positive influence on pension funds sustainability.

On the other hand, the need to motivate employees in the workplace with the instrumentality of the contributory pension has become a necessity. Motivation has been perceived as the art of getting individuals to do what you want them to do because they want to do or as a process through which an individual's needs and desires are set in motion.

Eze and Anikeze (2018) in a study which sought to determine the extent to which the contributory pension scheme has enhanced worker's attitude to work, help to attract and retain qualified workers as well as ascertain the effects of contributory pension scheme on workers morale and satisfaction, discovered that the contributory pension scheme has enhanced workers attitude to work, attracted, and



raised workers' morale and satisfaction.

Fiiwe (2020) in a study aimed at finding answers to the kind of welfare packages accessible to retirees in Nigeria revealed that the contributory pension scheme surpasses that of the defined benefit in terms of the improved administrative process which brought about pensioners hope and faith in the system. The research also advocated that the introduction of other packages such as health insurance, entrepreneurial training, creative/recreational facilities and housing schemes has helped to enhance the welfare of retirees.

Ejim, *et al* (2023) noted that the difficulties of managing pension in Nigeria are not yet over. The grievances of pensioners with regard access to individual pension account shows dissatisfaction in spite of the several reforms and new regulations directed at enhancing the scheme. Their study examined the new pension scheme, its impact and causes of frustration of the system on the part of retirees. The results showed that the scheme still suffers early release of the contributions deducted from the employers and employees, pensioners lacks access to their fund and the absence of proper verification procedure and the occurrence of corrupt activities that results in fund misappropriations. The study recommends the need to put an end to corruption in the scheme, give the pensioners' skill acquisition training to make them ready for post-retirement life, and education on how to cope and utilise the retirement benefits as well as access to an amount or percentage of their deposit during their working years.

These different findings from pension scholars further lay credence to the need to examine the relationship between employee motivation and contributory pension sustainability.

### **Theoretical Review**

This study is designed along with contributory density theory. It posits the appropriateness of contributory pensions for the middle classes' rests on the density of contribution (Valdés-Prieto, 2006). Contributory density has been defined as the part of earnings contributed by an individual in his or her energetic phase of life to certain contributory pension managed system for post-retirement life (Ribe, *et al* 2012).

Valdes-Prieto (2008) reveals that density contribution is endogenous and depends on definite variables such as taxation, the financial return of the pension system and other subsidies from the social protection system. The theory explains that contribution density can be a lot lower than a hundred percent where the State is not willing or unable to enforce the obligation to contribute on every job particularly on low earning workers especially those that are self-employed or engaged by small firms. The key assumption of this theory rests on the belief that for employees and retirees to ensure adequate retirement earnings, the density of contribution is of grave importance to the defined contributory arrangement.

Therefore, the link between this study and the theory is the necessity for government to ensure it progressively promotes practices that mandate employers starting from themselves to contribute as and when due remittances to the pension fund custodian. More so, the need to have a holistic view of contributions in line with economic realities if it is sufficient upon retirement and what could be done if otherwise. This will go a long way to motivating employees and by extension the retirees.

### **Methodology**



This study sourced its primary data using a structured questionnaire and cross-sectional survey research design. Data were collected from active and retired staff of the University of Teaching Hospital in Benin City, Edo State, Nigeria. The researched population involved the entire active staff (3885) and retired staff (783) totaling 4668 (as of July 2023) from 2010 to 2022 both University of Benin Teaching Hospital who are beneficiaries of the contributory pension scheme regardless of their cadre. 400 sample size was used. The sample size was obtained using the formula:  $n = \frac{N}{1 + Ne^2}$  (Yamane, 1981); where N is the population size, n is the sample size and e is the chance allowed for error, or the level of significance and the reliability test was 0.831 using Cronbach Alpha technique for the questionnaire which were administered as the research instrument for data collection. The questionnaire contained a five-point Likert-type scale ranging from 1 to 5 points. Data analysis was carried out using descriptive statistics which include frequency and mean while linear regression analysis was engaged to examine the hypothesis of the study at 5% significance level. In conducting the different analyses, Statistical Package for the Social Sciences (SPSS) version 23 software was utilised.

### Data Presentation/Analysis

#### Regression Analysis Output for the Effect of Pension Fund Motivation on Pension Sustainability

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.863 <sup>a</sup>	.813	.789	7.231		
a. Predictors: (Constant), Pension Fund Motivation						
ANOVA <sup>b</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	614.901	1	614.901	12.008	.040 <sup>a</sup>
	Residual	153.627	399	51.209		
	Total	768.528	400			
a. Predictors: (Constant), Pension Fund Motivation						
b. Dependent Variable: Pension Fund Sustainability						
Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-15.712	10.813		-1.453	.242



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	Pension Fund Motivation	2.590	.516	.894	3.465	.040
a. Dependent Variable:	Pension Fund Sustainability					

The results obtained from the model data indicate that the R value is 0.863, which indicates that pension fund sustainability has a strong correlation with the pension fund motivation at 86.3%. Also, the R<sup>2</sup> is 0.813 which indicates that 81.3% pension fund sustainability was explained by pension fund motivation.

**Hypotheses Testing**

The hypothesis below was analyzed and interpreted based on the results of the regression analysis statistics.

**H0:** There is no significant relationship between pension fund motivation and pension sustainability.

**Decision Rule**

The null hypothesis (H<sub>0</sub>) will be rejected if the significant value (p-value) of the independent variable – Pension Fund Motivation is less than 0.05; otherwise, the null hypothesis will be accepted. The result shows that the significant value (p-value) of the independent variable – Pension Fund Motivation is 0.031, which is less than 0.05. This indicates that there is a significant relationship between pension fund motivation and pension sustainability.

**Discussion of Findings**

Finally, objectively to ascertain the relationship between pension fund motivation and pension sustainability. The Perception of respondents on pension fund motivation above shows that a total of 68.5% of the respondents agreed with the assertions, that they are well motivated by the contributory pension scheme in Nigeria. This position was affirmed by Eze, et al., (2018). Their study discovered that the contributory pension scheme has enhanced workers’ attitude to work, attracted, retained and raised workers morale and satisfaction. Fiiwe (2020) study further supported the finding indicating that the contributory pension scheme surpasses that of the defined benefit in term of the improved administrative process and has brought hope and faith to pensioners in the contributory pension system.

**Conclusion**

This study empirically examined the relationship between the pension fund motivation and Pension Sustainability in the University of Benin Teaching Hospital, Benin City, Edo State, Nigeria. The study ascertained the extent to which pension fund motivation impacts on pension sustainability. Pension sustainability refers to the ability to meet the needs of the present without compromising the ability of future generations to meet their own needs. It is revealed from the regression results that pension sustainability is significant and positively related to pension fund motivation.

The study shows that, beneficiaries at the University of Benin Teaching Hospital have a strong and favourable opinion of the contributory pension scheme and many beneficiaries are very confident that the contributory pension scheme would provide pension income after retirement.

**Recommendation**



1. Government and employers should continuously evolve pension policies aimed at inspiring retirees and employees.
2. Knowing the strategic significance of pension to pensioners and employee's stakeholders and beneficiaries should be carried along regarding policy change and adjustment.
3. Engagement with pension beneficiaries should be used to find out what motivates them about the pension scheme and deliberate efforts should be made to re-enforce such policies.

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