

## **Impact of the 2014 Pension Reform Act on Workers' Commitment, Retention and Attitude to Retirement in Cross River State, Nigeria**

\*Owa Egbara Owa  
Department of Political Science,  
University of Calabar,  
Calabar-Nigeria.

<https://ORCID.org/0000-0003-4554-5568>

Nabiebu Miebaka  
<https://ORCID.org/0000-0002-9295-9686>

Stephen Adi Odey  
<https://ORCID.org/0000-0002-3369-7196>

Roseline Ohiamia Ugbe  
<https://ORCID.org/0000-0003-1052-8995>

Eni Eja Alobo  
<https://orcid.org/0009-0004-9930-465X>  
University of Calabar, Calabar-Nigeria

**\*Corresponding author email: [owaegbaraowa001@gmail.com](mailto:owaegbaraowa001@gmail.com)**

### **Abstract**

**Background:** Pensions are one vibrant measure designed to achieve a laudable end after years in service. Nigeria, in particular, had put in place different schemes before the promulgation of the 2014 Pension Reform Act.

**Objective:** This study seeks to evaluate the 2014 Pension Reform Act and its implications for pensioners in Cross River State of Nigeria.

**Methodology:** The study adopted the descriptive survey design, which invariably led to the sourcing of data through primary sources. The questionnaire was used for data collection, and 400 participants participated in the study. Data obtained were analysed using Pearson Product Moment Correlation( $r$ ), and results were presented in tables.

**Result:** Findings revealed that the Act significantly contributes to workers' commitment to their duties because they know that at the end of their years in service, they will have something to fall back on. The result also showed that the Act contributes to workers' retention and attitudes to retirement.

**Contribution:** The study has provided information to help understand the role of pensions in workers' attitudes to work.

**Conclusion:** Good pension laws and administration could greatly influence workers' performance and attitudes towards retirement.

**Keywords:** Impact; Pensioners; 2014 Act; Nigeria; Cross River State; 2012-2022.

## **Introduction**

The basic philosophy of every organisation is to achieve its objectives, and these objectives can only be achieved when there is optimal utilisation of human and material resources. Human resources are, however, employed, motivated, maintained and designated for a period of time for use in an organisation, after which they are expected to retire from their services (Agba et al., 2010). Organisations, therefore, reciprocate this period of service by structuring a pension package via a retirement scheme to sustain the employees so that the employees' standard of living would be improved. Pensions are intended to give workers in an organisation a means of security after retirement and a living standard roughly equivalent to what they would have had while employed (Morina & Grima, 2021). It is also designed to motivate the employees and persuade and maintain a high standard of personnel.

Cross River State enacted its Pension Reform Law in 2014, and the reform is structured in tune with the Federal Pension Reform Act of 2014. The reform's main objective pertains to ensuring that workers in the service of Cross River State or any local government in the state get their retirement benefits as and when due. It was founded in the state of Cross River to serve the needs of the local employees who would have retired on April 1st, 1979. In light of this, the Nigeria 2014 Pension Reform Policy was created with individual accounts for each employee, private management, and full funding. It is a change from the public sector's Pay-As-You-Go programme and demonstrates the paradigm shift favouring a defined, fully financed contributory scheme. This Act was passed in 2014 partly due to stakeholders' efforts to develop a programme that can serve workers in the private and public sectors. Following the plan, the employer and employee in the public and private sectors pay 7.5% of their monthly salaries, whereas in the military sector, the employer and employee contribute 12.5%.

Despite the 2014 Pension Reform Act's provisions, which are exclusively designed to correct the abnormalities identified in the old Pension Act, these features make the new act gain peculiarity and distinctiveness. The new scheme gives potential retirees and pensioners a free hand to choose their preferred Pension Fund Administrators and Pension Custodians in their organisations (Kanabe, 2013).

Worker commitment can be defined as the dedication and willingness of a worker to perform their official duties with minimal supervision. Scholars like Sulanick (1977), Best (2010), Ushie et al. (2010a), and Agba et al. (2010) found that pension motivates employees and can affect their commitment to work. This means that commitment is not automatic for all workers. When people get employed to work in an organisation, it is not a guarantee that they will be committed to their duties. Certain factors could play a role in determining that commitment.

Retention within the context of this study refers to the readiness of a worker to continue working with an organisation, even when he or she has an option of leaving for another one. According to Onyene (2001), Akingbade (2006), and Agba et al. (2010), the transfer of workers from one employment to another in Nigeria is not unrelated to the payment of benefits, particularly retirement benefits. This means that worker retention is an important aspect to consider when evaluating the impact of reforms. Finally, attitudes to requirements focus on workers' disposition toward life after work. Ogunbameru and Ramiwuye (2014) and Agba (2014) found that the lack of a robust pension programme in the past was responsible for workers' generating thoughts about facing the future after retirement and civil servants' falsification of age. The study, therefore, seeks to understand the impact of this Act on workers' commitment, retention and attitudes towards retirement among workers in Cross River State.

### **Objective of the Study**

This study's general objective is to examine the impact of the 2014 Pension Reform Act on workers' commitment, retention and attitudes to retirement. Specifically, the study objectives were:

1. To ascertain the impact of the 2014 Pension Reform Act on workers' commitment to work in Cross River State.
2. To determine whether the 2014 Pension Reform Act influenced workers' retention in Cross River State.
3. To ascertain the impact of the 2014 Pension Reform Act, on workers' attitudes towards retirement in Cross River State.

### **Theoretical Framework**

This study's theoretical exposition is grounded in the Structural-functional paradigm. Wallace and Wolf (1995) attributed the paradigm to Herbert Spencer and Emile Durkheim (1820-1903 and 1858-1917). Structural functionalism gained prominence in the late 19th century due to Taylor's evolutionary assumption.

The paradigm's basic arguments encompass the facts that structures and functions are necessary to understand politics and its processes, the conditions upon which structures can perform and how functions could be achieved. It argues that society consists of structures, which are institutions like markets and governments, that serve functions like the maintenance of a stable society or the production of food, each of which is dependent upon the others. It further argues that social systems are the priority of causal reality, and the system components are functionally interrelated. And that all social phenomena possess obligations for the mother social cycle.

The basic principles of structural-functionalism are the maintenance of social stability, collective functioning, and social evolution. Otong (2005) posits that the paradigm represents a sociological perspective that construes society as a complex system whose parts work collaboratively to advance solidarity and stability and that each social structure or consequence of society's operation is a part of the whole.

The theory is useful to the current study because it offers a framework for appreciating the interdependence and reciprocity patterns of actions and orientation that need the maintenance and survival of the Act. Secondly, the theory is relevant in explaining Nigeria's attachment to international best practices on pensions, which focuses attention on the inter-relationship between social structures and processes. Thirdly, it serves as a framework for understanding how policy

changes could impact change in behaviour in a structural system. (Eminue, 2001). Based on the theoretical postulations above, the study tested the following hypotheses:

**H<sub>1</sub>:** The 2014 Pension Reform Act will significantly impact workers' commitment to work in Cross River State.

**H<sub>2</sub>:** The 20214 Pension Reform Act will significantly impact workers' retention in Cross River State.

**H<sub>3</sub>:** The provisions of the 2014 Pension Reform will significantly impact workers' attitudes towards retirement in Cross River State.

### **Methodology**

The researchers conducted this study using a descriptive survey. This design was chosen to ensure that relevant data were collected to describe, explain, and explore the phenomenon. The target population of this study was all the workers in Cross River State Civil Service. This population was considered useful for the study because they are active workers who can best provide information on the impact of the Pension Reform Act on them. The total population of civil servants in Cross River State is 4412. The sample size of the study was 400 workers in Cross River State. The sample size was calculated using the Taro Yamane sample size determination formula. The sampling technique used in this study was a simple random technique. This was done to allow all the Cross River State workers to participate in the study. The researchers visited the State Secretariat of Cross River States, and all the workers available were selected for the study. The instrument for data collection was a structured questionnaire. The researchers designed the questionnaire to collect data for the study. Three experts from the University of Calabar validated the questionnaire to ensure it was the right instrument for collecting the required data. The researchers used a test-retest approach with a two-week interval to determine the instrument's reliability, which yielded a correlation coefficient of 0.78, indicating that the instrument was reliable. The data analysis method was qualitative and quantitative, applying the Pearson Product Moment Correlation(r) while the results were presented in tables.

### **Results**

Of the 400 copies of the questionnaire issued to the respondents, 368 copies were returned, constituting 87%. The respondents' socio-demographic data indicated that 69% were males while 31% were females. Also, it indicated that 91% of the respondents were between ages 31-40, and 9% were 41 years and above. It further indicated that 88% of the respondents were married, 9% were single, and 3% were separated. Regarding educational qualifications, 14% had FSLC, while 21% had SSCE, 18% were OND/HND holders, and 47% of the respondents were university graduates. Again, 63% were office Clerks/Cleaners, 35% were Executive officers, and 2% were administrative officers respectively.

**Table I: Bio data of Respondents.**

Variables	Categories	Frequency	%
Gender	Male	254	69
	Female	110	31
	<b>Total</b>	<b>368</b>	<b>100</b>
Age	31-40 years	336	91
	41 and above	32	9
	<b>Total</b>	<b>368</b>	<b>100</b>

Marital Status	Married	326	88
	Single	32	9%
	Separate	10	3
	<b>Total</b>	<b>368</b>	<b>100</b>
Educational Qualification	FSLC	51	14
	SSCE	74	21
	OND/HND	174	47
	University Degree	69	18
	<b>Total</b>	<b>368</b>	<b>100</b>
Cadre	Clerical Officers	231	63
	Executive Officers	130	35
	Administrative Officers	7	2
	<b>Total</b>	<b>368</b>	<b>100</b>

**Source:** Field Work

### Hypotheses testing

The following hypotheses are tested along with the discussion of the study:

**H<sub>1</sub>:** The 2014 Pension Reform Act will significantly impact workers' commitment to work in Cross River State. This hypothesis was examined using the Person Product Moment Correlation ( $r$ ). The study's results, shown in Table II, show that at the 0.01 level of significance with 366 degrees of freedom, the computed  $r$ -value of 0.175 is larger than the tabulated  $r$ -value of 0.128. This demonstrates that the Pension Scheme Act, 2014 and workers' dedication to the Cross River State Local Government Area are significantly correlated. Based on this result, the first hypothesis is supported, and the researchers concluded that the 2014 Pension Reform Act significantly impacted workers' commitment to work in Cross River State.

**Table II: The Relationship Between Pension and Potential Pensioners' Commitment to Work.**

Variable	$\sum y^2$	$\sum X$	$\sum x^2$	$\sum xy$	r-value
Workers commitment					
To work		1368	18714		
		2915	0.175		
PENSION Scheme		1549			
Act, 2014			23832		$r = 0.128$

\* Significant at 0.01 level, Critical  $r = 0.128$ ,  $df = 366$

**H<sub>2</sub>:** The 20214 Pension Reform Act will significantly impact workers' retention in Cross River State. As depicted in Table III, the calculated  $r - r$ -value of 0.257 is greater than the critical  $r$ -value of 0.128 at a 0.1 level of significance with 366 degrees of freedom. This suggests that there is a significant positive correlation between the Pension Scheme Act, 2014 and worker retention in Cross River State.

**Table III: Shows the Relationship Between the Pension Reform Act, 2014 and worker retention.**

Variables	$\sum x$	$\sum x^2$	$\sum y^2$	$\sum y$	r-value
Workers intension	5770	33293			
Pension Reform Act, 2014	1547	23932	7317		0.257**

\* Correlation is significant at 0.01 level, critical  $r = 0.128$ ,  $df = 366$ .

**H<sub>3</sub>:** The provisions of the 2014 Pension Reform will significantly impact workers' attitudes towards retirement in Cross River State. Pearson Product Moment Correlation was used to test this hypothesis; findings, as depicted in Table IV, revealed that the calculated r-value of 0.353 is greater than the tabulated r-value of 0.128 at a 0.01 level of significance with 366 degrees of freedom. This suggests that there is a positive significant relationship between the Pension Reform Act, 2014 and worker attitudes towards retirement in Cross River State Local Government Council.

**Table IV The relationship between the Pension Reform Act, 2014 and workers' attitudes towards retirement.**

	$\sum x$	$\sum x^2$	$\sum xy$	r-value
Workers attitude Towards retirement	1338	17902		
Pension Reform Act, 2014	1547	23932	2885	0.353

\* Significant at 0.01 level, Critical R-value = 0.128,  $df = 366$ .

### Discussion of Findings

Consistent with the preceding assumptions, our study indicated a substantial positive relationship between workers' commitment and the Pension Reform Act of 2014. The study showed that workers displayed an elevated commitment to their responsibilities since the introduction of the Pension Reform Act, 2014, in Cross River State. This might be ascribed to the motivating factor underlying pension benefits. Dhameji and Dhameji (2009) found a substantial correlation between employees' work dedication and their level of motivation. According to Agba and Ushie (2010), financial and non-financial factors influence workers' commitment levels. According to Agba et al. (2010), the level of commitment to work is directly influenced by the extent to which a worker is motivated by financial incentives and the level of confidence they have in their social security benefits after retirement. Moreover, Kanabe (2013) argues that there is a likelihood of increased productivity when workers are confident in receiving their retirement benefits on time. This confidence motivates them to consistently perform at their best, ultimately contributing to overall economic development and growth.



According to Sule and Ezugwu (2009), a well-designed pension programme ensures employees feel comfortable and are dedicated to the organisation. According to Agba (2007), the late payment of gratuity and pension to retired workers in Nigeria adversely affects their behaviour. Ushie et al. (2010a) argue that the lack of motivation and indifferent behaviour exhibited by civil officers in Nigeria can be attributed to the delayed disbursement of salaries and perks. Nevertheless, it would be inappropriate to restrict workers' dedication solely to pension or the payment of benefits. According to Lodahi and Keiners (1965) and Sulanick (1977), workers' commitment can be affected by various factors, including the work environment, level of job involvement, worker responsibility, leadership style, and career development.

Respondents recognised a substantial and beneficial correlation between the Pension Reform Act of 2014 and employee turnover in Cross River State. The study revealed that before the implementation of the Pension Reform Act of 2014, there was a significant rate of employee turnover in the civil service of Cross River State. Employees in the public service resign from their positions in order to pursue higher-paying jobs or to get assured retirement benefits. Supporting these findings, Akingbade (2006) noted that the significant rate of staff turnover in the civil service, particularly among medical personnel, is directly related to the provision of benefits, including retirement entitlements, to employees.

The delay in the delivery of workers' benefits has robbed employees of their psychological needs and may lead to a significant increase in labour turnover. According to Agba and Ushie (2010b), labour turnover is notably high in the Nigerian hospitality industry due to the lack of pensions and competitive salaries. Onyene (2001) argues that the inadequate quality of services and insufficient retirement benefits in the teaching profession contribute to teachers' departure to more attractive industries. The study revealed a notable correlation between workers' retirement attitudes and the implementation of the Pension Reform Act of 2014 in the local government area of Cross River state. The survey indicates that workers currently exhibit greater confidence over retirement compared to the period prior to the implementation of the Pension Reform Act in 2014. The study found that the psychological and emotional abnormalities caused by the fear of retirement gradually decreased among workers in Cross River State.

Workers are concerned due to the inadequate pension programme in the past. The apprehension of confronting an unpredictable future post-retirement instils a sense of unease among employees in Nigeria (Editorial, 2009). Ogunbameru and Bamiwuye (2014) stated that before implementing the Pension Reform Act of 2014 in Nigeria, workers perceived retirement as a shift that led to psychological and physiological challenges. According to Jonathan (2006), lying about one's age in the civil service is caused by inadequate pension schemes prevalent in the Nigerian Federation before the Pension Reform Act in 2014.

### **Conclusion and recommendations**

This study concludes that the 2014 Pension Reform Act is an effective policy document for promoting workers' commitment, retention and attitudes towards retirement. This study has implications for the functionalism theory by showing that society is interrelated and that a change in one aspect could affect another. In this instance, a change in the pension reform could affect the performance of workers. The study also has practical implications by showing the need to plan and implement good policies and programmes that will impact workers' performance. The study

also has implications in the literature by providing evidence that could be useful to other researchers who may be interested in understanding issues related to workers' commitment. Despite the contribution of this study, it has some limitations. First, the researchers did not collect data on the differences in the participants' responses based on age, gender, level of education, and rank. In addition, the researchers did not examine retired workers to determine their present condition as a result of the implementation of the 2014 Pension Reform Act. It is suggested that further studies should be conducted to cover the identified limitations.

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