

Public Sector Reforms and Good Governance: A Study of Rivers State Contributory Pension Scheme

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ABSTRACT

This study examined public sector reforms and good governance with reference to the Rivers State contributory pension scheme and it focused on the Rivers State pension reforms from 2009 to 2019. The study investigated the factors responsible for the delay in the payment of pension and gratuity in Rivers State, the challenges of the implementation of the Public Sector Reforms as it affects the Rivers State contributory pension scheme, and others, all of which were synergized with two (2) research questions and hypotheses. The study employed the use of primary data and secondary data in which three hundred and ninety-one (391) questionnaires were distributed to a population size of eighteen thousand and seventy-three (18073). The study revealed that the delay of pension and gratuity in Rivers State is caused by the absence of fiscal discipline and lack of accountability in the public sector. Also, Public Sector Reforms have a significant effect on good governance in Rivers State, amongst others. As a result, the study recommended that professionals with proven years of experience and integrity be recruited to manage the scheme, and that there is a need for more commitment and political will from both bureaucratic and political leaders to have effective public sector reforms. Professionals and bureaucrats should demonstrate fiscal discipline, transparency, and accountability.

Keywords: Reform, Responsiveness, Accountability and Pension Scheme

I. INTRODUCTION

Public sector reforms have attracted the interest and attention of policy makers, practitioners and academics around the world. These reforms emanate from developed countries such as the United States of America, the United Kingdom, New Zealand and Australia. The governments of these countries have embarked on reforming their public organizations in an attempt to improve economic growth through the reduction of operating costs, while maintaining or improving

the efficiency and effectiveness of services provided to their citizens. The reforms involve changes in the structures, culture, functions and processes of public organizations - changes such as reducing government funding to public organizations, corporatization, commercialization, privatization, performance contracts, improved financial management, private-sector styles of management, contracting and decentralization (Green-Pedersen, 2002 cited in Aja, 2014),

The importance of a pension in the life of an employee cannot be downplayed. This is witnessed by the International Labour Organization's Convention No. 102. Pension schemes, just like any other scheme, have been criticized in many quarters with the general summary of why should employees be concerned with issues of pensions? Why should employees not be left alone to live their lives on their own terms? As enormous as the criticism seems to be, many countries in the world subscribe to pension schemes as advanced by the ILO convention on social security issues. Employees in Nigeria value pensions for a variety of reasons, including the financial independence it provides in old age, the time and energy expended by employees, and other factors. On the above premise, Armstrong (2009, p. 85), notes that the most complex and valuable part of employees' total benefits after retirement is the pension.

There are two major and popular categories of pension schemes along the work axis. They are occupational pension schemes provided by organizations and funded by the government, as opposed to the state-funded and maintained pension scheme for its employees (public/civil servants). There are also two major types of pension scheme well-known to Nigerians, namely the "defined benefit (final salary) scheme" (DBS), also known as a non-contributory pension scheme and a "defined contribution (money purchase) scheme" (Armstrong 2009, p.86), also known as a contributory pension scheme (CPS). Although employers in both the public and private sectors are

required to participate in the pension scheme, daily paid and casual employees are not. Presently, the minimum benchmark in Nigeria for employers of labor is 20% of an employee's consolidated monthly salary. An employee is expected to contribute a minimum of 8% while the employer will contribute 12% of the same, according to the Pension Reform Act, 2014. The fund is administered by an employee-appointed Pension Fund Administrator (PFA).

II. STATEMENT OF THE PROBLEM

The pension scheme applies to all pensionable employees in the public service of the state, tertiary institutions and all parastatals established by the state government. The Rivers State pension reform law (No. 4 of 2019), which was supposed to address the issues with the contributory pension scheme, has failed to do so. Because biometrics have only been used on a small number of people for the contributory pension scheme.

Pensions and gratuities for many of the retirees under the contributory pension have not been paid. The pension bureau/ board in Rivers State, which is given the responsibility of managing the contributory pension scheme in the state, lacks accountability and this has created issues with the computation of the pensions and gratuities of retirees in the state. As some of them were under the old scheme and converted to this new scheme (CPs).

It is also important to note that the state government's frequent use of pension schemes without adequately consulting stakeholders is a major problem for governance. The frequent reviews have caused implementation problems, such as the inability to secure sufficient funds to meet the current needs of retirees. These problems constitute the research problems which the study seeks to address through the following research questions.

This study examined Public Sector Reforms and good governance in Nigeria, with a particular reference to the Rivers State Contributory Pension Scheme.

Objectives of the Study

Specifically, the study seeks to:

1. Examine the impact of contributory pension scheme reforms in Rivers State on good governance.
2. Investigate the factors responsible for the delay in the payment of pension and gratuity in Rivers State.

Research Questions

1. To what extent have pension scheme reforms in Rivers State contributed to good governance?
2. What are the factors responsible for the delay in the payment of pension and gratuity in Rivers State?

III. LITERATURE REVIEW

Theoretical Foundation

The **Principal Agent Theory** developed by Jensen and Meckling in 1976 was used as the appropriate baseline theory associated with this study. This study adopted the principal agency theory in explaining contributory pension schemes and how public sector reforms affect governance in river states. According to the Principal Agency theory, it sheds light on the contractual relationship between contributory pension participants (principal) and agents, namely the pension fund administrator (PFA) and the government. The relationship is such that the principal delegated or hired an agent to perform a task or perform a service in exchange for an incentive. The amount being deducted is kept and invested by PFA (agent) on behalf of the principal (employee participating in the contributory pension) according to the subsisting pension law. It will be expedient to evaluate the contributory pension scheme using the theory of principal-agent theory as the appropriate theoretical framework for this study.

During the 1970s, the principal-agent theory emerged as a mechanism for examining conflicts of interest, generating issues with aligning the choices of principals (buyers of services) and agents (sellers or providers of services). The basic idea of the principal agent theory is that all relationships can be reduced to contractual terms. The primary tasks for the principal are: first, to identify agents who are likely to achieve the principal's goals, secondly, to secure agreement on a contract with incentives such that agents find it in their self-interest to pursue the principal's goal and, thirdly, to monitor the agents' behavior in carrying out the contract. The key point about this theory as a model of public or political decision-making is "it posits that when actors are engaged in decision making, an important dimension of choice is the institutional modes available in a given situation" (sapru 2013, pgs.426-428). It is contended that, whereas the rational view sees decision making as involving a means-end dichotomy, the agency theory emphasizes how, in making choices about goals, one is looking at the principal agent's problems. It may be emphasized that efficient decision making involves a capacity to monitor the

behavior of agents. The main consideration of the principals is monitoring the agents (governments) who carry out the contract.

The Concept of Reforms

According to Wikipedia, it means the improvement or amendment of what is wrong, corrupt, and unsatisfactory. The use of the word in this way emerged in the late 19th century and is believed to originate from Christopher Wyvill's association. Developing countries implement a wide range of reforms to raise their standard of living, often with the assistance of international financial institutions and aid organizations. This also includes public financial management and the civil service, which is our area of concern (Joanna, 2003).

Since 1980, public sector reforms have frequently been initiated by reference to private sector management practices. Policies on public sector reform are every administration's standard initiative aimed at streamlining the bureaucracy. The reform measures may vary depending on the current leadership's priority, and may take the form of reengineering, reorganization, and rationalization based on economic, efficiency and effectiveness, transparency, social growth, innovation, and good governance principles. (Scott 1994: 5 as cited by **Lizan, 2015**)

Public sector reform is a mechanism that introduces innovations in terms of modernization, transformation, and professionalism for the improvement of institutions and processes. These innovations as areas of reform are the common theme of every government's agenda. As pointed out by the Hong Kong government, "public sector reform is a program of financial and management reforms aimed at bringing about long-term productivity improvements in the public sector and better service to the community" (Scott 1994: 5, cited by **Lizan, 2015**).

Responsiveness

Good governance requires that institutions and processes try to serve all stakeholders within a reasonable time frame.

Consensus oriented

In any given society, there are numerous actors and equally numerous points of view. Good governance requires mediation of the different interests in society to reach a consensus in society on what is in the best interest of the whole community and how this can be achieved. It also necessitates a global and long-term perspective on what is required for sustainable human

development and how to achieve such development's goals. This can only result from an understanding of the historical, cultural and social contexts of a given society or community.

Equity and inclusiveness

A society's wellbeing depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups, but particularly the most vulnerable, to have opportunities to improve or maintain their wellbeing.

Effectiveness and efficiency

Good governance means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal. The concept of efficiency in the context of good governance also covers the sustainable use of natural resources and the protection of the environment.

Accountability

Accountability is a key requirement of good governance. Not only governmental institutions, but also the private sector and civil society organizations, must be accountable to the public and to their institutional stakeholders. Who is accountable to whom varies depending on whether decisions or actions taken are internal or external to an organization or institution. In general, an organization or an institution is accountable to those who will be affected by its decisions or actions. Accountability cannot be enforced in the absence of transparency and the rule of law.

Pension Scheme

There are two types of pension schemes: private and public pension schemes. A public pension scheme is a social welfare security payment made to the retired, elderly and those who have changed jobs in the public sector of the economy. According to Heller, cited in (Nwagwu, 2014), the aim of the public pension programme is not to raise the savings rate, but rather to provide income security, or at least a minimum income, for elderly people. On the other hand, a private pension scheme is a social security scheme managed and administered by the private sector in order to provide succor and relief to elderly and retired employees at a time when they are not economically active. This scheme is defined as a benefit in nature, as employees save a portion of their income in order to receive the returns on their

investment when they retire or change jobs. Different classifications have been given to pension systems, but basically, the pension system ought to be a defined benefit and a defined contribution, which is referred to as the pay as you go (PAYG) and contributory pension scheme in Nigeria. Due to this classification of the pension system, countries move from one regime of classification to another in the quest for a suitable and appropriate pension scheme for their employees. Thus, the adjustment, movement and change from one pension system to another in order to satisfy weak, aged and economically inactive employees is known as pension reform.

IV. METHODOLOGY

The population of the study consisted of all the retirees in Rivers State across twenty-three (23) Local Government Areas, which is given as eighteen thousand and seventy-three (18073) according to the Rivers State pension board (2019) and confirmed by the Rivers State Information

Bureau (2020). The sample selection of the civil servants recognized by the population of the study's definition was done randomly through probabilistic sampling techniques, involving stratification. The method that was used in selecting respondents for this study is a judgmental sampling technique. This sampling technique selects respondents based on the conviction that the selected respondents are knowledgeable enough and will give the answers necessary for the execution of the study. The use of this sampling technique is justified by the fact that the phenomenon observed in this study will necessitate specialized knowledge, as not everyone is knowledgeable about public sector reforms pertaining to the state contributory pension scheme. The study collected data using both primary and secondary methods, and it used a structured questionnaire with a Likert scale for the primary data. Questionnaires were distributed to ensure that the study included people of all genders and ages.

V. DATA ANALYSIS AND RESULTS

Table 1: Pension scheme reforms in Rivers State has not contributed to good governance.

Correlations

		Pension Scheme Reforms	Good Governance
Pension Scheme Reforms	Pearson Correlation	1	.405**
	Sig. (2-tailed)		.000
	N	265	265
Good Governance	Pearson Correlation	.405**	1
	Sig. (2-tailed)	.000	
	N	265	265

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data 2021 and SPSS output version 25.0

Table 1. illustrates the test for the two previously postulated bivariate hypothetical statements. The correlation coefficient (r) shows that there is a significant and positive relationship between pension reforms and good governance. The rho value 0.405 indicates this relationship and

it is significant at $p < 0.000 < 0.05$. The correlation coefficient represents a moderate relationship. Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, pension scheme reforms in Rivers State has contributed to good governance.

Table 2. There are no factors responsible for the delay in the payment of pension and gratuity in Rivers State.

Correlations

		Factor 1	Factor 2
Factor 1	Pearson Correlation	1	.440**
	Sig. (2-tailed)		.000
	N	265	265
Factor 2	Pearson Correlation	.440**	1
	Sig. (2-tailed)	.000	
	N	265	265

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data 2021 and SPSS output version 25.0

Table 2. illustrates the test for the two previously postulated bivariate hypothetical statements. The correlation coefficient (r) shows that there is a significant and positive relationship between two factors and the delay in payments of pension and gratuity in Rivers State. The rho value 0.440 indicates this relationship and it is significant at $p < 0.000 < 0.05$. The correlation coefficient represents a moderate relationship. Therefore, based on empirical findings the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there are factors responsible for the delay in the payment of pension and gratuity in Rivers State.

VI. DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Pension Scheme Reforms in Rivers State and their contribution to good governance.

Dysfunctional and ineffective public institutions, broadly defined here to include all institutions that shape the way public functions are carried out and weak governance, are increasingly seen to be at the heart of the economic development challenge. Misguided resource allocation, excessive government intervention, and arbitrariness and corruption have deterred private sector investment and slowed growth and poverty reduction efforts in numerous settings. It was therefore found in this study that pension scheme reforms are important for good governance and they do encourage good governance. The mean scores indicate that the majority of respondents see pension scheme reforms as a contributing factor to good governance, so we will reject the hypothesis "Pension scheme reforms in Rivers State have not contributed to good governance." Poorly functioning public sector institutions and weak governance are major constraints to growth and equitable development in many developing countries.

The World Development Report (WDR) 2000, Poverty and Development, contains a rich discussion of the importance of good governance and effective pension scheme reforms. WDR 1997, The State in a Changing World, lays out an agenda for action to improve the performance of governments. Similarly, there is a general agreement in the interview that pension scheme reform has not contributed much to good governance in Rivers State. From the response to

an interview with Mr. Isaac Tamunotonye, one of the retirees, on the 21st of October, 2020, he states that:

"Public sector reforms would contribute to good governance only if things were done correctly and without fear or favor; there is a lot of red tape in the civil service that needs to be eliminated if we are to move forward in the civil service."

In Rivers State, factors are to blame for the delay in the payment of pensions and gratuities.

Based on the findings of the questionnaire and the interview, we therefore accepted the hypothesis "The delay in the payment of pension and gratuity in Rivers State is caused by the absence of fiscal discipline as well as a lack of accountability in the public sector." Many other several issues in the process of pension and gratuity payment were also identified. One of the major issues was that, as a result of sending wrong and incomplete application forms, a considerable number of applications were returned. This may occur due to the lengthy documentation process, unawareness and the negligence of the pension process of the parties involved. Another issue is that, when the applications are processed in the absence of a uniform method to gather information within the sections and for the parties involved, the occurrence of such problems is unavoidable. It was also discovered that some officers and applicants pay less attention to the process guidelines. Various attitudes held by the officers who are responsible and lack of knowledge of the circulars may have been the reason for that issue. It was observed that the same piece of information is gathered repeatedly during the process and this unnecessary repetition seemingly consumes a lot of time. Personal files not properly updated were also identified as a barrier to processing the application for pension and gratuity due to the inadequacy of the information. Another major issue was the lack of a clear procedure for receiving complaints and inquiries.

Based on the above objectives, the following recommendations are therefore proffered.

1. In our first objective to the study, we interrogated pension scheme reforms in Rivers State and their contributions to good governance. Findings revealed that pensions scheme reforms do not engender transparency and integrity, lack professionalism and commitments, and delay in the payments of pensions and gratuity. The scheme has not

been able to meet the needs of the retirees in the state. Consequently, the study recommends that professionals with proven years of experience and integrity should be recruited to manage the scheme.

2. The second objective investigated the factors responsible for the delay in the payment of pension and gratuity in Rivers State and observed that poor fiscal discipline and accountability are factors responsible for delay in payment of pension and gratuity in Rivers State. Based on this, the work recommends that fiscal discipline, transparency and accountability should be demonstrated by professionals and bureaucrats in pension administration.

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