Relationship between Retirement Planning and Socioeconomic Characteristics of Workers in Kaduna State

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Abstract

Every worker must one day retire either voluntarily or involuntarily hence the need to prepare for that moment as failure to do that may lead to severe retirement crisis. Ineffective retirement planning (RP) among Nigerian civil servants is one of the leading causes of severe hardship, frustration, and even pre-mature death after retirement. This study seeks to investigate the relationship between retirement planning and socioeconomic characteristics among civil servants in the Kaduna Metropolis, Nigeria. The Kaduna State was purposively selected due to high population density of civil servants in the state. Civil servants were clustered into 14 ministries. A total sample of 321 civil servants was drawn using Yamane's (1967) sample size determination formula. Simple random sampling was used to administer copies of a structured questionnaire to civil servants with less than 10 years to retirement. A descriptive statistic was used to analyze the results. The results shows that education (χ^2=210.97), income level (χ^2=23.94) and years of service before retirement (χ^2=18.83). Perceived mismanagement of pension funds 57.9% and poor income 50.5% adversely affected RP practices. The absence of timely retirement counseling and low financial literacy were challenges of Retirement Planning. Poor salary, lack of entrepreneurial skills, motivation, and saving culture affected Retirement Planning.

Keywords: Retirement Planning, Workers, Socioeconomic characteristics

1. Introduction

In Nigeria like other parts of the world retirement of workers from active service is taken seriously. This is because having served the society retired workers need to live decently and with dignity. However, without proper planning retirement by workers can be a night-mare. Hence, while in active service workers in collaboration with their employers have to make proper plans to make retirement pleasant. This paper intends to appraise Pre-Retirement Planning by civil servants. This will allow us to assess the impact of working conditions of civil servants, identify bottle necks confronting civil servants planning to retire and examine the role of Government in planning for retirement. Retirement to so many people is considered a time of relaxation devoid of stress and exertion of work as well as a period one spends with the family, with old school mates and, of course, in bed. Having spent a lot of years working for salary, it is normally expected of a worker to have effectively planned for financial stability, with pension income acting as back-up (Arogundade, 2016).

However, reverse is the case these days. Most retirees in Nigeria are poor, needy and are dependent on the meager payment from the pension scheme which they often struggle every month to draw. Today, the role of the family is changing-future generation of the older may not receive the care and financial support they expect from their families. In many countries, and territories, people consider it increasingly important to be self-reliant in later life (Garba, 2014). It is therefore not surprising that many workers who are approaching the age 60 tend to be uncomfortable and unwilling to discuss issues concerning retirement.

In order to alleviate the negative effect of retirement on Nigerian workers, the National Pension Commission (PENCOM), the administrator of Nigeria's pension scheme, has been introducing

some relief for retirees whose monthly pay is ridiculously low (Eremie, 2016). But the scheme is still far from providing financial security for the average Nigerian worker. It is the workers' responsibility to ensure that they do not slip into poverty at retirement. Some public and private organization in Nigeria takes their employees through retirement planning courses to sensitize and prepare them towards retirement. In most cases, such courses are organised too late to facilitate effective and realistic planning. Retirement preparation includes planning for financial security, health maintenance, social network, decent accommodation and meaningful activities. In an ideal working environment, all workers are expected to prepare towards a successful retirement Heenkenda (2016). Unfortunately, this is not the case. In many cases, it is not possible for workers to adjust properly for the upcoming retirement even though it is always bound to occur.

Studies have confirmed that more than 70 percent of workers fail to adjust properly towards retirement (Robinso, 1985; Ruhm, 1990; Ross and Wills, 2009 in Fitzgerald, 2015). This lack of adjustment is obvious in many areas including financial planning, accommodation, leisure planning and even the thought of when they were actually going to retire. In reality, most Nigerian workers fail to adjust to the retirement process. As a result, they may be taken unaware, or are forced to come to terms with retirement and hence no meaningful adjustment is made towards it. Presently, retirement is increasingly seen as a time of struggle, rather of rest and relaxation.

Therefore, life after retirement is one of the dreaded periods of most workers in Nigeria. The fears of facing the future after retirement "creates an ambiance of disturb' among employees.' Retirement is seen by workers as a transition that could lead to psychological and economic problem. The provoking thoughts of facing uncertain future after retirement by workers is responsible for most bureaucratic corruption and could also be responsible for low commitment to work by employees and service ineffectiveness of vital institutions in Nigeria. These may be as a result of poor administration of retirement benefits in the past. This informed the Pension Reform Act of 2004 by the Obasenjo led administration.

The reform is contributory in nature with the intent of ensuring that every person who has worked in either the public or private sectors receives his or her retirement benefit as in when due. The reform was to serve as social welfare scheme for the aged, by ensuring that workers save to cater for their livelihood during old age (Okparanma, 2011).

Eleven years after the establishment of the new pension act, there is still speculation among Nigerians about the success of the scheme. Hence, a preparation for retirement in recent times has emerged as the main priority in social security in Nigeria (Okparanma, 2011). Retirement planning is of great concern to employees in public and private sector. Retirement planning in respect of social and psychological, especially in Nigeria is a herculean task because there are great societal expectations on the retiree to enjoy his retirement as well as maintain the symbiotic relationship with society. It must be stated here that irrespective of the type of retirement, the transition is associated with some stress situations like economic, social, psychological and occupational stress. These stress could emanate from different sources which include money, health, ageing, search for meaningful activity, caring for other family members, e.g. grandchildren or elderly parents, relocation amongst others.

Hence it presents a worse situation when the retiree is not adequately prepared to face this ultimate phase of life. Retirement life demands great managerial ability, and this would be best achieved with early preparation, it wouldn't be too early to begin as soon as one gains his/her first employment. It has been observed that the retiree in order to experience a pleasant post-retirement life style would have to device effective means of managing some challenges inherent in retirement as he will soon be confronted with the challenge of managing insufficient retirement benefits that come at the end of the month to cater for his needs especially if he still requires to securing residential accommodation, the challenge of a new and low social status; Difficult health and declining health condition. Planning for retirement is a necessary and important part of every one's financial plan as making positive plans at an earlier life with little savings reserved purposely for retirement, the better off since to live a comfortable life after retirement demands little sacrifice all

along working days. Adequate financial preparation for retirement thereby would ease incidence of retirement adjustment failure. Also there is an innate need for every worker to adopt a meaningful life style that would not affect the future years of retirement because trying to adjust to low social status will pose a more difficult problem.

Therefore, retirement planning should reflect every individual's dreams, hopes, and aspirations in addition to meeting day to day obligations. It is essential that all prospective retirees should begin with a personal goal setting exercise that reflects how the individual wants to spend the last days of his/her life. Besides the financial preparation, one's family style can equally affect retirement days, as loneliness is a major fear, but people who recognized the importance of good moral up-bringing and have reared their children well, taught them the right values of respect such as caring for the elderly, love for parents, etc. would be most likely cared for by their descendants until their last days, as they would not be abandoned to lonely lives.

Hence to avoid the independence and physical challenges associated with seniority, individuals should ensure that in all life expense, they should consider the future financial freedom and independence, the challenge of living alone, retirement home, medication, health and others. So the best option is for everyone, irrespective of income, to plan ahead by investing properly.

It is against this background that the researcher seeks to examine the subject matter of this study: A sociological appraisal of Pre-Retirement Planning for effective retirement among civil servants.

It takes time and money to prepare the individual to enter employment just as the individual has to be prepared for retirement. Much the same way, there is also the need to prepare to leave employment, when one is due for retirement. Parents and guardians largely take the responsibility to prepare their wards to enter employment. The job of preparing the individual to leave employment on retirement largely devolves on oneself. This also involves considerable time and resources.

2. Literature Review

2.1 Theoretical Literature

Expectancy theory: Victor Vroom together with Edward Lawler and Lyman Porter, suggested that the relationship between people's behaviour at work and their goals was not as simple as was first imagined by other scientists. Vroom is of the opinion that an employee's performance is based on individual factors such as personality, skills, knowledge, experience and abilities (Vroom and Deci, 1982). Expectancy theory advocates that behaviour results from conscious choices among alternatives whose purpose it is to maximize pleasure and minimize pain. Expectancy theory suggests that individuals may have different sets of goals; they can be motivated if they believe that there is a positive correlation between efforts and performance, favourable performance will result in a desirable reward, the reward will satisfy an important need, desire to satisfy the need is strong enough to make the effort worthwhile.

2.2 Empirical Literature

Individual attributes have an indirect impact on the outcomes of retirement planning by retirees. Individuality drives the decision-making procedures including whatever prior financial experience the individual has (Sitkin and Weingart 1995; Schubert, Brown, Gyler and Brachinger 1999). In 2001, Benartzi and Thaler investigated the association between people who invested aggressively or conservatively in their retirement accounts. The study indicated that more women are likely to choose a naive diversification approach to investment in their pension plans. Bernasek and Shwiff (2001) discover that women are more cautious than males in the area of managing retirement savings. They conclude that gender differences play a big role in understanding individuals' investment decisions. People are frequently overconfident in their judgements and expertise.

Several researchers have discovered that people are overconfident in their financial judgements and understanding (Klayman, Soll, Vallejo and Barlas 1999; Dittrich, Guth and Maciejovsky 2001).

Women are less confident in their financial judgment than men (Powell and Ansic 1997; Beyer and Bowden 1997; Ricciardi and Simon 2000; Barber and Odean 2001; Bengtsson, Persson, and Willenhag 2004) and this has implications for women's confidence and risk behaviour when investing (Beyer and Bowden 1997; Ricciardi and Simon 2000; Barber and Odean, 2001; Bengtsson, Persson, and Willenhag 2004). According to Graham et al. (2002), one important disadvantage is the lack of opportunity for large returns and heavy reliance on low-return investments. Alternatively, because women are more inclined to ask more questions and analyze all relevant questions on investments than males, their lack of overconfidence may lead them to be more careful and knowledgeable investors.

3. Methodology

This study was conducted in Kaduna and Civil Servants were used as the population of the study. A sample was drawn using a purposive sampling technique to collect data from 357 workers. A descriptive statistics method was used to analyse the data and cross-tabulation was also used to present the results.

The sample size for the quantitative analysis was determined using Yamane (1967) formula across the fourteen (14) ministries in Kaduna State. The sample size was calculated thus:

$$n = \frac{N}{(1+N*(e)^2)}$$

Where:

n = Correlated sample Size

N = Population size

e = Margin of error (0.05)

*At 95% confidence level.

Thus: $n = \frac{1734}{(1+173 \ *0.0025)}$

n = 325 + 32 (Additional 10% of Total Population)

Total Quantitative Sample Size = 357.

Table 3.1: Sample Size for Quantitative Data in Kaduna State

S/N	Ministries	Total Population of Civil Servants	Total Sample Size
1	Business Innovation and Technology	157	33
2	Environment *and* Natural Resources	103	19
3	Women Affairs (Human Services and Social Development)	78	16

4	Water Resources (Public Works and Infrastructure)	81	18
5	Justice	104	21
6	Finance	84	18
7	Youths, Sports and Culture	167	36
8	Planning and Budget Commission	87	18
9	Agriculture *and* Forestry	104	21
10	Education	293	60
11	Health	214	42
12	Housing and Urban development	77	16
13	Information (Internal Security and Home Affairs)	98	21
14	Bureau of Establishments	87	18
TOTAL		**1734**	**357**

Fieldwork (2020)

4. Results and Discussion

The results that shows the relationship between retirement planning and socioeconomic characteristics is presented in table 4.1.

Table 4.1: A Cross-Tab of Retirement Planning Attitudes of Civil Servants and Socio-Demographic Characteristics

Demographic Variables	Categories	Retirement planning attitudes			Chi Square p-value
		Negative	Neutral	Positive	
Age	41 – 45 years	1(1.6%)	-	63(98.4%)	x^2 =294.908 P = 0.000
	46 – 50 years	26(38.2%)	35(51.5%)	7(10.3%)	
	51 – 55 years	49(51%)	47(49%)	-	
	56 – 60 years	72(77.4%)	18(19.4%)	3(3.2%)	
Education	FSLC	-	-	31(100%)	x^2 = 303.477 P = 0.000
	SSCE	4(7.8%)	8(15.7%)	39(76.5%)	
	OND/NCE	38(48.1%)	41(51.9%)	-	
	Degree/HND	57(51.8%)	51(46.4%)	2(1.8%)	
	Postgraduate	49(98%)	-	1(2%)	
Grade Level	GL 1 – 3	-	-	26(100%)	x^2 = 322.793 P = 0.000
	GL 4 – 6	1(2.2%)	1(2.2%)	44(95.7%)	
	GL 7 – 9	46(46.5%)	53(53.5%)	-	
	GL 10 – 12	79(61.7%)	46(35.9%)	3(2.3%)	
	GL 13 - 15	22(100%)	-	-	
Income Level	Less than 30000	58(47.9%)	34(28.1%)	29(24%)	x^2 = 0.917 P = 0.922
	30000 – 50000	61(45.2%)	45(33.3%)	29(21.5%)	

	51000 – 70000	29(44.6%)	21(32.3%)	15(23.1%)	
Years before retirement	Not known	20(37.7%)	19(35.8%)	14(26.4%)	$x^2 = 11.205$ P = 0.190
	2 years left	31(53.4%)	12(20.7%)	15(25.9%)	
	3 years left	38(55.1%)	16(23.2%)	15(21.7%)	
	5 years left	58(39.1%)	53(53%)	29(39.7%)	
	9 years left	1(100%)	-	-	

Table 4.1 shows that there existed a significant association between age and retirement planning attitudes (Chi-square = 294.908; P<.01). Among those with positive attitudes toward retirement planning, 86.3% were between ages 41 and 45, 9.6% were between 46 and 50 years while 4.1% were between 56 and 60 years. This result contradicts the views of who stated that plan saving rates have also been analysed in terms of the demographic variables, income and age at the heart of the neoclassical model of saving (i.e., that higher-income and/or older workers save more).

Furthermore, Table 4.1 indicates an association between educational qualifications and retirement planning attitudes. There existed a significant connection between educational qualifications and retirement planning attitudes (Chi-square = 303.477; P<.01). Among those with positive attitudes toward retirement planning, more of them (53.4%) were degree/HND holders, 42.5% were OND holders, and 2.7% had FSLC holders while the other 1.4% were post-graduate certificate holders. This result agrees with the findings of McPherson and Guppy (1979) that those with higher levels of education, more income, and higher-status occupations were more likely to plan their retirement living because they usually have a greater awareness of the time of their retirement and their desired retirement lifestyles. These individuals are less likely to perceive themselves as being forced into poverty because of their retirement decisions.

Those most at risk are individuals with less education, lower occupational statuses, no pension coverage and expected lower retirement income. These are less likely to access retirement planning programs and take advantage of the opportunities that exist. In terms of education, Bernheim and Garrett (1996), Bayer, Bernheim and Scholz (1996) and Lusardi report that education raises both participation and savings rates. Active use of financial training programs appears to boost participation rates and saving rates more than merely making information available. Education has its greatest impact among low- and middle-income households, probably because upper-income households are constrained by Internal Revenue Service contribution limits in their ability to boost saving. Of course, while education may successfully boost plan saving rates, this is distinct from saying that participants are well-educated about retirement plan decisions, given the results of the surveys cited in our introduction.

Also, the table 4.1 reveals that there existed no outstanding chemistry between the income levels of civil servants and their retirement planning attitudes (Chi-square = 0.917; P>.05). However, among those with positive attitudes towards retirement planning, 39.7% earned between N30,000 and N50,000 every month, 39.7% earned less than N30,000 per month, while the other 20.5% earned between N51,000 and N70,000 every month. This implies that the issue of retirement planning is not solely dependent on salary but rather it is an intentional act. Earning little should not hitherto hinder civil servants from keying into a form of retirement plan as it is they securing their future and that of their dependents both at nuclear and extended level.

5. Conclusion and Recommendations

In Nigeria like other parts of the world, retirement of workers from active service should be taken seriously. This is because having served the country for one's most active years, one should be able to retire with dignity and feeling fulfilled. However, without proper planning by workers and employers the inevitable situation can turn-out to be a night-mare. Hence, while in active service workers in collaboration with their employers must make conscious and proper plans to make retirement pleasant as it is a phase in life that must come either voluntarily or involuntarily.

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