PUBLIC POLICY AND THE CHALLENGES OF IMPLEMENTATION IN NIGERIA: A CASE STUDY OF THE 2004 CONTRIBUTORY NATIONAL PENSION SCHEME

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Abstract
The advent of the Pension Decree No. 102 of 1979 formed the basis upon which all pension schemes in Nigeria developed. Nigeria pension administration has been inundated by diverse problems, such as inadequate funding and mismanagement, poor documentation, inability to determine appropriate investment portfolios, corruption and embezzlement of pension funds among others. The introduction of the "defined" contributory pension scheme in 2004 was a welcome development that remedied the defects of all previous pension schemes in Nigeria. This study investigated public policy and the problems of policy implementation in Nigeria: A case study of the 2004 contributory pension scheme. One of the objectives of this work was to understudy the role of PENCOM in pension administration in Nigeria. The theoretical frameworks were citizens' participation theory and structural functional theories. The research relied on secondary and primary sources data from federal, state and local government public servants. Chi-square was used to analyse the data collected, the findings showed that PENCOM as the umbrella body of pension could manage effective implementation of pension policy. With elimination of corruption, proper data base and high awareness, and pension administration would also contribute to national development. Also successful implementation of Pension Scheme is directly related to the identification and elimination of problems associated with the administration and implementation of the new contributory pension scheme. The study also revealed that mismanagement of contributory pensions funds, lack of capacity building, non-remittance of pension contributions by employers are among the problems which affect effective implementation of the New Pension Scheme in Nigeria. Based on this, the study recommended amongst others, the sanction of defaulting employers by the National Pension Commission (PENCOM) to ensure their compliance with the relevant sections of the Pension Reform Law.

Keywords: Administration, Implementation, Policy, Development, Pension.

Introduction

Public policy is a government statement concerning or addressing a particular issue or phenomenon. It is aimed at directing and guiding the way of life the citizenry to achieving the objective of such a policy for the general interest of the public. One major objective of public policy is improving the condition of living of its people. Therefore, public policy is government action or inaction about a phenomenon. Various scholars and authors have given different definitions about public policy.

They all look at public policy from different perspectives. Anderson's definition seems to be most comprehensive. "Public policy is a purposive course of action followed by an actor or a set of actors in dealing with a problem or matter of (social) concern (Eminue, 2005, p. 17).

Every government has the objective of providing the best possible life for its citizenry. Hence policies are made in all spheres of life and endeavours such as economy, politics, culture, security etc. Public and private workers form part of the macro economy of a country, hence the desire for government to give them the best conditions of living before and after retirement.

One major distinction between a Defined Benefit (DB) Pension Scheme and a Defined Contributory (DC) Scheme is that in the former, the scheme sponsor, usually the government or employer set aside funds to provide retirement benefits while in the later, retirement benefits are financed by individual and collective savings. According to Barrow (2008), individual and collective savings are key to individual, family as well as national development.

Contributory Pension System (CPS) ensures that a saving culture is imbibed by the workers, which leads to the accumulation of capital that is needed for societal development. In addition, the incentives provided by CPS like tax incentives for both employers and employees as well as for voluntary contributions further encourage savings among the employees (Lee 1986). And since pension savings is long term, it is useful as a macro-economic tool for national development by enabling money to be in circulation for long term investments, which in turn promotes economic expansion. With the signing into law of the Pension Reform Act 2004, a new pension system was introduced to replace the old Pay-As-You-Go system. The Act established for any employment in the Federal Republic of Nigeria, a *Contributory Pension Scheme* for the accumulation of funds to meet future pension liabilities. The problems that precipitated the pre-reform pension system such as unsustainable pension deficit of over N2 trillion (Balogun, 2006), was one reason that informed the reform. However, the more important reason stressed that Pension Reform Act, 2004 should follow the Chilean model of providing long term fund to develop the financial market and enhance economic growth (Dostal, 2010 and Ogwumike, 2008).

The idea of Pension Reform Act (PRA) (2004), can be traced to Vision 2010 of the former military government under the late General Sani Abacha (Dostal, 2010). The vision stated that most Nigerians shall have access to some form of social security offered by the formal social security program by the year 2010 (Pension Subcommittee in Dostal, 2010). This idea was not realized as a result of the demise of the then military Head of State. However, following the 1999 election, the democratic government under the leadership of former President Olusegun Obasanjo came up with his own program for economic as well as political renewal called National Economic Empowerment and Development Strategies (NEEDS) (Dostal, 2010). The NEEDS document succeeded in passing pension reform in 2004, and reiterated the view that the reform might help to develop Nigerian Capital Market (Federal Government of Nigeria in Dostal, 2010). It is therefore; conceivable that introduction of CPS would serve as a tool towards realization of the goal of savings mobilization, which can lead to financial deepening and Capital Market development, thereby fostering economic growth in Nigeria (Asekunowo, 2009).

The Problems and Issues

Therefore, the challenges of pension administration in Nigeria are numerous and listed as:

1. Poor pension awareness
2. Non-remittance of pension contribution by corporations to pension administration.
3. PENCOM control of administration and organization is weak.
4. Defaulters have not been brought to book hence persistence in irregularities, corruption, etc.
5. Embezzlement of pension funds by these in authority etc.
6. Inadequate funding, inadequate subvention and grants.
7. Poor documentation and filing at pension offices.
8. Direct release of pension funds to under writers
9. Accumulate arrears of pensioners.
10. Inability to determine adequate investment portfolio.
11. Lack of accountability
12. Corruption and embezzlement.
13. Cumbersome process of clearance and verification procedure.
14. Incompetence and inexperience pension staff.
15. Poor human relations, lack of etiquette and simple courtesy.

Pension scheme was designed to give employees, good lives equated to how they lived during active service. It was such that at the end of service of an employee, a lump sum of money is given to the employee thereafter constant interest from his investment by pension administration.

The responsibility of any government is to tackle problems and proffer solutions. When these problems persist, could degenerate into a state of lawlessness (Okoh and Onah 2002). Most of these policies appear lofty and interesting in principle through the formulation stage, failed during the stages of implementation. Recently, the Economic and Financial Crimes Commission (EFCC) uncovered unprecedented fraud in the implementation of the pension scheme when it preferred charges against: Abubakar Kigo, Esai Abubakar, Ahmed Wada, John Yusufu, Veronica Onyebula and Sani Zirra for allegedly diverting N32.8 billion from the Nigerian Police Pensions Fund on March, 29, 2012. Between January 2009 and June 2011, the accused persons, all public servants, diverted the sum of N14.5 billion from Police Pensions Fund domiciled in First Bank of Nigeria. They were also accused of stealing N8.9 billion between January and December, 2009; N4.7 billion between January 2010 and February 2011; N858.3 million between February and June 2011; N656.5 million on or about December 14, 2010 and N400.2 million on or about December 30, 2010; N18 million between February and June 2011; N8.9 billion between January and December, 2009; and N4.7 billion between January and

February 2011 among others (*The News*, April 16, 2012, 38(15), p. 15). In similar vein, other cases of reported pension scam abound Abdurrasheed Maira, Head, Pensions Reform Task Team and other officers accused of masterminding, frivolous diversions and misappropriation of pension funds were still at large (Newswatch, May 28, 2012, pp.12-20). The present National Pension Scheme apparently suffers the same fate probably due to corruption among officials of implementing agencies leading to incessant demonstration and protests among pensioners and the generality of Nigerians.

Theoretical Framework

This study used two theories as the framework of analysis. This work anchors mainly on citizen participation theory. However, structural functional theory is also adopted to shed more light into the theoretical framework of this research. Herbert Spencer sees society as the human body that all parts function together for the overall benefit of the body; and that every part has its own issue that must be addressed properly. The theory sees society or polity as a complex system that works together to bring about development and growth of the society. Thus looks at society from the macro-perspectives. The theory therefore looks at the society in terms of functionality of its organs, institution, agents, groups, culture etc. Structural functionalism takes different approaches to explain what society looks like e.g. biological, sociology, to engineering, biology etc. which means that the functionality of every part for the general benefit of the whole (Macionis, 2010).

Amongst the various theorist of structural functionalism are Herbert Spencer, Talcott Parson, August Compte. Each of them sees the society from different views such as sociology, biology, politics etc. the summation of the theorists is that every organ must work for the general success of the whole system (Talcott, 1975).

Every society is complex such as Nigeria amongst others. Thus, complexity of the society includes various agencies, institutions, organizations, ministries, parastatals, departments, agencies, groups etc. Each of the mentioned organs of the society has goals and objectives directed at benefiting the macro-society, i.e. the state.

An organization or agency such as PENCOM is saddled with the responsibility of coordinating pension services for the entire country. As the theory states that every organ is expected to function effectively to contribute to the general growth of the society.

Functionality of PENCOM is therefore paramount. So that adjustments, amendments, reforms are put in place to improve the service of PENCOM thus the 2014 contributory pensions perform. PENCOM is an institution in the Nigeria's context and the functionality brings about effective and efficient society.

The theory as it relates to the research topic shows how PENCOM is expected to perform. PENCOM is expected to carry out its duties efficiently overcoming lapses and improving the quality of pension services in Nigeria. Functionality means that PENCOM is supposed to be ideal in its principles of operation to contribute optimality to the enhancement of a complex society.

Citizens' Participation Theory

The root of this theory is traced to ancient Greece and colonial Lyndon Johnson in the 1960s. It was propounded in response to public reaction to formulation and implementation of public policy with exclusion of the workers. Basic tenet of the theory is that the citizen should be made to participate in the policy process. This theory encourages civic skills and civic virtues. It leads to rational decisions based on public reasoning and it increases legitimacy of the process and outcome. Its adoption will help the study unravel the workers perspective and challenges associated with pension implementation in Nigeria.

Discussion of Findings

Lack of regulatory autonomy in Nigeria created problems for effective management and implementation of pension policy in Nigeria. The role of the regulator in bringing in international best practices into pension administration. The regulator is backed by regulatory authority, which is the power that the legislation gives it to enforce statutes, to develop regulations that have the force of law, and to assist the public in ensuring that regulated entities comply with laws and regulations. However, as confirmed by Herskovits (2007) there seems to be a pattern of general lack of regulatory autonomy of Nigerian institutions. With the level of corruption in the country, it is doubtful that one regulatory body like PENCON could check fraud by PFAs. Pension funds must neither be embezzled or mismanaged by fraudulent or incompetent fund administrator due to bad investment decisions otherwise the major purpose of the scheme will be defeated. In developed financial and capital markets all intermediaries such as banks, insurance companies and pension funds are well regulated.

There are serious challenges to implementing the new scheme in the informal sector arising from the absence of a coherent structure and the unwieldy composition of the informal sector. Integrating the informal sector into the new scheme is quite herculean and difficult. There is an all-encompassing need to address the effective and efficient participation of the informal sector in the Contributory Pension Scheme. It is for these challenges that scholars, considering the challenges inherent in both the old and new pension schemes have highlighted above, suggest possible alternatives to provide for retirees. Some have suggested social pension which involves cash transfer to old people with eligibility based on residence and financing not from contributions but general tax revenues. Holzmann and Hinz (2005) and Palacios and Sluchynsky (2006) emphasized that the contribution of social pensions to relieving poverty in developing countries has been long advocated by the International Labour Organization (ILO); and more recently, the World Bank. Social pensions have been credited with positive developments in those countries that have introduced them.

Fundamentally, a public policy is a government's action or proposed action directed at achieving certain desired goals or objectives (Ikelegbe, 2006). In the light of a given societal problem, public policy guides and determines present and future public decisions as well as private individual or private business institutional actions, decisions or behavior. In essence, a public policy determines the activities of government and given private institutions in relation to providing services designed to solve a given problem. Usually, policies are made or formulated by the legislative arms of the government in the federal, state or local government tiers and implemented by the public bureaucracy or designated private institutions. In most cases, however, it is the public bureaucracy that is saddled with the responsibility of policy implementation. Indeed, in virtually every country of the world, public policies are implemented primarily by the public bureaucracy and specifically by the bureaucrats or career civil servants that work in them (Ezeani, 2006). To this extent, therefore, the role of government in development is, to a very large extent, the role of the public bureaucracy (Abah, 2010). This role the public bureaucracy plays through the effective implementation of government policies, projects and programmes aimed at achieving development goals and objectives. Most often in Nigeria, however, policies are well and brilliantly formulated but ineffectively implemented by the bureaucracy (Obodoechi, 2009; Ikelegbe, 2006).

Indeed, most policy making goals in Nigeria are subordinated to the personal rewards and interests of the political leaders and their colleagues with the result that a policy is judged more on its political merits with the real development need rarely factored into consideration. For these, most policies in Nigeria are either inappropriate or lack well defined objectives and programmes for their effective implementation. It is perhaps for this, that Okoli and Onah (2002) state that implementation of pension policies in Nigeria takes the form of “learning process” or “trial and error”. In this context, pension scheme is haphazardly implemented and even sometimes abandoned or dismantled midway because the basis for the policy was not, in the first instance, predicated on existing accurate pension data and realities or need. Indeed, in Nigeria there are usually no comprehensive policy standards and objectives to guide the bureaucracy in its policy implementation activities and procedures (Makinde, 2005).

Another critical factor inhibiting effective implementation of pension policy in Nigeria is that some agencies or institutions saddled with the responsibility of implementing the policy do not possess the requisite manpower and financial resources to effectively implement them. On the issue of inadequate resources, for instance, Government, sometimes, do not budget adequately to enable compliance (Ikelegbe, 2006; Dick, 2003). Indeed, to effectively implement policies, the implementing agency needs resources in adequate and timely manner and such not being the case in Nigeria explains, in part, the failure of certain public policies to achieve desirable ends (Nweke, 2006; Ikelegbe, 1996). Sometimes, though, government gives out sufficient fund but the corrupt activities within the public bureaucratic organizations do not allow for its judicious use to effectively execute policy programs. In any case, insufficient financial resources have resulted to situations where retirees are not giving their pension on time (Makinde, 2005). In Nigeria, On the issue of inadequate human resources, the public bureaucracy in Nigeria do not, indeed, have adequate staff in terms of overall numbers and more importantly in terms of specific areas of professional, technical or managerial competence and expertise (Aluko and Adesopo, 2002).

Again, the challenge of keeping away personal interest, prejudice and the influence of primordial values in the conduct of official business by bureaucrats is equally very critical in Nigeria. Usually, if the bureaucrats are not favourably disposed towards a policy, they may not approach its implementation with the enthusiasm and zeal that its effective implementation may require. Makinde (2005), in this respect, contends that the zeal with which bureaucrats in Nigeria implement policy depends on how they see the policy as effecting their personal, ethnic and organizational interest and aspirations. Positive effects will induce enthusiastic implementation while the contrary may mean that implementation may be resisted, thwarted and even sabotaged (Ikelegbe, 2006). The ultimate result of this is ineffective implementation of policies that makes the realization of their goals and objectives difficult. Indeed, some policy implementing agencies or bureaucracy in Nigeria posses certain primordial interests or values that dissipate implementation favor and clog, delay, distort and proper and effective policy implementation. Ugo and Ukpere (2011) note that in Nigeria, because of sectional or personal interests of the bureaucrats, some retired workers received their pension much earlier with little or no delay while other went through huddles for a very long time before they could get theirs.

Another constraining factor to effective policy implementation in Nigeria is undue pervasive political influence on the public bureaucracy. Usually, in Nigeria, the political leaders formulate policies and as well control and direct the implementation activities of the policy. This situation is not proper as such control and directive are mostly motivated by selfish personal or political interests. Indeed, the bureaucracy cannot effectively implement policies and meaningfully contribute to national development if it is fettered, controlled and directed by political authorities. This is more so as in extreme cases of such political control, in Nigeria, the bureaucrats are not even allowed to take decisions or actions on basic routine administrative matters without consultation and the consent of relevant political authorities. In this process, much time and energy is wasted and prompt actions required for effective implementation of policies hampered. Given this, therefore, one can posit that the extent to which politics influence the bureaucratic activities will continue to determine and shape the extent to which policies can be properly and effectively implemented by the public bureaucracy in Nigeria. Very worrisome is the fact that the political influence or hold on the public bureaucracy is becoming tighter as promotion to the headship positions in some public bureaucratic organization is based on political patronage or loyalty and not on the basis of relevant or cognate experience and seniority. Bureaucrats promoted under such circumstance will be more morally bound to subject their official decisions and actions, substantially, to the wishes, preferences, control and endorsement of their political masters.

Similarly, the integration of informal sector into the new scheme has become difficult, perhaps because the informal sector in Nigeria lacks a coherent structure and has an unwieldy composition. Balogun (2010) opines that the ability to design products for the informal sector which is largely dominated by sole proprietors and small and medium scale enterprises has been constraint due to lack of trust on both sides. The operators believe that the informal sector contributions would not be regular, and on the other hand, the informal sector believes that they could manage their funds better (Aremu, 2008).

Summary

The main objective of this study was an evaluation of pension fund administration in Nigeria by examining the challenges of implementation compliance by employers of labour in the new contributory pension scheme. This study revealed that pension scheme is something that cannot be treated with levity. It should go beyond casual approach by any serious government. Successive governments have tried to encourage pension scheme from colonial period to date. The past and present civilian administrations led by President Olusegun Obasanjo and President Goodluck Ebele Jonathan have carried several upward reviews to improve the lots of retirees and pensioners in the country.

This is commendable, but the inability of government and private employers of labour to employ strategies for funding the new Contributory Pension Scheme is worrisome as many public and private organizations find it extremely difficult to secure money to pay the entitlements of their retirees and pensioners leaving in agony and frustration.

It is reiterated that government should address this problem as a matter of urgency. It is only then that the benefits of the reforms can be enjoyed by the beneficiaries and the loyalty of serving officers can be guaranteed.

Conclusion

Without mincing words, the pension industry under the new scheme is robust, safe and poised to help retirees live well after their active tenure in service. The new scheme, to a large extent, places in the hands of the contributor (and of course their employer), the responsibility for the contribution that is available in the Retirement Savings Account (RSA) upon retirement. One of the major differences between the previous scheme and the new scheme adopted in Nigeria is that, in the old scheme (Defined Benefit Scheme) pensioners queue up at government offices for verification and collection of their monthly pensions while Pensioners in the post 2004 Contributory Pension Scheme (the New Contributory Pension Scheme) do not need to queue up to be verified because it is the duty of pension manager and administrator to do so electronically. Their monthly pensions are paid straight into their bank accounts.

Another major difference is that while pensioners in the old system travel long distances to be verified, the local office of the Pension Fund Administrator (PFA) manages that level of interface without challenges, thereby removing the need for continuous verification of pensioners. One other most fundamental difference between the two is the fact that, the post-2004 era avails the contributors or pensioners a lot of information, ranging from monthly balances and contributions and the lump sum available upon retirement to monthly pension. Pensioners in the pre-2004 era depended on pension authorities to inform them about what they are entitled to. Information guarantees knowledge and with this comes power which has been placed in the hands of the contributors and pensioners. The numbers of enterprises that are not complying with the 2004 Pension Reform Act have really shown that the enforcement arm of the National Pension Commission is weak. The major obstacles are the enterprises which are deducting but not remitting. It is reiterated that government should address this problem as a matter of urgency. It is only then that the benefits of the pension reforms can be enjoyed by the beneficiaries and the loyalty of serving employees can be guaranteed. The Contributory Pension Scheme is a major way to take care of the future of the Nigerian workers.

Recommendations

For effective and efficient pension fund administration in Nigeria, the following policy recommendations are necessary;

- The Nigerian government should encourage the option of having the banks where the salary accounts of employees are domiciled to facilitate pension deductions on monthly basis and have it remitted to the concerned pension fund administrators (PFA) i.e. employers should stop deducting the pension contributions at source. The review of this role is necessary because, it seems the number of defaulting firms is on the increase.
- There is need for public enlightenment campaign on the merits of the Contributory Pension Scheme with a view of introducing in the nearest future a way of mitigating some problems faced by retirees and pensioners in collecting their entitlements due to non remittances and improper documentation.
- On the part of the regulator, there is need to address issues like non-remittances of pension contributions by corporations. The issues that cause non-payment of pension and gratuities to older citizens should also be addressed.
- Contributors should make effort to compel their employers to remit contributions regularly by collective bargain approach.
- The regulator (National Pension Commission) should enforce the relevant sanctions of the Pension Reform Act on defaulting employers to improve on the existing compliance.
- The government of Nigeria should punish those who embezzle pensioner's funds to serve as deterrent to others. The seized funds should be paid to the retirees who suffered from the embezzlement. For instance, it is the making and implementation of public policies that determines, for instance, the level of provision of social services, the availability of financial services for economic activities, the level of industrialization, the level of employment opportunities, the level of social or economic inequality, the availability of health facilities, the level of social security, the pace of education.

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