

Gratuity Investment Plan and Retirement Life of Civil Service Retirees in Rivers State, Nigeria.

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Abstract

The study examined the relationship between gratuity investment plan and retirement life of civil service retirees in Rivers State. The aim of the study was to examine the impact of gratuity investment plan on retirement life of civil service retirees in Rivers State. A sample size of 375 from a population of retirees were sampled. Data were obtained using questionnaire as the research instrument. Two null hypotheses were stated and tested using the Pearson Product Moment Correlation Coefficient (PPMC). Findings revealed that Gratuity Investment Plan, significantly influences the two measures of retirement Life (Financial Status and Health Status). In conclusion, it was stated that gratuity investment plan, if managed adequately, has the potential to better the retirement lives of retirees by enhancing their financial and health status. Its provisions are as such necessary and imperative for a more fulfilling retirement life of workers in the Nigerian Civil Service.

Keywords: Financial Status, Gratuity Investment Plan, Health Status, Pension scheme, Retirement life.

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1. INTRODUCTION

Pension systems are delicate issues particularly in a developing country like Nigeria where most employees neither have any significant retirement benefits nor earn sufficient money during their working lives to provide for their post-retirement period (Awosike, 2009). Thus, studies (Fapohunda, 2013; Euster, 2004; Auerbach, 1984) indicate a substantial number of retirees are often faced with challenges and resulting from their poor financial planning and its implications on their health and lifestyle. Hence the need for frameworks and financial plans such as the gratuity investment plan structured to support and provide in the long-run for retirees' lifestyles.

As a remuneration for their significant contribution to the economy, government in developed and developing countries offer retirees in their retirement life access to formal structure of retirement income provision (Kolawole and Mallum, 2004). In Nigeria, one form of this is the gratuity as a remuneration for employees' laudable service to the nation. The intended outcome of the gratuity investment plan is to afford workers steady and sure pay when they eventually retire from active service. Organizations use this method to provide support and other benefits for its workers when they retire, and also make available aids to their dependent relative when the worker is deceased. These arrangements are generally financed by contributions from the employer and the employee; and sometimes by the employer alone (Balogun, 2006; Abdullahi, 2002)

Gratuity investment plan function as an inducement to workers, it is also appealing and helps to preserve experienced staff. Such investment plans are managed to enable a more predictable and less stressful retirement lifestyle for beneficiaries. Although there are variations in the way gratuity investment plans are managed and benefits shared to recipients (Kolawole and Mallum, 2004). Due to the challenges credited to the investment schemes present in the country, many Nigerian organizations, including the civil service picked the contributory type of plan, wherein workers and their employers are required to deposit a stipulated percentage

from the employee's monthly incomes into a Retirement Saving Account (RSA), which would provide their pension benefits after retirement (Ebiye and Ebiye, 2000).

In Nigeria, Pension scheme is not new, but the establishment of the new scheme (i.e.) The Pension Fund Reform Act of 2014, signed into law on 1st July made it take a different look. In Nigeria, the type of pension scheme that is operational is contributory in nature and is managed by different Pension Fund Administrators (PFAs), and overseen by the National Pension Commission (PENCOM) (Balogun, 2006; Abdullahi, 2002; Federal Republic of Nigeria, 2008). Several governments have carried out reforms of pension schemes which have constantly experienced implementation problems that has made life difficult for retirees in their retirement life. As such this study investigated the relationship between gratuity investment plan and retirement life of civil service retirees in Rivers State in view of the new Pension Fund Reform Act 2014.

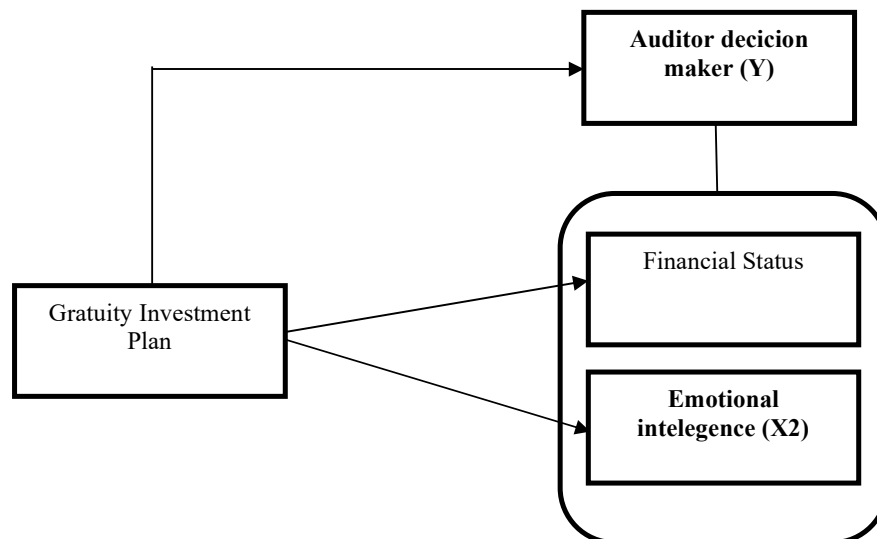


Figure 1 Operational Framework of the Relationship between Gratuity Investment Plan and Retirement Life of Civil Service Retirees in Rivers State.

Source: Desk Research, 2019.

Aim of the Study

The aim of the study was to examine the impact of gratuity investment plan on retirement life of civil service retirees in Rivers State

1.1 Research Questions

- i. What is the relationship between gratuity investment plan and financial status of civil service retirees in Rivers State?
- ii. What is the relationship between gratuity investment plan and health status of civil service retirees in Rivers State?

2. Gratuity Investment Plan

Gratuity investment plan helps to make a proper decision on how best to invest your money to realize your targeted goals. This is putting in place an investment plan on how to properly utilize one's gratuity when finally received, taking into consideration the retiree's goals, priorities and time frame. Making a practical gratuity investment plan involves more than opening a savings account and also investing in shares of stocks. To properly put in place a well-structured gratuity investment plan that is right, it's essential to know where you're at and what you want to accomplish with the investments plan (Oniye, 2004). Every striving worker in the 21st century should know that the Nigerian economy is facing serious challenges hence there is need for strategies to combat and manage the impending pains and stress in retirement. Gratuity investment plan should not be over looked by any worker considering the fact that labour wage in Nigeria is far from being a living wage (Omoresemi, 1987; Okechukwu and Ugwu, 2011).

The goals and investment option one chooses will go a long way to determine the success of such plan. In choosing an option one has to consider the following:

- i. *Age Appropriate Investment Option:* Retiree's age has a significant impact on the type of gratuity investment plan to adopt. Generally speaking, the younger the retiree is, the more risk he is likely to take. That's because there is time to recover from a market downturn or loss of value in a particular investment. The older the retiree, the more it affects his health status and financial status. When a retiree is close to retirement, it is safer to allocate more of his portfolio to less aggressive investments.
- ii. *Understand your current financial situation:* The would-be retiree should be aware of how much disposable income is available to invest. Making a gratuity investment plan requires careful consideration because the retiree has a limited fund. But such plans are necessary to prepare the would-be retirees in areas to invest when the gratuity is finally received. The retirees sets a goal to be achieved in the course of the plan and also develops a risk profile.
- iii. *Establish a timeline for your goals:* In establishing a gratuity investment plan, the retiree would determine how soon he wants to reach the targets. To achieve such goals, the retirees would have to make plan to invest in aggressive investment with great returns. The would-be retiree will then evaluate

the investment plan and determine where changes need to be made.

2.1 The Concept of Retirement Life

Retirement life relates to the time an individual has left work because they have gotten to a particular age. Abdullahi, (2002) posit that retirement life is the act of retiring or of leaving one's job, career, or occupation permanently, usually because of age. Okechukwu and Ugwu (2011) sees retirement life as the act of retiring, withdrawing, or leaving; the state of being retired. It is a point in adult life where active work is put on hold and the individual withdraws to a private lifestyle.

Financial Status as a Measure of Retirement Life: According to Quinn, (2010) retirees who find themselves in pitiable financial status, it will be very good to work after retirement because it often provides extra pay to help them in retirement, thereby reducing their financial difficulties. It is a fact that working after retirement considerably benefit the retirement life of retirees who have so little financial incomes in retirement (Liu, Shultz, Wang, and Zhan, 2009).

Greater financial status has a tendency to make an employee retire early, because richer retirees can basically acquire some extra leisure time. Usually the effect of financial status on retirement life is not easy to evaluate because noticing greater finance at an advance age may be as a result of continuous increased saving over the period of one's working life in expectation to retire early. Nevertheless, a number of authors have devised ingenious ways to evaluate the financial effects on retirement life and concluded that they are small.

Health status as a measure of retirement life: The health problems of civil service retirees' also have significant implications on their retirement life, since it is likely to increase health care expenses and also hinder retirees' capability to work and achieve extra sources of income in retirement (Shultz and Wang, 2007). Retirees fall ill frequently during their retirement life and this leads to high health care cost. Health insurance coverage is usually provided for senior citizens of their country, even though many people in United States retire before they become qualified for health care at age 65; in Nigeria, civil servants tend to work without any medical insurance coverage for them. Often civil service retirees are required to cater for grandchildren and occasionally aged parents in their retirement life and this affects their health status. Many civil service retirees feel on edge and often suffer from dejection due to their new state. Even though it is not methodically easy to explain that retirement is responsible for depression, those that retire newly are always the most exposed in the society when it comes to depression because of coming together of increasing age and declining health status. The decline of one's health often coincides with increasing age and this apparently plays a significant part in bigger rates of depression in civil service retirees. Cross-sectional and Longitudinal research indicates that a healthy elderly and retired persons are also as happy or even happier and have an equal value of life as they grow older as equalled to younger employed adults, therefore retirement does not in any way aid and abet development of depression.

2.2 Gratuity Investment Plan and Retirement Life

Gratuity investment plan provides a format, and information for retirees to help them understand their options and make informed decisions; and also effectively manage their benefits, because failure to do so often lead to a painful retirement life. It also ensures that the benefit plans are administered in a manner consistent with appropriate plan documents and regulations (Abdullahi, 2002).

A well administered gratuity investment plan ensures that life after retirement will be blissful. Retirees are usually confronted with unprepared challenges, hence the need to adopt an appropriate plan to prepare for life after retirement. This will go a long way in ensuring that retirees are better informed and prepared to tackle what life challenges they might face in future. Retirement benefit administration policies adopted by some organization tend to be reactive rather than proactive, thereby making life difficult for retirees in their retirement life.

Formerly, workers had to work until death with no assurance of gratuity, couple with the low rate of life expectancy. Recently, with improvement in life expectancy rate and available labour supply, most countries have evolved systems that now define standard retirement age and provide investment or savings plans for civil servants on retirement. According to Toye (2006), such retirement plans as the gratuity investment is basically the particular amount put aside to make life easy at retirement for the employee. It is usually done by both the employer and the employee, so that the retiree will have something to rely on as a guaranteed source of income for them or for their dependants.

Gratuities are schemes which provide the finances for the upkeep of the retired civil service retirees throughout the rest of their lives after work. In Nigeria, payment of such gratuities to retirees in the civil service to help in their retirement life is the sole responsibility of the government; this will reduce the sufferings of the retiring worker at old age and also ensure the retiree is not stranded financially. This practice assists the retirees to settle in appropriately in the society when they eventually stop working. In view of the foregoing theoretical underpinnings, this study therefore states hypothetically as follows:

HO₁: There is no significant relationship between gratuity investment plan and the financial status of civil

service retirees in Rivers State

HO₂: There is no significant relationship between gratuity investment plan and the health status of civil service retirees in Rivers State.

3. METHODOLOGY

Design: This study adopts a cross sectional survey method. This choice is based on the nature of the study which addresses behavioural and social factors within non-contrived settings, thus aligning with Baridam's (2001) description of a quasi-experimental study.

Population and Sample Size: The target population consists of 15,000 Civil Service Retirees in Rivers State from 2010 to 2018. This figure was gotten from the office of pension and establishment bureau. A sample size of 375 was drawn from the population size using Krejcie and Morgan (1970) sample size determination table. The sampling technique used for the study is the simple random sampling technique. This was to ensure that each unit within the sampling frame had the same chance of being involved in the study.

Data Collection Methods: Primary data for this study was generated using structured questionnaire. Questionnaire copies were distributed to 375 civil service retirees in Rivers State; and was administered by the researcher and other assistants.

Measurement: An all-inclusive questionnaire was designed by the researcher. Gratuity investment plan was measured using 5 items which addressed the evidence of such plans and workers knowledge of investments in such plans during the tenure of their work life with their organizations. Retirement life was operationalized using 10 items (financial status – 5; health status – 5) with each statement addressing workers experiences with regards to financial obligations, demands, health and wellbeing. Statements were all scaled on a 5-point Likert type scale. The researcher administered a total of 375 copies of the questionnaire to the respondents.

DATA RESULTS

Table 1 Questionnaire Response Rate

S/N	Questionnaires	Frequency
1	Number of questionnaires distributed	375
2	Number of questionnaires returned	375
3	Response Rate	100%

Source: Field Survey, 2019

The table 1 above represents the response rate to the questionnaire items. 375 questionnaires were distributed to respondents, and 375 questionnaires returned back for the analysis. The response rate indicates 100% for the study.

Table 2 Gender of Respondents

		Frequency	Percent
Valid	Male	209	55.7
	Female	166	44.3
	Total	375	100.0

Source: Field Survey, 2019

Table 2 above clearly shows that out of the sample population of 375 civil service retirees in Rivers State, 209 are males representing 55.7%, while 166 are females representing 44.3% making a total of 100%. This reveals that the numbers of male respondents are more than the number of female respondents. However, this finding has no significant influence on the study.

Table 3 Marital Status of Respondents

		Frequency	Percent
Valid	Single	6	1.6
	Married	244	65.1
	Divorced	45	12.0
	Widowed	80	21.3
	Total	375	100.0

Source: Field Survey, 2019

Table 3 of marital Status shows that singles are 6, representing 1.6%; while the married are 244 representing 65.1%; while the divorced are 45 representing 12.0% and the widowed are 80, representing 21.3% making a total 100%.

Table 4 Educational Qualification of Respondents

		Frequency	Percent
Valid	Standard 6	56	14.9
	SSCE/WAEC	106	28.3
	ND/TTC	125	33.3
	HND/BSC	75	20.0
	Masters and Above	13	3.5
	Total	375	100.0

Source: Field Survey, 2019

Also, the educational qualification status ranges from standard six which is 56 and represent 14.9%; while SSCE/WAEC is 106 representing 28.3%; while ND/TTC is 125, representing 33.3%; HND/BSc is 75, representing 20.0% and P.G. Degree is 13, representing 3.5% making a total of 100%.

Table 5 Early Pension of Respondents

		Frequency	Percent
Valid	Less than three years	2	.5
	Above three years	84	22.4
	Not gotten yet	289	77.1
	Total	375	100.0

Source: Field Survey, 2019

The above table 5 shows the period of getting their pension from less than three years is 2, representing 0.5%; while above three years is 84, representing 22.4% and not gotten is 289, representing 77.1% making a total of 100%.

Table 6 Regular Pension of Respondents

		Frequency	Percent
Valid	Very Regular	45	12.0
	Regular	130	34.7
	Not so regular	76	20.3
	Irregular	75	20.0
	Very Irregular	49	13.1
	Total	375	100.0

Source: Field Survey, 2019

Also, the regularity of the pension ranges from very regular which is 45, representing 12.0%; while regular is 130, representing 34.7%; while not so regular is 76, representing 20.3%; while irregular is 75, representing 20.0% and very irregular is 49, representing 13.1% making a total of 100%.

Table 7 Gratuity Investment Plan

Gratuity Investment Plan	N	Mean	Std. Deviation
Gratuity investment plan affect the life of retirees.	375	4.5387	.51499
Gratuity investment Plan improves retirees' well-being.	375	4.5627	.49672
Delayed implementation of gratuity investment plan affects the success of retirees' plans.	375	3.5707	.51157
The amount budgeted for gratuity investment plan affect the standard of living of retirees.	375	4.3467	.49309
Proper implementation of gratuity investment plan affects retirees' life.	375	4.2080	.40642
Valid N (listwise)	375		

Source: Field Survey, 2019

With a mean score of (4.53), and a standard deviation of (.51499) respondents agreed that gratuity investment plan affect the life of retirees. Mean score of (4.56) and a standard deviation of (.49672) also shows that respondents agree to the fact that gratuity investment plan improves retirees' well-being. The mean score of (3.57) also indicate that respondents agreed that delayed implementation of gratuity investment plan affect the success of retirees' plans. The mean score of (4.34) reveals that the amount budgeted for gratuity investment plan affect the standard of living of retirees. While the mean score of (4.20) shows that Proper implementation of gratuity investment plan affect retirees' life.

Table 8 Financial Status

Financial Status	N	Mean	Std. Deviation
Working after retirement positively affect the finances of retirees.	375	4.5627	.49672
Working after retirement provide additional income to retirees.	375	3.5707	.51157
The financial status of retirees affects their choice of business.	375	4.3467	.49309
Contributions made by retirees' impact on their financial status.	375	4.2080	.40642
Greater financial status lead to early retirement.	375	4.5627	.49672
Valid N (listwise)	375		

Source: Field Survey, 2019.

Respondents with mean score (4.56) and a standard deviation of (.49672) agree that working after retirement positively affect the finances of retirees. The mean score of (3.57) shows that respondents agree that Working after retirement provide additional income to retirees. The table also shows that the mean score of (4.34) and a standard deviation of (.49309) indicates that the financial status of retirees affects their choice of business. It also shows the mean score of (4.20) agreeing that the contributions made by retirees' impact on their financial status. While the mean score of (4.56) reveals that greater financial status lead to early retirement.

Table 9 Health Status

Health Status	N	Mean	Std. Deviation
Working after retirement affects the health status of retirees.	375	3.5707	.51157
The high cost of Medicare affects the health status of retirees.	375	4.3467	.49309
The absence of work after retirement affect the health status of retirees.	375	4.2080	.40642
The absence of proper health care affect retirees.	375	4.3467	.49309
Early retirement affects the health status of retirees.	375	4.2080	.40642
Valid N (listwise)	375		

Source: Field Survey, 2019.

Respondents with mean score (3.57) agree that working after retirement affect the health status of retirees. The mean score of (4.34) and a standard deviation of (.49309) shows that respondents agree that the high cost of Medicare affects the health status of retirees. The table also shows that the mean score of (4.20) indicates that the absence of work after retirement affect the health status of retirees. It also went on to show the mean score of (4.34) and a standard deviation of (.49309) agreeing that the absence of proper health care affect retirees. While the mean score of (4.20) reveals that early retirement affect the health status of retirees.

Hypothesis 1

HO₁: There is no significant relationship between gratuity investment plan and the financial status of civil

Table 10 Gratuity Investment plan and Financial Status

		Gratuity Investment Plan	Financial Status
Gratuity Investment Plan	Pearson Correlation	1	.995**
	Sig. (2-tailed)		.000
	N	375	375
Financial Status	Pearson Correlation	.995**	1
	Sig. (2-tailed)	.000	
	N	375	375

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

service retirees in Rivers State

Table 10 above revealed that there is a very strong positive correlation between gratuity investment plan and financial status at 0.995. The correlation is only statistically significant at 0.01 level of significance. Hence, we reject the null hypothesis and accept the alternative hypothesis.

Hypothesis 2

HO₂: There is no significant relationship between gratuity investment plan and the health status of civil service retirees in Rivers State.

Table 11 Gratuity Investment plan and Health Status

		Gratuity Investment Plan	Health Status
Gratuity Investment Plan	Pearson Correlation	1	.994**
	Sig. (2-tailed)		.000
	N	375	375
Health Status	Pearson Correlation	.994**	1
	Sig. (2-tailed)	.000	
	N	375	375

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

The value of table 11 above revealed that there is a very strong correlation between gratuity investment plan and health status at 0.994. The correlation is only significant at 0.01 level of significance. Hence, we reject the null hypothesis and accept the alternative hypothesis.

4. DISCUSSION OF FINDINGS

The findings show that none of the null hypotheses were accepted. Gratuity Investment Plan has a strong positive correlation with financial status, and also has a strong positive correlation with health status. Therefore, we reject the null hypothesis (1) and (2) and state that there is a strong significant relationship between gratuity investment plan and financial status, and gratuity investment plan and healthy living. This is in line with Oniye's (2004) comparison of gratuity investment plan and financial status, taking into consideration the retirees' goals, priorities and time frame. This means that organizations and interested parties should take gratuity investment plan seriously in order to enhance retiree's financial status and health status.

The finding also reiterates Maisamari (2005) position that when funds of retirees are properly managed through investments such as in gratuities, and return on investment is paid to the retirees, it increases their financial status and enhance a healthy status because retirees are able to afford the necessary medical attention, they may require from time to time. In a nutshell, Chase et al (2003) posit that gratuity investment plan, provides for a more satisfying retirement life and enriches the retiree's wellbeing. Also, the type of gratuity investment plan adopted by a retiree goes a long way to determine his financial status in retirement life.

5. CONCLUSION

It is therefore pertinent that the employer(s) ensure that every worker is involved in the investment in gratuities as a way of cushioning the effect of retirement life. Given that the retired population are part of the society and taking into consideration the recent growth of population of civil service retirees, their welfare should constitute an issue of national importance and not to be treated as dead woods as is being done in Nigeria. It is affirmed by the evidence presented herein that the new Pension Fund Reform Act 2014, if adequately managed, will address the challenges faced by retirees in Nigeria with regards to their financial and health demands and encourage them to be more productive in the Nigerian economy.

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