

Retirement Preparedness and Retirement Confidence among Civil Servants in South-South Nigeria

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Abstract- *This study seeks to investigate the effect of retirement preparedness on retirement confidence of civil servants in South-South Nigeria. Retirement preparedness was proxied by emotional preparedness, attitudinal preparedness, and financial preparedness. Sample size for this study was 900 drawn from the six (6) states of the South-South Nigeria, however, 887 copies of questionnaire administered were completed and returned. The instrument for this study was a questionnaire adapted from earlier instruments developed and applied by other scholars. Descriptive statistics, Pearson's correlation and multiple regression analysis were used to analyse data collected. Findings from the study indicate that all the proxies of retirement preparedness positively predict retirement confidence. Consequently, it was concluded that retirement preparedness has significant effect on retirement confidence of civil servants in South-South Nigeria. It was recommended, among others, that employees should endeavor to start preparing for retirement early by looking to intentionally invest in their emotional, attitudinal and financial preparedness.*

Key Words: *Attitudinal preparedness, Emotional preparedness, Financial preparedness, Retirement confidence, Retirement preparedness.*

I. INTRODUCTION

Retirement from active service is an inevitable stage in the life of every employee. Retirement refers to the withdrawal of oneself from the office, service, or business as a result of age or the number of years of service, which subsequently leads to a less structured lifestyle with ample leisure time. Employees desire to live comfortably upon retirement without compromising on the standard of living they were used to while in active service. Thus, there is a need for proper preparation towards retirement.

Retirement preparation is defined as effort invested by individuals while still employed to provide for their wellbeing in retirement (Mullock and Turcotte, 2012). Though optional, preparing for retirement requires a conscious decision/effort on the individual to address those concerns that aids retirement preparedness. These concerns are usually emotional, attitudinal as well as financial in nature (Lusardi, 2009).

Emotional preparation for retirement has to do with mental preparation about retirement in general. It has multiple

aspects to consider like dealing with the extra time available after retirement, maintaining the former life style, coping with spouse full time, loss of career and loss of relationship at work. Few people consider emotional adjustments that accompany retirement. This may lead to experiences like anxiety, depression and other debilitating feelings (Onoyase, 2013).

Factors such as social background, pension expectation, self-esteem, and identity all influence employee attitudes toward retirement (Mutran, Reitzes, & Fernandez, 2004). Employee attitudes toward retirement are important factor that influences retirement preparedness behavior. As such, those employees who display more positive attitudes toward retirement are more likely to be active in their retirement preparations (Onoyase, 2013). Bukoye (2010) asserts that employees with positive attitude towards retirement will transition smoothly into retirement more because they feel more in control and prepared, thus, leading to boost in their confidence with regards to retirement and satisfaction in retirement. Generally, people who have more positive attitudes toward retirement would be able to achieve their retirement goals and tend to be more confident as the approach retirement age.

Financial preparedness focuses on many important aspects of financial management which include savings, investment allocation, applying for government benefits, paying off debt, calculating monthly income, reviewing insurance needs and making budget. Thus, it plays a key role in preparing workers and retirees for long term financial security (Alessie, Vann-Rooji & Lusardi, 2011). Preparing for post-retirement financial needs can be beneficial to individuals in several ways. For instance, people who prepare for their later life financial needs are more likely to have adequate resources in retirement. They may also have more realistic expectations about their financial situation in retirement. In addition, by making financial preparations, people may gain some control over their uncertain future. This can help reduce worries and anxiety about the future and enhance confidence about post working life. were

For decades, the public service in Nigeria had been operating the Defined Benefits Scheme (DBS). A scheme whereby government pays out defined amount to employees as benefits (gratuities and pensions) at retirement. However, this scheme was plagued by low budgetary provisions, inadequate and untimely release of funds, etc. These challenges resulted in

delays and accumulation of arrears of payment of pension right and raised the issue of sustainability of the DBS. The Contributory Pension Scheme (CPS) which was provided for in the pension Act of 2004 was introduced to replace the DBS.

Despite the implementation of CPS, employees' concerns about retirement readiness (emotional, behavioral, and financial) remain. Past studies have investigated the effect of emotional, attitudinal, and financial factors on retirement confidence, albeit separately. However, Ahmad, Masud & Ibrahim (2013) and Brian (2019) argued that with regards to retirement preparedness, emotional, attitudinal, and financial factors cannot be delimited because these factors finely dovetail into one another and proposed that the factors be studied relative to one another. In line with this, this study seeks to predict retirement confidence of civil servants in South-South Nigeria by investigating the relative contributions of the emotional, attitudinal, and financial factors of retirement preparedness.

II. REVIEW OF RELATED LITERATURE

A. Retirement Confidence

Retirement confidence means a belief and a sense of assurance that one would be able to comfortably sail through the greying days of life based on an amalgamation of host of factors specific to each individual's cultural, economic, social and behavioral state (Chauhan and Indapurkar, 2017). These factors, they explained, are mainly attitudinal, emotional and financial. Putting these three factors in the right perspective provides individuals with confidence when they contemplated retirement and reduced anxiety.

In their opinion, David and Scott (2010) defined retirement confidence the feeling that an individual has the ability to maintain an adequate standard of living during old age. They also identified two factors that predict retirement confidence to include anticipation and preparation for retirement and individual characteristics. The author also hints that anticipation and preparation for retirement affect attitude towards retirement, pointing out that those who are well prepared are likely to be confident about their retirement. Taylor & Doverspike (2010) attests to the statement by stating that being prepared for retirement includes emotional, attitudinal and financial preparations. It affects retirement anxiety and depression as well as retirement experience and adjustment thereby enhancing retirement confidence.

Retirement confidence is concerned with people who consider themselves as well-prepared for their retirement life (Onoyase, 2013). Individual's retirement confidence can be measured by examining their retirement preparedness; the higher their preparedness, the higher their retirement confidence (Kim, Kwon and Anderson, 2005). Evidence suggests that employees who are indulged in planning for retirement are more confident to have a secured retirement life. Generally, retirement confidence among employees is determined through their preparedness (emotional, attitudinal and financial) towards retirement (Brian, 2019).

B. Emotional Preparedness and Retirement Confidence

Emotional preparedness towards retirement has to do with more with mental preparation about retirement in general (e.g. thinking about life in retirement, talking to others about retirement and reading about retirement) than specific money-related issues (Mutran et al., 2004). Emotional preparedness is less formal than financial planning and has been found to be a better predictor of retirement confidence and other long term retirement outcomes, such as general satisfaction when compared to financial preparedness (Asebodo & Seay, 2014). In terms of emotional preparation, Sabri and Juen (2014) found that the educational level and income of the individual were the greatest predictors of thinking and talking about retirement. The higher the educational level and the larger the income, the greater the amount of thought devoted to retirement.

For many retirees, the most important emotional preparation resulting from retirement is the mental adjust to the loss of a work/life structure and the task of building a retirement/life structure to replace it (Van-Solinge & Henkens, 2008). Workers develop an identity from work which determines not only how they are viewed by others, but how they define themselves through their job and responsibilities (Van-Solinge & Henkens, 2008). A loss of title and income may make the worker feel less confident/successful in retirement. Also, Aiken (2012) opined that thinking about retirement and preparing emotionally is positively related to the retirement confidence and retirement satisfaction among retirees in the post retirement stage.

C. Attitudinal Preparedness and Retirement Confidence

Attitude refers to an individual's positive or a negative evaluative effect about performing a particular behavior. It reflects the individual's feelings of favorableness or unfavorableness towards performing a behavior. One's attitude toward retirement is important in adjusting satisfactorily to retirement (Kim et al, 2005). In terms of retirement preparedness and confidence, attitude has been identified as one of the important variable which determines retirement confidence among employees approaching retirement (David and Scott, 2010). They opined that the process of retirement begins with attitudes towards retirement. Research shows that an individual's longevity is increased if they view retirement positively (Lakra, Ng & Levy, 2012). Negative attitudes toward retirement generate stress by defining retirement in terms that threatens well-being and affects retirement confidence negatively (Lakra, et al., 2012). According to Lim (2003), individuals who are prepared for retirement tend to have a greater degree of positive attitude towards retirement compared to those who are less prepared for retirement. Also, attitude about retirement influences the level of confidence one displays regarding the success of their retirement.

D. Financial Preparedness and Retirement Confidence

Financial preparedness implies planning on how to gain control of future financial requirements (Agunga, Jagongo and Ndede, 2017). It involves acquiring knowledge, skills and confidence to make responsible financial decisions towards retirement. According to Agunga, Jagongo and Ndede (2017), traditional economic theory posits that forward looking individuals maximize expected lifetime utility using economic

information to build retirement assets over their work lives, as they also increase their savings fast enough to compensate for declines in other sources of income. As a result of lack of forward planning, a lot of retirees lead unhappy lives due to reduced income upon retirement. A simple way to examine whether individuals look ahead and make plans for the future is to study the extent of financial preparations they make (Onoyase, 2013).

Financial preparedness towards retirement is characterised by employees saving behaviour, financial literacy, and financial management. Conceptually, savings behaviour is characterised by an individual's proportion of disposable income in a period that is not consumed, but instead invested (or saved) for future consumption or bequest. Financial literacy is *the ability to understand and use various financial skills*, including personal financial management, budgeting, and investing. While financial management is an individual's ability to deal with investing the available financial resources in a way that guarantees return-on-investment (ROI) and increased income. These are inter-related in that sound financial literacy is required to cultivate saving behavior and proper financial management is needed to increase income by investing money saved over-time.

In general, financial preparedness is a major predictor of employee retirement confidence. This is because those who have adequate financial resources, understand how to increase savings, and are actively saving and re-investing saved funds for retirement are more likely to consider themselves prepared for retirement, reflecting a high degree of confidence among them (Kim, et al., 2005). Bernheim and Garrett (2003) investigated the relationships between financial preparedness and employee retirement confidence. They found that employees who are saving consistently and specifically towards retirement exhibit a high level of retirement confidence. Another study, Sabri & Juen (2014), examined the influence of financial management, financial literacy and saving behavior on retirement confidence among Malaysian public sector workers. They found that these three variables, as proxies of financial preparedness, are good predictors of retirement confidence. Similarly, Low and Brown (2012) found that financial preparedness had a positive effect on retirement confidence of employees.

III. HYPOTHESIS

Based on the above review, we hypothesise that retirement preparedness has significant effect on retirement confidence among civil servants in South-South Nigeria.

IV. METHODOLOGY

The survey research design was adopted for this study. This study was carried out in the six (6) states of South-South Nigeria. The target population for this study was all the civil servants in the employ of the state in each of these six (6) states. A sample size of 900 civil servants (i.e., 150 civil servants per state) was selected for this study using the convenience sampling technique. This sampling was done across all levels of civil servants and in all the Local Government Areas across the six (6) states. However, during data collection, 887 copies of questionnaire were completed and returned. As such, results of

analysis and interpretation were based on the 887 copies of questionnaire returned.

Data for this study were collected through a structured questionnaire. The questionnaire was adapted from Shanmugam and Abidin (2013) and Kim et al. (2005). There were 20 questions; 5 each to measure retirement confidence and the proxies of retirement preparedness (emotional preparedness, attitudinal preparedness, and financial preparedness). The responses of participants were scored on a 5-point Likert scale. The scale for retirement confidence ranged from (1) "Very unconfident" to (5) "Very confident", and that of retirement preparedness ranged from (1) "strongly disagree" to (5) "strongly agree". Multiple linear regression was used to analyze the data collected for this study. The regression model proposed for this study is:

$$\text{RetCon} = f(\text{EmoPrep}, \text{AttiPrep}, \text{FinPrep})$$

$$\text{RetCon} = a + \text{EmoPrep}X_1 + \text{AttiPrep}X_2 + \text{FinPrep}X_3 + e$$

Where:

- a = constant of the equation;
- RetCon = retirement confidence;
- EmoPrep = emotional preparedness;
- AttiPrep = attitudinal preparedness; and
- e = error term

V. RESULTS AND INTERPRETATION

Table 1. Distribution of Respondents based on Demographic Characteristics

Item	Demographic characteristics	Frequency (n=887)	Percent
a.	Sex		
	Male	506	57.0
	Female	381	43.0
b.	Age		
	21 – 30	122	13.8
	31 – 40	298	33.5
	41 – 50	375	42.3
	51 – 60	92	10.4

Source: field survey 2022

Information generated by the survey revealed that men were more than women in the study sample. The male respondents represented 57.0% while the remaining 43.0% were female respondents. Those between the ages of 21-30 were 13.8% of the study sample, 33.5% were between 31-40 years, 42.3% were between 41-50 years while 10.4% were those of 51-60 years bracket.

Table 2: Descriptive Statistics

Study Variable	N	Mean	Standard deviation
Emotional preparedness	887	3.655	.833
Attitudinal preparedness	887	3.407	.911
Financial preparedness	887	3.950	.694
Retirement confidence	887	4.009	.735

Table 2 indicates the mean, standard deviation and standard error of the variables under study. It shows that the mean for all the variables is between 3.407 and 4.009. The fourth column shows the standard deviation; a measure of how well the mean represents the data. According to Table 2, the standard deviation how representative a sample is likely to be of the population. According to the table, the standard error scores are relatively small ranging from 0.055 for emotional preparedness to 0.077 for retirement confidence.

is 0.833 for emotional preparedness, 0.911 for attitudinal preparedness, 0.694 for financial preparedness and 0.735 for retirement confidence. The standard deviations from this result indicate that the mean is a good representation of the data. The fifth column illustrates the standard error, which is a measure of

Table 3: Results of Pearson Correlation Analysis (n = 887)

		Retirement confidence
Emotional preparedness	Pearson Correlation	.475**
	Sig. (2-tailed)	.000
Attitudinal preparedness	Pearson Correlation	.528**
	Sig. (2-tailed)	.000
Financial preparedness	Pearson Correlation	.517**
	Sig. (2-tailed)	.000

** correlation is significant at 0.05 level (2-tailed)

Table 3 shows the correlation between variables. The result reveals that there is significant positive correlations between emotional preparedness and retirement confidence ($r=0.475$, $p<0.005$), attitudinal preparedness and retirement confidence ($r=0.528$, $p<0.000$), and financial preparedness and retirement confidence ($r=0.517$, $p<0.005$).

Table 4: Results of Multiple Regression Analysis

Model Summary						
Model	R	R square	Adjusted R square	Std. Error of the Estimate		
1	.647 ^a	.419	.417	.56162		
a Predictors: (Constant), EmoPrep, AttiPrep, FinPrep						
ANOVA^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	200.656	3	66.885	212.054	.000 ^b
	Residual	278.513	883	.315		
	Total	479.169	886			
a Predictors: (Constant), EmoPrep, AttiPrep, FinPrep						
b. Dependent Variable: RetCon						
Coefficients						
Model		Unstandardised Coefficient		Standardised Coefficient	T	Sig.
		Beta	Std. Error	Beta		
1	(Constant)	1.280	.118		10.764	.000
	EmoPrep	.149	.028	.169	5.291	.000
	AttiPrep	.227	.023	.311	9.877	.000
	FinPrep	.357	.030	.337	11.854	.000
a. Dependent Variable: RetCon						

Multiple regression analysis, as shown in Table 4, was used to examine the extent of effect of the independent variables of retirement confidence. The entire retirement confidence model has a strong coefficient of determination (R^2) = 0.419. This value indicates that the predictor variables (variables of retirement preparedness) have significant effect on retirement confidence. Also, from Table 4, the adjusted R^2 value is 0.417. This means that the fitted model and its predictor variables explain approximately 41.7 per cent of the variance in retirement confidence. The remaining 58.3 percent could be attributed to exogenous variables.

Furthermore, the regression model fits the data at the 0.05 level of significance. This can be deduced from an F-statistics value of 212.054 and a matching p-value ($p=0.000$). this implies that this model accurately depicts the relationships between the

dependent and predictor variables. It shows that the retirement preparedness variables under study have a positive and significant effect on the retirement confidence of civil servants in South-South Nigeria.

Similarly, taking the variables of retirement preparedness individually, it can be seen that emotional preparedness has an unstandardized beta coefficient of 0.149, attitudinal preparedness has 0.227, and financial preparedness 0.357. These implies that holding every other variable constant, a unit improvement in emotional preparedness will yield 14.9% improvement in the retirement confidence of civil servants in south-South Nigeria. Also, a unit improvement in attitudinal preparedness and financial preparedness will yield an improvement of 22.7% and 35.7% on retirement confidence respectively. From the results, the regression model is given as:

$$\text{RetCon} = 1.280 + 0.149X_1 + 0.227X_2 + 0.357X_3 + e$$

VI. DISCUSSION OF FINDINGS

This study was designed to examine the effect of retirement preparedness on retirement confidence of civil servants. For this study, the proxies for retirement preparedness were emotional preparedness, attitudinal preparedness and financial preparedness. Generally, the results of the study were positive.

As highlighted in Table 2, the mean scores for emotional preparedness, attitudinal preparedness and financial preparedness exhibited an increase as respondents' assessment for retirement confidence improved. Therefore, one can imply that all of these variables of retirement preparedness are directly proportional to retirement confidence in the sense that when each variable increases, retirement confidence also increases.

Large values of standard deviation compared to the mean imply inaccurate representation of the data because the data points are distant from the mean and vice versa (Field, 2000). The result from Table 2 reveals small standard deviation values ranging from 0.694 for financial preparedness and 0.911 for attitudinal preparedness. This result implies, therefore, that the mean is reliable as an accurate representation of the data. Also, small standard error values compared to the sample mean indicate that most sample means are similar to the population mean and hence, the sample is likely to be an accurate reflection of the population (Onoyase, 2013). The results revealed small standard error values ranging from 0.055 for attitudinal preparedness and 0.077 for retirement confidence. Thus, the sample can be considered representative of the whole population.

As shown in Table 4, the overall regression model explained 41.7% (adjust R square) of the variance in the dependent variable and the F-value of 212.054 is significant at 5% level of significance ($F = 212.054$, $p = 0.000$ two-tailed). This implies that retirement preparedness has significant effect on retirement confidence among civil servants in South-South Nigeria. This finding agrees with the findings of Asebodo and Seay (2014) who found significant evidence supporting the influence of retirement preparedness on retirement confidence among employees. Specifically, Asebodo and Seay (2014) found that emotional preparedness through dispositional optimism, family support, purpose in life and perceived mastery were each positively associated with retirement confidence. With regards to attitudinal preparedness, Lakra et al. (2012) found that positive attitude towards retirement increases the level of confidence one displays regarding the success of their retirement. Similarly, Sabri & Juen (2014) found a positive correlation between retirement preparedness and retirement confidence. They opined that employees are likely to display confident about their

retirement if they are all-round prepared for retirement. In their explanation, they said that all-round preparedness includes emotional, attitudinal and financial preparedness. They further explain that even though most employees focus on financial preparedness, they will need their emotions and attitude towards retirement to be right for them to be able to save, invest and achieve their financial goals towards retirement. A position that aligns with Agunga, Jagongo and Ndede (2017), and Chauhan and Indapurkar (2017).

VII. CONCLUSION AND RECOMMENDATIONS

This study was designed to examine the effect of retirement preparedness on retirement confidence among civil servants. The findings of the study clearly show that the proxies of the independent variable – retirement preparedness significantly predict retirement confidence. Based on these findings, we concluded that retirement preparedness has significant effect on retirement confidence among civil servants in South-South Nigeria. Consequently, it is recommended that:

- i. civil servants should endeavor to start preparing for retirement early. This they can do by investing intentionally in their emotional, attitudinal and financial preparedness;
- ii. civil servants should endeavor to have a social life outside of work environment, such that this can compensate for loneliness that follows retirement as a result of loss of social life within work environment;
- iii. state government who are yet to adopt the contributory pension scheme should do so in the interest of their employees as this will boost retirement confidence among their employees;
- iv. beyond the contributory pension scheme, civil servants should start saving consistently for retirement early and the advice of professional fund managers should be sought on how to invest saved funds
- v. Government, as employers, should do more to prepare civil servants for retirement by investing more on seminars and workshops, not just towards the end of employment as is currently practised, but regularly along the lifespan of the employment journey. This will aid the all-round retirement preparedness of the civil servants.

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