



The National Social Insurance Fund And Poverty Reduction Amongst Retirees In Cameroon: Challenges And Prospects

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Abstract – In Cameroon, retirees suffers severe economic, social and material underdevelopment conditions, incarnated by their standard of living. This is in spite of the creation of the National Social Insurance Fund which is supposed to catalyse for poverty reduction amongst these retirees . In this regard, majority of these retirees are unable to support their basic necessities of feeding, children’s fees, shelter, clothing, health and many others, informed by these paucity of retirees’ material and economic factors. This paper is mounted to determine the role of the National Social Insurance Fund in poverty alleviation amongst the retirees in Cameroon. Using the Process Theory of public policy makers and the structural Functional Theory, this paper argues that the National Social Insurance Fund appear ill- situated to counteract the growth of poverty amongst retirees in Cameroon. The paper recommends that, the National Social Insurance Fund can play a significant role in reducing poverty amongst Cameroon’s retirees by enhancing pension benefit, effective follow up of digital census system, improving governance practices, addressing administrative bottlenecks.

Keywords : poverty, retirement, pension ,social insurance , management

I. INTRODUCTION

In Cameroon, the National Social Insurance Fund (NSIF) was created by law No 67/LF/08 of 12th June 1967 to ensure that retired workers live an appreciable end of service livelihood. that is being able to financially and economically, including engagements into various socio – cultural activities with ease or with less frustrating livelihood. The implication is that people who retire from their employment would continue earning a substantial finance from the social Insurance Fund. These earnings were envisaging to represent the deduction which was made from their regular monthly salaries. Thus, the aim of this public policy outfit was to alleviate poverty amongst retirees (Olshansky, 1965:5). apparently, workers in Cameroon get poor soon after they go on retirement. However, many retirees still struggle with poverty despite receiving benefits from the National Social Insurance programs. In order to address this issue, it is important to link the Social insurance programs with efforts to reduce retirees’ poverty.

Experts have long-debated the philosophical foundations of what it means to be poor. This caused Researchers to further debate in the past as to whether poverty is absolute or relative, whether it is subjective or objective. Rigorous studies have tried to establish a fixed yardstick against which to measure poverty. There are two basic approaches to the conceptualization of poverty; absolute and relative. Coming to absolute approach, there are two versions of absolute definition of poverty. Bourgeois and Marxist. While the Bourgeois try to define poverty in relation to human physiology and in terms of subsistence levels of nutrition, the Marxists consider the subsistence minimum as being more than physiologically determined. They include both natural and necessary wants. Consider Marx

when he says that: “The workers” natural wants, such as food clothing, fuel and housing vary according to the climatic and other physical conditions of his country. On the other hand, the number and extent of his so-called necessary wants are themselves the product of historical development, and depend, therefore, to a great extent on the degree of a civilization of a country” (Marx, 1909:87). For Marx, the subsistence minimum varies historically. Nevertheless, at any given time and place it can be identified and approximately measured. This argument enabled Baran and Sweezy (1966:88) to define poverty as “the condition in which those members of society live whose incomes are insufficient to cover what is for that society and at that time the subsistence minimum”.

Changes have been occurring in all the societies and cultures for many centuries. These changes have many aspects and may take place in various situations. Different factors have been playing their role in bringing about these changes. Besides social movements and the emerging pattern of leadership, social changes may also be brought about due to contact with outside communities and due to the effect of different social welfare measures. There exists a vicious cycle in which poverty breeds poverty, occurs through time and impact its effects from one generation to another. There is no beginning to the cycle, no end (Moynihan,1968:100). The main theme of these viewpoints forms the basis of a system in which each part reinforces the others and hence maintains the system as a whole.

Poverty has many dimensions each of which should be studied separately. However, in reality they constitute an interrelated network of deprivations. The main focus of poverty amongst retirees in Cameroon continues to be on material deprivations, i.e., the failure to command private



resources. Development experts, including Sen (1987), though, have argued that this notion of economic welfare remains too narrow to reflect individual well-being, spurring active efforts over the past several decades to expand the concept of retirement and poverty.

Retirement is generally referred to as the act of leaving a position of employment upon reaching a particular or specific stipulated age or due to other specified reasons (Atchley, 1998:97-101). The researcher observes that retirement is one of the main transitions in life that symbolizes the individual leaving one part of a significant activity and entering into a new period in life as every worker who gets employed either in a public or private sector organisation knows that he/she must retire someday and there are many reasons why people retire from paid employment which include; poor health, loss of job in later life, eligibility for social security in developed countries, a good private income, the retirement of a spouse or the desire for leisure activity.(Novak,2012:90). Retirement could be voluntary, statutory or compulsory. Usually, this transition often affects many life domains and is often accompanied by a decline in life satisfaction, self-evaluation, and quality of life (Lusardi & Mitchell, 2011; Oyuke, 2009) quoted from (Nelson & John, 2016:90).

Before the enactment of the Pension Reform Act 15th February 2016, every retiree from a Public Sector organisation in Cameroon, was under the Defined Benefit Pension Scheme, that is, Non-Contributory Pension Scheme (NCPS). However, it is a known fact that under this scheme, retirees suffered untold hardship due to non-payment or delay in payment of their pensions and gratuity. Thus, most retirees lived in poverty and misery to the extent that some people referred to them as “dead woods “. These and other reasons led to the introduction of the new reform. Indeed, on the 15th February 2016, the President of the Republic signed decree no.2016/072 laying down social contribution rates and maximum remuneration applicable in the branches of family allowance, old age – pension, invalidity and death, industrial accident and occupational diseases managed by the National Social Insurance Fund. As a reminder, social contribution rates and maximum remuneration were previously managed and governed by Decree no.90/1198 of 03 August 1990 and no.78/283 of 10 July 1978.with this, the hopes of retirees and would-be-retirees was rekindled.

According to the Cameroon reform of the social security system, the social contribution rates due to the National Social Insurance Fund under the old-age pension, invalidity and death was re-evaluated for the employee share. that is, It moves from 2.8% to 4.2% of the taxable salary. The employer’s share remains at 4.2% of the taxable salary meanwhile the social contribution rate has moved from 7% as stated in Decree no. 2014/2377/PM of 13th August 2014 fixing the conditions and modalities for

voluntary insurance in the old age pension, invalidity and death branch, to 8.4%.

Growing old is not easy and encompasses numerous life deviations which demand multiple adjustments, requiring endurance, ability and flexibility. The loss of work through retirement is one of the fundamental changes for individual ages. For many, this is the first symbol of the effect of ageing (Sayed & Refaat, 2016:70). The concept of retirement refers to diverse things to different people.

While some individuals perceive it positively and await it with happiness, others have negative views about retirement as they see that stage of life with boredom, economic suffering, ill health and death. And consequently, such people experience a sense of loneliness and loss of status. Retirement is a fixed end which every worker must anticipate, whether in the public sector or in the private sector (Onoyas, 2013:10). Looking at Bowlby (2007), for some, retirement means complete withdrawal from the labour force, while for others it entails remaining partly or even fully active in the labour market. According to (Maestas, 2004), a person is only considered retired when he/she reports him/herself not working for pay; and pronounces himself as retired which is a combination of both subjective and objective information. This shows that the individual has no intention to work after he/she has stopped working and he/she is financially capable of supporting himself to live until the rest of his life. It is further discussed by MacBean (2009), who viewed retirement as a state (with no connection to the labour force or to a life-long occupation), or it could be considered to be a process of gradually reducing labour force activity as cited in (Sayed & Refaat, 2016:75).

1.1 Statement of the Problem

In spite of the creation of the national social insurance corporation to manage pension schemes in Cameroon, retirees continue to live in a very deplorable nature, they don’t take their salary on time Hence, causing an alarming rate of persistent poverty amongst them which has led to their death few years after retirement, ill health, no money to pay the fees of their children and in some cases death, lack of money to pay their rent after they go on retirement. It is said that the principal challenge of development is how to improve the welfare of the people (World Bank, 1991). Therefore, contributing pension to the pension fund is good and will be very beneficial for the retired population. But the long procedure and policies put in place in order to receive this income after completing 180 months of work and after attaining 60 years, is a setback in our society today which goes a long way to affect the socio-economic life of the retired population.

This paper intends to throw more light on the issue of persistent poverty amongst retirees in Cameroon under the management of the National Social Insurance Fund.



The main goal of this study is to assess the extent to which the character of pension management by the National Social Insurance Fund is geared towards poverty reduction amongst retirees in Cameroon.

II. LITERATURE REVIEW

2.1 Conceptual Review

Pension may be defined as a regular flow of income paid by an employer to a previous worker who is currently in retirement. Mumy (1979: 519) sees pension as a series of regular income (annuity) paid through the years following retirement to someone who has retired from formal employment in recognition of past economic contributions to organisation's prosperity which can significantly impact poverty levels.

Poverty is a highly political issue. People with right wing views often see it as related to laziness, a lack of family planning or overly high interference of government. People with left wing views see it more in terms of social justice and lack of opportunity in education. It is a highly complex issue in which various factors play a part. Poverty is understood in many different ways.

The state of 'poverty' encompasses notions of limitation to, and deprivation of, resources, often focused on lack of income or access to food, but also including other material, social and psychological deprivations that affect individual well-being. In addition, these definitions hint at poverty being conceptualized in relative or objective terms. A shared understanding of what poverty is, and what it means to those who experience it, is critical to the development of effective poverty-alleviation strategies. Poverty is widely conceived in current poverty research to be a multi-dimensional and dynamic process and not just an experience of economic deprivation (Grist et al.,2006:140).

Abdulazeez (2015) is of the view that retirement is a process that separates an individual from a job role or as termination of a pattern of life and a transition. Old age, poor health, social pressure or introduction of a new policy by government could be some of the causes of the separation. Retirement is the point where people leave paid employment completely. Many people chose to retire when they are eligible for private or public pension benefits, although factors such as accident which incapacitates them and illness may not allow the person to work anymore. It could also be as a result of legislations concerning their positions. In modern times, most developed and even developing countries have systems that provide pensions on retirement in old age, which may be sponsored by employers and employees or the state.

Today, retirement with pension is considered a right of the worker in many societies. The "standard" retirement age varies from country to country but it is generally between

55 and 70 years. Nwajagu as stated by Abdulazeez (2015) identified three ways in which a civil or public servant may retire or leave office. They are voluntary retirement; statutory retirement and compulsory retirement.

A decree of 1974 set retirement age in the non-uniformed civil service in Cameroon at 50 years for sub-categories C-D and 1-6; and 55 years for sub-categories A-B and 7-12. Several adjustments have occurred since, setting different thresholds for specific sectors. As a result, retirement age is much higher for judges and academics (60-65 years) and teachers (55-60 years). Since 2012, in the uniform service, retirement age varies between 48 (soldier) and 60 years (colonel) (IMF, 2014).

The cash benefits paid to insured persons are the old age allowance, the early retirement pension, the invalidity pension, the survivor's allowance. The pension paid to insured persons who meet the conditions set out above is related to the average monthly remuneration defined as 1/36 or 1/60 of the total compensation received during the last 3 to 5 years respectively, preceding the date on which the insured person ceased to meet the conditions for membership of social security, the insured person is entitled to choose the best alternatives (BONKA ,2010).

The monthly amount of the old-age pension, invalidity pension or early retirement is equal to 30% of the insured person's average monthly remuneration. If the total number of months of insurance exceeds 180, this percentage is increased by 1% for each additional period of twelve months of coverage.

Benefits of this branch are financed by contributions paid by the employers and workers, together with the increase and penalties for arrears that apply. The contribution basis is identical to that of the family benefits branch. The rate is the same for all employers. Presently the rate is 8.4% of which 4.2% is the employer's contribution, and 4.2% is the worker's contribution. However, the employer is responsible for the payment of the whole contribution, and he has to deduct the worker's contributions from the payroll. Voluntarily insured persons pay the total contribution themselves (8.4%), and the wages must not be less than the lowest guaranteed minimum wage corresponding to the number of hours for which they work.

2.2 Empirical Review

Smith and Johnson (2018) examined the impact of social insurance programs on poverty reduction among retirees in various countries. The researchers found that countries with well-established social insurance systems experienced lower poverty rates among retirees compared to those with inadequate or non-existent social insurance programs. This study highlights the importance of implementing robust social insurance mechanisms to address poverty among retirees (smith & Johnson, 2018).



Garcia et al. (2020) focused on the specific role of social insurance corporations in reducing poverty among retirees in developing countries. The researchers conducted a comparative analysis of different social insurance models and their impact on poverty alleviation among elderly populations. The findings indicated that countries with comprehensive social insurance schemes tailored for retirees had significantly lower poverty rates among this demographic group (Grecia et al,2020).

Choi and Kim (2018) examined the impact of governance structure on the investment performance of public pension funds in Korea. The study found that governance mechanisms such as board independence and expertise significantly influenced the investment decisions and performance of these funds. This highlights the importance of effective governance in ensuring sound pension management practices within social insurance corporations (choi & Kim,2018).

To add, a relevant study by Brown et al. (2017) focused on the risk management practices of social security institutions in different countries. The research highlighted the challenges faced by these institutions in managing financial risks associated with pension obligations and proposed strategies to enhance risk mitigation efforts. This study sheds light on the complexities involved in pension management by social insurance corporations and underscores the need for robust risk management frameworks (Brown & al,2017:95).

Smith and Jones (2019) investigated governance practices within social insurance corporations with a specific focus on pension management. The research highlighted the importance of effective governance structures, board oversight, risk management policies, and transparency measures in ensuring the long-term sustainability of pension schemes (smith & jones, 2019) .

Lee and Wang (2017) delved into the compliance and regulatory challenges faced by social insurance corporations in managing pension funds within a complex legal landscape. The research identified key areas of concern such as regulatory compliance, fiduciary duties, investment restrictions, and reporting requirements that impact pension governance (lee & wang, 2017).

From the empirical literature provided above, the study is guided by the following hypotheses

H12: $\mu \neq k$, i.e., the character of pension management by the National Social Insurance Fund is not significantly geared towards poverty reduction amongst retirees in Cameroon.

2.4 Theoretical framework

The study adopted decision making approach as its theoretical construct. The major proponent of the theory is Herbert Simon (1947). Simon (1947) divided the concept

into two mains parts.one is decision being arrived at and process of action. The mere making of decision is not enough, as the implementation of the decision made is of vital importance, as such he saw both sections as interconnected and important.

Simon (1947) proposes the model of administrative man as against the model of economic man who takes the maximizing decisions. According to Simon cited in (Marume 2016:42), the administrative man:

- In choosing between alternatives, tries to satisfy or look for the one which is satisfactorily or good enough;
- Recognizes that the world he perceives is a drastically simplified model of the real world;
- Can make his choice without first determining all possible alternatives and without ascertaining that these, in fact, are all the alternatives because he satisfies, rather than maximizes (p. 42).

The decision maker being an administrative man, looks at the alternatives that satisfies the need and not necessarily reviewing all the options available before settling on the most rational option. It is the economic man on the other hand, maximizes, given that in the process of decision making all the alternatives would be reviewed before decisions are made.

According to decision making theory, the different elements such as human beings, economic factors, political phenomena, governmental departments, different institutions, organisations, groups are actively or inactively involved in the social activities. The implication is that for a rational decision to be made, all these factors have to be considered. In the present context, any decision making that is taken outside the purview of the contributor, who is the main stakeholder, would be defective as it had not considered the most important element in the National Social Insurance fund. According to Narayanan & Fahey (1982) cited in Bozeman (2003) the content of the decision determines who gets to participate and the level of premium paid to their involvement in the decision-making process. In our present context, since the content of the decision is the pension management of retirees in Cameroon by the National Social Insurance fund. The Pension Fund Administrators are charged with the responsibility of managing the pension fund investments in the interest of the contributors' and as such, the contributors' participation in the decision-making processes is key to the success of the process being the most important stakeholder in the process.

Relevance Of Herbert Simon Decision Making Theory

The overall decision-making theory provides a valuable framework for understanding the financial decisions of retirees and designing effective strategies to reduce



poverty amongst this population. By incorporating insights from decision making theory into this study, the National social insurance corporation, researchers and policy makers can develop more targeted and impactful interventions to improve the financial wellbeing of retirees.

III. METHODOLOGY

The study area of this research is The Buea municipality, limbe ,Douala and Yaoundé municipality where the head quarter is found. For the purpose of this study, descriptive research design was used as it has the advantage of producing good amount of responses from a wide range of people. Also, this design provides a meaningful and accurate picture of events and seeks to explain people’s perception and behaviour on the basis of the data collected.The target population of this study included the retired workers, pension managers and staffs of the National Social Insurance fund. The total population size sampled is 500 which is 100%, including both the national social insurance corporation workers and some retirees in Buea, Yaoundé and Douala. A sample of 500 respondents were selected out of 18000 plus retirees because they were considered to represent and having vital information for the study by virtue of their positions.the study adopted a philosophical framework where primary and secondary data were collected with the aid of Questionnaire ,interview and observations through random sampling method.this method was appropriate as it enabled the researcher to choose a population of interest that would provide answers to the research questions.the National Social insurance fund and Pension management constitute the independent variable while poverty is the dependent variable.

IV. PRESENTATION AND DISCUSSION OF FINDINGS

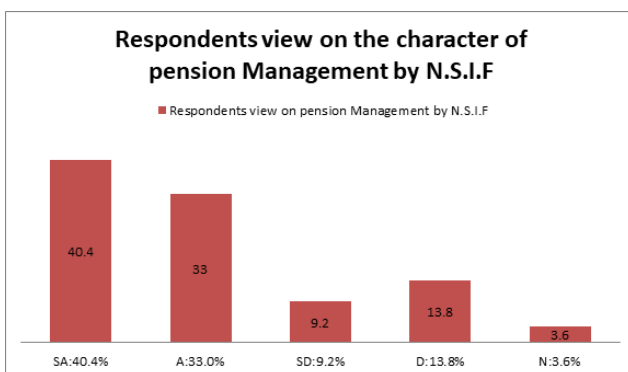


Figure 1: Bar – Chart showing total percentage of Respondents

Source: Field survey 2024

V. CONCLUSION

The study benefited from positive collaboration from the respondents. from the questionnaires that were administered, respondents view reveal that the character of managing Pension by the National Social Insurance fund is not significantly geared towards Poverty reduction amongst retirees in Cameroon: This explains why retirees are unable to meet up with their basic necessities, unable to pay children fees and in some cases death few years after retirement. Comparatively, findings from some advanced industrialized countries reveals that governance mechanisms such as board independence and expertise significantly influenced the investment decisions and performance of funds. This highlights the importance of effective governance in ensuring sound pension management practices within social insurance funds. However , an interviewee thinks that the national social insurance fund has a challenge to identify workforce. So far it is observed that the Digital system is not effective enough to carry out census amongst the retired population.

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