

**DETERMINANTS OF EMPLOYEE PARTICIPATION IN RETIREMENT
BENEFITS SCHEMES: A CASE STUDY OF NAMPAK KENYA LIMITED**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT FOR THE
REQUIREMENTS OF THE DEGREE OF MASTER OF HUMAN RESOURCE
MANAGEMENT OF THE OPEN UNIVERSITY OF TANZANIA**

2015

CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation entitled “**Determinants of Employee Participation in Retirement Benefit Schemes: A case of Nampak Kenya Limited**” in partial fulfillment of the requirements for the degree of Master of Human Resource Management of the Open University of Tanzania

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I, PAUL OKWEMBA CHIMASIA do declare that this thesis is my own original work and that it has not been presented and will not be presented to any other University for a similar or any other degree award.

.....
Paul Okwemba Chimasia

.....
Date

DEDICATION

This work is dedicated to all hardworking employees in Kenya who deserve a happy retirement after many years of loyal and dedicated service to their employers and the country.

ACKNOWLEDGEMENTS

I am extremely grateful to the Open University of Tanzania for granting me the opportunity to enhance my knowledge and skills in human resource management. Through this dissertation, I have got an opportunity to contribute knowledge to a subject that I am very passionate about i.e retirement planning. I also thank my employer Nampak Kenya Limited for providing me with an opportunity to work, study and conduct this research project using their case.

Special thanks go to my supervisor Prof Hossea Rwegoshora for his dedicated guidance which has enabled me to complete this project on time. Not to forget Dr Proches Ngatuni and the International Students Office at the Open University of Tanzania for their outstanding support.

I thank my classmates for being a great team where I derived a great source of motivation which enabled me to complete this project in the required time.

Lastly to my family for their encouragement and endurance due to the long hours of absence and foregoing some necessities in life due to the financial constraints necessitated by the financing of this course.

Lastly and most graciously, to the Almighty God who has granted me life, purpose and the wisdom to engage in such a noble course.

ABSTRACT

The study aimed at identifying the determinants of participation in retirement benefit schemes. The consequence of low participation is evident from the low level of benefits paid to employees who retired from the company. The study targeted current employees who are members of the company's retirement benefit scheme. Out of a target population of 139 employees, a representative sample of 70 employees was targeted and the study used primary data which was collected through use of a questionnaire. The data was processed and analyzed to derive descriptive and inferential statistics that would be used to draw conclusions of the study. The study found out that knowledge and awareness, attitude and saving plan practices affect employee participation in retirement benefit schemes in varying levels. Knowledge and awareness was found to have a positive but insignificant relationship with participation. Attitude and saving plan practices were found to have a positive and significant relationship with participation. The study recommended that knowledge and awareness creation should be sustained but the training should go beyond the basic features of the scheme to include information on investment and wealth creation opportunities and financial security prospects inherent in pension scheme funds. It was recommended that training in personal finance management be prioritized to provide financial literacy and influence positive attitudes towards increased savings in the retirement benefits scheme as well as other personal saving plans. The study also recommended that to increase financial participation, the company can consider the option of increasing the mandatory contribution rates for members. This can be done through a legal process involving a revision of the legal instruments governing the scheme.

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ABBREVIATIONS AND ACRONYMS

CPF	Central Provident Fund
DB	Defined benefit
DC	Defined contribution
EPF	Employees Provident Fund
NPS	New Pension Scheme
NSSF	National Social Security Fund
PFRDA	Pension Fund Regulatory and Development Authority
PPA	Pension Protection Act
RBA	Retirement Benefits Authority of Kenya
SRS	Supplementary Retirement Scheme
UK	United Kingdom
US	United States

CHAPTER ONE

1.0 THE RESEARCH PROBLEM AND ITS SETTING

1.1 Introduction

This chapter presented a brief description and state of pension participation from global to local perspective. From the description and the analysis of the concept, a statement of the problem was developed together with the objectives of the study and the research questions.

1.2 Background of the Study

The concept of pension participation has been defined in different ways. The standard legal concept of active participation is whether a participant is benefiting under a plan in a given year. For defined contribution plans, this generally means that a participant has received an allocation of a contribution or forfeitures that year not just that he or she has an account (Turner, Muller, & Verma, 2003). Two criteria are suggested for measuring pension participation. First, to assess progress in improving pension participation, policy analysts need empirical measures of participation that are consistent with the underlying goal of increasing the amount of retirement income provided through the private pension system. Second, for comparability across plan types, the measure of pension participation for defined contribution plans should be consistent with the measure for defined benefit plans. Concepts that have been developed for defined benefit plans do not always transfer directly to defined contribution plans (Turner, Muller, & Verma, 2003). Retirement plan participation by workers is strongly tied to macroeconomic factors such as stock market returns and the labor market, and consequently the vibrant economic conditions of the late 1990s

led to higher levels of participation, while worsening conditions in the following decade resulted in lower levels. Not surprisingly, the economic crisis of 2008 and 2009 had an impact on recent participation levels and in fact continues to affect participation, as the economy has yet to recover to the unemployment levels of the late 1990s. In addition, other underlying factors will likely continue to affect future participation trends, such as the decline in the availability and freezing of existing defined benefit (DB) pension plans in the private sector and the automatic-enrollment provisions of the Pension Protection Act (PPA) of 2006 for defined contribution (DC) plans, which are increasingly affecting new hires (Copeland, 2014).

Retirement plan participation varies widely by type and characteristics of both workers and employers. In 2012, 39.4 percent of all workers (or 61.6 million Americans) participated in an employment-based retirement plan, compared with 39.7 percent and 61.0 million in 2011. But among full-time, full-year wage and salary workers ages 21 to 64 those with the strongest connection to the work force 53.5 percent participated. The overall percentage of females participating in a plan was lower than that of males (the retirement plan participation gender gap significantly closed from 1987–2009 before widening in 2010–2012). Yet, when controlling for work status or earnings, the female participation level actually surpassed that of males. (Copeland, 2014). In Kenyan context, retirement benefit is synonymous to pension benefit (for example National Social Security Fund) or occupational pension scheme (example Nampak Staff Provident Fund Scheme) which is formed by an employer or a group of employers for the benefit of their employees. (Armstrong, 2000) defines an occupational pension scheme as ‘an arrangement under which an

employer provides pensions for employees when they retire, income for the families of members who die, and deferred benefits to members who leave'. He states that it is worthwhile to have an occupational pension scheme because: It demonstrates that the organization is a good employer; It attracts and retains high quality people by helping maintain competitive levels of total remuneration; It indicates that the organization is concerned about the long term interests of its employees.

Pension is the most significant benefit and a valuable part of the total reward package and is well perceived and often expected benefit among employees. It is a valuable means of gaining and keeping employee commitment to the organization and the longer an employee stays, the more they get concerned about their pension (Armstrong 2005). Hence pension matters must receive increased attention with time. A good occupational pension scheme should address the issue of adequacy as well as employee participation. Employees need adequate information about their pension plan so that they can support the employer's decisions and actions on pension. Employees need to know for instance how the scheme works, their obligations and benefits of participating in additional voluntary contributions. An in case of changes, they should be involved in discussing the reasons for the proposed changes and be given an opportunity to comment on them (Armstrong 2005). Minimal savings for retirement eventually lead to low benefits and inadequate income during retirement which translates to serious economic and social repercussions to retirees and their immediate families. Life expectancy in Kenya has been rising (currently at 63.5 years up from 61 years in 2010. Source: CIA World Fact Book) and that means more money is required to support retirees in their post retirement life. Due to low level of

saving, many retirees quickly exhaust their benefits and live a much lower standard of life characterized by failure to meet the basic needs of their families. The lucky ones become dependent to their children but further strains the financial and social lives of those who support them. Information available in regard to pension participation in Kenya shows that employee contributions are still very low and do not match employer contributions. For instance, 64.2% of employers contribute more than 10% of monthly basic while 92.6% of employees contribute less than 10%. There is an opportunity for employees to improve their participation by increasing the level of contributions.

Table 1.1: Monthly Contribution of Employees and the Employers

Contribution	Percentage (%)	Incident (%)	Contribution	Percentage (%)	Incident (%)
Employee	<1 %	4.5	Employer	<1 %	6.6
	>1%<4%	8.8		>1%<4%	4.4
	>4%<6%	38.3		>4%<6%	13.3
	>6%<8%	35.2		>6%<8%	8.9
	>8%<10%	5.8		>8%<10%	20
	>10%<15%	5.9		>10%<15%	44.4
	>15%	1.5		>15%	19.8

Source: RBA, (2012)

Concerning the additional voluntary contribution, 92% of the retirees surveyed indicated they never did any additional voluntary contributions, (RBA,2012). Only 8% of the surveyed retirees indicated they made additional voluntary contributions.

Their contributions ranged as follow

-	Less	than	KShs.	200	-	2
-	KShs.	201	to	400	-	1
-	KShs.	401	to	600	-	4
-	KShs.	601	to	1000	-	1

- KShs. 1001 to 5000 - 2
 - More than 5001
 - 2

Source: RBA,(2012)

As a consequence of low contributions, the retirement benefit income for retirees is not enough to meet the financial needs.64% of retirees receive an income of 10,000 which they describe as insufficient to meet the basic needs.

1.1.1 Nampak Kenya Limited

Nampak Kenya Limited (the company) is owned by Nampak South Africa a company listed on the Johannesburg Stock market. Nampak Kenya Limited was incorporated when Nampak bought whole shares of Carnaud Metal Box (UK), Crown Cork (USA) in 1994 and later Bullpak Limited in 2014. Most employees in the company have been carried over from the parent companies and have very long years of service which should ideally be rewarded with a good retirement package.

The company is part of Africa’s largest packaging supplier dealing in manufacture of world class metal and paper packaging products. The company’s customers are drawn from the leading brands in the world such as The Coca Cola Company, Diageo, Sabmiller, Nestle, SC Johnson, Delmonte, Frigoken, Unga etc. The company requires highly skilled and experienced workforce to satisfy the demand for high quality products and therefore employee recruitment, training and retention is one of the key strategic human resource priorities. To remain competitive as an employer, the company regularly participates in salary surveys to benchmark reward practises with other competitive destinations of talent. In 2011, the survey conducted by Global

Remuneration Solutions (GRS) on 46 leading employers in Kenya established that pension benefits ranked high among all participants' remuneration practices and 94% of them were supplementing the NSSF with an occupational pension scheme. This means that a retirement benefit is a major source of competitive advantage in the labour market in Kenya just like other labour markets.

The Nampak Staff Provident Fund is established and operated by Trust Deed and Rules (under Retirement Benefits Authority Act) to provide a lump sum pay to employees on attainment of retirement age. The fund is a defined contribution scheme which is funded by contributions from both employer and employee. Gratuity is a service benefit agreed in the collective bargaining agreement which provides for payment of up to 23 days pay for each year of service to a retiree. National Social Security Fund (NSSF) is established under an Act of Parliament and provides for equal contributions from employer and employee and together with investment income, is paid as lump sum benefits to employees on attainment of retirement age. The Act has since been revised to pave way for conversion of the fund from a provident fund to pension fund in order to provide retirees with monthly pension income and not lump sum payment. The company can achieve its strategic reward objectives by continuously reviewing and improving the retirement benefits offered to the employees. A good retirement benefit can be measured by the level of participation and how much regular income it can afford a retiree during his retirement. As constituted now, the current retirement benefits framework in the company needs to be reviewed to provide a better retirement benefit. A consequence of poor participation is the insufficient retirement benefits paid out to retirees. A

review of the total retirement benefit pay out for all retirees in the year 2014 shows that the income received by each of the retirees will last for only an average of 62 months. (See Table 1).

Table 1.1: Average Retirement Benefits Earned by Retirees in 2014

	Name	Years of service	Monthly gross pay	Total benefit	Monthly cash requirement	Income guarantee (months)
1	AB	40	88,804.50	2,007,278.00	29,601.50	68
2	BC	33	42,500.00	846,399.14	14,166.67	60
3	CD	37	33,944.50	665,723.00	11,314.83	59
4	DE	40	33,946.50	665,770.00	11,315.50	59
5	EF	37	33,944.50	682,016.80	11,314.83	60
6	GH	27	33,943.00	665,689.00	11,314.33	59
7	IJ	38	58,335.00	1,210,605.42	19,445.00	62
8	KL	37	36,898.00	733,654.00	12,299.33	60
9	MN	39	79,904.35	1,706,699.72	26,634.78	64
10	OP	36	36,898.00	719,190.52	12,299.33	58
11	QR	36	36,898.00	733,654.00	12,299.33	60
12	ST	34	52,850.00	1,077,911.50	17,616.67	61
13	WV	40	88,804.50	2,183,434.00	29,601.50	74
14	XY	38	40,040.00	805,931.00	13,346.67	60
15	ZZ	37	60,395.00	1,274,085.00	20,131.67	63
	AVERAGE	37	50,540.00	15,978,041.00	16,846.00	62

In order to enhance their total benefits, some employees have resorted to making additional contributions above the statutory minimum contribution rates otherwise known as additional voluntary contributions (AVC). This is the best initiative shown by individual contributors but an analysis of the current AVC contributions per department reveal that only 27% of the employees contribute 3.2% as AVC (See Table 1.2). One of the biggest contributions of this research will be to develop recommendations on how employee participation in AVC can be improved

Table 1.2: Additional Voluntary Contributions Per Department

Department	Total population	AVC Contributors per department	% of AVC contributors to total population	Minimum statutory contribution (Percentage)	AVC contribution per department (percentage)	Total) Minimum statutory +AVC contribution (percentage)
Drumline	10	5	50	5.0	5.0	10
314 Presses	14	2	14	5.0	3.6	8.6
Crowns	11	8	73	5.0	3.6	8.6
Canlines	25	5	20	5.0	3.6	8.6
Printing	17	1	6	5.0	0.9	5.9
S/Polish	21	6	29	5.0	4.3	9.3
TSD	17	4	24	5.0	1.8	6.8
Others	11	5	45	5.0	2.3	7.3
G/Lines	13	2	15	5.0	3.9	8.9
TOTAL/ AVERAGE	139	38	27	5.0	3.2	8.2

Source: HR Nampak (2014)

1.2 Statement of the Problem

Local and international companies attempt to improve compensation practices which include retirement benefits contributions. A company with a strong retirement benefit

scheme enhances its labour market competitiveness which results in attraction and retention of talent. It also demonstrates that the company cares for its employees long after they leave employment and the employees become more committed to work because they know their future is well taken care of. Both employer and employees contribute in accordance with the set minimum standards. However, employees are allowed to contribute more through the additional voluntary contributions (AVC) in order to maximize their savings. Currently, the numbers of employees who are contributing a significant amount to the scheme are few in Kenya at 8%.

In Nampak Kenya Limited, only 27% of the members contribute more than the minimum 5%. Retiring employees are receiving very low benefits and this situation will persist because the majority of the current employees still contribute the minimum rate of 5% stipulated in the contract. This means that in future, all retiring employees will continue to receive retirement benefits that cannot support their financial needs. If such a situation persists, the objectives of establishing the scheme will not have been met. This study therefore wants to find out the reasons behind the failure of the current employees to take advantage of the existing occupational pension plan to save enough money to support them during retirement.

1.3 Research Objectives

1.3.1 General research Objective

The general research objective was to assess determinants of employee participation in retirement benefits schemes in Nampak Kenya Limited

1.3.2 Specific Research Objectives

The study was guided by the following specific research objectives namely,

- 1.3.2.1 To examine the extent to which employees participate in the retirement benefits scheme
- 1.3.2.2 To assess the determinants of participation in retirement benefits schemes at Nampak Kenya
- 1.3.2.3 To propose solutions for improving the participation of employees in retirement benefits scheme in Nampak Kenya.

1.4 Research Questions

The following key research questions guided the study.

- 1.3.2.1 To what extend do employees participate in the retirement benefits scheme?
- 1.3.2.2 What are the determinants of participation in retirement benefits schemes at Nampak Kenya?
- 1.3.2.3 What are the solutions for improving the participation of employees in retirement benefits scheme in Nampak Kenya?

1.5 Significance of the Study

The study aimed at establishing the factors that influence participation and the findings will be beneficial to the employees, employers and policy makers. For employees, the study will provide an opportunity to reflect on what they know about retirement benefits and whether such information enables them to make informed choices about participation. Such a reflection is likely to trigger positive action

towards increased participation. The study also offers the employees a platform of communication where they have an opportunity to give their opinion to the employer. Previous discussions on this subject have been done within the conservative framework of collective bargaining and dispute resolution where facts and personal opinion do not sometimes receive due consideration. Equally important is that by involving employees will help reinforce the fact that they have a role to play in financing and managing their retirement fund something they have not taken seriously before.

To the employer, it will help to underscore the need for involving employees when designing and managing retirement benefits. This will help employers ensure that the benefits are properly aligned to the interests of their employees and competitive enough to retain them. It will also help in determining what employees need to know about retirement benefit schemes that will influence their participation so that the same is included in training and sensitization forums. To policy makers and industry at large, the study will help to evaluate whether it is necessary to seek continuous feedback from individual members as a basis or input towards future amendments in retirement benefits law and practice. Having said that the benefits are critical to employee attraction and retention, it will be defeatist to maintain the current practice where the retirement benefits schemes are largely designed by the employer without employee's direct input. In other words, the study will help to determine whether apart from trustees, employees can add valuable input in the management of occupational pension schemes.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Overview

The chapter presented the theoretical framework. The theoretical framework captured the various theories that inform the study. The chapter also presents the empirical literature review. In the empirical literature review, the findings are critiqued to establish the knowledge gaps. The chapter based its argument on information retrieved from books, journals, research papers, web articles and conference proceedings. A conceptual framework showed the relationship between independent and dependent variables.

2.2 Operational Definitions

2.2.1 Retirement Benefits

Retirement benefits refer to those payments whether lump sum, monthly or both which are paid to an employee upon retirement, death or termination of employment.

According to The Retirement Benefits Act, 1997 retirement benefits means ‘any scheme or arrangement (other than a contract for life assurance) whether established by a written law for the time being in force or by any instrument, under which persons are entitled to benefits in the form of payments, determined by age, length of service, amount of earnings or otherwise and payable primarily upon retirement, or upon death, termination of service, or upon such other event as may be specified in such written law or other instrument. There are many forms of retirement benefits which include social security (National Social Security Fund), personal pension plans and

occupational pension benefits. Retirement benefits are also referred to as retirement plans (US) or pension schemes (UK) and should not be confused with gratuity benefits because the former is paid in regular installments, while the latter is paid in one lump sum.

2.2.2 Occupational Pension Scheme

(Armstrong, 2000) defines occupational pension schemes as an arrangement under which an employer provides pensions for employees when they retire, income for the families of members who die and deferred benefits to members who leave. For purposes of this study, gratuity benefits shall be considered as a retirement benefit since it was established for that purpose before the enactment of the Act and they constitute a significant portion of retirement benefits paid to employees.

2.2.3 Gratuity Benefits

The Oxford Advanced Dictionary defines gratuity as a gift (of money in addition to pay) to a retiring employee for services. Gratuity benefit is provided for in the terms and conditions of service of the employees vide a collective bargaining agreement which grants this benefit with effect from 1st September 1988. The agreement states that an employee who has a pension or provident fund shall be entitled to benefit from either such a fund or this Gratuity scheme whichever is more favourable. This condition does not conform to the Retirement Benefits Act which vests retirement benefits fully to the employee irrespective of his or her membership to other schemes. Due to the broad nature of retirement benefits in the company, all the above definitions shall be relevant to the study.

2.2.4 Employee Benefits

Retirement benefits constitute a part of the total employee benefits. Employee benefits are elements of remuneration given in addition to various forms of cash pay. They also include items that are not strictly remuneration, such as annual holidays (Armstrong, 2006). Employee benefits are virtually any form of compensation other than direct wages paid to employees (Rosenbloom, 2001). Benefits constitute a major part of almost any individual's financial and economic security. Such benefits have gone from being considered fringe to the point where they may constitute about 40 per cent of an employee's compensation, and the plans under which they are provided are a major concern of employers (Price, 2007). Benefits are usually provided as a package of items, for example pensions, subsidized meals, discounts on company products and the like such benefits vary in importance to the individuals. An older employee will value a pension scheme much higher than a young employee, subsidized meals appeal more to some employees than others who would perhaps prefer luncheon vouchers. All employees would probably welcome the opportunity of having a company car (Cole, 2002). Employee benefits are group membership rewards that provide security for employees and their family members. They are sometimes referred to as indirect compensation.

2.2.5 Employee Perception

Perception is a belief or opinion often held by many people and based on how things seem (Copeland, 2014). The employee perceptions' are likely to be influenced by the historical factors surrounding the existence of both the provident fund and the gratuity

benefit as well as the positions held by their shop floor representatives (Copeland, 2014).

Perception can also be influenced by the level of awareness on the subject matter, personal beliefs or peer influences in regard to individual responsibility towards saving for retirement.

2.2.6 Employee Participation

Participation in this context means the extent to which employees get positively involved in activities of the scheme such as contributions levels, participation in meetings, and evaluation of scheme performance as well as benchmarking. Employee participation is defined by Guest and Fatchett (1974) as ‘any process through which a person or a group of persons determines what another person or group of persons will do. It provides employees with an opportunity to play a greater part in the decision making process.

Employee involvement and participation results in both intrinsic and extrinsic motivation in the following ways: It generates interest and commitment to the subject matter; Provide employees with an opportunity to influence and be involved in decisions which are likely to affect their retirement; enable the organization to adapt to changing conditions and hence maximize future prospects and the prospects of those who work in it; improve satisfaction employees derive from their retirement benefit scheme.

The overall result is that the process will result in greater satisfaction by both employer and employees in their individual as well as collective goals (see illustration below):

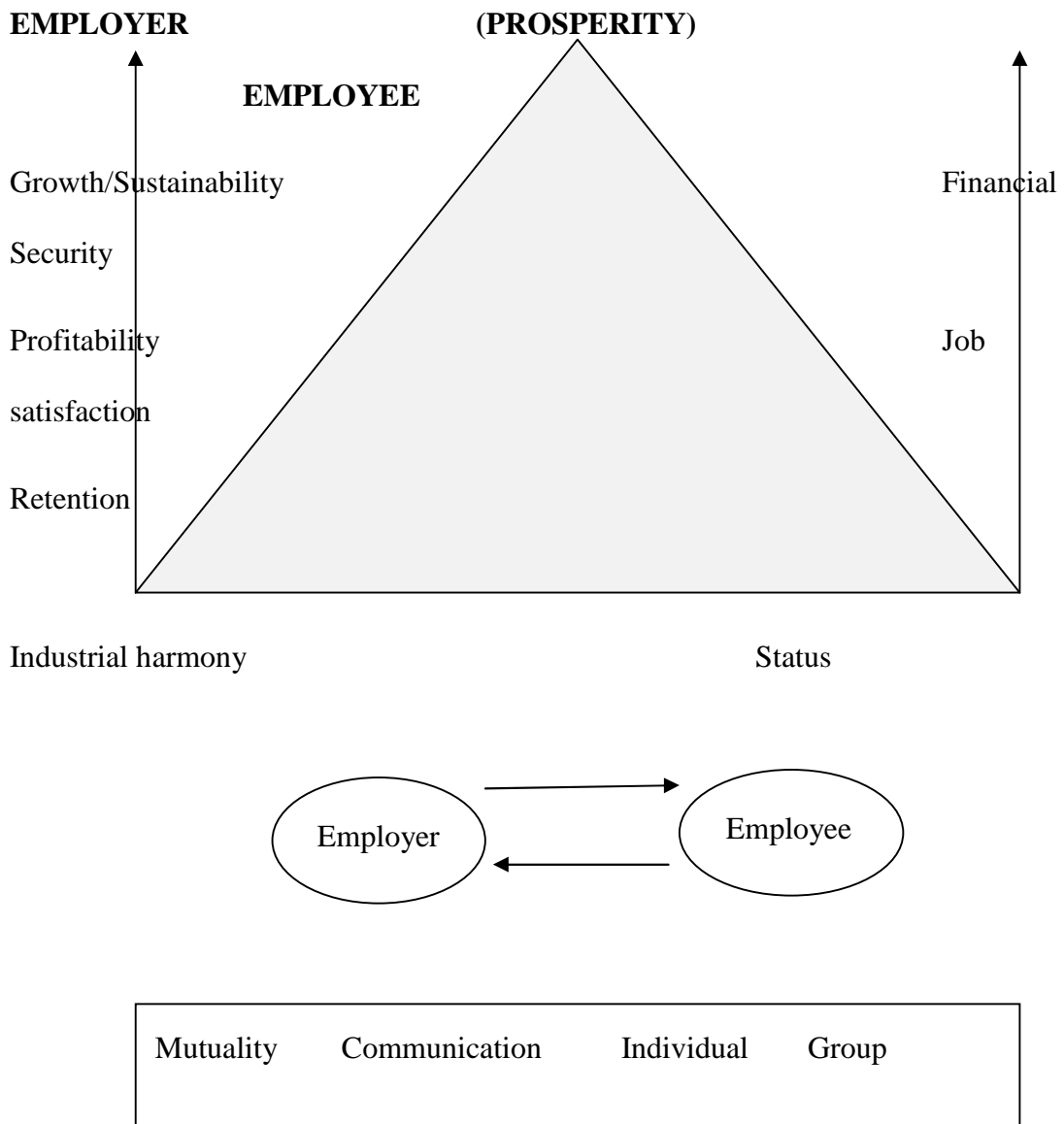


Figure 2.1: Employee/Employer Partnership for Prosperity

Source: Okwemba (2015)

2.3 Theoretical Literature Review

2.3.1 The Life Cycle Hypothesis

This theory deals with economic decisions on retirement saving in the rationalization of an individual's income in order to maximize utility over his lifetime. Initially developed by Ando and Modigliani (1963), it was based on the conventional economic approach to saving and consumption which assumes that a fully rational and well-informed individual will consume less than his income in times of high earnings (during employment), and will save to support consumption when income falls (after retirement). This type of saving behavior enables households to smooth their marginal utility of consumption over their life cycle. This model assumes the following of the human behavior: that they are forward-looking over their lifespans; they can predict the financial resources they will have over their lifetime; they understand something about the financial resources they will need in all periods of their lives; and they make informed decisions about the use of their financial resources.

2.3.2 The Goal Setting Theory of Motivation

More recently, expectancy theory has been integrated with goal setting theory (Hollenbeck & Klein, 1987). Goal setting theory is grounded in the belief that conscious goals and intentions drive results. Based on the goal setting theory of motivation, (Locke, 1986) and (Locke & Latham, 1990) found that individual goals are likely to determine how well they perform on related tasks. Specifically, clearly defined and more challenging goals yield higher performance than vague, easy or do-your-best goals.

To be effective, goal setting theory assumes that individuals must be committed to the goal, must get feedback and must have the ability to perform the task. This means that financial literacy programs should be more effective when they are motivated by perceptions and concerns about financial well-being later in life.

2.3.3 The Expectancy Theory of Motivation

Motivation has long been recognized as a key driver of individual behavior. Starting as early as Tolman (1932) and Lewin (1938), expectancy theory ties perception to behavior. Since then, extensive academic research has been focused on developing the understanding of motivation. Further work by Vroom (1964) on the force model and Samuelson (1967) on the utility model provides a theoretical grounding for explaining the motivational influences underlying human behavior as a function of expectancy, instrumentality, and valence or utility. Expectancy relates to the expectation or likelihood that specific actions will yield a certain outcome, meaning that performance is based on effort. Instrumentality relates to the relation between performance and reward, meaning that outcome is based on performance. Valence and/or utility relates to the value of importance the individual places on the perceived outcome. Based on these theories, individuals are motivated by things that can successfully lead to valued outcomes (Mandel & Klein, 2007)

Financial literacy imparts individuals with the skills and knowledge to help them make key decisions that affect their lives. Having enough pension savings to meet retirement needs is one of the most important outcomes that an individual would like to achieve. According to this theory therefore, the impact of financial literacy

programs depend on the expectations individuals have on the program and the expected reward of the outcome (Mandel et al, 2007). This means that if individuals perceive financial literacy to lead to making them make better decisions, they would be motivated to partake of them and this improves on their long term perceived outcome (enough pension savings).

2.3.4 Promissory Estoppel Principle

Developing countries have joined the majority of states in rejecting the view that public pensions are mere gratuities. However, instead of embracing a contract approach it finds that the interest that a public employee has in her pension is best characterized in terms of promissory estoppels (Minn. 1983). Promissory estoppel is a legal principle providing that a promise that is otherwise not legally binding may nonetheless be enforced to prevent injustice if the promisor should have reasonably expected the promisee to rely on the promise and if the promisee did actually rely on the promise to his or her detriment (Black's Legal Dictionary, 8th ed. 2004). In explaining why it chose promissory estoppels over convention contract analysis, the court explained "A conventional contract approach, with its strict rules of offer and acceptance, tends to deprive the analysis of the relationship between the state and its employees of a needed flexibility" (Monahan, 2010). Promissory estoppel, on the other hand, serves to imply a contract where none in fact exists. "The effect of promissory estoppels is to imply a contract from a unilateral or otherwise unenforceable promise coupled by detrimental reliance on the part of the promisee.

This principle is applicable in this study since retirement pensions schemes have laws and rules that bind the members. The terms of scheme is expected to favour the

members since they are expected to rely on any information from the scheme. The theoretical literature underscores the fact that employees have a responsibility to save for retirement (Life cycle hypothesis) and they have to make conscious decisions about it. They must set specific goals in regard to how much retirement savings they need and what actions and decisions they must make to ensure the level of saving is achieved (Goal setting theory). Once they set the right goal, they will most likely commit themselves to achieving it since they value the outcomes that will follow during retirement (Expectancy theory). On the other hand, employers will need to support the employees to attain their goal since they have an obligation to ensure that employees get a retirement benefit which they promised (Promissory Estoppel).

2.4 Empirical Literature Review

2.4.1 Global Retirement Pension Scheme

This section presents a global perspective of retirement benefits schemes practices starting with the developed economies, followed by emerging economies and lastly the developing economies. It covers the critical aspects of retirement benefits such as demographic characteristics, regulatory interventions and benefit structures which present varied trends in development and operationalisation of retirement benefit schemes.

In USA, the percentage of wage and salary workers ages 21–64 who participated in a retirement plan in 2012 increased with age. For those ages 21–24, 16.4 percent participated in a plan, compared with 52.4 percent of those ages 55–64. Generally speaking, male workers were slightly more likely to have participated in a plan than females. However, female full-time, full-year workers were more likely to have

participated in a plan than male full-time, full year workers. Being white or having attained a higher educational level was also associated with higher probabilities of participating in a retirement plan. In Netherlands, there is elaborate old age pension system which is strongly based on collectivity, solidarity. Supplementary pensions are fully funded. Total amount of assets of pension funds: more than €1 billion. In terms of adequacy the Dutch pension system provides good protection against poverty and with a high replacement rate helps older people to maintain their living standards after retirement. Main characteristics: collective risk sharing and the system of transfer of pension value supported by mandatory participation in industry-wide pension funds (Ginneken, 2003). In India non-contributory, unfunded, defined benefit pension and survivor benefits are granted to employees of the Central and State governments in India. In addition to the civil servants pension scheme, government employees are also entitled to a contributory General Provident Fund. The New Pension Scheme (NPS) was launched by the Pension Fund Regulatory and Development Authority (PFRDA) in May 2009 for all citizens in the age group 18 to 55. The NPS is a voluntary, defined contributory pension scheme. Workers in the formal private sector in India are eligible for two benefit streams- a lump sum Employees Provident Fund (EPF) upon retirement and a Pension from the Employees' Pension Scheme 1995.

In Singapore, the mandatory Central Provident Fund (CPF) was set up by the colonial administration to provide retirement income security for private sector employees. Since its establishment in 1955, it has developed into a Fund consisting of a variety of schemes including CPF Life, Private Medical Insurance Scheme, Public Housing Scheme and Education Scheme. The CPF- a mandatory savings scheme- is the main

instrument of social security in Singapore. The Supplementary Retirement Scheme (SRS) is a component of the government's multipronged strategy to address the financial requirements of retirees. The scheme was introduced to encourage workers to save for their retirement to augment their CPF savings (Ginneken, 2003). In Pakistan, government pension schemes provide coverage to public sector employees, workers in statutory bodies and members of the armed forces. The Employees' Old-Age Benefits Institution (EOBI) provides pensions to the formal private sector. A retirement pension is therefore limited to formal sector employees, with the unorganized sector outside the purview of the above-mentioned pension schemes (Ginneken, 2003). In Malaysia, Public sector employees and the armed forces are provided pension benefits, with the Pension Trust Fund and the Armed Forces Fund being the major Funds providing retirement benefits to public sector employees. The Employees Provident Fund (EPF), based on the EPF Act, 1991 is the national compulsory saving scheme for private sector employees in Malaysia. The EPF is a fully funded Defined Benefit scheme with employer-employee contribution being 12%:11%, making up a total contribution of 23%. The self-employed and workers in the informal sector are not covered by the EPF. The Malaysian government which has taken a policy decision to introduce a private pension scheme to supplement the EPF, launched a Private Pension Fund (including the self-employed) in late 2011. Employers are permitted tax deductions for contributions for the Private Pension Fund.

2.4.2 Knowledge and Awareness and Participation in Retirement Benefits Schemes

Njuguna *et al* (2011) conducted a survey on financial and pension literacy for members of occupational schemes in Kenya and found out the pension literacy levels averaged 54.3%. Awareness on pension matters were found to differ significantly across gender, education level, occupational level, previous training on the subject and geographical location. The study also found that most awareness related to ‘operational’ issues of the schemes such as the right of members and responsibilities of various stakeholders. These were less important compared to ‘technical’ issues such as pension law, investment designs and calculation of benefits. In conclusion Njuguna & *et al* (2011) recommend that the even though the members have average literacy levels, their knowledge is confined to issues that do not have a significant impact on the management of the schemes. This implies that members will have a very limited impact in management of the scheme unless they are equipped with the right information. It remains to be seen how the literacy levels among Nampak employees will have an impact on their perceptions.

Kamau (2012) did a survey on the experiences of retirees in Kenya and found out that most 66% of retirees received income below Kshs 10,000/- and only 5% of them were comfortable with the income. 61% of the respondents indicated they were comfortable with income of Kshs. 10,000 to 50,000/- Relative to the low level of income was the fact that 51% only attended retirement training six months before retirement date. The low level of savings can therefore be linked directly to lack of awareness on pension schemes. As expected, this survey will arouse the employee’s interest in pension

schemes and armed with the right information, their participation in the management of the scheme can yield positive results. Irvine J. S (1976) in a study by the Institute of Manpower Studies into the knowledge of their pension schemes. In the study, many respondents admitted to 'how little they knew and how much they needed information. Apart from improving communication, my research can be one way of passing vital information about the pension benefits or at least can help ignite the 'thirst and search' for knowledge about the pension benefits.

2.4.3 Attitude and the Participation in Retirement Benefits Schemes

Loretto, White & Duncan (2000) conducted an attitude survey to employees in one firm in the financial sector towards various issues related to retirement and benefits. The respondents regarded the existence of an occupational pension scheme as having a major influence on job searches. They cited qualities of the scheme itself, the zero charge to members and opportunities for planning for the future as the most pertinent factors considered. The study further revealed that the levels of ignorance were discernible and the differentiated patterns of response among groupings of employees suggested that employees have diverse expectations and awareness on matters pension.

Gough & Hick (2009) conducted a study on Employee evaluation of occupational pensions where they aimed at examining the role of an occupational pension in employee's psychological contract and the degree to which such pensions influence decisions relating to employee recruitment and retention. The study found out that pension plays a greater role in the psychological contracts of older employees. The provision of an occupational pension was found to be more successful in promoting

retention rather than recruitment. This finding reflects the diversity in the current workforce and the need to rely more on consensus and cooperation in order to provide a pension scheme that meets the diverse expectations of the employees. This reality helps to understand why many schemes have converted from defined benefits to defined contributions in order to provide equitable benefits to all. Armstrong (2000) attributes this to the changing nature of the psychological contract brought about changes in the business environment and the need for flexibility and adaptability.

In Skog (2006), the researcher examined what affiliates of the Chilean pension system knew about their pension system and whether they responded to incentives to learn more about their benefits depending on whether they stood to gain most from a particular aspect of the pension system. The researcher relied on a new microeconomic data set from Chile known as the EPS survey conducted by the University of Chile and the University of Pennsylvania in 2004. The data contained socioeconomic characteristics such as family and work history, pension knowledge as well as wealth and health status. The sample was limited to ages 18 and 60 and offered the opportunity to determine how financial knowledge changes over the life cycle as well as across individual circumstances. Using the EPS survey, the researcher created a series of categorical variables to measure aspects of retirement system literacy in the Chilean context. These categories were: knowledge regarding system inputs; knowledge of pension investments; knowledge of expected benefits from the pension system and knowledge of safety-net components.

The findings from this study indicated that older, healthier, more highly paid and more educated men, display more pension literacy across the board. In addition,

people appear more likely to inform themselves as knowledge becomes more relevant, which implies that they respond to incentives when investing in self- education. The study found that measures of knowledge may not be the best way to determine which groups to target for educational efforts. Finally, it was found that workers with a labor contract and who are union members have significantly more knowledge, as do those employed in larger firms, verifying the importance of informal systems in determining knowledge.

2.4.4 Saving Plan Practice and the Participation in Retirement Benefits Schemes

A very compelling study by Hales C. & Gough O. (2003) titled Employee evaluations of company occupational schemes: Human resource implications provided very critical insights on the disconnect between the purpose and effect of occupational schemes. While employers intend to use the schemes to foster employee loyalty to the organization, it was established that the link between pension provision and employee loyalty or commitment is very fragile. The study noted that employees join occupational pension schemes largely automatically as a condition of employment. 'Their assessments and concerns about different aspects of the scheme are framed in more nuanced, instrumental and individualistic terms'.

Employees are more concerned about features that ensure a cost effective way of building up a fund of their own as opposed the features that provide security for the employee'. The findings of the study underscores the need to collect objective feedback from individual employees on what they want from the scheme. The managers of such occupational schemes must incorporate the concept of employee involvement in order to fulfil the collective needs of the employees. Authority (2007)

conducted a study on Individual retirement benefits schemes in Kenya. The study found out that individuals and households with a higher propensity to save and keep other forms of saving have a higher propensity to make additional voluntary contributions for retirement in PPPs. Such individuals generally start saving at an earlier age enabling them accumulate more assets. Individuals with no pension savings are most likely not to have other forms of savings. Duflo and Saez (2003) carried out a randomized experiment to shed light on the role of information and social interactions in employees' decisions to enroll in a Tax Deferred Account (TDA) retirement plan within a large university. A Tax Deferred Account plan is one where employees choose whether to participate and how much to save for their retirement- a voluntary plan. In each year, the university organizes a benefits fair and invites all of its employees to the fair in order to provide information on benefits, with a stated goal of increasing the enrollment rate in TDA which was very low (35%). The university would usually send invitation letters to all employees, held in two consecutive days in November. The population of the study was 12,500 employees, but the study focused on faculty employees only accounting for three quarters of the population. The study selected a random sample of employees not yet enrolled in the TDA and sent them invitation letters promising a \$20 reward for attending the fair. They also designed the experiment in such a way that they were able to estimate the social interaction effects. „Treated“ individuals who were sent the invitation letter were selected only within a random subset of departments (the treated departments).

The first stage of the study analyzed the effect of the invitation letter on fair attendance. Treated individuals were more than five times likely to attend the fair as

control individuals. Interestingly, non- treated individuals in treated departments were three times as likely to attend the fair as control individuals in non-treated departments, despite the fact that only original letter recipient could claim \$20 reward. This showed that the invitation letters not only increased the fair attendance rate for individuals who received them but also had a spillover social effect on their colleagues within departments (Duflo et al, 2003). The second stage of the study tried to estimate the causal effect of fair attendance and social effects on decision to enroll in the TDA. The study showed that five and eleven months after the fair, individuals in treated departments were significantly more likely to have started contributing to the TDA than controlled individuals. This showed that the experiment, and hence the fair, was successful in increasing the TDA enrollment. However, there was no significant difference in TDA enrollment between those who actually received the encouragement letter and those in the same departments who did not. The study showed that small incentives had successfully induced treated employees as well as members of their peer groups to attend the fair, and eventually enrolling in the pension scheme.

2.4.5 Demographic Characteristics and the Participation in Retirement Benefits Schemes

In a study conducted by Guariglia (2000), he identified several factors that contributed to individual participation in Personal Pension Plans in the United Kingdom: Age, educational background, occupation, gender, number of children, marital status, homeownership, individual expectations of future financial position. According to surveys conducted in America, the Individual Retirement Accounts

(IRAs) have tended to attract households that have higher-income, are more educated, and married households. However, even among households with the similar income brackets, education background or marriage status exhibit variation in saving habits.

Authority (2007) conducted a study on Individual retirement benefits schemes in Kenya. The study found out that Individuals with higher incomes and financial assets besides having the capacity to save place a higher discount factor for the future and would therefore save for retirement. Low income earners have a low capacity to save and low discount factor for the future. They would place higher present value for consumption. The study also found out that married households are more likely to save than singles as a way of building up assets. Hutch (2007) conducted a study for Presentation at the RBA Individual Retirement Benefits workshop, Grand Regency Hotel, Kenya. The study found out that the young cohorts purchase PPPs to take advantage of compound interest effect which increases the financial value of contributions. The interest on interest return is highest the longer the savings. On the other hand, purchase of PPPs increases with age. The necessity to keep old age savings for financial security in retirement becomes more vivid as individuals grow old. In Gitari (2012), the researcher expanded the study done by Njuguna and Otsola (2011) to find the relationship between financial literacy and retirement planning. The study focused on the 787 registered pension schemes in Nairobi. With a sample of 158 individuals drawn from the pension schemes, and using multiple regression on five variables namely financial literacy, age, income, marital status and education level against the dependent variable, retirement planning. The researcher found out that financial literacy, income and the respondents level of education were strongly

and positively associated with retirement planning and statistically significant at conventional levels (P value less than 0.05). Interestingly, age and marital status were found to be statistically insignificant to retirement planning. Despite the enormous contribution to literature this study made, it again did not include the informal sector.

2.5 Research Gap

Most of the current literature we have on the subject relates to studies made in the developed world which has a very different economic and social background. Therefore, the learning generated from these studies cannot be easily applied to the developing world. There is need to conduct localized studies and generate conclusions and recommendations that can be applied to improve our retirement benefits schemes in Kenya and the region.

Both the public and the private sector employers are determined to provide their employees with an attractive retirement benefit. They have established occupational pension schemes and made it mandatory for all employees to join. The government has come in strongly by enacting legislation to encourage the formation of pension schemes and protect their investments on behalf of members. In evaluating the effectiveness of these interventions, research work has been directed towards evaluating the effectiveness to existing retirement benefit schemes. The researchers tend to study the end result of the above interventions to the schemes without paying attention to how the interventions have been applied in the retirement benefits schemes. A clear gap exists because researchers' attention is concentrated on the output side or end result while overlooking the input or the implementation side of retirement benefits schemes management. The study will also provide an opportunity

for the members to provide individual feedback regarding the management of the retirement benefit schemes. Currently most of this feedback is expressed through employee representatives and formal meetings alone. It will help to establish the possible effect of direct member involvement or feedback.

2.6 Conceptual Framework

According to Kombo and Tromp (2009), a concept is an abstract or general idea inferred or derived from specific instances. A conceptual framework is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation. Mugenda and Mugenda (2003) and Smith (2004), define a conceptual framework a hypothesized model identifying the model under study and the relationship between the dependent and independent variables.

Kothari (2004) defines an independent variable also known as the explanatory variable is the presumed cause of the changes of the dependent variable, while a dependent variable refers to the variable which the researcher wishes to explain. The goal of a conceptual framework is to categorize and describe concepts relevant to the study and map relationships among them. Such a framework would help researchers define the concept, map the research terrain or conceptual scope, systematize relations among concepts, and identify gaps in literature (Creswell, 2003). Below is a figurative representation of the variables to be explored by this study.

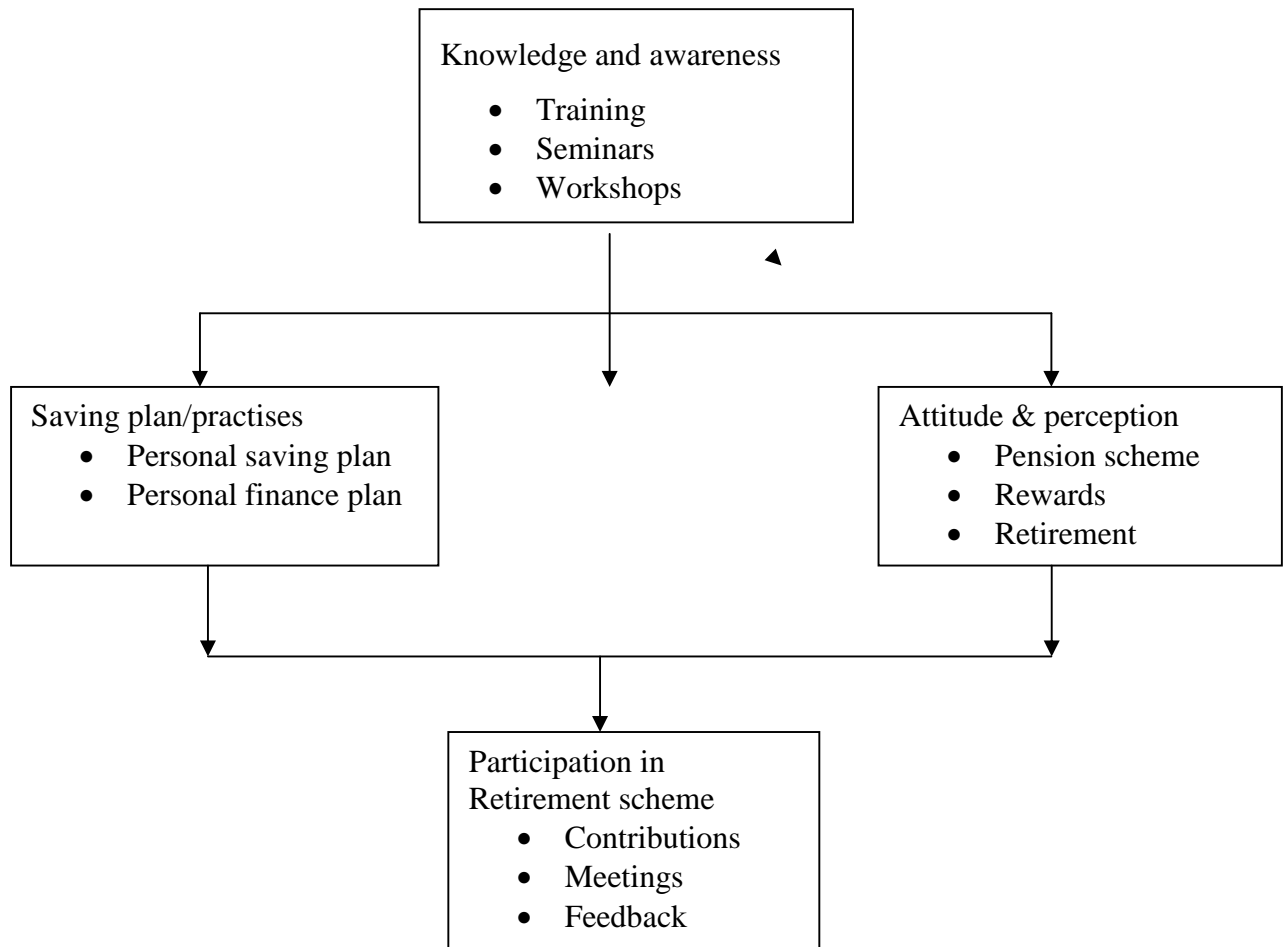


Figure 2.2: Conceptual Framework

2.7 Chapter Summary

The above chapter reviewed the various theories that explain the independent and dependent variables. The reviewed theories are then critiqued for relevance to specific variables. The chapter also explored the conceptualization of the independent and the dependent variables by analyzing the relationships between the two set of variables. In addition, an empirical review was conducted where past studies both global and local is reviewed in line with the following criteria, title, scope, methodology resulting into a critique. It is from these critiques that the research gap was identified.

CHAPTER THREE

3.0 RESEARCH METHODS AND PROCEDURES

3.1 Overview

The purpose of this study was to establish employees' knowledge and perception of the features of the provident fund and gratuity schemes and how it affects their participation. The information was used to develop recommendations for possible improvements. This chapter presented a review of the research methodology. Specifically, the chapter discussed the research design, the population of the study, the sample size, the data collection procedure and the data analysis.

3.2 Research Design

Research design refers to how data collection and analysis are structured in order to meet the research objectives through empirical evidence economically (Chandran, 2008). According to Cooper and Schindler (2007) research design is the plan and structure of investigation so conceived as to obtain answers to research questions. The study used qualitative approach, specifically phenomenology where the study attempted to find out the employees perception on retirement benefit schemes. The study adopted descriptive research design to establish employees' knowledge and perception of the features of the provident fund and gratuity schemes. The method employed in data collection is survey questionnaire and interview to select individuals. This was consistent with Olusola et al, (2013) who explained that a descriptive design is described as a method of collecting information by interviewing or administering a questionnaire to a sample of individuals and is appropriate as it

answers research questions who, what, where, when and how is the problem. The study was carried out between May 2015 and August 2015.

3.3 Area of Study

The study was conducted among employees of Nampak Kenya Limited who are members of the Nampak Kenya Limited Staff Provident Fund Scheme. The company is located within Kiambu County in the republic of Kenya and is a member of the Engineering Employers Association of Kenya. All employers within the association engage joint negotiations with Engineering Workers Union to provide the same terms and conditions of service to all employees in the Industry in Kenya. The study area was also selected because of the proximity of the researcher to the respondents and ability to access confidential information such as remuneration and additional voluntary contribution.

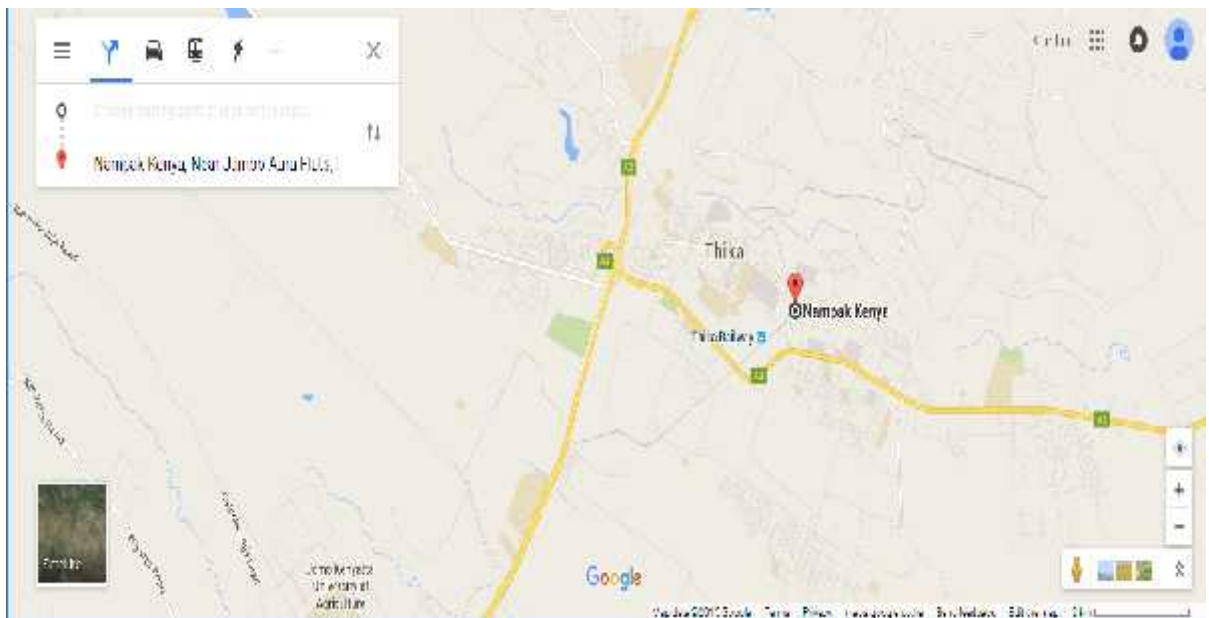


Figure 3.1: Location of Nampak Kenya Limited

3.3 Target Population

According to Kombo and Tromp (2006) population is a group of individuals, objects or items from which samples will be taken for measurement or it is an entire group of persons, or elements that have at least one thing in common. The population of the study was comprised of 139 employees of Nampak Kenya Limited who are members of Nampak Staff Provident Fund Scheme as well as beneficiaries of the gratuity scheme.

Table 3.1: Target Population by Category and Gender

Strata/Department	Population(gender)		Total
	Male	Female	
Drumline	10	0	10
314 Presses	14	0	14
Crowns	11	0	11
Canlines	20	5	25
Printing	17	0	17
S/Polish	19	2	21
TSD	17	0	17
Administration	9	2	11
General Lines	13	0	13
TOTAL	130	9	139

Source: Author, (2015)

3.4 Sampling Design and Procedures

A sample design is the architecture or the strategy used to select study participants or respondents (Kothari, 2004). Sampling refers to the systematic selection of a limited number of elements out of a theoretically specified population of elements. The rationale is to draw conclusions about the entire population. According to Kothari (2004), the ultimate test of a sample design is how well it represents the

characteristics of the population it purports to. The reason for sampling in this study is to lower cost, accessibility of study population and the greater speed of data collection. The target sample was 50% of the population. According to Mugenda and Mugenda (2003) and Kothari (2004), a sample size of 50% is adequate for a descriptive study which has a small population. This implies that the sample will be 70 employees. Therefore the study employed stratified random sampling in respect to the 9 departments as indicated in table 3.1.

The following sampling techniques were used.

Stratified random sampling was used since it enabled the researcher to get respondents from all the departments thus a good representation. The particular stratified random sampling technique that was used was the lottery method. Simple random sampling was used to obtain the individual employees from the departments. Random sampling technique was used because it ensured that the selected respondents were representative of the whole population. The sampling process involved the following steps.

3. 4.1 Defining the Population

In this study, the population (N) was the employees of Nampak. The population which is the total number of the members of the scheme was obtained from the human resources department. Since the interest of the study was the members of the provident fund and gratuity scheme, the sampling frame was also the population.

3.4.2 Listing the Population

To select a sample of 70 Nampak employees, a list of all the employees at Nampak was established from the human resource department's record. The list was categorized into departments so as to obtain a representative sample across the population. Departmental representation is a good criteria for stratifying population since matters regarding terms and conditions of service are handled by union representatives in departments and who influence most of what the population knows and thinks about terms and conditions of service.

3.4.3 Assigning Numbers to the Units

A consecutive number from 1 to N (the population- all the employees) was assigned to the list of employees obtained from each department.

3.4.4 Establishing the Random Numbers

A list of random numbers was generated using the online true number generator before selecting a representative sample from each department.

3.4.5 Selecting the Sample

The 70 random numbers were selected from the random number table. The 70 random numbers selected formed the sample which was the number of the employees to be invited to take part in the research. The sample was selected from nine departments where the population is based. The reason for basing the sample on departments is that perceived are shaped by peer influence and department union leadership.

Table 3.2: Sample Size

Department	Population	Sample	%
Drumline	10	5	50
314 Presses	14	7	50
Crowns	11	6	50
Canlines	25	13	50
Printing	17	9	50
S/Polish	21	11	50
TSD	17	9	50
Administration	11	6	50
Genera/Lines	13	7	50
TOTAL	139	70	50

3.5 Methods of Data Collection

Data collection refers to the process of gathering raw and unprocessed information that can be processed into meaningful information, following the scientific process of data analysis (Gall, Gall and Borg, 2007).

3.5.1 Questionnaire

A question is a pre-formulated written set of questions to which the respondents record the answers usually within rather closely delineated alternatives. A likert scale of five responses questionnaire was used. Likert scale is an interval scale that specifically uses five anchors of strongly disagree, disagree, neutral, agree and strongly agree. The likert measures the level of agreement or disagreement. Likert scales are good in measuring perception, attitude, values and behaviour. Therefore it is justifiable to use likert. Open ended questions were also used for situations where the respondents were not restricted to a common way of answering the questions. Two research assistants were used to administer the questionnaires. Where the respondent

needed any clarification, the research assistants were able assist. The research assistants were ensured that the filled questionnaires were returned on time.

3.6 Data Processing and Analysis

3.6.1 Data Processing

Data processing involves data inspecting, data cleaning, data transformation, and data modeling with the aim of obtaining useful information; it also involves drawing conclusions, and finally decision making. There are multiple approaches through which data analysis can be conducted; it includes diverse techniques under a variety of names in different areas of study Gay, (1992).

The raw data was examined to detect errors and omissions and corrections were done prior to subjecting the data to analysis. This process was necessary in order to ensure that data submitted for analysis is accurate and consistent with the facts gathered from the respondents. Once data was confirmed to be accurate, specific symbols were assigned to the answers in order to create limited categories appropriate to the research problem and to make the process of analyzing the data more efficient. The data was thereafter summarized and displayed in table form in order to subject it to further analysis. Summarizing data in table form was necessary to ensure easy summation and detection of errors and omissions and once complete, the data was subjected to statistical analysis using the SPSS tool.

3.6.2 Data Analysis

Data analysis involves the computation of certain measures along with searching for patterns of relationships that exist among data groups (Kothari 2004). Data was

subjected to statistical tests using SPSS version 20 to determine its validity in providing answers to the statistical questions. SPSS was used to produce descriptive, inferential statistics and frequencies which were used to derive conclusions and generalizations. For descriptive statistics, the analysis produced frequencies, mean scores and standard deviation and for inferential statistics, regression and correlation analysis was produced. The study also used the independent chi square tests to test the relationship between the employee participation and employee outcome & organization outcome. In addition the study used ANOVA where there were more than two categories

CHAPTER FOUR

4.0 ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter comprises of data analysis, findings and interpretation. The response rate was first presented, followed by the demographic information of the respondents. Descriptive statistics were presented and this was done on objective by objective. Lastly inferential statistics were captured and the results presented in tables and diagrams. The analyzed data was arranged under themes that reflect the research objectives.

4.2 Response Rate

The number of questionnaires that were administered was 70. A total of 65 questionnaires were properly filled and returned. This represented an overall successful response rate of 92.86% as shown on Table 4.1. According to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of above 50% is adequate for a descriptive study. Babbie (2004) also asserted that return rates of above 50% are acceptable to analyze and publish, 60% is good and 70% is very good. Based on these assertions from renowned scholars, 80 % response rate is very good for the study. Thus the response rate of 93% under this study was very good for study.

Table 4.1: Response Rate

Response	Frequency	Percent
Returned	65	92.86%
Unreturned	5	7.14%
Total	70	100%

4.2 Demographic Characteristics

Demographic characteristics have been found to have conflicting effects on participation of employees in retirement benefits schemes. Demographics were used as one of the determinants of participation in retirement benefits schemes. The study intended to verify the influence of demographic characteristics on participation among the employees. This section consists of information that describes basic characteristics such as position of the respondents and years worked in their current position. The gender of the respondents is also given.

4.2.1 Gender of the Respondents

The respondents were asked to indicate their gender. Majority of the respondents were male who represented 93% of the sample while 7% were female. This implies that Nampak employees who contribute to the retirement benefit scheme are male dominated.

Table 4.2: Gender of Respondents

Gender	Number	Percentage
Male	60	93
Female	5	7
Total	65	100

4.2.2 Marital Status

The respondents were asked to indicate their marital status. Majority of the respondents were married who represented 90% of the sample while 10% were single. This means that the highest contributions come from the married individuals.

Table 4.3: Marital Status of Respondents

Marital Status	Number	Percentage
Married	59	90
Single	6	10
Total	65	100

4.2.3 Level of Education

The respondents were asked to indicate their highest level of education. Results in figure 4.3 show that 48% of the respondents have their highest level of education being apprentice level, 18% had diploma qualification while 26% had craft certificate and 8% had secondary school certificate. In as far as the title of study is concerned, the results imply that, the respondents are expected to understand the questionnaire and give valid response since they have better understanding as guided by the their level of education which in this case majority having post secondary education.

Table 4.4: Highest level of Education

Education Level	Number	Percentage
Secondary	5	8
Craft	17	26
Diploma	12	18
Apprentice	31	48
Total	65	100

4.2.4 Duration of Being in Employment

On the question of the duration being in employment, majority of the respondents (33%) have been in the employment for over 30 years, 40% have been in the employment for 11 to 30 years. while 27% have been in employment for a period less than 10 years. This implies that majority of the employees who contribute to the retirement pension scheme have been in employment for a longer period than their counterparts.

Table 4.5: Duration of being in employment

Duration in Employment	Number	Percentage
Less than 10 years	19	29
11 - 30 years	18	28
Above 30 years	28	43
Total	65	100

4.3 Descriptive Statistics

This section presents the descriptive results

4.3.1 Employees Participation in the Retirement Benefits Scheme

The first objective of the study was to examine the extent to which employees participate in the retirement benefits scheme. Retirement benefits scheme is an arrangement under which an employer provides pensions for employees when they retire, income for the families of members who die, and deferred benefits to members who leave. A contribution to such a scheme is made by both employer and employee and therefore participation of employee leads to a higher retirement benefit.

The responses were rated on a five likert scale and the results presented in Table 4.2. Sixty six percent (66.6%) of the respondents indicated that their extra contribution for the year 2014 was between 0-5%, 60% respondent that their extra contribution for the year 2013 was between 0-5%, 48.5% of the respondents indicated that their extra contribution for the year 2012 was between 0-5%, 47,7% indicated that their extra contribution for the year 2011 was between 0-5% while 40% of the respondents indicated that their extra contribution for the year 2010 was also between 0-5%. The results imply that there has been a low participation of employees in contributing to

the retirement benefit scheme as revealed by the majority of them responding that they have had an extra contribution for the last five years which was between 0-5%

On a five point scale, the average mean of the responses was 2.01 which means that majority of the respondents had low extra contribution; however the answers were varied as shown by a standard deviation of 1.13.

Table 4.6: Extent to which Employees Participate in the Retirement Benefits

Scheme						Mea	Std.
Statement	0-5%	6-10%	11-15%	16-20%	>20%	n	Dev
My extra contribution for the year 2014	66.20 %	13.80 %	12.30 %	7.70%	0.00%	1.57	1.075
My extra contribution for the year 2013	60.00 %	21.50 %	6.20%	6.20%	1.50%	1.85	1.034
My extra contribution for the year 2012	48.50 %	28.50 %	7.70%	7.70%	7.70%	2.92	1.216
My extra contribution for the year 2011	47.70 %	26.20 %	13.80 %	6.20%	6.20%	2.82	1.088
My extra contribution for the year 2010	40.00 %	32.30 %	13.80 %	7.70%	6.20%	2.91	1.221
Average						2.01	1.13

4.3.2 Determinants of participation in retirement benefits schemes

The second objective of the study was assessing the determinants of participation in retirement benefits schemes.

Employee participation refers to all activities including joining, contributing and benefiting from the scheme and it is very much dependent on level of contribution and involvement. It is important to assess determinants of participation because it

influences the level of benefit each member gets from the scheme. Some of the perceived factors of participation are knowledge and awareness, attitude and saving plan practices.

4.3.1.1 Knowledge and Awareness

The respondents were asked to respond to statements on knowledge and awareness. The responses were rated on a five likert scale as presented in Table 4.3. Majority of 65% of the respondents agreed with the statement that they are conversant with provident fund scheme features, 68% agreed with the statement that they are fully conversant with gratuity scheme features, 65.8% of the respondents agreed that they have attended several retirement benefit scheme training/ AGM, R B seminars., 67.5% of the respondents agreed that they are fully conversant on how provident fund benefits are calculated, 67% of the respondents agreed that they are fully conversant on how gratuity benefits are calculated while 65.8% of the respondents agreed that in general, the provident fund offers better retirement benefits than gratuity.

This finding disagree with that of Kamau (2012) who did a survey on the experiences of retirees in Kenya and low level of savings can be linked directly to lack of awareness on pension schemes. This means that awareness alone cannot influence cannot determine participation hence the need to consider other factors as well such as attitude and savings plan practices. In addition, the findings agree with that of Irvine J. S (1976) who found out that apart from improving communication, the research can be one way of passing vital information about the pension benefits or at least can help ignite the ‘thirst and search’ for knowledge about the pension benefits. On a five point

scale, the average mean of the responses was 3.87 which mean that majority of the respondents had a sufficient knowledge and awareness on the retirement benefit scheme; however the answers were varied as shown by a standard deviation of 1.16.

Table 4.7: Knowledge and Awareness

Statement	strongly disagree	disagree	neutral	agree	strongly agree	Mean	Std. Dev
I am conversant with provident fund scheme features	6.20%	12.30%	16.20%	47.70%	17.30%	3.78	1.166
I am fully conversant with gratuity scheme features	6.20%	7.70%	32.30%	40.00%	28.00%	3.88	1.153
I have attended several retirement benefit scheme training/ AGM, RB seminars.	6.20%	6.20%	20.80%	40.00%	25.8%	3.89	1.134
I am fully conversant on how provident fund benefits are calculated	7.70%	6.20%	18.70%	52.30%	15.20%	3.83	1.126
I am fully conversant on how gratuity benefits are calculated	6.20%	20.70%	6.20%	46.20%	20.80%	3.94	1.13
In general, the provident fund offers better retirement benefits than gratuity	6.20%	13.80%	14.20%	33.80%	32.00%	3.88	1.256
Average						3.87	1.16

4.3.1.2 Attitude

The respondents were asked to respond on statements on attitude. The responses were rated on a five likert scale as presented in Table 4.4. Seventy three point nine percent (26.2%+47.7%) of the respondents who were the majority disagreed with the statement that only high income earners should save more than the required in a retirement benefit scheme, 72.3% disagreed with the statement that there is no need to contribute more on a retirement scheme because it can be mismanaged by the management, 60% of the respondents disagreed that saving more in a retirement benefit scheme will affect other financial obligations, 73.8% of the respondents disagreed that saving in retirement benefit scheme is against their culture/religion

while 70% of the respondents disagreed that saving in retirement benefit scheme will affect gratuity benefit. From this finding, the positive attitude towards the retirement benefit scheme can be attributed to the age profile of the respondents majority who are older and have a growing interest in retirement benefits. The findings agree with that of Gough & Hick (2009) who conducted a study on Employee evaluation of occupational pensions where they aimed at examining the role of an occupational pension in employee's psychological contract and the degree to which such pensions influence decisions relating to employee recruitment and retention, and found out that pension plays a greater role in the psychological contracts of older employees. The provision of an occupational pension was found to be more successful in promoting retention rather than recruitment. This finding reflects the diversity in the current workforce and the need to establish a feedback mechanism that will provide information on what should be done to improve the participation of all employees irrespective of their diversities. On a five point scale, the average mean of the responses was 2.10 which mean that majority of the respondents disagreed with the statements. This means that majority of the respondents had a positive attitude on the retirement benefit scheme; however the answers were varied as shown by a standard deviation of 1.14.

Table 4.8: Attitude

Statement	strongly disagree	disagree	neutral	agree	strongly agree	Mean	Std. Dev
Only high income earners should save more than the required in a retirement benefit scheme	26.20%	47.70%	13.80%	6.20%	6.20%	2.18	1.09
There is no need to contribute more on a retirement scheme because it can be mismanaged by the management	30.80%	41.50%	12.30%	7.70%	7.70%	2.20	1.19

Saving more in a retirement benefit scheme will affect other financial obligations.	27.70%	32.30%	7.70%	6.20%	6.20%	1.91	1.17
Saving in retirement benefit scheme is against my culture/religion	29.20%	44.60%	13.80%	6.20%	6.20%	2.15	1.11
Saving in retirement benefit scheme will affect my gratuity benefit	35.40%	34.60%	16.20%	6.20%	7.70%	2.06	1.17
Average						2.10	1.14

4.3.1.3 Saving Plan Practices

The respondents were asked to respond on statements on saving plan practices. The responses were rated on a five likert scale as presented in Table 4.5. Eighty percent (53.8%+ 26.2%) of the respondents who were the majority disagreed with the statement that they regularly record income and expenditure, 78.5% disagreed with the statement that they have a written down saving plan, 80% of the respondents disagreed that they regularly adjust their contributions to their Sacco contributions in line with income growth, 78.5% of the respondents disagreed that they know how much they need to save in order to accumulate adequate retirement income while 72.3% of the respondents disagreed that they always do collection verification and filing of personal statements.

The findings agree with that of Authority. (2007) who conducted a study on Individual retirement benefits schemes in Kenya and found out that individuals and households with a higher propensity to save and keep other forms of saving have a higher propensity to make additional voluntary contributions for retirement in PPPs. Such individuals generally start saving at an earlier age enabling them accumulate more assets. Individuals with no pension savings are most likely not to have other forms of savings. In addition, the study agree with that of Hales C. & Gough (2003) who conducted a study on Employee evaluations of company occupational schemes

and found out that employees join occupational pension schemes largely automatically as a condition of employment. ‘Their assessments and concerns about different aspects of the scheme are framed in more nuanced, instrumental and individualistic terms’. Employees are more concerned about features that ensure a cost effective way of building up a fund of their own as opposed the features that provide security for the employee’. The findings of the study underscore the need to collect objective feedback from individual employees on what they expect from the scheme and how to lessen the financial burden brought about by increased participation. The managers of such occupational schemes must incorporate the concept of employee involvement in order to fulfill the collective needs of the employees.

On a five point scale, the average mean of the responses was 2.80 which mean that majority of the respondents agreed with the statements. This means that majority of the respondents did not have a good saving plan practices; however the answers were varied as shown by a standard deviation of 1.27.

Table 4.9: Saving Plan Practice

Statement	strongly disagree	disagree	neutral	Agree	strongly agree	Mean	Std. Dev
I regularly record my income and expenditure	53.80%	26.20%	6.20%	6.20%	7.70%	2.86	1.088
I have a written down saving plan	42.30%	36.20%	17.70%	2.20%	1.70%	2.65	1.138
I regularly adjust my contributions to my Sacco in line with my income growth	27.70%	52.30%	7.70%	12.30%	0.00%	2.08	1.315
I know how much I need to save in order to accumulate	50.80%	27.70%	7.70%	6.20%	7.70%	2.85	1.135

adequate retirement income								
I always do collection								
verification and filing of		40.00		27.70				
personal statements	32.30%	%	0.00%	%	0.00%	2.57	1.658	
Average						2.80	1.27	

4.4 Inferential Statistics

Inferential analysis was conducted to generate correlation results, model of fitness, and analysis of the variance and regression coefficients.

4.4.1 Correlation Analysis

The Table 4.10 presents the results of the correlation analysis. The results presented in the Table 4.12 shows that knowledge and participation are positively and insignificant related ($r=0.058$, $p=0.648$). The table further indicates that attitude and participation are positively and significant related ($r=0.247$, $p=0.048$). It was further established that saving plan practice and participation were positively and significantly related ($r=0.247$, $p=0.047$).

Table 4.10: Correlation Matrix

		Mean Participatio n	Mean knowledge	Mean Attitude	Mean Saving practice
Mean Participation	Pearson Correlation	1.000			
	Sig. (2-tailed)				
Mean knowledge	Pearson Correlation	0.058	1.000		
	Sig. (2-tailed)	0.648			
Mean Attitude	Pearson Correlation	0.247*	0.238	1.000	
	Sig. (2-tailed)	0.048	0.057		
Mean Saving practice	Pearson Correlation	0.247*	.497**	0.181	1.000
	Sig. (2-tailed)	0.047	0.000	0.149	

* Correlation is significant at the 0.05 level (2-tailed).

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

4.4.2 Regression Analysis

The results presented in table 4.11 present the fitness of model used of the regression model in explaining the study phenomena. Knowledge and awareness, attitude and saving plan practice were found to be satisfactory variables in explaining participation. This is supported by coefficient of determination also known as the R square of 47.6%. This means that Knowledge and awareness, attitude and saving plan practice explain 47.6% of the variations in the dependent variable which is participation of employees in the retirement benefit scheme. This results further means that the model applied to link the relationship of the variables was satisfactory.

Table 4.11: Model Fitness

Indicator	Coefficient
R	0.691
R Square	0.476
Adjusted R Square	0.134
Std. Error of the Estimate	0.38079

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant. Table 4.14 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that the independent variables are good predictors of health outcome. This was

supported by an F statistic of 4.287 and the reported p value (0.008) which was less than the conventional probability of 0.05 significance level.

Table 4.16: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.865	3	0.622	4.287	0.008
Residual	8.845	61	0.145		
Total	10.71	64			

Regression of coefficients results in table 4.13 shows that knowledge and awareness and participation in retirement benefit scheme are positively and insignificant related ($r=0.055$, $p=0.177$). The table further indicates that attitude and participation in retirement benefit scheme are positively and significant related ($r=0.250$, $p=0.0027$). It was further established that saving plan practice and participation in retirement benefit scheme were positively and significantly related ($r=0.321$, $p=.005$).

Table 4.17: Regression of Coefficients

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	3.912	0.527		7.426	0.000
Mean knowledge	0.205	0.150	0.186	1.367	0.177
Mean Attitude	0.250	0.110	0.273	2.273	0.027
Mean Saving practice	0.321	0.111	0.389	2.892	0.005

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter addressed the summary of the findings, the conclusions and the recommendations. This was done in line with the objectives of the study.

5.2 Summary of Findings

This section provides a summary of the findings from the analysis. This was done in line with the objectives of the study.

5.2.1 Extent to which Employees Participate in the Retirement Benefits Scheme

The first objective of the study was to assess the extent to which employees participate in the retirement benefits scheme. Majority of the respondents answered that their extra contributions for the last five years were below 5%. The results imply that there has been a low participation of employees in contributing to the retirement benefit scheme.

5.2.2 Determinants of Participation in the Retirement Benefit Scheme

The second objective of the study was to investigate on the determinants of participation of employees in the retirement benefit scheme.

5.2.2.1 Knowledge and Awareness

Majority of the respondents agreed to the most of the statements on knowledge and awareness. This implies that the employees of Nampak are conversant with provident fund scheme features, conversant on how provident fund benefits are calculated,

conversant on how gratuity benefits are calculated and conversant with gratuity scheme features. This is due to retirement benefit scheme training/ AGM, R B seminars which they have attended as well as age factors.

5.2.2.2 Attitude

The findings of the study revealed that the employees of Nampak have a positive attitude towards retirement benefit scheme. This is evident from the responses which majority of them disagreed with the most of the statements. This implies that the employees understand the meaning and importance of the retirement benefit scheme.

5.2.2.3 Saving Plan Practice

The findings of the study revealed that the employees do not have clear individual saving plan. This is supported by the responses in which majority of them disagreed with; regular records of income and expenditure, written down saving plan, and collection verification and filing of personal statements. This implies that the employees do not have a strong saving culture and therefore are not prioritizing and maximizing their opportunities in the retirement scheme.

5.3 Conclusions

Based on the findings above the study concluded that all the determinants of participation studied had a positive effect on participation. Attitude, saving plan practices, gender, level of education and the years of being in the employment had a positive and significant effect while knowledge and awareness had a positive effect on participation of employees in the retirement pension scheme. The study found that knowledge may not be the ultimate way to influence participation in the retirement

benefits scheme. Despite a good level of knowledge, other factors such as attitude, gender, savings practices, level of education and years of employment influence participation. The knowledge acquired by the employees does not result in high levels of participation and this could be attributed to the fact that knowledge is confined to administrative or operational issues of the schemes such as the rights of members and responsibilities of various stakeholders. These were less influential compared to technical issues such as pension law, investment designs and calculation and vesting of benefits which are likely to influence individual participation. Even though the members have average literacy levels, their knowledge is confined to issues that do not have a significant impact on the participation and involvement of employees in the scheme. This implies that members will continue to limit their participation unless they are equipped with the right information which covers their rights and opportunities as members of a retirement benefits scheme.

5.4 Recommendations

Generally, the study recommended that increased members' awareness on relevant aspects of retirement benefit schemes coupled with training in personal saving plans will influence the participation rate of the members.

5.4.1 Knowledge and Awareness

Although the employees are knowledgeable about the features of their retirement benefit, the study recommends that the company should organize continuous training and awareness programs to enable employees gain more understanding on how the pension fund benefits them. Increased knowledge and awareness will help employees to change their saving culture and increase their participation in the scheme. The

dynamic nature of the retirement benefits regulations requires employees to be constantly updated of the emerging opportunities and benefits of increased participation.

5.4.2 Saving Plan Practices

Training employees on personal saving plan practices will equip them with the skills for planning on how to prioritize, save and spent their income. These training should cover such issues as budgeting, tax incentives applicable to retirement benefits contributions, insurance products that help save money such as life, education and medical etc. As found out from the study, poor savings plan practices are the main contributor to poor participation and this means that employees either lack the will or the tools for effective personal finance planning. These trainings will address both problems of will and skills.

The company can also consider increasing the minimum contribution levels in the scheme. The typical levels of contribution in occupational pension schemes in Kenya range between 5-10% for employer and employee respectively (RBA, 2008). At 5% employer and employee contribution rate, the current rates of contribution are at the lowest level and the company can consider revising the rates towards the mid or highest level of contribution.

5.4.3 Attitude

Finally continuous collection of objective feedback is crucial in eradicating ignorance and negative attitude and promoting the feeling of inclusivity among the employees. If this is done, it will make employees to develop keener interest in the affairs of the

scheme and that will continuously prompt them to critically consider opportunities available for them to improve their participation in the retirement benefit scheme. The employer can supplement the above recommendations by developing policies and compensation packages that are biased towards promoting and influencing the culture of savings towards retirement. Such policies shall provide incentives for increased participation through enhanced contributions towards pensions or provisions of employment benefits that free up more income towards retirement savings.

5.5 Areas for Further Studies

The study sought to assess of determinants of employee participation in retirement benefits schemes and it was established that knowledge and awareness, attitude and poor saving plan practices have an effect on participation. This study has however not gone into details of how the variables affect of participation because that would have expanded the scope of the study beyond manageable proportions. One of the areas that would inform the next study will be to evaluate several aspects of knowledge and awareness and establish how they affect participation. This study will identify what aspects of knowledge and awareness have a positive contribution to participation and vice versa. The findings can help to develop appropriate content for training and awareness creation which will catalyse the desired action.

The target population of the study comprises the lower level of employees in the organization, a majority who do not have more than secondary level of education and have limited capacity in understanding the technical issues in retirement benefit schemes. Some characteristics of these population fundamentally differs with other

segments of employees within the organization and this means that the findings and recommendations may not reflect other employees not covered by the scheme or who are members of another scheme. Similar studies can be conducted on the other segments who display different demographic characteristics in education, earnings, economic, professional backgrounds etc.

Finally, studies can be conducted to establish what informs the different saving practices among the population and why such practises have failed to inculcate a culture of saving for retirement among employees.

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APPENDICES

Appendix I: Letter of Introduction

Date.....

Dear Respondent,

I am carrying out an important research on **the employees' knowledge and perception of the features of the provident fund and gratuity schemes**. This is in partial fulfilment of the requirement of requirement for the award of the master of Human Resource Management at the Open University of Tanzania

Attached is a questionnaire, please answer all the questions with your own true agreement to each. There are no wrong responses for any of these statements. All information given in the questionnaire will be treated with strict confidentiality and used for the purpose of this research only.

Thank you for taking your time to fill in the questionnaire.

Thank you in advance,

Yours sincerely,

Paul Okwemba

Appendix II: Questionnaire

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender

a) Male

b) Female

2. Marital status

b) Married

b) Single

3. Highest level of education

a) Secondary level

b) Craft

c) In house apprentice

d) Diploma

4. Number of years in current employment

a) less than 10 years

b) 11 to 30 year

b) Over 31 years

5. Age

a) 21-30 years

b) 31-40 years

c) 41-50 years

d) 51 years & above

**SECTION B: DETERMINANTS OF PARTICIPATION IN THE
RETIREMENT BENEFITS SCHEME****(i) KNOWLEDGE AND AWARENESS**

This subsection is concerned with assessing the knowledge and understanding of retirement benefits schemes. Please mark (x) in the box which best describes your agreement or disagreement.

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	I am conversant with provident fund scheme features					
2	I am fully conversant with gratuity scheme features					
3	I have attended several retirement benefit scheme training/ AGM, R B seminars.					
4	I am fully conversant on how provident fund benefits are calculated					
5	I am fully conversant on how gratuity benefits are calculated					
6	In general, the provident fund offers better retirement benefits than gratuity					

(ii) ATTITUDE

This subsection is concerned with assessing the attitudes of respondents on retirement benefits schemes. Please mark (x) in the box which best describes your agreement or disagreement

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Only high income earners should save more than the required in a retirement benefit scheme					
2	There is no need to contribute more on a retirement scheme because it can be mismanaged by the management					
3	Saving more in a retirement benefit scheme will affect other financial obligations.					
4	Saving in retirement benefit scheme is against my culture/religion					
5	Saving in retirement benefit scheme will affect my gratuity benefit					

(iii) SAVING PLAN PRACTICES

This subsection is concerned with assessing the saving plan practices on retirement benefits schemes. Please mark (x) in the box which best describes your agreement or disagreement.

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	I regularly record my income and expenditure					
2	I have a written down saving plan					
3	I regularly contribute a fixed amount to my Sacco account					
4	I know how much I need to save in order to accumulate adequate retirement income					
5	I always do collection verification and filing of personal statements					

(iv) PARTICIPATION

This subsection is concerned with assessing the participation of employees on retirement benefits schemes. Please mark (x) in the box which best describes your agreement or disagreement.

Which of the following best indicate your level of contribution to the retirement benefit schemes

No	Statement	<5%	6-10%	11-15%	16-20%	>20%
1	My extra contribution for the year 2014					
2	My extra contribution for the year 2013					
3	My extra contribution for the year 2012					
4	My extra contribution for the year 2011					
5	My extra contribution for the year 2010					

SECTION E

In your view what is your recommendation towards improvement of retirement benefits in the company?

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