EMPLOYMENT-RELATED FACTORS INFLUENCING   MEMBERSHIP TO VOLUNTARY PENSION SCHEMES AMONG NATIONAL GORVERNMENT CIVIL SERVANTS IN KITUI COUNTY

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A research project submitted to the Department of Business and Entrepreneurship in partial fulfillment of requirements for the award of Master of Business Administration Degree of South Eastern Kenya University.

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Declaration

This research project is my original work and has not been presented for a degree in any other University.

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Recommendation

This research project has been submitted with our approval as University Supervisors.

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Dedication

This proposal is dedicated to my dear family members who have tirelessly supported me throughout my masters' degree.

Abstract

The study was on employment- related factors influencing membership to voluntary pension schemes among national government civil servants in Kitui County. The target population was civil servants performing national government functions i.e functions that are not devolved to the County Government of Kitui. It however excluded employees of parastatals and those serving under the National Police Service Commission. In particular the researcher sought to establish whether the independent variables i.e. retirement financial education, employment income, and defined benefits pension scheme influence the dependent variable (membership to voluntary pension schemes). The research used descriptive research design. The population size was 2,290 from which a sample size of 114 (5% of the population) was identified using the stratified random sampling technique. Questionnaires were used to collect primary data from the respondents. The collected data were analyzed in both qualitative and inferential statistics using SPSS data analysis computer application. The key findings were that employment income was the most influential factor for membership to voluntary pension schemes among national government civil servants in Kitui County. Retirement financial education was the second most influential factor for membership to voluntary while defined benefits scheme was the least influential among the factors studied. Further, the study established that there is a strong positive correlation $r(112) = 0.846$, $p<0.05$, between increased retirement financial education and membership to voluntary pension schemes among national government civil servants; most workers did not have enough income to enable them enroll with voluntary pension schemes and that there is a significant relationship between $r(112) = 0.632$, $p<0.05$ employment income and membership to voluntary pension schemes among national government civil servants and that expected retirement financial benefits from the government was not adequate to meet their financial needs once they retire. There was a strong positive relationship $r(112) = 0.746$, $p<0.05$ between defined benefits pension scheme and membership to voluntary pension schemes among national government civil servants. The independent variables were significant at 0.05% significant level ($p=0.004$, $p= 0.000$, and $p=0.001$) respectively and that the factors predicted implementation of strategic plan significantly. The study recommended that the civil servants should be educated more on the benefits of the voluntary pension scheme so as to encourage them to enroll, the government should increase the salary of civil servants so that they can afford to join voluntary pension schemes, and that the retirement financial benefits from the government should be increased to meet their financial needs once they retire.

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Acronyms

DB- Defined Benefits Scheme

DC-Defined Contributory Scheme

NHIF- National Hospital Insurance Fund

NSSF- National Social Security Fund

PSC (K) - Public Service Commission of Kenya

RBA- Retirement Benefits Authority

Sacco-Savings and Credit Cooperative Society.

SPSS- Statistical package for social sciences

SD- Standard deviation

Definition of Terms

Directorate of Personnel Management- the body responsible for issuing human resource management policies in the Kenya's civil service.

Kitui County- one of the forty seven counties in Kenya.

National government civil servants- government employees performing national government functions in Kitui County. It excludes employees of Parastatals, employees working under the County Government of Kitui and those working for National Police Service Commission.

Policy – guidelines issued by the Directorate of Personnel Management on various issues on management of civil service in Kenya.

Policy- based employment factors- terms of employment that are determined by the employer through policy. They may change from time to time.

Retirement Benefit Authority- a government organization that is charged with managing the pension schemes in Kenya.

Voluntary pension scheme - an account in which an individual voluntarily contributes part of their income towards their retirement to a pension scheme of their choice. It can be accessed upon attaining the stipulated retirement age.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Retirement refers to the exit from active employment by an employee (GOK, 2006). Financial retirement planning involves making financial plans for ones retirement whereby employees deposit money into their retirement account. In most cases, employees are provided with a retirement plan by their employer, and contributions to the plan are deducted from the employee's paycheck. Some employers will match a certain percentage of an employee's contributions, adding more money to their account (Raichiura, 2008). Retirement income has traditionally come from three sources and has been described as a "three legged stool" consisting of Social Security, employer retirement plans and personal savings. (Modugno, 2012).

The first pension plan was established in 1759 to protect widows and children of Presbyterian ministers. The total global pension assets are over 14 trillion dollars. (Milkovich and Newman, 2008). Pension plans are more spread in parts of Western Europe than in the United States and Japan. Over 90% of workers in Switzerland have pension plans, as do all workers in France. Among workers with pension plans, U.S workers are significantly less likely to have defined benefits plans than workers in Japan and German. (Neo et al, 2008). In Canada, 23% of the population is below the minimum threshold in retirement preparedness meaning they will have to significantly adjust their standard of living or delay their retirement if they continue on the same savings path .(McKinsey , 2011).

Most sub Saharan African countries do not have meaningful publicly managed pension and social security systems, though some form of pension coverage is available in a limited number of countries. Where benefits are offered to formal sector workers, they are provided either by public service pension schemes (the public sector being by far the largest employer in most countries in the region), national (usually mandatory) schemes covering private sector workers (which may also cover the public sector), occupational schemes managed by employers other than the government and individual / personal pension schemes (usually offered by insurance companies on a voluntary basis). In Botswana, universal pension systems operate in Botswana, Mauritius and Namibia, whilst a means tested public pension is available in South Africa. Social pensions also operate in Lesotho and Senegal, whilst occupation pensions are available, albeit for a limited percentage of the population, in countries such as Nigeria and Kenya.(Steward and Yermo, 2009).

There are various forms of retirement from Kenya's civil service can be due to the following: on attainment of 60 years, under the 50 year rule, on abolition/re-organization of office, in public interest or on medical grounds, (GOK, 2006). All these forms of retirement require that the employee need to have sufficient retirement plans to protect him/her from poverty when he is no longer in paid employment. The retirement benefits sector in Kenya is comprise of the civil service scheme, the National Social Security Fund (NSSF), occupational schemes and individual pension schemes. The Association of Retirement Benefits Schemes (2012) reported that retirement benefits schemes membership in Kenya to comprise of Civil Service Pension Scheme 22%, Occupational Retirement Benefits Schemes 11%, Individual Retirement Benefits Schemes

0.5%. The pension system in Kenya is usually supervised by the independent Retirement Benefits Authority (RBA) with an exception of the civil service pension scheme.

Traditionally, civil service refers to the body of appointed officials who carry out the functions of government under the direction of the Head of Government. In Kenya, the Civil Service is constituted by ministries and it is the policy implementation arm of the Government. It plays a critical role in the socio-economic development of the nation as well as in the maintenance and improvement of public services. It is made up of a body of officials called civil servants. These officers do not earn profits but salaries in fixed grades. It is organized into an ordered system of ranks whereby each officer occupies a fixed place with a salary, well-defined duties, rights and privileges. The Civil Service operates in accordance with the Civil Service Rules and Regulations. The Public Service Commission, PSC (K) is the human resource management agency as provided for in law and it is charged with the maintenance of the Civil Service System. (Directorate of Personnel Management, 2006).In Kenya, civil servants retirement benefits are provided through the Civil Service Pension Scheme. It covers all members of the Civil Service who are on permanent and pensionable terms of employment and is established under an Act of Parliament as a Pay As You Go (PAYG) system. It is currently non-contributory, although plans are underway to make it a contributory system.

The Kenyan Constitution 2010 created two levels of government, i.e the National government and the County governments. Consequently, civil servants were grouped into two depending on the level of government they are serving. National government civil servants refer to those civil servants who are directly answerable to the Principle Secretaries at the national government

ministries as per the national government structure and are under the supervisory of the County Commissioners at the County level. This is unlike the county government civil servants who are either recruited by the County Public Service Board or are seconded to the county governments by the national government to perform devolved government functions. They are usually under the supervision of Chief Officers of the respective County Ministries.

Kitui County is one of the forty seven counties in Kenya. it is located in Eastern Kenya and covers an area of 30, 496.5 Km 2 it borders the following counties; Tana River to the East and South East, Taita Taveta to the South, Makueni and Machakos to the West, Embu to the North West, and Tharaka and Meru to the North.

Membership to a voluntary pension scheme commonly called Individual Retirement Benefit Schemes (IRBS) involves individuals depositing money into their retirement accounts with pension schemes of their choice which can only be accessed up on reaching the stipulated retirement age. The accounts are managed by the sponsor under the supervision of the relevant regulatory authority such as RBA. IRBS are open to the general public regardless of employment or income affiliations and have a wide geographical branch network for easy accessibility. (RBA, 2007).

1.2 Statement of the Problem

The Consumer International survey (2011) reported very low levels of preparedness for retirement in Kenya and Tanzania. In Kenya, over 80% of all respondents did not have a sound retirement plan while in Tanzania close to 60% of the respondents reported having no retirement plan at all. In Kenya retired public servants including teachers and civil servants live in poverty

just months after their retirement despite receiving their retirement benefits as provided for under the Pension Act.

A Survey done by RBA in March, 2009 to ascertain the level of awareness on the importance of saving for retirement among Kenyans established that the top most important items in any given month are: rent, food, household bills, transport, church offering, clothing, entertainment and saving in that order. Saving is not considered a priority and can be done without. The survey further found out that most employees instead of saving money for retirement; they give priority to acquiring assets in the belief that they will use these to generate income after formal employment. However, they end up disposing-off these assets before they retire or soon after retirement thus solely relying on the monthly pension provided by the employer. Many retirees could end up in abject poverty in their old age because of a poor saving culture. Some financial experts have described the saving habits of Kenyans as peculiar, noting that while most people are aware that they should be putting aside a certain percentage of their monthly income against their retirement among other investment options, very few actually do so due to lack of discipline.

A savings and monitor report (SIM) by Financial services firm Old Mutual (2014) has established that three quarter of Kenya's working population is not financially ready for retirement with only 12 per cent of Kenyans being financially ready for retirement while even those who are saving with retirement benefit schemes do not know the value of their savings. This was attributed to low incomes and a poor saving culture that has left majority of Kenyans banking on their children and government for support in old age. Old Mutual Executive Director

Ms. Kiwanuka urged Kenyans to engage experts to guide them in to finance options beyond land and property.

A research by RBA (2011) on impact of accessing benefits before retirement age established that 70% of the respondents admitted that their pension would not be sufficient up on retirement. They indicated that they needed to increase their contributions rates in order to have sufficient income up on retirement. Scenario analysis also revealed that a member who is making additional contributions gets a higher retirement package in comparison to a member who is not making any additional contributions. It is against this background that this study will be done to establish the employment-related factors influencing membership to voluntary pension schemes among national government employees in Kitui County so that they may improve their financial preparedness for retirement.

1.3 Research Objectives

The general research objective was to establish the employment-related factors influencing membership to voluntary pension schemes among national government civil servants in Kitui County. The specific objectives were:

i. To establish the influence of financial retirement education on membership to voluntary pension schemes among national government civil servants in Kitui County.

ii. To establish the influence of employment income on membership to voluntary pension schemes among national government civil servants in Kitui County.

iii. To establish the influence of defined benefits pension scheme on membership to voluntary pension schemes among national government civil servants in Kitui County.

1.4 Research Hypothesis

The research hypotheses are:

Ho1: There is no significant relationship between increased retirement financial education and membership to a voluntary pension scheme among national government civil servants in Kitui County.

Ho2: There is no significant relationship between employment income and membership to a voluntary pension scheme among national government civil servants in Kitui County.

Ho3: There is no significant relationship between defined benefits pension scheme and membership to a voluntary pension scheme among national government civil servants in Kitui County.

1.5 Justification of the Study

The study was significant in that it emphasized on the importance of financial retirement planning among the civil servants. In particular the study aimed to bring out whether these civil servants have made alternative arrangements to cater for their retirement financial needs by enrolling to voluntary pension schemes to compliment the employers defined benefit retirement package. The study was to establish existing gaps in the preparation for retirement and the role of the employer (government) in addressing them. With the County governments recruiting huge numbers of personnel, the findings of the research would provide a basis for recommendations to be adopted in developing human resource policy on retirement planning.

1.6 The Scope of the Study

The study was carried out among the national government civil servants in Kitui County. These are employees performing national functions within the county under the County Commissioner, Kitui County. These are usually in job groups A-P. They range from support staff, clerical officer, secretaries, drivers as well as heads of departments and their deputies. The study did not include civil servants working for the County Government of Kitui, employees of parastatals and those under the National Police Service Commission.

1.7 Limitations of the study

The research encountered the following limitations: low response rate; incomplete filling of questionnaires, and the research instruments inability to capture all the information needed.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter has been divided into three parts i.e the theoretical review, the empirical review which analyses works of other researchers on the variables including any existing gaps from the past studies which the current research will be intending to fill. Finally, it has the conceptual framework which illustrates the relationship among the variable.

2.2. Theoretical Review

2.2.1 Retirement Financial Education: The Goal Setting Theory

Goal-setting theory was developed by Lockie, E. and Latham, G. in 1968. It suggests that two cognitive determinants of behavior: intentions and values. Intentions are viewed as the immediate precursors of human action. The second cognitive process manifests itself in the choice or acceptance of intentions and subsequent commitment to those goals. It is the recognition that instructions will affect behavior only if they are consciously accepted that makes goal setting a cognitive theory of motivation. According to Locke (1968), goals direct attention and action. In addition, they mobilize effort in proportion to perceived requirements of the goal or task (Locke, Shaw, Saari, and Latham, 1981). Therefore, goal setting, may explain how and why behavior is facilitated or restrained in the pre-training, training, and post training processes. Goal-setting theory holds that, once a hard task is accepted, the only logical thing to do is to try until the goal is achieved or until a decision is reached to lower or abandon the goal.

2.2.2 Employment Income: The Lifecycle Permanent Income Theory of Consumption and Saving

The consumption equation assumes that individual's consumption at any given period is related to their income in that period. The lifecycle hypothesis views individuals, as planning their consumption and savings behavior over long periods with the intention of allocating their consumption in the best possible way over their entire life time. The theory implies different propensities to consume out of the permanent income, transitory income and wealth. The key assumption is that most people choose stable lifestyles, consuming at about the same level in every period. There is some evidence that higher income earners have lower marginal propensity to consume out of income compared to low income earners (Rudiger, et al 2008).

Since consumption and savings is directly related to increase in income, people earning higher incomes are able to save more than lower income earners (Mandel, 2009). Thus, higher income earners in the civil service may be saving more for their retirement than the lower cadre employees since what is not consumed is thus saved.

2.2.3 Defined Benefits Pension Scheme: The theory of equalizing differences

This theory suggests that employer provided pension benefits should be compensated by reduced wage benefits for an employee's given productivity potential. Workers may be willing to receive lower monetary wages or salaries if they are compensated with other income in kind like health insurance, pensions or other fringe benefits. Pensions are part of the compensation package and strongly linked to labor market condition since they (pension) are a kind of non pecuniary income and are used for compensating income late in life. Measurable job attributes on which compensating wage differentials have been shown to arise empirically include: the composition

of pay package, including vacations, pensions, and other fringe benefits as substitutes for direct cash wage payments with the total cost being the most important issue to the employer. Workers prefer a portion of their total compensation to be paid in the form of pension benefits because their net compensation is enhanced by the favorable tax treatment of pensions. Thus, firms are willing to provide whatever combination of cash payments and benefits workers desire. From the theoretical point of view, pensions are linked to the labor supply through the equalizing differences approach. This theory assumes that labor markets always clear and there are sufficient number of formal jobs offering pensions.

2.3 Empirical Literature.

2.3.1 Retirement Financial Education

Joo, S. & Grable (2002) found out that employer-sponsored financial education positively impacts a person and having a retirement savings program is significant. Few employers actually provide training at the workplace, but the evidence suggests that those that do provide education generally find the payoffs to be greater than the costs. The finding that employer-provided education influences a person's allocation of assets for retirement and/or saving for retirement has national implications as well.

Braunstein and Welch, (2002) found out that Financial education can help employees devise an investment strategy that ensures their retirement security—first by recognizing the advantage of contributing to employer-sponsored savings plans and then by understanding their future needs, goals, and appetite for risk.

Research by Delloitte in the U.S (2012) among plan sponsors reported a continued sense of obligation in preparing employees for retirement. The number of plan sponsors rating retirement readiness of participants as quite important or very important increased to 78% in 2012 from 73% in 2011. This uptick in concern from plan sponsors may signal that they feel participants are trending in the wrong direction with respect to understanding their retirement income needs and saving appropriately. To that end, 84% of plan sponsors identified improving participant awareness as quite important or very important to their plan by for instance taking interest whether employees are tracking towards a comfortable retirement.

The Retirement and Financial Literacy Education Program report (2012) indicate that the financial security employees and their family members have in the future depend, in part, on the knowledge they gather and make use of today. Acting now and taking the necessary steps toward planning for your future will help you reach your financial and retirement goals. Employees should take full advantage of attending the financial education workshops, handouts, fairs, etc., that are provided by their Human Resources (HR) office.

Rooji et al (2009) stated that the challenge is to determine whether and how financial education can be taught and, closely related, whether there is causal link between improving financial literacy and financial outcomes. The evidence so far has been mixed, with large heterogeneity in the estimated success of training programs. Bernheim and Garrett (2003) and Lusardi (2004) provide survey evidence that people who attend financial counseling programs subsequently make better financial decisions, especially those attendees with low income and education levels.

The estimated effects of the programs are large; however, self-selection into training makes it hard to interpret the results as causal.

Clark et al (20l0) observe that lack of financial education may cause workers to start saving too late in life to realize their stated retirement goals. As a result, they are unlikely to achieve an optimal balance between current consumption while working and future consumption in retirement.

Bernheim and Garrett (2003) investigated cross sectional relationships between the availability of financial education provided by employers and savings. They found that employer-based financial education increased both saving in general and saving for retirement. Another study also documented the effects of one-hour retirement seminars on retirement attitudes and behaviors (Clark & d'Ambrosio, 2003). The researchers found that participation in seminars changed individual's retirement goals and retirement savings behaviors in a positive way.

Clark L., (2012) argue that workplace financial education programs can be very important in enhancing financial literacy, and many employers provide retirement planning programs for older employees. Research has shown that participants in employer-sponsored financial education programs increase their financial literacy and, on the basis of this new knowledge, often alter their retirement plans. A better understanding of these programs and their effects would provide guidance to decision makers, employers, and policy makers.

Similarly, Taylor-Carter, et al. (1997) found that informal financial planning had a positive effect on anticipated financial expectation and that formal retirement education seminars that included financial management had positive effects on anticipated retirement satisfaction. Although there are a few studies about the effectiveness of financial education on financial attitudes and behaviors, little is known about the effects of workplace financial education and advice on retirement confidence.

Joo and Pauwels (2002) found that employer-provided financial education had a positive effect on retirement confidence. However, while the data included employer-provided education, it did not have information regarding workplace financial advice. Studies suggest that financial advice might be more effective in changing financial attitudes and behaviors than conventional financial education (Kim & Garman, 2003).

Salas M, (2014), in a research on strategies to improve retirement readiness established that it is important to consider the timing of the retirement education. The timing of retirement education is particularly important when encouraging employees to take action and that employers are in the ideal position to provide employees with this information. Regular reminders of the value of retirement planning and providing financial information to employees at teachable moments such as time of hire or when employees receive pay increase appear to be effective.

In contrast, Cole et al (2009) found modest effects from a financial literacy education program in Indonesia. They noted that to date we have only very limited systematic knowledge about the dimensions that determine financial literacy programs effectiveness. The impact of a program

might be crucially driven by the complexity of the materials, since any training program faces a trade-off between the ease with which participants can grasp the concepts and their potential depth of understanding.

2.3.2 Employment Income

BMO Retirement institute (2012) found that employees earning less than $40,000 per year, income was a significant factor on whether they would be involved in the decision making process for men, but not for women. It was not a significant factor for those earning more than $40,000 per annum, but less than $100,000 for either gender. Above the $100,000 income level, however, it became a very significant issue. At this level of income, it was also very significant for men in terms of what preparation they undertook. While it was also significant for women at this income level, it was not as significant as for men. In other words, high income women tend to prepare more for retirement than high income men.

A study on state of US employees retirement preparedness 2011 found out that majority of the employees will have to delay retirement beyond the age of 65 due to insufficient income to cover basic living and healthcare expenses with those earning lowest incomes at 94% risk of delaying retirement and 24% for those earning highest incomes. Younger and lower-income households are more likely to report that they save primarily for reasons other than retirement, such as to fund education, to purchase a house, to fund other purchases, or to have cash on hand in case of unexpected need. Economic analysis suggests that these preferences are rational. Dyan et al (2004), state that the older and higher-earning workers are more likely to save primarily for retirement, and thus are more likely to prefer having a portion of their compensation in the form of retirement benefits rather than fully in cash.

Thuku and Ireri (2013) in a study on retirement preparedness among public servants concluded that since private sector wages are relatively higher than those in the public sector, then private sector employees are able to invest more and thus prepare better for retirement. However, this should in no way imply that a higher pay always translates into better retirement preparation.

So-Hyun and Pauwels (2002) observed that levels of income affect retirement confidence among employees with those earning relatively higher incomes being more confident of their retirement. Malroutu and Xiao (1995) studied the perceived adequacy of retirement income of pre-retirees and found that those with low incomes (between $10,000 and $19,999) were less likely to perceive their future retirement income to be adequate. Junk et al (1997) found that for both men and women pre-retirees, income is positively related to the number of retirement income sources.

McConnell and Brue (2008) state that the ability to save depends on the size of your income, if your income is low, you may not be able to save and if your income is very low, you may dissave- spend more than your after income tax. As households garner more income, they usually consume more and save more.

Goda S, et al (2013) in a study to establish whether income projections affect retirement savings found that an increase in income generated the most significant outcome as compared to those who received information only. Thus, an increase in income should be in tandem with general information on retirement planning. Many factors play a role in determining the actual amount someone should save; income levels, portfolio returns, number of years until retirement and current and past saving rates. Workers on the lower end of the income spectrum will need a

relatively high share of their pre-retirement income, but they will require a lower rate of savings during their pre-retirement years.

2.3.3 Defined Benefits Pension Scheme

DB plans provide predictable, guaranteed retirement benefits and offer incentives to retire at a certain age. A variety of factors affect the benefit that a covered worker receives upon retirement. For participants in defined benefit pension plans, these factors include the benefit formula used to determine payments, retirement age, length of service, and pre-retirement earnings. Benefits may also be affected if the participant is in a plan providing for post-retirement increases (Foster, A. 2008).

The expected tenure of the employee will increase with a DB plan and that this increased tenure can significantly reduce the employer's hiring costs. However, a DB plan that tends to retain employees also significantly reduces the switching option value of the employee, and hence employers must pay a higher annual salary to attract that employee (Simon Williams, 2010).

The defining characteristic of a DB plan is that the firm promises to pay the worker a nominal annuity based on a set of formulas related to the worker's age, years of service, and final average pay. Final average pay may be the average of the last few years of earnings but is more often the average of the highest few years or the highest consecutive years during the last few years. Some DB plans are also integrated with Social Security to varying degrees, and most have more than one formula that can be operative for a given worker (Samwick, N & Skinner, A. 2004).

Barbone and Sanchez (2008) observe that many developing countries with defined benefit schemes have failed to keep their promises and have adjusted their balances by reducing

benefits; thus defined benefit schemes have not been a guarantee of more secure pensions. In defined contributory schemes, some countries guarantee a minimum return to investments, often requiring the fund manager to put up capital to cover low or negative investment returns and by imposing strict rules on portfolio allocations.

Jametti, M. (2008) in her study on Defined Benefit Pensions Plans observed that the funding situation of defined benefit pension plans may pose a threat to the retirement income of many current and future pension receivers. Even though the number of DB plans is decreasing, many workers still rely on this type of plan for their retirement. DB plans currently seem much less secure than initially anticipated and many current and future retirees might receive less than expected from their pensions. This has prompted reactions by policy makers and led to calls for reform of the DB institutional framework.

While the transition from DB to DC has fulfilled the promise of offloading the funding risk from plan sponsors to participants, it has created a number of unintended consequences that create challenges in trying to meet the objective of retirement security for employees. In particular, the DB pension model is particularly successful in pooling longevity risk to ensure that participants do not run out of income in retirement. In the DB model, some participants would die at younger ages and therefore receive fewer payments from the plan, while some participants would live longer and receive greater benefits than "average." Erik Daley (2014).

Sandali J, et al (2008) , in a study on the importance of stable income sources in retirement observe that benefits are of value to employees if they meet employees' needs and preferences . Hence, practicing managers need to be aware of the needs of their particular workforce and

provide benefits accordingly. In deciding if and what kind of retirement plan to offer employers need to carefully consider the benefits to their particular workforce associated with the different plans as well as their cost.

2.3.4. Literature Review Research Gaps

Most the above analyzed research studies have a focus on employees in contributory pension schemes in the private sector with little emphasis on public sector employees who are mostly under the defined benefits schemes. There is need to focus on the public sector employees and in particular civil servants which are one group of employees with the lowest labour turnover that can be attributed to the non-portability of the pension benefits.

Past studies have focused on retirement planning as more of a personal/ employee's issue where the employer is absorbed of any role in the success of the employees' preparedness to retirement. This study aims to bring out the role of the employer in ensuring that their employees are adequately prepared for retirement at the earliest opportunity up on joining employment especially in the civil service where the employer is the government.

Past studies on effect of income have emphasized on the employees total income including other sources of income which may not be necessarily from employment. This study will focus on the income from employment.

2.4 conceptual framework

Independent variables   **Dependent variable**
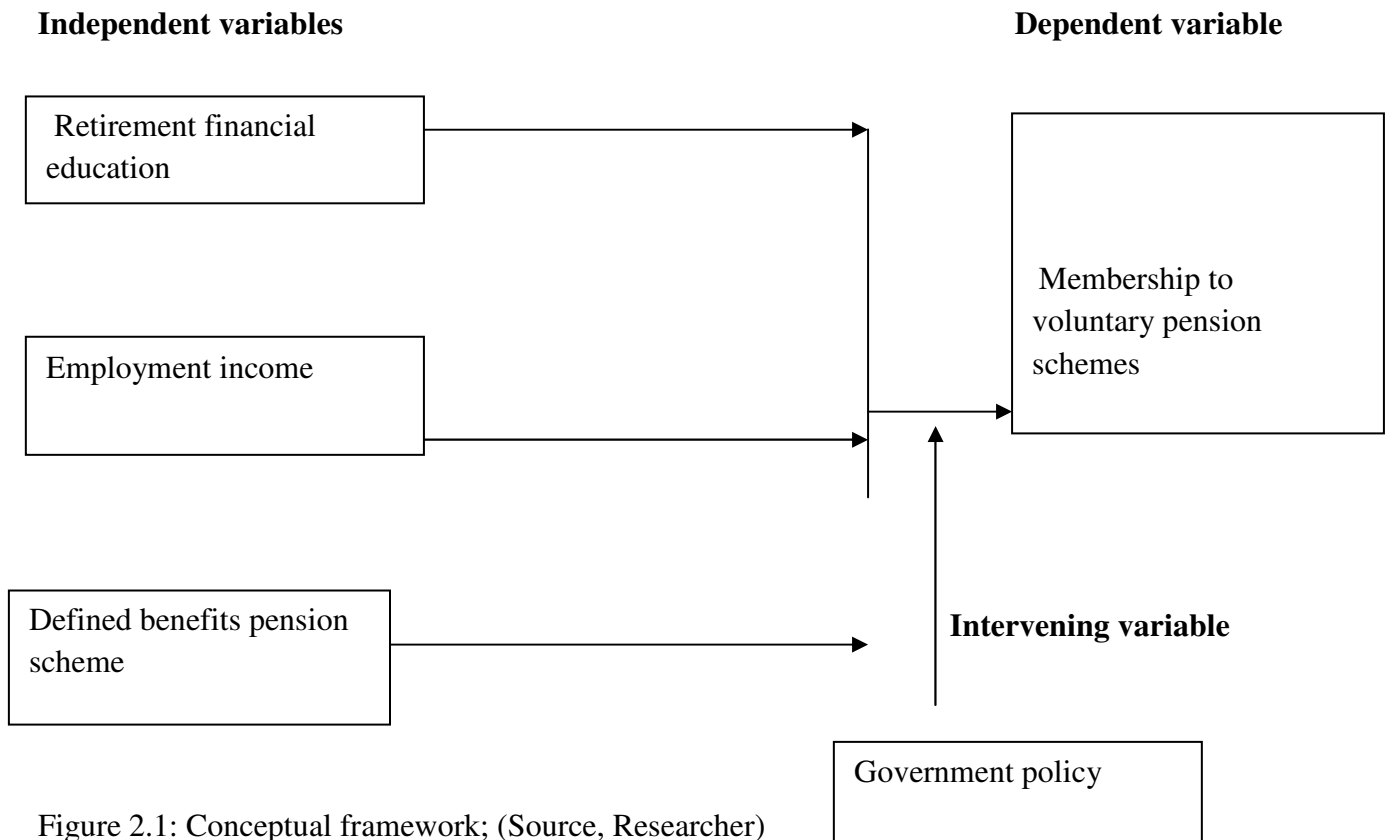
Figure 2.1: Conceptual framework; (Source, Researcher)

2.4.1 Retirement Financial Education

Retirement financial education refers to formal programmes aimed at educating employees on how manage their finances. Through financial education, employees are able to make sound financial retirement decisions by allocating portion of their income to retirement. There is need for the government to make deliberate effort and incorporate financial retirement education throughout their employment period. (Source: researcher)

2.4.2 Employment Income

This refers to all the incomes that a civil servant receives as compensation for services rendered to the employer. It includes salaries and allowances and any other monies received from the employer during their tenure of service. (Source: researcher)

2.4.3. Defined Benefits Pension Scheme

The Kenya's civil service currently runs a defined benefits scheme whereby the employer assumes total responsibility to pay the employees their pension without any contributions from the employee into their retirement account. The fact that national government civil servants are assured of receiving pre-determined pension benefits as per the Pension Act may make them reluctant to join alternative voluntary pension schemes. (Source: Researcher)

2.4.4 Membership to Voluntary Pension Schemes.

This involves an individual making contributions to a pension scheme of their choice to cushion them from poverty once they have left their employment due to old age. It assures the retirees of financial stability after they exit employment since they have projected their expected expenses in their old age and made savings to that effect. It does not include the other retirement arrangements by the employer but it is for complementing them where they exist. (Source: Researcher)

2.4.5 Government Policy

This refers to the guidelines issued by the government of Kenya regarding the approach to be taken on issues relating to management of the public service. In Kenya, policies on human

resource management such as training, remuneration, retirement and pension schemes for civil servants are issued by the PSC through the Directorate of Personnel Management (DPM). (Source, Researcher).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The research adopted the descriptive design. This design is known to provide accurate information due to its specific nature as it answers the questions to an existing phenomenon. It addresses the why? Where? When? and whom? questions of a study.

3.2 Target Population

The target population comprised of the National Government civil servants in Kitui County. These are civil servants performing national government functions. These employees range from heads of department (middle level administrators), clerical officers, secretaries, drivers and support staff. The population does not include employees of parastatals and those engaged by the National Police Service Commission since they have a different pension package from that of civil servants. According to the personnel records, there are 2290 employees working in Kitui County in the targeted categories. This is data from the Kitui County Commissioners office.

3.3 Sampling Design

The researcher used probability sampling procedure as it gives each element an equal chance of being selected. Specifically, stratified random sampling was used. The research sample was sub-divided (stratified) into three groups i.e. employees who are on temporary terms of employment; the support staff (Job Group A-D) , those in job group E to J (usually Drivers, clerical officers and secretaries) and those in job group K and above who are middle level administrators. A

simple random sample was then chosen independently for each group. This ensured that all categories of target groups are given chance to respond to the questions.

3.4 Sampling Frame

The sampling frame consisted of 221 support staff, 368 drivers, 834 clerical officers, 340 secretaries and 527 middle level managers who are usually heads of departments and their deputies. The sample size consisted of 5% of each category; this translated to 11 support staff, 18 drivers, 42 clerical officers, 17 secretaries and 26 heads of departments.

Table 3.1 Sampling Frame:

Category	Total population	Sample size(5% of population)
Heads of Departments	527	26
Secretaries	340	17
Clerical Officers	834	42
Drivers	368	18
Support Staffs	221	11
Total	**2, 290**	**114**

(Source: County Commissioners Office, 2014)

3.5 Research Instruments

Questionnaires were used to collect data from the target population. The questionnaires were both closed and open. The closed questions were in likert scale of 1-5 in which respondents were required indicate the extend to which the various factors affect the variable under study. The open –ended questions sought to obtain the respondents opinions on the variables. The questionnaire were subdivided into five parts whereby Part I was collect data on basic information, part II collected data on retirement financial education, part III collected data on employment income, part IV collected data on defined benefits scheme, while part E measured the dependent variable. Since the data collected was primary data, it was highly reliable and valid as it a comprised all the categories of respondents of the target population.

3.6 Data Collection Procedure

The researcher collected data from the respondents after obtaining permission from the university up on successful defense of the research proposal. Pilot testing for the questionnaires to test their appropriateness was conducted by randomly issuing five questionnaires to the research sample. The researcher then administered a total of one hundred and fourteen questionnaires to the respondents using the drop and pick method. The instruments of data collection were checked for completeness and consistency before being picked for analysis to reduce non-response rate. This is method is the most appropriate since the respondents are literate. It is also fast and easy to manage.

3.7 Data Analysis and Processing

Data were analyzed using descriptive and inferential statistics. In inferential statistics, the results of the sample are generalized to the larger population (Frankfort and Guerrero, 2006). Thus, the results obtained from this research were generalized to the entire population. Thus, the researcher entered all the data derived from the questionnaires into the computer- based Statistical Package for Social Sciences (SPSS) for analysis using multiple regression analysis. Multiple regression is used when we want to predict the value of a variable based on the value of two or more other variables. It also allows the researcher to determine the overall fit (variance explained) and the relative contribution of each of the independent variables. The multiple regression analysis was incorporated in a linear model as follows:

$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3$

Where:

Y= dependent variable

α= intercept

$\beta_1\ldots\ldots\beta_3$ = are the coefficients of interest

$x_1\ldots\ldots x_3$ = are the independent variables

Thus, the linear model was expressed as follows:

Y (Membership to voluntary pension schemes) = α + β_1 (retirement financial education) + β_2 (employment income) + β_3 (defined benefits pension scheme)

The analyzed data were presented in tables.

3.8 Ethical Considerations

Respondents were advised not to indicate their names on the questionnaire to protect their privacy. The researcher ensured that the information obtained was only used for academic purpose.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, DISCUSSION AND INTERPRETATION

4.1 Introduction

This chapter presents data presentation, analysis, discussion and interpretation following the research objectives. The purpose of this study was to investigate the policy- based employment factors influencing membership to voluntary pension schemes among national government civil servants in Kitui County, Kenya. The specific objectives were; to establish the influence of financial retirement education, the influence of employment income, and the influence of defined benefits pension scheme on membership to voluntary pension scheme among national government civil servants in Kitui County, Kenya. Questionnaires were used as the main research instruments. Out of 114(98.2%) questionnaires, 112 were returned while only 2(1.8%) were not returned. The returned questionnaires were analyzed using both descriptive and inferential statistics where the frequency distribution tables were constructed for descriptive statistics while correlation and multiple regressions were used for inferential statistics.

4.2 Bio- data for the respondents

Before the data were analyzed the researcher first sought to establish the bio- data for respondents which included; gender, age bracket, length of service and job group. The responses were presented in Table 4.1, 4.2, 4.3 and 4.4 respectively.

Table 4.1: Gender distribution for the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	72	64.3	64.3	64.3
Female	40	35.7	35.7	100.0
Total	**112**	**100.0**	**100.0**	

From table 4.1, it can be observed that majority (64.3%) of respondents were male though the women made 35.7% which is the required representation of at least one third to be either gender in every undertaking.

Next, the researcher calculated the respondents' age brackets to be to establish the age distribution.

Table 4.2: Age distribution of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
20-30 years	8	7.1	7.1	7.1
31-40 Years	56	50.0	50.0	57.1
41-50 Years	24	21.4	21.4	78.6
51-60 Years	24	21.4	21.4	100.0
Total	**112**	**100.0**	**100.0**	

Majority of the respondents were aged 31 – 40 (50%). This group is composed of young employees and should therefore be encouraged to begin thing about membership to voluntary

pension schemes. Next the researcher investigated the number of years the respondents had served as civil servants.

Table 4.3: Length of service for the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
0-5 Years	12	10.7	10.7	10.7
6-10 Years	40	35.7	35.7	46.4
11-15 Years	20	17.9	17.9	64.3
16-20 Years	12	10.7	10.7	75.0
21-25 Years	8	7.1	7.1	82.1
26-30 Years	4	3.6	3.6	85.7
Over 30 Years	16	14.3	14.3	100.0
Total	**112**	**100.0**	**100.0**	

The data in Table 4.3 shows that majority (35.7%) of respondents had served for 6-10 years. This time was long enough to have known about membership to voluntary pension schemes and possibly made a decision on whether to join or not. Further, the researcher sought to establish the respondents' job groups so as to establish if it had any influence on membership to voluntary pension schemes.

Table 4.4: Respondents jobs group

	Frequency	Percent	Valid Percent	Cumulative Percent
A-D	15	13.3	13.4	13.4
E-F	14	12.5	12.5	25.9
G-J	58	51.8	51.8	77.7
K-N	20	17.9	17.9	95.6
P and above	5	4.4	4.4	100.0
Total	**112**	**100.0**	**100.0**	

Table 4.4 shows that most (51.8%) of the respondents were in job groups of G – J. These are usually clericals and secretaries as well as fresh university graduates who have joined the service at administrative positions with less than three years of service. The researcher also investigated whether the respondents had joined the voluntary pension schemes.

Table 4.5: Membership to voluntary pension schemes

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	60	53.6	53.60	53.60
No	52	46.4	46.40	100.0
Total	**112**	**100.0**	**100.0**	

Table 4.5 shows that the membership to voluntary pension schemes among the respondents was 53.60% which was slightly higher than those who have not yet joined. However there is still a

need for more sensitization on the importance of enrolling with voluntary pension schemes since the number which has not joined was significantly high.

4.3 Financial retirement education and membership to voluntary pension schemes

The first objective for this study was to establish the influence of financial retirement education on membership to voluntary pension schemes among national government civil servants in Kitui County. To achieve this objective, the respondents were required to indicate their opinion on whether retirement financial education improved retirement financial preparedness among national government civil servants. The responses were presented in Table 4.6.

Table 4.6: Financial retirement education and membership to voluntary pension schemes

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	100	89.3	89.3	89.3
No	12	10.7	10.7	100.0
Total	**112**	**100.0**	**100.0**	

According to majority (89.3%) of respondents agreed that financial retirement education influences membership to voluntary pension schemes among national government civil servants in Kitui County. This means that the poor membership is an indication of lack of enough education on membership to voluntary pension schemes among national. There is therefore a need to improve on education. This agrees with Joo and Grable (2002) who argued that employer-sponsored financial education positively impacts a person to join a retirement savings program. They further argued that few employers provide training at the workplace, but the

evidence suggests that those that do provide education generally find the payoffs to be greater than the costs. The finding that employer-provided education influences a person's allocation of assets for retirement and/or saving for retirement has national implications as well.

The researcher further requested the respondents to indicate the extent to which they agreed with the statements given scheme on a scale of 1-5 where: 1-does not influence at all; 2- slightly influences;   3-moderately influential; 4-very influential; 5- extremely influential. The responses were presented in Table 4.7.

Table 4.7: Respondent's opinion financial education and membership to voluntary pension schemes

	Factor	EI	VI	MI	SI	DNI	Mean	SD
1	Financial planning education seminars	24(21.4%)	48(42.9%)	28(25.0%)	8(7.1%)	4(3.6%)	3.71	0.999
2	Post-retirement financial management education	24(21.4%)	36(32.1%)	40(35.7%)	8(7.1%)	4(3.6%)	3.61	1.016
3	Trainings on Investment	24(21.4%)	60(53.6%)	20(17.9%)	4(3.6%)	4(3.6%)	3.54	0.898
4	Seminars on retirement financial education	20(17.9%)	28(25.0%)	36(32.1%)	24(21.4 %)	4(3.6%)	3.32	1.10
5	Financial journals	16(14.3%)	32(28.6%)	36(32.1%)	20(17.9	8(7.1%)	3.61	1.12

						%)			
6	Timing of the trainings	28(25%)	36(32%)	16(14.3%)	20(17.9 %)	12(10.7 %)	3.43	1.32

Key: EI-extremely influential; VI-very influential; MI- moderately influences; SI- slightly influential; DNI- does not influence at all

Table 4.7 shows that financial planning education seminars, post-retirement financial education and financial journals were the most influential among the retirement financial education factors influencing membership to voluntary pension schemes among national government employees in Kitui County with means of 3.71, 3.61, and 3.61 respectively. Training on investments, timing of the trainings and seminars on financial education were found to be the least influential factors of retirement financial education. The results indicate that retirement financial education is necessary for membership to voluntary pension schemes. This agrees with Bernheim and Garrett (2003) who argued that employer-based financial education increased both saving in general and saving for retirement. The results also agrees with Clark & Ambrosio (2003) who said that participation in seminars changed individual's retirement goals and retirement savings behaviors in a positive way.

The researcher further tested the hypothesis below using Pearson correlation coefficient.

H_{01}: There is no significant relationship between increased retirement financial education and membership to a voluntary pension scheme among national government civil servants in Kitui County. The results were presented in Table 4.8.

Table 4.8: Correlation between increased retirement financial education and membership to voluntary pension schemes among national government civil servants in Kitui County.

		Retirement financial education	Membership to voluntary pension scheme
Retirement financial education beneficial	Pearson Correlation	1	.846**
	Sig. (2-tailed)		.000
	N	112	112
Membership to voluntary pension schemes	Pearson Correlation	.846**	1
	Sig. (2-tailed)	.000	
	N	112	112

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

The results in Table 4.8 indicate that there is a strong positive correlation r (112) = 0.846, p<0.05, between increased retirement financial education and membership to a voluntary pension scheme among national government civil servants in Kitui County. This agrees with The Retirement and Financial Literacy Education Program report (2012) that the financial security employees and their family members have in the future depend, in part, on the knowledge they gather and make use of today. Acting now and taking the necessary steps toward planning for your future will help one reach their financial and retirement goals. Employees should take full

advantage of attending the financial education workshops, handouts, fairs, etc., that are provided by their Human Resources (HR) office. Thus, the hypothesis that there is no significant relationship between retirement financial education and membership to voluntary schemes was rejected and the alternative hypothesis adopted.

4.4 Employment income and membership to voluntary pension schemes

The second objective for this study was to establish the influence of employment income on membership to voluntary pension schemes among national government civil servants in Kitui County. To achieve this objective the respondents were required to give their opinion on whether their employment incomes were adequate to enable them enroll with a voluntary pension schemes. The results were presented in Table 4.9.

Table 4.9: Adequacy of income

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	32	28.6	28.6	28.6
No	80	71.4	71.4	100.0
Total	**112**	**100.0**	**100.0**	

From table 4.9 above, 71.4% of the respondents indicated that their income was not adequate to enable them enroll with voluntary pension schemes. Since civil servants are in a defined benefits scheme, these findings are in agreement with McConnell and Brue (2008) as households garner more income, they usually consume more and save more.

Table 4.10: Employment income and membership to voluntary pension schemes

	Factor	EI	VI	MI	SI	DNI	Mean	SD
1	Basic salary	68(60.7%)	24(21.4%)	12(10.7%)	4(3.6%)	4(3.6%)	4.32	0.99
2	Salary-based allowances	24(21.4%)	40(35.7%)	28(25%)	16(14.3%)	4(3.6%)	3.57	1.02
3	Gross salary	36(32.1%)	36(32.1%)	24(21.4%)	12(10.7%)	4(3.6%)	3.93	0.92
4	Accommodation and subsistence allowances	20(17.9%)	56(50%)	8(7.1%)	8(7.1%)	20(17.9%)	3.42	1.10
5	Financial commitments	36(32.1%)	16(14.3%)	28(3.6%)	20(3.6%)	12(3.6%)	3.39	1.13

Key: EI-extremely influential; VI-very influential; MI- moderately influences; SI- slightly influential; DNI- does not influence at all

Table 4.10 shows that basic salary and gross salary were the greatest influencing factors on membership to voluntary pension schemes among the employment income factors with means 4.32 and 3.93 respectively. This could be explained by the fact that despite the various job groups, basic salary is the only income which is uniform among employees of within the same job group. Other salary-based allowances such as house allowances vary depending on the areas the employees are deployed.

Salary–based allowances, accommodation and subsistence allowances and financial commitments were the least influencing employment income factors for membership to voluntary pension schemes among national government civil servants. Further the researcher further tested the hypothesis below using Pearson correlation.

H_{02}: There is no significant relationship between employment income and membership to voluntary pension scheme among national government civil servants in Kitui County. The results were presented in Table 4.11

Table 4.11: Correlation between income and membership to voluntary pension schemes

		Membership to voluntary pension schemes	Employment income
Membership to voluntary pension schemes	Pearson Correlation	1	.632**
	Sig. (2-tailed)		.000
	N	112	112
Employment income	Pearson Correlation	.632**	1
	Sig. (2-tailed)	.000	
	N	112	112

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

The results in Table 4.11shows that there is a significant relationship between r (112) = 0.632, p<0.05 employment income and membership to voluntary pension schemes among national government civil servants. This agrees with McConnell and Brue (2008) who stated that the ability to save depends on the size of your income and that if your income is low, you may not be able to save. As households garner more income, they usually consume more and save more. It also agrees with Dyan et al (2004), who argued that the older and higher-earning workers are more likely to save primarily for retirement, and thus are more likely to prefer having a portion of their compensation in the form of retirement benefits rather than fully in cash.

Thus, the hypothesis that there is no significant relationship between employment income and membership to voluntary schemes was rejected and the alternative hypothesis adopted.

4.5 Defined benefits pension scheme and membership to voluntary pension schemes

The last objective of the study was to establish the influence of defined benefits pension scheme on membership to voluntary pension scheme among national government civil servants in Kitui County. To achieve this objective the respondents were required to indicate whether the expected retirement financial benefits from the government would be adequate to meet their financial needs once they retire. The results were presented in Table 4.12.

Table 4.12: Adequacy of retirement financial Benefits?

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	12	10.7	10.7	10.7
No	100	89.3	89.3	100.0
Total	**112**	**100.0**	**100.0**	

Table 4.12 shows that majority (89.3%) of the responded indicated that the expected retirement financial benefits from the government would not be adequate to meet their financial needs once they retire. This is in line with a research by RBA in 2011 which established that 70% of the respondents admitted that their pension would not be sufficient up on retirement. This also agrees with Barbone and Sanchez (2008) who observed that, many developing countries with defined benefit schemes have failed to keep their promises and have adjusted their balances by reducing benefits; thus defined benefit schemes have not been a guarantee of more secure pensions. It also agrees with Jametti, M. (2008) that the funding situation of defined benefit pension plans may pose a threat to the retirement income of many current and future pension receivers.

The researcher further requested the respondents to indicate the extent to which they agreed with the statements given scheme on a scale of 1-5 where: 1-does not influence at all; 2-slightly influences;   3-moderately influential; 4-very influential 5- extremely influential. The responses were presented in Table 4.13.

Table 4.13: Defined benefits pension scheme and membership to voluntary pension scheme

	Factor	EI	VI	MI	SI	DNI	Mean	SD
1	The amount of expected lump-sum benefits	60(53.6%)	32(28.6%)	12(10.7%)	4(3.6%)	4(3.6%)	4.25	1.04
2	Monthly pension payments	40(3.6%)	36(3.6%)	12(3.6%)	12(3.6%)	12(10.7%)	3.71	1.08
3	permanent and pensionable terms of employment	56(50%)	28(25%)	20(17.9%)	4(3.6%)	4(3.6%)	4.14	1.11
4	Temporary terms of employment	32(28.6%)	28(25%)	24(21.4%)	16(14.3%)	12(10.7%)	3.61	1.35
5	NSSF Membership	24(21.4%)	44(39.3%)	12(10.7%)	16(14.3%)	16(14.3%)	3.39	1.37
6	NHIF insurance scheme	32(28.6%)		24(21.4%)	24(21.4%)	12(10.7%)	3.25	1.21

Key: EI-extremely influential; VI-very influential; MI- moderately influences; SI- slightly influential; DNI- does not influence at all

Table 4.13 shows that the amount of expected lump sum benefits and permanent and pensionable terms of employment are the most influencing factors of membership to voluntary pension schemes with mean of 4.25 and 4.14 respectively. This implies that for the target group the amount of expected lump sum benefits will influence their membership to voluntary pension schemes. The fact that 89.7% of the respondents indicated that they perceived their retirement benefits to be inadequate to meet their retirement needs is an indication of why some of the respondents had joined voluntary pension schemes to complement their retirement benefits. The respondents also indicated that; monthly pension payments, temporary terms of employment, NSSF Membership and NHIF insurance scheme were found to be the least influential among defined benefits factors influencing membership to voluntary pension schemes among national government civil servants. This agrees with Foste (2008) who argued that a variety of factors affect the benefits that a covered worker receives upon retirement. For participants in defined benefit pension plans, these factors include the benefit formula used to determine payments, retirement age, length of service, and pre-retirement earnings. Benefits may also be affected if the participant is in a plan providing for post-retirement increases.

The researcher further tested the hypothesis below.

Ho3: There is no significant relationship between defined benefits pension scheme and membership to a voluntary pension scheme among national government civil servants in Kitui County.

Table 4.14: Correlation between defined benefits pension scheme and membership to voluntary pension scheme

		Membership to voluntary pension schemes	Defined benefits scheme
Membership to voluntary pension schemes	Pearson Correlation	1	.746**
	Sig. (2-tailed)		.000
	N	112	112
Defined benefits scheme	Pearson Correlation	.746**	1
	Sig. (2-tailed)	.000	
	N	112	112

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

Table 4.14 shows that there is a strong positive relationship r(112) = 0.746, p<0.05 between defined benefits pension scheme and membership to a voluntary pension schemes among national government civil servants in Kitui County. Thus, the hypothesis that there is no significant relationship between defined benefits scheme and membership to voluntary schemes was rejected and the alternative hypothesis adopted.

4.6 Multiple regression analysis

The researcher sought to establish the effect of independent variables on the dependent variable. The results were presented in Table 4.15

Table 4.15: Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.22	.245		9.061	0.001
Retirement financial education (x_1)	2.353	.119	.218	21.302	.004
Employment incomes (x_2)	2.647	.096	.585	27.573	.000
Defined benefits scheme (x_3)	2.32	.138	0.112	16.812	0.001

a. Dependent Variable: Member of voluntary pension scheme (Y).

Table 4.16: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.852[a]	.725	.430	.37920

a. Predictors: (Constant), Are the retirement financial education,employment income, and defined benefits pension scheme.

The model summary table shows that the R squared is 0.725 which means that 72.5% of variation in the dependent variable is explained by the independent variables hence goodness of

fit test is fulfilled. On the other hand Table 4.15 shows that the multiple regression equation is given as:

$Y = 2.22 + 2.353x_1 + 2.647x_2 + 2.32x_3$

This model shows that the dependent variables are significant at 0.05% significant level (p=0.004, p= 0.000, and p=0.001) respectively and that the factors predicted voluntary pension scheme significantly.

From this model, it is evident that employment income is the most influential factor among the factors influencing membership to voluntary pension schemes. Thus, an increase in one unit of employment income will increase membership to voluntary pension schemes by 2.647.Retirement financial education was the second influential factor among the factors influencing membership to voluntary pension schemes at 2.353. This indicates that a unit increase in retirement financial education increases membership to voluntary pension schemes by the 2.353.   Also one unit increase in employment incomes increases membership to membership to voluntary pension schemes by 2.647. Similarly Also one unit increase in benefits scheme increases membership to membership to voluntary pension schemes by 2.32.

The above results agree with Goda S, et al (2013) that established that an increase in income generated the most significant outcome among employees as compared to those who received information only. Their study concluded that an increased retirement saving should provide a balance in both income and general information on retirement planning if there was to be an increase in retirement saving.

Defined benefits scheme was found to be the least influential factor on membership to voluntary schemes among the factors studied at 3.32. This could be attributed to the fact that since dined benefits provide some form of retirement financial security, employees with such benefits may be reluctant to enroll to voluntary pension schemes.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSION OF THE STUDY AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses summary of the findings, discussion of the findings, conclusions, recommendations, and suggestions for further research.

5.2 Summary of the findings

The purpose of this study was to establish employment-related factors influencing membership to voluntary pension schemes among national government civil servants in Kitui County. The specific objectives were; to establish the influence of financial retirement education, the influence of employment income, and the influence of defined benefits pension scheme on membership to voluntary pension schemes among national government civil servants in Kitui County, Kenya.

This study established that financial retirement education significantly influence membership to voluntary pension schemes among national government civil servants in Kitui County. This includes financial planning education seminars, financial journals and post-retirement financial management education, trainings on Investment, seminars on retirement financial education and timing of the trainings. The study shows also that there is a strong positive correlation $r (112) =$

0.846, p<0.05, between increased retirement financial education and membership to voluntary pension schemes among national government civil servants.

Majority of respondents (71.4%) indicated that they did not have enough income to enable them enroll with voluntary pension scheme though they were willing to enroll with the voluntary pension schemes. This agrees with the theory of equalizing differences which states that employees under the defined benefits schemes are compensated with reduced wage benefits. This explains why a significant number had not enrolled with voluntary pension schemes. Employment income factors of basic salary, salary based allowances, gross salary, accommodation and subsistence allowances, and financial commitments extremely influenced membership to voluntary pension schemes among national government civil servants. The results shows that there is a significant relationship r (112) = 0.632, p<0.05 between employment income and membership to voluntary pension schemes among national government civil servants. This means that if income increased then more workers would join the voluntary pension scheme.

The study established that majority (89.3%) of the respondents' expected retirement financial benefits from the government would not be adequate to meet their financial needs once they retire. This is in line with Sundali J, et al (2008) who stated that benefits are of value to employees if they meet employees' needs and preferences. Thus, practicing managers need to be aware of the needs of their particular workforce and provide benefits accordingly. Majority (37%) of the respondents indicated that; the amount of expected lump-sum benefits, monthly pension payments, permanent and pensionable terms of employment, Temporary terms of employment, NSSF membership and NHIF insurance scheme extremely influenced membership to voluntary pension schemes among national government civil servants. There is also a strong

positive relationship r(112) = 0.746, p<0.05 between defined benefits pension scheme and membership to a voluntary pension scheme among national government civil servants.

The multiple regression equation showed that the dependent variables are significant at 0.05% significant level (p=0.004, p= 0.000, and p=0.001) respectively and that the factors predicted membership to voluntary pension scheme significantly.

5.3 Conclusions from the study

From the findings of this study, it can be concluded that financial retirement education influences membership to voluntary pension schemes among national government civil servants to a great extent. These include financial planning education seminars, financial journals and post-retirement financial management education, trainings on Investment, seminars on retirement financial education and timing.

Secondly, most workers did not have enough income to enable them enroll with voluntary pension schemes. This explains why only a few of them had enrolled with a voluntary pension schemes. Also the basic salary, salary based allowances, gross salary, accommodation and subsistence allowances, and financial commitments extremely influenced membership to voluntary pension schemes among national government civil servants. There is a significant relationship between r (112) = 0.632, p<0.05 employment income and membership to a voluntary pension scheme among national government civil servants.

Finally the defined benefits pension scheme from the government extremely influenced membership to voluntary pension schemes among national government civil servants. These are

the amount of expected lump-sum benefits, monthly pension payments, permanent and pensionable terms of employment, temporary terms of employment, NSSF membership and NHIF insurance scheme. The study established that there is a strong positive relationship r(112) = 0.746, p<0.05 between defined benefits pension scheme and membership to voluntary pension schemes among national government civil servants.

Thus, the dependent variables are significant at 0.05% significant level (p=0.004, p= 0.000, and p=0.001) respectively and that the factors predicted influence on voluntary pension scheme among national government civil servants.

5.4 Recommendations from the study

Based on the findings from this study the researcher wishes to make the following recommendations.

i. That national government civil servants should be educated more on the benefits of membership to voluntary pension schemes so as to encourage them to enroll. The pension schemes providers should increase sensitization on voluntary pension schemes.

ii. The government should increase employment income of civil servants so that they can afford to enroll into voluntary pension schemes.

iii. There is need to review the current defined benefits policy for civil servants so as to factor the retirees financial needs and cost of living.

5.5 Suggestions for further research

The purpose of this study was to establish the influence of employment-related factors on membership to voluntary pension schemes among national government civil servants in Kitui County, Kenya. Further research can be done on the following:

i.   The influence of membership to voluntary pension schemes on the retirees' livelihood.

ii. Social- economic factors influencing membership to voluntary pension schemes.

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APPENDIX A: QUESTIONNAIRE

This study is being conducted as part of the requirements for the award of a Master in Business Administration Degree by School of Business and Entrepreneurship, South Eastern Kenya University.

The research topic is "**Employment- related Factors Influencing Membership to Voluntary Pension Schemes among National Government Civil Servants in Kitui County"**

The information you provide will therefore be used for academic purposes only and will be treated with confidentiality. Please answer the questions which are stated below

Do not indicate your name anywhere in this questionnaire.

SECTION A: BIO-DATA AND GENERAL QUESTIONS

Please tick (√)appropriately

1. Gender   ☐   male   ☐   female

2. Age   ☐ 20-30yrs   ☐ 31-40yrs   ☐ 41-50yrs   ☐ 51-60yrs

3. No. of years in civil service   ☐ 0-5   ☐ 6-10   ☐ 11-15   ☐16-20   ☐ 21-25

☐ 26-30 ☐ over 30

4. Job group: ☐ A-D ☐ E-F ☐ G- J ☐ K- N ☐ P and above

5. Are you a member of a **voluntary pension scheme**?

Yes ( ) No ( )

SECTION B: RETIREMENT FINANCIAL EDUCATION

6. In your opinion, is retirement financial education necessary for improved retirement

financial preparedness among national government civil servants?

Yes ( ) No ( )

7. Indicate the extent to which you think the following retirement financial education factors

influence membership to a voluntary pension scheme on a scale of 1-5 where: 1-does not

influence at all; 2- slightly influences;   3-moderately influential; 4-very influential 5-

extremely influential

	Factor	5	4	3	2	1
1	Financial planning education seminars					
2	Post-retirement financial management education					
3	Trainings on Investment					

4	Seminars on retirement financial education					
5	Financial journals					
6	Timing of the trainings					

SECTION C: EMPLOYMENT INCOME

8. Are you a member of any organized body where you voluntarily remit specified amounts as savings from your employment income? If yes, specify the body

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

9. If the answer above is yes, what are the main reasons for your savings?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

10. In your opinion, is your employment incomes adequate to enable you enroll with a voluntary pension scheme?

       Yes ( )   No ( )

11. Indicate the extent to which you think the following employment income factors influences membership to a voluntary pension scheme on a scale of 1-5 where: 1-does not influence at all; 2- slightly influences;   3-moderately influential; 4-very influential 5-extremely influential

	Factor	5	4	3	2	1
1	Basic salary					
2	Salary-based allowances					
3	Gross salary					
4	Accommodation and subsistence allowances					
5	Financial commitments					

SECTION D: DEFINED BENEFITS SCHEME

12. In your opinion, are the expected retirement financial benefits from the government adequate to meet your financial needs once you retire?

       Yes ( )   No ( )

13. Indicate the extent to which you think the following defined benefits scheme factors influence membership to a voluntary pension scheme on a scale of 1-5 where: 1-does not influence at all; 2- slightly influences;   3-moderately influential; 4-very influential 5- extremely influential

	Factor	5	4	3	2	1
1	The amount of expected lump-sum benefits					
2	Monthly pension payments					
3	permanent and pensionable terms of employment					
4	Temporary terms of employment					
5	NSSF Membership					
6	NHIF insurance scheme					

SECTION E: MEASUREMENT OF THE DEPENDENT VARIABLE

14. In your opinion, please indicate the extend to which the following factors influence your membership into a voluntary pension scheme on a scale of 1-5 where: 1-does not influence at all; 2- slightly influences; 3-moderately influential; 4-very influential 5-extremely influential

	Factor	5	4	3	2	1
1	Retirement financial education influences membership to voluntary pension schemes					
2	Employment income influences membership to voluntary pension schemes					

3	Defined benefits pension scheme influences membership to voluntary pension schemes.					

THANK YOU.