



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

**EMPLOYEE PERCEPTION TOWARDS PENSION
SCHEME IN ETHIOPIA:
INCASE OF PRIVATE BANKS IN ADDIS ABABA**

**BY
ABENEZER TERUNEH**

JUNE 2015
ADDIS ABABA, ETHIOPIA

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ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate studies for examination with my approval as a university advisor.

Advisor

Signature

St. Mary's University, Addis Ababa

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List of Abbreviation

DB - Defined Benefit

DC- Defined Contribution

ILO - International Labor Organization

POSSA- Private Organization Employees Social Security Agency

US - United States

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Abstract

This study tried to study the perception of private organization employees towards pension scheme in the case of private banks in Addis Ababa. The researcher has used self-administered questionnaire to collect data and since the study focuses on private sector pension scheme and target population selected is private banks in Addis Abba, the study focused on the employee of private banks in Addis Ababa. Total sample sizes of 160 respondents were used to carry out this study through self-administered questionnaire. The study findings indicated that majority of the employee perceived pension scheme benefit moderate and the rest perceived it low to very low. Majority of the respondents believed that the contribution that is made by the employer for the pension is not satisfactory and need for revision of the percentage contribution by the employer should be done. In addition to this many of the employees agreed that the service provision y the Private Organization Employee Social Security Agency is not adequate. The need for improvement in the service provision by the Private Organization Employees Social Security Agency is required in the areas of providing training for its employees, awareness creation activity on the services provided by the organization and using advanced Information Technology is required. The reason is as long as the agency should provide the service to the service users, it should have to be supported by adequate capacity and system which the work requires. In order to achieve the and provide a good service the Private Organization Employee Social Security Agency needs to evaluate the proclamation that is currently available in line with the country's economic situation and should asses and evaluate the business processes that is available to service its customers if it is serving the objective of the organization. The assessment should be made based on involvement of the users of the service in order to get effective and measurable results.

Key Words: Perception and Pension Scheme

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The need for keeping security in economic terms for future life is a wise decision and important factor to consider. People can face different difficult situations that are beyond their control. Circumstances can occur where they cannot work and generate income for themselves. Injuries, sickness, natural disasters and getting to an old age are not something people can totally avoid whatever precautions they take in their life. In such difficult situations there should be a way for individuals to support themselves and their family. Otherwise, they will get into harsh condition to live. (Abebe, 2003).

In developing countries, seeing old people living on the streets without help and begging for their survival is very common. A favorable and considerable condition like social security, and other benefits should be created to overcome the situation that individuals face in case of accidental situations or old age. Many countries have developed a way to benefit their citizens for such time in order to relieve them from economic distress. To this end, different benefit schemes have been developed and put in place for the wellbeing of nations by the government or companies. The availability of employee benefits can reduce the worry of individuals regarding the fear for the future in relation to how to support oneself and others (Abebe, 2003).

Many applicants for jobs inquire into the benefits of employees in the organization. It is because economic security is mandatory and it is something to think about from the beginning. Based on the company's benefit package the applicant will decide to join the company, comparing with the previous benefit package if it is not the first job. Benefits are direct and indirect, financial and non-financial payments employee receives for continuing their employment with the employer and also increase the economic security of employee (Odunlade, 2012).

Organizations provide different kinds of benefits to attract applicants and to retain their existing employees. Benefits include salary, pension, health insurance, annual leave, sick leave, exam

leave, and children allowance. Benefits are a major expense for companies or employers but it is must that they should provide some benefits to their employees so that they can maintain them. For example in the US most full time employees receive benefits and all employers 99% offer some health insurance coverage (Dessler, 2005). In today's business environment where globalization is applicable and the day to day activities are too dynamic so is the competition, employers are required to come up with better benefit packages for their employee. With this they can maintain their employee especially those who are important and stay in the market.

Some benefits are also required by federal government or state law and some are discretionary on part of employer. According to Dessler on Human Resource Management, social security, unemployment insurance, worker's compensation are considered as benefits that should be provided by the government or state. Disability, health and life insurance, pensions, paid time off, and sick leave re those benefits that are optionally provided by the employer to the employees.

In some countries it might be true that for example pension is optional to the employer to contribute to the employee but in some government can place policy to effect the pension scheme for employers whether the employees are hired by government offices or private organizations. Retirement benefits are part of employee benefits amongst the other many benefits employees receive either from their employer or government. Retirement benefits could be social security or pension. The retirement plan is set by employers, institutions, insurance companies, trade unions or government. Based on the regulations or policy found the pension plan will be executed to the beneficiaries (Antolin, Pugh and Stewart, 2008).

Pension can be defined as a fixed sum that is to be paid to a person after retirement, or a retirement plan where employee makes contribution as part of future benefits, or a fixed amount that will be paid other than wages to a person after retirement in consideration of past service . The money will be kept in a pool of funds and the employee will be able to receive the money after retirement in regular terms. A pension created both by the employee and the employer. Both parties will contribute a fixed amount regularly based on the policy available in the organization or country. Many countries created pension scheme to benefit their citizens after retirement and to help them

generate income. The scheme might be different from organization to organization from country to country (The Social Protection Committee, 2008).

Having said about the types of employee benefits, what do employees feel about benefits? How do they see it? The value the employees give to the compensation package is highly related with performance, productivity, satisfaction and commitment on their work. The reason the employee moves from organization to organization is mostly to look for a better benefit package in order to satisfy their economic need either be it current or future. The need for the better benefit package is natural and important (Yamoah, 2013).

According to a study made by Gardner and Nyce attracting and retaining a talented, committed workforce is crucial for employers. Their research shows that employees' attitudes toward their health and retirement benefits are correlated with their employment choices, as well as with their levels of commitment and engagement. Employers that are able to target their benefit package to attract and keep the employees they need to succeed gain a valuable competitive advantage. Therefore it is crucial for employers to know the opinion that the employees have towards the compensation package the organization provides.

In Ethiopia Proclamation No. 715/2011 was enacted on June 2011 to provide pension for private organizations employees. The Proclamation clearly specifies the conditions for the fulfillment of pension scheme for employees of private organizations. Prior to this, the pension scheme was in place for employees who work in the government organization, non-governmental organizations and international organizations. Accordingly, employees get their pension upon retirement based on the policy available. In old times, the idea of getting pension upon retirement was a big deal and people used to get hired at the government offices thinking they will have the benefit. As matter of fact it is a guarantee that the employee will have income at old age. In addition in case of unexpected situations the family of the employee will have the benefit to receive the pension and can support themselves.

1.2 Statement of the Problem

In June 2011, Ethiopia introduced a new pension scheme for employees working in private organizations. Though the practice is considered good it also has some issues which should be improved. As long as the aim of the country is to benefit the employee, good implementation and knowing the perception of the beneficiaries could contribute for better service and satisfaction of employees. Following the proclamation for the private organization employees' pension, employers started contributing by deducting salary from employee and also from their own expense based on the percentage implied by the government.

In the private organizations some companies increased employee salary to compensate the deduction for the employee contribution of pension. But where companies deduct from what the employee were earning, the employee are not happy that they get less salary than before because of the deduction for pension contribution. Though the money is deducted for their own benefit and that they will get their contribution up on retirement, the idea of getting less salary from what they used to get still have some drawbacks. It is may be a matter of crating awareness and it needs to work on this matter to provide the necessary information to the employee.

Employees usually complain about poor system in the agency regarding their filling system and internet problem and because of that when employees move from organization to organization for a new job they start the contribution of pension as new because there is no organized system at the Private Organization Employees Social Security Agency and they are obliged to register as new. In addition, there is also documentation problem when employee went for claim after retirement to receive their contribution. The reason is the agency end up losing letters received from the employer, or communication problem between the employer and the agency creates inconvenience for the employee.

1.3 Research Questions

The perception of Employee towards the pension proclamation for private organizations in Ethiopia is not yet fully implemented and clearly understood by the employee. Although the government put the proclamation in place to benefit the society and yet there are a lot to do in this area. For this reason in this study the below research questions are addressed.

1. To what extent does the pension scheme benefits employees of private banks in Ethiopia?
2. What does the employee of private bank in Ethiopia feel regarding the service provided by Private Organizations Employees Social Security Agency?
3. What does the employee think about the scope of application or implementation of the pension scheme in line with the proclamation?
4. How does the employee feel when the deduction from their salary for the pension contribution is made?
5. To what extent do the employees feel confident that they will receive their contribution upon retirement?

1.4 Objectives

General Objective

The purpose of this study is to investigate the perception of the Ethiopian private bank employees towards the pension scheme in Ethiopia.

Specific Objectives

- a. To find out the benefit that the employees of private bank in Ethiopia thinks they gets from pension scheme
- b. To examine the thoughts of Ethiopian private bank employee towards the service provided by Private Organizations Employees Social Security Agency
- c. To study what Ethiopia private bank employees think about the scope of application or implementation of the pension scheme that is in place

- d. To identify whether the employees are comfortable in regard to the deduction that is made from their salary for pension contribution
- e. To examine whether or not the employees are confident that they will receive their contribution upon retirement

1.5 Significance of the study

As clearly stated in the general objective, the aim of this study is to assess the perception of Ethiopia private banks employee towards pension scheme. Pension is one of the benefits that employees receive upon retirement on regular basis. Good retirement plan availability would benefit both the employee and the company in many ways. Employees should have the knowledge, or confidence about the benefits they will receive in the near future. In addition the employee satisfaction with the plan can increase the performance of the employee for their work which in turn benefits the company. In this study the expected significances are

- a. It will identify the perception that employees have towards the pension scheme in Ethiopian private banks
- b. It will help to provide the information that required to improve or modify, revise the proclamation for private employees pension scheme after the findings
- c. It will contribute to the previous researches that is made in this area
- d. It will encourage other professional to do further research

1.6 Organization of the study

The first chapter of this paper includes Introduction, Statement of the Problem, Objective of the study, Research questions, and significance of the study and limitations of the study. The second chapter provide a detailed related literature review of the study. The third chapter discusses the Methodology part consists of Research Design, sampling, Data collection method and source of Data. In the fourth chapter Results and Discussions of the research will be discussed in brief. In the fifth and last chapter conclusion and recommendations will be presented.

CHAPTER TWO

LITERATURE REVIEW

In this chapter few of relevant and related literatures will be reviewed. These include journals, researches and articles written on employee perception, employee benefits, pension and pension policy. In regard to law, the Proclamation on Private Organization Employee Pension, i.e. Proclamation No. 715/2011 will be addressed. Researches made either internationally or locally will be addressed to provide and illustrate previous studies.

2.1 General Overview

Many people choose to retire when they are eligible for their pension benefit whether they work in public or private sector, especially if they work for long time. Although some people might be forced to retire early because of illness, or any other conditions which will not allow the person to work. Retirement introduced during the late 19th and early 20th century and Germany was the first country to introduce retirement in 1889. Previously because of low life expectancy and absence of pension scheme people were forced to work till death and if they cannot work they will end up living without adequate income. Nowadays, most countries either developed or developing, they have a system to provide pension for their citizens and in some countries the right to get pension on retirement is specified on proclamations or constitutions (DiCenzo, 2014).

Retirement plan is highly considered by many of the employee as it is the way through which they think income can be generated. It is difficult to work after retirement because of many reasons. Most companies might not be interested to hire people who are retired as their age is going towards being old. In today's dynamic world, many young professional enter the market with their energy and knowledge. In such circumstances hiring people whom their age is at retirement stage might not be feasible. Though those people are experienced and well recognized, it has some difficulties. In some cases people will be hired after retirement and works in organizations as advisors, consultants with their professions. It requires that someone to be highly qualified and have very good reputation and recognition to work after retirement. In some cases they might be hired by

their company or with a different organization but what matters is this is not the case for many of the employee. That is why employees are concerned with the retirement plan of the organization they work for (Adams & Salisbury, 2014).

It is the expense of the organization to pay benefits to employee but it is mandatory specially to provide some of retirement plans to employees. The benefit packages might be different from organization to organization and from country to country. Employees migrate from organization to organization or from country to country to look for better benefit packages for themselves and their family. It fact that an understandable one day a person will stop working and should be able to have income for that time. It is only natural to think that way and get ready for that time. Not only natural but also wise to plan for retirement in all circumstances. Most people who were not wise and serious in their retirement plan faces difficult situation to live. In most countries organizations are obliged to plan for their employees' retirement and policies are placed by the government and this shows how important retirement plan is (Adams & Salisbury, 2014).

2.1.1 What is Perception?

Perception is closely related to attitudes. Perception is the process by which organisms interpret and organize sensation to produce a meaningful experience of the world (Pickens, 2015, p52)

Perception is the process by which individuals organize, and interpret their sensory impressions in order to give meaning to their environment (Mohanthy & Debey, 2013, p140).

However, Robbins notes that “what we perceive can be substantially different from objective reality” (Robbins 2009, p119). We often disagree about what is real. It can be seen employees in a given organization had very different views of their workplace conditions. A number of factors affect perception. These factors can be found in the perceiver, in the object or target being perceived, or in the context of the situation in which the perception is made so individuals may look at the same thing, yet perceive it differently.

2.1.2 What is Employee Benefits?

The importance of benefits both for employees and employers has increased over the last century. An organization whether it is governmental or private it will provide benefit to employees that are hired by the company. Some benefits are mandatory and some are optional for the employers to provide to their employees. Employees whenever they decide to join certain organization they tend to see the benefit packages that the company provides. Based on that the person decides whether to join the company or not. It is because benefit is the way that a person can generate income to carry on day to day life (Adams & Salisbury, 2014).

There are many employee benefits like salary, health insurance, annual leave, maternity leave, paternity leave, pension and so on. People also consider benefits related to retirement as long as they know they are going to stop working one day either because of their age or some other conditions which enable them not to work. In such conditions, the retirement benefit is very crucial and important for employee to avoid stress of future living income (Adams & Salisbury, 2014).

2.1.3 Retirement benefits

Retirement benefit is one part of employee benefits which employee receives when they retire from work. Retirement plan is available at country level, state level, organization level and so on. The plan enables both the employer and employee to have awareness of their right and obligations regarding the benefit. Usually at the country level, countries set guidelines or policies for the application of retirement plan for their citizens. It is the government which plays an important and central role in design of retirement benefit package. Based on this organizations modify and design the benefit that their employee will receive (Adams & Salisbury, 2014). For example in Ethiopia, retirement benefit is designed by the government both for public and private employees. Following the design government offices and private organizations process and benefit for their employees. In Ethiopia there are two different proclamations regarding pension benefits separately for public

servants and private organization employees. Both proclamations are amended by the government when needed to comply with the current situations in the country.

2.2 Empirical Literatures

In this section review of related literature were reviewed. Literatures related with pension scheme either those are done international or local is addressed. The purpose is to see, review previous studies and analyze the results to provide some insights of what this research is about and what it aims.

2.2.1 Employee Perception towards Retirement Benefits

As discussed earlier in this chapter, retirement benefits are one part of employee benefits which employee receives when they retire from work. Different studies were made on this subject matter and most of them showed that employee are very concerned about their retirement plan. How well do the employees understand their retirement plan that is available in their organization? This is a question that needs to be answered because it is important to know the plan and have awareness. In some cases pre-retirement counseling is required for employees to give them information of what the processes are, what is expected from them, what is expected from the organization and agencies that handles the retirement payment. The pre-retirement counseling helps to avoid any confusion and misunderstanding that might happen during retirement. There will also be enough time to discuss issues that are not clear with the concerned party and get early solution. As said, employees are concerned about their retirement benefit and it also impacts their work (Inaja and Asuqo, 2007)

It is believed that, the availability of pre-retirement counseling or provision of information regarding the pension benefit that the employee will receive, have impact on the perception of employees. Workers, who work in well-organized organization, are noted to perceive retirement as something good. These workers look forward for the day they retire because they know they will receive their benefit without delay and any other complications. They trust their organization and they consider retirement as a honor and reward but for those workers who doesn't have any information about their retirement benefit by their organization, considers retirement as

punishment and they try to avoid it. Retirement comes with an element of emotion, where employees think of that he/she is not anymore capable of working and not needed by organizations for work. To many people the word retirement is associated with negative feelings and only few see it positively and look forward to it. The essence of pre-retirement counseling is therefore to make an employee aware of his tomorrow. The fears associated with retirement may not be there if adequate planning is done with the aid of guidance counselors (Inaja and Asuqo, 2007).

According to a survey done by Watson, retirement security tops list of employee concerns and the result showed that retirement benefits and health benefits are the two main important parts that attract and retain employees. The research also shows that employees' attitudes towards their retirement benefit and health care benefit correlate with their employment choice as well as with their commitment level for their work and organization. An employer needs to keep their benefit packages and also add new benefit packages to attract and retain their best performing employees to stay competitive in the system. Two benefit plans were discussed on the survey those are Defined Benefit (DB) and Defined Contribution (DC). A DB plan is a retirement pension in which a retired employee receives a specific income based on salary history and years of service, and in which the employer bears the investment risk. In contrast, a DC pension plan is a benefit in which the employer contributes a specified amount toward an employee's retirement (Watson, 2013/2014).

So retirement plan type matters when it comes to attraction and retention. Employees with a DB plan are nearly twice as likely as those with only a defined DC plan to cite their retirement plan as an important reason for joining their company and say the plan gives them a reason to stay with their employer. Among workers with DB plans, the importance DB plans have stronger attraction and retention effects. Many employees have strong feelings about retirement security, and one way of measuring their attitudes is to segment the workforce by retirement plan type. Workers who seek out companies that offer defined benefit (DB) plans and then feel strongly committed to those employers typically assign a high value to both retirement and health benefits, and their attitudes carry over into their behavior (Gardner and Nyce, 2013/2014, p. 2).

On a research that is made on the perception of employee retirement plan who works in university of Calabar, the result shows that the current retirement plan available pleases the government but not the retiring employee. The reason is the retirement benefit package does not established well and do not meet the required standard. In addition they have a negative perception towards the retirement plan of the university so that the plan had influenced the attitude of their work to be very slow. The university workers feel that because their university authority places less importance on settlement of retirees, being regular at work is not necessary. The university management is not serious about payment of gratuity so the university workers feel they can only work when they like to do so and they engage in other businesses to support themselves (Manuel and Asuquo, 2010).

In their study, Manuel and Asuquo, 2010, p, 9 they recommended that

1. University workers should adequately be provided with their gratuities on retirement.
2. The monthly pay of university retired workers should be made to remain the same and if possible be reviewed upward.
3. The current university retirement plan for their workers should be revised.
4. Counsellors should be in the forefront of educating workers on both organizational and individual plans of retirement and their strategic implementation.

According to Abebe the social security benefits provided by the Ethiopian pension scheme are not sufficient. A person when he/she gets older, the health situation deteriorates and need health care than his active life time. With the insufficient pension benefit packages it is difficult to handle the situation where there is no free access or subsidized medical service for those retirees. There is a minimum social security standard which is set by ILO, though it is difficult for Ethiopia to meet the standard as the country is on developing stage but still believed that there should be a way for improvement. Some people believe that the country might not have the capacity to increase the pension contribution but the scheme can be revised and at least to provide or offer retirees free or subsidized medical service (Abebe, 2003).

Regarding the experience of various countries, the governments allocate sufficient amount of money for welfare benefits other than the employers. However, Abebe notes that in Ethiopia, the

government only contributes for the cost of administration and the pension payments in Ethiopia are not sufficient to live the minimum life. He also added that in Addis Ababa, most pensioners subsidize their living by begging as the pension they receive is not sufficient. The pensioners depend on the money they get from begging on streets and door to door rather than the money they receive in the form of pension. (Abebe, 2003).

Today, many employees must pay for some of the costs incurred by the company in providing benefits. Employees must also contribute toward their own retirement plans. Instead of receiving a fixed amount of income upon retirement, most employees now contribute a fixed amount of money and receive distributions at retirement based upon the savings they invested in the company's retirement plan. At the same time organizations are reducing the level of coverage of many offered benefits, they are also expanding the scope of benefits that are being offered. Benefit packages are being expanded to include family oriented benefits as well as more traditional common benefits. Increasingly, organizations are offering employees a choice in the selection of benefits and options such as retirement benefits, medical benefits, cafeteria service for lunch/dinner, coffee or tea that are being implemented in many organizations. All of these factors together indicate that not only are benefit packages becoming more costly, they are also becoming more complex and important (Adams & Salisbury, 2014).

2.2.2 Pension Scheme and Economic Development

According to a source from a case study made in Namibia, there is central policy debate on whether social pension has positive or negative impact on economic growth of a country. Governments usually concerned that social benefit packages could generate long term liability to the country that is beyond their budget. However, in developing countries, studies shows that there is positive impact on economic growth of a country from pension benefit to the citizens.

According to a case study made in Namibia with a title of Economic Impact there are few evidences and results described below:

Pension support the local economy of a country

Pension to older people can enable to spend cash into local economies, by giving local people purchasing power and access to markets. The access to the market helps the country to drive growth by motivating consumption, particularly in rural areas. As a result of the money the older people receive for pension, they have more money to spend, and so local shops and other services benefit. This means they may be able to expand their range of services and create money needed to invest in local infrastructure and business. Some of evidence on the positive impact of social pension to the local economy, indicates are found that consumption growth among pension beneficiaries in rural areas is twice the amount of the transfer.

Pension helps or assists to break poverty trap

The availability of pension can help older people to look for opportunities to start their own business. For example by showing few commitments which means using the money they receive from pension as a basis people can borrow money from credit associations, or any other credit facilities arranged by the government or social organizations they can start their own business. This helps to move them onto cycles of rising income and improved opportunities. In some countries, regular payments such as pension benefits enables beneficiaries to access loans from banks by showing their cards which is used by them to collect their pensions.

Pension enables or provides a way for older people to work

Evidence shows that the availability of social pensions means older people can invest in income earning activities. For example, pensions are often used to invest in agriculture. They can use their money to buy seeds, and any other material used for agriculture from local market. Especially in rural areas, people can invest in agriculture as land could be available easily. The money from pension can support them to get some of the materials needed for their activity. They can borrow additional money showing what they have, they can get trust from their neighbors.

In general, it is agreeable that pension could have many positive impacts on local economic development of a country. The money received by the beneficiaries will be spent in the local

market in different ways. They could spend it on investment and personal consumptions where they can benefit other service centers that are available in the market. The local government will benefit from the investment they would make and also from the services they will use.

2.2.3 Pension perceptions in Namibia

Namibia's social pension is widely perceived as a welfare intervention, since it is targeted at the elderly ('non-productive' members of society) and is intended primarily to sustain them in terms of basic needs: 'the purpose is [for recipients] to clothe themselves and to feed themselves'. On the other hand, no conditions are set on its use, and this 'freedom of choice' argument was given as a justification for the unconditional cash payment when the National Pensions Bill was read in Parliament in March 1992 (Devereux, 2001,p25).

In Namibia the pension is quite often the only income of an entire family. The grandmother gets the pension, the children who cannot find employment live with her, the grandchildren live with her, women who have babies and cannot trace their fathers send the children to the grandmother and they all live on that old age pension (Devereux, 2001,p26).

2.2.4 Pension in Ethiopia

The Social Security Agency was established with the aim of expanding the Social Security system in the country and to serve the beneficiaries in every aspect needed. There are two separate agencies established to handle the pension, called public servants social security agency and private organization employee social security agency. The public servants social security agency is a single agency with the responsibility of administering pension scheme of all federal and regional public servants including pension of the defense forces and the police. The private organization employee social security agency is with a responsibility of administering private sector employee pension scheme. Previously there was one agency called Social Security Authority which established to administer public servants pension scheme and which was then changed to Social Security Agency (Abrham, 2011).

With the introduction of the new pension scheme for employees of private organization, the tasks of the agency were divided into two with two different responsibilities to facilitate the services for the public and private sector employees. There are also two different proclamations for the public servants and private organization employees. Both proclamations are implemented by the responsible social security agency and but designed and published by the government responsible bodies. Although the proclamations are written separately, the regulations governing the public employees' and private employees' pension is identical (Abrham, 2011).

In June 2011, Proclamation No. 715/2011, Proclamation to provide for Pension of Private Organization Employees, is introduced to provide for Pension of Private Organization Employees. Previously in Ethiopian pension was available for public servants, non-governmental organization and international organizations and as it is part of the country's social policy to expand the social security system and reach citizens. The expansion of the system contributes to social justice, industrial peace, poverty reduction and development in the country. The introduction of this proclamation enables the private organization employees to benefit the pension scheme. The government established an agency called Private Organization Employees Social Security Agency and this agency handles issues related to employee pension.

Proclamation No. 715/2011 embodies many different issues. Some of the issues are scope of application of the pension scheme, social security registration details, payment terms of pension contribution, period of service and retirement age, terms during injury, general provisions related to benefit, obligations from the private organizations, tax issues and penalties. Employees who have pension scheme or provident fund before the coming into force of this proclamation, can either decide to continue to benefit from the pension scheme or the provident fund or agree to be covered by this proclamation.

As per Proclamation No. 715/2011 the private organizations are required to provide all the required information to the agency regarding their employees. Based on the information provided by the employers, the agency will process registration and provide identification number to employees. If the employee have tax identification number that can also be used and new identification number may not be required for the employee. Any employee of private organization when joining new

company should provide the identification number and notify to be covered by pension scheme of the organization. Both the employer and employee are required to notify when there is any change in the registration details. The employee should inform the agency and the employees should inform the organization they work for.

Contribution to the private organizations pension fund is based on the salary of the employee and the employer is expected to contribute 11% and employee 7%. According to the proclamation, both the employer and employee obliged to contribute monthly balance as per the percentage stated and the employer should submit the deposit to Ethiopian Revenue and Customs Authority. Where the employer fails to deduct the contribution, it will be liable by the law and will be responsible to be penalized. The period of service for the employee shall begin with the date of his/her employment. Once registered, the employee can continue with the pension scheme even though there is a change in his/her organization. In Ethiopia the retirement age for private organization employees shall be 60. No tax shall be payable on benefits received, pension contribution collected and profits earned from investment of the pension fund in accordance with this proclamation (Federal Negarit Gazeta, Proclamation No. 715/2011).

2.3 Summary

In general, employees of any organization give special attention towards their retirement plan. The retirement benefit is considered as a guarantee for the future time and also for times when the employee may not be able to work. Economic security is what matters and to secure their future employees usually consider the benefit packages the organizations have before joining. It is true to consider the benefits available as it is mandatory one day the employee stop working because of old age, accidents or illness. On the other hand retirement plan has a relationship with employee performance and attitudes toward their work. According to the above literature reviews, in some places employees attitudes influenced by the poor retirement plan the organization has and they have very low interest towards their work. They even prefer to sit and waste their time in that specific organization and go and work in another.

Organizations, especially in today's dynamic business and globalized environment, the need for keeping their talented and highly qualified employee is very important. The benefit packages needs to be revised based on the need from the employee considering the other competitive organizations otherwise it might be difficult to keep those employees that kept the organization in the market and end up losing their profit. It might be difficult for all the organizations to revise their retirement benefit packages but at least to some extent where they can keep their employees. In most developing countries, pensioners forced to end up on streets and support their life begging. The reason could be from lack of enough pension benefit after retirement, or failure in the administration of employee pension from the agencies, or lack of information from the employee side regarding their retirement benefit, their duties, rights and responsibilities. Most studies reviewed above shows that, the need for social security is highly demanded and people look for it in every place they work. That is why countries also try to develop and modify the pension scheme they have to provide more attractive and reasonable pension scheme to their citizens.

A good social security package makes people very confident and satisfied. The truth is for anybody, who is sick and can get medical treatment without cash payment but using the benefit package made one comfortable. People can make some savings thinking of future and can benefit from it which is very convenient and reasonable. The saving they make would give them satisfaction, right to have the services that are required. As pension is one package of social security benefits, it is believed that the interest employees have towards pension is positive and important (Watson, 2013/2014). In old times, in Ethiopia many people were very eager to be recruited by government offices thinking of only pension. The reason is that there was no pension scheme in private sectors. Now that the system is implemented for private sectors and employees can benefit from it, which is very encouraging and motivating that many other benefit packages of social security.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

The purpose of this chapter is to discuss the research design and methodology that is used in the study to address the problems identified. This section covers research design, source of data, data collection procedure, sampling techniques and ethical consideration.

3.1 Research Design

This research is designed to investigate the perception of private banks employee towards pension scheme in Addis Ababa, Ethiopia.

The study is descriptive study that describes the perception of private bank employee towards pension scheme based on the data collected from private bank employees in Addis Ababa and previous literatures made on similar or related subject matter. This would be based on the questionnaire collected from private bank employees and literature reviewed. As the study focused on private organizations pension scheme, private organizations were the focus of this study.

Among the private organizations available in Addis Ababa, the study organizations, the private banks in Addis Ababa selected due to the convenience to the researcher. Thus the researcher used convenience sampling to select the organizations those are considered in this study. In addition, the researcher selected one branch from each private bank branch based on their establishment time in the city on those which were opened recently and staff availability to fill the questionnaires with a consideration of their adequate time.

The study focused on the private sector pension scheme so as the target population for this study is solely is private employees. Among the private employees the researcher selected private bank employees to be part of this study based. The private banks were selected as target population based on the researchers convenience for this research.

3.2 Sample Design and Techniques

Since the study concerned with private employees pension scheme, the participants of the study would be employees of private organization. Among the private organization, as stated in the research design the study population only focused on the employees of private banks in Addis Ababa. At the time the researcher conducted the study, in Ethiopia there were 16 private banks which are recognized by National Bank of Ethiopia. Each of the private banks has branch offices across the country.

The researcher considered involvement of one branch from each bank those are in Addis Ababa. The branch offices were selected based on their establishment time and professional collection of its employees and their convenience to the researcher to get the data required for this study. Among these branch offices random sampling technique was used to select the newly established branches from each bank in Addis Ababa.

The total sample size was 160 respondents and determined using single population proportion sample size. As the degree of variability for the number of staff among the newly established branch offices is not significant 10 respondents were selected randomly at each bank branches and questionnaires were distributed.

3.3 Source of Data

The study is undertaken mainly based on both primary and secondary source of data to address the objective stated in this study. The Primary source of data obtained through self-administered questionnaire for the participants of the sample that represented the population those are employees of private banks in Addis Ababa. The questionnaire contained both close and open-ended questions and prepared in English.

The secondary source of data obtained through review of several related literatures on pension, perception, retirement benefits and social security which were found in the country, Africa and other regions of the world.

3.4 Data collection Techniques

A total of 160 questionnaires were distributed to the employees of private banks in Addis Ababa. Among the total distributed questionnaires a total of 116 questionnaires were collected and used in this study. The response rates for this study were 73%. The questionnaires were developed in line with the research questions as indicated in chapter one in this study.

The researcher selected one focal person at each bank branch based on their willingness and close follow-up was made to collect the data distributed to respondents in order to get a good rate of return.

3.5 Data Analysis

Data collected from respondents through self-administered questionnaire were analyzed and interpreted. The researcher used SPSS 20 to analyze the data. Before data was entered to SPSS proper editing were made and data were coded accordingly. Once the data were entered and coded on SPSS analysis were made based on the variables as per the questionnaires. Descriptive statistics were used to analyze the data and in doing so tables and graphs were used and numbers and percentages were applied to get meaningful result from the analysis. The analysis was made in the order of the questions available on the questionnaire.

3.6 Ethical Consideration

The researcher discussed the issue with the relevant person at each branch offices and explained the research purpose. Based on the willingness from the branch offices the questionnaires were distributed. The questionnaire were distributed to respondents with the attachment of ethical consideration statement where it is clearly stated confidentiality of the respondents and the office they are working for were not asked and will not be disclosed on the study. In addition, their right to respond only those questions they were convenient with was indicated.

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter deals with presentation and analysis of data collected through questionnaire on Employee perception towards pension scheme in Ethiopia. In the first section, the results or findings of the study is presented and on the next section the discussion presented based on the results or findings. The results are presented in this section in chronological order of the questionnaire and the discussions also presented under the discussion section for the results referring previous studies made on related subject.

4.1 Results/Findings of the study

The data was collected through self-administered questionnaire from employees of private banks in Addis Ababa. The data collected were analyzed using SPSS 20 and presented using tables and graphs. A total of 160 questionnaires were distributed and 116 (73%) were collected and the rest 44 (28%) questionnaires were failed to be collected. The response rate was 73%.

In Ethiopia, there are 16 private banks recognized by National Bank of Ethiopia. All the banks have their own branches across the country. These banks are recognized and regulated by the Ethiopian government. In addition to country level policies and regulations, each bank has its own rules, regulations and policies to administer their resources. These banks provide different services to their customers who receive saving and current account services, loan services, money transfers and many others.

Table 1: Demographic profile of the respondents: Gender

| Item | Response | Frequency | Percent |
|--------|-------------|-----------|---------|
| Gender | Male | 66 | 56.9% |
| | Female | 45 | 38.8% |
| | Total | 111 | 95.7% |
| | Missing | 5 | 4.3% |
| | Grand Total | 116 | 100% |

Source: Own survey, 2015

As table 1 indicates 66 respondents were Male and 45 respondents were Female and totally 111 respondents were responded while 5 of the respondents missing the information. In percentage 59.5% respondents were Male and 40.5% respondents were Female. Majority of the respondents were male.

Table 2: Demographic profile of the respondents: Age

| Item | Response | Frequency | Percent |
|------|-------------|-----------|---------|
| Age | 18-26 | 31 | 26.7% |
| | 27-34 | 57 | 49.1% |
| | 35-42 | 23 | 19.8% |
| | 43-50 | 3 | 2.6% |
| | 51-59 | 1 | 0.9% |
| | Total | 115 | 99.1% |
| | Missing | 1 | 0.9% |
| | Grand Total | 116 | 100.0% |

Source: Own survey, 2015

As indicated on Table 2, the number of respondents between age of 18-26 were 31 which is 26.7%, the number of respondents between age of 27-34 were 57 which is 49.1%, the number of respondents between age of 35-42 were 23 which is 19.8%, the number of respondents between age of 43-50 were 3 which is 2.6%, the number of respondents between age of 51-59 was 1 which is 0.9% and there was no respondent with the age of 60 and above. There was 1 respondents missing to fill the age information which is 0.9%. This indicates that majority of the respondents are between ages 27-34.

Table 3: Respondents by Marital Status

| Item | Response | Frequency | Percent |
|----------------|----------|-----------|---------|
| Marital Status | Married | 37 | 31.9% |
| | Single | 75 | 64.7% |
| | Total | 112 | 96.6% |
| | Missing | 4 | 3.4% |
| | Total | 116 | 100.0% |

Source: Own survey, 2015

As per table 3, out of the total 116 respondents 37 were married which is 31.9%, 75 were Single which is 64.7% and 4 respondents which is 3.4% missing information on filing the required field for marital status on the questionnaire. This indicates that majority of the respondents marital status is single.

Table 4: Employee response on benefits of pension scheme

| Item | Response | Frequency | Percent |
|--|----------|-----------|---------|
| To what extent the pension scheme benefits you | Very Low | 26 | 22.4% |
| | Low | 34 | 29.4% |
| | Medium | 49 | 42.2% |
| | High | 7 | 6.0% |
| | Total | 116 | 100.0% |

Source: Own survey, 2015

As indicated on table 4, out of 116 respondents regarding the benefits of the pension scheme 26 respondents rated very low which is 22.4%, 34 respondents rate Low which is 29.4%, 49 respondents rate Medium which is 42.2%, 7 respondents rate High which is 6%. Most of the respondents rated Medium with a total number of 49 respondents which is 42.2%. This implies that the pension benefit is considered medium.

Table 5: Employee response on percentage for pension contribution

| Item | Response | Frequency | Percent |
|---|-------------|-----------|---------|
| How do you see the percentage of pension contribution of the organization | Very Low | 11 | 9.5% |
| | Low | 33 | 28.4% |
| | Medium | 55 | 47.5% |
| | High | 10 | 8.6% |
| | Total | 109 | 94.0% |
| | Missing | 7 | 6.0% |
| | Grand Total | 117 | 100.0% |

Source: Own survey, 2015

As per table 5, out of the total 116 respondents 11 said the percentage of pension contribution is very low which is 9.5%, 33 respondents said the percentage of pension contribution by their organization is Low which is 28.4%, a total of 55 respondents which is 47.4% said the percentage of the pension contribution by their organization is Medium while 10 which is 8.6% respondents said the percentage is High for the pension contribution by their organization where 7 respondents which is 6% did not provide their response. This implies that the pension contribution considered medium.

Table 6: Employee response on their awareness

| Item | Response | Satisfaction | Frequency | Percent |
|---|----------|--------------|-----------|---------|
| Are you aware of the services provided by private organizations employees social security agency? | YES | Very Low | 20 | 17.2% |
| | | Low | 33 | 28.4% |
| | | Medium | 44 | 37.9% |
| | | High | 6 | 5.2% |
| | | Total | 103 | 88.7% |
| | NO | N/A | 13 | 11.3% |
| Grand total | | | 116 | 100.0% |

Source: own survey, 2015

As per table 6 above, out of the total 116 respondents 103 said they are aware of the services provided by the private organization employee social security agency and 13 respondents said they are not aware of the services provided by the agency.

Out of the total 103 respondents who said they are aware of the services provided by the agency 20 respondents said they are very less satisfied with the service provided by the agency, 33 respondents said their satisfaction level is at Low regarding the service provision by the agency, 44 respondents said their satisfaction level is Medium and 6 respondents said their satisfaction level with the service provided by the agency is high.

Majority of the respondents said that their satisfaction level is Medium regarding the service provision by the agency.

Table 7: Employee response on pension scheme proclamation

| Item | Response | Frequency | Percent |
|---|-----------------|------------------|----------------|
| Do you think the pension scheme is in line with the proclamation? | Yes | 46 | 39.7% |
| | No | 16 | 13.8% |
| | Total | 62 | 54% |
| | Missing | 54 | 46.6% |
| | Grand total | 116 | 100% |

Source: Own survey, 2015

As per table 7 above, out of 62 respondents, 46 respondents think the pension scheme provided by the agency is in line with the proclamation for the private employee pension scheme while 16 respondents which is 25.8% out of 100% said the pension scheme is not in line with the private employee pension scheme proclamation.

Majority of the respondents agree that the pension scheme is in line with the proclamation in place to serve the private organizations employee.

Table 8: Employees response on the pension contribution

| Item | Response | Frequency | Percent |
|---|-----------------|------------------|----------------|
| Are you comfortable with the deduction that is made from your monthly fee for pension contribution? | Yes | 38 | 32.8% |
| | No | 56 | 48.2% |
| | Total | 94 | 81% |
| | Missing | 22 | 19.0% |
| | Grand Total | 116 | 100.0% |

Source: own survey, 2015

As per table 8 above, out of the total 94 respondents, 38 which is 40.4% said they are comfortable with the deduction that is made from their monthly fee for the pension contribution and 56 or 59.6% respondents said they are not comfortable with the deduction that is made from their monthly fee or the pension contribution.

It is clear that the majority of the respondents are not happy with the deduction that is made from their monthly fee for the pension contribution.

Table 9: Employee response on their expectation

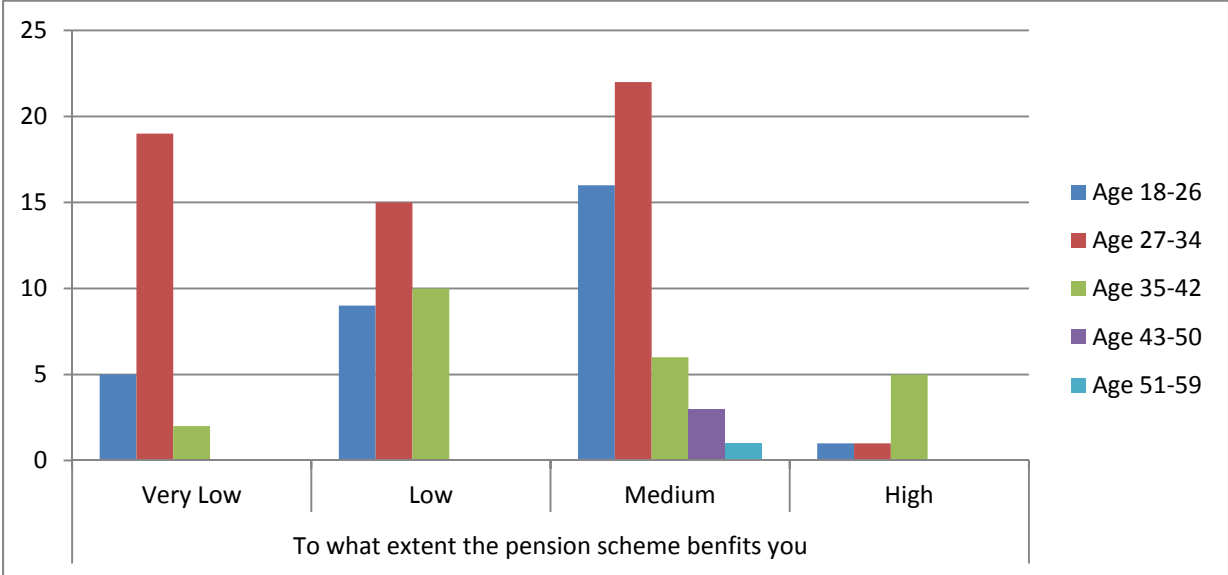
| Item | Response | Frequency | Percent |
|---|-----------------|------------------|----------------|
| What is your expectation whether you will receive your contribution after retirement or not | Very Low | 27 | 23.3% |
| | Low | 34 | 29.3% |
| | Medium | 39 | 33.6% |
| | High | 7 | 6.0% |
| | Total | 107 | 92.2% |
| | Missing | 9 | 7.8% |
| | Grand total | 116 | 100.0% |

Source: own survey, 2015

As per table 9 above, out of the total 107 respondents, 27 respondents said their expectation whether they will receive their contribution upon retirement is very low, 34 respondents said their expectation whether they will receive their pension contribution upon retirement is low, 39 respondents said their expectation is medium whether they will receive their contribution upon retirement and 7 respondents said their expectation is high and they will receive their pension benefit upon retirement.

As per the response above majority of the respondents expectation whether they will get their pension contribution up on retirement is Low and Very Low. Only very few employee expects that they will receive their contribution after retirement.

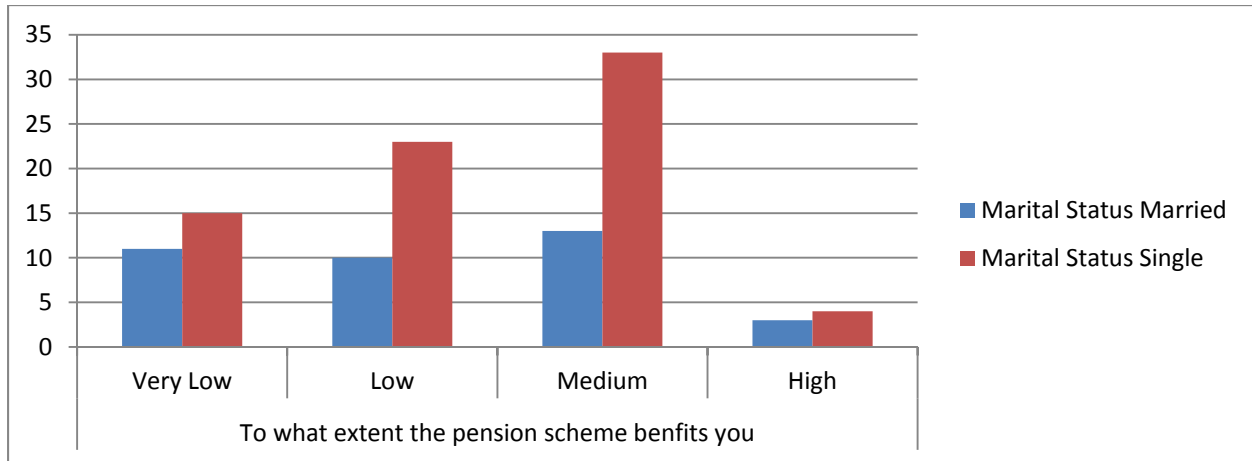
Figure 4.1 Employee perceptions towards pension benefit



Source: own survey

As per Figure 4.1 above, majority of the employees between ages of 18-26 responded that their perception towards the benefit of pension scheme is Medium and majority of employees between ages of 27-34 also rated Medium regarding their perception towards the pension benefit. Majority of employees between ages of 35-42 responded their perception towards pension benefit is Low and majority of employees between ages of 43-50 responded Medium. While majority of employees between ages of 51-59 said their perception towards pension benefit is also medium. Employees between ages of 27-34 responded highest from Very Low to Medium as per the above figure.

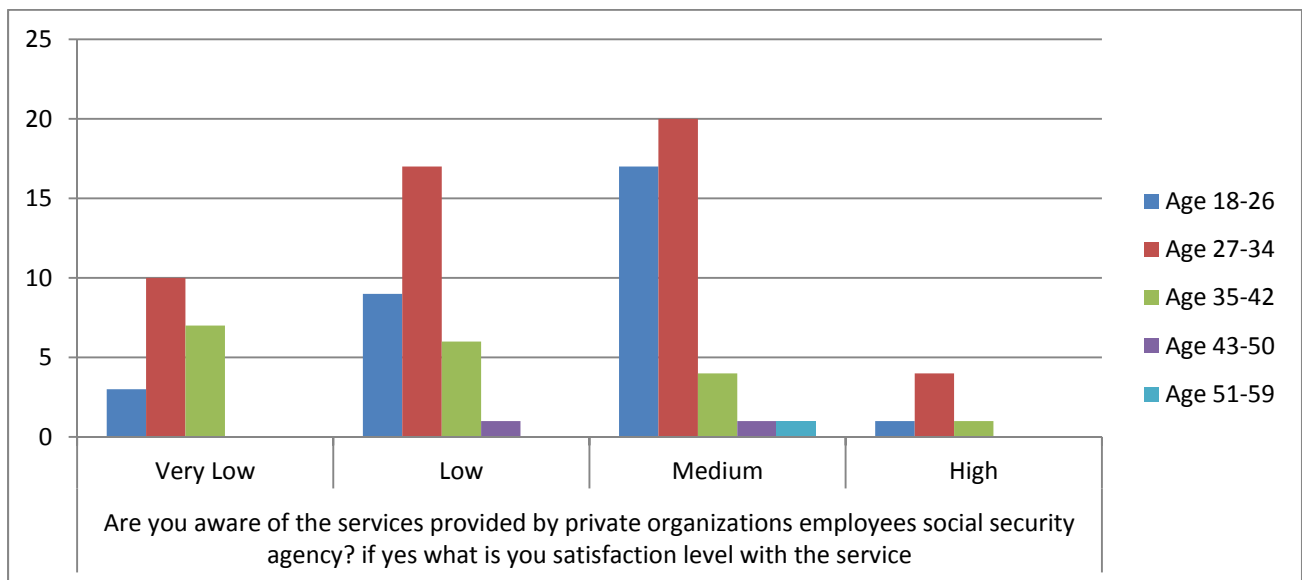
Figure 4.2 Employee perceptions towards pension benefits



Source: own survey

As per figure 4.2 above majority of employees with married marital status responded their perception towards pension benefit is Medium while most of employees with single marital status responded Medium regarding their perception towards pension benefits. In all the cases from Very Low to High, employees with single marital status responded the highest.

Figure 4.3 Employee perceptions towards POSSA



Source: own survey

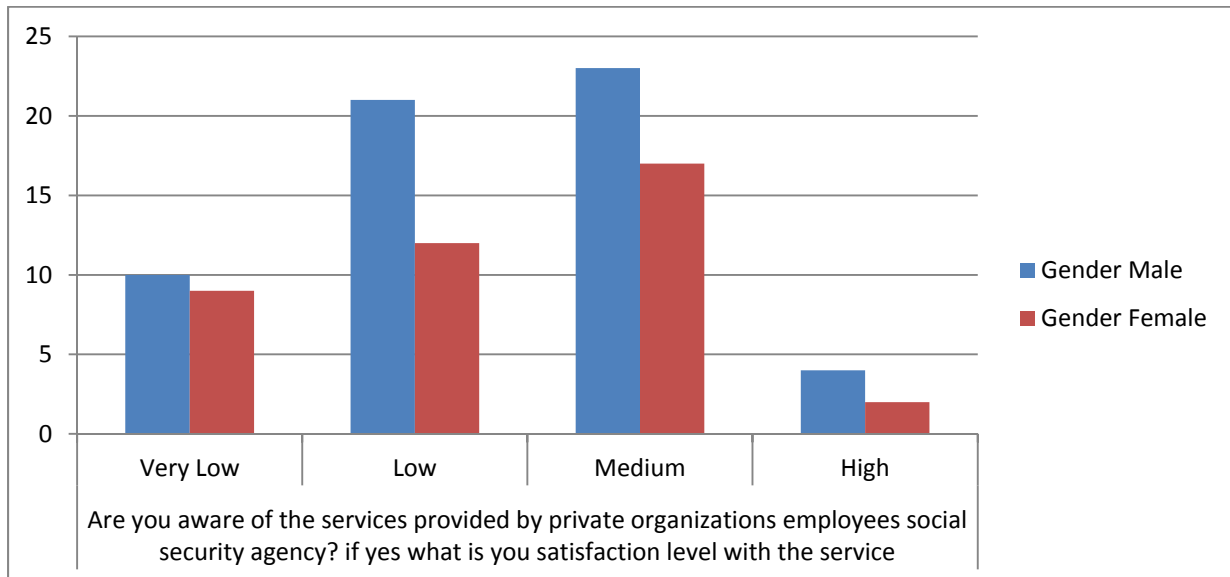
As per figure 4.3 above, majority of employee between ages of 18-26 said that their satisfaction level in regards to the service provision by the agency is Medium while few of the employees within this age range responded Low, Very Low and High respectively.

Majority of employees between ages of 27-34 responded that their satisfaction level regarding the service provision by the agency is Medium while few of the employees within this age range responded Low, Very Low and High respectively.

Employees between ages of 35-42 responded Very Low, Low, Medium and High respectively regarding their satisfaction with the service provision of the agency. For employees between ages of 43-50 none of them responded Very Low but few responded Low and Medium at the same level.

Employees between ages of 51-59 responded Medium regarding the service that is provided by the agency while there was no response for the Very Low, Low and High.

Figure 4.4 Employee perceptions towards POSSA



Source: own survey

As per figure 4.4 above, in all the parameters from very low to high men are less satisfied than women in the service provided by the private organization employee social security agency.

4.2 Discussion

4.2.1 Extent of benefit of pension scheme in private banks

A study by Watson, 2013/2014 indicates that many employees have strong feelings about retirement security assign a high value to both retirement and health benefits, and their attitudes carry over into their behavior. In this study, 42.2% of the respondents rated the benefit of pension scheme in private banks to be medium when 22.4% of the respondents of this study rated the benefit of pension scheme to be very low.

Out of the total 116 respondents 103 said they are aware of the services provided by the private organization employee social security agency and 13 respondents said they are not aware of the services provided by the agency.

The researches reviewed in this study show that secure retirement appeals to workers of all ages, but the appeal is strongest among mid- and late-career employees. In this study, the majority of the employees between age of 43-50 and 51-59 responded that the pension benefits they receive appear to be fair or moderate. However, majority of the employees within a younger age range perceive the pension benefits to be low or very low. This can be related to a finding from another research which reveals that employee perceptions towards pension benefit as per their age mid- and late career employees are more likely to have been attracted to their company at least partly for its retirement program and to cite the plan as a reason to stay (Watson, 2013/2014). This result is consistent with other research that shows that most working adults – whatever their generation – want the same things at work, and are committed to their organizations for substantially the same reasons (Stawiski, Deal, and Gentry, 2010).

Respondents who are married according to the findings of this study stated that they have either low or very low perception compared to respondents who are single. However it was difficult to connect this finding with any other previous study.

4.2.2 Perception of respondents towards service provided by POSSA

Effective retirement plans are clearly related to employees' emotional connection to their employer. Low satisfaction level regarding the service provision of the agency can have an impact on the performance and commitment of the employee (Watson, 2013/2014). Majority of employees between ages of 27-34 responded that their satisfaction level regarding the service provision by the agency is Medium while employees between ages of 35-42 responded Very Low and Low.

Out of the total 103 respondents, 20 respondents said they are very less satisfied with the service provided by the agency, 33 respondents said their satisfaction level is at Low regarding the service provision by the agency.

A little more than half of the male respondents in this study rated the services provided by the agency to be low and very low. More of the male respondents than the female ones stated that the services provided by private bank institutions are low. A research finding on average, men and women tend to rate the services of their organizations are providing to be pretty well. However, the relationship between perceptions of and organizational commitment is different for women and for men. This finding is consistent with previous research that found a stronger relationship between satisfaction and commitment for women than for men. Therefore, satisfaction may be particularly important for companies concerned with increasing the commitment of their women employees.

4.2.3 Respondents perception towards the pension proclamation

Most countries now have some form of social security programme for old-age protection which covers, if not all the population, at least sectors of it. Out of 62 respondents in this research, 46 respondents think the pension scheme provided by the agency is in line with the proclamation for the private employee pension scheme. Social Security is a protection against economic insecurity. In this connection pension schemes in Ethiopia, both the traditional and the modern approaches tried to safeguard the employee and/or family (Abebe, 2003).

4.2.4 Respondents' confidence towards receiving pension contribution

A retirement plan that fails to meet expectations can be a drag on employees' financial outlook. The majority of the respondents have very low expectation in regards to their pension contribution up on retirement. In fact, 59.6% of the respondents in this study said they are not comfortable with the deduction that is made from their monthly fee or the pension contribution. It is clear that the majority of the respondents are not comfortable with the deduction that is made from their monthly fee for the pension contribution.

A retirement program that meets employees' expectations can alleviate long-term financial worries that might compete for employees' time and attention (Watson, 2013/2014). Retirement comes with an element of emotion, where employee think of that he/she is not anymore capable of working and not needed by organizations for work. To many people the word retirement is associated with negative feelings and only few see it positively and look forward to it. The essence of pre-retirement counseling is therefore to make an employee aware of his tomorrow. The fears associated with retirement may not be there if adequate planning is done with the aid of guidance counselors.

Another study emphasizes this point as it states that workers fear the outcome of their retirement plans and they are not relaxed about their organizations' retirement plan. There is a negative effect on the existing organization retirement plan for their employees. In his book titled Personnel Management, Flippo, 1984 emphasized that effective retirement programs will reduce employee uncertainty, minimize worries about health, reduce the tendency to miss one's old job, enables a more satisfactory arrangement of retirement income, and increase the amount of social participation on the part of the retiree.

Another finding which is similar to the findings of the present study indicated that a good number of potential retirees say they had not been adequately prepared for retirement. This according to him was manifested in the fact that many did not own a personal car, home nor established any income yielding venture. These facts, coupled with the tradition of late commencement of payment of gratuity and pension by government had placed burden on the retirees or even potential ones. On the other hand retirement plan has a relationship with employee

performance and attitudes toward their work. According to the above literature reviews, in some places employees attitudes influenced by the poor retirement plan the organization has and they have very low interest towards their work. They even prefer to sit and waste their time in that specific organization and go and work in another organization (Watson, 2014).

4.2.5 Response on improved services provision by POSSA

The respondents of this study have also put forward their opinion on possible recommendation and plans of improvements regarding its service. Some respondents stated that said regular review of the proclamation should be carried out and pension contribution scheme needs to be amended based on the economic situation of the country. Others recommended awareness creation to be initiated using different communication Medias in order to provide information about POSSA and what services it provides. Some respondents suggested that there should be evidence of the deposit for the contribution which to be provided to the employee by POSSA. Use of modern technology, training of employees, assurance of the deposit of the contribution for pension, reduction on the percentage of contribution from employee side and increase in the percentage of contribution from organization side were some of the suggested solutions which were believed to bring about an improved service by the POSSA.

Studies also show that the availability of pre-retirement counseling or provision of information regarding the pension benefit, that the employee will receive have impact on the perception of employees. Thus, pre-retirement counseling can be one of the improvements that can be suggested (Inaja & Asuquo, 2007). Organizations, especially in today's dynamic business and globalized environment, the need for keeping their talented and highly qualified employee is very important. The benefit packages needs to be revised based on the need from the employee considering the other competitive organizations otherwise it might be difficult to keep those employees that kept the organization in the market and end up losing their profit.

A good social security package made people very confident and made them satisfied. The truth is for anybody, who is sick and can get medical treatment without cash payment but using the benefit package made one comfortable. People can make some savings thinking of future and can benefit from it which is very convenient and reasonable. It can be said that as one gets old, the health

situation deteriorates and need health care than his active life time. With the insufficient pension benefit packages it is difficult to handle the situation where there is no free access or subsidized medical service for those retirees. There is a minimum social security standard which is set by ILO, though it is difficult for Ethiopia to meet the standard as the country is on developing stage but still believed that there should be a way for improvement (Abebe, 2003). Some people believe that the country might not have the capacity to increase the pension contribution but the scheme can be revised and at least to provide or offer retirees free or subsidized medical service. Thus, expanding the retirement package can be used as one of the tools to bring about improvement in this area.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

This chapter deals with the conclusion and recommendation of the study. The conclusion are presented in the first section and made on the data analyzed in this study. The recommendations are presented on the second section of this chapter based on the findings and conclusions of this study.

5.1 Conclusion

The purpose of this study was to investigate the perception of the Ethiopia private bank employees towards the pension scheme in Ethiopia through both primary and secondary data. The primary data is collected through self-administered questionnaire distributed to private banks employee in Addis Ababa and secondary data on pension proclamation presents in Ethiopia for private organization employees.

The research finding on the employee perception of pension scheme rated 22.4% very low, 29.4% low and 49% medium. It shows that the pension benefit is perceived between medium and low. Pension is beneficial for employees and it should be more attractive and compulsory. The government should be able to find out a way to make it more beneficial to the employees through assessing the needs and interest of employees rather than enforcing employees to be part of pension scheme without adequate information.

The result on whether the contribution made for the pension is satisfactory or not shows that 11% said low, 33% said very low and majority of the respondents with 55% said medium. This shows that the percentage for the contribution still needs to be revised and to be reasonable indeed in line with the country's economic situation. Though is it sometimes difficult for employees to get the deduction from their salary just because of future retirement plan, it is important to create awareness regarding the benefits of saving money at pre-retirement stage. Out of 94% respondents 56% respondents said that they are not comfortable with the deduction that is made from their monthly fee. The reason could be of that the monthly fee they get to be very low or they still require further understanding of pension benefit.

The other reason could be of that the employees are not aware of the services provided by the private organization employees social security agency and also they are not happy with the service provision of the agency. In the cases where one is not confident about where his/her money goes it is difficult to be willing to perceive the service in a good way. To avoid such issues the employees suggested that the agency should improve the service that is being provided in all aspects. It could be using modern information technology and this can facilitate or support employees to see their contribution.

The study shows that 62% respondents rated medium and said that the pension scheme is in line with the proclamation again 62% respondents rated low to very low saying the proclamation is not in line with the proclamation. It is clear that the government needs to work hard to provide a service that is in line with the proclamation. The proclamation is the regulating documents and if the agency needs to have a serious service provision the proclamation should be followed in a proper manner.

In summary, there are both good points and points that need improvement as per this study. Pension is an essential benefit if provided and managed properly. The agency needs a lot of work to create the awareness that is required from the employees side. In addition to the pension benefit, additional benefit packages should be considered and regular review of benefit packages for employees should take place. In addition it is also the responsibility of the employees to know their right and obligations. So that they should learn more about the benefit package of the pension scheme deeply and also the services provided by POSSA.

5.2 Limitation of the Study

The study focused on private banks in Addis Ababa with the selection of one branch for each bank in sampling. The reason as there are many private banks in Ethiopia with branch offices in the country, it was difficult to reach all of them due to time and resource constraints. Additional limitation is that the data collected dependent on the responses that are given by the participants of the questionnaire and on their ability to understand and provide the relevant answers. On the other hand it also limited to the willingness of the banks to allow the researcher to distribute the questionnaire to the employees and collect the data required. The other limitation is that there is a

limitation on getting previous research materials done on employee perception of private organization employees in Ethiopia.

5.3 Recommendations

This study has been conducted and analyzed based on the responses received from the respondents and theoretical and practical framework literatures from different sources. The following recommendations were made.

- a) POSSA should implement *pre-retirement counseling* to employees of private organizations and the pre- retirement counseling plan should be part of Human Resource manual of the respective private organizations.
- b) POSSA should offer training to its employees and the training could be provided on-job or site training.
- c) POSSA should work on awareness creation regarding the services that is provided by the organization. The agency can use different media (printed and electronic) to provide the information that is required to the customers
- d) The employees of private organizations should read and understand about the service that is provided by POSSA. In that case they will have more information and can participate voluntarily in the pension scheme
- e) POSSA should work on improving its system in implementing modern technology system in order to improve the service provision. The agency can support the information required by the customers through the use of modern technology and timely service provision can be practiced.
- f) Since the government is responsible for social security the other benefit packages needs to be included to the package. These additional benefits packages could be health insurance, housing and salary scale revision
- g) POSSA needs to work on providing evidence or assurances showing that the deposit for the contribution from employee and employer is properly managed.
- h) The government should carryout regular review of pension scheme and if necessary revision or amendments of the contribution needs to be done. Especially the contribution

from the employer should have to be revised based on economic situation or performance of the organization

- i) The employees should understand and know the benefit of pension and should feel comfortable to be part of the pension scheme. The contribution will benefit the employee in the future economic situation upon retirement or in case of accidental situation where the employee may not be able to work.
- j) Further research needs to be carried out in depth on employee perception towards pension scheme in private organizations.

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APPENDICES

Questionnaire

Dear Participant,

I am currently carrying out research for a postgraduate study with the University of Saint Mary's in Ethiopia. The focus of my study is on perception of employee towards pension scheme in Ethiopia. To carry out this study I will conduct self-administered data collection through distribution of questionnaire.

The questionnaire will be used for this research purpose only and the confidentiality of the respondent is highly respected. The name of the participant and the name of the organization will not be indicated on the research. In addition you have the right to refuse in the participation of answering this questionnaire and also the right to answer only those questions you feel comfortable with.

I would like to thank you for all your cooperation.

Abenezer Teruneh

Please answer the below questions

1. Gender

Male Female

2. Age

18-26 27-34 35-42 43-50 51-59 60 and above

3. Marital Status

Married Single

4. Where do you work currently?

Government Office

Private Organization

Non-government Organization

International Organization like United Nations, Embassy

Other, please specify: _____

5. How long you worked in Private Organization?

- Between 1 and 3 years
- Between 4 and 7 years
- Between 8 and 11 years
- 12 years and more

6. How do you rate the benefits of the pension scheme for employees of private organization employee

| | Very Low | Low | Medium | High |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| To what extent the pension Scheme benefits you? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| How do you see the percentage of contribution of the organization? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

7. Are you aware of the services provided by Private Organizations Employees Social Security Agency? If yes what is your satisfaction level with the service

| Very Low | Low | Medium | High |
|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

8. What do you think the agency should improve regarding the service?

9. Do you think the pension scheme application is in line with the proclamation? YES/NO
WHY? _____

10. Are you comfortable with the deduction that is made from your monthly fee for pension contribution? YES/NO

WHY? _____

11. What is your expectation whether you will receive your contribution after retirement or not?

Very Low Low Medium High

12. Any comments _____

DECLARATION

I, the undersigned, declared that this thesis is my original work, prepared under the guidance of Dr. Elias Nour. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name

Signature

St. Mary's University, Addis Ababa

June 2015