

# Determinants of Employees Attitude towards Retirement in the Energy Sector in Kenya; a Case of Kenya Pipeline Company

Lilian Wata<sup>\*</sup>, Cyrus Kamau<sup>\*\*</sup>, Ben Bett<sup>\*\*\*</sup>

<sup>\*</sup> Department of Human Resource Management, Kenyan Parliament

<sup>\*\*</sup> Department of Purchasing and Supplies, Southhub Enterprises

<sup>\*\*\*</sup> Department of Human Resource Management, Ministry of Lands

**Abstract-** The main aim of the project is to investigate the determinants for employees' attitude towards retirement in the energy sector. In this study, the target population is 500 respondents from the departments of Kenya Pipeline Company. A descriptive case study was adopted for this research. Stratified random sampling method was used for the study. There was inclusion, in the sample, of sub groups, which otherwise would be omitted entirely by other sampling methods because of their small number of population. Research instrument were questionnaires. Data collected was edited to ensure that it is correct and complete thus reducing biases, increase the precision and achieve consistency. Data was then analyzed by the use of descriptive statistics, inferential statistics and regression analysis which was presented using mean, correlation, standard deviation and percentages. The analysis was then visually displayed using frequency tables. The study found out that occupation factors to affect employee's attitude towards retirement. Economic factors were found to have major influence on employee's attitude towards retirement. Environmental factors greatly influenced employee's attitude towards retirement in the energy sector. Social factors were indicated to influence employee's attitude towards retirement. The study recommended that employers should prepare employees to retire early in their careers by offering education on retirement planning. Employers should encourage employees to take up pension schemes to prepare employees for a happy retirement. The organization in energy sector should discourage some cultures which have negative influence to employees work life and attitude towards retirement. Organizations in the energy sector should encourage social interaction between employees which should prepare them for the retirement life.

## I. INTRODUCTION

### A 1.1 Background

Attitude toward retirement has been found to influence employees decision to retire (Adams & Lax, 2002), in one's planning for retirement and in one's satisfaction with retirement. However, there have been some few systematic efforts aimed to define the concept or to create instruments that will adequately assess attitude toward retirement. Many of whom have used attitude toward retirement have assumed the definition is understood (Ayala, Vonderharr-Carlson, & Kim, 2005).

Study by Chosewood, L & Casey M (2011) examined attitude toward retirement have conceptualized it as global post-retirement life satisfaction assessment. That definition is not congruent with the conceptualization of attitude toward retirement central to the current study. Therefore, only previous literature that has defined attitude toward retirement as a positive or negative feeling specifically related to the retirement experience itself will be reviewed here.

To many employees, retirement has become an expected part of the adult life cycle. A study was conducted in United States of America on dimensions of retirement. Ninety percent of the adult workers in the United States expect to retire most of them prior to the age of 65 described under four dimensions of retirement, activity, physical potency, emotional evaluations, and moral evaluations. The adults of this study, all of whom were over the age of 45, reported very positive attitudes toward retirement regardless of age or gender (Lundberg, 2006). The only exception to this positive attitude toward retirement came from those individuals who had been forced to retire when they would have preferred continuing working. Preparing for and anticipating retirement is a phase of preretirement. Anticipation and/or preparation for retirement have been associated with attitudes toward retirement. Studies suggest that those who are better prepared for their own retirement have more positive attitudes than those who are not (Hardy, 2006).

The anticipation and preparation for retirement variables were measured in different ways (Maples & Abney, 2006). Measurements which included proximity; pre-retirement involvement scales such as talking with family members and reading articles; preparedness for retirement; knowledge of retirement issues; retirement planning such as financial planning, home equity planning, locational planning and employment planning; financial pre-retirement planning, including health insurance, social security, and pension contributions and retirement fund calculation and retirement savings (Putney & Bengtson, 2012).

Further, Putney & Bengtson (2012) measured retirement planning with questions addressing various topics such as discussing retirement with others; retirement education; by attending a preretirement program, lecturing, or seminars; and actively planning for retirement by calculating retirement expenses and income. Thus, multiple variables, such as proximity to retirement, retirement fund calculation, savings amount, confidence in government program such as Social Security, and workplace financial education seem to be

indicative of anticipation and/or preparation for retirement (Randall, 2009).

## II. SUMMARY OF THE MAJOR FINDINGS

### 2.1 Occupational Factors

Majority of respondents indicated occupational factors affect employee's attitude towards retirement when employees choose to continue working or retire depending on their occupational attainments. The findings collaborates with Spence (1999) who found that occupational choices has also been found to influence a person's level of risk tolerance and savings, consumption patterns and the decision to retire. According to the findings majority of the respondents agreed that work environment issues play a key role in a person's decision to retire, stressful work environment may lead to early retirement for the staff members while employees in less stressful environment may choose to work longer.

The study findings collaborate with Kim & Feldman (2000) who found that situation at the work place can have a significant impact on a person's decision to retire or continue to work. The study found out that the level of education greatly affected employees attitude towards retirement, the study findings collaborated with study by Joo and Pauwel (2002) who found that those who had higher levels of education had higher levels of retirement confidence. Most respondents indicated that financial education greatly influenced employee's attitude towards retirement, the study findings collaborates with the study by Groth-Marnat (1999) who argued that financial education on behavioral change, retirement investment, and retirement confidence.

Most respondents agreed that labor market situation influencing attitudes towards retirement and retirement decisions. The study findings collaborates with Putney & Bengtson (2001) who argued that labour market situation, and its impact on the economy, role of human resources policies; labour force participation as well as the retirees individual orientation to work are factors influencing attitudes towards retirement and retirement decisions. The findings of the study on the Job satisfaction has been found to influence decision to retire by majority of respondents which collaborates with Taylor & Hartman-Stein (1995) who argued that satisfaction with income positively influences decision to retire.

### 2.2 Economic Factors

Economic factors were found to have major influence on employee's attitude towards retirement. The study findings collaborate with research by Williamson & Shaffer (2001) who demonstrated a strong positive relationship between personal finances and retirement decisions. According to the findings, majority of the respondents agreed that pensions at work has been positively related to retirement attitude, the study findings collaborates with study by Adams & Lax, (2002) who argued that having pensions at work has been positively related to retirement attitude. The findings of the study revealed that majority of the respondents agreed that, being older with more income has a significant impact on retirement benefits which collaborates with Foster (1998) who found that being older with more income has a significant impact on retirement benefits.

The respondents also agreed that financial education program appears to be related to the decision to save and invest for retirement which collaborates with Groth-Marnat (1999) who reported that the presence of a financial education program appears to be related to the decision to save and invest for retirement. The findings of the study revealed that respondents agreed that, social Security and Medicare programs could influence an individual's retirement attitudes and behaviors Friedman & Schnurr (1995) who argued that social Security and health insurance coverage are some of the key factors influencing retirement decisions. Most respondents agreed that, investment uncertainty negatively affects retirement decisions, the findings collaborates with study by Menon, (2001) who stressed that population aging, investment uncertainty and different retirement policies have all heightened the significance of retirement preparedness.

### 2.3 Environmental Factors

Majority of respondents indicated environmental factors to greatly influence employee's attitude towards retirement in the energy sector, the study findings collaborates with Putney & Bengtson, (2001) who argued that environmental influences like culture, social class, personal influence, family, and employment situation impacts on the decision to retire. From the findings the study established that majority of the respondents agreed that employees with high demanding jobs choose to retire early which collaborates with Skarborn & Nicki, 2000 who argued that job demands which includes burdens such as overload or time pressure influences employees decision to retire.

The respondents also agreed that work-family conflict leads to early retirement among employees when most employees may choose to retire to have time with their family members the study findings agrees with Ulrich & Brott (2006) who argued that perceived spillover of stress from the family into the work domain (i.e., family-to-work conflict) and from work into the family realm (work-to-family conflict) to affect retirement preferences independently of stressful work and family characteristics. The findings also established that cultural practices influence decision to retire when some cultural practices prohibit employees from working to a certain age especially women, the study findings collaborates with Taylor & Hartman-Stein (1995) who argued that cultural differences account for disparate experiences among the groups which shows that all populations found retirement planning to be daunting. The study also established that, agreeing with social status of a worker unavoidably declines at retirement which collaborates with Stephens & Franks (1999) who argued that retirement involves fears and worries about the future of the individual as a result of the cessation in active working life.

### 2.4 Social Factors

Social factors were indicated by majority of respondents to influence employee's attitude towards retirement which collaborates with Mutran et al., (1997) who argued that retirement challenges may result in feelings of isolation and loneliness, and anxiety for those who do not manage it. According to the findings majority of the respondents agreed that older employees have negative attitude towards retirement which

collaborates with Robison & Moen (2000) who identified that belief about retirement age of the retiree, as a major factor affecting attitudes towards retirement. The respondents also agreed that males were likely to have a more positive attitude toward retirement than females. Majority of employees agreed that attitude towards retirement vary with race. Majority of employees agreed that pull factors may attract workers into retirement, such as having a partner who is retired. Most respondents agreed that Married individuals were likely to have more positive attitudes toward retirement.

### III. CONCLUSIONS

Occupational factors affected employee's attitude towards retirement when employees were to make decision whether they should retire or continue working which was dependent on their career attainments. Working environment influences employee's decision to retire when employees in stressful jobs preferring to retire early while employees in less stressing jobs preferring to work longer. Employees with low level of education may have negative attitude towards retirement since they would like to continue working and attain higher level of education. Employees who have better financial education may choose to retire early since they have planned their future well. Unpredictable labour market may have negative influence on employee's decision to retire. Employees who are satisfied with their job may have positive attitude towards retirement as they are able to plan for their retirement.

Economic factors influenced on employee's attitude towards retirement when employees plan their finances early. Employers who have pension schemes are better prepared to retire and have positive attitude towards retirement. Employees who have higher income at an older age perceive retirement positively as they will not encounter financial challenges during their retirement. Employees with financial education are able to plan their financial future and therefore perceive retirement in a positive way. Employees with social security programs and Medicare perceive retirement in a positive way.

Environmental factors may influence employees attitude towards retirement when the employees working environment may be favorable for employees to work in. Employees who have less time with the family may choose to retire early to spend time with their family. Cultural practices have an effect on attitude towards retirement especially women, some cultures prohibit women from working for long. Most employees fear to retire since they may feel isolated by the society which makes them work for longer period.

Social factors influence employees towards retirement when retiring employees find it difficult to be integrated into the society. Age of the residents determined employees towards retirement when younger employees preferred to retire while older employees preferred to carry on working. Certain races have positive attitude towards retirement while others have negative attitude towards retirement. Pull factors affected the attitude towards retirement when employees determined to retire under the influence of their peers. Married employees' perceived retirement more positively as compared to their unmarried counterparts since they enjoyed support from their family members.

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#### AUTHORS

**First Author** – Lilian Wata, Masters Degree in Human Resource Management, lwata@parliament.go.ke, Kenyan Parliament.

**Second Author** – Cyrus Kamau, Bachelor Degree in Purchasing and Supplies, chiefkanaz@yahoo.com, Kenya Institute of management.

**Third Author** – Samson Kuria, Maters Degree in ProjectManagement,skanaik@gmail.com, Nairobi University

**Correspondence Author** – James Gitau, Bachelor Degree Business Administration, muchigas@gmail.com, Kenya Methodist University

#### APPENDICES

##### APPENDIX I: INTRODUCTION LETTER

Dear Respondent,

My name is Lillian Wata, a student at the Jomo Kenyatta university of Agriculture and Technology pursuing masters of Science in Human Resources Management. I am working on a project, which is a requirement in the partial fulfillment for the degree of Masters of Science in Human Resources Management.

Below is a questionnaire: I would like you to either tick where appropriate or fill in. All data and information gathered is purely for academics purpose and will be treated with confidentiality. I thank you in advance for your cooperation in this regard and may God bless you.

Yours Faithfully,

**Lillian Wata**

##### APPENDIX II: QUESTIONNAIRE

Please tick the most appropriate response to questions that give possible answers and write down your answers in the spaces provide open ended questions. Your response to the questions will be held with utmost confidentiality and will not be revealed to anyone. For that reason you do not need to write your name in this questionnaire.

##### SECTION A: DEMOGRAPHIC INFORMATION

*Please tick appropriately*

1. What is your Gender?

Gender :

- Male
- Female

2. What is your age bracket?

- 18-30 yrs
- 31-40 yrs
- 41-50 yrs
- Above 51 yrs

3. What is your highest education level?

- Secondary level
- College level
- University level

Any other please specify.....

4. What is your working experience?

- Below 1 year
- 1-5years
- 6-10 years
- 11-20 years
- 21 and above

**SECTION B: ATTITUDE TOWARD RETIREMENT**

Please state the extent to which you agree or disagree with the following statements regarding attitude toward retirement. (1 Strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree and 5 Strongly Agree)

	1	2	3	4	5
1. Better prepared for their retirement have more positive attitudes toward retirement.					
2. The organization retirement is a voluntary process					
3. There is compulsory retirement in the organization					
4. People might feel optimistic about their retirement despite inadequate retirement savings					
5. Psychological stress affects employees attitude toward retirement					

**SECTION C: OCCUPATIONAL FACTORS**

Please state the extent to which you agree or disagree with the following statements regarding occupational factors (1 strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree and 5 strongly Agree)

	1	2	3	4	5
6. Work environment issues play a key role in a person's decision to retire					
7. Low level of education has negative effect on retirement decision					
8. Financial education and employee education is considered a part of learning that affects behavior and attitude changes					
9. Labor market situation influencing attitudes towards retirement and retirement decisions					
10. Job satisfaction has been found to influence decision to retire					

11. How does occupational Factors affect employees attitude towards retirement (Explain).....

**SECTION C: ECONOMIC FACTORS**

Please state the extent to which you agree or disagree with the following statements regarding Economic Factors (1 strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree and 5 strongly Agree)

	1	2	3	4	5

12. Pensions at work has been positively related to retirement attitude					
13. Being older with more income has a significant impact on retirement benefits					
14. Financial education program appears to be related to the decision to save and invest for retirement					
15. Social Security and Medicare programs could influence an individual's retirement attitudes and behaviors					
16. Investment uncertainty negatively affects retirement decision					

17. How does retirement Economic Factors affect employee's attitude towards retirement? (Explain).....  
 .....

**SECTION D: ENVIRONMENTAL FACTORS**

Please state the extent to which you agree or disagree with the following statements regarding Environmental Factors (*1 strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree and 5 Strongly Agree*)

	1	2	3	4	5
18. Employees with high demanding jobs choose to retire early					
19. Work-family conflict leads to early retirement among employees					
20. Cultural practices positively influence decision to retire					
21. Social status of a worker unavoidably declines at retirement					
22. Retirement's anxiety affects social well-being or condition of the retiree					

23. How does environmental factors affect employees attitude towards retirement? (Explain).....  
 .....

**SECTION E: SOCIAL FACTORS**

Please state the extent to which you agree or disagree with the following statements regarding Social Factors. (*1 Strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree and 5 Strongly Agree*)

	1	2	3	4	5
24. Older Employees have negative attitude towards retirement					
25. Males were likely to have a more positive attitude toward retirement than females					
26. Attitude towards retirement vary with race					
27. Pull factors may attract workers into retirement, such as having a partner who is retired					
28. Married individuals were likely to have more positive attitudes toward retirement					

29. How does Social Factors affect employee's attitude towards retirement? (Explain).....