



Relationship between Access to Retirement Information and Retirement Preparation among Prospective Retirees in Nyeri County, Kenya

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Abstract - Retirement comes with numerous which may lead to post-retirement poverty especially in developing countries. Although most Kenyan workers in formal employment are expected to be members of a pension scheme, many Kenyan employees do not have access to retirement planning information. This study aimed at finding out how retirement information influences retirement preparation among 370 prospective retirees aged 50 and above from both the private and public sector in Nyeri County, Kenya. Data collection was done using a questionnaire. The study sought to determine if there was a relationship between access to retirement information and level of retirement preparation and whether prospective retirees in the public and private sectors differed regarding their retirement preparation. The results show a moderate negative correlation ($r(368) = -0.402$, $p < 0.01$) between access to retirement information and level of retirement preparation indicating a significant linear relationship between the two variables. A t -test comparing the means for retirement preparation for prospective retirees in the two sectors indicate a significant difference between the two groups ($t(369) = 69.641$, $p < 0.05$). The mean of the prospective retirees in the private sector ($m = 14.1$, $sd = 3.6$) was significantly higher than the mean of prospective retirees from the public sector ($m = 12.6$, $sd = 3.6$). The implication is that private sector employees were better prepared for retirement than their public sector counterparts. In addition, more prospective retirees from the private sector had access to retirement information between than those in the public sector. The results indicate that both the public and sectors need to do more in sensitizing and motivating employees to prepare early for their retirement.

Keywords - Kenya, Retirement Challenges, Retirement Information, Retirement Preparation

1. Introduction

Retirement generally refers to the act of leaving a position of employment upon reaching a particular stipulated age or due to other specified reasons. It is one of the chief transitions that symbolize entering into a new period in life. When an individual retires, one parts from a significant activity that affects many life domains. Retirement is often accompanied by a decline in life satisfaction, self-evaluation, and quality of life [1]. Thus, having adequate coping skills in the transition to retirement could affect the outcome of this transition. Despite the centrality of this life-event, preparation towards it is often insufficient. Retirement preparation programs aim to enhance prospective retirees' adaptation to retirement and provide assistance in managing this new phase in life. Their main purpose is to form realistic perception of retired life and reduce anxiety about retirement [1].

Since, there is no law that provides for a universal retirement age, the timing of retirement varies from country to country and may also depend on occupation and gender. However, in most formal employment institutions, retirement age ranges between fifty-five to seventy-five years. In Kenya, the current retirement age for civil servants, teachers and

members of the disciplined forces is sixty years [2].

Studies have found that although retirement has various negative social, psychological and physiological consequences, that of economic deprivation is the most felt [3-4]. Older persons and their families are usually among the poorest and have no reliable sources of income [5]. In addition, many of them are not eligible for pensions or any social protection [6-7]. To make the situation worse, it is hard for retirees to access credit as commercial banks have remained insensitive to their plight, afraid that many of them are not creditworthy due to their age and financial position [8].

The attendant challenges in retirement require adequate planning and preparation. Such planning is enhanced when prospective retirees have access to retirement information. Retirement planners propose that before one can create an effective plan to save for retirement, one has to have a reasonably good estimate of how much he/she needs to sustain his/her lifestyle during retirement, and also to cover the anticipated extra costs to fund any unforeseen costs [9]. Since one's personal goals for retirement determine the shape and size of one's financial goals for retirement [6, 9], it is

imperative to establish these personal goals as clearly as possible, as well as to understand how they translate into the financial plan for retirement. The rule of thumb for professional retirement planners is that most people need 70-90 percent of the income they were receiving before they retired to maintain the same standard of living [3, 9]. Creating a financial plan for retirement goals is difficult to determine with great accuracy. This is partly because these goals may lie up to 50 years in the future. One's assumptions, goals, hopes, and expectations, as well as rates of inflation and the returns on investments are far from certain. Individuals need to consider a number of things in order to get a realistic idea of what they would need during retirement. For example, researchers concur that potential retirees ought to consider the following: age at which one wants to retire; the kind of lifestyle one would like to lead in retirement; estimated expenses during retirement; prospect life expectancy; where and with whom one would like live; what one would like to leave behind after death [9, 10-12].

Researchers have found that quite often, the elderly people were not necessarily poor when younger [3, 13-14]. Old age poverty comes about because, safe and reliable long term savings are rare and they rarely provide opportunities to convert lump sum savings into annuities or other instruments which provide a stream of payments throughout one's retirement [13]. Studies have also found that, planning and preparing for retirement could go a long way in reducing many of the retirement challenges discussed earlier or at least in helping the employees to be prepared to cope with them [11-12, 15]. This is because for those who are well prepared, retirement can be a positive life transition, a healthy rest from the work-related stress.

Retirement planning should start as soon as individuals get employed. In preparing people for retirement, society should alert them to the financial, physical and social pre-requisites of retirement and should do so early enough to be effective [1, 14]. Having knowledge of retirement issues is positively related to attitude toward retirement. Studies have found that those who believe that they know more about financial planning are more likely to have prepared for retirement [16-17]. Other studies suggest that training and intervention programs designed to boost financial knowledge should improve financial preparedness by triggering advanced planning activities [3, 18]. Retirement education could improve employees' knowledge and behaviors related to retirement planning, and in turn, attitudes toward retirement and preparation for retirement [12, 19]. Bernheim and Garrett [16] investigated cross-sectional relationships between the availability of financial education provided by employers and savings. They found that employer-based financial education increased both saving in general and saving for retirement. Further, the study found that brief training programs stimulated individual's saving behaviors and decision-making competencies. Clark and d'Ambrosio [17] investigated the effects of one-hour retirement seminars on retirement attitudes and behaviors. They found that participation in seminars changed individual's retirement goals and retirement savings behaviors in a positive way. Similarly, Taylor-Carter and colleagues [18] found that informal financial planning had a positive effect on anticipated financial expectation and that formal retirement education seminars which included

financial management had positive effects on anticipated retirement satisfaction.

According to the Kenya Demographic and Health Survey [20], 58 percent of women and 72 percent of men are currently employed. In Kenya the law requires all formal employees be members of a pension scheme that would provide them with a pension income once they retire. All public servants are members of a government-sponsored pension scheme while private sector workers are expected to be members of a contributory pension scheme. However, many Kenyan employees do not have access to retirement planning information [3, 10, 14]. Ideally, retirement preparation should be more than just financial planning and should include preparation for physiological, social and health challenges. Research has found that private sector employees in Kenya are better prepared for retirement than their public sector counterparts [12].

Against this background, this study was conducted to explore the influence of retirement information on retirement preparation. Since private sector employees are believed to have more access to retirement information than their public sector counterparts, the study involved both private sector employees and public sector employees to explain the relationship between access to retirement information and extent of retirement preparation in Nyeri County, Kenya.

2. Objectives of the Study

The main purpose of the study was to examine the influence of retirement information on retirement preparation. The study was guided by the following specific objectives:

1. To determine if prospective retirees accessed retirement planning information.
2. To examine if access to retirement information had any influence on retirement preparation.
3. To compare the extent of retirement preparation between public sector employees and private sector employees.

3. Methodology

3.1. Sample

Nyeri County has 35,828 persons aged 50 years and above [21]. However, the study only involved prospective retirees from both public and private sectors. To determine the minimum sample size for the *t*- test comparing the two groups of prospective retirees, a priori power analysis was done with the following parameter values: desired statistical power level (0.8); the anticipated effect size (Cohen's $d=0.5$); and probability level ($\alpha=0.05$). The resultant minimum total sample size was 128 implying that the minimum number of prospective employees from each sector would be 64. Consequently, to get the prospective retirees for the study, about 5% of all working adults aged 50-55 years were randomly selected from both the private and public sectors in Nyeri County. This yielded a sample of 370 comprising of 194 men and 176 women. For purposes of this study, a prospective retiree is anybody aged fifty years and above and working in the formal sector.

3.2. Sampling Procedures

To get the sample of respondents, the employment sectors

were first stratified into private and public sectors. Afterwards, 185 prospective retirees were randomly selected from each sector. The basic assumption here was that in any institution with a large population of people, diverse variables of interest are represented, namely; different ages, marital status, gender, education, income levels and others. Through purposive sampling, public and private institutions in Nyeri County with large populations of employees were selected. Workers aged 50 years and above were then identified from staff establishment returns. After stratifying them in male and female, the respondents were randomly selected from each organization. The researchers then contacted the selected respondents through their supervisors. Afterwards, the researchers met the selected respondents, informed them about the study and requested for their co-operation. The respondents were free to stop their participation if they so wished.

3.3. Data Collection

A questionnaire was used to collect data from the respondents. The questionnaire was developed by the researchers based on the objectives of the study and extant literature. The questionnaire had a Likert-type scale on "retirement preparation". In this scale, scores were awarded based on the responses given by prospective retirees when they were asked for the extent to which they felt they had prepared for challenges in retirement in the following four areas; preparation for physiological challenges, preparation for socio-emotional challenges, preparation for financial challenges and preparation for health challenges. The Likert Scale was prepared as follows: those who reported to be adequately prepared (score=5), those who were somehow prepared (score=4), those who were not very sure whether they had prepared the right way (score=3), those who were yet to prepare but knew how to prepare (score=2), those who were

yet to decide on what to do (score=1). From this coding, the scale had eight as the minimum score and twenty as the maximum.

Access to retirement planning information was measured through a question asking the respondents whether they had any access to retirement planning information and another asking them to state their sources of retirement planning information.

To determine the internal consistency of the questionnaire, it was pilot tested on a sample of 50 prospective retirees from the neighboring Murang'a County. The test-retest reliability correlation ($r(48)=0.78$) were considered sufficient. Content validity was ascertained by having experts from the Kenya Retirement Benefits Authority; National Social Security Fund and the Department of Sociology of Kenyatta University review the questionnaire. Their attestations to the validity of the questionnaire complemented the review of the instrument after the pilot study.

3.4. Data Analysis

To assess whether there was a relationship between "access to retirement information" and "retirement preparation" Pearson correlation coefficient was calculated. A t -test was also conducted at $\alpha=0.05$ to find out whether there was a significant difference in retirement preparation between prospective retirees in the public and private sectors.

4. Results

4.1. Demographic Characteristics of Respondents

Prospective retirees of both gender and different ages from both private and public sectors were interviewed. Majority of the respondents were aged between 50 and 54. There were 189 respondents from the public sector and 181 respondents from the private sector as shown in Table 1:

Table 1. Demographic Characteristics of Respondents

Characteristics		Public sector	Private sector	Total
		(frequency)	(frequency)	(frequency)
Age	50-54 years	149	142	291
	55 and above	40	39	79
Gender	Male	102	108	210
	Female	87	73	160
Marital status	Married	174	142	316
	Single	13	28	41
	Widowed	2	11	13

4.2. Access to Retirement Planning Information

The respondents were asked whether that had access to retirement planning information. The findings are presented in

Table 2:

Table 2. Access to Retirement Planning Information by Prospective Retirees

			Public	Private	Total
Access to Retirement Planning Information	YES	Count	61	110	171
		% within Employment Type	32.30%	60.80%	46.20%
	NO	Count	128	71	199
		% within Employment Type	67.70%	39.20%	53.80%
Total		Count	189	181	370
		% within Employment Type	100.00%	100.00%	100.00%

The study found that private sector employees had more access to retirement planning information than public sector employees. As shown in Table 2, 60.8% of private sector employees had access to retirement planning information compared to only 32.3% of employees in the public sector. In contrast, 67.7% of public sector employees and 39.2% of private sector employees had no access to retirement planning information. Generally, more than half of all the prospective retirees had no access to retirement planning information, majority of whom came from the public sector.

Since many studies have pointed to a positive significant relationship between access to retirement planning

information and retirement planning [3, 11, 15], then inadequate access to retirement planning information by majority of public sector employees may be a contributing factor to inadequate retirement preparation by public sector employees.

4.3. Utilization of Retirement Information

To get a better understanding of the relationship between access to retirement information and retirement preparation, the study went on to examine the extent to which those who accessed retirement information utilized it, and the results are as shown in Table 3:

Table 3. Utilization of Retirement Information

			Employment Type		Total
			Public	Private	
Utilization of Retirement Information	YES	Count	59	75	134
		% within Employment Type	31.20%	41.40%	36.20%
	NO	Count	2	37	39
	% within Employment Type	1.10%	20.40%	10.50%	
	N/A	Count	128	69	197
	% within Employment Type	67.70%	38.10%	53.20%	
Total		Count	189	181	370
		% within Employment Type	100.00%	100.00%	100.00%

An encouraging finding was that only 2 out of the 61 public sector employees who had accessed retirement information did not utilize it. This represents about 99.7% rate of information utilization by public sector prospective retirees. In the private sector, about 66% of the prospective retirees who accessed retirement planning information also utilized it. This implies that, if all the prospective retirees had accessed retirement planning information, almost 80% would have

utilized it and probably, more prospective retirees would have been more prepared for retirement. In addition, when prospective retirees were asked for their opinion on whether, “retirement planning information is essential when making preparation for retirement”, almost all of them agreed with the statement (97.3 percent). The next section examines the relationship between access to retirement information and the extent of preparation for retirement by the prospective retirees.

4.4. Relationship between Retirement Preparation and Access to Retirement Information

Table 4. Correlations

		Retirement Preparation	Access to Retirement Planning Information
Retirement preparation	Pearson Correlation	1	-.402**
	Sig. (2-tailed)		0
	N	370	370
Access to Retirement Planning Information	Pearson Correlation	-0.402**	1
	Sig. (2-tailed)	0	
	N	370	370

A Pearson product-moment correlation was calculated for the relationship between the retiree's access to retirement information and their preparation for retirement.

As seen in Table 4, a moderate negative correlation was found ($r(368) = -0.402$, $p < 0.01$), indicating a significant linear relationship between the two variables. This is in line with findings by studies which reported a significant relationship between access to retirement planning information and retirement preparation [3, 9, 22]. Curiously, our results imply that as retirees' access to retirement information increases, their retirement preparation decreases. This is contrary to findings in earlier studies.

Table 5. Means and Standard Deviations on "Retirement Preparation" of Prospective Retirees in Public and Private Sectors

Occupation	N	Mean	Std. Deviation
Public sector	189	12.6	3.6
Private sector	181	14.1	3.6
Total	370	13.3	3.7

Table 6. T-test on "Retirement Preparation" between Prospective Retirees from Different Employment Sectors

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Retirement Preparation	69.641	369	0.001	13.28649	12.9113	13.6617

As shown in Table 5, the findings indicate higher retirement preparation means for prospective retirees in the private sector than those in the public sector.

Table 6 presents a *t*-test comparing the means for retirement preparation for prospective retirees in the public and private sectors. A significant difference was found between the means of the two groups ($t(369)=69.641$, $p<0.05$). The mean of the prospective retirees in the private sector ($m=14.1$, $sd=3.6$) was significantly higher than the mean of prospective retirees from the public sector ($m=12.6$, $sd=3.6$). The implication is that private sector employees were better prepared for retirement than their public sector counterparts.

5. Conclusions

Just like in previous studies, this study found a significant relationship between "access to retirement information" and extent of "preparation for retirement". However, this study found a negative relationship between the two variables. This may imply that the current retirement planning information is ineffective at preparing prospective retirees for their retirement or that the message is poorly packaged. In addition, considering that only 60% of prospective retirees in the private sector reported to have access to retirement planning information, it is apparent that a large number of employees remain without access to retirement information. The situation is worse in the public sector where only about 30% of the prospective retirees reported to have any access to retirement planning information. The causes of the poor access to

4.5. Comparing "Retirement Preparation" among Prospective Retirees from Public and Private Sectors

Based on finding that private sector employees to have more access to retirement planning information than public sector employees (Table 2) and that there is a significant relationship between access to retirement information and retirement preparation (Table 4), the study sought to establish whether there existed a significant difference of the means of "retirement preparation" among prospective retirees working in the public and the private sectors. The trend in the means was examined and a *t*-test conducted. The findings are presented in Tables 6 and 7:

retirement planning information among employees in Nyeri County warrant further interrogation. Could it be because, public servants are members of a government sponsored pension scheme that they do not search for retirement information? Could it be that the Government agencies do little to equip civil servants with retirement planning information? These questions need to be probed through further research. Since the question of poor access to retirement planning information has come out very clearly in this study, it should be the responsibility of the employers to make sure that all employees are provided with sufficient retirement information to enable them to prepare effectively.

In addition to differences in access to retirement information, this study also found that prospective retirees from the private sector were more prepared for retirement than those from the public sector. Though a scientific study is needed to establish the factors behind this, we can speculate on a few issues. We hypothesize that the job security guaranteed by the public sector makes its employees to adopt a dangerously complacent attitude towards retirement. In addition, since private sector wages are relatively higher than those in the public sector, private sector employees are able to invest more and thus prepare better for retirement. However, this should in no way imply that a higher pay always translates into better retirement preparation. We emphasize that irrespective of the pay, employees need to be encouraged and sensitized on the need for early preparation for retirement.

6. Recommendations

In view of the significant relationship between access to retirement information and retirement preparation, this study recommends that all employees be provided with retirement planning information as soon as they get employed so as to give them adequate time to make appropriate preparations for retirement.

Although this study did not establish whether prospective retirees in the public sector were less prepared for retirement as a result of inadequate access to retirement planning information alone or there were other factors involved, the study recommends that public servants be more sensitized on the importance of retirement preparation and the need for retirement information as a way of ensuring a comfortable retirement. Despite offering a government-funded pension scheme, the government must also ensure that its employees are well informed about the challenges that come with retirement and also on how to effectively manage the pension money and free-time that comes with retirement.

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