



**ST.MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

**EMPLOYEES' PERCEPTION TOWARDS THE NEW PRIVATE  
ORGANIZATIONS' EMPLOYEES' PENSION SCHEME:  
THE CASE OF CLINTON HEALTH ACCESS INITIATIVE**

**BY**  
**DEREJE MENGESHA MEKONNEN**  
**(SGS4Z/0358/2005)**

**MAY 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.

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## **ABSTRACT**

*The newly implemented Private Organizations' Employees Pension, Proclamation No.715/2011 is one of the government's efforts to bring social security and well being of citizens in particular for the private organizations employees. Before the commencement of this proclamation some private organizations were providing provident fund, which is a matching fund by employer and employee, and other organization were not. After the start of the new pension scheme, all private organizations were forced by law to implement the scheme for their employees. Non-Governmental Organizations, which are categorized as private organizations in the proclamation, are also starting this new pension scheme from June 2011, by asking their employees to vote either to continue with their existing provident fund scheme or join the new private organizations' employees' pension scheme. Those who joined the organization after June 2011 should be under the new pension scheme by default. Different reactions are observed from employees on this new pension scheme, some welcome it and some are not happy with it. Hence, this study tried to see the perception of employees towards this new private organization' employees' pension scheme in relation to various factors that influence perception. As employees previous scheme coverage has its own contribution on the perception towards the new pension scheme the study was conducted at Clinton Health Access Initiative where both Provident fund and the new pension schemes are existing.*

*The researcher has used questionnaire for employees and structured interview discussions form management of the organization. The study findings indicate that employees' perception towards the new pension scheme is mainly affected by lack of adequate information and explanation on the contents of the new pension scheme. Other factors like individuals experience, life style, situations and peers have also its own share on employees' perception towards the new pension scheme. Hence it is recommended to make an awareness creation programs for employees in an organized manner and employer organization and government agency should look and work on other situational factors, like for those project based employee, that influenced employees perceptions.*

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## **DECLARATION**

I, Dereje Mengesha declare that this thesis is my original work prepared under the guidance of my advisor Elias Nour (PhD). I also confirm that all sources of materials used for the writing of research report have been acknowledged.

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Name

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Signature & Date

## CHAPTER I

### INTROUDUCTION

#### 1.1 Back Ground of the Study

The achievement of its objectives is the main purpose of the existence of organizations whether they are established for profit or non-profit. These objectives can be achieved only in a coordinated and organized utilization of material, human, financial and other resources of the organization. Here human resource is the most important and foremost resource that could able to convert other resources and ideas in to outputs.

The most common way of getting the best out of employees is to make them feel secured with their source of income whether they are working or separated from their job. In broader sense social security is becoming an important concern to countries as the benefits of employees after retirement has significant impact in the overall social and economic activities of a nation.

In Ethiopia, pension scheme is one of the social security schemes implemented by the government since 1933. As Addisu Getachew (2014) stated the first legally established pension system was established in December 1933. Then after following the establishment of pension in 1958 there was different proclamation released that shows the effort made to administer and undertake the social security program. Some of these were Public Servants Proclamation No.46/1961, 199/1963 and amended Proclamation No.5/1974, 190/1999 and Employees of Government-Owned undertakings Pension Proclamation No. 49/1975 (Abebe Mesfin, 2003).

The newly introduced Private Organization Employees Proclamation No. 715/2011 which became applicable starting from June 2011 is the first proclamation in Ethiopia's pension history to include private organizations' employees in the social security scheme. "...). The necessity to put in place the private organization employees' pension scheme has been stated in the proclamation, as part of the country's social policy to expand the social security system and reach citizens step by step, and for the strengthening and sustainability of the system greatly contributes to social justice, industrial peace and poverty reduction.

Under this proclamation number 715/2011 of article two sub-article eleven definitions of private organizations include organizations established for social service or in any other lawful activity and which has salaried employees and includes charities and association.

The Federal Democratic Republic of Ethiopia Charities and Societies Agency report as of 13 Meskerem 2007 that there are about 3031 Carities and Societies registered from this 353 as Foreign Charity, 351 as Ethiopian Society, 1999 as Ethiopian Resident Charity, 104 as Ethiopian Residents Society, 112 as Ethiopian Charity, 53 as Consortiums and the remaining 59 as Adoption Foreign Charity.( [www.chsa.gov.et](http://www.chsa.gov.et))

In most of non Governmental organizations there is a benefit package called provident fund for their permanent employees, which are hired for indefinite period as per proclamation No.377/2003.

Regarding to the scope of application of Proclamation No. 715/2011 article three sub-article (a) states that employees who have pension scheme or provident fund before the coming into force of this proclamation, may either decide to continue to benefit from the pension scheme or the provident fund or agree to be covered by this proclamation. The applicability of the proclamation extends to foreign employees of Ethiopian origin without violation to proclamation 270/2002; and employees of religious organizations, employees of political organizations and persons engaged in the informal sector can be covered by this proclamation up on their consent.

The study is conducted at Clinton Health Access initiative where both the provident fund and the new private organizations' employees' pension scheme exists, that gives the researcher an opportunity to assess the perception of both scheme covered employees towards the new pension. To give some description about the study organization, Clinton Foundation HIV/AIDS Initiative, Inc was a Non-Governmental Organization established on March 2004 with its headquarters based in the city of Little Rock, in the State of Arkansas in the United States of America with the objective of bringing high quality medical care and treatment to people living with HIV/AIDS, educating the public about HIV/AIDS prevention and treatment and to improving health delivery systems for HIV/AIDS patients in resource-poor areas of the world.

On 29 September 2009 the Organization changed its name to Clinton Health Access Initiative Inc. (CHAI) broadening its objectives to improve access to high quality health care for people living in resource-poor settings in the world; to help prevent the spread of infectious diseases such as HIV/AIDS, malaria, and Tuberculosis; to help provide effective care and treatment to those suffering from these diseases; and to undertake other economic and social development activities that help alleviate poverty and diseases in resource-poor settings.

The Clinton Health Access Initiative is registered by the Federal Ministry of Justice of the Federal Democratic Republic of Ethiopia under registration No. 2689 dated 1 June 2006. Currently CHAI is operating in Ethiopia by carrying out a wide range of programs to support the Federal Democratic Republic of Ethiopia in improving the health status of the country by ensuring access to and quality of health service.

The Organization is undertaking the following programs in Ethiopia: the Ethiopian Hospital Management Initiative (EHMI), Nutrition, Laboratory and Technical Assistance, Vaccine Introduction, Global Health Financing, Access to Medicine Program and Maternal and Neonatal Child Health.

Based on Proclamation No. 715/2011 section 3, sub section 1, the organization is expected to implement the new social security program starting from its effective date. Accordingly Clinton Health Access Initiative started implementing on those employees joined after June 2011.

Before June 2011, which is the start of the new pension scheme, the organization was providing the provident fund scheme for its employees. When the new Private Organization Employees' Pension scheme started employees of the organization were expected to decide to join or not to join the new program based on section 3, Subsection 2 of the Proclamation No.715/2011 which says "employees, who have pension scheme or provident fund before coming into force of this proclamation, may either decide to continue to benefit from the pension scheme or the provident fund or agree to be covered by this proclamation". As a result, employees of the organization had a meeting with their management team and decided not to join the new pension scheme, which resulted in having two types of employees which motivated the researcher to select the organization for this study.

The Private Organizations Employees Scheme is working by establishing a Private Organizations Employees Pension Fund through contribution of employers and employees. The contribution towards the fund shall be based on employee's monthly salary, which is 11% by employer and 7% by employee. The fund is administered by Private Organizations Employees Social Security Agency established by Proclamation No. 202/2011 on March 25, 2011.

## **1.2 Statement of the Problem**

The government of the Federal Democratic Republic of Ethiopia issued Proclamation No.715/2011 which is known as "Private Organization Employees Pension Proclamation" on the 24<sup>th</sup> of June 2011; with the aim of expanding social security system and reach to citizens that could contribute a lot for social justice, industrial peace, poverty reduction and development. The proclamation encompasses Non-Governmental Organizations (NGOs) registered in Ethiopia.

Most NGOs had a provident fund scheme which is a matching fund from both the employer and employee and to be kept in a separate bank account for various unforeseen situations like program closure, emergency finance needs of employees and the money is to be released upon agreed conditions or at the time of resignation. The aim of this scheme is to give security for employees mainly at the time of departure so that they could use the money either until they find another job or invest it to startup their own business. This scheme is considered as the main benefit package to attract and retain competitive employees in the organization.

Proclamation No. 715/2011 stated that employees with the provident fund scheme can choose either to join the new pension scheme or to stay with it, but new employees who are going to be employed in that organization after the proclamation date shall go to the new pension scheme.

Even though the aim of the proclamation is to expand social security system and reach to citizens that could contribute a lot for social justice, industrial peace, poverty reduction and development, different reactions of employees observed towards this proclamation particularly in NGO employees who had previous provident fund coverage, Memekiya Woldegerima (2013). The reaction is the result of perception manifested in various forms:

- Some employees say let the money be used for nations priority until they get aged and pensioned;
- In many discussions employees raise the new pension scheme is far to reach and they wish if there was a chance to access in the middle and could use it;
- Employees frequently mention that, with their previous cumulated provident fund they did important things in their life and they could not get that chance again;
- Some employees leave their current organization and simply join another one as there is no major benefit factor to differentiate;

At last this study try to assess employees' perception towards the new pension scheme at Clinton Health Access Initiative in which both the new pension scheme and provident fund are applicable and its possible consequence on the organizations performance.

In line with this, the research will try to answer the following research questions;

- a) Whether organizations can influence the perception towards the new pension scheme;
- b) Whether the new pension scheme brings staff turnover and affects organization's performance;
- c) What Provident Fund benefits forgone by employees in entering to the new pension scheme?
- d) Whether organizations can accommodate both the new pension scheme and provident fund in the mean time?
- e) Whether retirement age influences perception towards the new pension scheme?

### **1.3 Objectives of the Study**

The study has the following general and specific objectives.

#### ***1.3.1 General Objective***

The general objective of the study is to assess how employees perceive the newly implemented Private Organizations' Employees' Pension Scheme in case of Clinton Health Access Initiative whereby both provident fund scheme and the new pension scheme are applied.

### ***1.3.2 Specific Objectives***

To achieve the general objective, the research has the following specific objectives;

- a) To assess factors that influence employees' perception towards the new pension scheme;
- b) To assess whether organizations can influence the perception towards the new pension scheme;
- c) To investigate whether the new pension scheme brings staff turnover and affects organization's performance;
- d) To identify whether organizations can accommodate both the new pension scheme and provident fund in the meantime;
- e) To make recommendations for the gaps to be identified in the research.

### **1.4 Significance of the Study**

This study will help to understand how the newly implemented private organizations employees' pension proclamation is perceived by employees in an organization where both the provident fund and pension scheme are applicable. The following are the major significances that the study will provide;

- To help the management of Clinton Health Access Initiative to understand how its employees perceive the newly implemented pension scheme and do the necessary remedies if there is to be done;
- To help the Private Organizations Employees Social Security Agency to understand how the pension scheme is perceived by employees particularly in non-profit making organization and may be revised if necessary;
- To be as reference material for further researches.

## 1.5 Scope of the Study

The scope of this study is to address the objective of the study, which is to assess the perception of employees towards the newly started private organization employees' pension scheme in Clinton Health Access Initiative, where by both provident fund and the new pension schemes are applicable. The study is limited to the case of the selected organization and the data collected from employees who based in Addis Ababa and from management. In addition the study is concerned only on employees' perception towards the new pension scheme in the organization and only employees who have either provident fund or new pension coverage are covered in the study..

## 1.6 Limitation of the Study

Though there are more than three thousand charities and societies registered in Ethiopia and where the new Private Organizations Employees Pension Scheme is applied, the study is limited to one selected international non-profit organization due to finance and time limitation. However the study will try to enhance its quality through distribution of well-developed and clear questioners to employees under provident scheme, to employees under the new pension scheme and human resource management personnel of the organization.

## 1.7 Definition of Terms

- i. **Perception:** Perception is a process by which individuals organize and interpret their sensory impression in order to give meaning to their environment. However, what one perceives can be substantially different from objective reality. (Stephen P. Robins, 2005).
- i. **Social Security:** The protection which society provides for its members through a series of public measures against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, invalidity and death, the provision of medical care, and the provision of subsidies for families with children. (ILO, 1984)



- ii. **Provident Fund:** A provident fund is a form of social safety net into which workers must contribute a portion of their salaries and employers must contribute on behalf of their workers. The money in the fund is then paid out to retirees or in some cases to the disabled who cannot work.([www.investopedia.com](http://www.investopedia.com).)
- iii. **Pension:** A type of retirement plan in which an employer makes contributions towards a pool of funds set aside for an employee-together with the employee's contribution from his or her income to stream it toward retirement income for an employee's future benefit. It is paid to employee or dependents upon retirement, disability or death of an employee at regular intervals in consideration of past services, age, injury or loss sustained, etc. (World Social Security Report 2010/2011)
- iv. **Private organizations:** organizations established to engage in commerce, industry, agriculture, construction, social service or in any other lawful activity and which has salaried employees and includes charities and associations. (Proclamation No.715/2011)

## 1.8 Organization of the Research Report

This paper will be organized in to five chapters; the first chapter is an introduction for the study which introduces the overall study. This chapter consists of introduction or back ground of the study, problem statement, objectives, significance and limitation of the study.

The second chapter will discuss about the review of the related literature in which previous studies will be consult. In this chapter general concepts and definitions, basic issues and observed evidences of social security, pension and employees perception will be discussed in detail.

The third chapter is research design and methodology which deals with on the design of the study and the methodology to be used. In this chapter; source of data, data collection, sample size and sampling techniques and selection of study organization will be discussed.

The fourth chapter will be on data presentation, analysis and interpretation in which collected the collected data analyzed and organized in meaningful manner to meet the objectives of the study. The analysis of data will be through tables and spreadsheets of Micro Soft-Excel and Word.

The fifth and the last chapter will be concerned with summary, conclusion and recommendations. Here the findings of the study will be summarized, conclusions be clearly presented and recommendations will be provided for the findings of the study.

## CHAPTER II

### REVIEW OF RELATED LITERATURE

In this chapter the main concepts of social security where pension is categorized under it shall be discussed based on works of various writers. In addition the chapter discusses pension as a benefit that affects employees and organizations performance.

#### 2.1 Overview of Social Security

Memekiya Woldegerima (2013) quoted ILO facts on social security define social security and point out its relation to human right:

Social security can be defined as the protection that the society provides to individuals and households to ensure access to health care and to guarantee income security, particularly in case of old age, unemployment, sickness, invalidity, work injury, maternity or loss of breadwinner. Social security protection is clearly defined in ILO convention and UN instruments as a basic human right through one that a small proportion of the people on our planet actually enjoy.

Social security was established as a basic human right in the ILO's Declaration of Philadelphia (1944) and its Income Security Recommendation, 1944 (No. 67). This right is upheld in the Universal Declaration of Human Rights, 1948, and the International Covenant on Economic, Social and Cultural Rights, 1966 ILO Facts on Social Security (2001).

ILO Facts on Social Security (2001) broadly defined social security "as a system of contribution-based health, pension and unemployment protection, along with tax-financed social benefits, social security has become a universal challenge in a globalizing world". According to this study:

Only 20 percent of the world's population has adequate social security coverage, while more than half lacks any kind of social security protection at all. Those without coverage tend to be part of the informal economy— they are generally not protected in old age by social security, and they cannot afford to pay their health care bill. In addition, many people have insufficient coverage – that is, they may lack significant

elements of protection (such as health care or pension) or what protection they do have is low or declining. Experience shows that people are willing to contribute to social security benefits that satisfy their priority needs.

The study, i.e. ILO Facts on Social Security (2001), recalls the assumption “that an increasing proportion of the labour force in developing countries would end up in formal-sector employment covered by social security”, and states the following observations:

However, experience has shown that the growing incidence of informal work has led to stagnant or declining rates of coverage. Even in countries with high economic growth, increasing numbers of workers – often women – are in less secure employment, such as casual labour, homework and certain types of self-employment lacking social security coverage. The most vulnerable groups outside the labour force are people with disabilities and old people who cannot count on family support, and who have not been able to make provisions for their own pensions.

On an other hand, Social security is based upon a concept set forth in Article 22 of the Universal Declaration of Human Rights which states, everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each state, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality. In simple terms, the signatories agree that society in which a person lives should help them to develop and to make the most of all the advantages (culture, work, social welfare) which are offered to them in the country.

Social Security may also refer to the action programs of government intended to promote the welfare of the population through assistance measures guaranteeing access to sufficient resources for food and shelter and to promote health and well-being for the population at large and potentially vulnerable segments such as children, the elderly, the sick and the unemployed. Services providing social security are often called social services.

Wikipedia also discuss; modern authors often consider the ILO approach too narrow. In their view social security is not limited to the provision of cash transfers, but also aims at security

of work, health, and social participation; and new social risks (single parenthood, the reconciliation of work and family life) should be included in the list as well.

According to different books and authors social security may refer to

**Social insurance:** social insurance, public insurance program that provides protection against various economic risks (e.g., loss of income due to sickness, old age, or unemployment) and in which participation is compulsory. Social insurance is considered to be a type of social security, and in fact the two terms are sometimes used interchangeably. Social insurance is considered to be a type of social security, and in fact the two terms are sometimes used interchangeably. (The Encyclopedia Britannica)

**Social Services:** The term “social service” (or social welfare) refers to the variety of programs made available by public or private agencies to individuals and families who need special assistance. Prior to the 1920s, Americans referred to these services as charity or relief, but they covered a wide range of services, including legal aid, immigrant assistance, and travelers' aid. (Encyclopedia of Chicago)

**Basic security:** Basic security means limiting the impact of uncertainties and risks people face daily while providing a social environment in which people can belong to a range of communities, have a fair opportunity to pursue a chosen occupation and develop their capacities via what the ILO calls decent work.([www.ilo.org/public/](http://www.ilo.org/public/))

A report published by the International Labour Organization (ILO) in 2014 estimated that only 27% of the world’s population has access to comprehensive social security.

In addition to defining Social Security different authors raised “Why Social Security is needed?” while discussing about Social Security, which is a vital issue and the importance of social security is discussed in the next section that will answer the above question.

## **2.2 Importance of Social Security**

Paul Starr (2005) describes the importance of Social Security as:

Social Security protects people against a variety of risks to ensure them a basic floor of income in old age and to enable many people who have struggled all their lives to look forward to a decent standard of comfort and dignity when they retire.

In addition, Paul Starr (2005) explained, Social Security was never expected to be the sole source of retirement income for the middle class, who ideally also have employment-based retirement plans and personal savings. But if one thinks of these various sources of income as making up a portfolio of retirement assets, Social Security's distinct value is even clearer. While other assets typically erode or become exhausted with advanced age, Social Security pensions keep their value because they have an annual cost-of-living adjustment. Social security has radically reduced poverty in old age and it protects the middle class against inflation and the ups and downs of the market.

Memekiya Woldegerima (2013), stated, Human beings are by nature risk-averse and place a high value on safety and social security is by no means a marginal need of people. People desperately want security at work, in the family and in their neighborhoods. An important dimension of overall human security is economic security and one of the main aspects of economic security is income security. Income security is about living in a situation in which basic needs, such as food, housing, health care and education, can be secured in an uninterrupted way. This requires not only having a source of income that is both adequate and regular but also being assured of the existence of income replacement mechanism if something unexpected happen to the regular source of income for example, loss of a job or livelihood due to sickness, disability, unemployment or natural disaster. These mechanisms should be able to provide income replacement to close the emerging income gap and/or to guarantee access to goods and services to meet those unexpected needs.

Junichi Sakamoto (2008) indicated that the role of social security scheme is designed to address economic risks in life which are cession of income and increase in expenditures. Cession of income could happen when retired from working life due to old age, when made unable due to disability or sickness, when the bread winner died or the job lost. On the other

hand increase in expenditure could happen when treated for sickness or injury, when giving birth, when rearing children or when in a state requiring nursing care. Among the social security schemes, the social security pension schemes are established so as to cover the economic risks in life that include retirement due to old age, disability making impossible to work and death of the breadwinner. The scheme has the role of preventing people experiencing such incidents from being impoverished by providing old age pension benefits, disability pension benefits and survivor's pension benefits. The major role of social security pension schemes is to provide benefits to prevent people from becoming impoverished in the faces of economic risks described above.

Memekiya (2013) quoted Guhan S. (1994) the role of social security policies in developing countries must, consequently, be extended not only to that of a 'safety-net', but, more importantly, to 'prevention' against increase in deprivation and the 'promotion' of better chances of individual development. Social protection is expected to promote more equal opportunities among all population groups, thereby reducing the likelihood of negative outcomes. Therefore; the need for social security is highly triggered by the responsibility to keep secured people from the effect of unexpected occurrences or emergencies that would result in additional social crisis unless mitigated properly. To address the above needs of social security different components are developed by different authorities, which are discussed below.

### **2.3 Components of Social Security**

Social security encompasses various types of schemes and compensations where by countries, organizations and employers use some of them selectively. Memekiya (2013) a number of benefits provide employees security; some of these benefits are mandated by laws, while others are offered by employers voluntarily.

Memekiya (2013) mentioned Robert L., Mathias John & H. Jackson (2002) indicated that workers' compensation, unemployment compensation and severance pay are primary benefits existing in most organizations. These components are discussed as follow:

**Workers' Compensation:** provides benefits to persons injured on the job. State laws require most employers to provide workers' compensation coverage by purchasing insurance from a private or state insurance fund or by providing self-insurance. The workers' compensation system requires employers to give cash benefits, medical care, and rehabilitation services to employees for injuries or illnesses occurring within the scope of their employment. Employees are entitled to quick and certain payment from the workers' compensation system without providing that the employer is at fault. In exchange, employees give up the right of legal action and awards; so employers enjoy limited liability for organizational illness and injury.

**Unemployment Compensation:** another benefits required by laws of different nations is unemployment compensation, established as part of social security. Most employees who are out of work and actively looking for employment are eligible. However, workers fired for misconduct or those not actively seeking employment are ineligible.

Supplemental unemployment benefits (SUB) are closely related to unemployment compensation, but they are not required by law. The provision requires organizations to contribute to a fund that supplements the unemployment compensation available to employees from federal/or state resources.

**Severance Pay:** Severance pay is a security benefit voluntarily offered by employers to employees who lose their jobs. Severed employees may receive lump-sum severance payments if their employment is terminated by the employer. For example, if an organization or its unit closes because it is no longer economically profitable to operate, the employees who lose their jobs may receive lump-sum payments based on their years of service.

**Retirement Benefits:** Retirement benefits attempt to provide income for employees who have retired. Private pensions are a critical part of providing income for people after retirement. Provisions are also made for early retirement; currently early retirement provisions are included in many pension plans. Early retirement gives people an opportunity to give away from a long-term job; individuals who have spent many years working for the same employer may wish to use their talents in other areas. Some employers use early retirement buyout programs to cut back their workforces and reduce costs.

Memekiya (2013) also mentioned, The International Labor Organization Convention No. 102 of 1952 has set up minimum standards of social security. The convention distinguished 9 types of benefits (ILO), (1976). These standards are discussed as follows;

**Old Age Pension:** This is a regular payment given to a person in return for the service he has rendered up to his age of retirement. At present the retirement age in many countries is between 55 and 65 years. In industrialized countries, it is 65 and above. Many developed countries have achieved universal coverage for this benefit. In Ethiopia context, as per article 17 sub article 1 of Proclamation No. 715/2011 the retirement age of an employee of a private organization shall be 60 years based on the date of birth registered when the employee was employed for the first time.

**Invalidity Pension:** This is a payment for a person who has been retired because of sickness and is unable to continue work for not fulfilling the medical condition required. This has to be proved by board of doctors.

**Survivors Pension:** The payment is to be made to the family of the deceased. The survivors can be children, spouse or the parents either.

**Employment Injury Benefits:** refers to payment given to a worker who has suffered from an occupational injury until he revives. It also covers the medical expenses. If the injury does not enable the injured to continue his work, a regular payment will be given.

**Maternity Benefit:** Comprises the medical care provided for a pregnant woman both post and prenatal period and allowances of maternity leaves.

**Sickness Benefit:** This kind of benefit refers to the coverage of medical expenses made by a worker who is suffering from some kind of sickness not related with his work.

**Family Allowances:** Refers to payments made to families with dependent children either by employers or by government, primarily to promote the welfare of the children.

**Medical Benefit:** This kind of benefit provides free medical services for people especially for individuals who are covered.



**Unemployment Benefit:** is a benefit provided for persons who are capable of working but are incapable of obtaining a suitable employment. Depending on their economic development, countries are expected to have one or more of these social security benefits for their people. They should be enacted in statutes as a right conferred to the people.

## **2.4 Pension and Provident Fund in Kenya, Uganda and Ethiopia**

In addition to payment of remuneration, employers provide various forms of benefits to the well-being of their employees. As part of remuneration, employers may provide like pension, provident fund, insurance cover or sick pay or they may be give company car or a loan.

Even though pension schemes differ depending on how they are organized, their condition of entitlement to benefits and their outcomes; according to Armstrong (2007), the two main types of schemes are defined benefit scheme and defined contribution scheme, as quoted by Memekiya (2013).

**Defined Benefit Schemes:** is a type of scheme whereby the retiring employee is entitled to a pension that is calculated as a fraction of his or her final salary on retirement or an average of the last two or three years multiplied by the length of pension service. The amount of the pension depends on the final salary, the value of the annuity that provides the pension and the accrual rate. The accrual rate refers to the fraction of final salary that can be earned per year of service.

**Defined Contribution (money purchase) Schemes:** are schemes in which the employee receives a pension on retirement that is related to the size of the fund accumulated by the combined contributions of the employee and employer. The amount of the pension depends on the size of contribution, the rate of return on investment of the cumulated fund and the rate of return on an annuity purchased by the employer. It is not related to the employee's final salary. The employer contributes a defined percentage of earnings, which may be fixed, age-related or linked to what the employee pays. The employee also contributes a fixed percentage of salary. Dependents receive death-in-service and death-in-retirement pensions.

Again as indicated by Memekiya (2013) the pension contribution scheme can be Contributory versus Non-Contributory and Voluntary versus Compulsory schemes:

- Contributory pension scheme is a scheme whereby both the employee and the employer are expected to contribute in some predetermined share to the pension fund to be maintained for his/her to be paid up on retirement or any other valid reason. Whereas, non-contributory pension scheme is a scheme only the employer contribute the predetermined amount of pension fund to be maintained in the name of employee. In this case only the employer will discharge the obligation to pension fund for its employees.
- Voluntary versus compulsory schemes: Participation in insurance as opposed to assistance-schemes may be compulsory by law or left to the discretion of the eligible. Experience suggests that effective social protection presupposes compulsory participation, since people with lowest income may not be inclined to join pension scheme voluntarily and those with the highest may not see the need, thereby depriving the schemes of its contribution. As a result, basic schemes are typically mandatory. Where available, supplementary schemes may be voluntary or compulsory, depending on national practice. Pension schemes have three main objectives:
  - i. Protection against poverty in old age;
  - ii. Provision of a retirement income, usually expressed in terms of an appropriate replacement rate for the earnings lost at the point of retirement; and
  - iii. Protection of this income against the subsequent erosion of real living standards as the result of inflation.

Apart from pension, some private and non-government organizations provide provident fund for their employees in contribution of both the employer and the employee. Provident Fund Scheme is a scheme governed by a trust to which a contributor or the contributor's employer or both contribute to the scheme which provides benefits based on a defined contribution to provide for the payment of lump sum benefits to the members of the scheme when they reach the retirement age, or any other prescribed event occurs in relation to them; or in the case of members who die before reaching that age or before the occurrence of such an event, provides for the payment of those benefits to the personal representatives or beneficiaries of the estates of those members. The fund will be available to the employee up on termination or on certain predetermined circumstances depending upon the policies and procedures of respective organizations. Edward T, Kenichi H & Milos N (2011) explained that most provident funds

allow a member to make withdrawals from their account before retirement age under prescribed circumstances for example, to purchase a home, vehicles etc. The main difference between a pension and provident fund is that a provident fund, the full amount of the benefit available at retirement can be taken as a lump sum cash payment but if a pension fund member retires, the member gets the payment in the form of a pension over the rest of member's life. Most of Ethiopian private and non-governmental organizations used to provide provident fund ranging from 15 to 30 percent employees monthly salary with varied contribution from the employer and the employee Memekiya (2013).

Sundeeep K Raichura (2008) stated, an increasing number of African countries have recently initiated reform of their pension and social protection systems. Over the last decade, Kenya has also undertaken a major reform of parts of its pension system. Whereas the primary motivation for reform of pension systems in many countries worldwide has been to address the growing fiscal burden of pension liabilities, in Kenya the major driver for reform was to strengthen the governance, management and effectiveness of the existing pensions system. The National Social Security Fund ('the NSSF') was established under an Act of Parliament in 1965. The NSSF is established as a provident fund operating on a defined contribution basis. An amendment to the NSSF Act in 1997 defined the NSSF as a retirement benefits scheme and thus brought the NSSF into the regulatory ambit of the Retirement Benefits Authority. The NSSF covers formal sector employees in Kenya other than employees covered under the public service pension scheme. All employers are required to register with the NSSF but only employers with five or more employees are required to contribute to the NSSF. The NSSF introduced voluntary membership and contributions in 2006 and embarked on a marketing campaign to attract voluntary membership, particularly from the informal sector. Statutory contributions to the NSSF are set at 10% of an employee's pay, half of which is paid by the employer and half by the employee. There is a monetary ceiling on the maximum combined contribution to the NSSF of currently Kenya Shilling 400 per month (or at only 1.3% of average monthly formal sector earnings in Kenya of Kenya Shilling 31, 3579). There have been only two adjustments to the statutory ceiling on contributions since the inception of the NSSF (i.e. an increase from Kenya Shilling 80 to 160 in 1977 and from Kenya Shilling 160 to 400 in 2001).

The NSSF provides lump sum benefits on retirement at or after age 50, earlier invalidity, to survivors on death of a member and on permanent emigration from Kenya. A modest funeral grant and a maternity grant were introduced in 2004. The Act provides for interest at a minimum rate of 2.5% per annum to be credited to individual member accounts.

David B Nyakundi (2009) indicated the current pension system in Uganda is similar to those in most Anglo-speaking countries in Sub-Saharan Africa. The system is fragmented lacking a policy framework for its efficient operation. Consequently, coverage is low, the public service schemes are unfunded and expensive and the governance of the mandatory pension scheme is unsatisfactory. Private pension schemes operate voluntarily without a law save for the common law principles of trusts and are not supervised.

The Pensions Act (cap 281, Laws of Uganda), regulates the arrangements of pensions for traditional civil servants, primary and secondary school teachers, police officers, prison officers, doctors and public employees in the judiciary. The Pensions Act also covers civil servants in local authorities. It is worth noting that Urban Authorities until 1994 had their own provident funds established under the provisions of the Municipalities and Public Authorities Provident Fund (cap 291). After 1994 amendment of the Pensions Act, all urban authorities were required to provide pensions to their workers under the Pensions Act<sup>7</sup>. The scheme commonly called public service pension scheme covers therefore civil servants in both central government and local authorities. The scheme provides for normal retirement age at 60 years with a benefits vesting period of ten years save for the disciplined forces whose vesting period is 12 years. The covered population in this scheme is 300,000 and currently paying pensions to 52,000 excluding those in local authorities. The scheme has a generous full pension based on gross salary with an accrual factor of 2.4% multiplied by the number of years in service capped at 89% of final gross salary. The scheme also promises a commuted pension equivalent to 1/3 of the full pension to new retirees. The pensions are indexed to wages unlike price indexation in a number of countries.

Under the provisions of the Pensions Act of Uganda, a member will be entitled to pensions or benefits payable under the Act on termination of service on the following circumstances: (a) abolition of office (b) compulsory retirement (c) medical grounds (d) retirement from public service with consent of the president (e) removal from office on public interest subject to 10 years service (f) women retiring or resigning with a view to marry or required to retire on

account of marriage subject to 5 years service. With regard to survivors' pension, the payable pension is 100% of the pension entitlement of the deceased public officer. The guaranteed period for the survivors' pension is 15 years. The scheme also provides an array of other gratuities such as contract gratuities, death gratuities, short term gratuities, and marriage gratuities.

As compared to Kenya and Uganda the Ethiopian Private Pension schemes looks younger as it is established in 2011. In the following section we will briefly see the pension history in Ethiopia.

## **2.5 Brief History of Pension in Ethiopia**

Memekiya (2013) stated, Social security is considered as one of the responsibilities of government rather than individuals. Social Security programs have gained international recognition. To follow this up an International Social Security Association is established. For many years pension was the existing social security benefit for the public servants in Ethiopia and recently the scheme is expanded to the private sector by providing social security coverage for private organization's employees through pension.

It has been more than half a century the concept of pension has started in Ethiopia. Pension benefits as such, started to become a national responsibility in a limited area during the reign of Emperor Haile Selassie (YeturetaTarikKidmeDihreAbiyot Ethiopia 1979 E.C). In December 1933, a bill containing the pensioning of old and incapable soldiers was introduced into Parliament and which contained 16 articles marked the first legally established pension system in Ethiopia. Gradually the civil service was organized and grew up and it was found necessary to provide the civil servants with pension. Consequently, in 1958 the Ministry of Pension was established by Imperial order (NegaritGazeta, Order No. 20 of 1958), (as quoted by Abebe Mesfin, 2003).

The first formal law of pension in Ethiopia was the Public Servants Pension Decree No 46-1961 that lays down the foundation of the pension scheme that set forth the legal, administrative and financial basis of the scheme. Later on, Decree no 46-1961 was partially amended re-numbered as Proclamation No. 209-1963.

The Public Servants Pension Contribution Proclamation No. 199-1963 is another law that stated pension contributions are to be paid by the employer and the public servant. As per article 3 of this proclamation, the total amount of the contribution payable to the public service servant fund is ten percent (10%) of the basic salaries of all public servants, six percent (6%) to be contributed by the employer and the remaining four percent (4%) by the public servant.

The Public Servants' Pension Proclamation 209-1963 was amended by Proclamation No.190/1999 and redefined its meaning to incorporate other than before and the main change was the abolishment of the difference in the rights of pension between a widow and a widower. The provision of this Proclamation provided for a widow shall equally apply to a widower's pension.

PublicServants'PensionsProclamationNo.345/2003 is an important proclamation in the pension history of Ethiopia that clearly established pension funds of contributions to Civil Service and Military and Police Service.

Public Servants' Proclamation No. 424/2004 was another amendment to indicate 20 years of service and 45 years of age may receive pension retirement for life where the government office he/she has been working for has ceased to exist or he/she is reduced the work force in connection with privatization or his/her contract of employment is terminated as a result of inefficiency by the decision of the council of Ministers. This proclamation was amended by another Public Servants' Pensions (as amended) Proclamation No. 633/2009 added that Public servants who have served for at least 25 years and attained the age of 50 years shall, upon the decision of the Council of Ministers, receive retirement pension for lifewhere their services have been terminated due to the institutional transformation of their employer.

All these years long until 2011 the pension coverage was only to government employees and armed forces. In the following section we will look in brief the new proclamation that addresses social security to the private organization's employees in a legal form.

### **2.5.1 Private Organization Employees' Pension Proclamation No.715/2011**

After long journey of pension with ups and down, The Federal Democratic Republic of Ethiopia issued Proclamation No. 715/2011 that is known as Private Organization Employees' Pension Scheme. It is the first in Ethiopia's pension history that tried to give social security to private organization employees in a legal and standard way across all private organizations in the country. It was issued and become applicable on June 2011.

Proclamation No. 715/2011 has 10 parts and 61 articles. The first part is general; that contains three articles which are short title, definitions and scope of application. The second part is about Social Security Registration and Identification number. The registration indicates the private organization itself and the employee it hired permanently. The third part of the proclamation is about the establishment of Pension Scheme, Pension Fund and Contributions to be made by employer 11% and employee 7%. The fourth part is about service period and retirement age of the employee. The fifth, sixth and seventh part of the proclamation is about retirement pension and gratuity, invalidity pension and gratuity and employment injury pension and gratuity respectively. The eighth part of the proclamation about survivors' pension and gratuity that states pension payment to the survivors of an employee of private organization who dies. Part nine and ten of the proclamation contains general provision about benefits and miscellaneous provisions respectively.

Until this proclamation issued only the public sector was covered by the pension scheme. The corresponding authority to administer the fund, Private Organizations' Employees Security Agency has established by Regulation No.202/2011 of the Council of Ministers on the 25<sup>th</sup> of March 2011. The agency is in charge of the overall implementation of the Pension Proclamation No. 715/2011 particularly the administration of the private organizations' employees' pension fund.

### **2.5.2 Types of Pension Benefits According to Private Organization Employees' Pension Proclamation No.715/2011**

The Organization Employees' Pension Proclamation provides four categories of pension benefits. These are:

**Retirement Pension:** It is a pension for an employee of a private organization who has completed at least 10 years of service and retires up on attaining a retirement age, or an employee who has completed at least 20 years of service and separates from the service by voluntarily resignation or for any other cause. The retirement pension due to any employee of private organization shall be 30% of his average salary of the last three years preceding retirement and shall be increased by 1.25% for each year of service beyond 10years. But the retirement pension to be paid may not exceed70% of the average salary of the employee of private organization for the last three years preceding retirement.

**Invalidity Pension:** Employee of private organization who has completed at least 10 years of service and separates from service due to health problems preventing him from engaging in any remunerated work shall receive invalidity pension for life. The amount of the invalidity pension due is similar with retirement pension mentioned above.

**Incapacity Pension:** An employee of private organization who sustains employment injury and separates from work due to permanent incapability that prevents from him from engaging in any remunerated work shall receive incapacity pension for life. The amount of incapacity pension to be paid in accordance with Article 35 of this Proclamation shall be 47% of his salary which he was receiving during the month prior to the occurrence of the injury.

**Reimbursement of Pension Contribution:** According to Article 26 sub article 1 of the proclamation, an employee of private organization who separates from service either due to resignation after completing 10years, but prior to completing 20 years of service; or for any other cause other than those specified by this Proclamation prior to 20 years of service shall be paid an amount equal to the total pension contributions made by him excluding contributions of the employer. One the other hand sub article 2 of Article 26 stated that an employee of private organization who separates from work due to resignation prior to completing 10 years of service shall not been titled to any benefit.

Many factors contribute to the type of pension benefit; entitlement to any of the pension benefits and payments dependent up on some specific condition laid down by the proclamation. These may be broadly mentioned as length of service, ground of termination of employment mentioned by the pension proclamation. These are attaining retirement age,



incapacity due to illness or sickness and due to employment injury. Resignation is also one of the bases for termination with its own special effect as regards entitlement to reimbursement of the employee's contribution or pension payment depending on the length of service.

In general terms, retirement benefits are to be paid to an employee who attains retirement age, which is sixty (60) years. Once an employee has reached the retirement age he will be paid either retirement pension or retirement gratuity depending on his length of service. Pension benefit for invalidity is paid for an employee who is unable to engage in any type of remunerated work due to illness or sickness caused by factor not related to his work or work place. Depending on the length of service of the employee, the pension benefit to be paid could be either invalidity pension or invalidity gratuity. Lastly, incapacity benefit refers to payments to be made to an employee for total or partial loss of capacity to work caused by employment injury. Article 27 sub Article 1 of the proclamation defines employment injury as occupational accident or occupational disease. For an accident or diseases to be considered as occupational the cause should be generally be related to the type of the work performed by the employee or his work place. An employee totally or partially incapable of performing work will be entitled to get incapacity pension or gratuity. Unlike retirement pension and invalidity pension, pension for incapacity, incapacity pension or incapacity gratuity, will be paid to the employee without any minimum requirement of length of services. The extent and degree of incapacity will be taken in to consideration to determine whether the employee is entitled to incapacity pension or incapacity gratuity.

Gratuity is payments made at once with a lump sum amount for those private employees who served less than 10 years. To be entitled for gratuity payment an employee should qualify for retirement, invalidity or incapacity pension requirements. The gratuity payment for retirement and invalidity shall be his/her salary for 1.25 month preceding retirement multiplied by the number of years of service.

The main difference between pension and gratuity , as indicated in Article 46 and 47 of the proclamation, lies in the fact that pension is paid monthly for life until death of the employee whereas, gratuity is paid in the form of lump sum – it is a onetime payment.

## 2.6 Perception

### 2.6.1. What is Perception?

Stephen P. Robins (2005) stated perception is a process by which individuals organize and interpret their sensory impression in order to give meaning to their environment. However, what one perceives can be substantially different from objective reality.

Michael Drafke (2008) stated perception is the process of directly becoming aware through any of the senses. There is a human tendency to believe that what we see is the truth. If someone disagrees, it must be the other person who is off base. We all observed how different individuals perceive the same situation dissimilarly.

### 2.6.2. Factors Influencing Perception

How do we explain that individuals may look at the same thing, yet perceive it differently? A number of factors operate to shape and sometimes distort perception. These factors can reside in the Perceiver, in the object or target being perceived or in the context of the situation in which the perception is made. *Stephen P. Robins (2005)*

We all make judgments and decisions in our daily lives without being able to acquire all the facts first, but we should realize that sometimes our pictures of reality will be accurate and other times it will not. A fact may be defined as anything that we all agree to be true. If the general consensus of society is, for example, that the earth is flat, we could say that we have, according to our definition, established the fact that the Earth is flat. Quite often a consensus is correct, but occasionally it is not. Webster's dictionary defines the word fact is quality of being actual. Michael Drafke (2008)

Numerous factors influence our perception, that is, the way in which we see a particular situation. Among the more significant are; hereditary factors, environmental back ground and experience, peer pressure, projection, snap judgments, halo and rusty effects and mental state. Michael Drafke (2008)

**Hereditary Factors:** Someone might not have influence in the choice of parents or grandparents, however forebears have had a considerable effect on who and what he

or she is. For example a person might have a color-weak tendency (probably called color blindness) and see many objects differently from a person with normal color perception, consequently the ability to perceive color may affect the person's eligibility for a particular career such as those of airline pilot, commercial artist or interior decorator.

**Environmental Background and Experience:** Environment probably has a greater influence on what a person see a given situation than anything else. Particularly, parents do provide children with their needs, determine what is right and wrong, and are practically their frame of reference (their models) during the formative stages.

Usually young people will gravitate toward and identify with companions who share common beliefs and interests, and many of their early prejudices will tend to be reinforced. In the organizational world, however; continual agreement among managers or employees can lead to the stagnation of creative ideas. Educational experiences may change some beliefs but conversely can make individual defensive about their existing beliefs. In addition, the way an individual perceive any situation is significantly influenced by past experiences. A person may quickly perceive what he/she had missed or gained in the previous situations.

**Peer Pressure:** The effect that peers or friends have on what a person see is related to environmental experiences. Perception with in groups is often different from individual perception. Perhaps our desire for peer acceptance influences our perception more than we sometimes realize.

**Projection:** is the act of attributing to others our own traits, faults and motives. Our unconscious tendency is to attribute to others some of our own traits, faults and motives a characteristic called projection.

**Snap Judgments:** Instant evaluation without the benefit of fact or experience. Sometimes we feel guilty of making snap judgments before we have gathered enough facts to come to valid conclusions.

**Halo and Rusty Halo Effects:** another human tendency that affects perception has been labeled the halo effect: A person is good at one thing and so is assumed to be good at something else. The positive assumption, therefore, creates the halo and is a short cut. The opposite negative assumption termed as rusty halo effect is that a person who is not good at one thing and so is assumed not to be good at something else.

**Mental State:** A person's own attitudes, beliefs, and current mental state may also color the perception of that individual. Attitudes are descriptive thoughts based on knowledge, opinion, or faith. Beliefs are thoughts based on emotions. As such they may be irrational. Our current mental state refers to our mood, our feelings of stress, how pressured we feel to meet deadlines, and similar factors.

Beliefs may also impact our perceptions. For example, if we believe that younger workers are, because of their age and fewer years of experience, reckless and irresponsible, we may then perceive any risk taking by younger workers as rash. Attitudes and beliefs are often retained for a long time, whereas our current mental state may change a number of times in one day. Beliefs are the most difficult of the three (attitude, belief, and mental state) for others to influence because they are based on emotions. Attitudes may be changed by presenting people with new knowledge, or expert opinions, or real-life experience. Moods may be changed by music, a break rest or a vacation. Stress and pressure may be relieved by doing some activities or tasks and any of these may affect perception of other things.

Stephen P. Robins (2005) stated factors that influence perception can be categorized in to three:

a) Factors in the Perceiver:

When an individual looks at a target and attempts to interpret what he or she sees, that interpretation is heavily influenced by personal characteristics of individual perceiver. Personal characteristics that affect perception include a person's attitudes, personality, motives, interests, past experience and expectations. For instance, if you expect police officers to be authoritative, young people to be lazy, or individuals holding public

office to be unscrupulous, you may perceive them as such regardless of their actual traits.

b) Factors in the target:

Characteristics of a target being observed can affect what is perceived. These factors can be novelty, motion, sounds, size, background, proximity and similarity can influence individual's perception. Loud people are more likely to be noticed in a group than quite ones. So, too, are extremely attractive or unattractive individuals. Because targets are not looked at isolation, the relationship of a target to its back ground also influences perception, as do our tendency to group close things and similar things together.

c) Factors in the situation:

The context in which we see objects or events is also important. These factors are time, work and social settings. The time at which an object or event is seen can influence attention, as can location, light, heat or any number of situational factors.

To conclude, perception towards an object can be influenced with many factors and the result is dependent on the perception. Employee's perception towards the new private organizations employees' pension scheme could also be the result of these factors which this research will try to asses and present its findings.

## **2.7 Social Security – Employee Motivation Linkage**

Organizations provide incentives to change workers' behavior. This is done through impacting employee's motivation and goal-based decision process. The main reason employees seek employment is compensation. They expect and get reward for the service and efforts exert to organizations that employed them. They can be compensated in many ways for example salaries, bonuses, holidays, etc. Everyone works in expectation of some rewards both spiritual and material, and welfare in one of them.

The availability and implementation of various employees benefit affects employee performance. Different empirical studies also reflect that employee benefit programs have greater impact on the work motivation then on productivity.

Nadia, Syed, Humera & Khalid (2011) also indicate in the results from their study on relationship between reward and employees motivation reveal that there is a significant and positive relationship between extrinsic rewards and employees motivation. These researchers pointed out that pay is a significant factor which affects employee motivation. According to the study, fringe benefits are very important in motivating employees, so organizations must have to provide all the essential fringe benefits to their employees, it also increase their job efficiency. Pay is potential powerful tool to employee motivation so employees can only be intrinsically motivated to perform an activity when they are fully satisfied with the pay they are getting. Providing safe and healthy working conditions actually makes enterprises more productive.

Reena Ali and M.Shaki Ahmed (2009) in their study indicated that if rewards or recognition offered to employees were to be alerted, and then there would be a corresponding change in work motivation and satisfaction. The researchers added that, if more focus is placed on rewards and recognition, it could have a resultant positive impact on motivation and thus result in higher levels of job performance.

Caroline, Keneth, and Dickson (2011) concluded that employees' motivation is related to organization commitment and consequent increased productivity and organizational effectiveness. The study disclosed that employees are using occupational pension schemes as a vehicle to get promote work motivation and job satisfaction and employees were motivated by the pension scheme implemented by their employers.

Memekiya (2013) concluded that the private organizations employees' social security policy, proclamation No. 715/2011 has motivational effect on private organizations employees who are covered with the scheme. The motivational effect observed is in bi-directional in which it motivates some employees and others are de-motivated by the scheme due to their own personal reasons and social security scheme experience they previously have.

To conclude, literatures and various studies reflect that when people feel that they are secured they will entirely focus on their duties, motivated to accomplish their responsibilities, feel that the risk related to their future is somehow mitigated due to the presence of social security. As many literatures support, the outcome or productivity of motivated employees improved than those employees who are not motivated. It is true that motivated employees will undertake the tasks assigned to them positively and will discharge responsibilities in efficient and effective ways.

## **2.8 Employees Perception and Pension**

In a broader sense asking a question what is the perception of employees towards pension may help to see the general overview. Jodi Di Cenzo (2014) stated according to three recent surveys, employees do appear to qualitatively appreciate the retirement benefits offered by their employers. Sixty nine percent of respondents rated their defined contribution retirement plan (fund accumulated by the combined contribution of the employee and employer) benefit as one of the more important benefits provided by their employers. Defined contribution plans and defined benefit plans ranked third and fourth, respectively, as the most important benefits offered by respondents' employers.

The perception towards pension is also influenced by peers and social norms. Jodi Di Cenzo (2014) stated social norms and peer influence can wield significant power over a wide range of behaviors and choices, including retirement plan participation and contribution.

Understanding and knowing about the available pension schemes help to shape the perception. There are several reasons why employees' understanding of their retirement benefits is important. As Gustman, Mitchell and Steinmeier (1994) noted, employees' understanding of their retirement benefits is important, first for pensions to have the desired effects on employee behavior, workers must understand them, including "the risks they face, and value the insurance the pension provides." Second, to the extent that large groups of employees lack a basic understanding of their retirement benefits, it is naive at the outset to assume them rational agents able to optimally plan for retirement.

To summarize the chapter, pension is one of the social security, which has different components and considered as a benefit, has an implication on overall well being of mankind in ensuring against verity of risks at the old ages or not able to do the regular job due to disabilities and other causes. Under the literature review part, the brief history of pension in Ethiopia and the contents and main types of benefits considered under the new pension scheme has been explained. As compared to neighbor countries like Uganda and Kenya the Private Organizations Pension scheme looks younger and different in the way the funds management.

To address the objective of the study, under the literature review, what perception is and factors that influence perception has been reviewed. Some of the factors like environmental back ground and experience, peer influence, factor in the perceiver, in the situation and in the target itself are discussed as they have direct relation to the study. Literatures indicated as social security has a linkage with motivation and management of organization should give attention to it. Finally, literatures on employees perception and pension indicated the type of pension and other factors can influence the perception of employees towards it.



## **CHAPTER III**

### **RESEARCH DESIGN AND METHODOLOGY**

This chapter focuses on the research design and methodology used, basically it focuses on the tools used, and the source of data for the study, the study population and the analysis method applied in the study are discussed below.

#### **3.1 The Research Design**

The study used is a descriptive method mainly the survey method through which individuals answered questionnaires so that the researcher can assess employees' perception towards the new pension scheme. A descriptive statistics method was used to describe and interpret employees' perception towards the new private organizations' employees' pension scheme in relation to various factors that influenced their perception based on the data collected from employees, management and human resource personnel. Due to the nature of the study it requires to describe the main research idea in relation to various factors, so that the researcher chooses descriptive statistics. The assessment is conducted at Clinton Health Access Initiative office in Addis Ababa. The organization is selected due to its convenience for the researcher in relation to the data availability and familiarity of the organization to the researcher.

#### **3.2 Source of Data**

Based on the objectives of the study and research questions to be answered the study is undertaken mainly based on the data that are collected from both primary and secondary sources.

The primary data was collected through a self-administered questionnaire that was distributed to 81 employees of Clinton Health Accesses Initiative Ethiopia Addis Ababa office which is 100% of the total staff and the questioner was prepared in English and translated to Amharic

for those who do not understand English properly. Since the main objective of this study is to assess how employees perceive the newly implemented Private Organizations' Employees' Pension Scheme, the questionnaire was developed in two parts. The first part contained respondent's profile like age, gender and length of service in the organization which helps the researcher in understanding the general background of the respondents.

The second part of the questionnaire mainly focused on the objectives of the study. This part contained questions that helped the researcher to analyze the employees' perception towards the new private organizations' employees' pension scheme and to identify what factors affect their perception towards the new pension scheme.

The questionnaire has both closed and open ended type questions. It is arranged using five point Likert type scales of measurement and it includes five items namely: strongly agree, agree, neutral, disagree and strongly disagree. In addition to this, based on a structured interview questions prepared for discussion with the Human Resource Administration Head and Deputy Country Director of the organization, the researcher tried to get information on the overall understanding of the management on the private organizations employees pension scheme, whether this new scheme has effect on the organization and if there are possibilities to influence its employees perception towards the new scheme.

Secondary data that are relevant for the objectives of the study were also referred which includes research papers and different websites. Researches conducted on the social security programs of private organizations were main sources of the literature.

### **3.3 Sample Size and Target Population**

The data collection was done at Clinton Health Access Initiative Ethiopia in Addis Ababa. The study includes staff from the program implementation, program administration and support staff of the organization. The data was collected from all employees of Clinton Health Access Initiative based in Addis Ababa. The convenience for the research and data collection was considered as a factor for the selection. The organization has regional field staffs who are working from Regional Health Bureaus of regions across the country. Since the total number of staffs at its head office were manageable and the sample taken was equal to the total population of the Addis Ababa office. Totally 81 questionnaires were distributed to 81

employees of the organization to know their perception towards the new private organizations' employees' pension scheme.

### **3.4 Data Collection**

Data was collected from 77 employees from a total of 81 employees for whom the questioner was distributed. The remaining four employees did not respond to the questioner due to their own reason. In order to check the questionnaire viability a pilot test was done by selecting four employees of the organization following the convenient sampling method.

The data from the interview discussion with the human resource and deputy country director of the organization was collected by taking notes of the discussion following the interview questions.

### **3.5 Data Analysis**

In order to reach at meaningful findings the data collected from the respondents through questionnaires and interview are analyzed and interpreted. Proper data cleaning, editing and coding was done in order to post it in the software. The researcher used SPSS version 20 tool to code and interprets the responses collected from the questionnaire. In analyzing the data descriptive statistics techniques were used and the tables and percentage helped the researcher to analyze and interpret the data in detail.

To analyze whether organizations can influence the perception towards the new pension scheme and whether the new pension scheme brings staff turnover and affects organization's performance, the data collected through the interview was used. This interview data was also used during analysis and finally, conclusions and recommendations have been drawn based on the data analysis and interpretation.

## CHAPTER IV

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

In this chapter, the data collected from the organization is presented, summarized and also interpreted using SPSS version 20 and different tables. This chapter has two parts. The first part focuses on the general profile of respondents and the second part focuses on data analysis and interpretation of the study.

#### 4.1 General Profile of Respondents

The general profile of respondents in age category, gender and their service years were considered. Moreover, and their relation with the subject under the study were explained. The data collection in relation to the general respondent profile was through questionnaire distributed to respondents. Table 1 below summarizes the number of questionnaires distributed and collected from employees of Clinton Health Access Initiative Addis Ababa office.

Table 1: Questionnaire distribution and Collection rate summary

Distributed Questionnaire	Collected Questionnaire	Percentage of Collection
81	77	95%

Source: Own Survey

As table 1 above the researcher distributed 81 questionnaires for employees of Clinton Health Access Initiative Addis Ababa office and 77 questionnaires were collected from employees of the organization which makes 95%. The remaining 5% was not collected due to various reasons.

Table 2: Distribution of Respondents by Age and Gender

		Gender		Total
		Female	Male	
Age	Between 25 -35	10	27	37
	Between 36 - 45	5	17	22
	Between 46 -55	2	12	14
	Above 55	0	4	4
Total		17	60	77

Source: Own Survey

Table 2 above shows the distribution of respondents by gender and age group. Out of the total 77 respondents 17 were females and the remaining 60 were males. This distribution between male and female is help full to see the attitude and awareness difference between the two groups and it is also use full to see how the new pension scheme is perceived by male and female employees.

When we look the age category of respondents, the majority of respondent's age group is between 25 to 35 years but there are also significant numbers of respondents from 36 to 45 and also age group above 55 years were included. From the total of 77 respondents 37 were in range of 25 to 35, 22 of the respondents were in range of 36 to 45, 14 were 46 to 45 and there were 4 respondents above age 55. Since pension scheme has its own effect on each group having this diversified age group was helpful to look at the impression of employees towards the new pension scheme.

Table 3: Distribution of Respondents by Service Years:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 1 Year	17	22.1	22.1	22.1
	1-3 Years	25	32.5	32.5	54.5
	4-6 Years	13	16.9	16.9	71.4
	>7 Years	22	28.6	28.6	100.0
	Total	77	100.0	100.0	

Source: Own Survey

Table 3 above summarizes respondent's service year. Out of the 77 respondents 33% (25) were serving the organization for the period ranging from 1 to 3 years, 29% (22) were serving for more than 7 years, 22% (17) were serving below a year, and also 13 (17%) were serving the organization for 4 to 6 years.

As we can see from table 3 above the majority of the respondents were serving their organization for 1 to 3 years and above 7 years but the other groups also have a representation of respondents. In relation to the nature of the employees that the organization has looking at the service years helps to see the impression of those who joined the organization before and after the start of the new pension scheme.

## 4.2 Data Analysis and Interpretation

### 4.2.1 Employee's Scheme Coverage

Employee's scheme coverage refers to the scheme in which the employees are enrolled during the study time. The study organization was giving both the private organizations' employees' pension scheme and provident fund scheme for its employees. Table 4 below summarizes the scheme coverage of employees.

Table 4: Social Security Scheme under which employees are covered by gender (Frequency)

		Scheme		Total
		Pension	Provident Fund	
Gender	Female	7	10	17
	Male	38	22	60
Total		45	32	77

Source: Own Survey

Based on Table 4 above, out of the 77 respondents 45 respondents (7 females and 38 male) were covered by the new private organizations' employees' pension scheme and the remaining 32 (10 females and 22 males) respondents were covered by the existing provident fund scheme. Even though as per the proclamation No. 715/2011, article 3(a), a right was

given to employees who were already under the provident fund scheme, to decide whether to join the new pension scheme or not, for this study it was important to have both types of coverage that helps to get their attitude and perception towards the new private organizations' employees' pension scheme.

Based on the interview discussion with the human resource person of the organization, from the total employees based in Addis Ababa office there are 46 employees covered by the new private pension scheme and 35 employees by the existing provident fund. As per the organization's policy employees who are covered by the provident fund scheme have the right to withdraw their cumulative provident fund once in a year by holding 8 months contribution.

#### 4.2.2 Employee's Preference on Scheme Coverage

In this part the employee's preference on the scheme they would like to be covered was discussed. They were requested to indicate whether they prefer the pension or provident fund scheme, so that the researcher gets ideas in relation to the match between their preference and the scheme in which they already covered. Table 5 below summarizes the respondent's scheme preference.

Table 5: Respondents Scheme Coverage and their preference

		Respondents Scheme Preference		Total
		Pension	Provident Fund	
Scheme Under which Respondents are covered	Pension	2	43	45
	Provident Fund	6	26	32
<b>Total</b>		8	69	77

Source: Own Survey

Table 5 above summarizes the preference of respondents and 89% (69) respondents preferred the provident fund scheme and the remaining 11% (8) respondents preferred the new private organizations employees' pension scheme. When we look to their coverage 43 respondents who preferred provident fund out of the 69 were covered by the new private organizations employees' pension scheme. Though 58% of the respondents were covered by the new

pension scheme only 4% (2) respondents preferred to be under the new private organization employees' scheme. In addition, the researcher noted that from the 8 employees who preferred pension scheme 6 of them were above 46 years, 2 respondents were age between 36 to 45 and no employee below 36 preferred it. This indicates that though the social security system strengthening, which the government is interested in creating welfare for the society and implemented, it is not well understood and taken by employees. Respondents have different reasons for selecting between the two schemes which is discussed below.

#### 4.2.2.1 Respondents Reason for Preference on Schemes

There are different reasons given by the respondents in relation to why they preferred the new private organization employees' pension scheme. Some of the main reasons were:

- ✚ Because pension is uninterrupted source of income during the retirement age;
- ✚ Pension is managed by reliable government agency;
- ✚ Pension is transferable to dependents particularly spouse;
- ✚ Employees who were working in government offices would like to continue their pension scheme and get good pension pay as they are working with better salary; and
- ✚ Fear of losing and bankruptcy in using cumulated fund.

On the other hand the majority of respondents preferred the provident fund scheme and some of the main reasons were:

- ✚ Its easy accessibility
- ✚ Can invest it in establishing their own business which they will work and manage whenever they stop working as an employee
- ✚ Some respondents they are working on the contractual base and might not have enough money at hand until they will find a new job so they can use the money for bad time.
- ✚ Time value of money and inflation were mentioned against pension scheme.
- ✚ Easy and immediate accessibility for short term emergency and long term investment if cumulated for long term investment which have valuable returns
- ✚ Availability of compounded interest



- ✚ Fear of properly get back the money that get put in a pool social security system because of poor implementation and internal control practices in the country's financial system.
- ✚ Withdrawal and usage of provident fund is easy and simple process; whereas in the new pension scheme it is a long process with many requirements to fulfill.
- ✚ Due to their familiarity with the provident fund scheme and they do not have any idea what benefits are provided by the new pension and believe the system is not in place yet to refund any money.
- ✚ Some of the respondents do not want to stay long as an employee as a result they want to have their money and start working their own work.

To summarize the above points, the respondents were choosing between the provident fund and the new pension scheme based on their previous experience, age left for the pension, their own retirement plan and also their own expectation. The majority preferred the provident fund scheme due to its easy accessibility to use it for immediate need, time value of money and compounded interest they can get it from accumulated provident fund. The awareness creation by implementing government agency and lack of knowledge on the benefits which is provided on the new pension scheme they preferred the provident fund scheme.

#### 4.2.3 Preference of Respondents on Feeling Better Secured Between the Two Schemes

In this part the researcher tried to look at which scheme respondents feel better secured regardless of their current coverage and to get reasons why they preferred one from the other.

Table 6: Respondents Scheme Coverage and their preference on feeling secured

		Respondents Preference on Feeling Security		Total	Percent
		Pension	Provident Fund		
	Scheme Coverage Pension	3	42	45	58%
	Provident Fund	9	23	32	42%
<b>Total</b>		12	65	77	100%

Source: Own Survey

The above table 6 indicates that only 16% (12) respondents feel secured under the new pension scheme and the remaining 84% (65) under the provident fund scheme. When we look at the relationship between feeling secured and coverage, from the respondents 65(58%) who were covered by pension scheme only 3 feels secured under the new pension scheme. Also out of the 32 (42%) respondents covered by the provident fund scheme 23 of them feel secured under the provident fund scheme and only 9 of the respondents covered by the provident fund scheme feel secured with the new pension scheme.

From the above information we can see that the majority of the respondents feel secured under the provident fund scheme instead of the new private organizations' employees' pension scheme even though they are covered under it. This indicates that though the government designed the pension system for private organizations' employees and enforced its implementation, it is not welcomed by most employees mainly those whose age were under 45. From the total 65 who preferred Provident fund that gave them security of feeling 34 of them were age between 25 to 35 and 19 employees were between 36 and 45 as indicated under table below.

Table 7: Respondents scheme preference on feeling secured by age

		Scheme Feel Secured		Total	Percentage
		Pension	Provident Fund		
<b>Age</b>	Between 25 -35	3	34	37	48%
	Between 36 – 45	3	19	22	29%
	Between 46 -55	3	11	14	18%
	Above 55	3	1	4	5%
<b>Total</b>		12	65	77	100%

Source: Own Survey

Even though the response varies about their feeling of security from employee to employee under each scheme the following are some of the reasons for choosing the new pension scheme as a security.

- ✚ Some respondents had fear of managing huge amount of money and afraid to lose or spent it before retirement age if they got it at once , so they do not feel secured with the provident fund.
- ✚ The management of the pension, the private organizations' employees' Social Security agency which was established by government gave them feeling of security.
- ✚ Some of the respondents said the pension scheme pays to the end of life and dependents registered have right to get it.
- ✚ Some of the respondents said, they served government offices in their carrier and would like to get pension when they retired with better pay as the current salary was good.

On the other hand the majority of the respondents were in a position to select the provident fund because they feel secured under this scheme for the following reasons:

- ✚ Most respondents believed provident fund was easily accessible and had a feeling that it was under their authority they could able got it at least once in every year as per the organization's policy and when they leave but they were uncertain what will happen on the government policy to manage the pension fund.
- ✚ Most respondents worry is what will happen at the end of their project or their contract or even closure of the organization instead of their retirement age as a result they feel more secured under the provident fund scheme.
- ✚ The pension program which is a fixed amount of income is not a preferable security of living for a family as the cost of life is getting high in every day of living. As a result the respondents feel secured under provident fund program since it is up to the respondent to manage the money in vital way.
- ✚ At a time of unemployment it is provident fund that helps the employee to cover his/her and their families need, as a result they feel secured by the provident fund scheme.
- ✚ There is a fear of not getting the money under cumulated pension scheme because of long bureaucratic process of the government office, might not be illegible because of loss of a document or paper from your file due to lengthy time and even the lost document may be because of the organizations you worked for not yourself. In the

case of provident fund you can get your money immediately after separation from the organization.

- ✚ Some respondents feel that the pension scheme does not consider the time value of money, which is losing of purchasing power through time and do not account the interest income on the money they contributed over years of their employment.
- ✚ Some respondents feel that they might not be beneficial from the new pension scheme as they are approaching the retirement age as a result they prefer to get the provident scheme and then to use it for their time after 60 years.

#### 4.2.4 Clarification Given on Private Organizations’ Employees’ Pension Scheme

In relation to the question raised on whether adequate explanation, elaboration or clarification was given on the Private Organizations’ Employees’ Pension Scheme to the public and concerned employees; respondents gave their opinion and summarized under table 7 below.

Table 8: Respondents response on the clarification given on the new pension scheme

		Frequency	Valid Percent
Valid	Strongly Agree	2	3
	Agree	4	5
	Neutral	24	31
	Disagree	34	44
	Strongly Disagree	13	17
	Total	77	100

Source: Own Survey

Based on the table 8 above presented, 44% of the respondents disagreed, 31% took neutral position and 17% strongly disagreed. On the other hand 3% of the respondents strongly disagreed, 5% agreed. This means from the total respondents 75% did not agree, which indicates that adequate explanation and awareness creation on the new pension scheme was not given to employees and public at large either by the government private organizations employees agency or the employer organization itself.

On the discussion made with the human recourse and management of the organization, the explanation about the scheme was given at the beginning when it was implemented in 2011. The new pension is just applicable as per the proclamation on those employees who joined

after June 2011 without additional explanation on the benefits it contained and how it is working. This lead employee's attitude towards the new private organizations' employees' pension scheme is only based on his/her individual bad or good experience, or peers influence or situations around like the economical situations, inflation and not based on actual fact what it contains.

#### 4.2.5 Experience and life style influence on the attitude towards the new pension scheme

In this section the researcher looked to know whether an individual life style and experience has influenced the perception towards the new private employees' pension scheme.

Table 9: Individuals life style and experience influence on employee's attitude

		Frequency	Valid Percent
Valid	Strongly Agree	6	8
	Agree	45	58
	Neutral	9	12
	Disagree	10	13
	Strongly Disagree	7	9
	Total	77	100.0

Source: Own Survey

When we look the influence of individual's experience and life style on the attitude of employees' towards the new pension scheme, the researcher observed as presented on the table 9 above . It had been found that 66% of the respondents agreed and 12% took neutral position. On the other hand 13% of the respondents disagreed and 9% were strongly disagreed. This indicates employees experience with the existing government employees' pension scheme either from their relatives or someone else they know and the life style they would like to live like start own business have its own effect on the attitude of employees towards the new pension scheme.

#### 4.2.6 The Situation's influence on individual's attitude towards the new pension scheme

In this section the researcher looked to know whether the situation around the employees both economically and policy decisions had influenced the perception towards the new private employees' pension scheme. For the researcher economical suctions were like inflation and

current cost of living and on the other hand policy decisions were decisions taken by the government to regulate both economical and political conditions in the country.

Table 10: The influence of situations on employee’s attitude towards the new pension scheme

		Frequency	Valid Percent
Valid	Strongly Agree	18	23
	Agree	45	59
	Neutral	1	1
	Disagree	8	10
	Strongly Disagree	5	7
	Total	77	100.0

Source: Own Survey

When we look the influence of situations on the attitude of employees’ towards the new pension scheme, as presented on the table 10 above 82% of the respondents agreed and 1% took neutral position. On the other hand 17% of the respondents disagreed. This indicated that situations around in the country like various government policies and the current cost of living had its own effect on the attitude of employees towards the new pension scheme.

#### 4.2.7 The influence of organization’s on employee’s attitude towards the new pension scheme

The researcher looked to know whether employer organizations can influence employee’s perception towards the new private employees’ pension scheme.

Table 11: The influence of organization’s on attitude towards the new pension scheme

		Frequency	Valid Percent
Valid	Strongly Agree	7	9
	Agree	31	40
	Neutral	21	27
	Disagree	12	17
	Strongly Disagree	6	9
	Total	77	100

Source: Own Survey

When we look the influence of organization on the attitude of employees’ towards the new pension scheme, as presented on the table 11 above 49% of the respondents agreed and 27%

took neutral position to tell whether an organization can influence the perception of employees towards the new pension scheme or not. On the other hand 26% of the respondents disagreed on that organizations can influence employee's attitude towards the new pension scheme. This indicated that organizations can influence their employees' perception by providing necessary and adequate detail information on the matter and by implementing mechanisms to address some fears while the project phased out before the retirement age. Also, it is true that an organization can create conducive environment in many aspects for different objective, one of them is shaping the attitude of employees towards some goal.

#### 4.2.8 Peer's influence on individual's attitude towards the new pension scheme

In this section the researcher looked to know whether pees and other employees had influenced the perception towards the new private employees' pension scheme. Those employees and peers could be employees who had positive or negative attitude based on their own various reasons.

Table 12: The influence of peers on employee's attitude towards the new pension scheme

		Frequency	Valid Percent
Valid	Strongly Agree	3	4
	Agree	35	46
	Neutral	10	13
	Disagree	19	24
	Strongly Disagree	10	13
	Total	77	100

Source: Own Survey

When we look the influence of peers on the attitude of employees' towards the new pension scheme, as presented on the table 12 above 50% of the respondents agreed and 13% took neutral position. 37% of the respondents disagreed. This indicated that peers and other employees had their own share on the attitude of employees towards the new pension scheme. On the other hand, it is also observed that 29 respondents who are 37% of the total disagreed on that, peers and other employees had no influence on the attitude towards the new pension.

The researcher looked in this study to get the opinion of respondents on the benefits forgone when employees joined the new private organizations' employees' pension scheme. Most of

the respondents mentioned the main benefit that employees missed when they joined the new pension scheme was its accessibility while they need money either for their emergency need or for having valuable assets and investments for themselves and families. In addition the lump sum money they would get from provident fund would assist them to feel the gap of income until they got a new job especially when the separation is due to closure of organization or phase out of projects. Other respondents stated the compounded interest on the provident fund and using the money now that help to get its time value are missed when employees joined the new pension system. Some respondents also mentioned the motivational aspect of provident fund is missed.

To conclude the chapter, a questionnaire which contains two main parts, general profile of respondents and main research questions was distributed, collected and analyzed. From various factors that influence perception, like adequate information on the mater, situational factors, individuals life experience and peer influence has been analyzed from the new pension perspective and discussions were made on each findings.

In the following chapter we will see the summary, conclusion and recommendations made based on the data presented.



## CHAPTER V

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Summary of Findings

Based on the data analysis, interpretation and discussions undertaken in the previous chapter, the following findings were derived:

- ✚ In general all respondents indicated that after the implementation of the new private organization employees' pension scheme the efforts made by the government agency or by the employer organization was inadequate to elaborate or explain about the content of this new pension scheme, what benefits it has and how and when the benefits from this scheme is gained. In addition implementing private organizations are just applied the proclamation as it is enforced by the law and no or less effort was made to know about it which resulted in lack of awareness on the employees.
- ✚ Even though most of the respondents were covered by the new pension scheme, most preferred the provident fund to be covered with, which indicates there is a gap in matching preference with the actual coverage.
- ✚ Most respondents agreed that the attitude towards the new pension scheme is influenced by the individual's life style and experience he/she had and the
- ✚ The opinion of the management supports the new pension scheme, as the organization is working with government and obeys the law of the country. The organization implements both the provident fund scheme per the employee's decision to continue with it and since June 2011 the new private organizations employees' pension scheme became practical on those who joined later that date and who preferred to join it from the existing Provident fund scheme.
- ✚ During the discussion with the human resource head and the deputy country director of the organization, the management has no intention to give additional provident fund coverage for those employees who are under the new pension scheme; hence it has budget effect and not accepted by funders as the staff has already pension coverage.

- ✚ Even though the number of staff leaving the organization is very small and insignificant, the management of the organization does not believe the reason for their resignation is the new pension scheme.

## **5.2 Conclusions**

Based on the data collected, interpreted and discussed, majority of the respondents still prefer the provident fund which indicates the perception towards the new pension scheme is less than that of provident fund. The main factor that influences employees' perception is lack of adequate information and explanation on the contents of the new pension scheme. This supports the conclusion that the perception of employees towards the new pension scheme is not based on its actual features and content; rather their perception is influenced by situational factors like different political and economic policies of the government and other individual factors. Also, other factors like individual's life experience and attitude of peers towards the new pension scheme had significant influence on employees' perception.

This study tried to look whether employer organization can influence their employees' perception towards the new pension scheme and whether the implementation of the new scheme brought staff turnover and affects the performance of the organization. Most respondents agreed that organization can influence the attitude of their employees by implementing different methods that also increase the motivation of employees which has a direct link with performance. In the discussion with the management of the organization it was observed that the implementation of the new pension scheme did not bring staff turnover and implementing additional provident fund scheme coverage for those who are in the new pension scheme has financial implication and not yet on the agenda.

### 5.3 Recommendations

Based on the findings and conclusions of the study, the following recommendations are forwarded hoping that it will help both the implementing organization and the government agency.

- ✚ Employees' perception towards the new private organizations' employees' pension scheme of Proclamation No. 715/2011 is heavily influenced by lack of adequate information on the matter. The management of organization has to give adequate orientation during induction time and as well regular workshops and symposiums have to be prepared for employees to explain the realities of the new pension scheme.
- ✚ The new private organizations' employees' pension scheme embodied in Proclamation No.715/2011 does not give option for those short term employees and contract based employees due to the nature of the projects. So the government agency should address the challenges of those types of employees during unemployment periods, by amending the existing proclamation to accommodate these challenges.
- ✚ This study had assessed to look into factors affected employees perception towards the new pension scheme that includes the environmental situations, elements in the proclamation itself and the experience and life style of the employees themselves. Thus, any solution to improve employees' attitude towards the social security system, particularly to this new pension scheme, has to take into consideration many factors that influence the perception by conducting detail research on the subject.
- ✚ In order to get the deep insight of the research, the researcher recommends that studies have to be conducted by employer organization how to address employees concern on feeling the gap when projects phased out but still employees are not reaching at their pension age. Since benefits have a direct relation with motivation and increase of productivity, it is recommended that organizations consider the two schemes particularly for those who are under the new pension scheme and project based hiring.
- ✚ As this research paper is limited to non-governmental organization and to single non-profit organization's employees, it may not show the realities with other profit making, so further researches has to be conducted to understand the perception of employees to the new pension scheme and factors that influence their perception

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## Appendix 1

Dear Respondent,

My name is Dereje Mengesha; I am attending MBA (Master of Business Administration) program at St. Mary's University. Currently I am conducting a study on “**Employees’ Perception towards to the New Private Organizations Employees’ Pension Scheme**”. This study is purely academic research. Your genuine response is highly valuable to conduct this study and then to arrive at legitimate results. I hereby request you to fill this questionnaire. All your responses will be kept confidential. I would like to thank you for your willingness, effort and precious time to fill the questionnaire.

**Instruction:** Please use tick mark (✓) in the boxes provided to choose from the options given and answer in writing for open ended questions. You do not need to write your name.

### Part I: Respondents Profile

1. Age:

Less than 25  25 -35  36 – 45  46 - 55  Above 55

2. Gender  Male  Female

3. For how many year/s you have been working in this organization?

Less than a year  1 - 3 years  4 -6 years  More than 7 years

### Part II: Questions on the research topic

4. Are you covered by pension or provident fund scheme?

Pension  Provident Fund

5. Which scheme you prefer?

Pension  Provident Fund

6. What are the reasons for your preference on question number 5 above?

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7. Which scheme makes you feel better secured? Pension  Provident fund

8. What are the reasons for your preference on question number 7 above?

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No.	Based on your experiences in your organization, do you agree or disagree with the following questions? (Tick ✓ on your Choice). Also write your opinion for follow-up questions next to agree/disagree questions.	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
9	Do you agree that the new "Private Organizations Employees' Pension Scheme" has been adequately explained, elaborated or clarified about its content to the public and concerned employees?					
10	Do you agree that employees attitude towards the new pension scheme is influenced by individuals life style or experience?					
11	Do you think that employee's attitude towards the new pension scheme is influenced by the situations like government policy, living conditions, etc..?					
12	Do you agree that organizations can influence their employees' attitude towards the new pension scheme?					
13	Do you think that the employees or peers influence the attitude of other employees towards the new pension scheme?					

14. What benefits do you think missed from provident fund to join the new pension scheme?

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15. If you are covered by the private organizations employees' pension scheme, what is your impression on the social security policy?

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16. What issues you have observed that need to be addressed or improved on the private organizations employees' pension scheme? \_\_\_\_\_

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## **Questions for Human Resource and Management of the Organization**

1. How many of your organization employees are covered by the new private organization employees' pension scheme and how many are covered by the provident fund scheme?
2. Which program is more preferred by your organization employees (the new pension or Provident fund)?
3. What is the attitude of the organization management for the new private organization employees' pension scheme?
4. Do you believe that the new private organization employees' pension scheme brings staff turnover?
5. Is there any mechanism used in your organization to increase the awareness of employees on the new private organization employees' pension scheme?
6. Do you believe the organization can influence the attitude of employees towards the new private organization employees' pension scheme?
7. In your observation, is there any good thing that you observed from the new private organization employees' pension scheme?
8. Is there any area that needs to be improved in the new scheme?