

**ADDIS ABABA UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**POLICY AND PRACTICE OF PENSION AND RETIREMENT SCHEME IN  
SELECTED PRIVATE PREPARATORY SCHOOLS OF KOLFE KERANYO SUB  
CITY,ADDIS ABABA CITY ADMINISTRATION**

**BY  
ASHENAFI BELETE**

**JUNE 2016  
ADDIS ABABA**

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## ACRONYM

<b>ILO</b>	International Labor Organization
<b>WHO</b>	World Health Organization
<b>PAYG</b>	pay-as-you-go
<b>DC</b>	Defined Contribution
<b>DB</b>	Defined Benefit
<b>RAC</b>	Retirement Annuity Contract
<b>PRSA</b>	Person Retirement Saving Account
<b>VAT</b>	Value Added Tax
<b>GDP</b>	Gross Domestic Product
<b>FDRE POESSA</b>	Federal Democratic Republic of Ethiopia Private Organizations Employee Social Security Agency

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## **ABSTRACT**

*This research focused on the Policy and Practice of Pension and Retirement Scheme in Selected Private Preparatory Schools of Kolfe Keranyo Sub City, Addis Ababa City Administration. It gave emphasis to the knowledge, perception and acceptance of teachers of the sample under study. To conduct this study a descriptive survey design was employed. The participants of the study were 102 teachers, 20 administrators and 5 officers from POESSA. The schools and the teachers were selected by simple random sampling methods while administrators and officers from POESSA were selected by purposive sampling method. The data were gathered through questionnaire, interview, focus group discussion, and document analysis. The data gathered through questionnaire were analyzed using frequency, percentage, mean, standard deviation, and grand mean value of the respondents using SPSS version 16 computer software. Data obtained through interview, FGD and document analysis were qualitatively narrated, while the data obtained through questionnaire were analyzed quantitatively. The finding of the study generally showed that the existing practice of the Pension and Retirement Scheme Policy had drawbacks including knowledge gap by the teachers, lack of willingness towards to pension contribution, teachers pessimism towards to the pension benefit, lack of clarity of pension policy, and future expectations. Based on the finding it was concluded that: knowledge of pension and acceptance of information about pension are closely linked, the majority of the respondents didn't worry about saving since it was very distant. The younger teachers did not hunt for information while the older ones were searching for it seriously. There were also perception problem and lack of clarity about retirement and pension scheme. In line to the above findings and conclusions it was recommended that the school administrators need to work with the teachers in order to alleviate the knowledge gap that was created on teachers by providing training; and also proper implementation of the pension scheme would be expected from the administrative staff. Furthermore, the officers from the POESSA need to give capacity building training for the school administrators and the teachers by providing different seminars to fill the knowledge gap. By doing so, it is possible to avert their perceptions towards the pension and retirement scheme.*

**Key words:** pension, pension scheme, retirement, policy, practice, saving, perceptions

## **CHAPTER ONE**

### **INTRODUCTION**

This chapter presents the introductory part of the research. It basically includes background of the study, statement of the problem, objective of the study, significance of the study, delimitation of the study, operational definitions of key terms, and organization of the study.

#### **1.1. Background of the Study**

Societies at all levels recognize the need to establish systems which will ensure loss of income in the event of contingencies such as incapacity, old age, unemployment and the death of an employed person. They also recognize the need to ensure access to adequate and affordable health care. For many, these needs are met within the framework of their employment conditions. This is enhanced when the social and working environment also promotes social justice, human dignity and solidarity (International Social Security Association, 2003).

However, for the majority of workers in developing countries, decent work conditions are difficult both to attain and to sustain, particularly for those who work in the informal economy in countries where social, economic and political development is still at an early stage, or has been disrupted. Thus perhaps half of the world population is still excluded from any type of social security system and here, in Sub-Saharan Africa, less than 10 per cent of the population in some countries is adequately covered. Africa faces a two edged sword: on one side a broad range of risks which threaten security, living conditions, incomes and health and, on the other side, a lack of resources and skills available to combat these risks (International Social Security Association, 2003).

Since the Roman Empire to the modern nation state, rulers and parliaments have found it expedient to provide pensions for the workers who carried out their policies and, thus, helped perpetuate their regimes. The history of these public sector pension plans is both colorful and instructive. More than two thousand years ago, the fall of the Roman Republic and the rise of the empire were inextricably linked to the payment, or rather the nonpayment, of military pensions. The history of public sector pensions provides a laboratory of sorts for testing recent proposals for restructuring social security. The analysis also shows that many pension policies that are currently being proposed as new and innovative were part of military pensions at one time or another. Pensions have a long history in Western civilization and have

often been used as a key element to attract, retain, and motivate military personnel (Robert L. Clark, et al, 2003).

Following the rise of military pensions, retirement plans were extended to state and local employees much later in the nineteenth century, and many public workers were not offered pensions until after World War I. The use of retirement plans as a form of labor compensation for private sector employees began in the last quarter of the nineteenth century, nearly 100 years after the adoption of the U.S. military pensions (Robert L. Clark, et al, 2003).

According to Stewart and Yermo (2009), most Sub-Saharan African countries do not have meaningful publicly managed pension and social security systems, though some form of pension coverage is available in a limited number of countries. Where benefits are offered to formal sector workers, they are provided either by public service pension schemes (the public sector being by far the largest employer in most countries the region), national (usually mandatory) schemes covering private sector workers (which may also cover the public sector), occupational schemes managed by employers other than the government and individual or personal pension schemes (usually offered by insurance companies on a voluntary basis). For example, universal pension systems operate in Botswana, Mauritius and Namibia, whilst a means tested public pension is available in South Africa. Social pensions also operate in Lesotho and Senegal, whilst occupation pensions are available, albeit for a limited percentage of the population, in countries such as Nigeria and Kenya. However, it should be noted that the majority of people in the region work in the informal sector and are therefore not covered by these schemes, implying that they rely on informal arrangements and their own or family resources.

According to Yetureta Metedaderiya Wastena Baleseletan Liyu Etem (1979 EC: P 17), in Ethiopia, the history of social security is highly and closely related to the continuous wars and the land tenure system. After the Battle of Adwa in 1896, Emperor Menilik II measured out and allotted land for war veterans and the survivors of those war heroes and heroines who lost their lives in the war to solve the economic problems of the aged veterans. This marked the beginning of social security in Ethiopia. Accordingly, when a military servant gets old he had the right to demand the authorities to replace his son in his place. This was done so that the son would be able to take care of his old father. As a result, it became a national responsibility in a limited area during the reign of Emperor Haile Selassie (Yetureta Tarik Kidme Dihre Abiyot Ethiopia, 1979 E. C., P 6).

In December 1933, a bill containing 16 articles to pensioning of old and decrepit soldiers was placed before the parliament and this marked the first legally established pension system in Ethiopia. The retirement age was fixed to seventy (70) years (Zekre Neger, 1942 as cited in Abebe Mesfin, 2003).

Different countries follow different age limits for compulsory retirement. In Ethiopia, according to proclamation no. 715/2011 part 4, article 17:1 the retirement age of an employee of private and public organizations is 60 years based on the date of birth registered when he was employed for the first time. That is, a person retires when he/she acquires the age limit set by the country proclamation or voluntarily before that.

According to Public Servants Pension Proclamation No.714/2011 and Private Organization Employees Pension Proclamation No. 715/2011, the Ethiopian pension scheme consists of four different types of pensions. There are:

- a. **Retirement Pension and Gratuity** -This is a regular payment given to a person in return for the service he has rendered up to his age of retirement. According to Business Standard (2015) gratuity is a part of salary that is received by an employee from his/her employer in gratitude for the services offered by the employee in the company
- b. **Invalidity Pension and Gratuity** -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 conditions required. Invalidation is defined as permanent morbid condition that are unlikely to be cured that result in an employee losing at least 1/3 of his or her capability compared to a normal individual, which ultimately causes a loss of income for the employee. Coverage includes invalidity caused by any circumstances not relating to work. This includes invalidity due to chronic diseases such as heart attacks, kidney failure, cancer, mental illness, asthma and so forth.
- c. **Survivors Pension and Gratuity**- The payment made to the family of the deceased. The survivors can be children; spouse or the parents either. Adult survivors can include spouses, civil partners and unmarried partners who are not civil partners. All adult survivor awards are payable for life, irrespective of whether the survivor remarries or forms a new partnership.
- d. **Employment Injury and Gratuity**- refers to payment given to a worker who has suffered from an occupational injury until he revives. It also covers the medical expenses. This

scheme provides coverage and protection for employees who suffer from employment injury. “Employment Injury” means a personal injury to an employee caused by accident or an occupational disease arising out of an in the course of his employment in an industry to which this Act applies.

The International Labor Organization Convention No. 102 of 1952 has set up minimum standard of social security. The Convention distinguished 9 types of benefits (ILO, 1976). Since four of the benefits included in Ethiopian Public Servants Pension Proclamation No.714/2011 and Private Organization Employees’ Pension Proclamation No. 715/2011, the rest five discussed below.

**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.

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

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

**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.

**Unemployment Benefit:** - is a benefit provided for persons who are capable of working but are incapable of obtaining a suitable employment.

Moreover, there are also Old age lump-sum-which is when an individual may possibly reach the age of 55 and stop all salaried accomplishments without achieving the other required conditions for the normal old age pension (15 years of insurance). Such person will have the right to an old age Lump-Sum which he/she will receive once, and only once, she/he has at least 12 months of insurance, a survivor’s lump sum on the other hand is paid if death strikes when someone does not fulfill the conditions required for a monthly pension and has not been insured for a period of 15 years, withdrawal benefit is payable to a member who has attained the age of 50 years and is out of regular employment for one year, exempted employment benefit which is payable to members who join employment that provides alternative social

security schemes recognized under the existing law and exempted from contribution, and finally emigration benefit is payable to a member who is leaving his country for good.

## **1.2. Statement of the Problem**

In Ethiopia the laws and practices of pension in public sector has long history. It started in 1933, however, until 2011 there was no pension proclamation that govern private sector. To include the private organization employees under the pension scheme, the government of Ethiopia issued a new private organization proclamation (Proclamation no. 715/2011).

In Ethiopia, retirement and pension in private sector is a recent phenomenon. In spite of the fact that the private sector is new with retirement and pension scheme, this may lead to inappropriate practices and problems. As a result the existing problems inspired the researchers to investigate the problems of retirement and pension scheme in 8 private preparatory schools of Kolfe Keranyo.

Thus, this study will try to answer the following basic questions:

- a. How much are private schools and their employees knowledgeable about the existing pension and retirement scheme of Ethiopia?
- b. To what degree of acceptance by private preparatory school employees is the retirement and pension scheme operate in line with the policy of Ethiopia?
- c. How do private preparatory school employees perceive the benefits that the retirement and pension scheme provides as compared to those of the previous provident fund scheme?
- d. What are the major factors that are influencing the operational effectiveness of the retirement and pension scheme in private preparatory schools?

## **1.3. Objectives of the study**

### **1.3.1. General Objectives:**

The general objective of the study is to investigate the policy and practice of pension and retirement schemes in selected private preparatory schools of Kolfe Keranyo.

### **1.3.2 Specific objectives:**

More specifically, the study has the following objectives:

- To identify how much are the employees of private preparatory schools knowledgeable about the existing pension and retirement scheme;
- To assess to what extent the employees accept whether the operation of the retirement and pension scheme is in line with the policy of the country;
- To investigate the perception of employees regarding the existing pension scheme;
- To identify the major factors that affect the operational effectiveness of pension and retirement schemes in private preparatory schools;
- To recommend possible solutions to alleviate the problems that affect the operational effectiveness of the retirement and pension scheme.

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

To the best of the researcher's knowledge, there is no research conducted in private schools in the area of policy and practices of pension and retirement schemes. Thus, this research may create awareness towards the employers, teachers and administrators and other staff members about retirement and pension schemes. It also helps the employees in private preparatory schools to change their attitudes regarding the scheme and also accept its benefit in the future. Moreover, it also helps the schools understand to correct inappropriate practices that affect the retirement and pension policy and to implement the policy in line with the law. Additionally, it is believed that the study will be used as a stepping stone for further research concerning retirement and pension scheme in private sectors.

In sum, this study will provide vital information to policy makers in charge of regulating the pension scheme and administering its benefits to beneficiaries in private schools.

### **1.5. Delimitation of the Study**

It was the wish of the researcher to study the policy and practice of pension and retirement scheme in all private schools of Addis Ababa. Nevertheless, believing that this study could have given highlight about the policy and practice of pension and retirement scheme in private preparatory school of other preparatory schools, the researcher concentrated at Kolfe Keranyo Sub City. In Kolfe Keranyo Sub City there are 16 private preparatory schools. From these, the researcher focused on 50% of the private preparatory schools. Moreover, the study

mainly focused on the knowledge of employees, perception of employees, acceptance of the scheme by the employees, operational effectiveness of the scheme and attitudes of employees of selected private preparatory schools of Kolfe Keranyo regarding the policy and practice of pension and retirement schemes. The studies addressed how the policy was being practiced in these private preparatory schools of Kolfe Keranyo.

### **1.6. Limitations of the Study**

The researcher noticed some limitations in the course of conducting the current study. The major one the researcher found during analysis was the difficulty in getting some of the school administrators for the focus group discussion and the officials in the FDRE POSSA for interview. It took several visits and efforts to cross the bureaucracy hurdles. Officers from FDRE POSSA were not at their office due to their several meetings. This and other factors delayed the gathering of data and information for analysis.

Moreover three questionnaires were not returned. However, the researcher has attempted to make the study as complete as possible exerting maximum effort to overcome this challenge.

### **1.7. Operational Definitions of Key Terms**

**Beneficiary** means an employee of private preparatory schools who receives benefits or fulfills the conditions for receiving benefits (Federal Negarit Gazeta, 2011)..

**Benefit** means retirement pension, invalidity pension, incapacity pension, survivors' pension and includes gratuity and the refundable pension contribution (Pensions Terminology, 2002).

**Occupational pensions**-is a specific percentage of money paid to a teacher, or his dependents, as a replacement of this regular income. It is organized and managed by the employer and paid when the employee is no longer working (Pensions Terminology, 2002).

**Pension**: is a payment under given conditions to a teacher following his retirement from teaching service due to age or disability or to the surviving dependents of a person entitled to such a pension in accordance with the pension plan or scheme of the country the teacher is residing (Pensions Terminology, 2002).

**Pension Scheme** means a system established to pay benefits and provide service to teachers of private preparatory schools (Pensions Terminology, 2002).

**Private School:** means a school that is established to engage in commerce, social service or in any other lawful teaching-learning activities and which has salaried employees (Federal Negarit Gazeta, 2011).

**Private School Employee** means a salaried teacher or an administrative staff who is permanently employed in any private preparatory school (Federal Negarit Gazeta, 2011)

**Salary**-means monthly salary received by teachers of private preparatory schools, for services rendered during regular teaching hours without the deduction of any amounts in respect of income tax or any other matter (Pensions Terminology, 2002).

### **1.8. Organization of the Study**

The paper is organized and presented in five chapters. Chapter one is about the background of the research. It contains the introduction (background of the study), the statement of the problem, objective of the study, significance of the study, delimitation-of the study, limitation of the study, definition of terms and organization of the study. Chapter two contains reviews of related literatures; chapter three contains research design and methodology. Chapter four contains presentation and analyses of the data collected from primary and secondary sources, and finally, chapter five deals with the summary, conclusions and recommendation forwarded based on the findings.

## **CHAPTER TWO**

### **REVIEW OF THE RELATED LITERATURE**

The main intention of this chapter is to present an overview of what has been studied locally and globally in the area related to Policy and Practice of Pension and Retirement scheme. Hence, an overview of social security, retirement and pension scheme, a brief review of the historical background of pension scheme, worldwide pension reform, major objectives of pension scheme, pension scheme in Africa and Ethiopia, relevance of pension scheme, empirical studies, conceptual framework and others believed to serve as a bridge in stepping into the research issue are reflected in brief.

#### **2.1. Overview of Social Security, Retirement and Pension Scheme**

##### **2.1.1. Social Security**

Social security is the protection that a society provides to individuals and households to ensure access to healthcare and to guarantee income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of a breadwinner (ILO, 2014).

Punita (2003) describes social security as:

*It is an overall security for a person within the family, work place, and society. It may be understood as measures designed to ensure that citizens meet their basic needs (such as adequate nutrition, shelter, education, health care, clean water and food supplies), as well as be protected from contingencies (such as illness, disability, accidents, death, unemployment, medical care, childbirth, childcare, widowhood, and old age) to enable them to maintain an adequate standard of living consistent with social norms. It must also by implication include protection of livelihoods and a guarantee of work and adequate and fair wages, because without this, other contingency benefits have no meaning. Social security deals with both absolute deprivation and risk and vulnerabilities.*

##### **2.1.2. Retirement and Old Age**

Retirement is the point where a person stops employment completely. A person may also semi-retire by reducing work hours. For some retirement simply means leaving their current job or profession - but they may wish to continue working in a different field. For others retirement means never working again. An increasing number of individuals are choosing to put off this point of total retirement, by selecting to exist in the emerging state of retirements.

Many people retire when they are eligible for private or public pension benefits. Some are forced to retire when physical conditions no longer allow the person to work (by illness or accident) or as a result of legislation concerning their position. In most countries, the idea of retirement is of recent origin, being introduced during the late 19th and early 20th centuries. Previously, low life expectancy and the absence of pension arrangements meant that most workers continued to work until death. Germany was the first country to introduce retirement, in 1889 (OECD, 2011).

According to OECD (2012), most developed world countries have accepted the chronological age of 65 years as a designation of 'elderly' or older person, while this definition is somewhat arbitrary and is many times associated with the age at which one can begin to receive pension benefits. But like many westernized concepts, this does not adapt well to the situation in Africa. Realistically, if a definition in Africa is to be developed, it should be either 50 or 55 years of age, but even this is somewhat arbitrary and introduces additional problems of data comparability across nations. The more traditional African definitions of an elder or 'elderly' person correlate with the chronological ages of 50 to 65 years, depending on the setting, the region and the country.

Adding to the difficulty of establishing a definition, actual birth dates are quite often unknown because many individuals in Africa do not have an official record of their birth date. In addition, chronological or "official" definitions of ageing can differ widely from traditional or community definitions of when a person is older. At the moment, there is no United Nations standard numerical criterion, but the UN agreed cutoff is 60+ years to refer to the older population. As far back as 1875, in Britain, the Friendly Societies Act, enacted the definition of old age as, "any age after 50", yet pension schemes mostly used age 60 or 65 years for eligibility (ILO,2014).

### **2.1.3. Pension Scheme**

Hall (2015) describes a pension scheme as a kind of plan where a worker gets exactly a defined benefit. In this case, when a worker meets specific qualifications, such as time on the job, the person will be eligible to receive pension benefits when he or she retires. Pension is defined as a benefit retirement plan that provides monthly income to employees of companies or governments. An employer organization contributes money to the pension

plan while the individuals who are working also contribute monthly. The money will be paid to them after retirement age.

Wikipedia, the free encyclopedia, citing Thomas P. Lemke, Gerald T. Lins (2010) define pension as follows:

*A pension is a fund into which money is added during an employee's employment years, and from which payments are drawn to support the person's retirement from work in the form of periodic payments. A pension may be a "defined benefit plan" where a fixed sum is paid regularly to a person, or a "defined contribution plan" under which a fixed sum is invested and then becomes available at retirement age. Pensions should not be confused with severance pay; the former is usually paid in regular installments for life after retirement, while the latter is typically paid as a fixed amount after involuntary termination of employment prior to retirement.*

Pension plan is a legally binding contract having an explicit retirement objective (or - in order to satisfy tax related conditions or contract provisions - the benefits cannot be paid at all or without a significant penalty unless the beneficiary is older than a legally defined retirement age). This contract may be part of a broader employment contract, it may be set forth in the plan rules or documents, or it may be required by law. The elements of the pension plan may be mandated by law or statute or set forth as pre-requisites for special tax treatment, as is the case for many tax qualified savings or retirement program designed to provide the plan's members and beneficiaries with an income after retirement. In addition to having an explicit retirement objective, pension plans may offer additional benefits, such as disability, sickness, and survivors' benefits (Hall, 2015).

## **2.2. Historical Background of Pension Scheme**

According to the World Bank (1998), a pension or a steady payment to a worker, who has retired because of age, illness, or disability, was previously thought of as charity, but is currently viewed as the social responsibility of an employer or the state. In the early 19th century, the French government and then the British (1834) made special provisions for superannuated public servants. In 1891, Denmark launched cash transfer programs through a means-tested scheme for people over the age of 60. Later, in Germany, a small flat pension financed by a tax on the tobacco monopoly, was paid to workers at age 65. This new type of pension connected benefits to workers contributions, and they assisted in financing the scheme. In the 20th century, the "Bismarckian" pension scheme spread across the globe.

Traditional pension schemes include pay-as-you-go, defined benefit, and provident funds. Pay-as-you-go (PAYG) is the traditional model for social security. The United States has adopted this system, along with almost all developed nations. In PAYG systems, individual contributions to the social security fund are immediately spent on the current generation of retirees. Therefore, they are generally very attractive to countries with young populations and few retirees. Yet PAYG plans require high payroll taxes as the population ages. They also build a large implicit pension debt, and do not encourage investment.

Defined benefit (DB) - A defined benefit plan identifies the specific benefit that will be payable to you at retirement. Your basic retirement benefit is usually based on a formula that takes into account factors like the number of years a participant works for the employer (years of service) and the participant's salary. Your retirement benefit is generally provided in the form of regular payments over your lifetime beginning at what the plan calls "normal retirement age," which is typically age 65. This stream of periodic payments is generally known as a pension or sometimes called an allowance ([www.myretirementpaycheck.org](http://www.myretirementpaycheck.org)).

Provident funds place contributions into a fund run by the government. Using a defined contribution (DC) scheme, provident funds return to workers their contributions plus interest. Return rates are often low and administrative costs high with money being used inefficiently by the state. The main feature that distinguishes these traditional social pensions from other pension schemes is that their eligibility criteria do not require a history of contributions; instead, they are cash transfers. Common problems with these systems include their high evasion rates, early retirements, and their high burdens as life expectancies improve and birth rates decrease (World Bank, 1998).

According to World Bank (1998) pensions featuring contribution histories now dominate old-age security in most developed countries and are supplemented by a safety net scheme. In many developing countries in Latin America, the Middle East, Africa and Asia, mandated contributory schemes of social insurance have been introduced. However, some countries, such as India and Sri Lanka, have continued to use the provident fund model. Several others depend largely on noncontributory pension schemes.

### **2.3. Types of Pension Scheme**

According to Yermo (2002) pension schemes can be classified as; public vs. private pension plan, occupational vs. personal pension plans, defined benefit vs. defined contribution plans, and funded vs. unfunded pension plans.

### **2.3.1. Public vs. Private Pension Plan**

Public pensions are the retirement plans for those who work in central, state, and local governments, including social security institutions/ administer the payment of pension benefits. Their purpose is to provide minimum benefits on retirement for the population at large (or at least the formal sector). Public plans have been traditionally PAYG financed. Private pension plan, on the other hand, is a pension plan where employees who work for companies are covered by it, although not all companies offer such plans. Private pension plans are managed by the employer acting as the plan sponsor, a pension entity or a private sector provider. Private pension plans may be complements or substitutes to social security systems. In some countries, these may include plans for public sector workers. (<http://classroom.synonym.com/public-pensions-vs-private-pensions-13732.html>)

### **2.3.2. Occupational vs. Personal Pension Plans**

Occupational and Personal Pension Plans defined as follows:

*Occupational pension scheme is a pension scheme set up by an employer to provide retirement and/or other benefits for employees. It is sometimes called a “company pension scheme”. Personal pension plans, on the other hand, is a policy taken out with an insurance company in order to provide benefits in retirement. These may be taken out by those who are self-employed or who are in non-pensionable employment. There are two forms of personal pension plans, a Retirement Annuity Contract (RAC) and a Personal Retirement Savings Account (PRSA). Retirement Annuity Contract (RAC) is an individual pension policy which can only be affected by individuals who are in non-pensionable employment or who have taxable earnings from a self-employed trade or profession. Also known as personal pension plans. Personal Retirement Savings Account (PRSA) is a personal pension plan that you take out with an authorized PRSA provider. It is like an investment account that you use to save for your retirement. PRSAs are a type of defined contribution scheme. You make regular contributions to your pension, and a proportion of these are tax deductible. (Yermo, 2002)*

In sum, access to occupational pension plans is linked to an employment relationship between the plan member and the entity that establishes the plan (the plan sponsor). Occupational

plans may be established by employers or groups of employers (e.g. industry associations), sometimes in conjunction with labor associations (e.g. a trade union). Generally, the plan sponsor is responsible for making contributions to occupational pension plans, but employees may be also required to contribute. Sponsors may also have administrative or oversight responsibilities for these plans. A personal plan is not linked to an employment relationship. That is, individuals independently purchase and select material aspects of the arrangements without intervention of their employers. The employer may nonetheless make contributions to personal pension plans. Some personal plans may have restricted membership (e.g. to the self-employed, to members of a particular craft or trade association, to individuals who do not already belong to an occupational plan, etc).

### **2.3.3. Defined Benefit vs. Defined Contribution Plans**

Defined Benefit (DB) Plan: Benefits to members are typically based on a formula linked to members' wages or salaries and length of employment. Defined Contribution (DC) Plan: a pension plan by which benefits to members are based solely on the amount contributed to the plan by the sponsor or member plus the investment return thereon. This does not include plans in which the employer that sponsors the plan guarantees a rate of return. The difference between Defined Benefit Plan and Defined Contribution Plan expressed by ZviBodie, and Ethel (1988) as follows:

*Under a defined contribution (DC) plan each employee has an account into which the employer and, if it is a contributory plan, the employee make regular contributions. Benefit levels depend on the total contributions and investment earnings of the accumulation in the account. Often the employee has some choice regarding the type of assets in which the accumulation is invested and can easily find out what its value is at any time. Defined contribution plans are, in effect, tax- deferred savings accounts in trust for the employees, and they are by definition fully funded. They are therefore not of much concern to government regulators.*

### **2.3.4. Funded vs. Unfunded Pension Plans**

Funded pension plans have accumulated dedicated assets (may be identified reserves in the plan sponsor's balance sheet or/and segregated assets) to pay for the pension benefits. On the other hand unfunded pension plans are those that are financed directly from contributions from the plan sponsor or provider and/or the plan participant. Unfunded pension plans are said

to be paid on a pay-as-you-go, PAYG, method. Unfunded plans may still have associated reserves used to cover immediate expenses.

#### **2.4. Worldwide Social Security Reform**

Social security has been widely recognized in numerous international legal instruments, such as the Declaration of Philadelphia (1944) and the Universal Declaration of Human Rights (1948), as a fundamental human right. However, it remains unfulfilled for the majority of the world's population despite the impressive extent of coverage over the past century (ILO, 2010).

In 2012, the ILO estimated that only 27% of the working age population and their families across the world had access to comprehensive social security systems, for example, pension compared to almost three quarters (73% or 5.2 billion people) of the world population who lacked access to comprehensive social security. The ILO report (2014) notes that half of the population in both middle- and low income countries is not sufficiently protected and live in poverty. In addition, 800 million people are the working poor, of whom the majority is in the informal sector. The report indicates that lack of access to social security by such a large population is a major obstacle to economic and social development. This is so because limited or lack of social security coverage is associated with high and persistent levels of poverty and economic insecurity, growing inequality levels, inadequate investments in human capital and weak aggregate demand in a time of recession and slow economic growth.

The World Social Protection Report 2014/15 indicates that about one-third of the total non-health public social security expenditure, amounting to 2.3 % of the GDP (Gross Domestic Product), is spent on benefits for those of working age. This includes unemployment benefits, employment injury benefits, disability benefits and general social assistance. However, there are significant regional variations, with less than 0.5% in Africa, 1.5% in Asia and Pacific, and 5.9% in Western European countries (ILO, 2014).

#### **2.5. Major Objectives of Pension Scheme**

According to Barr (2001) people seek to maximize their well-being not at a single point in time, but over time. Someone who saves does so not because extra consumption today has no value, but because he values extra consumption in the future more highly than extra consumption today. Similarly, most people hope to live long enough to be able to retire. Thus

a central purpose of retirement pensions is consumption smoothing – a process which enables a person to transfer consumption from his/her productive middle years to his/her retired years, allowing him/her to choose his/her preferred time path of consumption over working and retired life. Pension systems can also protect spouses and young children when a worker die before retirement, and can insure against disability. In the simplest of all worlds a person provides for his pension through voluntary savings to achieve his optimal time path of consumption and through an income to protect himself and his spouse against the longevity risk.

*Pension systems can redistribute incomes on a lifetime basis, complementing the role of progressive taxes on annual income. Lifetime redistribution can be achieved by paying pensions to low earners that are a higher percentage of their previous earnings, thus subsidizing the consumption smoothing of lower earners. Since lifelong earnings are uncertain from the perspective of an individual, such a system provides some insurance against low earnings. There can also be redistribution towards families, for example paying a higher pension to a married couple than to a single person, even though both families have paid the same contributions (Barr, Nicholas and Diamond, Peter 2001).*

Alongside these primary objectives, pension's policy may have secondary goals, including economic development broadly and economic growth specifically. Badly-designed pensions may create adverse effect. This means excessive public pension spending contributes to high tax rates and putting growth at risk. Conversely, pension arrangements can assist the operation of labor and capital markets and may encourage saving.

## **2.6. Pension Scheme in Africa**

Pension reform in Africa is not only the need to introduce social protection systems but also to help alleviate demographic pressures, poverty amongst the elderly and provide support for households headed by grandparents following the HIV AIDS pandemic and regional conflicts. In addition there is a vital need for reform of existing pension systems in the region, the cost of which is often crowding out spending on other key areas (such as health and education). Coverage of these systems is low (under 10 or often under 5 percent of the population) and usually only for civil servants or a minority of relatively highly paid workers in formal sector employment, making for highly regressive systems, with cross-subsidies required from indirect taxes (usually VAT) as pension payments from these systems frequently exceed contributions. The need for efficient pension arrangements in the region is undoubted –

though the challenges for introducing them remain great (notably the large informal sector of workers) Stewart and Yermo (2009).

According to Help Age International(2006) report, the United Nations estimates that by 2050 there will be almost 2 billion people over 60 worldwide, close to 80% of whom will be living in developing countries. As elsewhere, the over 60s – and particularly the over 80s – represent the fastest growing population group on the African continent, with the numbers of older people increasing by 50% between 2000 and 2015 and nearly fivefold by 2050.

*One in five (an estimated over 100 million) of the world's poorest people - living on less than a dollar a day – are over 60. As in other regions of the world, social pressures from urbanization and declining family size will make it harder for elderly Africans to rely on family support. Global experience shows that issues surrounding aging populations - including pensions - cannot be addressed too early and developing countries should try to use their demographic sweet spot', when dependency ratios are falling and before the impact of aging hits, to address these challenges (Van Dullen ,2007).*

According to Palacios, Pallares-Miralles (2000) pensions play an important role in poverty alleviation of the elderly - one of the most vulnerable groups in any society, particularly older women. Yet, according to the ILO, only one in five workers is covered by adequate social security schemes, whilst the World Bank(2001) point out that 85% of the world's population over 65 has no retirement benefit at all. In sub-Saharan Africa less than 10% of the older population has a contributory pension.

Basic, social support can be implemented via public pension arrangements. Indeed social protection is increasingly considered as contributing to the development process in the same way as health and education (van Dullen (2007)).However, irrespective of the type of arrangement, in addition to reducing poverty amongst the elderly, providing pensions has also been shown to have implications for broader society, as benefits are shared with household members – for example via providing food, clothing and school materials for grandchildren.

In countries with high levels of labor market informality, as is the case in developing countries in Africa and elsewhere, as large groups of the population may not have access to the pension system but support it indirectly via the tax system. Spending of pensions (particularly on pensions for civil servants and other special schemes) has increased enormously in the region, and is crowding out spending on other deserving programs (Yermo, J., 2008).

The potential for major fiscal imbalances and regressive distributional outcomes is compounded when the pension scheme is designed to cover only specific workers with a high degree of political power. In Africa this is often the case of civil servants pension arrangements. In all countries the formula used to calculate the pension for civil servants tends to be more generous than for private sector workers. The impact of a more generous formula and a more mature system along with a lack of reserves results in a build-up of large deficits that are ultimately a burden on the rest of the population, and the crowding out of other important expenditures (Yermo, J., 2008).

*Civil servants in Uganda are covered by the public service pension scheme, run by the public service pension fund. Despite the name, the system is financed directly from the government budget; there are no legal contributions. Civil servants can retire at the early age of 45, the reference wage for pension calculations is the last salary and benefits are indexed to wages. A similar scheme covers staff of the armed forces. By contrast, the civil service scheme in Botswana now operates on a fully funded, defined contribution basis, with no burden on the rest of the economy except the contribution rate of the government which is transparent (Bogomolova et al., 2006).*

According to Stewart and Yermo (2009), most Sub Saharan African countries do not have meaningful publicly managed pension and social security systems, though some form of pension coverage is available in a limited number of countries. Where benefits are offered to formal sector workers, they are provided either by public service pension schemes (the public sector being by far the largest employer in most countries the region), national (usually mandatory) schemes covering private sector workers (which may also cover the public sector), occupational schemes managed by employers other than the government and individual / personal pension schemes (usually offered by insurance companies on a voluntary basis). For example, universal pension systems operate in Botswana, Mauritius and Namibia, whilst a means tested public pension is available in South Africa. Social pensions also operate in Lesotho and Senegal, whilst occupation pensions are available, albeit for a limited percentage of the population, in countries such as Nigeria and Kenya. However, it should be noted that the majority of people in the region work in the informal sector and are therefore not covered by these schemes, implying that they rely on informal arrangements and their own/ family resources.

The structure and challenges to the pension systems in each country differ, with countries correspondingly adopting different reform agendas. The pace of reform also differs from

country to country, ranging from the introduction of individual DC accounts in Nigeria, to extending pension coverage to the informal sector in Botswana; exploring ways to overhaul the civil service pension scheme in Kenya; to improving pension fund governance and reforming taxation of retirement funds in South Africa. Many countries - including Botswana, Kenya, Zambia - are reviewing their national social security and severance schemes to make them less expensive to administrate and more sustainable for retirees in the long run.

A major component of these announced reforms is the need to improve the quality and effectiveness of the supervisory oversight of the flourishing pension system. In most countries pension and social security institutions are not regulated and supervision is fragmented and weak. Countries such as Zambia and Kenya continue to establish their pension fund regulation, whilst new supervisory authorities have been created in countries such as Botswana.

According to Stewart and Yermo (2009), the challenges of systemic reform, where there is a shift from unfunded to funded schemes and possibly the introduction of private management of assets, are particularly great in Sub-Saharan Africa. Reformers face three major obstacles:

- First and foremost, any diversion of contributions to a new funded scheme will force governments to find resources to cover the resulting gap. Since most of the countries depend heavily on foreign aid to supplement their budgets, there is little scope for financing the transition, at least not a rapid transition.
- Second, existing public pension institutions are generally not equipped to meet the recordkeeping requirements of a funded individual accounts scheme.
- Finally, few of the conditions that make a privately managed, funded system viable – investment opportunities, solid regulatory institutions, and potential participants in the private pension sector – are present in most of the region.

## **2.7. Pension Scheme in Ethiopia**

### **2.7.1. History of Pension Scheme in Ethiopia**

Looking after the aged, the sick and the disabled relatives was a traditional and religious duty to Ethiopians. Since the blood relationship in Ethiopia society was very strong and was also a cultural obligation to look after the children of poor relatives and orphans, the burden was not

lied at all on the government. Public servants, however, were being given a piece of land as a reward for the service they delivered in the battle field.

In Ethiopia various social associations with a purpose of providing members and their dependents with material assistance in the event of economic misfortunes have had a long history. These societies continued to function even after the advent of industrialization and the development of urban centers (ILO, 2012).

As it is cited in Abebe (2003), during the reign of Menelik II, if a military servant gets old he had the right to demand the authorities to replace his son in his place. This was done so that the son would be able to take care of his old father. Pension benefits as such, started to become a national responsibility in a limited area during the reign of Emperor Haile Selassie. The first legally established pension system in Ethiopia established in December 1933; a bill containing the pensioning of old and incapable soldiers was introduced into parliament and which contained 16 articles marked. The retirement age was fixed to seventy (70) years (Zekre Neger, 1942).

As per “Yetureta Tarik Kidme Abiyot/ Dihre Abiyot Ethiopia / (1979 E.C.):

*The payment benefit was to be made both in kind and cash according to the circumstances. Those soldiers who were to be given land as payment for their services were allowed to keep one-third of it at retirement. In situations where the pensioner had a son capable of replacing him as a soldier, the land would be transferred to the son and he would be responsible for looking after his old father. In situations where the military person's service period had started from the battle of Embabo, Harar and Adowa, he was entitled to the use of all that he was possessing before retirement and in some cases the military servant was dispossessed of his former land and was given of another in the province of Arussi and certain amount of cash for the development of the new land. Where the salary was made in cash, the salary was transferred to the son if the former had one. The son was made responsible to look after his father. If the son was found fit enough, he was also given the rank of his father. In case where the pensioner had no son, he was given certain amount of benefits. Where the pensioner had a minor son, the son was given benefits till he reached 15 years old or above. The benefit was proportional to the service and rank of the father. In addition to this, the survivors were entitled to three months' pay of the deceased for the preparation of his “Tezkar”(=Payment to be made to the church in cash or in kind for the priests to pray for the deceased.*

**Table1. Benefits for those Father’s Service started before the Battle of Segele**

<b>Son of captain</b>	<b>Eth. Birr 20 /year</b>
<b>Son of lieutenant</b>	Eth. Birr 15/year
<b>Son of sergeant</b>	Eth. Birr 14 /year
<b>Son of civilians</b>	Eth. Birr 12 /year

Source: “Yetureta Tarik Kidme Abiyot/ Dihre Abiyot Ethiopia / (1979 E.C.)

**Table 2. Benefits for those whose Father’s Service started after the Battle of Segele**

<b>Son of captain</b>	<b>Eth. Birr 16 /year</b>
<b>Son of lieutenant</b>	Eth. Birr 12 /year
<b>Son of sergeant</b>	Eth. Birr 10 /year
<b>Son of civilians</b>	Eth. Birr 8 /year

Source: “Yetureta Tarik Kidme Abiyot/ Dihre Abiyot Ethiopia / (1979 E.C.)

Table1 and 2 show the benefit of those children whose father’s service started after and before the battle of Segele. For those children whose father’s rank was captain and whose father’s service started before the battle of Segele, for example, the yearly payment became 20 Ethiopian Birr. And also for those children whose father’s rank was captain and their father’s service started after the battle of Segele, for example, the yearly payment became 16 Ethiopian Birr.

### **2.7.2. Private Organizations Employees Social Security Agency (POESSA)**

The objectives of FDRE Private Organizations Employees Social Security Agency (POESSA) are to provide permanent employees of private organizations with reliable and sustainable social security and encourage personal savings among them.

Internationally, Ethiopia is a member the International Labour Organization and International Social Security Association. It is also signatory to their conventions on Social Security as a human right and as a poverty reduction strategy. Nationally the right to social security is specified in the FDRE Constitution article 90 (1) as part of the country’s Social Policy, as the

rapid expansion of the private sector and as the Growth and Transformation Plan (GTP) of the country. There are organizations established prior to the enforcement of this legislation and did not provide their employees with provident fund or pension scheme. However, if the majority of the employees decide to be part of this scheme despite prior existence of a provident fund or pension scheme in the organization, they have the right to be part of the scheme.

According to POESSA, business, industrial, agricultural, construction, charity and social services organizations or any other legally formed private organizations or institutions established after the proclamation came into effect will be part of this scheme. All permanent employees and those hired with no limited amount of time in private organizations must also be part of the scheme. On the other hand, this scheme is not applicable to political and religious organizations. However, their employees have the right to join the scheme up on expressed consent.

Updating information on Profile Changes is very important in situation of liquidation, assimilation, separation, confiscations changes in name of the organization and in situation of termination of employment, change in salary, marriage, divorce, the death of registered survivors of the employee in question and etc. The time frame to submit registration and updated Profile Change documents is to be submitted to the agency within 60 days after the employee is hired or after the changes in question have occurred.

Individuals who were employed by a private or government organization after entitlement to previous pension payment has been guaranteed, can continue to receive both their current salary and previous pension payment. A private organization employee who had become entitled to pension payment before retirement age and becomes re-employed in the private or government organization, will be entitled to pension that will consider his/her previous service combined with his/her current or future service years.

Pension contribution to the scheme has been commenced on July 2011 (Hamle 2003 Ethiopian Calendar). As a result, private organizations have to make the contribution using forms available at tax collector offices where they paid their taxes as of August 2011 (Nehase 1, 2003 E.C.)

**Table 3.Amount of Pension Contributions based on the Gross Salary of the Employee**

<b>Period</b>	<b>Employees</b>	<b>Employers</b>	<b>Total</b>
<b>July 2011- June 2012</b>	5%	7%	12%
<b>July 2012- June 2013</b>	6%	8%	14%
<b>July 2013- June 2014</b>	7%	9%	16%
<b>June 2014- current time</b>	7%	11%	18%

Source: POESSA (2003)

Table3. indicates the amount of contributions by both the employees and employers of private and public sectors. The fund is a contributory scheme fully funded by contributions from employees and employers, both contributing a total equivalent to 12% of the employee's monthly wages, with the employee contributing 5% and the employer 7% from July 2011- June 2012. Currently the contribution grows from 12% to 18%.The scheme covers all employees in the private and public sectors. The scheme does not reach people who work in the informal sector, like street vendors, self-help schemes, mutual burial groups ("Edir"), cooperatives, market associations, etc.

The Ethiopian Customs and Revenue Authority and Regional Revenue collection bodies have been given the mandate to collect pension contributions. Accordingly, private Organizations are required to deduct pension contributions from all employees up on paying salaries every month and must transfer monthly contributions by both employees and the organization to legally mandated bodies collecting pension contributions within 30 days of paying last month's salary. The documents that should accompany Pension Contribution Declaration are Electronic and Hard copy document containing employees' full name, Tax Payer Identification Number, Salary, employee-employer contribution, name of the employer and tax payer identification number. Moreover, the document to be submitted monthly are: name of the private organization, tax payer identification number , gross salary paid to all permanent employees, total amount of contribution of the employee, total amount of contribution by the organization and changes in salary or employment and termination details of an employee accompanied by bank account number.

There are different benefits of the pension scheme. There are Old age and Sickness Benefits, Work Injury Benefits, and Survivors Pension. Old age and Sickness Benefit pension scheme

employed for those employees who have ten years of service. These employees are entitled to 30% of the average salary paid in the last 36 months of employment. An additional 1.25% will be added each year for service spanning more than ten years. Work Injury Benefits do not consider service years and age. The injured will be entitled to 47% of his or her monthly salary received before the month during which the injury occurred. And Survivors Pension scheme is a scheme that is out of the pension entitlement of the deceased. In this case spouse will be entitled to 50%, children will be entitled to 20%, and parents will be entitled to 15%.

**Table 4. The Private Employees' Pension Scheme Proclamation**

Gross Salary	Service Year	Replacement rate	Pension due	Net Salary	Replacement
<b>800</b>	20	42.5	340	671	50.63
<b>1700</b>	20	42.5	722.5	1358.5	53.18
<b>2900</b>	20	42.5	1232.5	2207	55.84
<b>4200</b>	20	42.5	1785	3058.5	58.36
<b>5000</b>	20	42.5	2125	3502.5	59.64
<b>7100</b>	20	42.5	3017.5	4780.5	63.12
<b>10500</b>	20	42.5	4462.5	6752.5	66.08
<b>13200</b>	20	42.5	5610	8318.5	67.44
<b>800</b>	30	55	440	671	65.52
<b>1700</b>	30	55	935	1358.5	68.82
<b>2900</b>	30	55	1595	2207	72.27
<b>4200</b>	30	55	2310	3058.5	75.52
<b>5000</b>	30	55	2750	3562.5	77.19
<b>7100</b>	30	55	3905	4780.5	81.65
<b>10500</b>	30	55	5775	6752.5	85.52

Source: POESSA (2003)

Table 4 displays the contributions that are made by an employee from his/her gross salary based on the service year and the net salary he/she received. If we take the first row, for example, a person with a gross salary of 800 ETB with 20 years of service, the replacement rate is constant(=42.5) and 340 birr will be given for the pensioner. The replacement rate is assigned by the government and increased as the service increased.

## **2.8. Relevance of Pension Scheme**

According to Stewart and Yermo (2009), pensions play an important role in poverty alleviation of the elderly - one of the most vulnerable groups in any society, particularly older women. Yet, according to the ILO, only one in five workers is covered by adequate social security schemes, whilst the World Bank point out that 85% of the world's population over 65 has no retirement benefit at all. In sub-Saharan Africa less than 10% of the older population has a contributory pension.

Basic, social support can be implemented via public pension arrangements. Indeed social protection is increasingly considered as contributing to the development process in the same way as health and education. Irrespective of the type of arrangement, in addition to reducing poverty amongst the elderly, providing pensions has also been shown to have implications for broader society, as benefits are shared with household members for example via providing food, clothing and school materials for grandchildren. In addition, the ILO point out that providing social pension has helped to reverse rural-urban migration, decrease birth mortality rates and provided much needed liquidity to households (allowing them to shift from subsistence to surplus agriculture, invest in rural production and increase consumption and provide credit for pensioners). Examples from developing countries have shown that implementing a basic pension need not be particularly complicated or expensive, as social pensions can cost only a few percent of GDP (Stewart and Yermo, 2009).

Yermo (2008) also pointed out, in addition to social pensions being affordable for many emerging economies, developing funded pension systems can also reduce government expenditure, thereby releasing funds to direct to other key policy challenges and initiatives. The reform of unsustainable pay-as-you-go (PAYG) pension systems can help reduce the fiscal burden that such schemes place on the population, and indeed avoid burdening future generations. Such concerns are greatest in countries with high levels of labor market informality, as is the case in developing countries in Africa and elsewhere, as large groups of the population may not have access to the pension system but support it indirectly via the tax system. Spending of pensions (particularly on pensions for civil servants and other special schemes) has increased enormously in the region, and is crowding out spending on other deserving programs.

The potential for major fiscal imbalances and regressive distributional outcomes is compounded when the pension scheme is designed to cover only specific workers with a high

degree of political power. In Africa this is often the case of civil servants pension arrangements. In all countries the formula used to calculate the pension for civil servants tends to be more generous than for private sector workers. The impact of a more generous formula and a more mature system along with a lack of reserves results in a build-up of large deficits that are ultimately a burden on the rest of the population, and the crowding out of other important expenditures.

In general, Stewart and Yermo (2009) described prefunding via pension funds as it is preferable to reserve funds, as the former guarantee ownership or beneficial rights to pension plan members and are normally subject to a comprehensive regulatory and supervisory framework. Moreover, the financial advantages of prefunding generally apply whether this takes place via pension funds or reserve funds. A preference for reserve funds may arise if there are cost or/and investment performance advantages over privately managed pension funds, something which is unlikely to happen in countries with poor public sector governance.

## **2.9. Empirical Studies**

Abebe (2003), in his study, attempted to assess the Extent of the Practices and Problems of Social Security, especially of Pension Policy in Ethiopia. The study has attempted to answer the eight basic questions indicated in his study. The development of Social Security against different perspectives, features of Social Security Programs, pension systems as part of Social Security with their classification criteria and pension types were stated in the review of the related literature. Practices of Social Security in some other countries were also briefly discussed.

The study clarified how the pension scheme is planned, that is the amount which the employer and the employee contributed to the scheme, what the pension benefits are and the purpose they intend to serve, what the limitation of the entitlement to benefits are and causes that terminate or discontinue pension benefits.

Based on the gathered data, the following findings were identified. Accordingly, the existing pension legislations lacked uniformity, clarity and were not sufficient for pensioners to live. Rather, most of the pensioners were said to be more dependent in begging than on their pension payments.

Abebe's study focused on the policy of pension scheme in Ethiopia in general. He tried to see it from the Ethiopian pension law perspective. Abebe couldn't see its practice on the ground.

He focused only on ministry offices. But, this study focused on the pension and retirement scheme in private preparatory schools.

Abdi Ayana (2012) studied a research in title “Who Takes Care of the Elderly in Ethiopia when Reciprocal Relationships Breakdown? “In his study he found the following: in Ethiopia formal social security was almost nonexistent and the majority of the population were excluded from the formal social security system while the traditional social security arrangements mainly provided by the family had also broken down. The main results from this study identified and described the lack of opportunity, support and basic resources, challenges and coping mechanisms of elderly people. Abdi focused on post retirement issues. He also tried to show the challenges the people under retirement faced. But he couldn’t focus on the policy of the government towards the pension and retirement scheme in private organizations.

Hiwot (2012) undertook a study to assess the Practices and Challenges of Pension Funds Investment in Ethiopian Social Security Agency. In order to answer the research questions: (What is the current situation of pension funds investment in SSA? What are the challenges of pension funds investment practices in SSA?, How is the pension funds investment administered?, What is the effect of investment performance on financial earning of pensioners and SSA’s employees?) she used both quantitative and qualitative methods. Basic concepts and definition about pension plans, classification of pension plans, and investment consideration for different types of pension plans were stated in the review of the related literature. Practices of pension fund investment in some other countries were also briefly discussed. Based on the gathered data, the finding indicated that: the yield on pension fund investment was not sufficient.

Hiwot (2012) in her study tried to evaluate the practice of pension scheme in ministry offices from the accounting point of view. She used her accounting background as a tool to evaluate the scheme especially on pension funds investment in SSA. But, this research focused more on the social aspects of pension and retirement scheme in private preparatory schools.

To sum up, the three researchers focused more on the ministry offices and try to investigate the policy of the Ethiopian government on social security and its practice. The three researchers tried to identify the drawbacks in the policy. But, this research focused on how

much the policy was practiced on the ground that means how the beneficiaries were practicing the scheme and how much was the ministry office (POESSA) implementing the scheme.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHDOLOGY**

This chapter presents research methodology, population and sample, instrument of data collection, procedure of data collection and method of data processing and data analysis.

#### **3.1. Research Design**

The research design for this study is descriptive survey. This method helps to gather facts and relevant perceptions of those employees involved in. Therefore, to make this practical both qualitative and quantitative data were used. Quantitative method was used in order to obtain information from teachers through questionnaire. While qualitative method was used in order to conduct interview with administrative staff members of the eight schools and officers from EFDR POESSA. According to Marshall and Rossman (1995), the strength of qualitative approach lies in its use in exploratory or descriptive research.

#### **3.2. Sources of Data**

In order to gather information, the researcher employed both primary and secondary data sources. The primary sources of data were collected from four groups namely; teachers from the drawn 8 sample schools operating in Kolfe Keranyo Sub City of Addis Ababa City Administration (through questionnaire), school administrators (through interview and FGD) and officers from FDRE POESSA (through structured interview). Secondary data, which were relevant to the theme of the study, were collected from such documents as proclamations, decrees, policies, bulletins, websites, and official reports regarding pension and retirement scheme in order to secure background information.

#### **3.3. Population and Sample Size**

This study was conducted in ‘Kolfe Keranyo’ sub city which was one of the 10 sub cities in Addis Ababa City Administration. This sub city was selected because of the researcher’s prolonged work experience in the area. In Kolfe Keraniyo sub city there were 16 private preparatory schools. From these schools, 8 schools were selected randomly by a lottery method to establish fifty percent representation. Simple Random Sampling technique is used to give equal chance for the schools to be selected. The selection of the schools was done by assigning numbers to each schools and then drawing a number at random. The list of the schools was obtained from Addis Ababa City Administration Education Bureau annual published abstract (2015). These schools were Atlas Secondary and Preparatory School,

Teweled Tesfa Secondary and Preparatory School, Bikolos Secondary and Preparatory School, Meweda Secondary and Preparatory School, Beteseb Secondary and Preparatory School, Merit Secondary and Preparatory School, Time Secondary and Preparatory School, and Repi Abel Secondary and Preparatory School. The samples were taken from these 8 randomly selected schools and one purposefully selected ministry office i.e. FDRE POESSA. It was selected as its proximity to the information related to pension and retirement policy.

In the 16 Private Preparatory Schools of Kolfe Keranyo Sub City, there were 420 teachers and 75 administrative staffs. From the 16 schools, 8 schools were selected. In the 8 randomly selected schools, there were 210 teachers and 40 administrative staffs. From them, 50% of the private preparatory school teachers and administrative staffs were selected through simple random sampling technique. Moreover, 5 officers from the ministry of POESSA were taken as a representative sample.

**Table 5- Population and Sample Size of Respondents by School, Occupation and Years of Service**

No	School Name	Teachers					School Administrators					Years of Service (sample)			
		population		Sample			population		Sample			Less than 10	11-20	21 - 30	31 and above
		M	F	M	F	%	M	F	M	F	%				
1	Beteseb	22	2	10	2	50	6	-	3	-	50	12	-	-	-
2	Meweda	28	2	13	2	50	6	-	3	-	50	10	2	-	-
3	Time	23	1	11	1	50	3	1	1	-	50	12	-	-	-
4	TewelidTesfa	26	4	11	4	50	4	-	2	-	50	8	4	3	-
5	Repi Abel	28	2	13	2	50	6	-	3	-	50	9	3	3	-
6	Atlas	27	3	12	3	50	6	-	3	-	50	8	5	2	-
7	Merit	24	-	12		50	5	1	2	1	50	7	5	2	1
8	Bikolos	18	-	9		50	1	1	1	1	100	9	-	-	-
	<b>Total</b>	196	14	91	14		37	3	18	2		75	19	10	1

Source: From the 8 schools under study

NB: Since the number of female teachers and administrators are small in number in the researched schools, all were taken.

In order to gather the required data from 20 school administrators and five officers from the Federal Democratic Republic of Ethiopia Private Organizations Employee Social Security Agency (POESSA); purposive sampling technique was employed. The officers were selected because they have direct relation to the issue under study (The Policy and Practice of Pension and Retirement Scheme in Private Organizations) and also help the researcher to collect

relevant and detailed information from them. Thus the officers who agreed to participate in the study up on the request of the researcher were participated by providing necessary information about the issues under study.

### **3.4. Instruments of Data Collection**

In this study questionnaire, interview, and focus group discussions were utilized in order to gather primary sources. Documents such as manuals, proclamations, decrees, publications, bulletins, websites, and official reports regarding pension and retirement policies were used to gather secondary data. To collect detailed information from administrators, unstructured interview were used. According to Seale (2004) combining more than one method in looking at a particular research questions was used to crosscheck results for consistency and enhance confidence in the research findings. The justifications for each technique of data collection were presented as follows.

#### **3.4.1. Interview**

Interviews were used as a source of data gathering tools because it provides uniform information, which ensures the comparability of the data (Kumar, et al (1984)).It was conducted among administrators and FDRE POSSA officers that enabled the researcher to collect data on knowledgeable sources about policy and practice of pension and retirement scheme in private preparatory schools of Kolfe Keranyo sub city of Addis Ababa. So the interviews were made from different angles. The interview guide questions were focus on the general guidelines to implement the pension scheme, the current pension policy, knowledge and perceptions of employees and about its implementation. In the interview, a total of twenty administrators from the eight schools and five officers from the ministry office were involved. The interviews were taken place in their respective work areas. The researcher made the interviews and discussions from thirty to thirty-five minutes on average using tape recorder and short notes. The interview questions were attached in appendix II and III.

#### **3.4.2. Questionnaire**

Questionnaire were used as another source of primary data collection method, because questionnaire were less expensive, offer greater anonymity of respondents and appropriate for collecting factual information(Kumar, et al (1984)).It also helps the respondents to choose one option from the given scales that best aligns with their views. It was employed to teachers of the eight private preparatory schools of Kolfe Keranyo Sub City of Addis Ababa.

In order to answer the basic questions, a 52 item questionnaire that has 6 sections was prepared. The first and second part dealt with the background data of the respondents. In this part respondents were asked about their age, level of education, marital status, work experience, and occupation. In the third part, respondents were asked about their knowledge of retirement and pension scheme. The fourth section was about acceptance of the retirement and pension schemes by private preparatory schools employees. The fifth part dealt with perception of private preparatory schools employees toward the pension scheme as compared to the previous provident fund. In this category, respondents were asked about whether they were satisfied with the current pension scheme or not. The last part dealt with what factors are influencing the operational effectiveness of retirement and pension scheme in private preparatory schools of Kolfe Keranyo. With the exception of the first and second part, the rest were designed using Likert scale. The Likert scale ranges from 'strongly agree' to 'strongly disagree' (5=strongly agree 4=agree 3=undecided 2=disagree 1=strongly disagree).105 copies of questionnaires written in English and translated into Amharic were administered among respondents. After the Amharic version questionnaires were filled by the teachers of the schools understudy; they were converted to English language for analysis.

#### **3.4.3. Focus Group Discussion**

In this research, focus group discussion (FGD) was another primary tool for data collection. It was used in this study because it is an efficient and interesting ways gaining insight in two ways in which people share their knowledge and argue their different point of views (Best and Jams 2004).It was conducted among the principals of the 8 schools. However, it was very difficult to arrange a focus group discussion for those workers who were currently working in office because their day-offs were on different schedules. Thus, the researcher arranged only two focus groups discussion each consisting of 4 principals. The discussions were held after their regular working hours. Discussions were taken place in nearby two cafés which were rented on hourly basis. These principals were selected on the basis of their willingness. The researcher was a moderator in these discussions. The discussions were undertaken through the guidance of a prepared set of questions. Tape recorder was used to record their discussions. In addition to this, some notes were taken as a sort of reminder to issues raised in the discussions.

#### **3.4.4. Document**

Documents reveal what people do or did and what they value. The secondary sources were obtained from different documents: published as well as unpublished. Key documents from

FDRE POSSA were reviewed and incorporated to enrich the findings of the study. Books, websites, and other related sources were also consulted. Furthermore, documented data was also taken from articles, magazines, newspapers, and journals.

### **3.5. Pilot Testing**

Before the final questionnaires were distributed, pilot testing was conducted in Ayer Tena Secondary and Preparatory School which was not included in the sample schools study. It was selected to ensure that the respondents understood what the questionnaire wanted to address and was done with the objectives of checking whether or not the items contained in the instruments could enable the researcher to gather relevant information, to secure the validity and reliability of the instruments and eliminate problems in collecting data from the target population. The draft questionnaires were distributed to 10 teachers of the above stated school purposefully. These limited numbers of teachers' respondents were selected because the numbers of teachers in preparatory schools were very limited. After the questionnaires were filled and returned, the reliability and validity of items were measured by using SPSS version 16 computer software. The Cronbach's Alpha model was used for analysis. Based on the pilot test, the reliability coefficient of the instrument was found to be statistically calculated.

The participants of the pilot test were also be first informed about the objectives and how to fill, evaluate and give feedback on the relevance of the contents, item length, clarity of items, and layout of the questionnaire. Based on their reflections, the instruments were improved before they were administered to the main participants of the study. As a result of the comment, five irrelevant items were removed; three lengthy items were shortened, and some unclear items were made clear.

The internal reliability was calculated using Cronbach's Alpha Coefficient for the questionnaires. The table below indicates the computed internal reliability coefficient of the pilot test.

**Table 6: Reliability Statistics**

Scale	Cronbach's Alpha	Number of Items
Knowledge of the scheme	0.851	17
Acceptance of the scheme	0.831	11
Perception over the benefit of provident fund	0.756	14
Factors	0.784	10
The entire questionnaire	0.918	52

Based on the result of the reliability test that has shown on table 6, the Cronbach's Alpha results for the questionnaire scales are in the range 0.756 to 0.851. This result shows the reliability of the responses in acceptable. Similarly, the result of the entire questionnaire (Cronbach's Alpha=0.918) also shows good reliability result.

### **3.6. Procedures of Data Collection**

After the pilot test was conducted, the formal data collection methods agreement was made with the teachers in the schools understudy to gain permission in order to conduct the study through questionnaires ethically. For the participants who were involved in the interviews and the focus group discussions, they were approached by talking about other issues that were not related with the research topic as a means of introduction. Then they were informed about the general aim of the research and the usefulness of the participant's involvement in the research to make the study complete and reliable. For those interviews and focus group discussions respondents, they were also told that their names would not be mentioned; so that their responses and views would be very secure and used for the research purpose only.

Then they were well informed about the research purpose and objectives. They were asked their willingness to be involved in the discussion and interview process after receiving their full consent. In order to express their words with confidence, suitable places and time were chosen according to their suggestions. Moreover, the key informants were contacted by showing the letter of cooperation written by the Addis Ababa University College of Education and Behavioral Studies office, in addition to the oral explanation given by the researcher.

Moreover, they were encouraged to share their experiences willingly. Therefore, to keep the confidentiality of the participant's idea, false names and places were used.

### **3.7. Method of Data Analysis**

In order to analyze the data collected through questionnaire, interview, focus group discussion, and document analysis; both qualitative and quantitative methods were employed. The data that was collected through the interview and FGD were recorded, coded and transcribed according to their order of categories by the researcher. In other words the field notes were first checked for completeness then recorded and coded according to the themes of the study. The data that were originally gathered in the interviews, focus group discussions and through document analysis were recorded in Amharic as a better means of communication and understanding with participants. Thus, the conversation that was take place between the researcher and the participants in the interviews and focus group discussions were transcribed.

In order to easily manage the data that were collected, a list was prepared. The notes that were taken during the interview and focus group discussions were edited to make them easier in retrieving the necessary information. Then, the data that were collected: recorded in accordance with dates, names, time, and places of collection. It was also classified and tallied.

Following the above procedures, the data of each group were arranged and organized in each tables and problem areas. Data obtained from the 8 schools' administrators and officers of POESSA were used for interpreting the problem areas under consideration and for suggestions. Thus the organized data were analyzed and interpreted employing SPSS version 16 computer software. Different statistical techniques were employed on the basis of the basic questions stated and on the nature of the data collected. The data collected through questionnaires were tabulated and analyzed by using percent, mean and standard deviation.

The percentage was used to interpret the characteristics of the respondents. Mean and standard deviations were used for organizing and summarizing sets of numerical data collected by the five part Likert scales in the questionnaires. These mean and standard deviations were used as they were used to measure sample record on a particular measure. To this end, descriptions were made based on the results of the tables. The results that were obtained from the interviews and focus group discussion were used for the purpose of strengthening the analysis made based on the questionnaires.

### **3.8 Ethical Consideration**

To make the research process professional and ethical, the researcher tried to clearly inform to the respondents about the purpose of the study. The purpose was introduced in the introduction part of the questionnaire and the interview to the respondents. During the process, the questionnaire was accompanied by opening letter. It was also informed the subjects that their responses were used only for the purpose of the study. In addition it was assured that the respondents' identity were kept confidential. The same procedures were used before conducting the interview.

## CHAPTER FOUR

### PRESENTATION, ANALYSIS AND INTERPRETITION OF DATA

In this part of the study, data collected from different sources were presented, analyzed and interpreted. Respondents' characteristics and issues related to policy and practice of pension and retirement scheme in private preparatory schools of Kolfe Keranyo were discussed in detail. The main focus of this study is to assess private preparatory school teachers' knowledge, perceptions, acceptance and the factors that affected the operational effectiveness of pension and retirement scheme. To this, responses from private preparatory schools teachers, school administrators (principals and vice principals) and the FDRE POESSA officers were discussed separately.

#### 4.1. Characteristics of Respondents

The following parts with the characteristics of respondents participated in the study. Based on the responses obtained from private preparatory school teachers and school administrators ( principals and vice principals), the characteristics of the study groups were examined in terms of age, sex, years of services, marital status, academic qualification, terms of employment, and salary.

**Table 7: Respondents by Age, Sex, Years of Service, and Marital Status**

Variables	Teachers		Administrators		
	No	%	No	%	
Age	30 and below	64	62.7%	-	-
	31 - 40	34	33.3%	6	30%
	41 - 60	4	3.9%	14	70%
	61 and above	0	0.0%	-	-
	<b>Total</b>	<b>102</b>	<b>100%</b>	<b>20</b>	<b>100%</b>
Sex	Male	89	87.3%	18	90%
	Female	13	12.7%	2	10%
	<b>Total</b>	<b>102</b>	<b>100%</b>	<b>20</b>	<b>100%</b>
Years of Service	Less than 10	82	80.4%	4	20%
	10 - 20	15	14.7%	10	50%
	21 - 30 years	4	3.9%	4	20%
	31 years and above	1	1.0%	2	10%
	<b>Total</b>	<b>102</b>	<b>100%</b>	<b>20</b>	<b>100%</b>
Marital Status	Married	43	42.2%	16	80%
	Single	59	57.8%	2	10%
	Widow/Widowed	0	0.0%	2	10%
	Divorce	0	0.0%	0	0.0%
	<b>Total</b>	<b>102</b>	<b>100%</b>	<b>20</b>	<b>100%</b>

As can be seen in Table 6, out of the 102 teachers respondents 87.3% were male and 12.7% were female. In addition, out of the 20 administrators respondents 90% were male and 10% were female. This showed that female respondents of both teachers and administrators were relatively less than that of male.

With regard to age of the respondents, 62.7% of the teachers were aged 30 years and below. This indicated more than half of the teachers' respondents were in the young age category. Besides, no administrator in the study was in this age group category. The age level most administrators included according to the study was the age group of 41-60 which was 70% of the total interviewee. This implied that most teachers of private preparatory schools were found in the age category of below 30 while most administrators of the private preparatory schools were in the age category of 41 to 60 years. The results of the focus group discussions also supported this implication. For example: one of the participant in the focus group discussions said that the number of teachers in the age group above 30 is almost none.

Concerning service years of the respondents, the majority of the teacher respondents were 80.4 % and 20% of the administrators had less than 10 years of service.1% of the teachers respondents were in the category of 31 years and above years of experience while 50% of the administrators were in the category of 10-20 years. Therefore, from this it may possible to conclude that the majority of the teachers have less experience while the administrators have more experience in this category.

The response of the marital status of the respondents showed that the majority of the teachers which were 57.8% were single while 42.2% were married. In the case of administrators 80% were married and 10% were single. The remaining 10%of the respondents were widowed. This implied the majority of the teachers' respondents were married. According to the interview result, some of the respondents concluded that: the teachers got married in order to tackle the cost of living. And it was also difficult to live alone without having a supporter.

**Table 8: Respondents by Qualification, Terms of Employment and Monthly Salary**

Variables		Teachers		Administrators	
		No	%	No	%
Qualification	Diploma	12	11.8%	-	-
	Degree	83	81.4%	16	80%
	Master Degree	7	6.9%	4	20%
	Ph.D. and above	0	0.0%	-	-
<b>Total</b>		<b>102</b>	<b>100%</b>	<b>20</b>	<b>100%</b>
Terms of Employment	Temporary	10	9.8%	-	-
	Permanent	92	90.2%	20	100%
<b>Total</b>		<b>102</b>	<b>100%</b>	<b>20</b>	<b>100%</b>
Monthly Salary (in birr)	<2000	2	2.0%	-	-
	2000 - 5000	92	90.2%	2	10%
	>5000	8	7.8%	18	90%
<b>Total</b>		<b>102</b>	<b>100%</b>	<b>20</b>	<b>100%</b>

In terms of educational qualification, Table 7 depicted that 81.4% of the teacher respondents were first degree holders whereas 6.9% of the teachers' respondents were at Master level and the rest were diploma holders. The table also presented the educational background of the principals, of which 80% were degree holders and 20% were at master degree level. Preparatory school teachers and principals are expected to have minimum requirement of master degree level.

According to the data in Table 7, 90.2 teachers were working permanently while 9.8% of the teachers were working temporarily. Concerning administrators, 100% of them were working permanently.

Regarding respondents' salary, 90.2% teachers earned a salary that amounts between 2000 - 5000 birr while 18(90%) of the administrators were in the salary range of 5001 and above. According to the respondents of this study no administrator was in the salary range of less than 2000 birr.

The above table implied that, diploma holders were teaching in this level. But, the qualification in the preparatory schools level needed to be MA. One of the administrator respondents in the FGD said, “The problem of getting teachers became a serious challenge. This was because, teachers’ request of salary and the schools’ offers have a wider gap. For example teachers who have MA degree wouldn’t like to teach with three or four thousand birr in preparatory schools; rather they would like to teach in the college level with much payment. Therefore, schools forced to employ teacher of degree and diploma holders.”

## 4.2 Analysis and Interpretation of Data

This part of the analysis was based on part B of the questionnaire which covered the larger part of this study. In this section of the questionnaire, teachers respondents were asked to express their knowledge, perception, and acceptance of pension and retirement scheme. Accordingly, they put a check mark in the spaces provided to show the level of a particular item using one of the five-point of rating scale : Strongly agree = 5, Agree = 4, Undecided =3, Disagree = 2 and Strongly disagree = 1. The item numbers were listed as per the subdivisions of the items in the questionnaire.

### 4.2.1. Knowledge of Respondents about Retirement and Pension Scheme

**Table 9: Teacher’s Decision to be a Member of the scheme as they have knowledge**

No	Items	Response										$\bar{x}$	s
		SA		A		U		D		SD			
		No	%	No	%	No	%	No	%	No	%		
1	Pension scheme provision of disability benefits	47	46.1	15	14.7	13	12.7	7	6.9	20	19.6	3.6	1.58
2	absence of costs when switching jobs	46	45.1	32	31.4	3	2.9	13	12.7	8	7.8	3.9	1.31
3	applicability of the scheme for salaried employees	32	31.4	33	32.4	11	10.8	12	11.8	14	13.7	3.6	1.39
4	To get retirement benefit	33	32.4	31	30.4	11	10.8	15	14.7	12	11.8	3.6	1.38
5	Own will	24	23.5	16	15.7	6	5.9	20	19.6	36	35.3	2.7	1.63
<b>Grand Mean</b>											3.48	1.46	

Note: 5=strongly agree 4=agree 3=undecided 2= disagree 1= strongly disagree  $\bar{x}$ =mean

From Item 1 of Table 8, we can understand that 46.1% of the teachers with mean value of 3.6 rated strongly agree that they had knowledge about disability benefit. With regard to absence of costs when switching jobs, Item 2 of Table 8 depicted that 31.4% of the teachers agreed, with the mean value of 3.9. 32.4% of the teachers with mean value of 3.6 agreed that the pension and retirement scheme applicable to all salaried employees. From item 4 of table 8, 30.4% the teachers had decided to be a member of the scheme. Concerning the teachers' willingness to join pension scheme, respondents with a mean value of 2.7 responded that they didn't decide about it.

Over all, the above table implied that most of the teachers agreed that they were confident on deciding to be a member of the pension scheme. In contrast teachers' decision of joining the pension scheme was with a mean of 2.7, which is very low.

**Table 10: Availability of Information about Pension as Perceived by Respondents**

No	Items	Responses											
		SA		A		U		D		SD		$\bar{x}$	s
		N	%	No	%	No	%	No	%	No	%		
6	knowledge about the pension scheme	19	18.6	31	30.4	10	9.8	27	26.5	15	14.7	3.1	1.38
7	Knowledge of pension's contribution	29	28.4	30	29.4	5	4.9	17	16.7	21	20.6	3.3	1.54
8	age to receive pension	21	20.6	20	19.6	10	9.8	24	23.5	27	26.5	2.8	1.52
9	idea about the income in retirement	28	27.5	20	19.6	13	12.	19	18.6	22	21.6	3.1	1.53
10	the school's provision of information about pension	16	15.7	31	30.4	13	12.7	16	15.7	26	25.5	3.0	1.45
11	the school's contribution in orienting about the scheme	10	9.8	19	18.6	13	12.7	27	26.5	33	32.4	2.5	1.37
12	knowledge of pension calculation	17	16.7	25	24.5	10	9.8	22	21.6	28	27.5	2.8	1.49
13	knowledge about the current retirement scheme	6	5.9	24	23.5	12	11.8	25	24.5	35	34.3	2.4	1.33
14	awareness of retirement policy	6	5.9	18	17.6	20	19.6	22	21.6	36	35.3	2.4	1.29
15	the school's provision of information through print media	4	3.9	3	2.9	14	13.7	27	26.5	54	52.9	1.8	1.05
16	The school willingness to give information	17	16.7	24	23.5	15	14.7	17	16.7	29	28.4	2.8	1.48
17	Provision of information about pension policy	12	11.8	22	21.6	20	19.6	12	11.8	36	35.3	2.6	1.45
<b>Grand Mean</b>											<b>2.71</b>	<b>1.38</b>	

**Note:** 5=strongly agree 4=agree 3=undecided 2= disagree 1= strongly disagree  $\bar{x}$ =mean

From item 6 of Table 10, one could understand that 30.4 % of the teachers with the mean value of 3.1 agreed on their knowledge about the pension scheme. The data from interview also reveals that most of the teachers especially those in the age range above 41 have sufficient information concerning pension and retirement scheme. In contrast to this, there are

teachers who are not decided about the knowledge they have about pension and retirement scheme.

With regard to teachers' awareness about pension contribution, item 7 of Table 10 depicts that 29.4% of the teachers reported agree, with the mean value of 3.3. This shows that most of the teachers were equipped with information about pension contribution. As can be seen from item 8 of the same table, 23.5% of the teachers disagreed that the age to receive pension with the mean value of 2.8 shows that most teachers do not agree with the age at which teachers retired.

As shown from Item 9 of Table 10, 27.5% of the teachers strongly agreed with the mean value of 3.1 that teachers do not have any information about what amount of money they get when they retire. As most of the interviewee in the focus group discussions also confirmed, most teachers don't have any information about the amount of money they get when they retire.

As shown in item 10 of Table 10, 30.4% of the teachers agreed with the mean value of 3.0 that, the schools provide proper information about retirement and pension scheme. The data gathered from the administrators through interview also revealed that, the schools they are leading were providing information about the scheme. In contrast, according to item 11, 32.4% of the teachers strongly disagree about this idea. This implies the administrators are not giving due attention to reinforce the information about retirement and pension scheme rather they only provide the information.

From Item 12 of Table 10, one could understand that 27.5% of the teachers with the mean value of 2.8 rated strongly disagree about the information that is related with how to calculate pension payment. This shows it was not given attention by the teachers.

In terms of knowledge about the current scheme, Item 13 of Table 10 depicts that 34.3% of the teachers' respondents with the mean value of 2.4 strongly disagree about it. Moreover some teachers do not have awareness about retirement policy. As it was assured by the officers from POESSA no officer goes down to school level and introduce the policy. Rather, they only announce through mass-media. One of the officer in Sene 2003E.C., for example, assured, "All private schools employers have to collect the contribution made from the employee to the Federal Revenue Authority starting from Nehase 1, 2003 E.C." The same was done by the school administrators regarding giving information about pension and retirement scheme for the teachers. As it is seen in the study 52.9% with the mean value of 1.8 strongly

agree that the school do not provide information about pension and retirement scheme through Medias like leaflets.

With regard to the schools willingness to give information concerning pension scheme 40.2% of the teacher respondents with the mean value of 2.8 were agreed. However, 45.1% of the teachers' respondents disagreed on this point.

In Item 17 of table 10, it can be seen that 33.4% of the teachers' respondents with the mean value of 2.6 agreed on the schools provision of information about pension scheme while 47.1% the teachers' respondents disagreed on this point.

As depicted in the above table, item 16 and 17, the majority of the teachers agreed that the other major factors that affect the policy and practice of pension scheme in private preparatory schools lacked provision of information about the pension and retirement policy.

From the focus group discussion made with administrators, it was also found that the schools didn't provide information through different print Medias like brochures. One of the reason that was given by the administrators was the ministry office didn't give much attention concerning it, rather they only put it in the proclamation with warning. Moreover, one of the FGD respondents added that, the school didn't budget for such things. However, older respondents are more likely to have contacted an information source than younger ones: 61 per cent of those aged 40 and above had done so compared with those aged 40 and below. Younger respondents' preference was to receive information from their friends.

As it is seen in the grand mean 2.71 the average teachers lack information about pension schemes.

#### 4.2.2. Employee's Acceptance of the Scheme

**Table 11: Employee's Acceptance of the Monthly Contribution to the Scheme**

No	Items	Responses										$\bar{x}$	s
		SA		A		U		D		SD			
		No	%	No	%	No	%	No	%	No	%		
1	about monthly pension contributions	79	77.5	15	14.7	4	3.9	2	2.0	2	2.0	4.6	0.82
2	satisfaction with investment	25	24.5	27	26.5	9	8.8	16	15.7	25	24.5	3.1	1.55
3	soundness of monthly pension contribution	31	30.4	21	20.6	14	13.7	10	9.8	26	25.5	3.2	1.59
4	voluntary contributions	24	23.5	14	13.7	6	5.9	17	16.7	41	40.2	2.6	1.66
<b>Grand Mean</b>											<b>3.36</b>	<b>1.4</b>	

**Note:** 5=strongly agree 4=agree 3=undecided 2= disagree 1= strongly disagree  $\bar{x}$ =mean

It can be observed from table 11, 77.5% of the teachers strongly agree that they had acceptance about the monthly pension contribution. However, 2% of teachers did not agree on their acceptance of their monthly pension contribution. This implies that the majority of the teachers considered contributing their monthly pension contribution as their regular duty. As indicated in the same Table 11, for an item 2, 24.5% of respondents replied that they are satisfied with their investment on pension scheme. In contrast, 24.5% of the teachers responded that they strongly disagree on their acceptance on the satisfaction with the investment they did. Thus, the result showed there is some gap over their acceptance of the pension scheme.

As shown in item 3 of Table 11 above, among all teachers respondents 30.4% with mean value of 3.2 were strongly agree that the money they spend for pension contribution each month were faire. But it was not contributed voluntarily, as it was portrayed on item 4 of table 10. In this item 40.2% of the teachers with mean value of 2.6 agree that they are not volunteer although they were contributing for the scheme. As the FGD result shows most of the respondents said that the teachers in their school were not willing about the monthly pension

contribution although they believe that it was important for their future survival. The reason they put for this idea was, as it was mentioned by the administrators, the money they are receiving currently cannot cover their daily expense and they are not optimistic about their future.

**Table 12: Concerning Pension and Retirement Scheme acceptance by Respondents**

No	Items	Responses											
		SA		A		U		D		SD		$\bar{x}$	s
		No	%	No	%	No	%	No	%	No	%		
5	Teachers' acceptance of its implementation	56	54.9	20	19.6	17	16.7	5	4.9	4	3.9	4.1	1.12
6	Teachers' willingness of membership in the scheme	55	53.9	29	28.4	5	4.9	7	6.9	6	5.9	4.2	1.17
7	Acceptance of the proper collection of pension contribution	50	49.0	21	20.6	12	11.8	9	8.8	10	9.8	3.9	1.36
8	Acceptance of the transparent execution of pension scheme	42	41.2	24	23.5	18	17.6	8	7.8	10	9.8	3.8	1.32
9	Teachers acceptance of their involvement before the pension scheme administered	13	12.7	10	9.8	19	18.6	24	23.5	36	35.3	2.4	1.39
10	Acceptance of the fairness of the current retirement age	16	15.7	29	28.4	18	17.6	16	15.7	23	22.5	3.0	1.41
11	Teachers' acceptance of their involvement in the scheme.	37	36.3	24	23.5	15	14.7	14	13.7	12	11.8	3.59	1.4
<b>Grand Mean</b>											<b>3.57</b>	<b>1.3</b>	

As seen in Table 12, item 5, 54.9% of the teachers with the mean value of 3.89 confirmed that they agreed the school is properly implementing the pension scheme. However, 3.9% of the teachers do not agree with this idea. Moreover, the data from the school management revealed that, the schools that were being led by them are implementing the scheme. According to the private organizations social security proclamation, article 11 of No 79,24<sup>th</sup> June 2011, every

private organization shall deduct contributions of its employees from their salaries and pay the amount, together with its own contributions to the pension fund monthly.

From Table 12 item 6, we can also understand that, 53.9% of the teachers with the mean value of 4.2 expressed their agreement; teachers accepted that they were members of the retirement and pension scheme.

As shown in item 7 of Table 12, 69.6% of the teachers with the mean value of 3.9 agreed that the school collected equal amount of contribution from the teachers. The interview that was made with the school management also revealed that, the school collected payment of pension contribution from teachers every month since the schools implement the proclamation of article 11, subarticle3; that is where the private organization fails to deduct contributions of its employees from their salaries, it shall be liable for payment of same.

It can be observed from item 8 of Table 12 that the majority (64.7%) with the mean value of 3.8 agreed over the transparency of the execution of pension in the school. However, 7.8% of teachers did not agree in this issue. This implies that most of the teachers are clear about its implementation.

Concerning teachers' participation before the pension scheme administered, 58.8% of the teachers agreed that the school didn't involve teachers before the pension scheme administered. This implies school administrators lacked democratic way of management of the pension and retirement scheme.

As indicated in the same Table 12, item 11, 69.8%of teachers' respondents replied that teachers are included in the school's pension scheme. The interview result made with the school management also showed that, the school they were leading is forcing those teachers who were not in the provident fund scheme. But, according to Proclamation No 270/2002 of sub article(1) of this article: employees, who have pension scheme or provident fund before the coming in to force of the proclamation ,may either decide to continue to benefit from the pension scheme or the provident fund or agree to be covered by the Proclamation.

### 4.2.3. Perception of Employees over the Benefit of Pension Scheme

**Table 13: Pension Scheme’s Provision of Guarantee as Perceived by Respondents**

No	Items	Responses											
		SA		A		U		D		SD		$\bar{x}$	s
		No	%	No	%	No	%	No	%	No	%		
1	Provision of insurance in retirement.	27	26.5	19	18.6	14	13.7	18	17.6	24	23.5	3.1	1.54
2	Coverage of pension scheme	23	22.5	9	8.8	12	11.8	20	19.6	38	37.3	2.6	1.59
3	Investment on pension scheme considering monthly income	22	21.6	23	22.5	14	13.7	14	13.7	29	28.4	2.95	1.54
4	Guarantee of provident fund	35	34.3	25	24.5	20	19.6	6	5.9	16	15.7	3.56	1.42
5	Paying the monthly contribution regularly	21	20.6	22	20.6	5	4.9	17	16.7	36	35.3	3.3	1.45
6	Coverage of pension scheme for family’s expenses after retirement.	13	12.7	11	10.8	10	9.8	23	22.5	45	44.1	2.3	1.44
7	Insurance of pension scheme	21	20.6	21	20.6	15	14.7	24	23.5	21	20.6	3.0	1.45
<b>Grand Mean</b>											<b>3.07</b>	<b>1.44</b>	

**Note: 5=strongly agree 4=agree 3=undecided 2= disagree 1= strongly disagree  $\bar{x}$ =mean**

As depicted in item 1 of Table 13, the calculated mean score of teacher was 3.1. This score revealed that teachers’ perception of pension scheme in provision of insurance for retirement is agreed. In this case 45.1% of teachers with mean value of 3.1 agreed with this idea .

As depicted in item 2 of Table 13, 37.3% of teachers with the mean value of 2.6 perceived that pension scheme do not secure my children’s future educational cost. This shows that teachers do not totally relied on pension scheme in the future.

As depicted in item 3 of Table 13, the calculated mean score of teacher’s respondents concerning the school administrators’ effort to participate male and female teachers in the retirement scheme is 4. This implies most of the teachers in the study agreed that both genders

are equally treated by the administrator. From the result we got from the interview, principals did their best to entertain both sexes fairly.

As of full time and part time teachers' inclusion in the scheme, 45.1% of the teachers' respondents with mean value of 3.2 agreed while 15.7% of the respondents disagreed with this idea. From the result we got from the interview the administrators responded part time teachers are not included in the pension scheme. This was because part time teachers' paid their regular pension contribution in their permanent work place. So, they do not pay twice for the scheme. What they did was only contributed for income tax.

As depicted in item 5 of Table13, 35.3% of the teacher respondents with a mean value of 3.3 agreed that they do not pay the monthly pension contribution since their income is not enough to lead their life. According to the FGDS held with administrators clearly indicated that, most teachers were not happy with the pension contribution that was deducted from their salary. As they explained, the young staff members were very pessimistic about the contribution. Even some of the young staffs said it was better to live a life with what we had than saving it for the future. "It is better to use the money now since we don't know what will happen in the future." said the administrators, citing the teachers.

One of the interviewee from the administrators said, " The social security benefits provided by the pension scheme are not sufficient." Whereas two of the interviewees said that the benefit was sufficient.

**Table 14: School Administrators' Effectiveness over the Management of the Scheme as Rated by Respondents**

No	Items	Responses										$\bar{x}$	s
		SA		A		U		D		SD			
		No	%	No	%	No	%	No	%	No	%		
8	They create opportunity to withdraw the provident fund	24	23.5	8	7.8	20	19.6	22	21.6	28	27.5	2.8	1.52
9	Equal treatment of employee	48	47.1	23	22.5	15	14.7	11	10.8	5	4.9	4.0	1.23
10	Full time and part time teachers equal treatment	26	25.5	20	19.6	22	21.6	18	17.6	16	15.7	3.2	1.41
11	They let my inclusion in the scheme	27	26.5	22	21.6	11	10.8	12	11.8	30	29.4	3.0	1.61
<b>Grand Mean</b>											<b>3.01</b>	<b>1.52</b>	

Note: 5=strongly agree 4=agree 3=undecided 2= disagree 1= strongly disagree  $\bar{x}$ =mean

In relation to School administrators' effectiveness over the management of the Scheme on Table 14 above, item 1, 23.5% with an average value of 2.8 strongly agreed over the possibility to withdraw the provident fund. In contrast 27.5% of the teachers' respondents disagree over this issue.

With regard to investment on pension scheme considering their monthly income the mean values were 2.95. 28.4% of the teachers' respondents were agreed on what they invested on pension scheme considered their monthly income while 13.7% of the teachers disagreed over it.

Furthermore, 34.3% teachers' respondents with the mean value of 3.56 strongly agreed on the benefit of provident fund while 15.7% of the teachers' respondents were strongly disagreed.

As depicted in item 14 of Table 13, 29.4% of the teacher respondents with a mean value of 3.0 disagreed that they were not happy about their inclusion in the scheme. This may tell us the effectiveness or the obligation of the management over the implementation of the scheme since the grand mean was 3.01. This can be confirmed in the proclamation: With prejudice to the appropriate provisions of the Proclamation No. 270/2002 that provide pension coverage to foreign nationals of Ethiopian origin and international agreements to which the country is a party, this Proclamation shall be applicable to employees of private organizations(=schools) who are Ethiopian Nationals.

**Table 15: Teachers' Self Confidences over the Scheme as Rated by Respondents**

No	Items	Responses											
		SA		A		U		D		SD		$\bar{x}$	s
		No	%	No	%	No	%	No	%	No	%		
12	Contributions to pension scheme.	60	58.8	21	20.6	7	6.9	8	7.8	6	5.9	4.2	1.22
13	Happiness in spending for pension	25	24.5	23	22.5	9	8.8	16	15.7	29	28.4	3	1.6
14	Regular contribution for pension while my expense exceed	46	45.1	30	29.4	5	4.9	11	10.8	10	9.8	3.9	1.35
<b>Grand Mean</b>											<b>3.7</b>	<b>1.39</b>	

Note: 5=strongly agree 4=agree 3=undecided 2= disagree 1= strongly disagree  $\bar{x}$ =mean

It can be observed from Table 15, the majority (58.8%) of the teachers' respondents with mean value of 4.2 strongly agreed that they have self-confidence over their contributions to the pension scheme. In contrast only 5.9% of the teachers' participants strongly disagree over this point.

As indicated in the same Table 15, for item 13, 28.4% of teachers' respondents replied that they are happy about their spending for pension scheme. In contrast 8.8% of teachers' respondents were undecided whether they were happy or not about their spending for pension scheme.

As it is shown in Table 15 item 14, 45.1% of teachers' respondents with the mean value of 3.9 replied that their regular contributions for pension exceed their income. 4.9% of the teachers respondents were not decide about this idea. It implies that most of the respondents were confident about their future.

According to the above table, most of the respondents were in favor of teachers' self confidence over the scheme. According to the result from the FGD, teachers whose ages were above 40 had confidence on the scheme while those below this age level were not.

#### **4.2.4. Factors Affecting the Operational Effectiveness of the Scheme**

As it was presented in the closed ended questionnaire to teachers and interview questions for school administrators and POESSA officers, there were many factors affecting the operational effectiveness of the retirement and pension scheme. Considering these factors, teachers, administrators and POESSA officers were replied for the questions.

**Table 16-Perceptionsof Teachers about Pension Scheme as Rated by Respondents**

No	Items	Responses											
		SA		A		U		D		SD		$\bar{x}$	s
		No	%	No	%	No	%	No	%	No	%		
1	Teachers preference of having standard of living to saving for retirement	46	45.1	12	11.8	13	12.7	16	15.7	15	14.7	3.6	1.54
2	The Worth of saving for retirement	36	35.3	20	19.6	10	9.8	17	16.7	19	18.6	3.4	1.55
3	Teachers ability to save money for retirement	22	21.6	21	20.6	8	7.8	21	20.6	30	29.4	2.8	1.57
4	Inability to access the saving when it is needed	47	46.1	17	16.7	11	10.8	13	12.7	14	13.7	3.7	1.5
5	Pension give security during retirement	34	33.3	29	28.4	8	7.8	13	12.7	18	17.6	3.5	1.5
6	Saving for pension is boring.	28	27.7	12	11.9	11	10.9	20	19.8	30	29.7	2.9	1.62
<b>Grand Mean</b>											<b>3.32</b>	<b>1.55</b>	

**Note: 5=strongly agree 4=agree 3=undecided 2= disagree 1= strongly disagree  $\bar{x}$ =mean**

As seen in item 1 of table16, 56.9% of the teachers’ respondents agreed with the mean value of 3.6that, they would rather have good standard of living with what they received monthly than saving for their retirement. However, 30.4% of the teachers’ respondents were not agreed with this idea. This showed that the teachers were pessimist about pension benefit in the future.

From item 2 of table 16, we can understand that 54.9 % of the teachers’ respondents with the mean value of 3.4 agreed that, it is valuable to save now for retirement. This signifies that

saving for the future is a good means for teachers' future way of life. In contrast 9.8% of the teachers' respondents did not decide over this idea.

As can be seen from Item 3 of Table 16, 42.2% of the teachers' respondents with the mean value of 2.8 agreed that they were able to contribute for the pension and retirement scheme. This signifies that the amount of salary they got every month may cover their cost of living. As a result they contributed for the pension and retirement scheme. However, the majority of the respondents i.e. 50%disagreed with this issue.

As shown in Item 4 of Table 16, the majority of the teachers' respondents i.e. 62.8%with the mean value of 3.7of the teachers' respondents agreed that they were not able to access the money they contributed for pension scheme when they needed it. This showed that, the respondents' attitudes toward saving for retirement scheme were affected with such belief.

From Item 5 of Table 16, it is understood that, 61.7% of the teachers agreed with the mean value of 3.5, towards pension's provision of security. This showed the attitude of teachers towards to pension's provision of security is positive. In contrast 29.6 of the teachers disagreed over this issue.

From Item 6 of Table 16, we can understand that 39.6%of the teachers with the mean value of 2.9 agreed that, paying for pension scheme was boring. This signified that changing teachers' attitude towards to paying to pension scheme needs a lot of work. However, the majority of the teachers i.e. 49.5% disagree with this idea. They believe that paying for pension may secure them in the future.

The above table implied that the majority of the teachers especially those who were below 40 years of old, disagree that they would rather have a good standard of living today rather than save for retirement. This showed how much younger respondents were less positively motivated toward saving than their older colleagues. Only, a minority (less than 30%) agreed it was not worth saving for retirement because they may not live that long and so far it is not worth worrying about what they would live on.

**Table 17: Teachers Expectations of Income in Retirement as Rated by Respondents**

No	Items	Responses											
		SA		A		U		D		SD		$\bar{x}$	s
		No	%	No	%	No	%	No	%	No	%		
7	Pension income covers necessary cost	8	7.8	9	8.8	16	15.7	22	21.6	47	46.1	2.1	1.3
8	Reliability on pension scheme	10	9.8	12	11.8	16	15.7	20	19.6	44	43.1	2.3	1.38
<b>Grand Mean</b>											2.2	1.34	

**Note:** 5=strongly agree 4=agree 3=undecided 2= disagree 1= strongly disagree  $\bar{x}$  mean

Table 17 of item 7 shows that 16.6% of the teachers with the mean value of 2.1, agreed that they expect their income to cover different costs. However, 67.7% of the teachers disagreed over their expectation of pension to cover their costs. In Item 8 of Table 17, it can be seen that 21.6% of the teachers with the mean value of 2.3 agreed about reliability on pension scheme. In contrast, from item 3 of table 16, it is understood that 62.7% of teachers disagreed over this issue.

As depicted in the above table of item 7 and 8 more than half of the teachers i.e. 67.7% disagreed that the income from pension scheme do not cover their costs in the future. As a result the majority of the teachers responded that pension scheme was not reliable one.

From the interview made with informants, it was also found that young teachers were pessimist about the pension and retirement scheme. One of the respondent from the administrators said, " Teachers do not want to join the scheme with their own will. Rather they are forced to be part of the scheme. The reason they don't want to be part of the scheme is that the income they get monthly is not sufficient to cover their daily need. Even some of the teachers complained about the forced deduction of the money from their salary." To strengthen what was said by the previous respondent, the other administrator added, "Teachers prefers to join private schools to avoid the different regular contributions, such as for the dam construction, for pension, etc., that are made every time and to escape from the bureaucracy hurdle."

Moreover the officers from POSSA added that the knowledge gap towards to pension also create a gap over the benefit of the scheme.

**Table 18: Clarity of the Policy as Rated by Respondents**

No	Items	Responses										$\bar{x}$	s
		SA		A		U		D		SD			
		No	%	No	%	No	%	No	%	No	%		
9	The policy lacks clarity	20	19.6	24	23.5	18	17.6	19	18.6	21	20.6	3	1.43
10	Difficulty to implement the policy	40	39.2	26	25.5	14	13.7	8	7.8	14	13.7	3.7	1.41
<b>Grand Mean</b>											<b>3.35</b>	<b>1.42</b>	

Note: 5=strongly agree 4=agree 3=undecided 2= disagree 1= strongly disagree  $\bar{x}$ =mean

As indicated in item 9 of Table 18, 43.1% of the teachers' respondents with the mean average value of 3 agreed over the vagueness of the policy while 39.2% of the teachers' respondents disagreed over this issue. Item 10 of the same table depicts 64.7% of the teachers respondents with the mean value of 3.7 agreed on the implementation of the policy while 21.5% of the teachers disagreed on this issue.

As depicted in the above table of item 9 and 10 more than half of the teachers respondents agreed that, one of the factor that affect the operational effectiveness of the pension scheme in the private preparatory schools of the schools understudy were the clarity and feasibility of pension and retirement policy.

From the interview made with POESSA officers, the pension's policy of 2015 in the legislation lacks clarity. This problem arose from the absence of regulation, which the authorized ministry did not commit to do it. For example those teachers who were in the provident fund scheme have a choice to join the pension scheme provided by their employer or not. One of the interviewee from POESSA added, "Since the legislation does not take all issues into account which could arise in relation to pensions, it includes several provisions which lack clarity." Moreover, one of the interviewee among administrators said, "I am aware of the fact that the existing pension policies lack clarity."

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

After analyzing and interpreting the data secured from questionnaires, documents and interviews, and focus group discussions the following summary, conclusion and recommendations are made.

#### **5.1 Summary**

The main purpose of this study was to assess the policy and practice of pension and retirement scheme in private preparatory schools located in Kolfe Keranyo sub-city of Addis Ababa City Administration. In order to achieve the purpose of this study, the following basic questions were raised:

- a. How much are private schools and their employees knowledgeable about the existing pension and retirement scheme of Ethiopia?
- b. To what degree of acceptance is the retirement and pension scheme operate in private preparatory schools in line with the current pension and retirement policy of Ethiopia?
- c. How do private preparatory school employees perceive the benefits that the retirement and pension scheme provides as compared to those of the previous provident fund scheme?
- d. What are the major factors that are influencing the operational effectiveness of the retirement and pension scheme in private preparatory schools?

In order to achieve the objectives as well as the raised research questions the researcher employed mixed methods design with quantitative and qualitative approaches. The study was carried out in 8 preparatory schools of Kolfe Keranyo that were selected using random sampling techniques to select particular school that was to be included in the sample.

To collect first hand data in the selected schools, three groups of study population were taken as sources of information. The first group consisted of 20 school administrators, the second group consisted of 105 teachers who were randomly drawn from among those teachers in the sample schools and the third group consists of 5 officers from the ministry office as a representative sample.

The data obtained were analyzed using statistical tools such as percentages, mean, and SD. Finally, from the analysis made in chapter 4 the following major findings were reached upon.

## **5.2. Major Findings**

1. With regard to the age of the respondents, it has been found that 62.7% of the teachers who are teaching in the schools under study were below 30 years. And there was no teachers respondents who were above 61 years of age. Concerning administrators, 30% of them were in the age range of 31-40 while 70% of the administrators were in the age range of 41-60.
2. In terms of sex, 89% of teacher's respondents were males while 13% of them were female. Moreover, 90% of administrators were male and only 10% of the administrators were female.
3. Regarding years of service 80.4% of the teachers had less than 10 years of experience while only 1% of them had 31 years and above.
4. Based on the result of the questionnaire and the FGD, knowledge gap was identified among most of the teachers in the schools under study.
5. Most teachers were not willing about the monthly pension contribution although they believe that it was important for their future survival.
6. Most of the young teachers were pessimist about pension benefit in the future. They believe that it is not worth saving for retirement because they may not live that long and it is not worth worrying about what they will live on. The result from the focus group discussions also confirmed this idea.
7. Perceptions of teachers toward pension and retirement scheme, teachers' future expectations of pension benefit, lack of clarity on the pension and retirement policy, teachers' low earning affected the operational effectiveness of pension and retirement schemes in private preparatory schools of Kolfe Keranyo sub-city.

### 5.3 Conclusions

Based on an analysis of data and the findings of the study, the following major conclusions are derived.

1. Those individuals who think that they have a good knowledge of pensions demonstrate good knowledge of saving. Knowledge of pensions and acceptance of information about retirement and pension scheme are closely linked, indicating that these two resources for planning for retirement are very important. Moreover, those teachers who were in the age range above 41 have sufficient information concerning pension and retirement scheme while those who are below 40 are not. It is clear that different information sources like internet on retirement planning could be used by older teachers' respondents. This is because, the administrators in private schools do not give much attention to reinforce the information about the amount of money teachers would get when they retired, awareness about retirement policy and the scheme in general.
2. The youngest age groups are much more likely not to have access to any of the information that was related to pension, which may be less of a concern as their retirement age is far. Moreover, those teachers who are in the lowest monthly income groups across the age ranges are also much less likely to have provision for retirement scheme. It might be that these groups have lower expectations for saving for retirement. On the other hand, the older teachers reject the view that retirement is too distant to worry about. In sum, according to "Private organizations ' Employees Social Security Agency Establishment Council of Ministers Regulation No. 202/2011"of article 11, sub article 3, private Organizations are required to deduct pension contributions from all employees up on paying salaries every month and must transfer monthly contributions by both employees and the organization to legally mandated bodies collecting pension contributions within 30 days of paying last month's salary.
3. Perceptions of young teachers in engaging in the pension and retirement scheme declined as a result of the recent earning and the loss of hope. It is known that the deduction from the small amount of salary they get in every month lead them to give up in their life. As the respondents from the focus group discussions replied most of the young teachers do not want their salary deducted for different contributions. They even want to take the gross salary. This shows their negative attitude towards to

pension and retirement scheme. However, those old staff members who were teaching in the private schools under study responded that they like to be in the retirement and pension scheme since it guarantee them in the future.

4. However, financial constraints were revealed as teachers could not afford to save money for retirement at the moment. Indeed, perceptions of financial ability to save for retirement seem to have a greater impact on current pension provision than do attitudes to saving for retirement.
5. There is a significant lack of clarity about retirement income policy generally in terms of self-perceived knowledge about this issue and more specifically in relation to expectations for income during retirement. While the majority of respondents are confident they will not have enough income in retirement to cover the basics, a much smaller proportion expects having enough income to live comfortably. Expectations of what retirement income will provide tend to relate closely to the level of earning that the individual has in place for retirement. As we would expect, younger respondents are less concerned and have less of a clear idea, in general and in relation to specific sources, as to what they might expect financially for retirement.

#### **5.4. Recommendations**

In light of the findings, the following recommendations are forwarded:

1. It is important for the schools administrators to give special attention in the preparation of special session that can help teachers to have basic knowledge about the future benefit of pension scheme, the amount of pension contribution and other issues related to retirement and pension scheme; especially early of their employment and continue updating them. Teachers also need to work cooperatively with the school as a team and ask about pension and retirement scheme information in order to secure their future benefit. The FDRE POSSA as a responsible administrator of pension has to start to give capacity building trainings for those administrators who are leading the schools, regarding the policy and practice of pension scheme. Thus the school administrators update themselves about the current pension and retirement scheme and as a result they can give up-to-date information for teachers, especially for new ones, by arranging training programs and also through short trainings, brochures, Medias, etc.

2. Since the majority of the teacher especially the younger respondents did not accept the pension and retirement scheme as a means to secure their future retirement age, the employer schools need to encourage them by creating different income generating means to subsidize their monthly earning. Especially the management has to exert effort to attract the teachers by employing after school programs, Saturday programs, evening classes, and personal tutorial classes. This may help them to contribute for the pension scheme.
3. To change the perceptions of teachers regarding pension and retirement scheme, a lot of work such as informing them about the role pensions play in alleviation of poverty, its benefit during retirement need to be done to avert the perception of the teachers.
4. Improving teacher's salary while reducing the 7% deduction from their salary, increasing their monthly income, disseminating reliable information about the pension system, making open discussion about the pension scheme and policies, and working with stakeholders to improve the pension system are the most important elements that are recommended in order to alleviate the problems that affected the operational effectiveness of pension and retirement scheme in private preparatory schools.

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የ ጠረ ታ ሙተ ዳደ ሪ ያ ና ዋስ ት ና ባ ለ ስ ል ጣን ::ልዩ ዕ ት ም::(1979 ዓ .ም)::አ ዲስ አ በ ባ ::

## Section B

The following questions have 5 options of which '5' stands for strongly agree, '4' for agree, '3' for undecided, '2' for disagree, and '1' for strongly disagree. Please indicate the level of your agreement by putting a tick '✓' mark.

**Table 1: Knowledge about Retirement and Pension Scheme  
Teachers Decision to be a member**

No	Items	5	4	3	2	1
1	Pension scheme provides disability benefits.					
2	Pension scheme will continue even when I switch jobs.					
3	The pension scheme is a retirement benefit applicable only for salaried employees.					
4	The reason I become a member of the scheme was to get retirement benefit.					
5	I joined the pension scheme of this school with my own will					
<b>Availability of Information about Pension</b>						
6	I have enough knowledge about the current Ethiopian pension scheme.					
7	I have knowledge about my pension's contribution.					
8	I have knowledge concerning the retirement age.					
9	I have knowledge about how much money I receive during my retirement.					
10	Information about pension scheme is open and publicly available in our school.					
11	There is orientation concerning pension and retirement scheme given by the school.					
12	I know how the reduction in salary for pension calculated.					
13	I have enough knowledge about the current retirement scheme.					
14	I am aware of the procedures of retirement policy.					
15	The school provides information about pension scheme for teachers by means of print medias.					
16	The school is willing to give information about the scheme.					
17	The school provides information about the country's pension policy.					

**Table 2: Employee's Acceptance of the Scheme****Employee's Acceptance of the Monthly Contribution to the Scheme**

<b>No</b>	<b>Items</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1	It is my will to pay for the pension from my monthly salary					
2	I am satisfied with what I am investing for the pension scheme regularly.					
3	The already established pension contribution is sound.					
4	My contributions are voluntary					
<b>Employees' Acceptance Concerning Pension and Retirement Scheme</b>						
5	I agree on the pension scheme's proper implementation in our school					
6	I become the member of the retirement and pension scheme willingly.					
7	I agree on the schools' proper collection of pension contribution.					
8	The transparent execution of pension scheme in our school is acceptable.					
9	I agreed on the schools' involvement of the teachers before the pension scheme administered.					
10	I agreed the current retirement age is fair.					
11	I agreed my part in the pension scheme is very important.					

**Table 3: Perceptions of Employees over the Benefit of Pension Scheme****Pension Scheme's Provision of Guarantee**

No	Items	5	4	3	2	1
1	Pension scheme provides insurance in retirement.					
2	The pension scheme helps me to invest for my child's education.					
3	My investment on pension scheme considered my monthly income					
4	Provident fund gives more guarantee than pension scheme.					
5	I am investing for my retirement while covering my current cost.					
6	I believe that pension scheme cover my family's future expenses.					
7	Pension scheme is important to me because it will insure me.					
<b>School Administrators Effectiveness over the Management of the Scheme as Rated by Respondents</b>						
8	Administrators help us to join the pension scheme leaving the provident fund scheme.					
9	Administrators treat both sexes equally in the scheme.					
10	Full time and part time teachers treated equally in the scheme.					
11	School administrators allow me to be part of the scheme.					
<b>Teachers' Self Confidence over the Scheme</b>						
12	I make financial contributions to my pension.					
13	I enjoy spending money for pension scheme.					
14	I contribute regularly although my expenses generally exceed my income.					

**Table 4: Factors Affecting the Operational Effectiveness of the Scheme**

**Perceptions of Teachers about Pension Scheme as Rated by Respondents**

No	Items	5	4	3	2	1
1	I would rather have a good standard of living today than save for retirement					
2	It is worth saving for retirement					
3	I can afford to contribute money for retirement at the moment.					
4	I believe that pension saving cannot be accessed until retirement					
5	Pension is the most secure way of saving for retirement.					
6	I believe that pension is boring.					
<b>Teachers' Expectations of Income in Retirement</b>						
7	I expect to have enough retirement income to cover basic costs					
8	I expect my pension contribution will be the most reliable.					
<b>Clarity of the Policy</b>						
9	The implementation of pension scheme in our school lacks clarity					
10	There are difficulties to implement the policy.					

## **Appendix II**

### **Interview Questions for School Administrators**

1. Are there school guidelines to implement the national pension scheme? If yes, do teachers participate in preparing the manuals?
2. Is the current pension policy clear and easy to implement? How?
3. Do the officers from POSSA visit your school regularly to check the proper implementation of pension scheme in your school? If yes, how?
4. Who is eligible for pension benefits under this scheme? (A person appointed to whole time or certain part- time posts in your school) Why?
5. Does the pension scheme involve all employees? How?
6. Do you believe that the existing pension policy (rules and regulations) has uniformity? Please explain it.
7. What do you think about the current pension payments? Are they sufficient for the pensioner to live?
8. Do you think that the teachers in your school knowledgeable about the retirement and pension scheme?
9. How is the perception of teachers toward to retirement and pension scheme?
10. Do teachers accept whether the pension scheme is operating properly or not?
11. What do you think are the factors that affect the operational effectiveness of the retirement and pension scheme?

**THANK YOU FOR YOUR COOPERATION!**

## **Appendix III**

### **Interview Questions for EFDRE POESSA OFFICERS**

1. Do you think the policy satisfy most workers in private organizations? If no what are the draw backs? What should be done to improve it?
2. Do you have any guidelines that assist you when you are implementing the policy? What kind of guidelines?
3. Does POSSA conduct a regular follow up to check the implementation of pension scheme in private schools? How often? When?
4. How do you measure the effective implementation of the policy in private preparatory schools? When (annually, quarterly, monthly...)?
5. Does the pension legislation give equal right and opportunities to all beneficiaries? If your answer is no, what are these beneficiaries to whom the pension legislation does not give equal right and opportunities?
6. Does the scheme collects contributions and offer the same earnings for all the insured?
7. Do you think the already established scheme should continue as it is? Why?
8. Is there a necessity of involving stakeholders in the issuing of pension scheme? If yes, why?
9. Do you think the suspension right due to different reasons is acceptable? Why?
10. How do you evaluate the retirement age of teachers?

**THANK YOU FOR YOUR COOPERATION!**



**ክፍል ለ - ከዚህ በታች በሠንጠረዥ ውስጥ የተዘረዘሩት ነጥቦች ፤ መምህራን ስለ ጡረታ መዋጮ እና ጡረታ መውጣት ያላቸውን ግንዛቤ ያመለክታል። መስማማት /አለመስማማትዎን በተቀመጠው ሳጥን ውስጥ የርስዎን አማራጮች (✓) ምልክት በማድረግ ያመልክቱ።**

መፍቻ፡- 5 = በጣም እስማማለሁ      4 = እስማማለሁ      3 = አልወሰንኩም      2 = አልስማማም      1 = በጣም አልስማማም

**ሀ. መምህራን የጡረታ ክፍያና ጡረታ መውጣትን በተመለከተ ያላቸው እውቀት**

ተ.ቁ	ይዘት	5	4	3	2	1
	በጡረታው ውስጥ ለመታቀፍ መምህራን ያላቸው ቁርጠኝነት					
1.	የጡረታ ፕሮግራሙ የጤና እክል በሚያጋጥምበት ጊዜ ዋስትና ይሆናል።					
2.	የስራ ቦታ ብቅደር እንኳ ጡረታው ቀጣይነት ይኖረዋል።					
3.	የጡረታ ዕቅዱ ተግባራዊ የሚሆነው ለደሞዘተኞች ብቻ ነው።					
4.	በጡረታ ፕሮግራም ውስጥ የታቀፍኩት የአገልግሎት ክፍያን ለማግኘት ነው።					
5.	በጡረታ ፕሮግራሙ ተሳታፊ የሆንኩት በራሴ ተነሳሽነት ነው።					
	<b>አጠቃላይ ጡረታን የተመለከተ መረጃ</b>					
6.	የጡረታ ዕቅዱን በተመለከተ በቂ የሆነ ዕውቀት አለኝ።					
7.	የጡረታ መዋጮን የተመለከተ እውቀቱ አለኝ።					
8.	የጡረታ መውጫ እድሜን በተመለከተ እውቀቱ አለኝ።					
9.	ጡረታ በምወጣበት ጊዜ ምን ያህል ገቢ እንደሚኖረኝ መረጃው አለኝ።					
10.	ት/ቤታችን ውስጥ ጡረታን የተመለከተ መረጃ በግልፅ ይገኛል።					
11.	ት/ቤታችን ጡረታን የተመለከተ ማስገንዘቢያ ሰጥቶናል።					
12.	የጡረታ መዋጮው እንዴት ከደሞዘ ላይ ተቀናሽ ሆኖ እንደሚሠላ መረጃው አለኝ።					
13.	ስለወቅታዊው የጡረታ አወጣጥ እቅድ ምንነት በቂ የሆነ እውቀት አለኝ።					
14.	የጡረታ አወጣጥ ፖሊሲውን በተመለከተ መረጃው አለኝ።					
15.	ት/ቤታችን ጡረታን በተመለከተ መረጃ በጽሁፍ በማዘጋጀት ግንዛቤ የማስጨበጥ ስራ ይሰራል።					
16.	ት/ቤታችን ጡረታን የተመለከተ መረጃ በፈቃደኝነት ይሠጠናል።					
17.	ት/ቤታችን የሃገሪቷን የጡረታ ህግ የሚያስረዳ መረጃ በየጊዜው ያሰናዳል።					

<b>ለ. ጡረታ በመምህራኑ ዘንድ ያለውን ተቀባይነትን በተመለከተ መዋጮን በተመለከተ ያለው ተቀባይነትን</b>						
1.	ወርሃዊውን የጡረታ መዋጮ በፈቃደኝነት ለመክፈል ፈቃደኛ ነኝ።					
2.	በየወሩ የጡረታ መዋጮ በመክፈል ደስተኛ ነኝ።					
3.	በየወሩ ለጡረታ ተብሎ ተቀናሽ የሚሆነው ገንዘብ ተገቢነት አለው።					
4.	እኔ የጡረታ መዋጮውን የማደርገው በራሴው ፈቃድ ነው።					
<b>የጡረታ አቅድ(ፕሮግራሙን በተመለከተ)ያለው ተቀባይነት</b>						
5.	በት/ቤታችን የጡረታ ፕሮግራሙን በተገቢው ሁኔታ እየተተገበረ መሆኑን እስማማለሁ።					
6.	በጡረታው ፕሮግራም ውስጥ የታቀፍኩት በፈቃዴ ነው።					
7.	የጡረታ ፕሮግራሙ ከሠራተኛው ላይ በተገቢ ሁኔታ መዋጮ እየሰበሰበ መሆኑን እስማማለሁ።					
8.	የጡረታ ፕሮግራሙ በት/ቤታችን ውስጥ በግልፅነት እየተተገበረ መሆኑን እስማማለሁ።					
9.	ት/ቤታችን የጡረታ ፕሮግራሙን ስራ ላይ ከማዋሉ በፊት መምህራኑን በማሳተፍ በመወያየቱ እስማማለሁ።					
10.	በአሁን ሰዓት መምህራን ጡረታ የሚወጡበት የዕድሜ ገደብ ተገቢነት አለው።					
11.	በጡረታ ፕሮግራሙ ውስጥ ያለኝ ድርሻ አስፈላጊ መሆኑን አምናለሁ።					

**ሐ. መምህራን የጡረታ ጠቀሜታን በተመለከተ ያላቸው አረዳድ**

ተ.ቁ	ይዘት	5	4	3	2	1
<b>ዋስትናን በተመለከተ (Providing Guarantee)</b>						
1.	የጡረታ ፕሮግራሙ ዘላቂነት ያለው ዋስትና ይሰጣል።					
2.	የጡረታ ፕሮግራሙ ለልጆቹ የወደፊት ትምህርት ክፍያ ዋስትና ይሰጣል።					
3.	የጡረታ ክፍያው ወራዊ ገቢዬን ያማከለ ነው።					
4.	ፕሮቬዲደንት ፈንድ ከጡረታ ፕሮግራሙ የተሻለ ዋስትና ይሰጣል።					
5.	ደምዜ የዕለት ወጪዬን ስለሚሸፍንልኝ የጡረታ ክፍያውን ከወራዊ ገቢዬ በሚገባ እየከፈልኩ እገኛለሁ።					
6.	ጡረታ ስወጣ ፣የጡረታ ፕሮግራሙ የቤተሰብ ወጪዬን ይሸፍናል ብዬ አምናለሁ።					
7.	የጡረታ ፕሮግራሙ የወደፊት ዋስትናዬ ስለሆነ በጣም አስፈላጊ ነው					
<b>አስተዳደራዊ ውጤታማነትን በተመለከተ</b>						
8.	የትምህርት ቤቱ አስተዳደር ከፕሮቬዲደንት ፈንድ ወደ ጡረታ ፕሮግራሙ መለወጥ እንድችል ድጋፍ አድርጎልኛል።					
9.	የትምህርት ቤቱ አስተዳደር ካለ ጾታዊ መድሎ መምህራኑን እያሳተፈ ይገኛል					
10.	ጊዜያዊ ስራተኞች ልክ እንደ ቋሚ ስራተኞችን በጡረታ አቅድ ውስጥ እየተሳተፉ ይገኛሉ።					
11.	የትምህርት ቤቱ አስተዳደር በጡረታው ፕሮግራም ውስጥ እንድታቀፍ አስተዋጽኦ አድርገዋል					
<b>በራስ መተማመንን በተመለከተ</b>						
12.	ለጡረታው የገንዘብ መዋጮ አደርጋለሁ					
13.	የጡረታ መዋጮ በማድረግ በጣም ደስተኛ ነኝ					
14.	ምንም እንኳ ወርሃዊ ወጪዬ ከገቢዬ ቢልቅም በየጊዜው መዋጮውን እከፍላለሁ					

**መ. በጡረታ አቅድ አፈጻጸም ላይ ተጽኖ ያመጡ ጉዳዮች**

ተ.ቁ	ይዘት	5	4	3	2	1
	<b>የመምህራን አመለካከት</b>					
1.	የጡረታ መዋጮ በየወሩ ከምክፍል አሁን ባለኝ ገቢ ጥሩ ኑሮ ብኖር እመርጣለሁ					
2.	ለጡረታ ከአሁኑ መቆጠብ ጠቃሚ ነው።					
3.	የጡረታ መዋጮን የማዋጣት አቅሙ አለኝ።					
4.	ለጡረታ የምቆጥበውን ገንዘብ በፈለኩ ጊዜ አውጥቼ መጠቀም የምችል አይመስለኝ።					
5.	የጡረታ መዋጮ አስተማማኝ የሆነ የቁጠባ ዘዴ ነው።					
6.	የጡረታ መዋጮ አሰልፎ መሆኑን አምናለሁ።					
	<b>ስለጡረታ ያለው ግምት</b>					
7.	የጡረታ መዋጮው ጡረታ በምወጣበት ጊዜ መሠረታዊ ወጪዎቹን በበቂ ሁኔታ ይሸፍናል ብዬ አምናለሁ።					
8.	የጡረታ መዋጮው ጡረታ ከወጣው በኋላ ሙሉ በሙሉ የምተማመንበት ይሆናል ብዬ አምናለሁ።					
	<b>ፖሊሲ</b>					
9.	በትምህርት ቤታችን ውስጥ የጡረታ ፕሮግራሙ አተገባበር ግልጽነት ይጎለጻል።					
10.	በትምህርት ቤታችን ውስጥ የጡረታ ፕሮግራሙን ለመተግበር አስቸጋሪ ነው።					

## DECLARATION

I, the undersigned, declare that this thesis is my original work, has not been presented for a degree in any other university and that all sources of materials used for the thesis have been properly acknowledged and listed in the reference section.

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