

PENSION PLANS: AWARENESS AMONG PRIVATE SECTOR EMPLOYEES – AN EMPIRICAL STUDY

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ABSTRACT

The main aim of the study was to examine the level of awareness of employees working in private sector in Salem and Erode districts of Tamil Nadu. The study was conducted with a view to find out the feasibility for investments in pension / group insurance plans. A well-structured questionnaire was prepared and distributed among 300 working people in Salem and Erode and 284 valid responses were received and properly analysed through statistical software. It was found through the study that the employees do not have the sufficient level of awareness about various pension schemes available in the insurance market and also they do not know much about the benefits of the pension schemes. However, the study found that there is a fair amount of interest among the employees to know more about pension plans and was eager to make invest in pension plans / group insurance plants when they are properly advised on the various schemes available in the market. The study concludes with the suggestion to the insurance companies to run awareness compaign in the State to create more awareness among working people to make investment in pension plans and have their lives secured after retirement.

Key words: Pension Plans, Group Insurance, Awareness programmes, Security

INTRODUCTION

In this era of competition where technology and systems are the primary working tools for every organization, it is the manpower who differentiate the good from the great. Are the working people secured enough? Adequately covered to

make good the loss or have regular income after retired life, especially the private sector employees who burn their midnight oil for the organization they work.

Security, in general, can be thought as a peace of mind and freedom from uncertainty, whereas insecurity implies

feelings of doubt, fear and apprehension – Trust with trust. There is a little evidence that a significant number of individuals will voluntarily save for their future needs. With increasing longevity, changes in the social psyche and nature of economy, the need for a group insurance and a pension plan is the need of the hour.

Pension and group insurance are twin sides of the same coin. Pension provides with the regular income after retirement and Group insurance provides a mechanism for employers to provide employee benefits as part of an employee's total compensation package, as part of one group, outside of government-provided benefit programs.

The people working in government sector and private before were covered and pension plans and their life after retirement from work was secured with earnings through pension and they need not depend on others for leading their life after retirement. However, after the Amendment to the existing PF Act the employees were not provided with pension after retirement and they may end up with facing problem in leading their life after their retirement. This environment raised the need for the habit of saving for retired life. People have to invest in some financial institutions to make their life secured after retirement. Do they have sufficient knowledge on the schemes on pension and group insurance? Are they aware of the different type of plans of insurance companies? Are they have already started making investment in such

pension plans? To answer all these questions, the authors of this paper investigated the level of awareness among employees working in private sector, as these people are getting their wages and salaries comparatively lesser than the people working in government sector and they have the higher risk of running of their life after retirement.

Area selected for the study

This study is mainly focuses on employees working in private sector organizations in Salem and Erode region to know their level of awareness on various pension plans and group insurance schemes available in insurance market.

Review of Literature

Praveen Jha and Nilachala Acharya (2013) states that in most countries of the developing world, though the importance of universal social security is being increasingly recognised as an integral part of progressive public policy, only a fraction of population have been covered under the safety-net of social security. Several state governments have designed schemes and programmes of social security, aimed both at organised and unorganised sector. At present, in India, the nature of social security schemes that benefit people after they cross certain ages are different for the organised and unorganised sectors. Hence they concluded that the overall magnitude of public resources available to the government in India has been grossly inadequate in comparison to several other countries, mainly owing to the low

magnitude of tax revenue collected in our country. Hence, it is high time to go for a comprehensive Social Security Scheme (or combination of schemes / programmes) in place with appropriate institutional mechanisms. India's experience on the whole has been disappointing with reference to addressing the social security needs of the elderly. There have been hesitant and limited sporadic efforts, instead of a coherent policy approach of any significance.

Mavlutovaa, et al. (2016) narrating the importance of pension plan in Latvia. They opines that European and other world countries are facing changes in their population age structure. This leads to conclude that intensifying ageing of population is a global phenomenon. Latvia has introduced a new three-level pension system aimed to reduce the effect of demographic risks and demonstrating the country's intention to provide viable public and private combination in old-age provision. The demographic estimates of European Commission show that by 2060 in Latvian population number elderly people aged 65 and over will almost double. The potential impact of demographic change on the age structure and the size of population is dramatic and still the main problem that cast the doubt on the ability of state mandatory non-funded pension scheme to provide a full-fledged social security. Personal financial planning, personal investments in Private voluntary pension schemes are important. The objective of research is to investigate

whether the existing Pension system in Latvia is working effectively under changing economic environment to reach the goal of providing appropriate pension level for the retired persons. It analyses the role of Private voluntary pension schemes, the current demographical situation with a flow of emigration and impact of new tax incentives for employees. The research evaluates efficiency of Private voluntary pension schemes and Latvian pension managers in providing appropriate pension level to future retirees in actual financial markets situation. Necessary action scenarios to provide wholesome standard of living in the future are analysed.

MacKellar (2009) looks at the experiences of various Asian countries in expanding the coverage of the pension system to informal sector workers. He argues that given aging and growing informality, a rapid forward-looking response from governments in the region is necessary to provide protection against the risk of poverty in old age. This risk is particularly acute in the case of informal sector workers, as is the difficulty of reaching them through traditional formal-sector pension approaches. From the analysis of various case studies the study concludes that expanding coverage to informal sector workers through mandatory systems is unlikely to work. Alternative, voluntary arrangements are need. However, because informal sector workers tend to have lower savings capacity and high discount rates, targeted

subsidies might be required to encourage enrolment. It discusses some of the issues related to the design of these programs including those related to administration and the collection of contributions, finally, the study emphasizes the need to resolve difficult trade-offs between the transfers to prevent poverty during old-age and expenditures in other social programs.

Shafie, et al. (2016) private retirement scheme (PRS) was first introduced in 2012 in supporting the private sector employees to prepare for their retirement. The main purpose of this exploratory study is to unveil the level of awareness of PRS and investigating factors influencing the retirement planning practices. This study applies quantitative approach with the use of survey questionnaires as the main instrument of data collection. Private sector employees from five private companies in Malacca were selected as respondents of this study. Data collected was analysed using descriptive analysis. In general, findings of this study show that relatively, the level of awareness towards PRS is still low. In addition to that, only 77% of those that aware about this scheme have an interest to invest.

Various factors were found to have an influence on the retirement planning practices private sector employees in Malaysia. Overall, this study shed some information on the awareness towards PRS among private sector employees in Malaysia and also factors influencing their current state of retirement planning practices.

Stewart (2007) feels that Pension Benefit Guarantee Schemes are insurance type arrangements with premiums paid by pension funds, which take on outstanding obligations which cannot be met by the insolvent plan sponsors. Arguments for such schemes stem from 'market failure' with workers not fully understanding the trade-off between pensions deferred wages and current income, and diversification as most workers are highly exposed to the insolvency of the plan sponsor in terms of current and retirement income and cannot properly diversify this risk particularly where the pension is funded by book reserves. However challenges to these schemes exist mainly in the form of moral hazard and adverse selection, which are problems for all insurance contracts, and potentially in the form of systematic risk as bankruptcies tend to be correlated, as does pension underfunding across schemes, and indeed as are these two factors.

Ayanendu Sanyal (2013) proposed a universal pension scheme as relief to working population in the unorganized sector and insisted that it will increase the coverage of pension without disturbing the fiscal situation. He reiterated that the main purpose of pensions is mitigating longevity risks, smoothing of consumption and poverty and inter-intra generation inequality and Universal pension scheme would do this successfully. He felt that one of the major components of old age social security is pension and the developed countries provide pension to those who

contribute for pension whereas in majority of the developing countries pensions are provided in a discretionary manner which reduces the coverage of pension. India has a low coverage of pension. The study revealed that an introduction of pension scheme will enhance the welfare of the working community majority of whose future lies in uncertainty.

Kanchan Bharati (2015) discussed the role of governments support with respect to economic security of old age people. He insisted the necessity of old aged to live longer because of their significance in their family with their valuable experience and also they should remain healthy. Hence they should be provided financial independence and dignity which would be possible by providing pension to them.

Roland, Sigg (2005) emphasized the need for social security of old age people to tackle impending social and demographic changes. The strategy needs to be based on a realistic assessment of the situation. In this process, social security institutions might find it even more difficult to achieve an integrated approach. A range of different funds and government departments are often involved in areas such as old age, disability, unemployment and family, making it hard to ensure a coordinated or coherent attitude towards the people concerned. A uniform system involving one-stop-shops and using current information technology resources prove that some degree of integration is possible and very much in the interests of both scheme members and other social security beneficiaries.

Goswami, R (2001) reviewed the Indian pension system. The Indian experience could potentially influence policy decisions in other developing countries, especially those with similar reliance on the national provident fund system. The paper brings the problems that the system is confronting now - Demographic aging: The age structure of the population is changing drastically with increasing life expectancy and declining birth rates. The result of such demographic transition will be a larger proportion of older people.

Research Design, Sample Size and Data Collection

The research design used for this study is a combination of descriptive and empirical research. The main purpose of descriptive research is description of the state of affairs as it exists at present.

Descriptive in the nature due to fact finding with the help of literature survey and the analysis of demographic profile of the respondents in the particular area considered for this study. The study is said to be empirical due to the application of statistical tools used for data analysis. Data has been analyzed with the use of reliability of the study, frequency analysis, cross tabulation and the testing of hypothesis using t-test, ANOVA to arrive on conclusions. The aim of this approach is to portray the employee's level of awareness towards the various pension plans and group insurance plans of insurance companies presently operating in the insurance industry.

Target Population

Target Population for this study has been selected industrial areas of Salem and Erode district in Tamil Nadu state. The main focus of the present study is the employees working in private sector companies and hence the employees working in the private companies of these two districts have been considered as the target population. The reasons for considering these areas are that they industrially developed as a large number of industries are located in these two districts, low literacy level on future plans, low level of savings for future life, low level of living standards, unstructured saving pattern, etc.

Sample Size

Sampling is the act of selecting a representative part of a population for the purpose of determining the characteristics of the whole population. Sample size refers to the number of items to be selected from the universe to constitute a sample. Sample size for this study is 300 customers, comprising of 150 from Salem district and 150 from Erode district. The samples were selected on the basis of researcher

convenience and the availability of respondents at the time of visit have been taken into consideration for this particular study. Out of this, 284 questionnaires were received back, but 16 questionnaires were discarded as they were not filled up adequately. Hence the analysis has been carried out on the basis of 284 respondents.

Primary data collected through conducting Personal interview by framing a well-structured questionnaire. The questionnaire was prepared and distributed to the respondents and information was gathered during April to June, 2017. The questionnaire consists of a number of questions printed in a defined order on a form or a set of forms.

Tools for the Study: Percentage Analysis, t-test, ANOVA

Data Analysis and Interpretation

The data gathered from 284 respondents in Salem and Erode through a structured questionnaire was entered into SPSS software and further analyzed to arrive at meaningful conclusions. The results of the data analysis and their interpretations are described in this session.

Table 4.1.1 Demographic details of customers

Demographic variable		Area					
		Salem		Erode		Total	
		Count	Row N %	Count	Row N %	Count	Row N
Gender	Male	111	59.4%	76	40.6%	187	100.0%
	Female	29	29.9%	68	70.1%	97	100.0%
Age	Upto 25 years	9	64.3%	5	35.7%	14	100.0%
	25-35 years	39	48.1%	42	51.9%	81	100.0%
	36-45 years	67	49.6%	68	50.4%	135	100.0%

	45-55 years	19	48.7%	20	51.3%	39	100.0%
	Above 55 years	6	40.0%	9	60.0%	15	100.0%
Qualification	Upto HSc	4	44.4%	5	55.6%	9	100.0%
	UG Degree	44	50.0%	44	50.0%	88	100.0%
	PG Degree	65	51.6%	61	48.4%	126	100.0%
	Professional	27	44.3%	34	55.7%	61	100.0%
MS	Married	112	49.1%	116	50.9%	228	100.0%
	Unmarried	28	50.0%	28	50.0%	56	100.0%
F_Status	Joint	51	48.1%	55	51.9%	106	100.0%
	Nuclear	89	50.0%	89	50.0%	178	100.0%
F_Income	upto 20,000	2	15.4%	11	84.6%	13	100.0%
	20,000 to 30,000	14	73.7%	5	26.3%	19	100.0%
	30,000 to 40,000	27	93.1%	2	6.9%	29	100.0%
	40,000 to 50,000	15	88.2%	2	11.8%	17	100.0%
	Above 50,000	82	39.8%	124	60.2%	206	100.0%

It can be seen from the above table that more number of female employees in Erode area responded to the survey than the female employees in Salem area; almost similar kind of age distribution is found in both Salem and Erode area; only a handful number of employees both in Salem and Erode area have studied upto HSc and all others at least hold a UG degree; majority of the respondents are married; more number of families are living in nuclear families in Salem as well as in Erode area; almost 73 per cent of the employees stated that they have their family income above Rs.50,000 per

month. It exhibits that there is a greater scope for canvassing their investment in pension plans and group insurance plans.

4.2 Level of Awareness – An Analysis

4.2.1 Level of Awareness on the Type of Pension plans

The respondents were asked to rate their level of awareness on the type of pensions plans through six statements on a 5-point liker scale, 1 being the lowest level and 5 being the highest level of awareness. The mean level of awareness of employees on these statements are tabulated below according to their Rank in Table 4.21.

Table 4.2.1 : Level of Awareness on Type of Pension plans

Statement	N	Min.	Max.	Mean	S.D.	Rank
Many private players apart from LIC sells pension products	284	1	5	2.746	1.439	1
Immediate pension plans are available in the market	284	1	5	2.535	1.464	2
The availability of unit-linked pension plans	284	1	5	2.426	1.446	3
Availability of government social security schemes	284	1	5	2.380	1.388	4
Availability of deferred pension plan	284	1	5	2.338	1.456	5
The availability of individual and group pension plans	284	1	5	2.306	1.384	6

It can be seen from the above table that the employees are less aware on the availability of various pension plans in the market as the means of almost all the statements are well below the neutral level of 3. The employees have expressed slight awareness on the various types of pension plans available; also they have expressed that they have least level of awareness on the statement 'Availability of individual and group pension plans' (2.306). This statement is followed by the statement 'Availability of deferred pension plan' (2.338) and 'Availability of government social security schemes' (2.380). This

further necessitates the awareness programmes to be conducted among the private employees to create necessary awareness about pension plans.

Level of Awareness on the benefits of Pension plans

The respondents were asked to rate their level of awareness on the benefits of pensions plans through seven statements on a 5-point liker scale, 1 being the lowest level and 5 being the highest level of awareness. The mean level of awareness of employees on these statements are tabulated below according to their Rank in Table 4.2.2.

Table 4.2.2 : Level of Awareness on the benefits of Pension plans

Statement	N	Min.	Max.	Mean	S.D.	Rank
Availability of the modes of pension- mly,qly,hly,yly	284	1	5	3.208	1.514	1
Details of maturity of policy	284	1	5	2.975	1.479	2
Change of nomination	284	1	5	2.856	1.583	3
Tax benefits available in choosing pension plan	284	1	5	2.845	1.519	4
Lapse of policy	284	1	5	2.743	1.663	5
Grace Period of payment of premium	284	1	5	2.701	1.599	6
Surrender of policy before maturity	284	1	5	2.662	1.590	7

It can be seen from the above table that the employees have low level of awareness on various benefits of pension plans as the means of almost all the statements are well the neutral level of 3 and only the statement 'Availability of the modes of pension' has the mean value just above 3 (3.208). The employees have the least level of awareness on 'Surrender of policy before maturity' (2.662), followed by the benefit 'Grace period of payment of premium' (2.701). This illustrates that lot awareness programmes have to be conducted by the

pension/insurance companies among the private employees to create necessary awareness to invest in pension plans for their secured future, i.e. after-retirement life.

Level of Interest on Pension plans

The respondents were asked to rate their level of interest on investing in pensions plans through ten statements on a 5-point liker scale, 1 being the lowest level and 5 being the highest level of interest. The mean level of awareness of employees on these statements are tabulated below according to their Rank in Table 4.2.3.

Table 4.2.3 : Level of Interest on Pension plans

Statement	N	Min.	Max.	Mean	S.D.	Rank
I am ready to open pension policies if someone approaches me	284	1	5	4.011	1.190	1
I may be approached to brief about pension policies	284	1	5	3.812	1.190	2
I don't know how to open pension policies	284	1	5	3.789	1.173	3
I don't know the availability of pension policies	284	1	5	3.768	1.448	4
I want to have pension policies for secured future life	284	1	5	3.720	1.028	5
I will never default paying pension premium in spite of all commitments	284	1	5	3.651	1.039	6
I don't know to whom and where I should contact to open pension policies	284	1	5	3.645	1.258	7
Pension policies are the best choice for my secured after-retirement life	284	1	5	3.595	1.245	8
I will never withdraw any amount from my pension plans before maturity	284	1	5	3.458	1.098	9
I can recommend to my friends also to open pension policies	284	1	5	3.407	1.140	10

It can be observed from the above table that the employees have expressed a fair amount of interest to invest in pension plans; the statement 'I am ready to open pension policies if someone approaches' has the highest mean (4.011), followed by the statement 'I may be approached to brief about pension plans' (3.812), 'I do not know how to open pension policies' (3.789), 'I do not know the availability of pension plans' (3.768), 'I want to have pension policies for secured future life' (3.720), and so on. This illustrates that there is great amount of scope for making the employees to invest in pension plans if they are made to be aware of pension policies and properly approached by insurance companies.

Impact of demographic variables on the Awareness of pension plans

The grand mean of awareness on all the three factors, viz. Type of plans, Benefits of plans and Interest on pension plans

were analyzed to see whether demographic variable gender has any impact on the awareness of these factors and the results are displayed in the following Table 4.3.1.

Table 4.3.1 Impact of Gender on Awareness

Gender	Benefits	Types	Interest
Male	2.716	2.192	3.263
Female	3.125	2.900	3.009
F	5.739	21.980	13.747
Sig.	0.017	0.000	0.000

It can be observed there is a significant difference in the level of awareness of male and female respondents ($p < .05$) on each of the factors taken for study, i.e., Benefits of pension plans, Types of pension plants and Interest on pension plans. Also it can be noted that female employees have showed higher level of agreement on Benefits and Types than the male employees whereas male employees have shown more interest in pension plans than the female employees.

Table 4.3.2 Impact of Age on Awareness

Age	Benefits	Types	Interest
Upto 25 years	2.235	2.031	3.321
25-35 years	2.545	2.176	3.184
36-45 years	3.025	2.600	3.142
45-55 years	3.143	2.667	3.175
Above 55 years	2.838	2.095	3.319
F	2.748	2.480	.607
Sig.	0.029	0.044	0.658

It can be observed there is a significant difference ($p < .05$) in the level of awareness of employees in different age groups on the factors Benefits and Types of pension plans, whereas there is no significant difference ($p > .05$) in the awareness of employees in different age groups as far as their interest in pension plan is considered. male and female respondents ($p < .05$). The employees in the age group of 45 to 55 years have shown more level of awareness on Benefits and Types of pension plans.

Table 4.3.3 Impact of Qualification on Awareness

Qualification	Benefits	Types	Interest
Upto HSc	3.651	2.857	3.100
UG Degree	2.573	2.013	3.187
PG Degree	2.976	2.519	3.190
Professional	2.897	2.801	3.144
F	2.621	5.902	0.157
Sig.	0.051	0.001	0.925

It can be observed there is a significant difference ($p < .05$) in the level of awareness of employees with different qualifications on the factor Types of pension plans, whereas there is no significant difference ($p > .05$) in the

awareness of employees in different qualification groups with respect to the factors Benefits and Interest on plans. The employees with HSc qualification are well aware of the benefits of pension plans than others.

Table 4.3.4 Impact of Marital status on Awareness

Marital status	Benefits	Types	Interest
Married	2.879	2.457	3.121
Unmarried	2.763	2.334	3.402
F	0.317	0.418	11.746
Sig.	0.574	0.519	0.001

It can be observed there is a significant difference ($p < .05$) in the level of awareness of married and unmarried employees with regard to their interest on pension plans, whereas there is no significant difference ($p > .05$) in the awareness of married and unmarried employees on the factors Benefits and Types of plans. The unmarried employees have shown more interest towards investing in pension plans.

Table 4.3.5 Impact of Family Income on Awareness

Family Income (Rs.)	Benefits	Types	Interest
upto 20,000	3.077	2.615	3.262
20,000 to 30,000	3.045	2.391	3.226
30,000 to 40,000	1.823	1.739	3.236
40,000 to 50,000	2.521	2.294	3.211
Above 50,000	2.997	2.535	3.155
F	5.363	2.771	0.280
Sig.	0.000	0.028	0.891

It can be observed there is a significant difference ($p < .05$) in the level of awareness of employees with different levels of income with regard to the factors Benefits and Type of plans, whereas there is no significant difference ($p > .05$) in the awareness of employees on the factor Interest on pension plans. The employees with family income below Rs.20000 per month have more level of awareness than the other employees.

Table 4.3.6 Impact of Type of Family on Awareness

Type of family	Benefits	Types	Interest
Joint	2.864	2.605	3.180
Nuclear	2.851	2.331	3.174
F	0.006	3.204	0.007
Sig.	0.938	0.075	0.932

It can be observed there is no significant difference ($p > .05$) in the awareness of employees on the each of factor Benefits, Type of plans and Interest on pension plans. This implies that the level of awareness is not affected by the type of family in which the employees are living.

Conclusion

The main aim of the study was to examine the level of awareness of employees working in private sector companies in Salem and Erode area on Pension/group Insurance plans. Out of 284 valid responses received, it was found that in principle, there is no desired level of awareness among the employees on various types of pension plans, benefits of

pension plans even though they have certain amount of interest to know about pension plans and to invest in pension plans when they are made aware of and properly approached. Hence the study concludes that a widespread awareness programmes have to be conducted by the pension/insurance companies throughout the state to make the people know more about pension schemes and tap a considerable market available for pension/insurance market and provide the people with a secured retired-life.

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