

**FACTORS CONTRIBUTING TO THE INCREASED WITHDRAWALS
AMONG PENSION SCHEME MEMBERS: A CASE OF PARASTATAL
PENSION FUND MIKINDANI DISTRICT IN MTWARA REGION**

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**A THESIS SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF ARTS IN MONITORING AND
EVALUATION OF THE OPEN UNIVERSITY OF TANZANIA**

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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a thesis titled: ***“Factors Contributing to the Increased Rates of Withdrawals among Members from Pension Schemes: A Case of Parastatal Pension Fund in Mtwara Region”*** in fulfillment of the requirements for the degree of Master of Arts in Monitoring and Evaluation of the Open University of Tanzania.

.....

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DECLARATION

I, **Edger Hossea**, do hereby declare that this thesis for the award of degree of master of monitoring and evaluation is my original work and it has not been submitted to any other university for a similar or different award.

.....

Signature

.....

Date

DEDICATION

This work is dedicated to my dear parents Professor and Mrs. Hossea Rwegoshora and my family relatives including my brother Harold Hossea, Avitus Hossea and Gloria Hossea.

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In conducting this study, various people and institutions based in Mtwara particularly Mtwara Mikindani District have directly and indirectly to the accomplishment of this work. I am eternally grateful to the almighty God for enabling me to accomplish this study.

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ABSTRACT

The purpose of this study was to find out the factors, which attribute to increased withdrawals among pension scheme members from pension funds. The study was conducted Mtwara Mikindani District in Mtwara Region. A sample of 73 respondents was engaged in the study that is 53% males and 47% females. The study was guided by three specific objectives i.e. to identify whether peer influence motivates pension scheme members to withdraw their contributions, to check whether inflation is a deciding factor for members to withdraw from pension schemes and lastly to find out if the nature of employment terms affects the increased withdrawals of members' contributions. The study adopted an explorative design to discover the factors for increased withdrawals among pension scheme members. The study also adopted two major theories, which are social protection and social security theories. The major findings for the first objective were that peer influence did not in any way motivate members to withdraw their contributions from pension schemes. As for the second objective, the study revealed that inflation rate influences premature withdrawals among members. In the years where inflation was high, pension schemes experienced massive withdrawal claims unlike in those years where inflation was moderate. The findings for the last objective were that, there is a direct correlation between employment contracts and the withdrawal of members from pension schemes. The study recommends that there is a great need to sensitize members of the intended goal of social security. Policy makers may wish to introduce the unemployment benefit. This will remove the unbalanced relationship between members and pension funds and create harmony against the way the status is right now.

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FIGURE

Figure 1.1: Conceptual Framework**Error! Bookmark not defined.**

LIST OF ABBREVIATIONS

CD	Certificate of Deposit
GEPF	Government Employees Provident Fund
ID	Identity Card
ILO	International Labor Organization
IRA	Individual Retirement Account
ISSA	Information Security South Africa
LAPF	Local Authorities Pension Fund
Mo-FEA	Ministry of Finance and Economic Affairs
NAO	National Audit Office
NHIF	National Health Insurance Fund
NIDA	National Identity Card Authority
NSSF	National Social Security Fund
PPF	Parastatal Pensions Fund
PSPF	Public Service Pension Fund
TFL	Tanganyika Federation of Labor
TPAWU	Tanzania Plantation and Agricultural Workers Union
TRAWU	Tanzania Railway Workers Union
TTCL	Tanzania Telecommunications Company Ltd
TTU	Tanzania Teachers Union
TUCTA	Tanzania Union of Industrial and Commercial Workers
TUICO	Tanzania Union of Industrial and Commercial Workers
UK	United Kingdom

URT	United Republic of Tanzania
US	United States
USA	United States of America
WCF	Workmen's Compensation Fund

CHAPTER ONE

INTRODUCTION

1.1 Background Information

Human beings face socio-economic risks and uncertainties in their life and hence creating the necessary conditions for the need of social security. Societies provide either informal or formal protection for its members, protects them from insecurities in their lives. As already highlighted above there are several risks some of which are natural and some which are manmade. Formal social security systems provide basic income in cases of unemployment, illness and injury, old age and retirement, invalidity and loss of family breadwinner. Such benefits are important not only to individuals and their families but also for their communities as a whole (Mendoza, 1990).

The genesis of forming a social security scheme is to secure the income security for majority of the citizen for the purposes of ensuring that they have an acceptable standard of living. The mission of a pension system is to assure adequate standard of living for people at old age i.e. provision of a retirement benefit. Tanzania has different types of social security schemes established under the act of parliament namely; National Social Security scheme (Pension Act No. 28, 1997). Parastatal Pension Scheme (pension Act No. 14 of 1978), Public Service Pension Scheme (pension Act no. 2 of 1999) and other schemes established before independence like Government Pension scheme (Pension ordinance Cap 371 of 1954), Government Employees Provident Fund (cap 51 of 1942). These schemes were established purposely to provide benefits (membership) and benefit package, which based on Act, which established the scheme concerned.

Among the benefits provided by pension funds is the withdrawal benefit, which is granted to a member upon either resignation or termination of contract. The basic function of a pension scheme is to invest member's contributions after collection. The goal is to generate a large pool of resources and returns, which in turn serve pensioners in the old age or any other member upon unforeseen contingency. Pension schemes can only perform this when there are active members contributing to the fund and others who are joining in as well. If a large number of members are withdrawing their contributions prematurely before the attainment of old age then pension funds may not be able to invest in liquid assets and fail to serve pensioners in the future.

From 2007 to 2014 Tanzania has been experiencing this phenomena due to the increasing trend of members who withdraw from pension funds by claiming their contributions ((Ihucha A, 2013, The East African). The NSSF study report (2013) reveal that, from 2007 to 2011, withdrawals across all pension funds increased from sh46.6 billion to sh119.66 billion and that is equivalent to 29.7 percent of total benefits paid. For this period the number of members withdrawing their contributions raised from 45,239 in 2007 to 85,760 in 2011. This tendency of premature withdrawal has contributed to decrease in membership size in pension scheme and affects their investment portfolio. On this context the researcher developed an interest to conduct a scientific study on this area in order to find out reasons that contribute to premature withdrawal among members in pension schemes.

For example for base year 2013 the following figures were incurred by pension schemes in payment of various benefits across all pension schemes.

Table 1.1: Data on Pension Scheme Finances (Million Tshs)

Benefits	PPF	PSPF	NSSF	LAPF	GEPF	Total
Pension benefits	127,094	543,344	220,454	43,447	9,162	943,501
Non pension benefits	4,877	368	7,595	1,303	00	14,143
Total Benefits	131,971	543,712	228,049	44,750	9,162	957,644

Source: Data provided by respective pension funds

From the table above it is clear that pension schemes spend huge amounts of resources to service pensioners compared to other benefits. PSPF for instance incurred a total Tshs 543,344 million to finance pensioners more than any other pension fund and GEPF the least with only Tsh 9,162 million. In a nutshell, the existence of members 'contributions is the key to service outgoing members who are pensioners. With more members exiting pension schemes that means low collection of contributions, low investment and ultimately no lump sum and monthly payments.

1.2 Statement of the Problem

As highlighted above Pension funds have existed since late 1960's with the main objective being that of covering members against social and economic distress. Despite the government's intention to introduce pension funds to enhance social functioning and promoting welfare of retired public servants through different schemes, the payments terminal benefits pose a huge challenge to most social security schemes. Whereas these schemes are supported with international, regional and national labor laws and whereas the contribution aims at accumulative saving and payment of lump sum for retired member, the trend of premature withdrawals which

took place between 2012 and 2015 raised the great concern to the fund administrators. Available data from the Parastatal Pension Fund for example reveal that between 2012 and 2015 there were 77966 withdrawals from the fund.

These concerns were also shared by NSSF risk manager who concurred that the number of withdrawal claims across all pension schemes rose from 45,239 in 2007 to 85,760 in 2011. He further stressed that with the ongoing trend funds will lose liquid funds needed for investment, create social insecurity and place a higher burden to the working population. With this view in mind the study therefore intended to find out factors that triggered members to withdrawal from pension fund.

1.3 General Objective

The general objective of this study was to examine the factors contributing to early withdrawals among members within the Parastatal Pension Fund.

1.3.1 Specific Objectives

The study was guided by the following objectives

- (i) To find out if there was any positive relationship between peer influence and early withdrawals of the pension benefits.
- (ii) To examine if the fluctuation of the inflation rate was a factor motivating factor for early withdrawals of pension benefits.
- (iii) To find out if the nature of employment contracts as facilitating factor of early withdrawals among members.

1.4 Research Questions

- (i) Is there any correlation between peer influence and premature withdrawals of benefits among members?
- (ii) Does the fluctuation on inflation rate motivate premature withdrawals of pension benefits?
- (iii) Does the nature of employment contracts facilitate premature withdrawals among members?

1.5 Significance of the Study

Various studies such as those done by ILO (1984); Midgley (1996), Stewart. F (2009); and Rwegoshora (2014), and policies such the National Social Security Policy (2003) among others discussed various dimensions of the social security issues in different context, however none of these made an attempt to examine the impact of early withdrawal of terminal benefits particularly the facilitating factors. This study is therefore significant as it explores the problem of increasing trend of withdrawal among members, provide knowledge to members, and hence provide insight knowledge to policy makers, benefit pension schemes as elaborated below.

1.5.1 Contribution to Members

The study will benefit members who are at the centre of the problem. The main objective of pension schemes right from its genesis has been to cover members against social and economic contingencies. These benefits have been established based on International Labor Organization (ILO) minimum standards. It remains to be a notion that members have diverted from the real cause by withdrawing their contributions.

It is through this study that members will learn the true intention of pension schemes, which is to provide social security upon existence of unpredicted contingencies. This study will therefore help members realize that pension schemes are not only a form of savings where one can easily gain his contributions once termination or resignation but rather have been legally established to provide terminal and other related benefits

1.5.2 Contribution to Pension Schemes Especially PPF Pensions Fund

This study will help PPF and other pension schemes as well who are affected by the increasing trends of withdrawals. PPF Pensions Fund serves members from both Formal sector and Informal sector. The formal employees include those in Government and Parastatal Organizations whereas the informal sector includes those in private sector. However, PPF also serves those casual workers who work on different projects such as construction projects, water projects and others as well. This category of labor depend on mostly their contributions because as projects complete, they have no other means of income hence constitute to large withdrawals within the pension schemes.

1.5.3 Contribution to Policy Makers and Politicians

Finally, this study will benefit policy makers by coming up with alternative and hopefully permanent solutions towards the problem in order match with the fast changing environment that is currently prevailing among members. In 2012, the issue of denying withdrawal was brought up by the Government intending to deny members from pulling their contributions upon termination. The Parliament members however remained undecided on the matter claiming that the benefit is unavoidable given the

working conditions especially in the private sector (Mwakyusa, 2012) Daily News. In this regard, the study will provide implementable solutions to curb the current withdrawal trend.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter represents what is known what is not known about the administration of pension funds in Tanzania. The chapter presents a theoretical as well as the empirical studies related with social security in Tanzania and other parts of the world. The chapter further highlights on the areas, which are not known and the conceptual framework of the study.

2.1.1 Definition of Key Terms

2.1.1.1 Withdrawal

Withdrawal can be defined as the right of an employee who has a qualified pension plan to cash out any accumulated benefits upon leaving an employer. Withdrawal benefit under a defined contribution plan may allow the employee to have immediate rights to any contributions, plus any earnings on those contributions. The employee may not be entitled to receive any employer contributions unless he or she is vested. Under a defined benefit plan, most likely the benefits will stay with the retirement plan until you become eligible to receive them. If an employee is fully vested, he or she may elect to withdraw the accumulated benefits and be subject to certain tax liabilities and / or penalties or transfer it to an Individual Retirement Account (IRA) or in some cases to another employer plan. (Cussen, 2015)

2.1.1.2 Premature Withdrawal

Krishnan (2016) defines the term as the removal of funds from a fixed term investment before the maturity date, or the removal of funds from a tax deferred

investment account or retirement savings account such as an IRA before a prescribed time. It could be anything earlier than the account owner's attainment of a prescribed minimum age requirement or the maturity of a fixed term investment, such as certificate of deposit (CD). He further argues that when a premature withdrawal is made, the investor usually incurs a premature withdrawal fee, which acts as a deterrent to frequent withdrawals before the end of the early withdrawal period. As such an investor would opt for premature withdrawals if there were pressing financial concerns that warranted it, or if he or she had a markedly better use for the funds.

2.1.1.3 Pension

A pension is a fund into which a sum of 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 an individual or a "defined contribution plan" under which a fixed sum is invested and then becomes available at retirement age. Pensions are usually paid in regular installments for life after retirement. The common use of the term pension is to describe payments a person receives upon retirement usually under pre-determined legal or contractual terms (Cannon, 2012). There are three types of pensions; these include:

2.1.1.3.1 Employment Based Pensions

These are retirement plans arranged to provide people with an income during retirement when they are no longer earning steady income from employment. Often this type of pension requires both employer and employee to contribute money to the fund during the employment time in order to receive defined benefits upon retirement.

As such it is a tax deferred savings vehicle which allows tax free accumulation of a fund for later use as a retirement income. The funding for this pension can be provided in different ways such as from labor unions, government agencies or self funded schemes (M. Timothy, 2017). In Tanzania such schemes exist and include PPF, NSSF, GEPF, LAPF and PSPF Pensions Funds.

2.1.1.3.2 Social and State Pensions

Many countries have created funds for their citizens and residents to provide income when they retire or in some cases when they become disabled. Typically this requires payments throughout the citizen's working life in order to qualify for benefits later on. A basic state pension is a "contribution based" benefit and depends on an individual's contribution history. Such schemes are common in developed economies such as the National Insurance in UK, Social Security in the United States of America.

2.1.1.3.3 Disability Pensions

Some pension plans are provided to members in an attempt where they suffer a disability. This may take the form of early entry into a retirement plan for a disabled member below the normal retirement age.

2.1.1.4 Pension Schemes

Pension schemes owe their genesis from formal social security systems. These are institutions, which provide payment of lump sum retirement benefits consisting of accumulated savings of members together with contributions of employer and accrued interest. In Tanzania these are NSSF, PPF, PSPF, GEPF and LAPF. These funds were formed under different legislations and operated under different parent ministries. For

example PPF reports to Ministry of Finance and Economic Affairs (Rwegoshora, 2014). Pension schemes in particular protect formal sector workers against contingencies associated with temporary or permanent loss of income. Some of benefits provided by pension schemes in Tanzania are such as old age, death, survivors, gratuity, disability benefits and withdrawal.

2.1.1.4 Social Security

Many people think of social security as just a retirement program. Most of the people receiving benefits are retired but others receive benefits because they are disabled, a spouse or child of someone getting benefits, a spouse or child of someone who died or a dependent parent of a worker who died. So depending on your circumstance, one may be eligible for social security at any age and in fact social security pays more benefits to children than any other government program (Social security administration USA, 2017).

Social security is a concept enshrined in article 22 of the Universal Declaration of Human Rights which states “Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each state, of the economic, social and cultural rights indispensable and the free development of his personality”. In simple terms the signatories agree that society in which a person lives should help them to develop and to make the most of all the advantages which are offered to them in the country. The term has different meanings across different societies depending on their set up. In the United States for example the term social security refers to a specific social insurance program for the retired and the disabled.

While elsewhere the term is used in a much broader sense, referring to the economic security the society offers when people are faced with certain risks. In its 1952 social security convention, ILO defined the traditional contingencies to be covered by social security as including; old age, survivor's benefit, family benefit, medical care, maternity benefit, unemployment benefit and disability benefit

2.1.1.5 Social Security Schemes

These are schemes imposed and controlled by government units for the purpose of providing social benefits to members of the community as a whole or of particular sections of the community.

2.2 Conceptualization of Social Security

People throughout the world in human history are confronted by uncertainties brought on by natural disaster, employment, illness, disability, death, and old age. Family members and relatives have always been involved in meeting responsibility to one another especially for aged or infirm. Traditional source of socioeconomic security were assets, labor, family and charity. As societies have been advancing by transforming themselves from simple to complex social and economic conditions such as the rise of urbanization, the traditional systems of social security systems have been declining as the result.

Apart from the traditional social security system, where all family members were involved in providing security during the times of difficulties, in the modern society the formal social security can be traced from the first English poor Law during and after industrial revolution. Modern social security system is said to have begun in

German between 1883 and 1889 when social insurance were introduced. For example sickness insurance in 1883, employment injury 1884 and old age insurance 1889. For many European countries to use resources and organization of the state to protect their people against many of economic hazards were obvious. Limited form of social security begun in as a measure to implement social insurance during the Great Depression of 1930s, when poverty rate among senior citizens exceeded 50 percent.

The stock market crash did destroyed value of many American retirement servings and bank failure did further damage. In Africa modern social security were introduced during colonialism when the British Empire established social welfare in her colonies following enactment of “Colonial Development Act 1940. Upon accession of independence new government of most African countries continued the existing scheme which were introduced before independence, and modified them slightly in order to fit the demand of new society. At the same time attempts were made to establish new additional schemes in older to cover larger number of population.

2.2.1 Nature of Pension Schemes

Pension schemes are organized under two categories namely defined benefit and defined contribution. Defined benefit operates more in the public sector. Defined benefits have generous benefit formulae, they are in most cases unfunded and the system is imbedded in the government source of finance (Mushi, 2011). Many older US Corporate pension plans use this type. In such plans, companies accumulate funds in pension accounts (that are legally separated from the companies’ other assets) and pay benefits to retirees that reflect the number of years that an employee has been with

the company and the level of the employee's earnings in his or her pre-retirement years. These are defined-benefit plans in the sense that the rules of the plan define the benefits that an employee will receive in a way that is independent of the actual investment performance of the assets that have been set aside for this purpose. The company is responsible for providing the funds to meet these benefits and must do so in a way that causes the pension accounts to have assets approximately equal to the actuarial present value of the company's pension liabilities. Most state government pension plans in the United States are of this form (Liebman 2002).

In a defined contribution, benefits depend on members' accumulation (employment) and return on investments (Mushi, 2011) Individuals are usually tasked with determining whether or not to participate (Madrian, 2010). Defined contribution schemes are in essence long term savings vehicles. Hence the level of retirement wealth accumulated depends primarily on the average return achieved, which results from the way in which assets are invested and in particular the extent to which they are diversified (Barnes F, 2008). In the United States for example most *private* pension plans are of this type. In such plans, employees have individual investment accounts to which they and/or their employer make periodic deposits.

The rules of the plan define the maximum amount of contribution and the extent of employer matching. When these individuals reach retirement age, they make withdrawals or receive annuity payments based upon the value of the assets in their accounts, which reflect both the original contributions and the accumulated investment return. Several countries, including Argentina, Australia, Chile and Mexico have adopted this framework for their public Social Security Program,

requiring employees and/or employers to deposit funds that are invested in a range of private and public securities (Liebman, 2002).

In Tanzania, pension schemes exist under both designs namely defined benefits where benefits are provided under specified formulae and defined contribution where each benefit is paid according to individual's contributions which are remitted monthly. PPF Pensions Fund for example during its introduction covered all employees from parastatal organizations employed on permanent terms and self-employed as the act amended 2002. The benefits conferred under this scheme include old age benefit, death, gratuity, survivors, maternity, withdrawal and education benefits. Employers remit members' contributions through defined contribution scheme and on the other hand the fund is dully responsible for providing benefits upon contingency (Bossert, 1987).

2.3 Theoretical Framework

Theory refers to a coherent group of tested general propositions, commonly regarded as correct, that can be used as principles of explanation and prediction for a class of phenomena (Rodman, 1980). They are a set of assumptions, propositions, or accepted facts that attempt to provide a plausible or rational explanation of cause and effect relationship among a group of observed phenomenon. Without theory, there is no research as much research is built around theories and the way they are applied to bring about logical conclusion (Maxwell, 2009).

2.3.1 Social Security Theory

The conceptualization of social security theory is a broad concept which differs among societies depending on their histories, traditional differences, and levels of

development that a society has reached. Because of that, it has acquired much wider interpretation in some societies than in others. Kanywanyi (1997) argues that social security is the result of how people produce and exchange means of livelihood, in his terms the social economic basis constitutes the nature of social relations and distribution of product of labor. He further argues that traditional social security systems in most African societies were products of natural and petty commodity characterized by subsistence production.

Traditionally, social security schemes were built on cardinal principle (Mukuka, 1995) which revolved around reciprocal relationships with accompanying complex rights and responsibilities, social cohesion, harmony and the satisfaction of basic needs of all members (Bossert, 1987). Apart from traditional perspective, the International Labor Organization (1984) defines it as “The protection which society provides for its members through a series of public measures against economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings”

This definition is based on the assumption that individuals are exposed to contingencies which make them unable to mobilize resources for their sustenance on their own, hence need to pool their resources in order to benefit from resources mobilized collectively (Kasseke, 1993).

In a pioneer article, Martin (1974) estimated that the introduction of social security system has reduced personal saving in the United States by 50 percent. This notion was however proven otherwise when in 1980 Dean Liemer and Selig Lesnoy presented new evidence that cast doubt on Feldstein’s conclusion.

His proposition was based on the view that although people save for many reasons such as to provide for contingencies, to build up an estate, and to finance children's education, the primary reason for saving is to provide resources for retirement. That is, workers consciously recognize that not only will they be unable or prefer not to work when they are older, but that (in the absence of a social security system) their consumption during retirement will depend on their own individual resources.

During their working years, they therefore build up savings in the form of real assets (Such as housing) and financial assets (such as stocks and bonds). These savings are then drawn down toward zero during retirement to finance consumption. This description of household behavior is referred to as the lifecycle model of saving.

As with other social insurance programs, social security benefits protect the aged from poverty and more generally from a sharp decline in the standard of living that could occur when regular earnings cease. But the provision of these benefits that are conditioned on income or employment and the collection of taxes needed to finance these benefits create dead weight loss that result from changing behavior of both aged and the younger population, an optimal social security character should therefore involve a balance between protection and distortion (Liebman 2002).

Such measures exist in Tanzania and have been providing security to aged during retirement theses include PPF, NSSF, PSPF, LAPF and GEPP. PPF for instance had served 31,133 retirees by the end of June 2016 (Annual Report for 2016). This shows that such benefits have reached the lives of many intended members.

2.3.2 Social Protection Theory

We make use of the basic economic assumption that individuals and households maximize income under constraints. Furthermore, it is assumed that households face the risk of becoming poor at a certain point in the future. To prevent this from materializing, households smooth their consumption over time, setting aside part of their resources to finance future consumption. When these measures are effective, households are able to maintain a particular welfare level, even when income falls short.

However not all individuals are able to perform this, a part of the population may not have access to a particular income generating activity or consumption smoothing channel because it lacks the required capital/assets to establish an exchange relationship with the institutional counterpart which household use to satisfy current and future needs in the society (welfare pentagon). Given the inequalities public authorities in many countries assist households in organizing social protection. They do so by using various social policy instruments including providing goods and services for free (or at low costs), regulating financing or producing (social) insurance schemes, disbursing direct social cash transfers and many more (Chris de Neubourg, 2009).

Social protection according to Otoo refers to a set of benefits provided by the state, the market or a combination of both to individuals or households to mitigate possible hardships resulting from reduction or loss in income. The reduction or loss of income may be the result of sickness, maternity, employment injury, invalidity, old age or death. Social protection could be a social security or social assistance. While social

security is usually provided through social insurance programmes, social assistance comes in the form of state sponsored social benefits to the citizenry. Social protection is recognized in several international, regional and sub-regional instruments as the right of every individual which is crucial in the fight against poverty, The Regional Strategic Plan of the International Trade Union Confederation (ITUC) Africa Region - has identified social security and social protection as key areas that labor movements in Africa must focus to improve the welfare of the labor force.

As in the rest of the world, African societies have traditionally relied on the extended family system that took great responsibility of caring for children, the aged and the infirm. In the era of globalization and urbanization, the extended family system has weakened considerably and is no longer capable of shouldering that burden. At the same time, modern forms of social protection introduced in many African economies have provided a remedy for the case though has excluded large proportion of the population in need of such protection. This is explained by the exclusive reliance on contributory social insurance (social security/pensions) as the mechanism for delivering social protection (Otoo 2012). This theory is therefore crucial in the study as it focuses on the relevance of sophisticated institutional arrangements, which protect against citizens risk and provide assistance to the destitute (Norton, 2001).

2.4 Empirical Studies

So far no particular study has been conducted regarding the increasing trend of withdrawal among pension fund members. Few cases however exist in different countries where such a phenomena has been experienced. In 2011, Kenya had the same problem where the then finance minister Uhuru Kenyatta tabled an official

gazette notice allowing retirees to go home with half their benefits upon leaving employment. The move opened door for hundreds of poverty ridden Kenyans, many who retired early or were retrenched to access millions of shillings in frozen pensions. The minister's notice dated September 30, 2010 made it possible for anyone who had worked for three years to go home with half the benefits upon retirement, if they had not attained the official retirement age of 60 years (Daily Nation, 2010).

Previously, workers were only entitled to their own contributions and had to attain the mandatory requirement age of 50 before tapping the investment income and employer's contribution. But with the introduction of the new law workers could access both contributions and investment income from retirement savings. The move however cast doubt among pension stakeholders indicating that the move would expose pension fund to heavy cash raids with far reaching ramifications on the financial and capital markets. They further stressed that the directive opened huge piles of cash that funds had built in the recent past to heavy raids by early retirees in a move that could cut the nation's savings rate (Business Daily, 2011). Available data show that Kenyan workers withdrew a total of Ksh1.3 billion from their retirement savings in 2011 following new regulations (The East African, 2013).

2.5 Inflation Rate

Inflation is an economic term, which refers to sustained increase in general price level of goods and services in an economy over a period of time (Barro, 1997). When the price level rises, each unit of currency buys fewer goods and services. Inflation reflects a reduction in the purchasing power per unit of money (Mankiw, 2002). Inflation affects economies in various positive and negative ways. The negative

effects include an increase in opportunity cost of holding money, uncertainty over future inflation, which may discourage investments and savings, shortage of goods as consumers begin hoarding out of concern that prices may rise in the future. Positive effects include reducing the real burden of public and private debt, keeping nominal interest rates above zero so that central banks can adjust interest rates to stabilize the economy (Mankiw, 2002).

2.5.1 Inflation Rate in Tanzania

Maintaining inflation rates within reasonable targets continues to be one of the principal goals of the Tanzanian Government. The Government through monetary authorities has instituted tight monetary and fiscal policies, which often target the demand causes of inflation.

The Tanzania Bureau of Statistics (BOS) computes two important measures of inflation; one is the year to year headline inflation which is defined as the percentage change in National Consumer Price Index (NCPI) and the other is the underlying inflation rate which is defined as rate of inflation excluding changes in food prices (Laryea, 2001). The Annual Inflation rate currently stands at 5.1 % in 2017 which is slightly lower compared to last year's rate at 5.17%. The following table shows the trend of Inflation rates from 2007 to 2017.

The Table 2.1 shows a considerable stability of inflation rate from 2013 to 2017 which stand at single digit which is from 7.9 in 2013 to 5.1 in 2017. The information above also explains decreasing trend of inflation rate 2007 except for double figures between 2008 and 2012.

Table 2.1: The Distribution of Inflation Rates from 2007 to 2017

Year	Value in %
2017	5.1
2016	5.2
2015	5.6
2014	6.1
2013	7.9
2012	16.0
2011	12.7
2010	7.2
2009	12.1
2008	10.3
2007	7.0

Source: National Bureau of Statistics (NBS) Tanzania

2.5.2 Economic Impacts of Inflation to Pension Funds

Pension funds exist in order to provide post retirement income to employees. The benefits to be paid are highly dependent on fund's performance in investing the contributions collected. Poor investment decisions may have serious consequence especially to fund stakeholders. The investment decisions should therefore be wisely done so as to ensure that return on investment increases so as to be able to pay benefits to stakeholders. Pension funds mobilize financial resources from members' contributions and other sources and channel them to viable investment avenues in order to build their ability to pay improved benefits package and provide quality services (Kyaruzi, 2015).

Donald, 1979, highlights inflation to be one of the most challenging problems facing pension funds today. His argument is based on the notion that most retirees have had their amounts of pension automatically reduced by an unknown amount. Most workers who thought that after retiring would receive an adequate retirement income have seen their pensions cut by half. As workers retire and enter into their final stretch

of their life, some expenses might decrease, some become less active, make fewer trips, and play less golf. Some expense might as well increase such as medical care, in a nut shell a pensioner will be prevented from economic pain if his retirement income keeps pace with inflation.

From 2010, Pension funds have been experiencing high number of pension member withdrawals in Tanzania. These were times when inflation rates were relatively high with 2012 achieving the double figure of 16% (National Bureau of Statistics). The practice became more prevalent in all schemes as more Tanzanians opted for out retirement savings once they lost jobs (The East African, 2013). In a study conducted by NSSF suggest that withdrawals across all pension funds from 2007 to 2011 rose from Tsh 46.6 billion to Tsh 119.66 billion. Most members were cashing out their contributions to meet basic financial obligations such as paying school fees for children in the wake of Inflation.

Inflation in Tanzania by January 2013 stood at 10.9% according to the NBS. With such a rate victims of retrenchments and job losses lacked alternative benefits and with the difficulty in accessing credit from banks and financial institutions. Social security savings meant the only option to fulfill one's needs contrary to the objective of life insurance contingencies (The East African, 2013).

2.6 Peer Influence

Peer influence refers to the direct influence on people. It may also refer to an individual who gets encouraged to follow their peers by changing their attitudes or behavior to conform to those of the influencing group. This type of influence causes

an individual to change in response to a feeling or being pressured or influenced from a peer or peer group. In our society, peer groups exist and take the form of family members, school, church community members, college students, school mates, political parties, trade unions and the like (Perloff, 2016).

In this study it was thought that individuals withdraw from pension plans due to peer because such groups exist in working environments. Human beings are social creatures who rely on opinions of others to aid in their decision making. There are many ways in which peer to peer interactions affect ways in which we function, but compliance and conformity are two major causes of social influence. There are a number of things that impact the choices we makes, to mention a few, social norms that is how much we like the people who have suggested the choice, how much social approval we are going to get (Goldstein, 2004).

2.7 Employment Contract

These are terms used in labor law to attribute rights and responsibilities between parties to a bargain. An employment contract is between an employee and an employer. The term was first used in the 20th century in the old master servant law. But generally denotes the relationship of economic dependence and social subordination (Ellerman, 2005). The term may also be named as a contract of service, which stipulates various terms of service such as the amount of wage and job descriptions (Employment Rights Act, 1996).

Employment continues to be a challenge for most Tanzania youth. Despite the increase in education levels, unemployment among the youth respondents is 50

percent over four times higher than the national rate 11.7 percent. This agenda has been prioritized within the establishment of the Tanzania Employment Agency in 2008 to address the high unemployment rate (Youth in Tanzania Report, 2012). Job stability has been argued to be attributed by the rapid integration of its economy to the rest of the world under the widely known globalization process (Mkenda, 2005). She argues that the impact of globalization on job security is examined by three proxies namely degree of unionization, number of workers laid off and the prevalence of casual workers.

2.7.1 Degree of Unionization

Unionization serves an important function of being a voice representation to workers, they also serve to see to it that employers adhere to safety regulations and standards for employees and participate in drafting of labor contracts and conditions of service such that in case say state owned companies are sold off they can press for an advance notice of layoffs. The Danish Trade Union Council report (2003) defines a trade union as a combination either temporarily or permanently of 20 or more employees, four or more employers with the principle purpose of the constitution which is to regulate relations between employers and employees or employers and employers. Webb (1894) and Perlman (1928) view the concept as simply an association of wage earners for the purpose of maintaining or improving the conditions of their employment.

In Tanzania, trade unions have evolved since 1940's since the formation of Tanganyika Federation of Labor (TFL) in 1955 up to the present trade union act of 1988 which has accommodated independent trade unions such as Trade Union Congress of Tanzania (TUCTA), Tanzania Union of Industrial and Commercial

Workers (TUICO), Tanzania Teachers Union (TTU) and many others. In spite of this comforting number of trade unions, there has been a notably declining number of active membership from workers due to different factors such as lack of trade union knowledge among workers, weakness in leadership and ignorance from workers. Table 2.1 shows the national unions affiliated to TUCTA with their membership numbers between 1998 and 2001.

Table 2.2: National Unions Affiliated with TUCTA

Unions	Members in selected years	
	1998	2001
Tanzania Union of Industrial and Commercial Workers (TUICO)	46,867	35,530*
T. Plantation and Agricultural Workers Union (TPAWU)	37,664	32,322
T. Communication and Transport Workers Union (COTWU)	14,000*	8,000
T. Local Government Workers' Union (TALGWU)	38,178	35,388
T. Railway Workers' Union, (TRAWU)	13,630	12,800*

Source: TUCTA, Constraints/obstacles to increased trade union membership in Tanzania. Report to the ILO Draft. March 2002

Key

*= Estimates

Table 2.2 portrays the decline in total number of membership for trade unions affiliated with TUCTA. This proves that most workers have ignored joining in trade unions due to different perceptions such as lack of knowledge about trade unions among workers; some are also reluctant due to weak leadership, the issue of political interest and others. In this regard, non-union workers become highly exposed to job insecurity in cases where working conditions are not conducive. Some scholars however believe that in order for trade unions to protect workers' rights and ensure

maximum membership they should play part in political role. Przeworski (1989) sees trade unions as instrumental and leading associations of civil society in democratization.

2.7.2 Number of Lay Offs

Layoffs are a source of insecurity among most workers because of persistent fear that it creates among workers of being the next one to lose the job. The fear of job loss tends to be greater with privatization and the increased flow of foreign direct investments within the country. The influx of foreign investors who buy off state owned firms brings fear of job losses to workers as either some come with new technology that leaves locals jobless or they merely slash off workers to minimize costs. The fear of losing job increases the job insecurity of workers because of the effects it brings along some of which include loss of regular income, anxiety of ever finding a job again, fall in earnings after finding a new job (Mkenda, 2005).

In Tanzania, competition and productivity are the main determinants of labor market, this has hampered the working conditions on major aspects including hours of work, payment of remuneration and even leave in favor of competition and productivity (Ackson, 2010). The influx of private companies has made job insecurity a questionable issue due to their mode of operation. Some of the live examples include the revoke of contracts for 597 temporary staff working for NIDA in March 2016 due to low performance of National ID production and also operating at high cost compared to actual results (Daily News, 08th march 2016). In 2005, Celtel Tanzania announced to lay off 1242 workers four months after separating from Tanzania Telecommunications Company Ltd (TTCL) (Wilfred, 2005). From these cases, it is

clear that such factors trigger the rate at which workers demand withdrawal of their contributions from pension schemes.

2.7.3 Increasing Prevalence of Casual Workers

Fiona. M, 2008, defines Casual workers as workers undertaken for an employer that has no guarantee of being extended beyond a specific period, which may be as short as one day or as long as six months. Alternatively, they can be named as temporary, contingent, precarious, non- traditional or non-standard. The striking difference between casual worker and permanent employee is that the latter is an employee engaged on a permanent basis and may be full time or part time (Employment Law Centre of WA, 2015).

Globalization has piled a profound pressure on firms to increase competitiveness; this has kept pressure on employers to undertake cost reduction measures in order to increase profits. In light of this, employers tend to reduce the number of permanent workers and employ more casual workers who by definition do usually participate in pension benefit plans. Workers in a casual state are however made to feel job insecure because they know at any time they can be dispensed (Mkenda, 2005).

2.7.4 Low Wage Rates

Labor laws have influence in the United Republic of Tanzania regarding the minimum standards and the actual working conditions which are not in line with the legal provisions (Euro found, 2012) some of them include the *employment and labor relations* and the *labor institutions act* both of 2004 (Field 2011).

2.8 Record Keeping

It should be noted that record - keeping is a fundamental daily activity of any scheme and is relevant throughout a scheme's lifecycle. Incomplete and inaccurate records and poor financial management controls can place significant risk on the security of scheme assets. A lack of control over scheme records can have member implications for various schemes operated by these trustees. The costs and time needed to rectify apparently simple errors can be considerable, and can be easily avoided.

The risks associated with inaccurate data, for example incorrect benefit calculations, can have short and long-term implications for schemes and beneficiaries. Throughout a scheme's lifecycle, Social security organizations (trustees) need to ensure that accurate and complete membership data and records are maintained. This includes basic information such as a member's

- (i) Contribution period.
- (ii) Basic monthly salary.
- (iii) Relevant documents supporting member's qualifying benefit.
- (iv) Timely Payment of respective Benefit.

Trustees must be confident that controls ensure data is accurately recorded, regularly reviewed and all data fields are complete. Thus, if all records are in place then it is possible to observe timely payment terminal benefits. Also most pension and provident schemes are defined contribution schemes (that is, the value of the pension benefits are not defined but depend on the contributions and investment returns). Also each institution (Social security organization in Tanzania) has internal policies, which have been established by the Laws. These internal policies guide the payment of

benefits to the members concerned. Also the National Social Security Policy of 2003 is a critical guidance in the formulation of internal policies of each institution.

Although it is not clear to what extent or depth the document (The National Social Security Policy) has been updated since it was first drawn up, what it says about the objectives of social security services generally tallies with what social security institutions in existence in the country give as their vision or mission. Some of the explanation is obvious, such as that social security covers a wide variety of public and private members meant to provide benefits when individual members are unable to avoid poverty after their income-earning power ceases or is otherwise interrupted. The document elaborates on the key elements of the social security system in Tanzania, among them non-contributory schemes catering for people with disabilities, elderly people and unsupported parents and children unable to fend for them.

Thus, if all policies are clear and known by members then it is possible to observe timely payment terminal benefits. Further more employers provide access to pension or provident schemes the rules for each scheme specify the basis on which contributions are made and calculated. Usually both the employer and employee pay contributions to a pension scheme. The five Pensions Fund in Tanzania and all institutions have been established by law, collect workers' contributions, manage the funds, and provide relief fund during moments of need like sickness, injury, pregnancy, post retirement period and even when death strikes. Of course some of the fore-mentioned activities are easily said than done by our social security institutions as past experience have, unfortunately, clearly shown. We have had cases where some of the social security and pension institutions have misused, misallocated, and even

wrongly invested members' money, to the point of failing to provide timely benefits to owners while in need, as specified in the contracts between the two parties. This is what social security is about.

ILO Convention No. 102 of 1952 which is yet to be ratified in Tanzania prescribes nine benefits which are old age, sickness, disability (invalidity), survivors, maternity, employment injury, unemployment, health care and subsidies for families with children. Of these, the basic benefits are old age, disability (invalidity) and survivors. These benefits are also included in the social security organizations in Tanzania and thus observing and adhering to the guiding principles governing the payment of social security in the world. In order to provide more and substantial benefits to members, social security institutions are expected to invest some of the collected funds in viable economic activities so as to generate profit and expand the capital in the interests of their members. Thus observing and adhering to the guiding principles then it is possible to observe timely payment terminal benefits.

2.9 Knowledge Gap

There have been a number of researches done on the terminal benefits payments approaches and how to improve the schemes of pension fund in the world and in Tanzania as a country. Other studies include the nature and problems related to late payment of the pensioners. However despite a number of studies on terminal benefit payment practices; literature is limited on premature withdrawal practices. This study is an attempt to find out factors which influence premature withdrawal of terminal benefits among employees who have different forms of employment contracts and other associated factors.

2.10 Conceptual Framework

Conceptual Frameworks according to Smyth (2004), are structured from a set of broad ideas and theories that help a researcher to properly identify the problem they are looking at, frame their questions, find suitable literature, methods and analysis. For that matter, it is necessary to distinguish clearly between the two forms of variables (i.e. dependent and independent variables). It is through these variables that a researcher plans and selects the types of information to be used in answering the research question. Figure 1.1 below the relationship between independent variable and dependent variables.

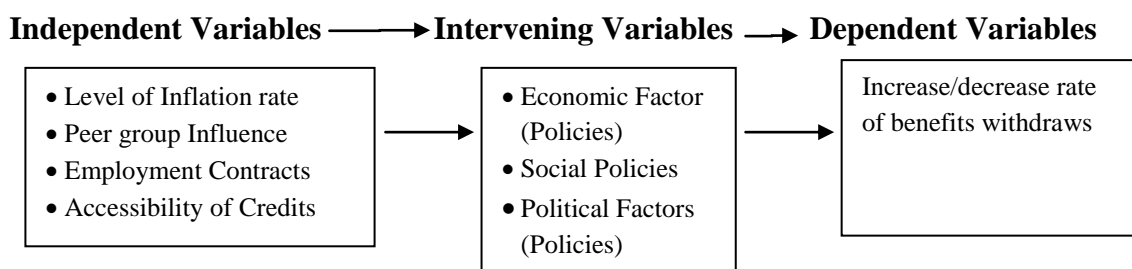


Figure 2.1: Conceptual Framework

The independent variables are the rate of inflation which because of its fragile nature may affect the decision of respondents to consider withdrawing early their benefits if there is an opportunity. Other variables which are said to influence early withdrawals of benefits include the peer influence, nature of employment contract and lack of access to funds from the financial institutions. Variation in the dependent variable is what the researcher is trying to explain while the independent variables are also known as the explanatory variables. These are the factors that the researcher thinks explain variation in the dependent variable (Kothari, 1999). The independent variable is the circumstances or characteristics which the researcher can manipulate in his effort to determine what their connection with the observed phenomenon is.

In this study, conceptual framework developed in order to build up a foundation that assisted the study to conceptualize the problem and find out suitable tools to be employed in conducting the study. Since this study focused on factors contributing on increased rate of withdrawals among pensioners in pension schemes, then the focus of this study was directed on pensioners, employers, existing government regulations of the government which govern the administration of the pension funds and the like.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology refers to a systematic way that is applied to solve the research problem (Kothari, 1999). This chapter therefore covers methodological component of this study, whereby the chapter highlights the methodologies and describes targeted population, the techniques used to select the sample of respondents and how the data was collected from each selected sample is illustrated. The chapter further presents the justification of the various methods and techniques that were preferred in getting the sample, collecting data and lastly making the analysis. The sections under this chapter are; research design, justification for the area of the study, sample and sampling procedures. The chapter thus is divided into three main parts. The first part, discusses research design, which was adopted by the study and reasons for selected design. The second part provides the description of the study area, which also reflects social and economic condition. The third part explains the main methods used in data collection and data analysis. The last part of the chapter provides limitations emerged during research process and the ethical considerations during the research process.

3.2 Research Design

Research design is referred to as plan of the study that answers the research objectives. Research designs are specific procedures involved in research process, which include data collection, data analysis and report writing (Creswell, 2012). The research design is further defined as framework for the collection and analysis of data with the purpose of assisting a researcher to organize his or her ideas and thoughts in a

logical flow (Brayman, 2012). This study deliberately adopted an explorative design specifically because the study wanted to discover factors at play contributing to increased rates of premature withdrawals among pension members from the from pension schemes. This was found to be the most ideal because it allowed to raise assorted questions that were subject to be tested and find out different view points from different groups of respondents. The design further provided the room for a researcher to get rich and rigorous descriptive based on respondents behavior, beliefs and attitudes upon which subsequent explanatory research was based. In addition the design was motivated by the fact that not only did the design allow the understanding of subjective experiences and gaining insights into people's motivation to take actions, but also it helped to get deeper level of understanding of the research problem particularly in areas where there has been little information available.

In a nutshell this study used qualitative approach because it was an effective method in studying and understanding human action in its natural settings (Babbie, 2001) It was thus regarded as providing better understanding of complex situation, which is social in nature. It is for these reasons the exploratory design was selected to enable the researcher realize the research objectives.

3.3 Study Area

The study was conducted in Mtwara region and more particularly Mtwara Mikindani district. Mtwara region is one of thirty administrative regions in Tanzania. The regional capital is the municipality of Mtwara. The region is bordered Ruvuma River in the south, while in the West it is bordered by Ruvuma region. On the other hand the region is bordered by Lindi region in the north and the Indian Ocean in the East.

Development of the Mtwara Region was for a long time constrained by the lack of highway and energy infrastructures. With the improvement of Dar es Salaam-Kibiti-Lindi-Mtwara road by the completion of the Mkapa Bridge over the Rufiji River and Mnazi Bay gas promises to provide reliable and adequate electricity for powering industrial and commercial activities in the region. It is widely believed that energy transformation and usage has been a driving force in promoting the social and economic development worldwide. With the discovery of natural gas in Mtwara, the region has started to stimulate natural gas businesses as well as final consumers such as hotels, restaurant/bars, transport, construction or operation centers, and many others. In addition this has helped to stimulate and support entrepreneurship to enhance local content to ensure domestic producers support the supply of skills, goods, and services required by the new industries. It is for this reason that Mtwara municipality was selected because it would be easier to get members of the pension funds as well as members from private, public and informal sector which are growing very fast.

3.4 Target Population

This study involved various categories of respondents in an attempt to realize the intended research objectives. These categories included the officials from the pension funds, private employers particularly the security companies, employees in the security companies and economists.

3.4.1 Inclusion Criteria

- (i) The respondents who were included in the sample were those who were existing members of the Parastatal Pension Fund.

- (ii) Respondents who had withdrawn the terminal benefits during the period under study.
- (iii) Respondents who had not withdrawn the terminal benefits during the period under study.
- (iv) Respondents who had either permanent working contract, temporary or part time contract.
- (v) Other respondents were those from the pension fund who were responsible for record keeping of employee withdrew the benefits.

3.5 Sampling Procedures

Sampling is the process, which refers to the selection of individuals, units or setting to be studied. However, the difference in sampling strategies between quantitative and qualitative research is different mainly because of different goals of each research goal. In this study three different types of sampling procedures were used namely purposeful, random sampling and snowball sampling as shown below.

3.5.1 Purposeful Sampling

The study was largely explorative and to a large extent qualitative in nature, the sampling technique, which used was purposeful or criterion based. This is a non-probability sampling procedure where respondents with relevant experience, knowledge and expertise to research problem are selected for the purposes of fulfilling the research objective. In this case the officials of the pension fund, management members of the security companies, Non Governmental Organization Officials, Government Officials and casual laborers were purposefully selected.

3.5.2 Random Sampling

Simple random sampling is the technique used in the study where each member has an equal chance of being included in the sample (Rwegoshora, 2014, Kombo 2006). In this study random sampling technique was used when selecting respondents who are existing members of pension schemes.

3.5.3 Snowball Sampling

This is a non-probability sampling technique where existing study subjects recruit future subjects from among their acquaintances. This sampling technique was adopted to build up enough data in the study. Thus some respondents who withdrew their contributions from pension funds were selected through snowballing

3.6 Sample Size

Creswell (2012) defines sample size as the number of entities in a subset of a population selected for the study and data analysis. However, generally speaking there is a not specific rules used in determining an appropriate sample size in qualitative studies.

Table 3.1: Distribution of Respondents in Location, Category and Gender

Location	Category of respondents	Gender		Total
		Male	Female	
Madukani	Withdrawn members	4	6	10
Sabasaba	Existing members	2	4	6
Magalani	Casual laborers	13	8	21
Shangani West	Security employees	7	7	14
Shangani	Pension officials	6	4	10
Madukani	NGO employees	5	3	8
Relini	Government employees	2	2	4
Grand Total		39	34	73

Source: Field Survey, 2016

In this study where both qualitative and quantitative approaches were used the sample size was influenced by the limited time the researcher had to undertake the study, financial resources but also the study employed Krejcie and Morgan table (*see the appendix herewith attached*) to determine the sample size that is 73 Respondents as the total number of the population was 100, as shown in the Table 3.1.

3.7 Data Collection Methods

Methods of data collection are processes, which engage different targeted respondent to gather evidence related to the research problem. However, since each method has its strengths and weaknesses, the researcher used different methods of data collection of overcome inherent weaknesses in each method. In view of that, the study adopted both secondary source of information as well as the primary data. Secondary source of information was accessed through the desk review while the primary data was accessed through various methods such as structured, unstructured interview and direct observation method. The data collection process began in December 2016 and ended up in April 2017.

3.7.1 Desk Review

The desk review entails going through different literature related to research problem. The literature which was reviewed was both unpublished and published materials such as books, journals related to social protection, social security, pension schemes and the like, which were related to the social security benefits. The desk review was guided by the specific objectives of the study. This method was useful right from the initial stage of developing the research proposal and when the writing of this report was going on. The review helped to sharpen the conceptualization of the research

problem as the researcher was reading more literature. In other words the review helped the researcher to get a wider and deeper understanding of the research area and in so doing it was easier for the researcher to identify the knowledge gap.

3.7.2 Interview

This was one of the primary methods of data collection, which was used to collect or gather information from different respondents. The respondents who were interviewed included the respondents from the security companies who had already withdrawn their benefits, those respondents who had not withdrawn their benefits, pension officials from the pension fund, and representatives of security companies. This method helped to face the respondents and interrogate them in order to get detailed information concerning the factors, which fuelled premature withdrawals of terminal benefits from their pension fund. These interviews were helpful in this study because they helped in learning about the perspectives of individuals as opposed to for example group norms of a community, which focuses on groups. This was an effective qualitative method for encouraging respondents to talk about their personal feelings, opinions and experiences. For the purposes of this study, this method provided an interviewer to learn how the respondents perceived the unpredictable future and how the existing rules and procedures was unfavorable in determining their destiny before and after retirement.

3.7.2.1 Structured Interview

Structured interview was adopted because of its strength in capturing realistic information from both formal and informal setting (Kothari, 2011). The method involve face-to-face interview by using specified guided questions. The structured

interview was composed of closed and open ended questions aimed at obtaining much information from the respondents including reasons for premature withdrawals and economic hardships they were experiencing, and the kind of employment contracts there were engaged in. *(See the appendix showing structured questions for different respondents).*

3.7.2.2 Unstructured Interview

This method was used to gather in depth information from the respondents. The unstructured interview as mentioned above will be used to get information from members who had withdrawn terminal benefits from PPF, respondents who had not withdrawn, team of management members from security companies. The unstructured interview technique was helpful as it provided avenue for the respondents to feel free to express their opinion and hence helping the researcher realize the intended research objectives.

3.8 Methods of Data Analysis

The data, which was gathered was analyzed by using qualitative and quantitative methods of analysis. The interviews were conducted and transcribed by the researcher. After each interview was transcribed, the transcript was read several times to get the feelings and opinions of what was being meant and identifying themes and subthemes on each issue as per specific objective.

The analytical data of analysis started with the coding process and dividing the data collected into categories and attaching topical and dimensional labels falling into different sections of the study. There after the aggregated data were organized to

create a list showing what the respondents were saying by identifying different, common and emerging issues, themes and perceptions. This was done through counting the frequencies of responses, and identifying the number of similar and dissimilar statements, describing the attitudes and perceptions expressed among respondents and comparing the number of respondents who withdrew their benefits from different security companies during the period under study. Table showing the frequencies and percentages were also used to determine the average tendency of the respondents. This helped in the end to be able to determine the relationship between data collected among different variables, which were tested.

3.9 Ethical Consideration

3.9.1 Informed Consent

Seeking permission from respondents was obtained before data collection. This was in line with David (2008) who highlighted that obtaining informed consent for research study requires open and honest communication between the researcher and the study participants prior to any study. Getting respondent's permission is important as it initiates not only good rapport and cooperation in data collection, but also it builds up trust and assurance of confidentiality.

It was within this context that, the researcher explained to respondents verbally the nature, purpose of the study and the need to respect their dignity and rights during the study and presentation of the findings. After the oral discussion, the respondents also agreed verbally to provide the information to a researcher after getting the letter from the regional administrative officer to allow the researcher to gather information related with pension benefits.

3.9.2 Confidentiality

Confidentiality is one of the critical ethical issues in conducting research. Because of that, respondents were assured of confidentiality of the information that would be provided to the researcher after telling them the objectives of the research and that information gathered was to be used only for study purposes. It is for this reason whatever was said by the respondents were recorded by the researcher after getting the consent of the respondent.

3.10 Validity and Reliability

In a qualitative study both validity and reliability are terms used to measure the quality of the study.

3.10.1 Validity

According to stake (2003: 134) a good case study research follows disciplined practices of analysis and triangulation to tease out what deserves to be called experiential knowledge from what is opinion and preference. The study took lengthy time in collecting data with followed observation, questionnaire and interview so as to collect rich and valid data. Both long term involvement and interviews, questionnaires, observation enabled the study to collect data that were detailed and varied enough that provided a full and revealing picture of what was going on (Maxwell, 2005). Validity of the study went along with the theory and ethical issues as stated above.

3.10.2 Reliability

This is an accuracy of work in research. For the research to be reliable it must prove that if it is done on a similar group of respondents and in a similar context, the similar

results will be found. According to Gall et al. (2007) reliability was used to measure quality of the research in quality pattern. Using multiple methods like direct observation, questionnaire and interview ensured reliability due to the fact that the greater the number of methods used the more accurate the findings became effective.

CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

This chapter presents and discusses the findings as per each specific objective. The chapter is therefore divided into four main parts. The first part highlights a bit about what is Parastatal Pension Fund. The second part presents and discusses the role of peer influence in motivating premature withdrawals from the Parastatal Pension Fund, while the third part deals with the relationship between the inflation and early withdrawals. The last part of the chapter, presents the findings related to the nature of employment contracts as facilitating factor of premature withdrawals from the pension fund.

4.2 Parastatal Pensions Fund

Parastatal Pensions Fund (PPF) was established by the Parastatal Pensions Act, No. 14 of 1978 to provide pensions and other related terminal benefits to all employees from Parastatal and private sectors. The current operations of the Fund are guided by Parastatal Organization Pensions Scheme Act [CAP 372 R. E. 2002] (URT, 2002). The main objective of the fund includes providing pensions and other related benefits to all employees in the Parastatal and private sectors of the economy. Major functions of the Fund include registering members, collecting contributions, investing and paying pensions and other allied benefits to its members. The targeted group by the fund all Parastatal Organizations and Public Institutions, all Private companies in which Government own shares, private Companies that are not covered by any other social security Fund, in addition all Parastatal organizations which have been

restructured through privatization, sale, lease or liquidation are obliged by law to continue with PPF membership and most of all is self employed

Type of benefits, Parastatal Pension Fund offers the following benefits to members, Old age pension, Sickness/disability benefits, Death benefits, Survivors benefits, Education benefits, Gratuity benefits, Maternity and initially Withdrawal benefits. PPF is committed to deliver both effective and efficient services to our members, to continuously develop and improve members' services by focusing on keeping our members' at the centre of all of our activities. There are number of challenges facing the Fund, including volatility of banks interest rates, insufficient investment avenues, depreciation of Tanzania shilling against foreign currencies, repeated calls for harmonization of pension formula and unfair competition from other social security funds, inadequate offices in various regions, low coverage to informal sector, late presentation of contribution as well as low awareness of communities on the importance of formal social security schemes.

Generally the need for formal social security in modern society is something that should not be an option to a person. Today the traditional system of social protection may not be accurate compared to the formal social security system, as people tend to be mobile and lose social ties to close related groups. Social security is very crucial not only at old age when a person loses ability to work but in times of emergence like disease and disability. Both the private and public sector have the role to play to ensure the economy opens the opportunity for employment to majority, either through being employed or self employment so as majority can join formal social security scheme to where this social security scheme is limited such as rural areas, traditional

system of protection should be reformed and improved in a such way that it can resemble to the formal ones depending on the nature of the people and environment. Furthermore, the need to ensure effective regulation of these schemes is very important to ensure that the needs of its members are met.

4.3 The Role of Peer Influence in Motivating Premature Withdrawals

The study was guided by three specific objectives; one of these objectives was to assess the role of peers in motivating early withdrawals among the employees in different private companies in Tanzania. In attempt to assess the role of the peer in influencing premature withdrawals, the study began by underscoring the meaning of the term “peer”. The term “peer” refers to a person of the same age, status or ability as another specified person (Tarrant, 2002). Peer Influence refers to the influence on people exerted by peers, or an individual who gets encouraged to follow their peer by changing their attitudes, values or behaviors (Laurence, 2010). Having a peer group means members with same interests or share common goals, it results from social groups which may include family, school, religious institutions those which members have something in common. Examples of peer groups include teenagers who encourage their friends to smoke, drink or engage in other risky behavior.

In working environments, such groups exist and in this study it was thought that peer influences play a role in motivating premature withdrawals because in working environments employees experience the same working conditions and therefore an individual may be swayed to change or make decisions based on the conduct of his or her fellow peer. In this study the peer groups which were involved included individuals who were working under the same employer in different companies (i.e.

Kenya kazi, Venture Risk and Warrior Security Companies in Mtwara Municipal Council) whose age intervals ranged from 25 – 35 years.

In this study, the major interest was to find out if there is a close relationship between premature withdrawals among the employees due to peer influence. In order to find the nature of such causality, different respondents were interrogated. Among those who were interrogated included PPF officials who were asked to reveal how many employees from private companies had withdrawn or requested to withdraw from the pension fund between 2012 to 2015.

Table 4.1: The Number of Employees who withdrew their Benefits from PPF from 2012 to 2015

Name of the company	Years												Total withdra wals
	2012			2013			2014			2015			
	No	Sum	%	No	Sum	%	No	Sum	%	No	Sum	%	
Kenya kazi	39	150	26	47	167	28	60	300	20	85	370	23	97
Warrior	50	166	30	46	230	20	41	270	15	84	495	17	82
Venture Risk	80	400	20	53	210	25	135	450	30	120	502	24	99
Kimo Security	4	40	10	3	29	10	6	40	15	11	58	19	54
Ultimate Security	16	112	14	30	179	17	87	130	20	34	201	17	11
Grand Total	189	868	100	179	815	100	329	1190		100	1626	100	343

Source: Data Collected from the Field 2016

The picture which emerges from the Table 4.1 shows the rate of employee withdrawal varied among the security companies. However the overriding picture from the Table 4.1 shows that there has been a steady increase of employees to withdraw prematurely from the fund from 2012 to 2015. For example, whereas in the year 2012 the total number of employees who withdrew were a total of 189 equivalent to 27.1% in all

selected companies, in the year 2015 the number had risen to 334 which is equivalent to 47.9%. Out of all companies, it is Venture Risk company which had the highest number of employees who withdrew (28.9%), followed by Kenya kazi (28.3%) and warrior with the least proportion (23.9%). Further to that, there had been a relatively moderate rate of withdrawals among the workers at Kimo Security and Ultimate companies i.e. 54 and 11 employees between 2012 and 2015. Despite this display the fact remains that the tendency of withdrawing was a growing phenomenon before the provision was withdrawn by the fund.

On the other hand, the researcher wanted to know the age group, which was much involved in the withdrawal. The findings which are summarized below indicate that out of the total of 31 respondents from different companies who were asked to reveal their age, the employees whose age was below 25 years were 100 (20 %), while those employees who age ranged from 25 to 35 were 174 (34%). The large picture which emerges from the table is that number of employees who withdrew from the fund was mainly those from 35 years and above.

Table 4.2: Age Interval among the Respondents who withdrew their Benefits

Early

Companies	Below 25 years		25 – 35 years		Above 35 years		Grand Total
	No	%	No	%	No	%	
Kenya kazi	30	23	45	34	57	43	132
Warrior	26	15	80	44	74	41	180
Venture Risk Management	31	26	33	28	56	47	120
Kimo	6	20	9	30	15	50	30
Ultimate	7	16	7	16	21	47	45
Grand Total	100	100	174	152	223	228	507

Source: Data Collected from the Field 2016

The main message which we get from the above table is that, the younger the employee the less concerns over the withdrawal and the older one grows the more the concerns of the benefits. One of the respondent whose age was less than 25 years who was interrogated to explain why he did not feel like withdrawing his benefits, he had this to say:

“Baa...! Mimi bado ningaumri mdogo na nina uwezo wa kufanyakazi kwa muda mrefu zaidi. Kwa wakati hii mimi natafuta kupata ujuzi na uzoefu wakazi. Hata kama nitaondolewa hapa kutokana na sababu moja au nyingine bado na weza kupata kazi mahali pengine na kuendelea na kuchangia pensheni yangu”

What the above response means is that, the respondent felt he was still young to think of the benefit and that even if he was terminated he would still find another job and continue contributing to his pension. However this response cannot be generalized because there were few cases premature withdrawals, which involved respondents with low age.

Table 4.3: Reasons for Premature withdrawals

SN	Responses from respondents	Responses	
		Frequency	Percentage (%)
1.	The urge to invest	3	13.6
2.	Uncertainty of the job security	8	36.4
3.	Learning from friends and colleagues	2	9.1
4.	Exploiting the opportunity which was provided by the fund	5	22.7
5.	Economic difficulties	4	18.2
	Total	22	100

Source: Survey Data 2016

Further the study went ahead to find out from those who withdrew their benefits prematurely. Twenty two (22) respondents who withdrew their benefits were asked to reveal the reasons which made them withdraw their benefits before retirement much earlier. The responses summarized below indicate that the majority of respondent were not moved by peer influence.

The picture which emerges from the above table is that, the majority of those who withdrew their benefits before retirement were influenced by the uncertainty of job security (i.e. 36.4%). other respondents argued that the fund provided the opportunity which made them take the change, particularly when the issue of entrepreneurship was being overemphasized (i.e. 22.7%), while others said they withdrew early because they wanted to sort out some of the economic difficult they were facing (i.e. 18.2%). One of the respondents who was interrogated to give his inside story why he withdrew the benefits he had this to say:

“kutokana na hali ya maisha kuwa magumu ni vema mtu ukapata fedha ukaanza kufikiria namna ya kuwekeza ela kabla hujafikia wakati wa kustaafu. mimi kwa mfano nina miaka mingi kabla ya kustaafu, nikichukua mafao yangu na nikayatumia vizuri ninaweza kupata faida kubwa kuliko ambayo nitapata wakati wa kustaafu, ukistaafu hizo nguvu unazitoa wapi? wewe si unaona jinsi mifuko yetu jinsi inavyowekeza sasa kwa nini sisi pia tusiwekeze kwa kiwango chetu sasa angali bado tuna nguvu.”

Literally what he was saying was that, the pension schemes themselves are making investments now why don't we also invest now as things are changing. the respondents was also making a point that at this point in time he is still energetic and if he can work effectively in his invested area he may realize more that he would get after retirement.

In addition, the study wanted to know the feeling of employees who had not withdrawn their benefits. Out of a sample of 18 respondents from all companies, which were visited when they were asked to give their views as to why they have not withdrawn their benefits, 54% of the respondent urged that they were undecided on what to do when they withdrew their benefits. Other respondents 22% said the pension system was a good arrangement particularly when an employee reaches the age when he is no longer energetic.

They further argued that those who withdrew their benefits prematurely were not sure if they would accrue benefits, which would serve them after they had reached the age of 60 and beyond. So the impression from the respondents was that, it was the issue of uncertainty of life after retirement, which made a good cohort of employee to resist any temptations of withdrawing their benefit earlier.

Our earlier assumption was that the premature withdrawals were a result of peer influence, the findings suggest that the peer did not play a major role in influencing employees to withdraw their benefits much earlier. As we have noted reasons such as economic difficulties, the urge for employee to engage in entrepreneurial activities were among the major reasons which made some of the employee to consider withdrawing from funds.

What was not known was whether the customers (employees) had adequate knowledge on the importance and benefits of pension scheme. We were also not sure if the pension schemes had provided enough education on what was the genesis of the funds particularly when it comes to old age.

4.4 The Relationship between Inflation and Premature Withdrawal of Terminal Benefits

Our second major specific objective was to find out if inflation has had any influence in on the employees' premature withdrawal of the benefits from the pension fund. Inflation is an economic term, which refers to a general increase in prices of goods and services in an economy and a fall in the purchasing value of money (Barro & Grilli, 1994). Therefore when inflation rate is high in an economy this means the value of money falls. What does this mean? It means that if the inflation rate is 10% then a kilo of flour which was costing say 1,000/= per kilogram, it will now raise up to 1, 100/= per kilogram and hence making it difficult for a low income households to sweat for more money to purchase the same unit of a commodity at a greater price. Tanzania currently has an inflation rate of 6.4% as per march 2017 (Rogers, 2007).

In this study the inflation was taken as a variable which would influence an employee to decide to withdraw his or her benefits prematurely. Since the study targeted the employees who withdrew their benefits between 2012 and 2015, one of the concerns was the price of the common commodities such as maize flour, beans, cooking oil, sugar and the like. According to response from consumers of different commodities, the prices were varied as shown in the Table 4.4.

Whereas for example, the price of maize flour ranged from 650 Tshs to 1100 Tshs, the price of sugar ranged from 1400 Tshs to 2300 Tshs. Despite these variations it was important to examine the general income from the employees in the selected companies. The respondents who were interviewed in connection with their monthly earnings was as indicated in the Table 4.4.

Table 4.4: Prices of different Commodities from 2012 - 2015

Different types of commodities	Unit	The range of price			
		2012	2013	2014	2015
Maize flour	Kilogram	650	800	900	1100
Sugar	kilogram	1400	1700	1900	2300
Beans	kilogram	1300	1700	1850	2100
Meat	kilogram	2500	3600	4000	5500
Cooking oil	Litre	1500	1900	2200	2500
Salt	kilogram	150	250	400	500

Source: Data Collected from Field 2016

Table 4.5: Respondents Interviewed According to Monthly Earnings

Level of income per month	Number of respondents	
	Respondents	Percentage
50,000.00 Tshs – 150,000.00 Tshs	0	0
151,000.00 Tshs – 250,000.00 Tshs	12	55
251,000.00 Tshs – 350,000.00 Tshs	6	27
351,000.00 Tshs – 450,000.00 Tshs	4	18
451,000.00 Tshs – 550,000.00 Tshs	0	0
Above 551,000 Tshs	0	0
Total	22	100

Source: Data Collected from Field 2016

From the above table it is revealed that 55 percent of the respondents in selected research site earned between 151,000/= Tshs and 250,000/=Tshs per month, while only 45 percent of the respondents indicated that they earned between 251,000/= Tshs to 450,000/= Tshs (i.e. 27 percent who earned between 251,000.00 Tshs to 350,000.00 Tshs and 18 percent earned between 351,000.00 Tshs – 450,000.00 Tshs). It was

within this context that, study wanted to establish how much a normal family of five members (i.e. two parents and three children) could spend on average. This was important to know if the prices and the earning remained constant then the family would manage to meet the needs of family. From the interviews which were conducted among the respondents, it was indicated that for the family to meet the necessary costs of a family which included food, care, health facilities and school needs a normal worker would spend an average range of 400,000/= Tshs to 500,000/=Tshs.

Despite the above findings, the study wanted to know if the rising cost of living was a factor which made respondents to withdraw their benefits much earlier. The general picture which was revealed by the respondents indicated that, most members thirty (30) were attracted to withdraw their benefits prematurely due to low incomes in their working environments.

Table 4. 6: Factors facilitating withdrawal of Benefits between 2012 and 2015 by Frequency and Percentage

Factors facilitating withdrawals	Respondents	
	Number	Percentage (%)
The need to supplement income	8	20
Raising cost of living of basic items	9	22.5
Low income	12	30
Failure to meet family basic needs	8	20
Size of the family	3	7.5
	40	100

Source: Data collected from field 2016

From the table above it was revealed that thirty (30%) of the respondents were tempted to withdraw from pension schemes due to insufficient low incomes while only nine (9) out of forty (40) respondents inclined to have withdrawn due to rising cost of living.

In this study the respondents were categorized under three groups according to their levels of income. This is because these categories are affected differently by inflation hence it was thought that by establishing these groups the analysis would have stretched all possible parties. These groups involved individuals within the management, individuals with medium incomes and individuals with low incomes. The management level refers to individuals with the discipline to lead organize and monitor the activities of an entire organization. It involves a set of activities such as setting strategies of an organization and coordinating the efforts of employees or volunteers to accomplish its objectives through utilization of financial, natural, technological and human resources (Deslandes, 2014).

The definition of medium income earners is quite tricky, notably because there is no such a clear definition. It depends solely on the wage rates set by a particular country and kind of sector in question. In Tanzania for instance average wages have increased from TZS 334017 to TZS 353589 per month in 2015 for private sector according to the National Bureau of Statistics. The same applies for low income earners who are believed to earn the minimum average salary which for Tanzanian private sector is TZS 353589. The study was therefore interested in finding out whether these categories had any clue on the term inflation and how they were affected by it. To

establish this causality different respondent from all groups were interrogated and the responses were as follows

Table 4.7: Different Responses on Inflation from Different Income Group

Responses	Income groups			Total
	Management	Medium income earners	Low income earners	
Rise in cost of living	3	4	9	16
Fall in value of currency	2	1	3	6
Increase in price of goods and services	11	12	6	29
Fall in standard of living	2	2	3	7
Total	18	19	21	58

Source: Data Collected from Field 2016

The Table 4.7 portrays varying responses from a number of different responses from income groups. While figures suggest that most are aware of the concept for example 11 individuals from management and 12 from medium income earners other respondents were not far from the true definition as they spotted other meanings such as 9 who defined it as rise in cost of living. Hence this implies that all income earners despite their income variances are well aware of the inflation concept and how it affects their income expenditure.

From this analysis, it is clear that the rate of inflation affects the investment and expenditure plans of income earners because knowing that there are economic commitments, one's budget line is altered whenever there is a high level of prices in

the economy. To link this with premature withdrawal, a trend analysis was established to find out the number of withdrawals from 2012 to 2015.

Table 4.8: Number of withdrawn Members Based on 2012 to 2015 from PPF Pensions Fund

Income Groups	Number of Withdrawals				Total
	2012	2013	2014	2015	
Management	8	16	10	17	51
Medium Income earners	26	34	49	51	160
Low income earners	50	59	61	77	247
Total	84	109	120	145	458

Source: Data Collected from Field 2016

The Table 4.8 depicts the trend analysis of premature withdrawals from different income groups. The figures suggest that the most affected by inflation are low income earners due to their average income salaries, this can be evidenced by the large range of withdrawal claims from 50 in 2012 to 77 in 2015. This is due to the fact that individuals in this category are those who struggle to attain three basic balanced meals and therefore even their food consumption is based on few quantities and low prices unlike management individuals who have high income packages and receive some food privileges by virtue of their status hence even their food consumption is based on bulk quantities and quality balanced diets.

4.5 Employment Contracts and withdrawal of Benefits

An employment contract is an agreement between an employer and employee that sets out terms and conditions of employment (Mc Donell 1904). A contract can be written

legal document that lays out binding terms and conditions of an employment relationship between an employee and an employer. Such contract may also be verbal. There are several types of contracts, permanent contract, part time and temporary contracts. Each of these contracts carries with it different types of working conditions and entitlements. In this study, the researcher intended to find out to what extent the nature of employment contract had influenced the premature withdrawal of terminal benefits. In order to verify this, respondents were asked to reveal the kind of contracts they entered with their employers, the responses which are summarized below indicate that

Table 4.9: Distribution of Respondents by Research Sites and Type of Employment Contracts

Research site	Type of the contract			Total
	Permanent	Temporary	Part time	
Kenyakazi	4	12	11	27
Warrior	4	14	7	25
Venture Risk Management	3	11	10	24
Kimo	3	12	3	28
Total	14	50	40	104

Source: Data Collected from the Field 2016

The Table 4.9 reveals that, out of 104 respondents who were interviewed from four security companies, it was noted that a total of 50 of the employees were employed on temporary basis (i.e. 47 percent) and a total number of 40 employees (i.e. 37 percent) were employed on part time basis. The table further reveals that employees who were employed on permanent basis were only 14 (i.e. 16 percent). In view of these findings different employees in security companies were not permanent and because of that

they were not sure of their job security after expiring of their contracts. Because of that one could speculate that perhaps the nature of the work contract could have been a factor for employees to withdraw their benefits earlier.

In view of the above, the researcher wanted to find out if those who withdrew the benefits belonged to which category of contracts. The responses, which are included below indicate that the majority of respondents who withdrew their benefits were those with temporary contracts i.e. 58 percent and those who were working on part time contracts i.e. 40 percent. What was interesting to note was that only 1.7 percent of the respondents come from respondents who had employment on permanent terms.

Table 4.10: Number of Respondents who withdrew Prematurely

Research Site	Nature of the Contract			Total
	Permanent	Temporary	Part time	
Kenyakazi	0	7	6	13
Warrior	0	9	4	13
Venture Risk Management	1	9	6	16
Kimo	0	8	7	15
Total	1	33	23	57

Source: Data source from Field 2016

Data from the table above reflects different working environment and terms of service to different individuals. It can be noted that most individuals withdrawing prematurely are those in both temporary and short term employees with a total of 33 and 23 members respectively. In view of the above, one can safely conclude that, the nature of employment influenced the premature withdrawals of the benefits among the respondents.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the conclusion and recommendation of the study on factors contributing to increased withdrawals among pension fund members. The first part of the chapter will address conclusion, which will address all major issues that emerged during the study. The second and final part will present recommendations related to the appropriate measures to be adopted in order to remedy the existing problem.

5.2 Conclusion

The main objective of the study was to assess the factors at play contributing to the increased withdrawals among pension fund members in Tanzania. The study was conducted at Mikindani district in Mtwara region because of the existence of major private companies and investment ventures in the region, following the discovery of gas and petroleum exploration and the investment of Dangote Industries to Mtwara.

The study adopted explorative design because it involved emotions, feelings, sentiments and individual attitudes towards the increasing withdrawals of pension fund members. The explorative design was engaged in order to gather vital information related to the study objectives. On this basis, the study adopted implemented qualitative and quantitative research approaches to gather more evidence. The study also applied purposeful, convenient and snow ball sampling to obtain respondents who delivered the right information required in the study. The data was analyzed by using content analysis method and that assisted the study to make

classification, summarization and tabulation of data collected through interview, questionnaire and documentary review.

In this study, it was noted the Tanzanian Government has taken various measures to prevent the increasing withdrawals of pension fund members. To mention a few, the National Social Security Policy which prohibits pension funds to provide premature withdrawals to members before attainment of pensionable age. The policy statement clearly defines that “legal mechanisms shall be developed to allow for withdrawal of part of accumulated benefits; while the balance shall remain for long term benefits on premature termination of employment”. Apart from that the social security regulator (SSRA) has also restricted withdrawals from pension funds in an attempt to monitor and control the increased withdrawal trend (The citizen, 2016). Despite these national efforts to ensure that pension fund members do not prematurely withdraw contributions, there is a strong need for the government to put proper implementable policies in action so as to provide clear guide on the withdrawal problem across all pension funds in the country.

5.3 Recommendations

Specific recommendations are comments addressed to each party for the purpose of achieving permanent solution in addressing the increased withdrawals of pension fund members.

5.3.1 The Government

The Government may in time wish to introduce alternative benefits such as the unemployment benefit for individuals who lose their jobs without proper notification.

There are employers who deliberately lay off workers without proper employment procedures hence leaving workers as victims to suffer for non provision of their contributions due to lack of employment termination documents. Such is a tendency in the private sector especially private entities where employers without professional reasons deliberately reduce workers. Such an attempt will help such workers to find relief in their state of mind knowing that in case of intentional job loss they can at least earn something out of their contributions. The unemployment benefit will enable outgoing members to access part of their contributions while retain the remaining amount to service them during retirement age.

The Government may also wish to impose social security programmes in primary, secondary and university study curriculums in order to impart more knowledge on the youth to fully understand the concept of social security. Doing this will help such individuals understand the relevance of social security, make wise decisions regarding pension savings and deviate them from the idea that pension schemes are a savings vehicle where one has to access incase of termination or resignation.

The Government through the parliament needs to review the existing legal framework relative to pension fund acts, there is a loophole in the benefits package for pension schemes which allow the grant of withdrawal benefit. It is high time such laws are established in line with main objective of social security.

5.3.2 Pension Funds

Pension funds may as well wish to extend additional benefits to their members so that members may feel less pain once they experience job losses. One of the areas to

stretch is on the access to loans. Funds may arrange for such provisions to members who have lost their jobs as the move will reduce financial stress among them given that their contributions are the main source of fund's investment. Most members lack access to financial institutions after job losses especially if one lacks collateral security but being employed gives a member satisfaction of knowing that through his or her employment, one may gain financial services.

Pension funds may also create pre retirement sessions to existing members. This involves both those who are expected to retire but also those who are still in service. This will help prepare members mentally to become entrepreneurs or deal with any case of cessation of regular earning that may result from contract termination or retirement and acquire entrepreneurial skills. It has been the case that most members prefer their pension contributions as their personal savings that they turn to whenever any contingency occurs. With such programmes members will be well trained and prepared for such cases whenever they arrive.

It is also vital for pension funds to provide more education seminars on awareness of social security for newly employed individuals. This involves educating them on prior planning while in service and understanding that the day one is employed is the day he or she plans to retire.

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APPENDICES

Appendix I: Research Questions

Workers at PPF Pensions Fund

1. Why do members opt to withdraw their contributions from Pensions Fund?
2. What do you think should be done to overcome the increasing trend of member withdrawals from Pension Fund?
3. What do you think are the economic impacts of members' withdrawal from pension schemes?
4. Do you think the provision of withdrawal benefit should be maintained?
5. If yes explain why? If no explain why?
6. What do you think are the social impacts of members' withdrawal from pension schemes?
7. Is there a need to have pension schemes in our societies?
8. What do you understand by the term social security?
9. Do you think the coverage for social security to employees only serves the purpose?
10. Do you believe the absence of trade unions to some employers has motivated premature withdrawals?
11. Does the issue of low wages influence premature withdrawals?
12. In your opinion do you think age is a major determinant to withdraw from pension schemes?

13. Do you agree that the extent of coverage for pension services should be limited to employees only?
14. Why should pension funds invest members' contributions?
15. Do terminal benefits paid to retirees take into account inflation rate to avoid them from suffering from reduced retirement income?

Appendix II: Members who have withdrawn from PPF Pensions Fund

1. What do you understand by withdrawal benefit?
2. Is there any necessity of having pension schemes in our society?
3. Has the withdrawal of members' contributions proven successful to those who claim to venture into future investments?
4. If yes explain?
5. Should the withdrawal benefit continue to be provided to members?
6. Do you think that member's contributions should be taxed to account for inflation?
7. Does the nature of employment contract motivate members to withdraw their contributions
8. Do you think this trend exist in the private sector only?
9. Do you think pension funds offer enough benefits to their members in spite of the investments they make with members' contributions?
10. Should it be necessary or option for members to join pension plans as they become officially employed?
11. Does peer pressure play an influential role in premature withdrawals?
12. Do members withdraw their contributions to finance family obligations?
13. Is it true that some members withdraw because they have other life plans such as to carry on with studies?
14. Why should pension funds invest members' contributions?

Appendix III: Employees Working in Security Companies

1. Why do think employees join with pension schemes?
2. Do you think joining with pension schemes should be compulsory or voluntary?
3. Why do most employees opt to withdraw their contributions from Pension Funds?
4. Does the nature of employment contract fit well for employees in security companies to join pension plans?
5. Do you think that members should withdraw their contributions?
6. Is there any relevance for these security companies to have trade unions?
7. Does premature withdrawal happen only for the private sector only? If so why is that the case?
8. Do security companies have standard wages across all employees?
9. Is peer a factor that determines members to withdraw from pension funds?
10. Do contracts in private security companies offer privileged benefits to satisfy workers?
11. How do you describe the nature of employment contracts in your industry?

Appendix IV: Employees Working in Non Governmental Organizations

1. Do you know anything about social security?
2. Are pensions relevant to an employee upon retirement?
3. Why do most employees opt to withdrawal their contributions from pension schemes?
4. Do you think withdrawal benefit should be alleviated or continue to be provided?
5. Is the cost of living a major factor for members to withdraw their contributions?
6. Does mob psychology play influential role in determining premature withdrawals?
7. How do you describe the nature of your employment contracts?
8. With the nature of such contracts do you think employees should be involved with pension plans?
9. Where do you think pension plans invest members 'contributions'?
10. In your opinion do you think lack of job security influences individuals to withdraw from pension plans?

Appendix V: Employees in Government institutions

1. Do you think workers should be covered with pension plans? If so why?
2. In your opinion what do you think determines one's pension?
3. Why should members' contributions be remitted?
4. Are you aware of the withdrawal benefit?
5. Do you think Government employees are the most victims of premature withdrawals?
6. In your opinion is the increase in price level a determinant for such withdrawals?
7. Does the issue of employment terms influence premature contributions?
8. Do you believe the premature withdrawals affects members from both public and private sector?

Appendix VI: Casual Laborers

1. Do you believe in savings?
2. How is the nature of employment contracts in your working Place?
3. Are contracts of service offered to employees in your working place?
4. What do you understand by the term social security?
5. In your opinion is it important for casual laborers to be covered with pension schemes?
6. Are most of your decisions based on collective agreement or rather individually?
7. How do you find the standard of living compared to the income you are earning?
8. Are most employees willing to be covered with pension schemes in your working area?
9. Is it necessary for them to withdraw their contributions after termination?
10. Have you engaged with any trade union before?
11. Do such unions exist in your working area?
12. Have they proven worth it when labor matters arise?

Appendix VII: Observation Method Checklist

1. Reactions from members towards the withdrawal benefit
2. Response from pension fund workers towards the impacts of withdrawing from pension schemes
3. Existing policies towards withdrawal of members' contributions
4. Attitude from withdrawn members towards social security
5. Opinions from private sector employees towards status of withdrawal benefit

1. In your view, do you think employees should be covered with pension schemes?
YES [] NO []
2. Why do most members think of withdrawing their benefits right after contract termination
 - a) Economic difficulties
 - b) Lifetime ambitions
 - c) To invest in financial ventures
3. Is there a need for pension schemes to provide access to their members to withdraw their contributions? If yes/no give reasons

Appendix IX: **Questionnaire for** NGO Officials Concerning Increased Rates of Withdrawals among Members

These questions are prepared for the aim of collecting information which will help to conducting investigation on **“Factors contributing to increased rates of withdrawals among members”**. All answers will be secret, I need your support.

Age.....

Sex.....

Title.....

1. Are you covered with any pension scheme?

YES [] NO []

If yes/no explain

.....

2. Is there any relevance of joining with any pension scheme?

3. What potential benefit does a member derive from being a member of pension scheme?

4. Do you think a member should withdraw his/her contributions after termination or resignation?

5. Are there any workers unions in your working place?

6. Have they been effective when employers attempt to violate worker's rights?

7. Do you think pension schemes offer enough benefits to their members

a) YES b) NO

8. Does peer influence motivate employees to withdraw their contributions?

9. How do you find the nature of employment contract in your working area?
10. What may be the reasons behind members withdrawing their contributions from pension schemes?

Appendix X: Sample Size Determination Using Krejcie and Morgan Table

August 25, 2012October 23, 2014

The ever increasing need for a representative statistical sample in empirical research has created the demand for an effective method of determining sample size. To address the existing gap, Krejcie & Morgan (1970) came up with a table for determining sample size for a given population for easy reference. Table 1: Table for Determining Sample Size for a Finite Population

<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>	<i>N</i>	<i>S</i>
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970

The Table is constructed using the following formula for determining sample size:

Formula for determining sample size

$$s = X^2 NP(1 - P) + d^2(N - 1) + X^2 P(1 - P)$$

s = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

Source: Krejcie & Morgan, 1970

NOTE:

There is no need of using the formula since the table of determining sample size has all the provisions you require to arrive at your sample size.

Proceed to read about Sampling Procedures

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