

2018

Factors influencing informal sector workers contributions to pension scheme: a case study pensions fund in Tanzania

Mmbaga, Christine Paul

The University of Dodoma

Mmbaga, C. P. (2018). Factors influencing informal sector workers contributions to pension scheme: a case study pensions fund in Tanzania. Dodoma: The University of Dodoma

<http://hdl.handle.net/20.500.12661/1369>

Downloaded from UDOM Institutional Repository at The University of Dodoma, an open access institutional repository.

FACTORS INFLUENCING INFORMAL SECTOR
WORKERS CONTRIBUTIONS TO PENSION SCHEME:
A CASE STUDY PENSIONS FUND IN TANZANIA

CHRISTINE PAUL MMBAGA

MASTER OF BUSINESS ADMINISTRATION
THE UNIVERSITY OF DODOMA OCTOBER,
2018

FACTORS INFLUENCING INFORMAL SECTOR WORKERS
CONTRIBUTIONS TO PENSION SCHEME: A CASE STUDY
PENSIONS FUND IN TANZANIA

BY

CHRISTINE PAUL MMBAGA

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE MASTER DEGREE OF BUSINESS
ADMINISTRATION

THE UNIVERSITY OF DODOMA

OCTOBER, 2018

DECLARATION

AND

COPYRIGHT

I Christine Paul Mmbaga, declare that this thesis is my own original work and that it has not been presented and will not be presented to any other University for a similar or any other degree award.

Signature: €€€€€ € €€€€€€€€€€€€€€€€.

No part of this dissertation may be reproduced, stored in any retrieval system, or transmitted in any form or by any means without prior written permission of the author or the University of Dodoma. If transformed for publication in any other format shall be acknowledged that, this work has been submitted for degree award at the University of Dodoma.

CERTIFICATION

The undersigned certifies that he has read the dissertation and satisfied that this is the original work of Christine Paul Mmbaga who has registered for postgraduate degree programme at the University of Dodoma.

€€€€€€€€€€€€€€€€€€€€

Dr Arbogast Bernard Moshi

(SUPERVISOR)

Date€€€€€€€€ € €€€

ACKNOWLEDGEMENT

First and foremost, I owe a great many thanks to the Almighty God for granting health during the period of my study. It is because of his Almighty grace I have managed to accomplish this task. I would like to express my deep thanks to my supervisor Dr. Arbogast Bernard Mushi for his kind assistance, guidance and encouragement that helped to accomplish this work successfully. He has spent his time to go through the study and make necessary corrections and recommendations.

Special thanks go to my husband Mr. Alphonse M. Mwaja and my family for their support in my studies morally and financially.

I would like to thank all those who enabled me to make up this report in different stages. Finally, my thanks and appreciation go to my colleague from the college of business for their immeasurable contribution to this study. I thank them all.

ABSTRACT

The informal economy is characterized by less job security, lower incomes, an absence of access to a range of social benefits and fewer possibilities to participate in formal education and training programmes. There are several factors which need to be studied that limit informal sector workers, contribution to pension schemes. This study aimed to examine factors influencing informal sector workers' contribution to pension scheme. Specifically, it addresses perception of informal workers towards institutionalised social security schemes, factors that influence informal workers' decision to participate in a social security scheme, challenges and constraints for informal workers in social security schemes. Information from this sample size was collected through questionnaire to capture the study themes. Descriptive statistics such as frequencies and percentages were used to summarize the socio-economic characteristics of the drivers and constraints to participate in social security scheme. The knowledge and perception towards social security scheme were analysed using frequencies and percentages through five point Likert scale. Heckman two stage approach was adopted in analysing the data collected from 170 informal sector employees in Dodoma City. The findings show that, Benefit provided by the social security funds are strong force to encourage informal sector employees. Government policy once clearly formulated could encourage social security funds to provide relevant products in the demand of informal sector employees. Informal sector employees are limited with accessibility of social security funds due to lack of respective information on the operation of social security institution.

TABLE OF CONTENT

DECLARATION AND COPYRIGHT	i
CERTIFICATION	ii
ACKNOWLEDGEMENT	iii
ABSTRACT	iv
TABLE OF CONTENT	v
LIST OF TABLES.....	viii
LIST OF FIGURES.....	ix
LIST OF ABBREVIATIONS AND ACRONYMS.....	x
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the Study	1
1.2 Statement of the Problem	3
1.3 Study Objectives.....	4
1.3.1 General objective.....	4
1.3.2 Specific Objectives.....	4
1.4 Research Questions.....	4
1.4.1 General research question.....	4
1.4.2 Specific research questions.....	5
1.5 Significance of the Study	5
1.6 Organization of the Study	5
CHAPTER TWO	7
LITERATURE REVIEW.....	7
2.1 Definition of Key Concept.....	7
2.1.1 Informal workers.....	7
2.1.2 Pension schemes.....	7
2.1.3 Fund administrator	8
2.1.4 Fund custodian.....	8
2.1.5 Fund managers.....	8
2.1.6 Health insurance scheme.....	9
2.1.7 Pension schemes/funds.....	9
2.1.8 Supplementary scheme	9
2.1.9 Theory behind the study.....	9
2.2 Empirical Review.....	13

2.3 Conceptual Framework	21.
CHAPTER THREE	23...
METHODS AND MATERIALS.....	23
3.1 Study Area	23
3.2 Research Design.....	23
3.3 Sampling	23
3.3.1 Sample design	24
3.3.2 Sample Size.....	24
3.3.3 Sampling techniques.....	25....
3.4 Data collection	25
3.5 Method of data analysis.....	26....
CHAPTER FOUR.....	30.
RESULTS	30....
4.1 Demographic Characteristics of the Respondents.....	30
4.1.1 Respondents, distribution by gender.....	30
4.1.2 Respondents, distribution by age.....	31
4.2 Perception of informal workers towards institutionalised social security schemes.	32
4.3 Factors that Influence Informal workers, decision to participate in a social security schemes.....	34..
4.3.1 Respondents distribution by decision to participate social security schemes..	34
4.3.2 Means of joining social security system.....	36.
4.3.3 Determinants of informal workers, decision to join the pension scheme.....	37
4.4 Challenges and constraints encountered by informal workers in social security schemes.....	41
4.4.1 Challenges and constraints to join social security system.....	41
CHAPTER FIVE.....	43
DISCUSSION OF THE RESULTS.....	43
5.1 Demographic characteristics of respondents.....	43.
5.2 Perception of informal workers in institutionalised social security schemes.....	44
5.3 Factors influence informal workers to participate in social security schemes....	48
5.4 The challenges encountered by informal workers in social security schemes....	54

CHAPTER SIX	61
CONCLUSION AND RECOMMENDATION.....	61..
6.1 Conclusion	61
6.2 Recommendation.....	63
6.3 Suggestions for further research.....	64
REFERENCES.....	65
APPENDICES.....	69

LI ST OF TABLES

Table 1: Sex of Participants.....	30.
Table 2: Age Participants.....	31.....
Table 3: Distribution of respondents according to the perception of informal workers towards institutionalized social security schemes.....	32
Table 4: Distribution of respondents according to factors influencing informal workers to participate in social security schemes.....	35
Table 5: Distribution of respondents by means of joining social security system.....	37
Table 6: Determinants of workers decisions to contribute to Pension Schemes.....	38
Table 7: covariances and Correlations of Parameter Estimates.....	39
Table 8: Determinants of monthly pension contribution.....	40
Table 9: Descriptive Statistics on the challenges and constraints to join social security system.....	41.....

LI ST OF FIGURES

Figure 1: TheTheory of ReasonedAction.....	13
Figure 2: Conceptual framework	21

LI ST OF ABBREVI A TIONS AND ACRONYMS

GDP	GrossdomesticProduct
ISW	Informal Sedor Workers
LAPF	LAPF PensionsFund
NBS	National Bureau of Statistics'
NGO	Non-Government Organization
SPSS	Statistical Packagefor Social Science
SSA	Sub-Saharan Africa
SSRA	Social Security Regulatory Authority
USA	UnitedState of America
UK	UnitedKingdom

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globally, informal economy is characterized by less job security, lower incomes, an absence of access to a range of social benefits and fewer possibilities to participate in formal education and training programmes (SSRA, 2013). The informal sectors in most of the developed economies are quite diverse including in USA, Japan and UK informal sectors are still difficult to include in pension system. There is increasingly concern on the informal sector workers in the pension system. The experience is increasingly associated to the fact that, highly developed economies have tried to minimize the informal sectors through improved system of the economy.

The existence of large informal economies is highly associated to shock in the economies are likely to incur adverse effects compared to those with large existence of formal sectors. The existence of above average sized informal economies is related to the increase of informal workers. The ability to address informality in the workers through promotion of social equity in the distribution of benefits is related to the system of social protection (OECD, 2014).

In the most of developing countries including China, India and Thailand informal sectors and respective workers are quite challenging, to be formal especially for the economy with large informal sectors are very difficult. The traditional pension systems respectively provide some form of basic protection against the risks associated with old age for formal-sector workers and tend to crowd out low income earners and workers in the informal sector who typically constitute the largest employed group in developing countries (MacKellar, 2009).

Thus in African countries existence of informal workers is quite related to risk in operation, which available in social system failed to address. In Kenya, informal sectors are threatening the economy, and Uganda and Rwanda informal workers are highly difficult to trace in the existing nation pension system. The plan and procedures to address the informal workers almost is associated to the awareness barriers.

The trend in Tanzania seems to be consistent with a further argument by Coheur (2007) who states that approximately 80% of the population in Sub-Saharan Africa (SSA) are without any formal social protection arrangements because they work either in rural areas or in the informal sector.

The existence of specific provisions in the welfare legislation in most of the Sub-Saharan Africa have explicitly excluded workers in the informal sectors. The exclusion has limited these workers from the moral economy to join formal old age system of protection. This has limited arrangement of informal workers to enjoy existing pension system and related opportunities in the economy. The existence of limited participation of informal workers in the pension system has much reduced the welfare of informal sector workers (Dixon, 2000).

In Tanzania, the informal sector members who have registered by all the pensions funds under respective supplementary schemes are approximately 67,000 members out of more than 18 Million workers employed in the informal sector. This in turn has contributed to the informal sector contributing very little to the social security industry in the country (Barya, 2011).

The evidence of hidden demand for pension among labour force and suggests that a vast number of uncovered workers are anxious to participate in government run pension schemes but however, evasion appears to be rampant. Workers typically choose to exclude themselves due to the costs of joining the formal sector pension schemes as well as a number of factors specific to the pension system itself (World Bank, 2001).

1.2 Statement of the Problem

The informal economy is characterized by less job security, lower incomes, an absence of access to a range of social benefits and fewer possibilities to participate in formal education and training programmes (SSRA, 2013). Countries with larger informal economies experience worse outcomes following adverse shocks. Indeed, estimates suggest that countries with above average sized informal economies are more than three times as likely to incur the adverse effects of a crisis as those with lower rates of informality. Addressing informality is, therefore, is a matter of concern in terms of social equity, and in terms of the development of a country (OECD, 2014).

Currently the informal sector members who have registered by all the pensions funds under respective supplementary schemes are approximately 67,000 members out of more than 18 Million workers employed in the informal sector (SSRA, 2016).

This means that informal workers are at high risk to advance conditions and unavoidable ageing. This is because after the people get retired from active working life, an amount of fix money that they could get paid monthly or yearly to empower them live a meaningful life and support themselves will not be there. This may be due to the fact that the informal sector workers, income is not regulated by agency

which makes it difficult to make pension contribution mandatory as in the case of formal sector workers. The decision then is left with the individual workers to willingly decide to join the scheme or not to. In this regard, the study was designed to determine the factors influencing this group of workers in to the scheme and how much they are willing to contribute.

1.3 Study Objectives

1.3.1 General objective

The general objective of the study is to examine the factors influencing informal sector workers, contribution to pension schemes.

1.3.2 Specific Objectives

- i. To examine the perception of informal workers towards institutionalised social security schemes.
- ii. Examine the factors that influence informal workers, decision to participate in a social security schemes.
- iii. To examine the challenges and constraints encountered by informal workers in social security schemes.

1.4 Research Questions

1.4.1 General research question

This research is proposed general research question is: What are the factors affecting informal sector workers' contribution to institutionalised social security schemes in Tanzania?

1.4.2 Specific research questions

In order to deal with the specific objective above, the study will aim to answer the following questions:-

- i. What is the perception of informal workers towards institutionalised social security schemes?
- ii. What are the factors that influence informal workers, decision to participate in an institutionalised social security schemes?
- iii. What are the challenges encountered by informal workers in social security schemes?

1.5 Significance of the Study

With a large proportion of the working labour force in the informal sector and the inadequate provision of social protection for those in the sector, the study provides a basis for the design of a pension scheme that will benefit the working class in this group. Also the identified factors that influence the participation of the Pension Scheme would serve as a marketing tool for private insurance companies and NGOs to also better develop pension products that meet the needs of the informal labour market. This study will contribute in the existing knowledge of social security funds to reach the informal sectors. It will allow the development of pension scheme that could address the need of informal sectors.

1.6 Organization of the Study

This study is organized as follows, chapter one presented the introduction which respectively showed the study problems and its direction through objectives. It provides a clear picture on the study topic. Chapter two presented literature review that draws the empirical review and its theoretical perspectives, conceptual frame

work is presented in this chapter. Chapter three presented research methodology to provide relevant methodological perspective and study direction in data management and collection. Chapter four presented the results/findings that are in line with research objectives. Chapter five presented the discussion of the results, which discuss the results based on the implication of each finding, in connection with other studies. Chapter five presented conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Definition of Key Concept

2.1.1 Informal workers

The operational definition of informal workers for the study is adapted from Fields (1990); Canagarajah and Sethuraman (2001); Betcherman (2002); Mackellar (2009) and Laura and Puerta (2010). For the purpose of the study, an urban informal worker is an employee (micro entrepreneur, self-employed) who works without a labour contract, and tends to operate on a small scale basis and is ill-equipped in terms of education and skills, and possesses few resources for significant physical investment such as premises and equipment, and machinery. Such informal workers are not registered with the authorities and do not participate in formal tax systems, social security systems, and in meeting regulatory requirements. Their non-participation is as a result of legitimate exclusion (by size of the firm) or from non-compliance and operate in a free-entry sector.

2.1.2 Pension schemes

Benefits can take several different forms: lump sum on retirement, lifetime pensions, pensions for surviving dependents, and pensions for disability. Historically, there was a clear distinction between provident funds that paid benefits in lump-sum form and pension funds that offered life annuities. Over time, however, the distinction became blurred. Most pension funds now allow commutation into a lump-sum payment of up to one-third of the present value of accumulated balances, while provident funds require the purchase of an annuity or the lump sum. Singapore introduced a minimum-sum annuity requirement in 1988. Pension systems that are based on personal pension plans require either the purchase of life annuities or the

use of scheduled withdrawals (also known as income draw downs in the United Kingdom or allocated annuities in Australia) (Laura and Puerta, 2010).

2.1.3 Fund administrator

Administrator means a person appointed by trustees to administer a scheme in accordance with the terms and conditions of service specified in the instrument of appointment (Asebedo and Grable, 2004). The World Bank (2001) Fund administrator is connected to the terms and condition based on the stipulated guidelines and condition, it is also connected to evidence of hidden demand for pension among labour force and suggests that a vast numbers of uncovered workers are anxious to participate in government run pension schemes but however, evasion appears to be rampant. Workers typically choose to exclude themselves due to the cost of joining the formal sector pension schemes as well as a number of factors specific to the pension system itself. Once, fund administered properly could allow informal workers to join in the system.

2.1.4 Fund custodian

Custodian means a company registered under the law of Tanzania responsible for safeguarding a firm's or individual's financial assets. In other words, a Custodian is always a banking institution where people securely put their assets (e.g. money, diamonds and confidential documents) (Aubert, 2005).

2.1.5 Fund managers

Fund Managers are responsible for managing and implementing investing strategy and managing portfolios of trading activities. They would normally advise the trustees on available investment vehicles and expected risk and returns for each vehicle (Barya, 2011).

2.1.6 Health insurance scheme

Schemes that provide coverage for medical/health care services. Thus, in this study the term will mean the National Health Insurance Fund (Besley and Prat, 2006).

2.1.7 Pension schemes/funds

Pension fund is a common asset pool meant to generate stable growth over the long term, and provide pensions for employees when they reach the end of their working years and commence retirement (Bukwimba, 2016).

2.1.8 Supplementary scheme

Means of a voluntary scheme chosen by the member to compliment benefits of any mandatory scheme. Schemes aimed to cater for more different benefits, where people voluntarily save for retirement, working capital and insure themselves against events such as disability and loss of income and meet other social needs (Modugno, 2012).

2.1.9 Theory behind the study

There are various theories that are related to the study. However, the transaction cost analysis theory and the theory of reasoned action were adopted in this study because they are well connected to the study since both theories complement each other in institutionalized pension fund schemes.

2.1.9.1 Transaction Cost Analysis theory (TCA)

Transaction cost theory is based on two behavioural assumptions, i.e. bounded rationality and opportunism. TCA is used in choosing the form of organizational governance that leads to the lowest transaction costs. Choice of this theory in the study is due to the fact that the study itself is based on the relationship between

pension funds and the informal sector and that the extent of informal sector participation in institutionalized pension fund schemes vary with different governance structures and costs associated with running the supplementary schemes in the country. Generally, the relationship between pension funds and the informal sector can be broken down into two basic elements: (a) the formal contract that specifies the task requirements and obligations of each party in written form, and (b) the psychological contract (Satherwal, 1999) that is based on the parties, mutual beliefs and attitudes (Dibbern, 2004).

The term transaction cost, is mainly related to the transaction itself, it involves all costs associated with the commencement, execution, and the compliance of a transaction, Better and Den (2009). According to Rindfleisch and Heide (1997), Transaction cost are the „costs of running the system, and include such ex-ante costs as drafting and negotiating contracts and such ex-post costs as monitoring and enforcing agreements“. However, a clear distinction needs to be drawn between investment and simple expenditure, as Pension Funds in the Region have previously been used to fund all manner of basic construction and other projects which make limited contributions to development and growth of the individual funds (World Bank, 2014).

Imharlahimi (2011) argued transaction cost theory was used to facilitate benefits payment in the informal workers in the pension system. The pension system is with inadequate information from the Pension Fund administration. The Pension Funds for Public workers have been observed to contribute in pension saving for Government than the informal sector employee. Some reasons for the development

of pension benefits are connected to the transaction costs which are separately running the business.

The transaction cost is highly based on the pension benefits to pensioners are highly affected pension calculation. Importantly for the Pension Scheme to succeed need well recognized formula and system, it is important for workers to base on the transaction cost in both sectors formal and informal one. The stakeholders need to make a thorough review to eliminate the differences and complaints on the pension schemes and its benefits to the public which are necessary connected to transaction cost. It required streamlining and upgrading benefits payment especially for informal workers (Walsh, 2008).

Aubert (2005) considers TCA as the theory which describes the market and the internal factors of the firm as alternative mechanisms to regulate a transaction. TCA stands as a guide for the firm in making analysis on the effectiveness of establishing a new venture such as supplementary schemes for informal sector as against the costs involved of managing and monitoring the fund. It facilitated the system of pension fund governance structure and cost of running business to reach out the informal sectors in the economy.

2.1.9.2 Theory of Reasoned Action (TRA)

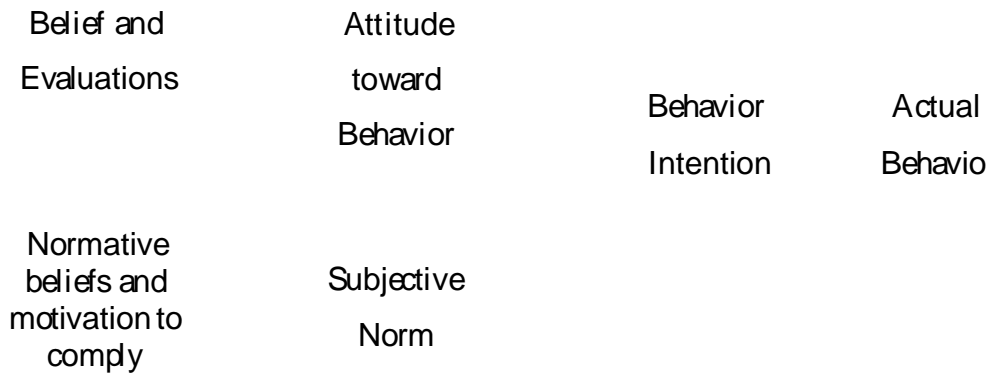
One of the early attempts to explain how an individual develops an „intention to use, was Fishbein and Ajzen's theory of reasoned action, which states that a person's intention to perform behavior is determined by two factors, thus his attitude towards the behavior and his subjective norm concerning the behavior. General theories like Fishbein and Ajzen, were later complemented by acceptance models specifically designed for particular application fields. In the area of information systems for

instance (which includes e-commerce systems), the most prominent model was proposed by Davis, which has been cited by many researchers.

Davis (1993), put forth key factors influencing the actual use of a system are the „perceived usefulness, and the „perceived ease of use. Within this model, usefulness refers to the ability of an information system (for our case the system being the institutionalized social security system) to enhance job performance, whereas perceived ease of use „refers to the degree to which a person believes that using a system would be free of effort,.

Fred's model has been widely accepted as valid for the work environment where the decision to engage in utilization of a system is often not taken by the actual users themselves, but additional factors need to be taken into consideration. Chen et al., discovered that compatibility, that is the perceived conformance of a technology or a service with an individual's values and beliefs and with social norms, has a significant influence on the system acceptance.

In both their study, the authors used survey data to show that compatibility influences the consumer's attitude towards using virtual stores both directly and indirectly through its influence on the perceived usefulness. As virtual stores are a closely related type of service compared with consumer-oriented e-procurement platforms, compatibility is expected to be an important factor for the latter as well



Source: Fishbein and Ajzen, 1975

Figure 1: The Theory of Reasoned Action

From this theory the informal sectors employees are tend to use pension fund system once perceive the existence of usefulness. It must be associated with belief that, pension funds could assist them. That generates subjective norm, belief and evaluation towards behaviour interaction that could be connected to the actual use of pension fund system by informal sectors.

2.2 Empirical Review

2.2.1 The perception of informal workers towards institutionalised social security schemes.

The study conducted by Ambachtshar et al., (2006), on pension fund Governance. The main focus in this study check system of pension funds payment to informal workers. This study used competitive theory and accountability theory under the governance system to supervise pension fund through inclusion of informal workers. Data were collected by using questionnaire and interview to come up with relevant information.

The analysis was organized by using SPSS for quantitative data and content analysis for qualitative data. The findings revealed that, developed countries manage failed to improve pension benefit payments to include informal workers. Pension system provides more room for employees but informal sectors are not well covered to choose pension funds based on the benefits required and time schedule of payment. The legal requirement started respective benefits payment for informal workers to avoid any exclusion in the system of pension payment (Modugno, 2012).

The trend in Tanzania seems to be consistent with a further argument by Coheur (2007) who states that approximately 80% of the population in Sub-Saharan Africa (SSA) are without any formal social protection arrangements because they work either in rural areas or in the informal sector (Zope, 2013).

Dixon (2000), on the other hand argues that several countries in Sub-Saharan Africa, have specific provisions in their welfare legislation that explicitly exclude workers in the informal sector or the moral economy from participating in formal old age income provision arrangements.

The informal sector, basically comprise of a population not only harder to reach with traditional social security approaches but at higher risk of poverty than formal-sector workers (MacKellar, 2009). It is thus pragmatic that special products with better meets the needs of this segment of the labour force is developed to better integrated and capture them into the social security system. Most traditional pension systems all over the world provide some form of basic protection against the risks associated with old age for formal-sector workers and tend to crowd out low income earners and workers in the informal sector who typically constitute the largest employed group in developing countries (MacKellar, 2009).

Isaka (2011) went on saying that, benefits being provided by the Social Security Schemes in Tanzania will be considered adequate if they play a role in achieving the Social Security policy outcomes, which are to provide basic needs to people in demand of the protection. The social security provision needs to directly provide adequate pension benefits based on the Social Security requirements. The system should be very sensitive and to ensure that social demand in terms of Social Security are accommodated. This particularly needs to draw attention on the Social Security requirements and important dimension coverage to social groups, the informal and formal one.

The Social Security is directly based on the provision of significant impact to the retirees and economy expansion as a whole. Davis (2005) argued that, the retirement benefits are directly focused on the improved socio-economic development in various dimension. The improved Social Security System is related to accessibility of Social Security benefits to both individual and household. The effects needed to include Social Security provision for the economic growth through direct encouragement of savings, capital and market. The economy need to be well improved to capture every individual whether in the formal or informal groups, this is termed as a special ingredient to growth, governance and improved Social System.

Social Security Organization is basically associated with the collection of contributory amount to its members, in the hope of protection in the period of low working ability. Increasing pension benefits under the required Pension Funds System are paramount for the pensioners, employees, expectation and positive view on the Social Security Organizations (Bukwimba, 2016).

The role of investment in this market economy is highly appreciated through the social security administration. The past foundation has already built especially on the investment activities in the social security institutions. The investment is highly required towards the strengthening the Social Security System in Tanzania. There is increasingly argument on the various issues and concern to the investment activities based on the Social Security Institutions in Tanzania. The argument presented by Masinda (2007) pointed out that, Social Security Institution had specifically attempted to cover investment portfolio in LAPF.

2.2.2 The factors that influence informal workers' decision to participate in a social security schemes.

Kaare, s (2004) study directly focused on the comprehensive Social Security in Tanzania, and argued that the need for adjustment and improvement of the Social Security is quite unavoidable. He further argued that, the specific attempt needs to be grounded in the responsiveness of Social Security to members, needs and concern. The adequacy of Social Security System needs to be grounded on the major two aspects: -

Firstly, the existence of narrow coverage that highly excludes a certain population from the Social Security System, such as peasants, casual labourers and the self-employed. Secondly, the existence of monopoly scheme, that limited the diversity of the clients to choose and join the respective Social Security based on personal choice. The workers are the future retirees in the pension funds therefore it is highly needed to have a wider range of choices in the basis and retirement plan. The system need to promote the diversity of Social Security Funds to promote wide range of choices (Masinda, 2007).

The Pensions Fund has increasingly drawing attention on the retirement preparation to provide significant contribution to members. Horton (2001) basically in his work titled, is there life after retirement? So he argued that, there is lack of promising life that is expected from the insignificant income for retirees. He further argued that, life style after employment is reported to be not correlated to the demand of the management, importantly to focus on the active employees. Besides, Lopez and Musalem (2004) argued that, pension savings are expected to foster socio-economic development of the retirees out of their savings. The voluntary pension saving encourage savings in terms of pension saving. The findings had encouraged positively the relationship between benefits created from the assets and savings.

The challenges had increased on the attention on the determination of the time pertaining to how long one live. The ability to budget is increasingly limited to the ability to solve the life problem. The challenges are also connected to the ability to obtain the food in terms of on-going food supply and housing costs. The expenses are increasing, especially for the retiree livelihood and ability to deal with life cost especially on the increase of inflation. The inflation is hardly to predict and life cost is increasingly challenging in the situation of inflation. The households in the individual basis are the better unit for dealing with the inflation issues. The retirees had dependent and always need food supply for children or other family members. Importantly, in any society especially to the retiree who had lost work energy and ability are facing difficult situation to deal with unpredictable family issues. The retirees have increasingly demanded life travels based on the activities they past organized. It is hardly difficult to predict the time a retiree needs to travel or have a luxurious life (Zope, 2013).

Modugno (2012) found that, employees in the informal sectors are relatively need to be sponsored to start retirement savings programs. Few employers in the informal sectors take into account on the pension funds system and respective training to their employees. Findings showed that those employers in the informal sectors without supporting their employees to join in the social security are not ensured security to their employees. The employees in this nature may be easily affected by the social events and become poor.

Hu and Stewart (2009) found that, UK has a relatively mature pension system and developed to capture the large membership. Although with such quality the employees in the informal sectors are not well covered by private pension arrangements. It means that, there are still some informal employees in various system are not well covered. Which provide significant supplementary pension on top of the relatively limited public pension provisions provided by the state. It is estimated that a population of around 7 million people are under saving in the UK, most being low income earners and those in the informal sector. In addition, roughly 2 million of around 3 million self-employees are not saving via private pension arrangements.

Pensions (2006) employees in the informal sectors in UK who earn more annually are required automatically to be enrolled in the pension system. The participation should be based on the qualified pension system. The minimum contribution for employees is 4% of earnings up to a maximum contribution of Great Britain Pounds 5,000. The employee contribution will be matched by a minimum 3% employer contribution of which 1% is in the form of tax rebate from the government (DWP 2006).

2.2.3 The challenges and constraints encountered by informal workers in social security schemes.

Daley (2014) found that, pension scheme plan need to play obligation in preparing the informal sector employees for retirement. The preparation should base on the number of plan and respective readiness for the participants to enroll voluntary basis to more than 78% annually. This basically concern on the plan sponsorship and may signal better trend to the participants. However, the direction of informal sector employees are increasingly harmed because are not identified and income created are less considered and become almost not known. The comfortability in retirement is quite become difficult because, these employees are not well known and prepared for retirement.

Kumado and Gockel (2003) basically focused on the Social Security Scheme in Ghana, in the study that especially employed a descriptive method to thoroughly present the findings. The core business of Pension Funds is attached on the collection of contributions. But tend to exclude the informal sector employees to pay such contributions, after collecting such contributions from members the Social Security Funds is required to wisely plan and allocate in particular investment. The administration costs are directly deducted from the invested Funds; it does not operate with administration costs only but include other costs such as cost of reaching the members and non-members.

The experience is directly attached to the existing average of about 26% of total contribution that required to administering the funds. The experience indicates that administrative costs are high compared to the benefit expected to be generated. Typically, in 2000, the presented administrative cost was recorded to be 12312m

compared to the total benefits payment of 9546m. The administration costs are the main issue to be concerned in the Pension Funds benefits. The Pension Funds and its investment need to be made efficient to administer resources towards improvement of benefits provision, these must include even the informal sector employee in the sector while taking into account on the investment of pension funds (Kayaga, 2007).

Study by Malya (2013) in Tanzania observed that, Pension Funds are operating in worse situation; about 51.3% of retirees are greatly depending on Pension Funds to create income. The experience is highly contributed to the fact that, Tanzania is among the poorest Countries in the World that had low per capita income and economic status. Majority of the people are not included in the Social Security System. It means, the Country is highly affected by the informal system and in most cases are mostly experiencing bad standard of living.

Komba, (2007) basically attached on the legal aspects on the NPF that based on the Social Security activities in Tanzania, it is evident that, the Social Security in Tanzania is quite challenged by the lack of appropriate system, and it is still under the political influence. The need to reconcile the legal and policy framework is highly required in the Social Security Funds. The adjustment policies need to incorporate social dimension and inclusion in the Social Security Funds. The need to focus on the members concerned is very essential based on the standards and legal framework.

Mboghoina and Osberg (2010), noted that, the National Social Funds in Tanzania are presently focused on the improved Social Security benefits payments. The Social Security benefits are different to the insured employees under the ordinary level and individual. The benefits offered are highly directly connected to the long terms and

short term provision. The experience indicates that, Social Security benefits are highly not adequate to members and increasingly selective in the formal sectors only, while leaving the informal sectors uncovered. The benefits are not adequate especially for immediate needs such as shelter, clothing and schooling. The Social Security Funds are almost left unable to cover these important needs while the policy and procedures put in place emphasize on these immediate needs.

2.3 Conceptual Framework

This conceptual framework portrays decision making process as an interrelated and complex process that is influenced by both internal and external factors. These factors could serve either as incentives or disincentives. By using this conceptual framework, this researcher aims to identify factors influencing informal sector workers, contribution to pension schemes. In this aspect factors influencing informal sector workers, contribution to pension schemes includes; age of the informal sector workers, are very essential, because ability to join are based on the age, this must be a work age group.

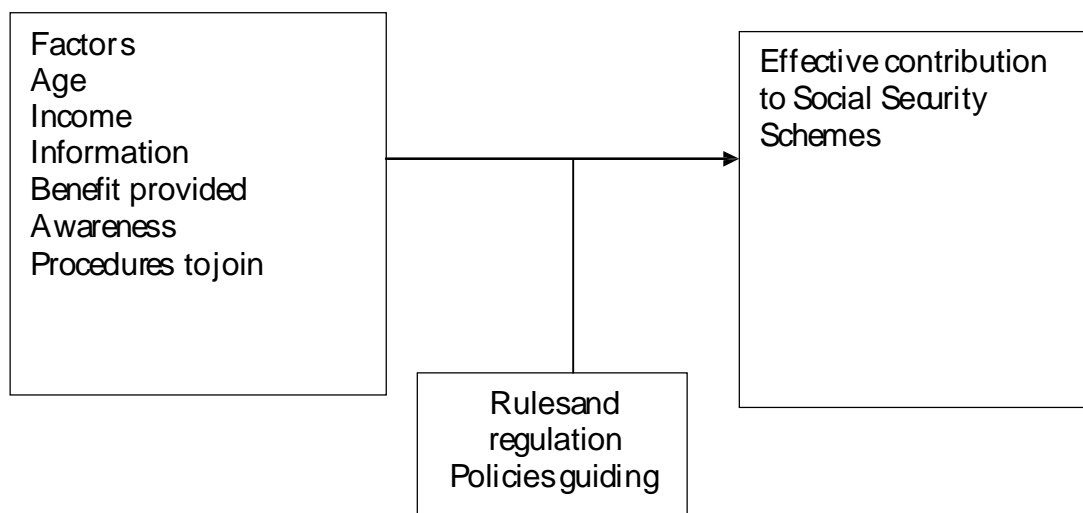


Figure 2: Conceptual framework

Source: Researcher, s own conceptualization, 2018

Income, also are the major factor to informal sector worker to contribute in the social security scheme, it means that the higher the income the higher the contribution and opposite is true. Others factors for informal sector workers, contribution in the social security scheme are information benefit provided awareness and procedures to join. These factors are highly associated to rules, regulation and policies guiding the social security scheme, it means that once the rules, regulation and policies favour the informal sector employees create effective contribution to social security schemes by informal sector employees.

CHAPTER THREE

METHODS AND MATERIALS

3.1 Study Area

This study was conducted at Pensions Fund Dodoma Region. The study was conducted in Dodoma Municipality since the area have both formal and a large community of informal sector employees involved in individual, groups, small to large industries; hence providing a very conducive environment for the study. Dodoma Municipality was chosen due to budget constraints as well as the researchers, convenience and familiarity with the environment.

3.2 Research Design

This study is designed to be a case study, the study was based on the research questions through a descriptive approach in which findings was analysed and conclusion were made by testing and answering the research questions raised by the researcher. The research design that was used in this study was cross sectional design, which aims to collect information a single point in time. This design includes selection of appropriate data collection methods.

3.3 Sampling

The selected of the interviewed informal workers was carried out by applying a random sampling procedure with multistage cluster sampling. The researcher used the administrative clusters while selecting informal workers for the study. This technique was chosen because it was meant to overcome problems associated with a geographically dispersed population when face to face contact was needed. In order to obtain a fair representation of informal workers from cluster, the researcher employed population proportional to size (PPS) sampling technique. Under

population to size techniques are included in the study depending on their numerical size. The sampling unit was included all Social Security Fund in Tanzania. (NSSF ... National Social Security Fund, PPF ... Parastatal Pension Fund, PSFF ... Public Service Pension Fund, GEPF ... The Government Employees Pension Fund and LAPF ... LAPF Pension Fund) and those who are not in social security funds. Sampling is the statistical way of selecting individual observation with intention to yield some knowledge or information about a particular population, especially for the purpose of statistical inference (Mugenda, 1999)

3.3.1 Sample design

The study was used both probability and non-probability sampling techniques. This is because it focused to collect both qualitative and quantitative data.

3.3.2 Sample Size

In this study the target population is the list of informal sector employees in Dodoma region that fit to the research specification. Random, purposive and judgmental sampling techniques were used in selecting the sample.

Three criteria were used to determine the appropriate sample size thus the level of precision (sampling error), the level of confidence/ risk, and the degree of variability in the attributes being measured (Miaoulis and Michener, 1976). The sample size for this study was estimated based on equation proposed by Naing et al., (2006) as indicated in equation 1;

Whereby:

n = sample size when population size is large than 10,000 people

Z = standard normal deviation, set at 1.96, corresponding to 95% confidence interval

e = degree of accuracy

p = proportion in targeted population estimated to have a desired attribute, if not known use 50%.

The estimated proportion of the population of informal sector employees in Dodoma region is not known, and hence 50% was used. The error tolerated (sampling error) was +7.5% at 89.9% confidence interval, therefore, sample size was:

$n = 170$ respondents

3.3.3 Sampling techniques

A stratified sampling technique was used to obtain the sample. After dividing the population into strata, sample was randomly selected from the strata composed of informal sector employees in social security funds and those who are not in social security funds.

Simple Random sampling technique was used to select LAPF and informal sector employees. The respondents were selected randomly from each strata element having equal chance of being selected to constitute the sample.

3.4 Data collection

Primary data were used for the study through administering a structured questionnaire composed of both open and closed ended questions. A pre-test of the structured questionnaire was carried out on twenty members of the target group and the necessary modifications and changes were made to the questionnaire.

The study was used various documents such as Academic Journal articles, SSRA reports and various government reports.

3.5 Method of data analysis

Primary data that was collected according to the variables. Statistical Package for Social Scientists (SPSS 2.0) was used as data analysis software to generate inferential and descriptive statistics, such as frequencies, mean, standard deviation and percentages to establish relative importance and weight for each of the chosen variables. A Microsoft Excel spreadsheet tool was utilized in presenting quantitative data.

Objective one was achieved by descriptive statistics and likert scale. This is a technical analysis that tries to examine the perception of informal workers towards institutionalised social security schemes.

Objective two aims to identify the factors that influence informal workers, decision to participate in a social security system. This suggested that, this study was interested in (i) the determinants of informal workers, decision to join the pension scheme and (ii) the determinants of monthly/yearly contribution by the informal sector workers. The conventional approach was used to estimate linear regression analysis to obtain the estimates on the factors. But this is fraud and would lead to inconsistent estimates (Heckman, 1974).

To resolve this biasness, the Heckman (1976) two-stage model approach was used. This involved an iteration procedure to generate a new variable after estimating the probit model (the determinants of worker, s decision to join the scheme or not). In

the second stage, this new variable is used as an additional variable (the determinants of monthly contribution)(Greene, 1993). Mathematically, given.

The problem estimating this equation is that the expected value of the stochastic component is not equal to zero; a violation of the Gauss-Markov assumption of the OLS. To resolve this, () is evaluated and substituted into the equation (Hedkman, 1976). Given the non-zero observations from the equation;

Or given that all the observations , are considered (Maddala, 1983);

The and are respectively the density and distribution functions of the standard normal. This is evaluated at and not as in OLS. Realigning equations 1 and 2 give;

$$E \left[\frac{f(x)}{F(x)} \right] = 0 \quad (5)$$

In this case, $E = 0$, however and are unknown. Hence estimating this equation using OLS is limited. It is important to note however that is the additional variable discussed earlier. And this formulation is known as the Inverse Mills Ratio (IMR). What Hedkman suggested was to define a dummy variable and estimate it using probit model. This is defined as;

or

Thus in this study, 1 denote contributors and 0 denote non-contributors. Using maximum likelihood (ML), it is possible to obtain the estimates of β that is then used to estimate the unknowns β_0 and β_1 . This approach provides consistent estimates of β_0 and β_1 .

Empirical models

Two equations are necessary for addressing the objective of the study. In the first stage, we examined the probability that a worker with a particular characteristic contributes to the scheme. This is specified as:

$$\text{Contribution} = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 \epsilon \quad (6)$$

Where

$\beta_{b,s}$ = Coefficient

x_1 = Age

X_2 = Education

X_3 = Level of income

X_4 = Sex

β_5 = Other factors

In the second stage, we sought to identify the factors responsible for the amounts contributed to the scheme by the workers. The model specification here is:

$$y_i = \beta_0 + \beta_1 Z_1 + \beta_2 Z_2 + \epsilon \quad (7)$$

Where

y_i = Monthly contribution

Z_1 = Education

Z_2 = Income

Z₃= Government policy

Z₄= Experience

The study used Statistical Package for Social Science research (SPSS) for data analysis. Both qualitative and quantitative data analysis techniques were used and applied in processing data by the use of Statistical package for social science research (SPSS version 20 and Microsoft Excel 2016).

The reliability was just measured to check for internal consistency, was measured in terms of inter related reliability; where by the Cronbach's alpha was used for quantitative argument.

Reliability Statistics	
Cronbach's Alpha	No of Items
.735	93

The internal consistency is reliable because reliability is 0.735.

CHAPTER FOUR

RESULTS

4.1 Demographic Characteristics of the Respondents

This section is important to consider factors like gender, age distribution of the respondents.

4.1.1 Respondents Distribution by gender

Gender is not the main focus of this study but presented in order to see its influence on the factors for informal sector workers, contribution to pension schemes.

Table 1: Sex of Participants

Category	Frequency	Percent
Male	80	47.1
Female	90	52.9
Total	170	100.0

Findings in Table 1 shows that, about 52.9% of respondents were females compared to 47.1% males. A large proportion appeared to be females because most of the informal employments are dominated by females. These are mostly indicated in various settings within our communities, starting at household level to the community level.

4.1.2 Respondents' distribution by age

Respondents' distribution by age are presented in various age group categories (18-25, 26-30, 31-40, 41-50 and above 51 years). Results are presented in Table 2.

Table 2: Age Participants

Category	Frequency	Percent
18 ..25	54	31.7
26 ..30	65	38.2
31 ..40	20	11.8
41 ..50	17	10
Above 51	14	8.2
Total	170	100.0

Findings in Table 2 show that, 38.2% were aged between 26-30 years, compared to 31.7% appeared in the age group of 18-25 years, 11.8% appeared in the age group of 31-40 years and 10% appeared in the age group between 41-50 years and a small proportion 8.2% were above 51 years. These findings imply that, informal sectors composed of productive working groups. It is important to include in the social security system to contribute for their future period.

4.2 Perception of informal workers towards institutionalised social security schemes.

Using Likert scale presentation in which 1 represent strongly disagree, 2 disagree, 3 neutrals, 4 agree and 5 strongly agree Findings on the perception of informal workers towards institutionalised social security schemes are presented (Table 3).

Table 3: Distribution of respondents according to the perception of informal workers towards institutionalized social security schemes

Category	Levels of agreements in percentage (%)				
	1	2	3	4	5
Becoming a member of a Pension fund is relatively easy	40	26.5	8.8	12.9	11.8
Government support to enroll in pension funds	21.8	45.3	12.4	10.5	10
Knowledge and information on the pension funds	26.5	38.8	12.4	14.1	8.2
Easy Payment contribution	28.2	40	9.4	10.6	11.8
values and beliefs in joining institutionalize pension schemes	27.1	35.3	8.8	12.9	15.9

Findings in Table 3 show that, distribution of respondents show that to become a member is relatively easy. A large proportion 40% strongly disagree and 26.5% disagree that becoming a member of a pension fund is relatively easy. On the other hand, a small proportion 12.9% agrees and 11.8% strongly agree, while a very small

proportion 8.8% reported to be neutral. These findings imply that, becoming a member of social security fund is relatively difficult because it associated with procedures and some sort of requirement. It is considered as an obstacle to informal employees to join social security funds.

Also, distribution of respondents on the Government support informal sector employees to enroll in pension funds. Findings in Table 3 show that, more than half 45.3% disagree and 21.8% strongly disagree, that government support informal sector employees to enrol in pension funds. Compared to 10.5% agree and 10% strongly agree while 12.4% reported to be neutral. This implies that, there is no any support from government directed to informal sector to enrol in pension funds system. The informal sectors to join in social security funds are relatively difficult compared to the situation of government supports.

Knowledge and information on the pension funds, Findings in Table 3 show that, 38.8% disagree, 26.5% strongly disagree while 14.1% agree and 8.2% strongly agree respectively. These findings show that, informal employees lack information on the existing social security funds, this has mainly hindered their ability to join social security funds.

Respondent distribution by payment contribution is presented in Table 3. Findings show a large proportion 40% disagree, 28.2% strongly disagree with the statement that, that payment of contribution in the social security system is easy. While 11.8% strongly agree, 10.6% agree and 9.4% reported to be neutral with that statement. The informal sector employee feels difficult in payment of social security funds. This partly influenced by the system that are used to collect and payment of contribution.

These informal sector employees were once get opportunity to join social security funds could use alternative system of payment.

Informal sector employees values and beliefs in joining institutionalize pension schemes, Results in Table 3 show that, 35.3% disagree and 27.1% strongly disagree with the statement that individual values and beliefs restrict informal sector employees in joining institutionalize pension schemes while 12.9% agree, 15.9% strongly agree and a small proportion 8.8% reported neutral respectively. These findings imply that, individual values and beliefs are obstacle to informal sector employees to join social security funds.

4.3 Factors that Influence Informal workers' decision to participate in a social security schemes.

4.3.1 Respondents distribution by decision to participate social security schemes
Regression analysis on the estimates of the factors that influence informal workers' decision to participate in a social security schemes is presented in Table 4. Various variables were taken into accounts Age, income, information, benefit provided, awareness and procedures to join.

Table 4: Distribution of respondents according to factors influencing informal workers to participate in social security schemes

Variables	Standardized Coefficients	Std. Error	T	Sig.
Constant		0.460	.028	0.978
Information	0.183	0.093	2.080	0.040
Age	0.130	0.224	1.075	0.004
Income	0.124	0.230	1.146	0.003
Benefit provided	0.274	0.356	1.984	0.030

Respective extent that information accessibility influence informal workers to participate in social security scheme. Findings in Table 4 indicate the regression coefficient of 0.183 on information accessibility has significant level of 0.040 which is less than 0.05 ($p < 0.05$). This indicates that knowledge or information accessibility is significant to influence informal workers to participate in the social security system. The implication of these findings is that, accessibility of information to informal sector employees is the catalysts for being included in the social security system.

Also, age informal sector employees have respective extent to influence informal workers to participate in social security scheme. Regression coefficient of 0.130 and significant level of 0.004 on the respective age of informal sector employees, this variable has significant level of less than 0.05 ($p < 0.05$). These findings show that,

ability to join in the social security schemes and contribute is determined by age of informal workers.

Furthermore, findings presented the income of informal sector workers has an influence informal worker to participate in social security scheme. Findings in Table 4 show the regression coefficient of 0.124 and significant level of 0.003 on the income of informal sector employees. These findings show that, significant level of ($p < .003$) indicates that income has respective influence among informal sector employees to participation in the social security system. These findings imply that, social security system need to plan to reach informal sectors employees of various income to participate in such social security system, because without income could be able to contribute in the schemes.

In addition findings presented benefit provided to informal sector has an influence informal worker to participate in social security scheme. Findings in Table 4 indicates the regression coefficient of 0.274 which is equivalent to 27.4% and significant level of 0.030 which is at ($p < 0.05$) it is significant. These findings imply that, benefit provided to informal sector tend to influence about 27.4% to participate in the social security system.

4.3.2 Means of joining social security system

Distribution of respondents by means of joining social security system for informal sector employees which are divided in terms of voluntary and mandatory aspects.

The results are presented in Table 5.

Table 5: Distribution of respondents by means of joining social security system

Category	Frequency	Percent
Voluntary	164	96.5
Mandatory	6	3.5
Total	170	100.0

Findings in Figure 3 show that, about 96.5% suggested the better means suitable to participate in the social security system is voluntary compared to 3.5% who suggested on the mandatory. These findings imply that, better procedure to include informal sector employees in the social security system much is associated with voluntary basis.

4.3.3 Determinants of informal workers' decision to join the pension scheme

The Pearson Goodness of Fit test indicated the chi-53.724 with significant of 0.980, which indicated the model fitness. The VIF ranged from 1.057 to 1.055 presented from Age = 1.081, Education = 1.105, income = 1.057 and sex = 1.055, there is some correlation with respective independent variables. Tolerance ranged from 0.905 to 0.948. This implies that there was no problem of Multicollinearity. It should be kept in mind that Multicollinearity problem is observed when the tolerance is less than 0.1.

Probit estimation, presented determinants of informal workers, decision to join pension scheme includes Age, education, level of income and sex were used to determine the probability of informal worker to join pension scheme were

significant at $p < 0.05$ which means all these variables are acceptable in the probit estimation.

The respective estimated positive and negative marginal effects of social security involve informal employees and its squared respectively it means that informal workers once created with certain environment could join in the social security schemes. However, with increase in time all informal workers could be captured with the social security schemes. The informal workers are mostly excluded in the social security system and mostly because of being not accessible and unrecognized.

Table 6: Determinants of workers decisions to contribute to Pension Schemes

Variables	Marginal effects	Std. Err or	Z-value	p-value	Collinearity statistics	
					Tolerance	VIF
Age	1.164	.695	1.675	.004	.925	1.081
Education	.440	.998	.441	.040	.905	1.105
Income	.981	.961	1.020	.008	.946	1.057
Sex	3.175	1.084	2.930	.003	.948	1.055
Chi-square	1.023	.362	2.826	.005	.925	1.081

a. PROBIT model: $\text{PROBIT}(p) = \text{Intercept} + BX$ (Covariates X are transformed using the base 10.000 logarithm)

4.3.4 Covariance and Correlations of Parameter Estimates

The PROBIT presented the covariances and correlations of parameter estimates show that age at 0.1, education correlate at 4.9, sex correlate at 0.422, level of income 0.574. These show that covariances and correlations of parameter estimates show that are some associated between variables.

Table 7: covariance and Correlations of Parameter Estimates

Variables	1	2	3	4
Age	0.100	-0.001	0.144	-0.123
Education	0.000	4.900	-0.003	-0.258
Sex	0.030	-0.005	0.422	-0.059
Level of income	-0.030	-0.434	-0.029	0.574

Table 7 indicates that covariance represented as 1 means age, 2 educations, 3 sex and 4 level of income. Covariance below 1 indicates there is a relationship and correlation above 1 indicated existence of weak correlation.

4.3.4 Determinants of monthly pension contribution

The determinants of monthly/yearly contribution by the informal sector workers

After identifying the factors that influenced the informal sector workers in the pension scheme contribution. This presented in Table 8. Results presented, age, education, sex and level of income. However, it is important to note that all these variables had a positive effect on monthly contribution. With education, people are better placed in better and higher income generating occupations.

Education is noted for developing the human capacity and therefore with improved human capacity, the gains associated are likely to be high as well. This could be the reason for the estimated positive effect of education on monthly contribution. It is

important to note that education also had a positive impact on the informal sector workers to join pension funds. This overall effect of education justified its role in terms of work. Income contributed in the pension scheme may manage to contribute in monthly basis. Policies by government are other factors that are contributing to informal sector employees to contribute monthly basis.

In the case of the number of dependents, as these numbers increase, the informal sector workers, monthly contribution also increases. This is contrary to the research, a priori expectation that with higher number of dependents, people savings capacity begins to decrease, hence a lower monthly contribution. Nevertheless, this group of workers was found to have a greater willingness to join the schemes. However, the non-significance of lambda in the model means that the problem of selectivity bias is neglected in the data set.

Table 8: Determinants of monthly pension contribution

Parameter	Marginal effects	Std. Error	Z-Value	Sig.
Education	-8.271	10.605	-0.699	0.024
Income	0.780	1.634	0.407	0.512
Education	-0.146	.899	-0.146	0.005
Government Policy	1.562	0.853	1.832	0.067
Dependents	1.010	1.322	0.764	0.445
Experience in working employment	1.250	0.975	1.282	0.010
Constant	2.674	7.024	.	0.000

Constant in the model was presented 2.674 for marginal effects and 7.024 for Std. Error the adj R^2 is 0.008 and log likelihood is 52.657, which indicated that the model is fit in the equation; Z is used to present t value.

4.4 Challenges and constraints encountered by informal workers in social security schemes.

4.4.1 Challenges and constraints to join social security system

Distributions of respondents by challenges and constraints to join social security system are presented in the descriptive statistics. The results are presented in Table 9.

Table 9: Descriptive Statistics on the challenges and constraints to join social security system

Variables	Frequency (n=170)	Percentage
Lack of awareness on the importance of Social Security	165	97
Traditional values, Norms and expectations	118	69.4
Lack of proper and adequate information	168	98.8
Cumbersome joining and administrative procedures	122	71.8
Lack of policies by the government	112	65.9
Long delays in benefit payments by the Fund	97	57.1

Findings show that, 98.8% of respondents suggested on lack of proper and adequate information, compared to 97% who suggested on lack of awareness on the

importance of Social Security. The informal sector employees failed to join social security because of low knowledge and awareness on matters concerning social security schemes. Lack of policies by the government 65.9% and long delays in benefit payments by the Fund 57.1% respectively are the challenges or constraints in joining social security system.

Lack of policies by the government appeared, it means that lack of policies is constraints in the participation of social security system by informal sector employees. From these findings it can be deduced that lack of proper and adequate information is the obstacle that prevent informal sector employees to join in the social security system. These findings imply that informal sector employees are not aware on the delay of benefit payment, in such a way that it is not a factor that limits its ability to be included in the social security system.

Lack of adequate information is presented to means that informal sector employees are not aware on the existing social security funds. It means that are not aware on the benefits existing and type of benefits present and some conditionality to be included in the social security funds.

CHAPTER FIVE

DISCUSSION OF THE RESULTS

5.1 Demographic characteristics of respondents

Findings show that, females appeared to be a large proportion because most of the informal employments are dominated by females. These findings related to that of Hu and Stewart (2009) who found that, females are mostly dominated with informal employment in most various parts of the world, this has increasingly difficult to capture in the mature pension system to become a member. The informal sectors are less covered due to unnecessary procedures. Pension system is less considered in the inclusion of informal sector employees irrespective of quality benefits provided to the enrolled members. The employees in the informal sectors are not well covered by private pension arrangements in which females are the major parts. Females in most cases are faced with several difficulties in the social security fund because of procedures and some sort of requirement. It is considered as an obstacle to informal employees especially females to join social security funds. The respective way for informal sector employees to join in the social security system is connected to the plan and implementation to include in the current policy for social security.

Findings showed that informal sectors employments are composed with productive working groups. It is important to include in the social security system to contribute for their future period. Al estalo (2005) argued that productivity in every sector of the economy is controlled and managed by productive age group. The informal sectors are needed in the pension system in the voluntary basis to be registered as informal sector workers to produce in the pension funds.

Productivity is needed in the theory of asset allocation to future investment of pension funds system. Relevant asset allocation is directly connected to the productivity of the pension funds system to facilitate voluntary registration in the pension system, the decision made under the influence of fund managers. The various factors were taken into account such as inclusion of informal sector workers to boost productivity of the pension system. Income security was most popular investment to facilitate continues productivity of the active informal sector employees in the pension system. The age group are mostly productive to improve and expand the development of informal sectors towards contribution of the social security funds.

Active age group are required to be enrolled in the pension funds to facilitate its development, however the informal sectors especially active age group are challenged to join in social security funds compared to the situation of government supports. The informal employees lack information on the existing social security funds, this has mainly hindered their ability to join social security funds. Respective active age group are needed to be included in the social security funds to insist its productivity and expansion of these sectors.

5.2 Perception of informal workers in institutionalised social security schemes

Generally, it has been found that, perception of informal workers towards institutionalised social security schemes is one of barrier to include in the current social security funds. Because of several procedures and requirement which are above the capacity of informal sector and its employees.

This finding related to that of Modugno (2012) found that, are affected with procedures and requirements, which need a planned training to alert them to be included in the social security system. Informal sectors are relatively needed to be sponsored to start retirement savings programs. Employers in the informal sectors without supporting their employees to join in the social security are not ensured security to their employees. The employees in this nature may be easily affected by the social events and become poor.

Similarly, Daley (2014) reported that, some sort of procedures is creating some barriers in the social security funds inclusion of informal sector employees. Procedures and difficulties are highly limiting increase of the informal sector employees in the institutionalized social security funds. The preparation should base on the number of plan and respective readiness for the participants to enroll voluntary basis more than forced one.

Hyun and Pauwels (2010) argued that, financial securities for informal employees are harmed by various factors in the families and dependents in the future. But within the social security institution some sort of procedures reduced capacity and speed to join in various funds.

Concurrently, Isiaka (2011) argued that pension funds are directly different for public workers to facilitate contribution of pension saving, while to the informal sector workers is perceived as difficult to join in the pension system. The benefit accessibility is perceived as difficult by the informal sector employees. Some reasons for such difficult is directly based on the development of pension benefits are connected to the improvement of Pension Funds benefits payment.

Members expect benefit payment because of contribution percentage in terms of monthly deduction. However, pension benefits to workers in both sectors need to be affected by the formula used for calculation of pension fund. Importantly for the pension scheme to succeed need improvement of pension benefits payment but failed to include informal workers.

Also, findings show that, government lack direct support to informal sector to enrol in pension funds system. The informal sectors to join in social security funds are relatively difficult compared to the situation of government supports. According to Njuguna (2010) informal workers to join social security funds perceived to be difficult because of lack of government support. This is especially due to lack of direct strategies to be included pension fund. This study takes into account for pension funds system as an investment that do not included more informal sector employees, from this observation need to efficiently plan to increase its return. It takes into account on the transaction cost theory to indicate pension fund investment in business perspective.

The challenge for most of informal sector employees is due to lack of government support to join and register in the Pension Funds investment which increasingly affect the informal workers, ability to be included in the pension system. The Pension Funds need to plan and include informal sector employees to increase return over the investment, because the pension system ability to increase pension investment is directly connected to expansion of pension services respectively to the informal one. These at least promoted the investment returns from efficiency strategies to encourage members invest more based on the promised pension funds payment.

The payment of pension funds should be directly related to plan and time set in the existing system of pension fund payment for informal sector employees. The benefits need to be paid during retirement time to the members. From this reason pension fund system must take into account on the informal sector employee in the respective pension system. „This must be considered to affect investment of pension funds. Because of the payment and contribution must adequately be large compared to the needs.

These findings show that, informal employees lack information on the existing social security funds, this has mainly hindered their ability to join social security funds. Cho (2009) argued that, informal sector employees lack information on the existing pension funds system. This has limited their ability of being respective members, because failure to access informal limit capacity of being a member in such institutionalized system.

The informal sector employee finds difficult in payment of social security funds. This partly influenced by the system that are used to collect and payment of contribution. These informal sector employees were once get opportunity to join social security funds could use alternative system of payment. Mattoo (2000) argued that system of social security payment is relatively difficult for the majority of informal workers to be registered. These social security funds are associated with various risks in the business transaction that is why failed to allow informal sector employees. The society need for protection against risk that arose from the fact that, one may work for his or her life time, but it will come a time when this man will not be able to work again, but still need to have the entire necessary requirements for life, so social security come in place to resolve the mystery. These studies emphasize

the inclusion of informal sector employees in the pension system to manage cover various risks.

Further, findings showed that, individual values and beliefs are obstacle to informal sector employees to join social security funds. From these findings Barya (2011) commented that, informal sector employees are basically limited to participate in the social security system because of their perception and values regarding to social security system. Values are obstacle due to several reasons such as informal sector employees are complained on the existing amount for contributory saving in the pension scheme. The informal sector employee feels difficult in payment of social security funds because of the system to collect and payment of contribution. This sector need opportunity to join social security funds could use alternative system of payment. It has been found that, individual values and beliefs are obstacle to informal sector employees to join social security funds.

5.3 Factors influence informal workers to participate in social security schemes

The findings showed that, accessibility of information to informal sectors employees is the catalysts for being included in the social security system. Clark (2012) pointed out that, informal sector employees being accessible with relevant information are important aspect to enhance the social security system, especially to the forgotten informal sectors. The informal sectors employees need proper plan and provision of relevant information with pension scheme. The important factors should be started by building their literacy on the social security funds and increases their information accessibility through developed literacy.

It has been shown that, accessibility of information to informal sectors employees is the catalysts for being included in the social security system. Alternative social security system is existing, but informal employees are not aware on those types of social security system. Topoleski (2010) with the respective focus of strategies to improve retirement readiness should be important to consider the time of retirement and plan effectively. This is not considered for the informal sectors employee. The lack of education on the alternative social security system to enroll is the barrier to include in the social security system.

Moreover, findings showed that, ability to join in the social security schemes and contribute is determined by age of informal workers. Isiaka (2011) argued that, age of respective informal sector employees is considered as the best way to reach informal sectors employees to influence their ability to participate in such social security system. The productive age groups of the informal sector employees are needed to speed up its contribution and worthy of pension benefits payment is directly based on the premises that, informal workers are expected to reap timely benefits. The benefits distributions need to be designed in such way cope with Public Pension Systems requirement. The actuarial calculation should be included in the legislative preferences and institutional arrangements. The informal workers benefit plans need to be legislative products and political forces impose a greater effect on their design than economic forces.

Also findings show that, social security system need to plan to reach informal sectors employees of various income to participate in such social security system, because without income could be able to contribute in the schemes. URT (2011) found that, informal sector employees need to be able to contribute so that to be

covered by the social security system failure to have income results into failure to contribute.

For instance, Mos and Seulean (2010) income among informal sector employees is required as investment strategy to mix investors in the investment portfolio. The investment strategy has specifically focused on the efficiency based on the income. This strategy on investment under the Pension Fund is directly related to the required investment strategy to promote efficiency and plan to increase income of informal sector employees.

Benefits are other factors which influence informal sector employees to become a member in social security system. From these findings Mos and Seulean (2010) argued that benefit provided by social security funds are strong force to attract informal sector employees, because these social security funds are controlled by government and benefit provision are under the control of government. The ability and weak social security system is built on the government policy. The government policies under the social security system and governance are required to directly be associated to the family unit and kinship that are composed in the traditional social security institutions and basically built in the informal sector. There is increasingly concern on the ability of social security organizations to comply with pension requirement and system. Like many other developing countries, Tanzania implemented various efforts towards pension system reformation and improvement through national development plans and strategies.

In addition findings show that, better procedure to include informal sector employees in the social security system much be associated with voluntary basis. Walsh (2008) argued that ability to informal workers to join in the social security

system is required to be connected with better procedures in the investment decisions for sustainable economic development. It needs to create relevant environment in the public pension fund system to be accountable to the public and members in particular to make repay benefits in time basis. Pension funds systems are required to enrol the informal sector employees in the payment of pension benefits. The pension institution is responsible to obey the benefits payment based on the schedule of agreement for including both formal and informal workers.

Mos and Seulean (2010) argued similar results that; better procedures in voluntary basis are the best option to informal sector employees to be included in the social security funds. The system is required to be effective in its plan and schedule in accountable fashion with relevant procedures that accommodate social security funds. At the same time Yermo (2008) argued that, potential for major fiscal imbalances and regressive distributional outcomes is compounded when the pension scheme is designed to cover only specific workers with a high degree of political power. In Africa this is often the case of civil servants, pension arrangements. In all countries the pension system to include informal sector employees, the pension fund system tends to be more generous than for private sector workers. The impact of a more generous formula and a more mature system along with a lack of reserves results in a build-up of large deficits that are ultimately a burden on the rest of the population, and the crowding out of other important expenditures

Also, findings showed that, informal workers are mostly excluded in the social security system and mostly because of being not accessible and unrecognized. Similarly, Imhartahimi (2011) suggested that, problem on Pension Funds are basically attached to the contributors, lack of recognition especially for informal

sector experience that contributes to inadequate investment returns. The inadequate return basically contributed to failure in including informal sector workers who are the large part in this pension system.

Cho, (2009) argued that contributors lack proper recognition in the social security system some certain category of society is really forgotten and it is assumed as if assets did not make any return. This brings more bias on Funds distribution and especially to people who are currently outside the Pension. It has been calculated really to discriminate especially the pensioners. The employees currently on the contributory plan are increasingly complaining and are not encouraged to join the Pension Scheme. The system and mechanism need respective empowerment to improve the pension income and even to gauge its satisfactory on the improved living standard of members, future strategies to include informal sector employees are less ignored.

Concurrently Lopez and Musalem (2004) argued that, tradition Social Security viewed to increase insecurity especially to the members. In view of this, the change of the traditional system in social security and related impacts especially for women could be replaced with formal security systems to informal sector employees who are out of access. The experience indicated that formal security tend to benefit small numbers of informal sector employees only, who are with limited access to social security institutions. The areas where informal sector employees are dominated such developments particularly of infrastructure are limited.

Ruger, (2007) argued that, starting point of the chain is the interplay between the environment and tradition of the individual together with the attitude towards pension schemes. On the one hand, traditions/environment can influence attitudes

and on the other hand, attitudes can also dictate the norms and traditions of society. These factors of attitude interact with values and expectations of participation. These expectations and values are influenced by an individual's financial well-being, and they interact with the opportunities and barriers experienced by the individual. Opportunities and barriers as experienced by the individual are influenced by information on ISF pension scheme. However, due to the interconnectedness of organizations relating to pension administration, particularly, revenue implications and national pension review, perceived opportunities and barriers extend beyond the ISF. Furthermore, barriers can block the road to participation. Thus the behaviour is conceived as a flowing stream rather than an isolated event.

At the same time, Asebedo and Grable (2004) argued that, Pensions Fund is especially required to generate financial returns in the long term perspective. This especially needs to increase pension pay-outs to members who had attained the pension benefits conditionality. The Pension Funds that generate return over the long period is recorded to perform better and significantly labelled as efficiency security funds.

Findings show that, covariance and correlations of parameter estimates show that, are some associated between variables such as procedures to join and awareness are closely associated. Al estalo and Puttonen, (2005) showed that, awareness of informal sector employees on the existing procedures to join social security funds created the ability to be included in such social security system. Also, Ruger, (2007) argued that awareness of relevant procedures that are required to implemented is the respective approach for social security system to be included in the membership.

Concurrently Idowu (2006) lack of awareness of most informal sector employees has limited their ability to join in the social security system. Similar to this World Bank, (2014) argued that, lack of awareness on the existing social security system and relevant products accessible and available to informal sector employees are considered as a barrier to join.

Longman, (2014) argued that, lack of awareness among informal sector employees on the social policy and procedure concern in the resource distribution and delivery in response to social needs is the barrier to be included in the social security system. Njuguna (2010) argued that, increased awareness regarding benefits of saving for retirement would lead to increased enrolment into the ISF. It is evident from the review of the literature that the tradition of dependence on the extended family for support is continually threatened by pressures of increasing poverty as the proportion of older persons receiving economic support from their children is declining. I am assuming that convictions about the benefits of secured income in old age will influence petty traders, decisions to enrol in the ISF. Enrolment in the ISF by petty traders, I am assuming, will serve as an equalization opportunity for social protection. Thus, petty traders, hitherto excluded from pension benefits enjoyed by their counterparts in the formal sector, now have an opportunity to secure their future.

5.4 The challenges encountered by informal workers in social security schemes

There are several challenges and constraints encountered by informal workers in social security schemes. The lack of awareness on the importance of social security is the barrier for informal sector employee to join in the social security

system. Ambachtsheer et al., (2006) argued that, informal sector employees, lack of awareness is considered as a barrier to be included in the social security system.

Similarly, Al estalo and Puttonen, (2005) argued that, their participation is harmed by the limited awareness on the existing social security system and respective ability to choose. Matter concerning retirement is the choice. The steps to plan and organize their income in the retirement funds tend to harm their future goal and plan. These employees are advised to attend several work shop that explain the benefits.

Clark (2012) argues that, work place financial education is needed to enhance the social security system, especially to the forgotten informal sectors. The informal sectors employees need proper plan to include in the pension scheme. The important factors should be started by building their literacy on the social security funds. The employers in this nature take advantage to the ignorant of their employees to avoid promoting awareness on the social security system. The knowledge could be thought to increase more chance to effectively participate in the social security guidelines and policy option. The decision makers are required to be alerted on the existence of informal sectors that need suitable social security for voluntary option. This could be used to faster the decision and make policy improvement for future life for informal sector employees.

Mos and Seulean (2010) this is not considered for the informal sectors employee. The lack of education on the alternative social security system to enroll is the barrier to include in the social security system. The timing of retirement education is needed to be provided to informal sector employees to encourage take action to voluntary enrollment. The information on the advantages and disadvantages of the system should be well stipulated, this is used as a strategy for planning. The effective plan

and informal sector preparedness is lack hence reduce the ability of informal sector employees to enroll in such beneficial system.

The traditional values, norms and expectations is not necessary contribute to prevent informal sector employees to join in the social security system. Hyun and Pauwels (2010) show that, tradition and values among the informal sector employees are considered as the barrier to informal sector employees to join social security funds. Kidula, (2005) pointed out on the existence of traditional social security institution. The system that is attached to the tradition had to include families, kinship and neighbourhood in current times. The study basically concluded that, tradition institution in effective way needs to promote social security. The ability and weak social security system is built on the government policy. The government policies under the social security system and governance are required to directly be associated to the family unit and kinship that are composed in the traditional social security institutions and basically built in the informal sector. There is increasingly concern on the ability of social security organizations to comply with pension requirement and system. Like many other developing countries, Tanzania implemented various efforts towards pension system reformation and improvement through national development plans and strategies.

Topoleski (2010) with the respective focus of strategies to improve retirement readiness should be important to consider the time of retirement and plan effectively. This is not considered for the informal sectors employee. The lack of education on the alternative social security system to enroll is the barrier to include in the social security system. The timing of retirement education is needed to be provided to informal sector employees to encourage take action to voluntary enrollment. The

information on the advantages and disadvantages of the system should be well stipulated, this is used as a strategy for planning. The effective plan and informal sector preparedness is lack hence reduce the ability of informal sector employees to enroll in such beneficial system.

The lack of proper and adequate information is the obstacle that prevents informal sector employees to join in the social security system. Michad (2011) argued that, lacks of adequate information to informal sector employees are barrier to be included in the social security system. Concurrently, Bailey (2010) argued that, there is a need to improve and reform social security to capture the informal sector. The framework for the social security system. Informal sector employees are limited to join social security funds because of the availability of traditional social security forms. This has focused on the provision of relevant products demanded by the informal sector employees.

In addition, cumbersome procedures to join in social security system are the constraint for informal sector employees to join social security system. Deloitte (2006) argued that difficult procedures to register in the pension system by the informal sector employees which based on the public pension policy. The study managed to use accountability theories. Pension system often suffers from the problem of payment facilitating informal workers to join in the pension system. The policy leaders reap political rewards for creating new benefits repayment time for employees. Sometimes pension funds experience shortage or deficit of cash, this partly contributed to the type and nature of investment. The funds after being collected from the public are invested and timely payment of pension is highly depending on the performance of such investment. The investment performance is

focused on the fixed deposits, mutual funds, Government bonds, Municipal bonds, corporate bonds, cash and deposits and listed equity.

National Audit Office (2010) observed the problem on the pension scheme based on the existing system of pension. The following are the major key issues; mainly, it had been observed that, social security tends to delay the process of payment of the benefits provision. This has contributed to currently observed phenomena that, Public Service employees tend to be delayed in receiving their pension funds. It is increasingly termed as a common phenomenon for retiree to spend more than 12 months without being paid terminal benefits. The delay is composed with the system of Pension Fund formula and determination. It is important to note on the existing policy and procedures to control and manage Pension Fund formula to include the informal sector employees in the pension system.

Zope (2013) argued that payments of pension are increasingly associated with problems in such a way that, payment of pensions are reported with increasingly health problems and death of pensioners before obtaining their pensions. This has especially affected the life of survivors such as relatives to timely obtaining their pension benefits. The results are difficult life especially for dependants whom are left without any reliable sources of income. This is directly associated with the lowering of living standard. The retirees are still claiming that the delay of pension benefits payment had lowered their ability to purchase goods, hence affecting their living standard. The Pension Schemes had different payment systems thus need to include informal sector employees.

Concurrently, Kapuya (2003) focused directly on the social security system in various dimension of human work life and life out of work. It used various social security theories to identify the pension system and coverage of informal workers, it is important to use human efforts ends. The informal sector employees are suffering from the risk, contingencies and uncertainties to create life and improve living standard. The risk is highly controlled in various forms of security, that everyone in the society need some certain forms of risk control. The risk may be controlled in the family, community and society level.

On the other hand Walsh, (2008) argued that, investment Funds that are spent on the further allocation to create better future for both formal and informal workers. The investment Funds directly focused on the ability to generate inputs so that to improve output. The investment is directly composed with various investments in deposits, Government bonds and equity. These are expected to generate positive impact on the voluntary pension funds. The rate of returns in the voluntary private pension funds tend to be affected by the risks preference. Pension Funds investment is directly affected by the risk that reduces return of investment. The value of the fund unit in the Pension Funds is increasingly based on the investment strategies.

The risks in pension funds almost are socio-economic in nature and create uncertainty environment. The individuals need to guarantee basically the security in terms of socio-economic perspective. The social security is basically attached to the collective measures designed to include informal sector employees. The need to plan and fulfil intervention of social security institution through planned activities to collect contribution to the fulfilment of planned activities.

Economic theory states that the decisions or responses regarding participating or not participating in any program depends on the level of perceived utility that participant gains from their choice and respective informal accessibility (Adhikari et al., 2003). In the decision making process, an individual weighs the utility of two alternatives and selects the alternative with the highest level of utility.

In the case of pensions as argued by Castel (2006) is based on actuarial principles. Thus, a worker will be willing to participate in a pension system, if the level of well-being he or she can attain with the pension system's benefits is higher than the level he or she can attain without participation and by simply saving the same amount of contributions. The author further indicates that aside the individual characteristics and socio-economic factors, the system's financial return or the present value of the expected pension benefits less the costs of contribution is an important determinant of workers' willingness to participate.

Using this similar approach from Castel (2006), an urban informal worker will be willing to participate in a Micro Pension Scheme, if the level of well-being it can attain with the scheme's benefits is higher than the level it can attain without, by simply saving the same amount of contributions, or by choosing another old age income strategy like continuing working or getting the financial support of his/her friends and relatives. Consequently, participation is related to financial indicators that reflect the costs and benefits of the system and individual, household and socio-economic factors but in the case of this study, the financial indicators are not explicitly looked at since the study is exploratory in nature.

CHAPTER SIX

CONCLUSION AND RECOMMENDATION

6.1 Conclusion

Generally, it has been found that, perception of informal workers towards institutionalised social security schemes. It has found that becoming a member of social security fund is relatively difficult because it associated with procedures and somesort of requirement. It is considered as an obstacle to informal employees to join social security funds.

There is no any support from government directed to informal sector to enrol in pension funds system. Theinformal sectors to join in social security funds are relatively difficult compared to the situation of government supports.The informal employees lack information on the existing social security funds, this has mainly hindered their ability to join social security funds. The informal sector employee feels difficult in payment of social security funds because of the system to collect and payment of contribution. This sector need opportunity to join social security funds could use alternative system of payment. It has been found that, individual values and beliefs are obstacle to informal sector employees to join social security funds.

Furthermore, study findings are shown that, accessibility of information to informal sectors employees is the catalysts for being included in the social security system. Alternative social security system is existing, but informal employees are not aware on those types of social security system. The social security system needs to plan to reach informal sectors employees to influence their ability to participate in such social security system. The benefits provided to informal sector tend to influence to

participate in the social security system. The better procedure to include informal sector employees in the social security system much is associated with voluntary basis.

There are several challenges and constraints encountered by informal workers in social security schemes. The lack of awareness on the importance of social security is the barrier for informal sector employee to join in the social security system. The traditional values, norms and expectations is not necessary contribute to prevent informal sector employees to join in the social security system. The lack of proper and adequate information is the obstacle that prevents informal sector employees to join in the social security system. The cumbersome procedure to join in social security system is the constraint for informal sector employees to join social security system. It has been found that, long distance between informal sector employees and social security funds office is not necessary to be constraints to join social security institution. This indicates not significant; it means that lack of policies is not significant constraints in the participation of social security system by informal sector employees.

It has been found that, the long delays in the benefit payment by social security system are not significant factor limit informal sector employees to join social security system. Informal sectors employees are not aware on the delay of benefit payment, in such a way that it is not a factor that limits its ability to be included in the social security system. Benefits provided in the social security system are not related to the demand of informal sector employees. This has considered as a barrier for informal sector employees to participate in the social security system. Informal sector employees are limited to join social security funds because of the availability

of traditional social security forms. This has focused on the provision of relevant products demanded by the informal sector employees.

6.2 Recommendation

From the findings generated by this study the following recommendations were drawn.

Pension fund system through ministry of work should educate the informal workers to join in the pension funds. The education should be provided with respective awareness on the benefits of being a member of social security funds. This will capture the informal sectors and being allowed to provide views on the benefits demanded for their satisfaction in voluntary membership in the social security system. This is directly related to the benefits of encouraging informal workers in the social security funds.

The social security system should take into account on the respective strategies to know exactly the need of informal sector employees. For that reason, will come up with several barriers that preventing these informal sectors of being a member in the social security system. The awareness and sensitization is directly provided to the understanding of the system and its benefits.

Government should increase effort of identifying these informal sector employees in the economy and their contribution required in the social security system. After identifying will give opportunity to enroll and register their employment in the social security system. The registration should be in voluntary basis to avoid harm their ability to effectively participate in the economy.

There is a need to use efforts to review the current social security policy, for including the informal sector employees in the scheme. The review will capture major themes that recognize the informal sector employees in the pension schemes and improve on the means to include in voluntary basis.

6.3 Suggestions for further research

The purpose of this study was to examine the factors influencing informal sector workers, contribution to pension schemes in Dodoma Municipality. Further research should be conducted on the;

- i. The influence of voluntary membership for informal sector employees, this should be provided in the ground of formulating awareness on the social security funds. This could be needed for voluntary membership.
- ii. Possible policy reformation on the informal sector employees to be included in the social security system. This could be grounded on the problem that, lack of policies governing social security system, it means that policy are there but not stable are always subjected to changes in the influence of political pressure.
- iii. Procedures on the membership and its registration should be directly based on the registration system, joining procedures and expectation of membership. This ground is needed to be established to improve the informal sectors registration in the social security schemes.

REFERENCES

- Adhikari T.B., Anderson J.M and Goodwin S.B. (2008): Identification and molecular mapping of a gene in wheat conferring resistance to *Mycosphaerella graminicola*. *Phytopathology*, 93: 1158.1164.
- Alestalo, N. and Puttonen V. (2005). Asset allocation in Finnish Pension Fund, Mandatum, Unioninkatu2,FI-00131Helsinki, Finland.
- Ambadhtshar K., Capelle R. and Lum H. (2006). Pension Fund Governance Today: Strengths, Weaknesses, and Opportunities for Improvement ,, *Financial Analysts Journal*.
- Asebedo, G. and Grable, J. (2004). predicting Mutual Fund over performance over a nine-year period, *Financial Counselling and Planning*.
- Aubert, B., 2005. Can It outsourcing Innovate: A framework Technology Outsourcing Risk Management, *Database for Advances in Information systems*,36(4).
- Barya. J.J. (2011). Social Security and Social Protection in the East African Communities. Fountain Publishers. Kampala
- Better and Den, 2009. A transaction cost analysis production to China: Nederland bijeen: L. J. Jongerius and R.J.C.Sie.
- Bailey, C., and J. Turner. 2010. "Social Security in Africa: A Brief Review." *Aging and Social Policy* 14, no.1: 105-14.
- Besley, T., and Prat, A., (2006). Pension fund governance and choice between defined benefit and defined contribution plans, *Center for Economic Policy Research Discussion Paper* 3955.
- Betcherman G (2002). An Overview of Labour Markets World-Wide: Key Trends and Major Policy Issues. *Social Protection Discussion Papers* No.205.
- Bikker, J., and Dreu, J. (2009). Operating Costs of Pension Funds: The impact of scale, governance and plan design. *Journal of Pension Economics and Finance*
- Bukwimba, M. L. (2016). The Impact of Pension on the Mean Residual Life Time of Retirees in Tanzania, *International Journal of Advanced and Multidisciplinary Social Science*, 2(1), 1-10.
- Bryman, A, and Bell, 2007. *Business Research Methods*. 2nd ed. London: Oxford University press.

- Canagarajah, S. and Sethuraman, S.V. (2001). Social Protection and the Informal Sector in Developing Countries: Challenges and Opportunities. Social Protection Discussion Paper series.
- Castel, P. (2006). Voluntary defined benefit pension system willingness to participate the case of Vietnam (pp.1-29). Available at SSRN: <http://ssrn.com/abstract=1379607>. Or <http://dx.doi.org/10.2139/ssrn.1379607>.
- Clark, L. (2012). Financial Literacy and Retirement Decisions. North Carolina: CAEL.
- aley, E (2014): the effect defined benefits schemes on retirement income replacement. Journal of Retirement Preparedness. Vol.3 (15). Pp1-8.
- Davis, F. (1989). Perceived Usefulness, perceived ease of use, and user acceptance of information technology. MIS Quarterly, 13(3), 319-40.
- Davis, F.D. (1998). User Acceptance of Information Technology: System characteristics, user perceptions, and behavioral impacts, Journal of Man. Machine Studies 38(3): 475.487.
- Dibbern, J., Goles, T., Hirschheim, R., and Jayatilaka, B., 2004. Information systems outsourcing: a survey and analysis of the literature. The Data Base for Advances in Information Systems, 35(4), pp.6.102.
- Dixon, J (2000). "African Social Security Systems: An Ordinal Evaluation." Journal of Social Development in Africa 16, no. 1: 6-83.
- Fields GS (1990). Labor Market Modeling and the Urban informal Sector: Theory and Evidence in The Informal Sector Revisited. Edited by Turnham D, Salome B and Schwarz A. (Paris: Development Center of the Organization for Economic Cooperation and Development).
- Gary H., and Prahalad, C. K., 1990. The core competence of the corporation.
- Gary, H., and Prahalad, C. K., 1994. Competing for the Future, Harvard Business School.
- Hyun, S. and Pauwels, J. (2010): Factors Affecting Workers' Retirement Confidence: A Gender Perspective
- Kapuya. (2008). Social security system in Tanzania. Dar es Salaam.
- Kidula, J(2005) Profitability of Estate Investment in Tanzania The case of NPF.
- Kothari, C.R., 2004. Research Methodology. New Delhi: New Age International (P) Ltd.

- Komba, L. (2007), *The Impact of National Character on Critical Factors of Consumer Satisfaction and Consumers Behavioral Intentions in Service Organizations: A case of Tourist Hotel in Tanzania*• PhD Thesis Augsburg University.
- Krishnaswami, 2002. *Methodology of Research in social science*. New Delhi: Himalaya.
- Laura M Puerta S (2010). *Labor Market Policy Research for Developing Countries: Recent Examples from the Literature what do We Know and What shouldwe Know?* America Washington DC.
- MacKellar L (2009). *Pension Systems for the Informal Sector in Asia*. Human Development. Washington, DC.
- Miles, M., and Huberman, A., 1994. *Qualitative Data Analysis: An Expanded Source Book*, 2nd Edition. Beverly Hills, CA: Sage Publications.
- Miaoulis, G., and Michener, R. D., 1976. *An Introduction to Sampling*: Kendall/Hunt Publishing Company, 1976 ISBN084036038, 9780840316035.
- Michael W. K (2011) *A comparative analysis of pension reforms and challenges in Ghana and Nigeria*, *International Social Security Review*, 64,2, (91-109), (2011).
- Modugno, V. (2012). *The Effect of Changes in Retirement Plans on Employee Savings and Retirement Age*. Nairobi: Society of Actuaries.
- Mos R and Seulean P (2010). *Determinant Factors of the Investment Performance of Voluntary Pension Funds in Romania*, University of the West, Str. J.H.Pestalzzi, nr. 16, 300115, *Annales Universitatis Apulensis, Series Oeconomica*, 12(1), 2010.
- Naing L, Winn T and Rusli BN (2006). *Sample Size Calculator for Prevalence Studies*. Available at: http://www.kck.usmmy/ppsg/stats_esources.htm
- National Audit Office (2010), *A performance Audit on the processing of terminal Benefits of retirees from the central and local government of Tanzania*.
- Rindfleisch, A., and Heide, 1997. *Transaction cost analysis: past, present and future applications*. *The journal of marketing*, vol.61, No.4, pp.3-54.
- Topoleski, J. (2010): *U.S Household Savings for Retirement Survey*. Congressional Research Services.

Walsh, M. W. (2008). Actuaries scrutinized on pensions. *New York Times*, 21 May.

Williamson, O. E., (1998) .Transaction cost economics: How it works, where it is headed. *The Economist*, 146(1), pp.23-58.

Zope, M. J. (2013). Retirement plan. Washington: Academy Society of Actuaries. Mathew Greenwald & Associates, Inc. Parastatal Pensions Fund Operation Guide. (2012). Dar es Salam.

APPENDIX: STUDY QUESTIONNAIRE

Dear respondent,

Ms. Christine Mmbaga is a Masters of Business Administration student from the University of Dodoma. As a requirement for the fulfilment of her studies, she is conducting a research on Factors influencing Informal Sector Workers contributions to Pension Schemes. I assure you that, the contents of this questionnaire was absolutely confidential. The responses were going only to the research and information identifying respondents was not being disclosed in any way.

Thank you in advance for your cooperation and valuable time.

PART A: GENERAL RESPONDENT INFORMATION. (Please put a tick [✓] in the box provided).

A.1 Are you employed in the formal or informal sector?

A.2 What type of work do you do?

A.3 What is your gender/Sex?

(i). Male

(ii). Female

A.4 Which of the following best describe your age?

(i). 18..25

(ii). 26 ..30

(iii). 31 ..40

(iv). 41 ..50

(v). Above 51

A.5 What is your highest educational level?

- (i). Standard seven []
- (ii). Certificate/Diploma []
- (iii). Bachelor degree/ Equivalent []
- (iv). Master, s Degree []
- (v). PhD []
- (vi). Others []

A.6 If the answer in A.5 above is others please specify.....

PART B: The perception of informal workers towards institutionalised social security schemes

B.7 what are the perception of informal workers towards institutionalised social security schemes?

(Please rate on a scale of 1 ..5: 1-Strongly Disagree, 2 - Disagree, 3 ..Neutral, 4- Agree 5 ..Strongly Agree)

B.7.1	Becoming a member of a Pension fund is relatively easy	1	2	3	4	5
B.7.2	The government has in place policies enabling informal sector employees enrolling in Pension Funds	1	2	3	4	5
B.7.3	Informal sector employees have adequate knowledge and information on the existing Pension Funds and the benefits provided	1	2	3	4	5
B. 7.4	Remittance of members' contributions is easy	1	2	3	4	5
B. 7.5	Individual values and beliefs restrict informal sector employees in joining institutionalized Pension Schemes	1	2	3	4	5

B. 7.6 Have you ever attended a seminar, workshop or meeting addressing the importance of social security?

(i). Yes []

(ii). No []

B.7.7 Do you know any benefits offered by the social security system to informal sector employees?

(i). Yes []

(ii). No []

B.7.8 If the answer in C.2 above is yes please mention them;

.....
.....
.....
.....

B.7.9 Are services offered by social security system attract informal sectors employees to join?

(a) Yes []

(b) No []

If, Yes, please explain:

€€€€€€€€€€€€€€€€€€€€€€€€€€€€€€€€€€

€.€€€€€€€€€€€€€€€€€€. .€€€€€€€€ € .

.....
.....
.....

PART C: The factors that influence informal workers, decision to participate in an institutionalised social security schemes

C.8 what are influence informal workers, decision to participate in an institutionalised social security schemes?

C.8.1 Does knowledge/information accessibility influence informal workers, decision to participate in social security system?

(i) Yes []

(ii) No []

C.8.2 Are you a member of any Institutionalized Pension scheme?

(i). Yes []

(ii). No []

C.8.3 if the answer above is yes, how did you become a member?

(i). Voluntary []

(ii). Mandatory []

C.8.4 Does social security system cater for informal employees?

(i). Yes []

(ii). No []

(iii). I don't know []

C.8.5 Do institutionalized Pension Fund benefit the informal sector employees?

(i). Yes []

(ii). No []

(iii). I don't know []

C.8.6 In your opinion do you think that social security is an important thing?

.....

PART D: The challenges encountered by informal workers in social security schemes

D.9. what are challenges encountered by informal workers in social security schemes?

The following table shows the factors influencing informal sector employees to enrol in institutionalized Pension schemes in Tanzania. Choose by ticking any five (5) factors which you think might be appropriate as causes of untimely payment of benefits.

S/N	Factors influencing informal sector employees to enrol in institutionalized Pension schemes	Most appropriate
9.1	Lack of awareness on the importance of Social Security	
9.2	Traditional values, Norms and expectations	
9.3	Lack of proper and adequate information	
9.4	Cumbersome joining and administrative procedures	
9.5	Long distances between employee's office and LAPF offices	
9.6	Lack of policies by the government	
9.7	Long delays in benefit payments by the Fund	
9.8	Benefits offered are not tailored to suit the informal sector	
9.9	Availability of other traditional forms of social security such as SACCOS, VIKOBA, etc.	

10. What do you think needs to be done so as to attract informal sector employees to enrolling Pension Funds in the country?

(i) €€€€€€€€€€€€€€€€€€€.€€€€€€€€€€ €€€

(ii) €€€€€€€€€€€€€€€€€€ € €.€€€€€€€€€€€€€€

Thanking you for your cooperation