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An Assessment of the Effects of Retirement Age on Organizational Productivity: A Case of Kenya Power Company, Kenya

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Abstract: ***Retirement age has been a critical subject in organizations today especially in relation to organizations productivity. Retirement age of public servants and parastatal employees in Kenya has been extended to 60 years which has raised questions on its significance on labour productivity in public institutions. The purpose of the study was to assess the contemporary factors characterizing extension of the retirement age on organizational performance in Kenya Power Company. Specific objectives of the study were: to determine employee productivity with extended contract on performance at Kenya Power, to identify the social factors that contributed to the extension of the retirement age of employees at Kenya Power, to analyze the existence of succession plan of employees at Kenya Power and to determine the economic impact of extension of the retirement age of employees at Kenya Power. A descriptive research design was applied in conducting the study. The research adopted a qualitative and quantitative approach in which data was collected via use of questionnaires from a selected sample of staff of Kenya Power. The target population of the study was the middle level managers in KP in Central Rift region charged with the supervisory activities in all the departments. The target population was 140 managers from which a sample of 58 respondents was then selected using simple random sampling technique. A Questionnaire was then used in data collection. The study established that extension of the retirement age has much effect on employee productivity hence the general organizational performance. Succession planning in organizations enabled the planning for replacement of staff upon retirement. This also ensured that productivity was not affected due to retirement or ageing staff. Both health and social factors contributed a lot in determining the retirement age of employees with health carrying the highest weight as a determinant factor.***

Keywords: Retirement Age, Organizational Productivity, Kenya-Power

1. Introduction

Retirement age has become a global issue since the world is aging. The number of the population aged between 60 years and above is steadily rising in nearly every country in the world. This shift concerns both developed and developing countries as it lowers both labour force participation and saving rates and slows future economic growth (Bloom *et al*., 1999). The Retirement Age is the time when one has reached a stage in life where he/she cannot perform to attain the set goal. Several studies have been conducted to establish the link between retirement age labour productivity in various countries. Singapore has a retirement age of 62 with an intension to rise that, showed productivity growth of 11.78% in 2010, Thailand's productivity growth was 5.94%, where the retirement age is 60, compared with 5.78% for Malaysia where companies generally retire their employees at 55.In China, where the retirement age for men is 60 and 50-55 for women, productivity growth was 11.78% in 2010 (Ahmed & Zani, 2013).

Harter & Agrawal (2014), in their article Baby Boomers, indicate say that whether by choice or necessity, baby boomers will remain a sizable proportion of the workforce in the years ahead, with many expecting to work past the average U.S. retirement age of 61 and even the traditional retirement age of 65. Organizations also need to tap into the experiences of the aged staff as they continue to age and work. Therefore it is important that their organizations build workplaces with outstanding managers who leverage the experiences of older workers by positioning them to do what they do best like listening to their insights and opinions, and continuing to develop their talents into strengths. By investing in baby boomers' engagement, employers reap the benefits that an engaged workforce brings to their bottom line.

In Kenya, the government increased the retirement age of all Civil servants in the year 2009 from 55 to 60 years through a Kenya gazette of 2010. This has been applied across majority of government ministries and parastatals in Kenya. This however was not really a new phenomenon since a few occupational schemes like universities; government research organizations had already revised their retirement age to 70 years. Globally reviewing the retirement age has been a source of debate and Kenya is not an exception. Consequently the trend implies that more and more aging population will constitute a relevant and significant component of the workforce.

The debate on the extension of the retirement age in Kenya has different meanings across different age groups as well as working groups. The more mature in the formal sector believe that between 50 and 60 years is their peak performance age since most of their family responsibilities that diverted their full attention to office demands has been reduced. On the other hand the younger perceive those at age 55 years as old and unfit to perform as expected. They believe that increasing the retirement age is denying them job opportunities as well as slowing service delivery and performance. Retirement age to the self-employed does not carry so much weight; they continue working until they are incapacitated by age. According to Smith (2014), many good employees are quitting traditional organizations because the older workforce does not know how to manage them properly.

The Kenya Power Company Ltd. (KPC) is a state corporations which distributes and retails electricity throughout Kenya. The company was established in 1922 as East African power and Lighting Company (EAPL) to generate, transmit and distribute electricity in East Africa with its central office based in Nairobi. Since then the company has rebranded to Kenya power and lighting Company (KPLC) and in June 2011, the company rebranded to Kenya Power (KP) and introducing a new corporate identity. The rebrand was part of a larger strategy which includes increasing population access to electricity and making the company better in its service to the customers. By the years 2011the total number of employees was 8543 (Owuor, 2011). Recruitment at Kenya power Company still takes into account the age factor among other factors. The retirement age is strictly controlled by the law of the state corporations which put it at 60 years. The former president assented to a bill that increased the retirement age to 60 years as gazetted in the Kenya gazette of 2010.

2. Statement of the Problem

According to the government directive on retirement on public servants and parastatals employees the retirement age was extended to 60 years. This was also inline with Rosen & Jerdee (1986) who indicated that most people attain their peak performance in their 50's after years of training and exposure hence retiring them at age 55 years deprives most organizations services from people they trained. Retiring people at age 55 years is not universal since the International Labour Organization has put the retirement age as 60 years. Given the need of organization when implementing human resource planning there should be need to employ and recruit new employees of different ages and qualifications. Organizations should therefore blend the recruitment and injection of young generation; the generation X (Rosen & Jerdee, 1986).

A number of challenges, both at individual and corporate level exist due to the extension of the retirement age. The youth, who form the larger population of the unemployed, view it as a way of denying them employment and a subjection to slow service delivery. Those already in employment view it as a session to complete their unfinished journey to retirement. Performance of employees in an organization is dependent on different factors given different circumstances. One of the factors that determine performance is the age of an employee and the experience gained on the job (Warr, 2001).

It cannot be disputed that most people, technical and managerial gain more knowledge on the job rather than qualification, but the advancement of age might come with other burden with which in turn would take a toll on the performance of an employee (Veen, 2008). The reasons for extension on the retirement age by the government might not be the retention of the rich experience and expertise by the old employees who have been serving for quite some time and nearing retirement. This creates the need to evaluate retirement age in relation to labour productivity in various economies to determine the effects of age and the optimum retirement age. Therefore the study sought to explore the contemporary factors that characterize the extension of the retirement age specifically at Kenya Power Company.

3. Research Objectives

The purpose of the study was to assess the contemporary factors characterizing extension of the retirement age on organizational performance: a case study of Kenya Power Company.

1) To determine employee productivity with extended contract on performance at Kenya Power.
2) To identify the social factors that contributed to the extension of the retirement age of employees at Kenya Power.
3) To analyze the existence of succession plan of employees at Kenya Power.
4) To determine the economic impact of extension of the retirement age of employees at Kenya Power

3.1 Significance

The findings of the study will be of great use to all employees of state cooperation since it gives information to the general effect of retirement age and employees' performance in their organizations. this would inform decision and policy makers on strategies for optimizing productivity by creating a balance in age of staff.

3.2 Scope

This was conducted at the Kenya Power Company in Kenya. The focus of the study was to analyse the retirement age in relation to organizational productivity

4. Literature Review

Aging may affect productivity levels for various reasons. On the one hand, older workers are thought to be more reliable and to have better skills than average workers. On the other hand, older workers have higher health care costs, lower flexibility in accepting new assignments and then may be less suitable for training (Barth et al., 1993). However, age alone is found to be a poor predictor of individual performance. Older workers are generally considered to be more consistent, cautious, and conscientious. Furthermore, older workers have fewer accidents and they are less likely to quit, thus reducing hiring costs (Garibaldi et al., 2010). It is difficult to establish how age itself affects labor productivity not only because productivity is highly individual and sector-specific but also because of convolution of age, cohort and selection effects. Individual productivity is complex and multi-dimensional. Several characteristics that relate to productivity including communication skills, information processing speed, strength and endurance, health, self-discipline, flexibility, administrative and strategic capacities, math proficiency, vocabulary size, education, motivation, energy and job experience.

A study on the relationship between age and productivity requires data at the level of the firm because productivity is a firm-level phenomenon. Productivity of individual workers is hardly ever observed. Nevertheless, if individuals are aggregated to the firm level, the relationship between productivity and age should still hold. To establish the relationship between age and productivity preferably matched worker-firm panel data are needed. Understanding age-productivity profiles is of vital importance in several areas of economic research. Given that older individuals are less productive, an aging working population can lower economic growth and decrease fiscal sustainability. The causes of productivity variations over the life cycle are addressed with an emphasis on how cognitive abilities affect labor market performance. Individual job performance is found to decrease from around 50 years of age, which contrasts almost life-long increases in wages. Productivity reductions at older ages are particularly strong for work tasks where problem solving, learning and speed are needed, while in jobs where experience and verbal abilities are important, older individuals' maintain a relatively high productivity level (Skirbekk, 2003).

5. Methodology

A descriptive research design was applied in conducting the research. The research adopted a qualitative and quantitative approach in which data was collected via use of questionnaires from a selected sample of staff of Kenya Power. The target population of the study was the middle level managers in KP in Central Rift region charged with the supervisory activities in all the departments. The target population was 140 managers made up of different functional departmental managers who are in charge of a number of employees in their departments. A sample of 58 respondents was then selected using simple random sampling technique. A Questionnaire was used as the data collection instrument. To remove error and enhance the content and validity, the researcher conducted a pilot testing of the instruments. The pilot sample was drawn from 10 lower level 10 staff in Nakuru Kenya Power office. Descriptive statistics was presented by use of frequencies, percentages, modes, means and standard deviation.

6. Findings

6.1 Productivity

	N	*Mean*		*Std. Deviation*
	Statistic	*Statistic*	*Std. Error*	*Statistic*
Means of productivity measure	50	1.4	0.146	1.03
Regularity of productivity measure	50	2.66	0.205	1.451
Job learning affects productivity	50	2.12	0.163	1.154
Productivity main determinant of appraisal	50	2.86	0.162	1.143
People retire early in the department	50	3.42	0.196	1.386
Social factors override regulation on retirement	50	2.24	0.209	1.479
Valid N (list wise)	50			

The findings imply that, productivity has a direct relation to the age of an employee since an average of 1.4 agrees on an agreed measure of productivity in the department. They are almost neutral on the regularity, job learning effect and productivity as a determinant of appraisal at KP as depicted by a mean of 2.66, 2.12 and 2.86 respectively. Respondent disagree that employees retire early from the respective department as a result of productivity effect. There is also a small degree of deviation which is a precise measure of productivity at 1.03 while the highest deviation is on social factors overriding the regulation at 1.479.

6.2 External Contribution

	N	*Mean*		*Std. Deviation*
	Statistic	*Statistic*	*Std. Error*	*Statistic*
People retire early in the department	50	3.42	0.196	1.386
Social factors override regulation on retirement	50	2.24	0.209	1.479
Health issues retirement	50	3.26	0.818	5.785
Valid N (list wise)	50			

From the Table the respondents are almost neutral that employees retire early in the respective departments at a mean of 3.42, with social and health factors having a neutral response of almost 3 with health having a high degree of deviation from the respondents at 5.785. This might be because of undisclosed information of people having health problems which cannot be physically identified. Social factors have the lowest value meaning that the respondents to some extent agree with the aspect that it can be a contributing factor in retirement of employees in Kenya Power.

6.3 Succession plan

	N	*Mean*		*Std. Deviation*
	Statistic	*Statistic*	*Std. Error*	*Statistic*
Consultation on retirement plan	50	2.04	0.151	1.068
Enough employees in the department	50	3.26	0.198	1.397
Enough young employee in the department	50	3.12	0.224	1.586
Training and development regular feature	48	2.15	0.197	1.368
Valid N (listwise)	48			

From the findings there has been consultation with employees on retirement matters at an average of 2.04 with a degree of disagreement that there are enough employees in the department at a mean of 3.26. The widest degree of deviation at the number of young employees in the respective department at 1.586 meaning that the supervisors have the opinion that there is no elaborate succession plan to be taken up by the young in KP.

6.4 Correlations

		Retirement is a personal decision	People retire early in the department	Social factors override regulation on retirement	Health issues retirement
Retirement is a personal decision	Pearson Correlation	1	.016	.338*	.405**
People retire early in the department	Pearson Correlation	.016	1	-.100	-.230
Social factors override regulation on retirement	Pearson Correlation	.338*	-.100	1	-.091
Health issues retirement	Pearson Correlation	.405**	-.230	-.091	1

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

There is a low correlation between personal retirement decision and early retirement and social factors at 1.6 and 34%, but a slightly high correlation with health issues at 40%. A low negative correlation is noted between early retirement and social factors at 10% and 23% respectively. A high degree of correlation was depicted between social factors and health issues. From the relationship the relation between personal decision with social factors and health issues are significant both at 5% and 1% at 2 tailed test.

7. Conclusions

The study concluded that extension of the retirement age has much effect on employee productivity hence the general organizational performance. Succession planning in organizations enabled the planning for replacement of staff upon retirement. This also ensured that productivity was not affected due to retirement or ageing staff. Both health and social factors contributed a lot in determining the retirement age of employees with health carrying the highest weight as a determinant factor.

8. Recommendations

From the findings it can be seen that different genders are inclined to certain types of jobs than others, from this it can be recommended that there should be equal spread and distribution of the jobs to different genders in the departments. This might also be affecting the productivity in relation to measurement and disparity in measurement at various stages of life cycle of employees. It is recommended that the production criteria be standardized and inclusive both from the employer and employee's side for uniformity and non-bias in the appraisal and the retirement procedure if need be.

Without just adopting to the government policy on retirement the organization should not only have its employment policy but also incorporate views of the employees who are due to retire, the potential and most likely to retire and the entire workforce who at one time in future will be affected with the same. Emphasis should be put on the internal succession plan where training and development should be a key activity to enable a smooth flow in the operational aspects in the organisation.

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