Intended Retirement Age Decision among Public Sector Employees in Sri Lanka

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Abstract

The study attempts to investigate factors affecting intended retirement age decision among the public sector employees in Sri Lanka. A path analysis is employed over a sample of 400 employees and results indicate that perceived health and attitudes of the employee towards the retirement are the main factors influence on retirement age decision. However, job satisfaction, family relationships and anticipated financial position have little effect on intended retirement age.

Keywords: Intended Retirement , attitude , job satisfaction, family relationship,LISREL

Statement of the Problem

No universally accepted definition on retirement yet it can be simply defined as disengagement from business or public life. Retirement from an economic perspective is a time when one is no longer gainfully employed and receives a retirement pension benefit (Atchley,1993). In many countries, mandatory retirement is fixed by the labour regulations but sometimes it is employee's choice to make an early or late retirement. Nevertheless, the repercussions of retirement affect personal life of the employee, employer, labour market and economy in general.

Employed population in Sri Lankan labour market is four types as; self-employees, employers, public and private sector employees. Sri Lanka Labour Force Survey (2011) revealed that currently public sector employees represent 16% of the total employed population (approximately 1.2 million employees). The Minutes on Pensions in Sri Lanka (Ordinance No. 02 of 1947) offers 2 alternative paths for retirement as; Optional Retirement (between 55 – 60 age) and Compulsory Retirement at the age of 60 years. Statistics from

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the Department of Pensions in Sri Lanka show that the number of pensioners has been increased by 37% during the 2000-2012 period. Report on Pensions at a Glance Asia/Pacific-2011stressed that many of Asia's retirement-income systems are ill prepared for the rapid population ageing that will occur over the next two decades. In the study of Gaminiratne (2004:53) mentioned that "the average pension in 2002 was worth Rs.6,500. However, due to the skewed distribution of pension payments, the median pension payment was nearer Rs.5,500. In 2002, 77 per cent of civil servants earned less than Rs. 5,000, placing them in the second lowest income quintile relative to the population as a whole. A further 92% earned less than Rs.6000 and 99% earned less than Rs.10, 000". Under such circumstances, imagine a situation where an employee retires at the compulsory retirement age of 60 and the person will enjoy the average life expectancy at birth in Sri Lanka, i.e. is 75 years old; how would be the condition of his retirement life? Despite of lower pension payment, the inflation rate in Sri Lanka further deteriorate the real value of pension amount received and erode the living standards of many public sector pensioners.

Those issues indicate the threats the pensioner may suffer during his older age retirement life and urge the necessity of having family support. Going back to the traditional society, it has been found a family- based social security system is a part and parcel of the Asian culture. However, with the gradual economic and social transitions in the society associated with industrialization, urbanization, migration, high labour participation have led to collapse that system, underlying the necessity of having more formal social security arrangements. In the absence of sufficient social security nets, the burden of elderly people again shoulders to the government to provide free healthcare facilities, elderly care giving homes etc.

The population projections made by De Silva (2007) depicts that the potential labour shortage in Sri Lanka. Lower retirement age would pave the way to take exit routes for large portion of employees from the labour market whilst the lower fertility rate in the country would reduce the number of younger employees who enter into the labour market.

The report on Pension at a Glance emphasized the requirement of extending retirement age of Asian context by comparing with the OECD countries. In general the pension age in OECD countries is 65. In contrast, the average pension age for men in Asia/Pacific economies outside the OECD is around 59 while for women it is just 57.

All above justifications call for addressing factors behind the retirement age decision among the public sector employees, enabling to restructure the labour market dimensions and to establish appropriate social security agendas, without making much fiscal burden over the government. In Asian context, so far many studies have been carried out to showcase the issue of elderly population, possible labour market threats and need for comprehensive social security networks, but less attention has been given on intended retirement age of the employees. Though developed countries have done reasonable studies to find out reasons behind their intended retirement age indifferent segments of professionals, very few empirical researches have been found in the developing countries in this particular area. Thus, this study would be helpful to create innovative methods of further accommodating elderly population in the labour market and to seek avenues for making use elderly human resources more productive manner. Moreover the findings may help to revisit the available social security schemes and design new them innovatively to match the requirements of the growing elderly population.

In the light of all those premises, the study attempts to investigate *"what are the factors affecting intended retirement age decision among the public sector employees in Sri Lanka? Based on the findings what policy implications and recommendations can be made?"*

Literature Review

This section consisted of two parts. Firstly theoretical framework of the study, i.e. Theory of Planned Baehaviouris explained and later on study focuses on supportive literature to identify the factors behind intended retirement age. While elaborating the relationship between the dependent variable (intended retirement age- IRA) with each independent variable, researcher is further underlying the related hypotheses which are going to be tested

under every variable. At the end of the literature review section, developed conceptual framework is presented.

Theoretical Framework

In the mid 1980's organizational psychologists moved into the retirement research sphere, which previously had been dominated by sociologists. Sociological research had focused primarily on the personal factors relating to retirement. In this study, researcher adopts the Theory of Planned Behaviour (TPB)(Ajzen, 1991), that has been widely used in predicting and explaining behavioural intentions. The model is proposed by Icek Ajzen in 1988 to enhance the predictive power of the Theory of Reasoned Action (TRA). Behavioral intentions are considered to be representations of people's plans of action that summarize their motivation to engage in a certain behavior. The more motivated people are to engage in the specific behavior, the more likely its successful performance will be (Van Dam et al., 2009). Although there is not a perfect relationship between behavioural intention and actual behaviour, intention can be used as a proxy measure of behaviour. Behavioural intention refers to the amount of effort a person exerts to engage in behaviour. It captures the motivation factors necessary to perform a particular behavior. That is, the more a person intends to carry out the intended behaviour, the more likely he or she would do so (Armitage and Conner 1999).

The theory mainly suggests three independent determinants of intentions namely; Attitudes, Subjective Norms and Perceived Behavioural Controls (PBC). According to Ajzen (1991), *Attitude* toward behaviour is the person's favourable or unfavourable feeling of performing that behaviour and is determined by behavioural beliefs about the outcome of the behaviour and evaluation of the outcome. *Subjective Norm* refers to the individual's perceptions of social pressure in performing or not performing a given behaviour and is determined by normative beliefs which assess the social pressures on the individual about a particular behaviour. Finally, *Perceived Behavioural Control* is thought to be a function of

control beliefs about the perceived ease or difficulty of carrying out the intended behaviour and may have both direct and indirect effects on behaviour. Generally, the more favourable the attitude and subjective norm, and the greater the perceived behavioural control, the stronger should be the individual's intention to perform a particular behaviour (Ajzen 2002).

There lative importance of attitude, subjective norm, and perceived control can vary across behaviors and situations (Ajzen&Fishbein, 1980). Nonetheless, the TPB has been applied ina wide range of domains, such as employee turnover (Prestholdt, Lane, &Mathews, 1987), career information-seeking (Millar &Shevlin, 2003), and health (Hagger, Chatzisarantis, & Biddle, 2002). In all those studies, the model has demonstrated promising use in predicting intentions and subsequent behavior.The TPB model is a flexible model that opens to the inclusion of additional variables (Ajzen, 1991) with the aim to increase the proportion of the explained variance and to allow generalization to other research context.

Factors affecting Intended Retirement Age

Attitudes towards Retirement (AT)

In the theory of planned behavior, an attitude toward a behavior refers to the degree to which the person has a (un)favorable evaluation of this specific behavior. The nature of the attitude towards the retirement will determine the time of retirement decision. The TPB predicts that older employees will develop an intention to retire early when they have a positive attitude toward early retirement, and that they will intend to continue working when they have a negative attitude toward early retirement (Van Dam, 2009). Newman et al. (1982) suggested that those who hold negative views of retirement may not want to think about or prepare for a perceived negative event. In contrast, those with positive perceptions of retirement may do more planning in order to fulfill their expectations. Thus, the study assumes that employees who have positive attitudes towards retirement will lead to an early retirement.

Subjective Norms

The TPB also predicts that employees' intentions toward retirement will be influenced by employees' subjective norm, i.e., perceived pressures from the work and non-work social environment. The tension over employee may occur due to their family, friends or employment itself have direct impact on retirement decision on employee's life.If the job is not satisfied or poor family relationships may create stressful situation for the employee. Hence, the study is exploring two major forces which affect the retirement decision of the employees; i.e.job satisfaction and family relationship of the employee under the work and non-work conditions respectively.

Job Satisfaction (JS)

The term JS commonly refers to how content an individual is with his or her job. Shafritz (2004) defined it as, "the totality of employees' feelings about the various aspects of their work". These emotional states span the gamut of positive and negative emotions, and studies find that people who experience positive feelings about their job also report high levels of job satisfaction. Mein et al. (2000) demonstrate that British civil servants who are less satisfied with their jobs are also more likely to retire early. Hansson et al. (1997) suggested the third category of reasons why employees retire early was the psychological factors related to JS (the first categories related to financial and health issues). However, dissatisfied employees were looking and finding alternative ways of being rewarded, including lifestyle choices and satisfaction outside the workplace (Driver 1985).

On the basis of the above literature, this study also assumes there is a positive relationship between JS and IRA.

Family Relationships (FR)

Because full retirement constitutes a transition from work to leisure, which frequently takes place in the household context, some retirement models assume that retirement behavior is at least partially contingent on selected spouse and family

characteristics (Kubecik, 2010). Spouses who have a close relationship, live in a satisfactory marriage, and appreciate the time they spend together are more prone to retire early than couples in conflict-laden marriages (Henkens andTazellar 1997; Szinovacz and DeViney 2000). The latter may perceive work as a haven from stressful family situations (Hochschild 1997) and may therefore seek to postpone retirement.

The tight family bonds in the Asian context, sometimes would not allow older parents to continue their employment, provided that children are in a position to look after the parents. Therefore, children may force their parents to take an early retirement and spend the life leisurely. Especially in Sri Lankan context, married children with kids are willing to bring up their kids with the close association of grand-parents, particularly with grand-mothers rather than keeping them with a care taker or at a daycare centers. On the other hand it is the pleasure of grand-parents too, to spend their older age in an extended family environment, being mutually supportive to each other. Based on such cultural and religious values in Sri Lankan society, researcher believes that close FR persuade people to go for an early retirement decision.

Perceived Behavioural Control

Perceived Behavioural Control is the extent to which a person feels about the capability to enact the behaviour. It has two aspects: how much a person has control over the behaviour and how confident a person feels about being able to perform or not perform the behaviour. Given the context of retirement intention, researcher is going to test the employees control/ confident over two main criteria; *anticipated financial position and perceived health of the employee.* Perceived control should not be equated with ''health and wealth,'' although these variables may severely limit the freedom of employees to decide on their retirement age, and there is extensive evidence that these factors are important predictors of retirement age (Talaga & Beehr, 1995).

Anticipated Financial Position(AFP)

Economists propose that the worker facing a retirement decision chooses between two different streams of income and treats pension rights as an asset whose value changes with the age of retirement (because the likely number of years the person will live and require income varies inversely with age of retirement). The wealth variable therefore reflected the level of predicted income and financial security in retirement (Beehr et al., 2000). An individual's financial situation includes issues of savings, both personal and superannuation, housing ownership, other investments, dependence of others (children, elderly parents, sick-relatives), expected income stream from combined pension and superannuation, and adequacy of health insurance (Karoly & Rogowski 1994; Wise 1996; Patrickson & Ranzijn 2004). Reviews of research on the predictors of retirement decisions consistently conclude that finances, in some form or other, are the strongest single predictor of the decision to retire. In other words, people are generally more likely to leave the workforce if they can financially afford to retire than if they cannot (Beehr et al., 2000). In this study too, researcher assumes there is a negative relationship between the AFP and IRA of the employee.

Perceived Health(PH)

Health is another logical and highly consistent predictor of anticipated retirement age. Generally, it appears that, if a health problem is an impediment to performing one's job, the individual will intend to retire earlier than if it is not (Naudé et al, 2009). Parnes and Sommers (1994) argued one of the key influences of continuing to work was individual's good health. In the study of McPherson & Guppy (1979), described that physical health has repeatedly emerged as an important determinant of a number of retirement behaviors and attitudes. Those who are in better health tend to choose later retirement dates than those who are in poorer health. Based on those findings researcher is expecting to have positive relationship among perceived health condition of the employee with intended retirement age.
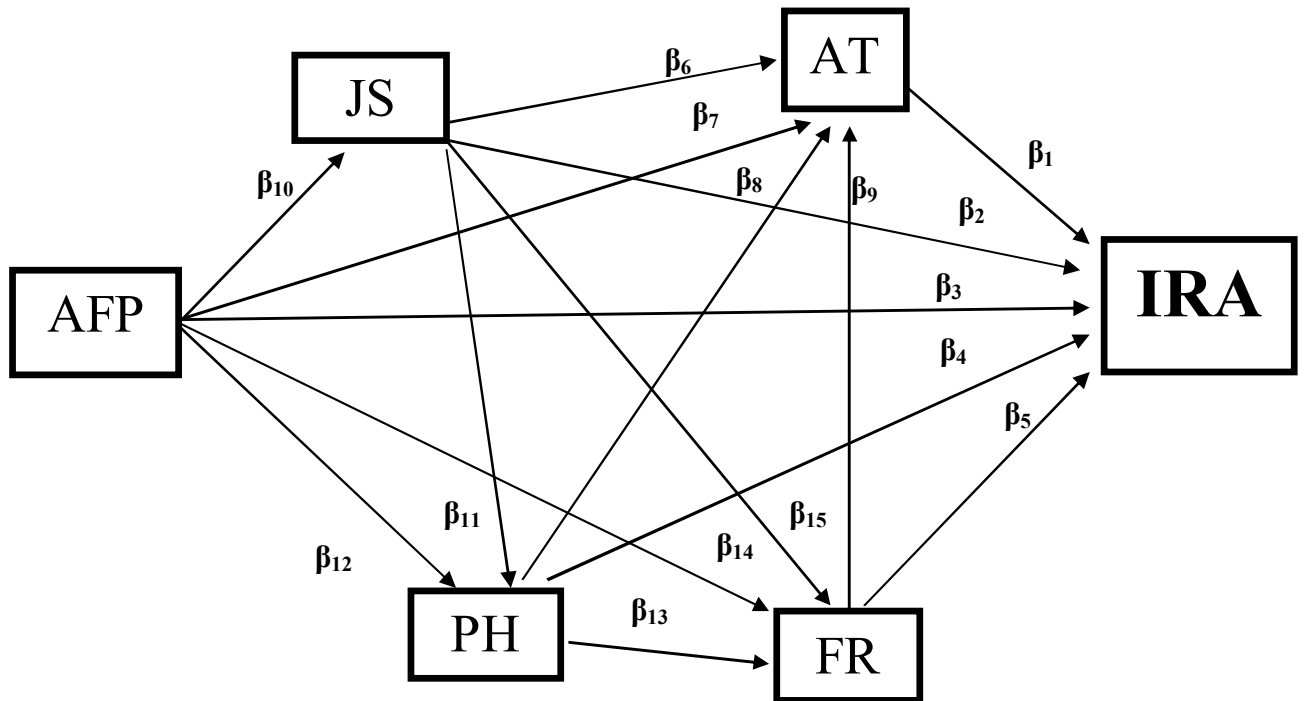
Figure 1 Conceptual Framework for Path Analysis

On the premise of depicted research model following hypotheses are derived to ascertain which factors have direct and indirect impact over IRA..

H_1: PH and JS have a positive direct effect whilst Positive Attitudes, AFP and FRs have a negative direct effect on the IRA.

$$IRA = \beta_0 - \beta_1 AT + \beta_2 JS - \beta_3 AFP + \beta_4 PH - \beta_5 FR + \varepsilon \dots\dots(1)$$

H_2: JS, AFP, FR have a negative direct effect but PH has a positive direct effect on the AT of the employee towards the retirement.

$$AT = \beta_0 - \beta_6 JS - \beta_7 AFP + \beta_8 PH - \beta_9 FR + \varepsilon \dots\dots(2)$$

H_3: FR of the employee are positively and directly affected by JS, AFP, PH whilst indirectly affect the IRAthrough AT.

$$FR = \beta_0 + \beta_{10} JS + \beta_{11} AFP + \beta_{12} PH + \varepsilon \dots\dots (3)$$

H_4: PH of the employee is positively and directly affected by JS and AFP whilst indirectly affects the IRA through AT and FR.

$$PH = \beta_0 + \beta_{13}JS + \beta_{14}AFP + \varepsilon \text{....... (4)}$$

H_5: JS is positively and directly affected by AFP whilst and indirectly affects the IRA through PH, FRand AT.

$$JS = \beta_0 + \beta_{15}AFP + \varepsilon \text{.......(5)}$$

Variable definition and Measurement

As mentioned at the onset, the definition of retirement has been evolving in recent years and retirement does not necessarily mean an employee is completely away from paid work or quitting from the full time employment. Today many retirees involve in part time or voluntary engagement even after their official retirement. Therefore it is difficult to distinguish retirement from employment. Having considered several definitions, study based on the retirement definition given by Feldman (1994). Retirement is "the exit from an organizational position or career path of considerable duration, taken by individuals after middle age, and taken with the intention of reduced psychological commitment to work thereafter".

The dependent variable, intended retirement age is measured by one item that asked "What is your Intended Retirement Age?" Respondents are required to mention a specific age that they are planning to retire and it is a continuous variable. This retirement intention item is similar to measures used by other researchers (Adams, 1999, Beehret al., 2000, Taylor & Shore, 1995).

To measure the AT of the employee on retirement, researcher has given two options on the basis of willingness as "positive attitude" and "non-positive attitude" (i.e. having a negative or indifferent attitude towards the retirement). Respondents were supposed to select one appropriate option according to their choice and it is considered as a dichotomous variable is coded 0- as non-positive attitude and 1-positive attitude.

JS is measured via a multi-item scale developed by Westet al, (2009) used to measure the job satisfaction of the public managers. Respondents will be given 6 questions about their willingness to work, opportunities for achievements, recognition, discretion, meaningfulness and advancement in their jobs. Since it is an ordinal variable researcher will use 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree).The responses for 6 items were summed up and used the average composite value ranging from 1-5 in order to gauge the JS of the employee.

FR is measured by using a single item scale developed by the researcher, asking the respondent to rate on the statement of " I like to spend more time with my spouse and children" on 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree).

After extensively reviewing literature about the AFP on retirement, researcher developed a 5-item scale which gives an idea about overall potential financial position of the employee. It measures the current salary, other income sources, pension benefits, properties and vehicle ownership of the employee. This ordinal variable is measured by using 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree).Then researcher summed up the responses for 5 statements and used the average composite value ranging from 1-5 in order to gauge the anticipated financial position of the employee. Similar type of 5-item financial preparedness scale was used Hershey et al, (2001) measuring the ownership of home, a rental property, personal savings, private pension, or either managed funds or shares and concluded that the ownership of these assets often features in the retirement plans of many people.

PH is measured by a single item developed by Baily (1987) and later the same scale was used by Taylor and Shore (1995). The respondent is supposed to rate the statement of "I believe my overall level of health will allow me to continue working as long as I want" (Naudé et al, 2009). A 5-point Likert scale is used ranging from 1 (strongly disagree) to 5 (strongly agree).

Methodology

Population of the Study

The public sector of Sri Lanka is consisted with State sector employees (Central Government- CG), Provincial Public Service and Semi-Government employees. Sri Lanka Labour Force Survey-2011 statistics revealed that the size of the current public sector in terms of employees is 1,179,889. For the purpose of the study, it is considered only CG employees in who are employing in Ministries, Departments and other institutes coming under the purview of CG. The total percentage of employees under the CG is 40% and it is approximately 471,956 employees. Further the type of the employees in CG can be categorized into three namely, Staff Officers, Subordinates and Minor Staff. Therefore, the focus of the study is restricted only for the Staff Officers who are serving in the CG. The reason behind the selection of Staff officers is to maintain the homogeneity in the sample in terms of remuneration, experience in the public service, other retirement benefits and etc. Accordingly, the study population is consisted of 51,915 staff grade employees in the CG.

Sampling Method

Based on the Yamane's formula (1967), the size of sample is 400 employees (at 5% sampling error) and the staff grade officers in the CG, who are over the age of 50 are selected for the sample. Henkens and Tazelaar (1997) suggested that the validity of the anticipated retirement age predictor is improved if individuals are nearing retirement age.

The study uses random sampling method in selecting its elements for the sample and after getting due approval from the Ministry of Public Administration in Sri Lanka, researcher accessed to the Database (Register) of the employees in the CG in order to choose random respondents for the sample. In selecting elements for the sample, staff officers in other institutions under the CG are excluded from the sampling frame due to the different rules and regulations, level of autonomy and remuneration scales applicable for them. As a consequence of that, researcher believes their intention of retirement may be

different from the other staff officers who are coming under the Ministries and Departments. Also it is noted that, total list of employees in each Ministry is inclusive of employees who are serving in respective Departments under the purview of the same Ministry (For example; Total number of employees in the Ministry of Education are consisted with employees who are working for Department of Examinations). Therefore, the sample framework of the study was derived from the staff grade employees who are 50 and above of age in the Ministries in Sri Lanka. As per the Report of Public and Semi-Government Sector Employees (2006), there are 62 Ministries in Sri Lanka. Among them the study focuses only 22 large Ministries (in terms of total number of employees), which are having more than 1000 employees. Though the Ministry of Defence is the largest Ministry in Sri Lanka, it has been removed from the sample, due to the uniqueness of that particular Ministry in terms of rules and regulations, salaries and other benefits. (List of selected Ministries and number of employees are appended).

Data collection

A self-administered questionnaire prepared by the researcher has been mailed to the employees for their personal mailing addresses with a stamped envelope addressed to the researcher. A covering letter detailing what the study is about, brief about researcher, the rationale for the research, confidentiality and anonymity was enclosed with the questionnaire. After giving one months' period as deadline, researcher sent a follow up letter to remind the respondent about the questionnaire.

Regarding the questionnaire, it consists with two pages and divided into three parts namely personal information, employment information and rating of identified factors. Under the personal information 5 questions relating to the demographic information are asked to understand the nature of the employee. From question number 6 to 12, responses are expected very short manner relating to the employment and retirement. Part three (from question number 13-16) of the questionnaire is about the self-rating of factors by using 5-point Likert scale. A questionnaire is undergone for a pre-test among 30 employees. Researcher circulated 500 questionnaires and responses were received only from 425

employees. Out of them 25 questionnaires were incomplete and removed from the study, which ultimately made the response rate at 80%.

Results and Discussion

Sample Size

Firstly, the study inspects the data for assumptions and makes sure the suitability of data for the purpose of performing selected methods. Based on the statistical method, the sample size may vary and different opinions have been presented on the sample size by various scholars. In this study researcher applied Stepwise Regression in the Path analysis and thereby it is vital to maintain a sufficient sample size. Steven's (1996), recommends that, "for social science research, about 15 participants per predictor are needed for a reliable equation" but Tabachnick and Fidell (2007), provides a formula for calculating sample size requirements, taking into account the number of independent variables that researcher wishes to use: $N > 50 = 8m$ (where m= number of independent variables). Hence, the sample size of 400 employees in the study can be justified as large enough to get rid of violation of some of the other assumptions as well.

Descriptive Statistics

The gender composition of the sample is 56% of female and 44% of male. All the variables in the study were tested for normality, linearity, heteroscedasticity, outliers and there were no major violations in the assumptions other than few outliers in the variable of AFP and it has been corrected by replacing mean value and retained the normality (see Annex No.1). Residual scatter graph depicts that the variable of IRA violated the homoscedasticity, but then the larger sample size is reasonably robust enough to tolerate such modest violation (see Annex No.2).

Also following descriptive statistics table reaffirmed the normality in the given variables except the kurtosis of the dichotomous variable of AT. The mean of the IRA is

approximately 56 years. Also the average monthly AFP of the employee is around US$ 343 and considering the average scores on PH, JS and FR, it seems they are at a moderate status in their usual life.

Multicollinearity of the IVs is checked by using the Correlation Martix and the VIF and Tolerance values. Though significant relationships among the IVs were found the effect size is less than the accepted value of $r = 0.7$, ensuring no violation of the assumption. Pallant (2011) describes that, smaller values for Tolerance (less than .10) and VIF values less than 10 confirms the absence of Multicollinearity problem and all the values of IVs endorse that no violation of the assumption in the study.

Table 1

Descriptive Statistics

	IRA	AT	AFP	PH	JS	FR
IRA	1.000					
AT	-0.425*	1.000				
AFP	0.116*	-0.002	1.000			
PH	0.530*	-0.310*	-0.028*	1.000		
JS	0.187*	0.180	-0.082*	0.132*	1.000	
FR	-0.174*	0.222*	0.055*	-0.031	-0.032	1.000
Tolerance	-	0.854	0.990	0.833	0.971	0.944
VIF	-	1.171	1.010	1.133	1.030	1.059
Mean	56.14	.38	342.73	3.19	2.770	2.97
Std.Deviation	3.532	.024	77.61	1.053	.8995	1.167
Minimum	50	0	192.31	1	1	1
Maximum	65	1	630.77	5	5	5
Skewness	-.343	.485	.976	-.246	.241	.068
Kurtosis	-.782	-1.773	.979	-.702	.166	-.793

N=400   *p<0.01

Stepwise Regression

To verify the factors affecting IRA, a path analysis is conducted using Stepwise Regression method to ensure that only significant effects on dependent variables are reflected upon. PASW SPSS version 19 software package was employed in performing the model. The main endogenous variable in the model is IRA and AT, AFP, JS, PH and FR are considered as exogenous variables. After running five stepwise regression analyses for five hypothesized equations, significant standardized beta coefficients were considered for the analysis purpose. Table 3 summarizes the significant results of equations and the impact of each independent variable on dependent variables (see Annex No.3 for detailed effects).
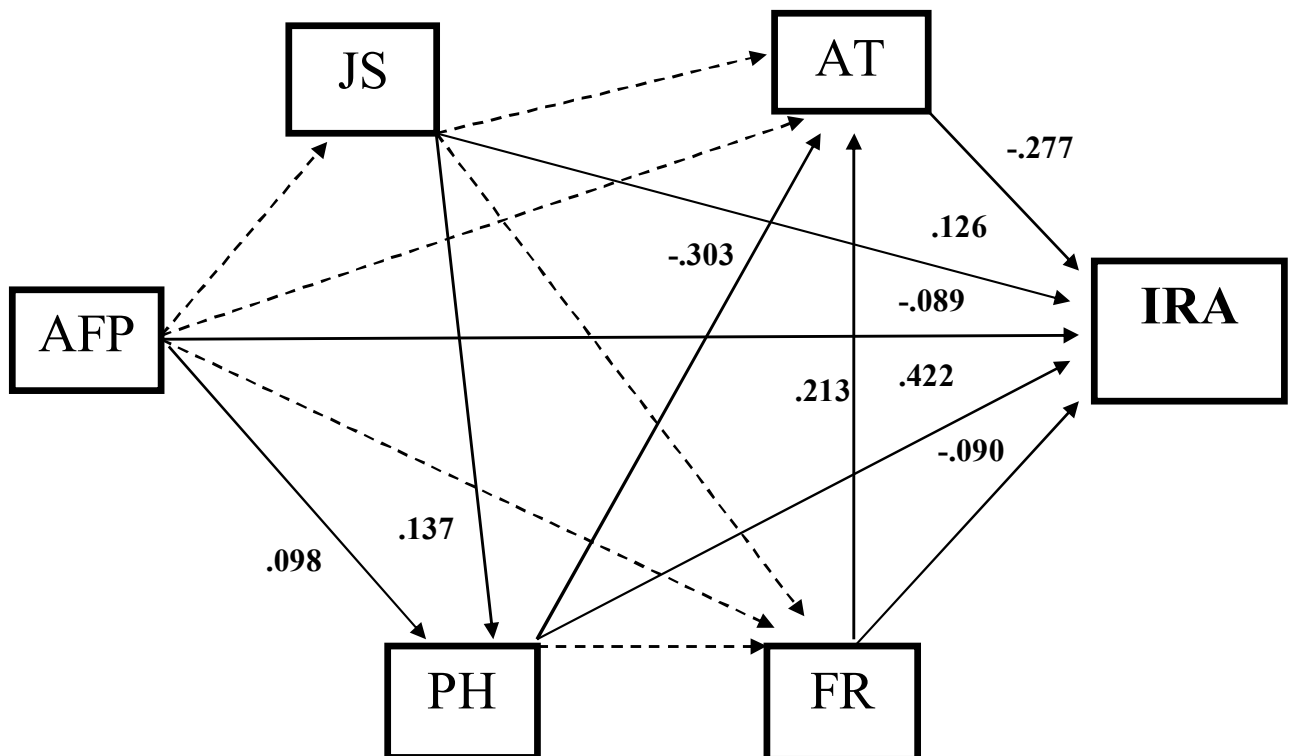

Figure 2 Path Analysis

Note
Significant Path ⟶
Not Significant Path ┄┄┄►

Table 2

Summary of Direct and Indirect Effects

DVs	IVs	Total	Effect			Change
		Correlation	Direct	Indirect	Total	
IRA	AT	-0.425	-0.277	-	-0.277	-0.148
	AFP	-0.116	-0.089	0.049	-0.040	-0.076
	PH	0.530	0.422	0.084	0.506	0.024
	JS	0.187	0.126	0.011	0.137	0.050
	FR	-0.174	-0.090	-	-0.090	-0.084
AT	PH	-0.310	-0.303	-	-0.319	0.009
	FR	0.222	0.213	-	-0.134	0.088
	AFP	-0.002	-	-0.029	-0.029	0.027
PH	AFP	0.028	0.098	-	0.098	-0.070
	JS	0.132	0.137	-	0.137	-0.005

The standardized coefficients presented in the Table 3 revealed that, as theory suggested, all the five independent variables have significant impact on the IRA and the goodness of the model is 39% (F (5, 394)=50.564, p=0.001), which explained the variation of the IRA by the IVs in the model. Recording the highest total effect among others (direct plus indirect effect), PH has become the main factor (β= .506) for the IRA. The positive direct effect of health can be explained as every 1 std. unit increases in the PH leads to increase the IRA by .422 standard unit. This relationship has been proved by many empirical researches mentioned in the literature. As long as employees believe that they are in good health, they have the passion of continuing their employment and employers are too willing to take the service of such employees. As the TPB suggested that, Positive Attitude of the employee towards retirement made a negative effect on the IRA (β= -.277), which describes that more the people have positive perception about their retirement, they would prefer to make

an early retirement. Similar studies done by Adams & Beehr (1998)Cron, Jackofsky & Slocum, (1993), Huuhtanen & Piispa, (1992), Shultz, Taylor, & Morrison, (2003), Wang, Zhan, Liu, &Shultz, (2008) proved the same relationship between AT and IRA.

JS of the employee also directly and indirectly affects IRA in a positive manner indicating standard coefficient of 0.137, i.e., JS motivates employees to further postpone their retirement age. The direct effect of JS on IRA (β= .126) implies that, IRA is extended by .126 std. unit whenever motivation is increased by 1 std. unit. Existing researches show that the JS of public employees is mainly influenced by the intrinsic non-monetary characteristics of their work, such as advancement opportunities, professional development, and meaningful work (West, 2009). Hence, employees in the public sector who gain much satisfaction in their jobs would prefer to go ahead with late retirement decision.

As hypothesized, the study indicates negative yet direct effect of FR on IRA (β= - 0.090), which says that having a healthy family relationship encourages employee to take an early retirement. Results of the previous studies argued on this matter in two ways. Some are in the view of that, good family relationships motivates employee to go for an early retirement and other argument is that good family relationships always support the employee to continue his employment and retire at late stage. As per the results of the study first point is valid for Sri Lankan context.

Though overseas research found that AFP as the strongest and most consistent predictor for IRA (e.g. Hanisch & Hulin, 1990; Henkins & Tazelaar, 1997), Sri Lankan study has made the lower direct effect of -0.089 and it has been further reduced by indirect effect of 0.049. Hence the total impact on IRA is small and negative (-0.040), which describes that employee who is anticipating higher financial position would decide to retire early. It is possible that many public sector employees in Sri Lanka believe that, the government policy has a social welfare orientation and government will support them in retirement. This argument has been equally applied in the research in New Zealand on intended retirement decision, which has similar government policies (McClure, 1998).

The AT towards the retirement is directly but negatively affected by PH of the employee (β= -0.319), indicating good health of the employee would lead to have a non-positive attitude towards retirement and would make a delay in IRA. In other words as long as employee feels he is healthy which in turn motivates him to pursue the employment. Also direct effect of the FR negatively affects (β= -0.134) the AT and it again postpones the IRA. The small and indirect effect could be found in AFP of the employee on AT. As per the model 14% (R^2=.141) of the total variation in the AT were explained by the predictors.

Other statistically significant relationship can be identified in JS and AFP on PH factor. Both the predictors made a direct and positive effect on PH. Among them JS has become the main factor which influences PH showing coefficient of 0.137. In the studies of Beehr, (1995), Kahn & Byosore, (1992), Karasek & Theorell, 1990), Lu, (1999), Siegrist, (2003) have presented the similar results of how JS influences on the PH of the employee. AFP of the employee showcased that increase in 1 standard deviation in AFP would increase the perceived health of the employee by 0.098 standard deviations.

However, the predictors of hypotheses three (H_3) and five (H_5) were not sound enough to explain the variation of dependent variable and reported as not statistically significant.

Policy Implications and Recommendations

This study examined the factors affecting IRA decision among public sector employees in Sri Lanka and found that health and the attitudes of the employees are the main factors behind retirement decision. However other variables such as job satisfaction, family relationships and anticipated financial position have a little effect on IRA. Those findings reflect certain policy implications for the public sector organizations.

As to retain employees further in public sector organizations, it is needed to pay much attention on the health factor of employees. Because of healthy employees can contribute to the organization more productive manner. Hence it would be more appropriate to introduce

healthcare insurance among the employees, which may have positive feeling among employees that, they are secured and supported by the employer. Going beyond a further step, without restricting the insurance policy only for the employee, sometimes the coverage can be further extended to the family members by paying an additional amount. This practice has been successfully implemented in the private sector organizations in Sri Lanka when providing benefits package to their employees.

Second influencing factor on IRA is attitudes of the employees towards the retirement. At the designing stage of human resource policies for public sector organizations (from recruitment till retirement) can play a vital role in shaping up the mindset of the employees and retaining employees further in the public sector. Apart from that, maintaining conducive working environment and friendly organizational culture instead of formal bureaucracy can facilitate a psychological impact in changing their attitudes to postpone their early retirement or think about late retirement. These measures can also be served as methods of promoting job satisfaction among the public sector employees.

Since retirement decision has multiple effects on personal life and organizational perspectives and also from the ageing population concerned it may create potential threats to the Sri Lankan labour market, it is required to take necessary policy measures by considering the broader picture.

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