UNDERSTANDING RETIREMENT READINESS: THE ROLE OF RETIREMENT RESOURCES AND PERCEIVED ORGANIZATIONAL SUPPORT

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ABSTRACT

Retirement readiness is characterized by an individual's acceptance, readiness and willingness to change as they enter retirement. It can be influenced by internal factors such as retirement resources, as well as external factors like perceived organizational support. Retirement resources encompass emotional, cognitive, motivational, social, physical and financial resources relevant to individual's well-being in retirement. Perceived organizational support is the extent to which employees feel supported and cared for in their preparation for retirement. This study aims to examine the role of retirement resources and perceived organizational support in retirement readiness. Researchers collected data from 100 employees of state-owned organization operating in the aviation navigation sector in Indonesia using convenient sampling, comprising of 94.2% males, 46.6% aged 45-49 years, 93% from the operational division and 100% with over 15 years of tenure. Researchers utilized Retirement Readiness Scale, Retirement Resources Inventory and Survey of Perceived Organizational Support. Through SEM-PLS analysis, it was found that both retirement resources and perceived organizational support had significant influence on retirement readiness, with p = 0.001 < 0.05, t = 3.282 > 1.96 and p = 0.006 < 0.05 and t = 2.756 > 1.96, respectively. The R-squared value indicates both variables collectively contribute to retirement readiness by 31.3%. Among them, retirement resources exert a higher influence with a path coefficient of 0.330, particularly with physical and financial resources significantly contributing to retirement readiness.

Keywords: retirement resources, perceived organizational support, retirement readiness

1. PREFACE

Retirement marks the conclusion of an employee's tenure, a natural career phase following years of dedication to an organization. In Indonesia, Government Regulation No. 45 of 2015 sets the retirement age at 58 years, placing individuals entering retirement in middle adulthood, primarily from the baby boomer and generation X cohorts. The elderly population in Indonesia, as per the Central Statistics Agency's 2019 data, comprises 9.6% of the total population.

While retirement can present challenges, especially for those accustomed to work routines and long-term employment, it is a stage of life fraught with changes. Financial adjustments, shifts in daily routines, altered relationships, redefined goals, identity shifts, and changes in power dynamics are common experiences during this transition. Despite having stable jobs and incomes, HSBC's Future of Retirement survey (2019) revealed that 86% of Indonesian respondents express concerns about their financial security during retirement.

Cameron (2005) suggests that individuals who were less optimistic and unprepared for retirement may face financial and psychological burdens upon retirement. Moreover, the shift from structured work environments to unstructured retirement days, coupled with reduced social interactions, can lead to psychological challenges (Clark et al., 2017).

Preparation is key to navigating retirement successfully. Retirement readiness denotes an individual's preparedness to confront the changes associated with retirement (Sutarto & Cokro,

2008). It encompasses various aspects, including financial, physical, and mental and emotional readiness. Internal factors such as self-efficacy, gratitude, and emotional intelligence, as well as external factors like social and family support, do influence retirement readiness (Weijaya & Rostiana, 2022; Putri, 2021; Hariyati et al., 2020; Wismaswara, 2018). However, studies have yet to explore the roles of retirement resources and organizational support in retirement readiness.

Retirement resources, rooted in Hobfoll's (1989) Conservation of Resources theory, encompass emotional, cognitive, motivational, social, physical, and financial assets that individuals actively acquire to support their retirement readiness. Amorim and Franca (2020) found that retirement resources mediate the relationship between retirement planning and retirement satisfaction, highlighting their importance in retirement readiness. However, their influence on retirement readiness requires further exploration.

Perceived organizational support, reflecting employees' perceptions of organizational care and value, is crucial in fostering retirement readiness. Programs such as the Retirement Preparation Program provide psychosocial support to employees transitioning into retirement (Eisenberger et al., 2020; Gathiira et al., 2019). Thus, understanding the organizational support provided by institution and its impact on employee retirement readiness is essential.

Therefore, drawing from the existing literature, this study aims to investigate the role of retirement resources and perceived organizational support in retirement readiness among employees of Company X, a state-owned company engaged in aviation navigation services in Indonesia. By examining these variables comprehensively, the study seeks to provide insights into the factors influencing retirement readiness and inform interventions to enhance retirement readiness. Based on the explanation above, we conclude that the research question are: (a) Do retirement resources contribute to retirement readiness?; (b) Does perceived organizational support contribute to retirement readiness?; and (c) Among those variables, which has a greater contribution than others?

2. RESEARCH METHOD

This study adopts a non-experimental quantitative design, employing convenience sampling to recruit participants. Convenience sampling was chosen due to its practicality and accessibility, aligning with the eligibility criteria for participation in the Retirement Preparation Program within the company. Given the constraints of time and resources, convenience sampling allowed for efficient recruitment of participants from the target population (Creswell, 2012). The study focuses on middle-aged individuals aged 40 to 57, reflecting the target demographic for the program. Sample size determination was conducted using G*Power software, which offers robust statistical power analysis for various study designs. The result was a minimum sample of 43 participants, and researchers obtained 100 participants. The sample consisted predominantly of males (94.2%), with 46.6% falling within the age range of 45-49 years old. Additionally, 93% of participants were from the operational division, and all had a minimum tenure of 15 years within the organization. Participant recruitment procedures involved targeted outreach efforts via private message and email to eligible individuals listed for the program and from Human Resource Division. Data collection was done through online surveys and questionnaires, adhering to established protocols to maintain data quality and integrity.

Retirement readiness was measured using the Retirement Readiness Scale adapted from Sutarto and Cokro (2008) and compiled by Yunanda (2011) as cited in Wimaswara (2018). It assesses retirement readiness across three dimensions: physical, mental and emotional, and financial

readiness. The scale comprises 26 items measured on a 5-point Likert scale, ranging from 'never' to 'often'. The scale's reliability and validity were evaluated using SmartPLS, employing reflective and formative models. Items with loading factor values below 0.70 were discarded, resulting in 14 retained items. Composite Reliability (CR) > 0.70, alongside Average Variance Extracted (AVE) > 0.50, demonstrated good internal consistency and convergent validity. Discriminant validity was confirmed through Fornell and Lacker criteria.

The Retirement Resources Inventory (RRI), developed by Leung and Earl (2012), measures retirement resources across three dimensions: (1) physical and financial, (2) social, and (3) emotional, cognitive, and motivational resources. The scale comprises 35 items rated on a 5-point Likert scale. Reflective and formative models were employed for evaluation. After discarding 23 items at the second-order stage, 12 items were retained. CR > 0.70 and AVE > 0.50 indicated good internal consistency and convergent validity. Discriminant validity was confirmed through Fornell and Lacker criteria.

Survey of Perceived Organizational Support (SPOS), developed by Eisenberger et al. (1986), measures employees' perceptions of organizational support. The scale was originally comprised of 36 items and was later supplemented with three items specifically related to retirement readiness based on input from the Human Resources department and pre-retirement employees at Company X. A total of 39 items were rated on a 5-point Likert scale. Reflective evaluation yielded 18 retained items following the removal of 21 items. CR > 0.70 and AVE > 0.50 demonstrated good internal consistency and convergent validity, while discriminant validity was confirmed through Fornell and Lacker criteria.

3. RESULTS AND DISCUSSIONS

To evaluate the research hypotheses, Structural Equation Modeling (SEM) analysis using Partial Least Squares (SEM-PLS) was conducted. SEM-PLS, as defined by Hair et al. (2019), enables the simultaneous examination of relationships between variables, making predictions, exploration, or development of structural models. Notably, SEM-PLS was chosen for its flexibility with small sample sizes, handling of non-normal distribution, and suitability for complex models.

Furthermore, hypothesis testing was carried out through a bootstrapping process by looking at the path coefficient and significance of each independent variable on retirement readiness with $p < 0.05$ and $t > 1.96$ as depicted by table 1.

Tabel 1
Path Coefficient of Independent Variable and Retirement Readiness

Path Coefficient	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Retirement Resources -> Retirement Readiness	0.330	0.363	0.101	3.282	0.001
Perceived Organizational Support -> Retirement Readiness	0.322	0.324	0.117	2.756	0.006

H1: Retirement resources have a significant role in retirement readiness is confirmed. Significant support was found for the relationship between retirement resources and retirement readiness (p = 0.001, t = 3.282). This underscores the significance of financial preparedness in retirement planning, aligning with previous findings.

H2: Perceived organizational support has a significant role in retirement readiness is confirmed (p = 0.006, t = 2.756). This indicates that in Company X, employees perception of organizational support play a crucial role in shaping their readiness to retirement.

While both variables contribute significantly to retirement readiness, analysis showed that retirement resources had a slightly higher influence on retirement readiness with path coefficient of 0.330.

Effect sizes and model fit were also analyzed. The analysis revealed a moderate effect of retirement resources and perceived organizational support on retirement readiness, with an *f square* value of 0.124 and 0.118, respectively. Additionally, the *R Square* value of 0.313 indicates that retirement resources and perceived organizational support collectively explain 31.3% of the variation in retirement readiness. This suggests a substantial influence of these factors on retirement readiness.

Further analysis is conducted to see specific dimensions of retirement resources that significantly influenced retirement readiness. *Bootstrapping* is carried out at the second-order stage with p < 0.05 and t > 1.96 as depicted by table 2.

Table 2
Path Coefficient of Retirement Resources, Perceived Organizational Support and Retirement Readiness

Path Coefficient	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Cog, Em, Mot Resources -> Financial Readiness	-0.049	-0.041	0.154	0.318	0.75
Cog, Em, Mot Resources -> Physical Readiness	-0.022	-0.012	0.128	0.171	0.864
Cog, Em, Mot Resources -> Men, Em Readiness	0.001	0.004	0.134	0.009	0.993
Phy, Fin Resources -> Financial Readiness	0.308	0.306	0.111	2.782	0.005
Phy, Fin Resources -> Physical Readiness	0.105	0.1	0.099	1.059	0.29
Phy, Fin Resources -> Men, Em Readiness	0.134	0.133	0.094	1.419	0.156
Soc Resources -> Financial Readiness	0.087	0.077	0.159	0.545	0.586
Soc Resources -> Physical Readiness	0.186	0.175	0.142	1.314	0.189
Soc Resources -> Men, Em Readiness	0.145	0.141	0.13	1.112	0.266
POS -> Financial Readiness	0.27	0.294	0.129	2.096	0.036
POS -> Physical Readiness	0.339	0.361	0.103	3.281	0.001
POS -> Men, Em Readiness	0.327	0.349	0.1	3.258	0.001

Analysis revealed that among all dimensions of retirement resources, only physical and financial resources significantly influenced retirement readiness, particularly financial readiness. This emphasizes the importance of physical well-being and financial stability in retirement planning. The analysis also showed that perceived organizational support had a significant relationship

with all dimensions of retirement readiness, highlighting the role of organization in enhancing retirement readiness and planning.

The Goodness of Fit test, indicated by the Standardized Root Mean Square Residual (SRMR) value of 0.063, suggests that the model adequately fits the data. According to Hair et al. (2021), an SRMR value of < 0.80 describes the fit of the model. Additionally, PLS Predict measurements demonstrated superior predictive power compared to linear regression models, confirming the robustness of the proposed model.

The findings of this study shed some light on the intricate relationship between retirement resources, perceived organizational support, and retirement readiness, providing valuable insights for both academia and practical applications. First, the significant role of retirement resources in retirement readiness highlights the importance of physical and financial resources. This aligns with previous research emphasizing the need for diverse resources relevant to retirement planning, which can positively impact retirement satisfaction and psychological well-being (Amorim & Franca, 2020). The study highlights the significance of physical and financial resources, particularly in enhancing financial readiness, echoing findings from prior studies (Lusardi & Mitchell, 2017; McGrattan & Prescott, 2017; Adam et al., 2017, *et al*., 2019).

Second, perceived organizational support's significant relationship with retirement readiness in the context of Company X underlines the pivotal role of workplace environments in shaping employee's preparedness for retirement. By fostering a supportive organizational culture and providing resources tailored to retirement planning, companies can empower their employees to navigate the transition to retirement more effectively. This finding resonates with previous research highlighting the broader impact of organizational support on employees' well-being and job satisfaction (Eisenberger, *et al*., 2020; Kurtessis, 2015), extending its relevance to the critical domain of retirement readiness.

One tailored intervention for Company X could involve implementing a comprehensive physical and financial education program combined with enhanced organizational support. This program could include physical group exercises, financial workshops and personalized financial planning sessions aimed at educating employees about retirement planning, investment strategies and financial management. Simultaneously, company X could enhance its support by offering mentoring programs and access to financial planning resources. By integrating physical and financial education with organizational support initiatives, Company X can empower its employees to make informed financial decisions, alleviate retirement-related stress and foster a supportive work environment conducive to retirement readiness.

4. CONCLUSIONS AND SUGGESTIONS

In conclusion, the study emphasizes the importance of retirement resources and perceived organizational support in ensuring retirement readiness. Despite limitations such as sampling bias and questionnaire fatigue, the study provides valuable insights for Company X and its employees, highlighting the importance of organizational support and physical and financial resources in retirement readiness and planning. The results highlight the need for tailored retirement planning strategies that prioritize financial stability and physical well-being.

Suggestion for future research include longitudinal studies to track individual's resources and support mechanisms from pre-retirement through retirement and see how these factors evolve and interact across different life stages. Additionally, examining the effectiveness of

interventions, particularly within diverse organizational context, would offer practical strategies for improving retirement readiness outcomes. Furthermore, investigating potential moderating or mediating variables that may influence the relationship between retirement resources, organizational support, and retirement readiness could deepen our understanding of the underlying mechanisms at play.

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