

FACTORS INFLUENCING THE DECISION TO JOIN A PENSION SYSTEM. EXAMINATION OF YOUTH PERSPECTIVES IN COLOMBIA

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Abstract

Over the past 30 years, Colombia's pension systems have undergone substantial changes, leading to the establishment of two primary systems: the Solidarity Average Premium Scheme and the Individual Savings Scheme with Solidarity. This study aimed to discover and assess the factors influencing Colombian youth's decision to join a pension fund, a subject that has been scarcely examined in the Colombian context. A digital questionnaire was developed utilising the Theory of Planned Behaviour and completed by 482 youths, whose data were evaluated using a Structural Equations Model. The findings indicate that attitudes towards pension funds, beliefs, social influences, and perceived behavioural control favourably impact juvenile decision-making. Furthermore, we discovered that political uncertainty, although pertinent, exhibits a less robust correlation with other variables. These findings offer significant insights for pension institutions and indicate the necessity for tailored tactics for various social groupings.

Keywords: pension system, pensions, Theory of Planned Behaviour (TPB), youth, political uncertainty, Colombia, adulthood

JEL Classification: D81, J32

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1. Introduction

The topic of pension systems, apprehensions regarding their fiscal sustainability, and the imperative for diverse reforms have recently attracted considerable attention (Kallir et al., 2023; Hinrichs, 2021; Bazzana, 2020). This interest stems from structural issues related to demographic, economic, social, and political factors (Guardiancich, 2012). The global ageing population is a troubling trend; projections indicate that by 2050, individuals over 65 years will outnumber those under 5 years by a ratio of two to one (Naciones Unidas, 2022), while forecasts from the World Health Organisation predict that the population aged 80 and above will triple between 2020 and 2050 (Steverson, 2024). Failing to address this situation will result in a depleted and overburdened workforce responsible for assisting a growing population of retirees (Bloom & Zucker, 2023).

In Colombia, the demographic aged 60 years and above is growing at an annual rate of 3%, with projections suggesting that this cohort will represent 21% of the total population by 2050 (Dane, 2021). There are two pension schemes in the country: the Average Premium Scheme (RPM), administered by Colpensiones, and the Individual Savings Scheme with Solidarity (RAIS), supervised by private funds. Young adults entering the labour market must select between these systems. This decision is often made without adequate understanding of the related social and economic factors and is swayed by common misconceptions that diminish the benefits of the pension system (Azüero-Zúñiga, 2020). Azüero-Zúñiga (2020) contends that, considering the current labour conditions and future prospects in the country, securing an old-age pension is difficult. This concept neglects the benefits associated with the pension system, such as disability insurance, survivor benefits, and other provisions included in current pension structures.

The pension system in Colombia is essential for residents' financial stability and well-being during retirement. Due to its enduring impact on quality of life, young individuals must consider this a pivotal decision when choosing an association with any system. This study aimed to identify the factors influencing Colombian youths' decisions to enrol in a pension fund. This study utilises the Theory of Planned Behaviour (Ajzen, 1991) to examine the factors that most profoundly affect Colombian youths' intention to enrol in pension funds, especially amid political uncertainty. This study offers crucial insights for youth in making significant financial choices and furnishes regulators and pension funds with relevant data to formulate more effective strategies.

This research employs structural equation modelling (SEM) to analyse the relationships among various factors affecting the intention to join pension funds. The findings will validate the hypotheses concerning perception, social influence, and diverse contexts, thereby establishing a solid basis for internal comparisons and informed decision-making.

2. Literature review

2.1. . *Overview of Pension Systems in the Colombian Context*

Pension systems are government-funded transfer programs intended to provide financial security for the elderly, especially when traditional informal arrangements have been insufficient. In traditional societies, the elderly obtain assistance from family or informal networks that share food and goods among members; conversely, they frequently lack support, resulting in poverty and increased morbidity and mortality rates among the elderly (Rofman, et al., 2008).

Pension systems have had to adapt in response to economic disruptions, changes in employment structures, regulations governing financial markets, and demographic shifts. The modifications have been discussed

extensively in three main areas: the relationship between pension systems and the labour market, the origins of the system's financial resources, and the State's function as a facilitator and regulator (Rofman, et al., 2008). Reforms seek to improve coverage, solidarity, gender equality, benefit sufficiency, administrative efficiency, and financial and actuarial sustainability (Mesa-Lago, 2021).

In Colombia, the pension systems have undergone substantial modifications, notably those implemented by Law 100 of 1993 and its subsequent amendments in 2003 and 2009 (Law 797 of 2003 and Law 1328 of 2009) (López & Sarmiento-G, 2019). The amendments have increased the retirement age to 57 for women and 62 for men, raised the requisite number of contribution weeks to 1300, and elevated the contribution rate to 16%, with the objective of improving the system's sustainability. The choice of young adults to associate with such institutions is influenced by social, economic, and political factors.

During this research, a pension reform was instituted in Colombia, introducing significant alterations to improve the coverage and sustainability of the pension system. This new framework creates a Comprehensive Social Protection System for Old Age, Disability, and Death from Common Causes, based on three pillars: solidarity income, annuity, and pension. By 2052, reform initiatives seek to attain 87% social protection coverage for the elderly, benefiting over 13.7 million individuals. Furthermore, 2.6 million senior citizens will continue to receive solidarity income payments until their demise. The legislation increases the probability of a woman obtaining a pension by 22% and offers an additional 30% subsidy for annuity formation. Transitional regimes are accessible for women with 750 weeks of contributions and men with 900 weeks, in addition to the possibility of transferring between regimes within a two-year period. This reform seeks to eliminate extreme poverty among the elderly in Colombia, ensuring that a larger number of older individuals receive the necessary assistance to live with dignity (Ministerio del Trabajo, 2024).

2.2. Youth and their relationship with Pension Systems

In many countries, behavioural and financial modifications have occurred over recent decades, accompanied by increasingly rapid generational shifts and mitigating factors that require a change in mindset, the most pressing being the COVID-19 pandemic (Kauhanen, et al., 2022). identified substantial disparities in the cost of living, inflation rates, the global financial landscape, fixed living expenses, and tax alterations, among other factors, all contributing to a detrimental economic impact that new generations, particularly younger individuals entering the workforce, must confront (Schumann, 2024; O'Keeffe, 2024; Hobijn & Lagakos, 2006). The impact is apparent in the manner young individuals confront these challenges, encompassing economic, social, media-related, informational, and accessibility factors. This includes new consumption patterns and decision-making processes, a generational tendency for frequent job transitions, a heightened desire for travel (Evans, 2015), and the promotion of remote work or geographical closeness to employers (Osorio & Madero, 2025)—all intended to elevate one's status or attain a more favourable social position (Merriman, 2024; BAARS, 2014). Consequently, young individuals must equilibrate their stance concerning three elements: financial, social, and political (Chaparro-Marin, 2020; Forero-Molina & Garzon-Medina, 2020). Given these extensive economic and social transformations, the connection between young people and pension systems is especially pertinent. It is influenced by a complex interaction of factors than including, behavioural intentions, attitudinal influences, social norms, and the overarching context in which these systems function (Subramaniam, et al., 2022). Comprehending these dynamics is essential for formulating effective pension policies that motivate younger generations to participate in retirement planning (Ramli, et al., 2023). Furthermore, understanding how these fundamental dimensions affect individual decisions and collective results allows policymakers and stakeholders to create more sustainable and

equitable frameworks (Alkhawaja & Albaity, 2024). By tackling the challenges arising from changing demographics, economic pressures, and generational expectations, it is feasible to develop solutions that address both immediate incentives and the long-term stability and equity of pension systems.

2.3. *Theory and formulation of hypotheses*

The Theory of Planned Behaviour (TPB), introduced by Ajzen in 1991, provides a comprehensive framework for predicting and analysing individuals' intentions across diverse contexts, such as consumer behaviour and decision-making processes. The TPB asserts that three primary variables—attitude towards the behaviour, subjective norms, and perceived behavioural control—collectively shape behavioural intentions (Conner & Armitage, 1998; Rise et al., 2010). Attitude reflects an individual's evaluation of behaviour as positive or negative, subjective norms indicate social influences and expectations, and perceived behavioural control pertains to an individual's perception of their ability and self-efficacy in executing the behaviour (Ajzen, 1991).

The constructs influence pension fund decisions by shaping individuals' evaluations of the desirability of joining a pension system (attitude), their perceptions of social or cultural expectations regarding retirement planning (subjective norms), and their assessments of their capability to enrol in and consistently contribute to pension funds (perceived behavioural control) (Topa, et al., 2009; Van-Dalen, et al., 2010). Utilising the TPB, researchers and policymakers can identify the personal, social, or contextual factors that influence or hinder the engagement of younger generations in long-term savings (Xiao & Wu, 2006). This insight aids in the formulation of targeted policies and interventions that directly address specific attitudinal or normative barriers, thereby improving the effectiveness of pension systems and promoting greater financial security across diverse populations.

Intention. Lai & To (2020) define intention as the degree of effort individuals are prepared to exert in executing a particular behaviour. Guzmán-Facundo et al. (2012) define intention as the cognitive representation of an individual's readiness to perform a specific action, viewing it as a direct precursor to that behaviour. This corresponds with the overarching theoretical framework in social psychology, which identifies intention as a primary predictor of actual behaviour (Ajzen, 1991; Sheeran, 2002). Higher levels of intention are generally associated with an increased likelihood of executing the intended action, though contextual factors may occasionally influence this relationship (Armitage & Conner, 2001). Youth intention regarding pension funds is shaped by a combination of personal, social, and structural factors, including financial literacy, the perceived importance of retirement planning, normative influences from peers or family, and trust in institutional frameworks. The factors influence the motivational foundations and perceived viability of participation in or contribution to a pension scheme (Topa, et al., 2009). A strong intention to affiliate is typically anticipated to result in increased rates of effective enrolment. Analysing the factors influencing intention formation, along with the obstacles posed by economic uncertainty and distrust in pension systems, allows policymakers and institutions to create specific interventions aimed at improving young individuals' likelihood of engaging in pension fund participation for long-term financial stability.

Attitude towards the behaviour. Attitude is identified as a crucial factor influencing young individuals' intentions regarding pension fund affiliation, consistent with the expectancy-value framework established by Ajzen & Fishbein (1975) and subsequently refined in Ajzen (1991) Theory of Planned Behaviour. Within this framework, individuals assess the outcomes linked to a behaviour—such as improved financial security or diminished future uncertainty—and attribute a subjective value to each outcome, thereby developing an overall positive or negative attitude.

Empirical studies consistently support this relationship: Topa et al. (2009) found that positive attitudes towards retirement were among the strongest predictors of savings behaviours, while Subramaniam et al. (2022) demonstrated that millennials with more favourable views of pension schemes were significantly more likely to invest. Ramli et al. (2023) demonstrated that education regarding the practical benefits of pension funds fosters positive attitudes, subsequently increasing enrolment intentions.

This perspective can address prevalent obstacles such as present bias, which leads young adults to favour immediate financial requirements over long-term stability (Foster, 2015). The likelihood of youth forming and acting upon an intention to affiliate with a pension fund increases with stronger and more positive attitudes, which are based on perceived benefits and reliable information (Guzmán-Facundo, et al., 2012).

Hypothesis 1: Attitude by young people towards pension funds are significantly and directly related to their intention to affiliate to that fund.

Subjective norm. Subjective norms denote the social influences that affect an individual's propensity to join a pension fund (Ajzen, 1991). Specifically, these norms pertain to the perceived endorsement or resistance from one's immediate social circle—family, friends, and the community—concerning retirement savings and fund enrolment (Ajzen & Fishbein, 1975). When young individuals consistently receive positive feedback and guidance from trusted sources, they are more inclined to perceive pension affiliation as personally significant and socially endorsed (Krueger, 2000). This element is especially powerful in contexts where communal or familial values prioritise long-term planning. (Subramaniam, et al., 2022) show that in Malaysia, what friends and family think is the main factor affecting Generation Y's plans for retirement, suggesting that support from peers and relatives can be more important than understanding finances when it comes to young adults saving for pensions.

Research from various cultural contexts similarly underscores the influence of social norms. (Wahyuni & Rosli, 2024) discovered that familial traditions and societal expectations significantly influence long-term savings behaviours among Indonesian youth. This aligns with the findings of (Kim, et al., 2005), who noted that American employees who frequently engage in retirement discussions with colleagues or spouses exhibit greater confidence and a higher propensity to enrol in workplace pension plans. In China, social norms and family expectations play a significant role in shaping young adults' willingness to participate in individual pension systems. For instance, the desire to reduce family burdens in old age is a key motivator for enrollment (Long, et al., 2024). These findings demonstrate how subjective norms can convert a discretionary financial decision into a socially endorsed action. The greater a young individual's perception that peers, relatives, or mentors endorse pension membership and regard it as advantageous, the stronger their intention to enrol in a pension fund (Van-Dalen, et al., 2010).

Hypothesis 2: The social influence exerted on youth with respect to affiliating to a pension fund has a significant and direct effect on their intention to affiliate to that fund.

Control over the perceived behaviour. Perceived behavioural control reflects an individual's assessment of the ease or difficulty of executing a behaviour, paralleling (Bandura, 1978) notion of self-efficacy, which emphasises the significance of confidence in one's ability to perform particular tasks. In the realm of pension funds, when young adults regard the enrolment process as uncomplicated—characterized by transparent eligibility criteria, straightforward documentation, or user-friendly online platforms—they are more inclined to develop robust intentions to participate (Ajzen, 2006). Farooq & Talib (2019) elucidate the "self-efficacy effect" as the affirmative correlation between an individual's confidence in making a financial decision and the probability of actualising that decision. Topa et al. (2009) performed a meta-analysis on retirement planning and revealed that a sense of control or mastery over long-term financial decisions is

significantly associated with enhanced levels of planning and saving, thereby reinforcing the idea that perceived ease promotes stronger behavioural intentions.

Empirical studies demonstrate how perceived behavioural control, and self-efficacy can alleviate prevalent barriers to participation in pension plans. Hershey et al. (2010) found in a cross-cultural study involving Dutch and American workers that individuals with a heightened sense of personal control over their retirement outcomes exhibited increased engagement in pension activities. Xiao and Wu (2006) applied the theory of planned behaviour to financial counselling clients and observed that those who perceived themselves as more competent in managing enrolment and contribution processes were more inclined to commit to long-term savings plans. In workplace settings, Kim et al. (2005) discovered that readily available information, coupled with intuitive enrolment processes, increased employees' confidence in overseeing their retirement funds. Collectively, these findings indicate that a perception of simplicity—characterised by clarity, guidance, and diminished complexity—positively affects young adults' willingness to engage with pension schemes.

Hypothesis 3: *The ease that youth perceive as a means of affiliate to a pension fund has a significant and direct effect on their intention to affiliate to that fund.*

Political uncertainty. Political instability frequently diminishes confidence in long-term financial obligations, such as pension fund membership. Studies on policy shocks illustrate that perceived governmental instability can dissuade individuals from entering contracts with long-term benefits (Julio & Yook, 2012). In the Latin American context, Kay (2009) emphasised Argentina's pension system, illustrating those frequent changes in government policy and regulatory frameworks considerably undermined citizens' trust, diminishing their inclination to engage in privatised schemes. Pástor & Veronesi (2013) similarly discovered that uncertainty regarding future governmental actions can amplify risk perceptions, leading to more conservative or short-term financial behaviours. Collectively, these empirical findings indicate that when individuals fear the reversal of current reforms or the potential jeopardization of future benefits by new policies, their propensity to associate with pension funds declines.

In Colombia, the social unrest and public discourse from 2019 to 2021 (Ramírez-Monsalve & Vargas-Naranjo, 2023) have coincided with a wider array of historical, socioeconomic, and cultural pressures—elements that, as noted by Díaz-Ramos & Angüis-Fúster (2023), amplify the influence of political changes on individuals' financial decisions. Particularly among the youth, who may harbour scepticism towards leftist or reformist administrations, the perception of persistent policy instability can deter engagement in formal pension programs. Previous policy reversals, prominent corruption cases, and proposals suggesting a substantial restructuring of public and private pension systems contribute to the perception of instability. Given these conditions, the likelihood that a government could maintain its authority sufficiently to implement extensive, potentially detrimental pension reforms (Pástor & Veronesi, 2013) becomes a significant concern for younger adults. Consequently, in alignment with the international literature on government-induced uncertainty (Julio & Yook, 2012; Pástor & Veronesi, 2013), Colombia's changing political landscape may adversely influence youth decisions to join pension funds. The following hypothesis is proposed:

Hypothesis 4: *The political uncertainty youth perceive about the current government has a negative relationship with the intention of affiliating to a pension fund.*

These hypotheses are integrated into the model proposed by the TPB, which permits analysing the relations among the variables proposed. The conceptual model is shown in Figure no. 1.

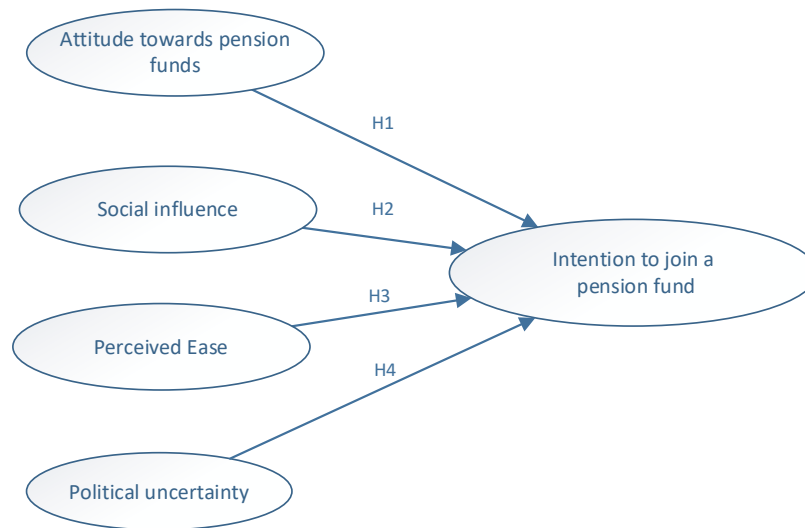


Figure no. 1: Conceptual model

Source: own construction

3. Methodology

The research is quantitative and explanatory, aiming to fulfil the stated objective. The information collection method involved creating a questionnaire with item-type questions, utilising a Likert-7 scale for responses regarding levels of agreement; this was implemented via Microsoft Forms and disseminated online. The study population consisted of individuals aged 18 to 29 years living in Colombia. The data processing and analysis utilised multivariate analysis techniques and a structural equation model. Statistical analysis was conducted utilising R statistical software version 4.2.1 (<https://cran.r-project.org/>). The SEM analysis was performed utilising the Lavaan library (Rosseel, 2012; Sallan, et al., 2012).

3.1. Variables and measures

A literature review was conducted to structure the model, examining the implementation of proposed models through the lens of the Theory of Planned Behaviour and their application within the research context. This review indicated that the choice to affiliate with pension funds has been insufficiently examined in quantitative studies, with a predominance of qualitative methodologies. This work aids in closing the gap. The review indicated that TPB models typically incorporate numerous variables external to the foundational model. This research incorporates the variable of political uncertainty, enquiring respondents about its impact on their decision-making regarding pension fund affiliation. The comprehensive summary of the model constructs and the items utilised for variable instrumentation is provided below.

Table no. 1: Table of considered variables

Construct	Variable	Code	Variable/Item	Source
Sociodemographic variables	Gender	VD_G	Female, male, or other	Lai and To (2020), Karakurum-Ozdemir, and Kokkizil and
	Age	VD_E	15-19 years, 20-25 years, 26-28 years and < 29 years	
	Education level	VD_NE	Primary, High school, technical, technological, Undergraduate, graduate	

Source: own construction

	Current employment status	VD_SL	Employed, unemployed, student, or independent	Uysal (2019).
	Work experience	VD_EL	< 1 year, 1-3 years, 4-7 years, 8-10 years or without experience	
	Income level	VD_IM	No income, Less than 1 CLMMW, between 1 and 2 CLMMW, between 3 and 4 CLMMW, or more than 5 CLMMW	
	Marital status	VD_EC	Single, Married, Divorced, Widowed	
	Number of children	VD_H	I have children. I have no children, and I do not plan on having one.	
Intention of behaviour/Intent of affiliating to a PF	Intent of affiliating	IC_IVa	I have tried to affiliate to a public pension fund.	Lai and To (2020) Liñán and Chen (2009).
	Intent of affiliating	IC_IVb	I have tried to affiliate to a private pension fund.	
	Information about affiliate requirements	IC_IR	I have requested information to affiliate to a pension fund.	
	Knowledge of pension regimes	IC_CR	I have tried to learn about pension regimes.	
	Motivation to affiliate to PF	IC_MV	I am motivated to affiliate to a PF	
Attitude/Belief towards PFs	Perception of the need to affiliate	AC_PN	To ensure my old age, I need to affiliate to a PF.	Lai and To (2020) Liñán and Chen (2009) Beshears, Choi, Laibson, Madrian, and Milkman (2015)
	Probability of retirement	AC_PP	It is likely that I will not retire in the future.	
	Monetary veil	AC_VM	It is better to have the accumulated amount in the PF in the form of savings than in weeks of contributions.	
	Sustainability of pension system	AC_SS	The current pension system is not sustainable over time.	
	Corruption	AC_COR	Everything public tends to be corrupt.	
	Perception of quality	AC_PC	Everything public tends to be of poor quality.	
	Trust	AC_CON	That which is public does not generate trust in me.	
		AC_CON2	The private one generates more trust in me than the public one.	
		AC_CON3	The private fund is not interested in pensioning me.	
	Early retirement	AC_PA	Being able to retire early is advantageous for me.	
Subjective norm / Social influence	Influence from Family	NS_F	My parents indicate the PF to which I should affiliate.	Lai and To (2020) Liñán and Chen (2009) Liu, Mikesell, and
	Influence from Friends	NS_A	My closest friends indicate the PF to which I should affiliate.	
	Influence from retired people I know.	NS_PP	People who are already retired indicate the PF I should affiliate to.	

	Influence from the entity where I start to work	NS_E	My employer indicates the PF to which I should affiliate.	Moldogaziev (2021)
	Advisors from the PF	NS_AC	The commercial advisor from the PF indicates to the PF I should affiliate to.	
	Influence from publicity	NS_P	Announcements I see or hear indicate the PF to which I should affiliate	
Control over the perceived behaviour (Perceived ease)	Knowledge about the pension regime	CCP_CR	I know the differences between current pension regimes.	Lai and To (2020) Liñán and Chen (2009)
	Current or future saving holdings	CCP_TA	I have savings or a possibility of having them when I retire.	
	Current or future additional income holding	CCP_TI	When I retire, I will have additional income.	
	Financial education	CCP_EF	I have taken courses or training in financial education.	
Political uncertainty	The current political context	INP_CP	The fact that the current government remains in power alters my decision to affiliate to a public or private pension fund.	Pástor and Veronesi (2013)
	Political ideology of the current government	INP_IDP	The fact that the current government is left-wing alters my decision to affiliate to a public or private pension fund.	

3.2. Techniques and instruments for information collection

Data were gathered from September 2023 to March 2024. A total of 482 surveys were gathered. Table no. 2 presents the sociodemographic attributes of the study population. The majority of participants were female (55%), with the predominant age group being 20–25 years (48%). Regarding education, 43% attained undergraduate degrees, while 26% completed high school. The employment status was diverse, with 38% of students and an additional 38% in employment. For 36% of the participants, the predominant monthly income ranges from 1 to 2 current legal monthly minimum wages (CLMMW).

Table no. 2: Sociodemographic characteristics of the sample.

Characteristic	n (%)	Characteristic	n (%)
Sex		Years of experience	
Female	266 (55%)	1-3 years	124 (26%)
Male	212 (44%)	4-7 years	57 (12%)
Other	4 (0.8%)	8-10 years	24 (5.0%)
Age group		More than 10 years	83 (17%)
16-19 years	97 (20%)	Less than 1 year	105 (22%)
20-25 years	230 (48%)	Without experience	89 (18%)
26-28 years	43 (8.9%)	Monthly income	
> 29 years	112 (23%)	Between 1 and 2 CLMMW	172 (36%)

Characteristic	n (%)	Characteristic	n (%)
Education level		Between 3 and 4 CLMMW	64 (13%)
High school	126 (26%)	More than 5 CLMMW	38 (7.9%)
Graduate	43 (8.9%)	Less than 1 CLMMW	96 (20%)
Undergraduate	209 (43%)	No income	112 (23%)
Primary	2 (0.4%)	Marital status	
Technical	63 (13%)	Married	69 (14%)
Technological	39 (8.1%)	Divorced	11 (2.3%)
Job situation		Single	399 (83%)
Unemployed	37 (7.7%)	Widowed	3 (0.6%)
Employed	185 (38%)	Do you have children or plan to have them?	
Student	182 (38%)	I do not plan on having children.	114 (24%)
Independent	78 (16%)	I have no children.	144 (30%)
Are you affiliated to a PF?		I plan to have children.	133 (28%)
No, I am not affiliated to a PF	241 (50%)	I have children.	91 (19%)
Yes, I am affiliated to a PF	241 (50%)		
		Total	482 (100%)

Source: own construction

The majority of individuals are single (83%), and 50% lack affiliation with a PF. This profile indicates that the sample primarily consists of young adults in the initial phases of their professional or academic pursuits, characterised by a relatively low income and a pronounced preference for remaining single, alongside a balanced approach to family planning and participation in a fund or specific program.

3.3. Information analysis techniques

Structural Equation Models arise from the necessity for flexibility in regression models (Kline, 2016). Between the early 20th century and 1970, researchers advanced knowledge for the development of these models until Jöreskog introduced the initial formulation of Covariance Structure Analysis (CSA), subsequently referred to as the LISREL model” (Escobedo Portillo et al., 2016). The objective of the SEM is to analyse the relationships between one or more independent variables and one or more dependent variables (Nokelainen, 2002). Figure no. 2 illustrates the relationship between the constructs' behaviour and the observable variables in relation to the corresponding hypotheses.

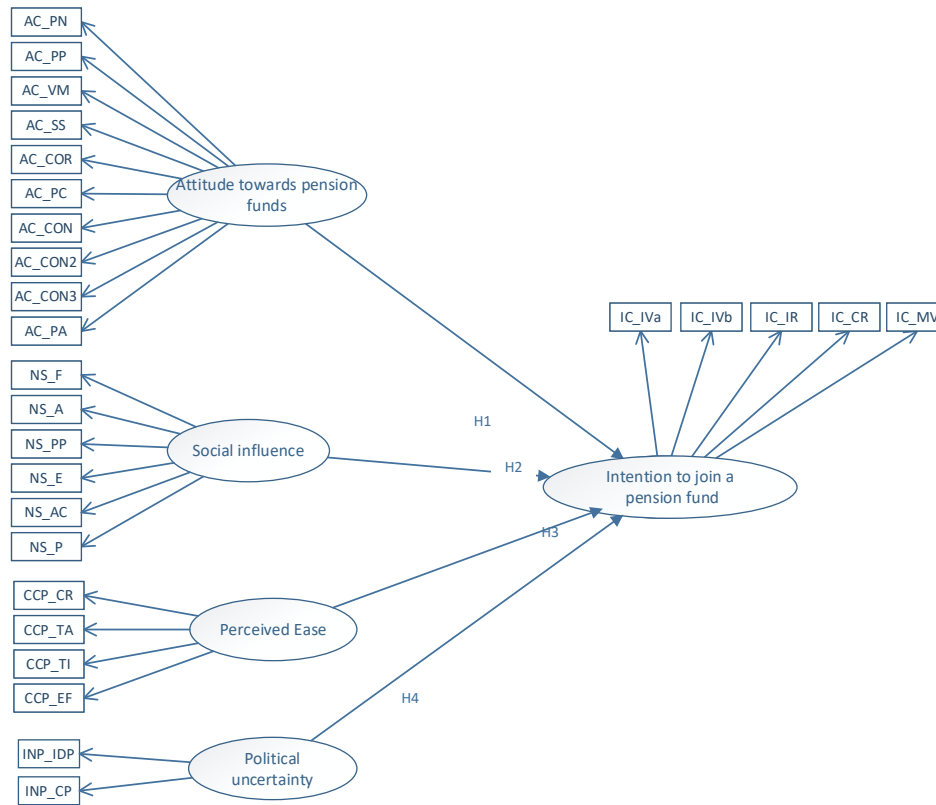


Figure no. 2: Detailed SEM diagram

Source: own construction

3.4. Procedures for model evaluation

For the primary analysis of data and verification of the hypothesis, SEM was employed. The parameters were estimated using the Maximum Likelihood (ML) method. The chosen estimators for evaluating the model's goodness of fit to the data comprised the Root Mean Square Error of Approximation (RMSEA), which assesses the model's approximation error relative to reality; reference values should be < 0.05 to signify a good fit. Additionally, the Comparative Fit Index (CFI) and the Tucker-Lewis Index (TLI) were included, as they compare the proposed model's fit with that of a null model, with reference values ideally close to 1 for a good fit. Lastly, the Standardised Root Mean Square Residual (SRMR) was utilised to gauge the average discrepancies between observed and estimated covariances, with desirable reference values being < 0.08 . The evaluations of the tests were conducted at a significance level of 5% ($p < 0.05$).

4. Results

4.1. Analysis of the Structural Equation Model

Table no. 3 shows the outcomes of the Chi-squared test, indicating a value of 1259.40. The chi-squared statistic relative to the degrees of freedom was 2.52, falling below the suggested threshold of 3, which suggests that the model demonstrates an acceptable fit. The RMSEA is less than 0.001, which is considerably below the acceptable threshold of 0.05, suggesting a strong alignment of the model with the data. The Normed Fit Index (NFI) stands at 0.792 according to the incremental fit measures, indicating it is somewhat below the desired value approaching 1 for optimal fit. The Non-normed Fit Index and Tucker-Lewis Index

(NNFI/TLI) yield a value of 0.973, surpassing the benchmark of 0.9, indicating a strong fit. The comparative goodness-of-fit index (CFI) stands at 0.831, approaching the ideal value of 1. Meanwhile, the Incremental Fit Index (IFI) is recorded at 0.832, which is marginally below the threshold of > 0.9 , yet remains within an acceptable range. The results indicate that the model demonstrates a satisfactory global fit.

Table no. 3: Goodness-of-fit measures

Measures of fit	Abbreviation	Acceptable fit levels	Obtained acceptability
Chi-squared	χ^2	significance > 0.05	1259.40
Chi-squared (p value)	p value		
Rate of Chi-squared / degrees of freedom	χ^2/df	< 3	2.52
Root mean square error of approximation	RMSEA	< 0.05	< 0.001
Incremental fit measures			
Normed Fit Index	NFI	value close to 1	0.792
Non-normed Fit Index & Tucker Lewis	NNFI/TLI	~ 0.9	0.973
Comparative goodness-of-fit index	CFI	value close to 1	0.831
Incremental Fit Index	IFI	> 0.9	0.832

Source: own construction

Table no. 4 provides the estimation results derived from the SEM analysis. The data suggests that the intent to affiliate is significantly shaped by previous intentions to connect with either public or private funds. Notably, the active pursuit of information (IC_IR) and the effort to understand the private funds (IC_CR) show stronger correlations. This implies that a proactive approach to acquiring knowledge serves as a crucial indicator of the intention to affiliate with a private fund. The intrinsic motivations are evidenced by coefficients that exceed 1 and exhibit very low p values, highlighting the critical role of self-determination in long-term financial decision-making. Similarly, the coefficients associated with attitudes and beliefs towards PFs are notably higher than the unitary threshold. This is particularly evident in the belief regarding corruption in the public sector and the perception of low quality in public services, which emerge as the most significant estimates within this framework. These findings indicate a substantial impact on the mind-set regarding PFs, suggesting that apprehensions about the integrity and efficiency of the system play a crucial role in shaping attitudes towards pensions.

Table no. 4: SEM estimations

Latent variable (construct)	Observed variable (indicator)	Estimation	Standard error	Statistic (Z)	p value
Intent to affiliate	IC_Iva_ . Intent to affiliate (S)	1	-	-	-
	IC_Ivb_ . Intent to affiliate (S)	0.964	0.094	10.287	0.000
	IC_IR_ . Information about affiliate requirements	1.312	0.094	14.025	0.000
	IC_CR_ . Knowledge of pension regimes	1.278	0.104	12.268	0.000

Latent variable (construct)	Observed variable (indicator)	Estimation	Standard error	Statistic (Z)	p value
	IC_MV_ Motivation to affiliate to PF	1.206	0.106	11.342	0.000
Attitude beliefs	AC_PN_ To ensure old age, I need to affiliate to a PF.	1	-	-	-
	AC_PP_ It is likely that I will not retire in the future.	1.559	0.292	5.349	0.000
	AC_VM_ It is better to have the accumulated amount in the PF as saved money than weeks of contributions.	1.821	0.314	5.8	0.000
	AC_SS_ The current pension system is not sustainable over time.	1.664	0.272	6.122	0.000
	AC_COR_ Everything public tends to be corrupt.	2.438	0.46	5.303	0.000
	AC_PC_ Everything public tends to be of poor quality.	2.437	0.505	4.824	0.000
	AC_CON1_ That which is public does not generate trust in me.	2.344	0.492	4.761	0.000
	AC_PA_ Being able to retire early is advantageous for me.	1.6	0.249	6.44	0.000
	AC_CON2_ The private fund is not interested in pensioning me.	1.227	0.208	5.899	0.000
Social influence	NS_F_ My parents indicate the PF to which I should affiliate.	1	-	-	-
	NS_F_ My closest friends indicate the PF to which I should affiliate.	1.236	0.087	14.286	0.000
	NS_PP_ Retired people I know indicate the PF I should affiliate to.	1.201	0.113	10.631	0.000
	NS_E_ My employer indicates the PF to which I should affiliate.	1.356	0.131	10.386	0.000
	NS_AC_ The commercial advisor of the PF indicates the PF I should affiliate to.	1.203	0.118	10.239	0.000
Control over the behavior / Perceived ease	CCP_CR_ I know the differences between the current pension regimes.	1	-	-	-
	CCP_TA_ I have savings or a possibility of having them when I retire.	1.102	0.085	12.894	0.000
	CCP_TI_ When I retire, I will have additional income.	0.992	0.093	10.691	0.000
	CCP_EF_ I have taken courses or training in financial education.	0.913	0.074	12.351	0.000
Political uncertainty	INP_CP	1	-	-	-
	INP_IDP	0.735	0.101	7.307	0.000

Source: own construction

The SEM illustrated in Figure no. 8 delineates the interconnections between the intent to affiliate with a pension fund, the associated attitudes and beliefs, social influence, and perceived behaviour, all situated within the framework of political uncertainty. The factors influencing the intent to affiliate, such as previous intentions to join a public or private PF, enquiries for information, understanding of FPs, and the motivation to affiliate, are interconnected with a core concept that aligns, based on the proposed theoretical framework, with the genuine intention of joining a PF. This construct is notably shaped by personal attitudes and beliefs regarding security in later life, the sustainability of the system, perceptions of corruption, the quality of public services, trust in private pension funds, and the benefits associated with early retirement. The SEM analysis posits that the intention to join a pension fund serves as a critical prerequisite for actual enrolment in such a fund. The model indicates that external factors, including social influence and political uncertainty, alongside individual perception factors such as attitude towards the funds and perceived ease, significantly contribute to the formation of intention and decision-making.

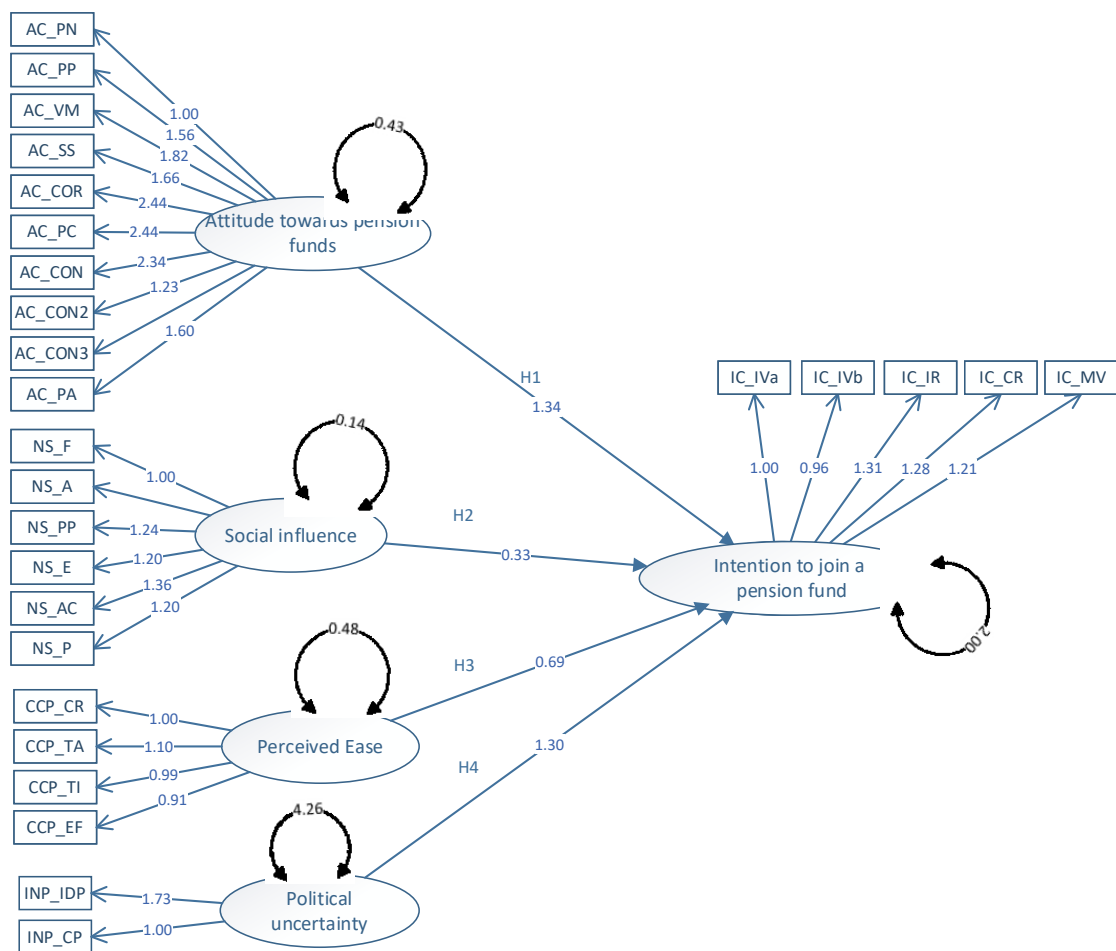


Figure no. 3: SEM diagram

Source: own construction

The impact of social influence, as evidenced by the recommendations and opinions of parents, friends, acquaintances, retirees, employers, and financial advisors, is notable, with coefficients surpassing the reference set at 1. This indicates that the choice to affiliate with a PF is significantly shaped by social factors and may be influenced by the perceived norms and expectations within an individual's immediate environment. The perceived behaviour, savings capacity, expectation of additional income during retirement, and

financial education show a positive correlation with preparation and knowledge regarding retirement; however, their influence on financial education is comparatively lower. The evidence indicates that personal control and financial preparation significantly influence individuals' perceptions of their future financial security.

Additionally, the findings regarding political uncertainty, assessed by the perception of stability or political change and the government's political inclination, reveal that the negative perception of current politics exhibits a significant negative correlation ($p = 0.000$) with the intention to affiliate with pension funds. The various elements—ranging from information and attitude to social influence and political context—interconnect to create a complex network of factors that shape individual decisions regarding pension fund affiliation, as demonstrated by the strong and significant estimates derived from this SEM analysis.

4.2. Discussion

This research demonstrates that several critical factors significantly influence Colombian youth's intention to engage in pension funds, particularly corroborating prior studies that emphasize the role of trust and perceived long-term stability in promoting retirement savings (Hershey, et al., 2010). The significance of attitudes towards pension sustainability, trust in administrators, and the desire for fund accumulation corresponds with prior research suggesting that confidence in the long-term viability of a pension system is essential for encouraging participation. Regarding model fit, it is worth noting that while the overall SEM demonstrated acceptable fit, some indices showed slight discrepancies, pointing to potential model mis-specifications or areas for refinement in future iterations.

Moreover, the substantial influence of social networks—comprising friends, family, and authoritative figures such as employers—reinforces both theoretical and empirical perspectives that highlight the impact of interpersonal endorsements and peer group norms on financial decision-making (Kim et al., 2005; Topa et al., 2009). The social dimension is particularly important, as robust endorsements from reliable contacts can significantly mitigate uncertainties related to long-term savings.

The belief that enrolling in a pension fund is straightforward—bolstered by clear information, financial literacy, and user-friendly processes—underscores the substantial effect that reducing complexity can exert on enhancing participation. This observation substantiates the claim that improved comprehension diminishes barriers to affiliate, thereby bolstering both immediate and long-term participation in pension schemes (Xiao & Wu, 2006).

The adverse perception of contemporary politics greatly influences the readiness to invest in pension funds, highlighting the critical importance of trust within the broader economic and political landscape. The dominant climate of uncertainty and distrust in governmental institutions may impede young adults from participating in future-oriented financial products. This observation aligns with research indicating that political instability and perceived policy inconsistencies reduce the appeal of long-term savings alternatives (Kay, 2009). Consequently, robust political structures and transparent communication concerning pension reforms are vital for fostering trust and promoting sustained involvement from the youth.

5. Conclusions

In the context of Colombia's current historical moment, global challenges accentuate the imperative to safeguard citizen well-being and stability as fundamental indicators of social progress. This imperative holds particular significance for the elderly, as well as for the aspirations of young individuals striving for digni-

fied adulthood—aspirations that depend fundamentally on robust pension systems. Understanding and assessing youth perceptions of these systems is therefore essential, as this demographic will ultimately serve as both the future advocates and beneficiaries of such institutions. This research sought to identify the factors shaping young Colombians' decisions to affiliate with a pension fund, with the dual aim of supporting youth in their financial decision-making and equipping pension funds with actionable insights to better engage this critical market segment. Through the application of rigorous structural equation modeling, these objectives were achieved, yielding a comprehensive understanding of the determinants influencing young people's intent to affiliate with pension funds in Colombia.

5.1. Contributions and implications

SEM results suggest pension funds can boost youth engagement by proactively disseminating information through digital platforms, social networks, and webinars to enhance accessibility and foster self-determination, while transparency measures such as external audits and clear policies build trust and counter corruption concerns. Social influence matters as well—referral programs, testimonials, and partnerships with employers and community organizations leverage trusted voices to drive affiliation. Financial literacy is essential, with workshops, courses, and online tools helping youth understand retirement planning and feel empowered to act. Personalized marketing based on demographic and behavioral data ensures messages resonate, while streamlined operations and clear language make the affiliation process less intimidating. Using social technologies to co-create with users builds trust and commitment, and organizations must stay attuned to the political context, offering adaptable products backed by regulatory safeguards to maintain confidence amid instability.

5.2. Limitations

The SEM analysis demonstrated satisfactory overall model fit, though certain measures fell short of optimal thresholds, pointing to opportunities for future research and model refinement. Nevertheless, the intrinsic and extrinsic factors identified proved significant in shaping intent to affiliate with a pension fund, establishing a solid foundation for understanding retirement planning dynamics among this demographic. Future research should consider the uncertainties posed by the current political climate, including how shifts in governmental models or prolonged instability might influence outcomes. Additionally, after this study concluded, a pension reform was approved and is scheduled to take effect in July 2025. Under this reform, while private funds will continue operating under Legislation 100 of 1993, mandatory affiliation will shift to the public fund, with private funds managing the supplementary component of individual savings within the contributory pillar of the new system. As this study did not account for the reform context, subsequent research should incorporate these regulatory changes to ensure continued relevance and applicability.

5.3. Future research directions

The research highlights the complexity of pension fund affiliation decisions in Colombia, calling for deeper analysis of financial education strategies that address psychosocial and structural factors such as institutional distrust and proactivity in personal financial management. The comprehensive SEM model developed offers variables applicable beyond pensions to areas like youth educational choices, job mobility, and migration aspirations. Future research should examine generational differences across cohorts from Baby Boomers to Generation Alpha, as well as the implications of shifting political and international contexts. Following the pension reform set for 2025, further study is essential to understand the revised framework,

particularly given that this research revealed persistent negative perceptions of public funds rooted in concerns over instability, corruption, and lack of trust in public institutions. These factors must be integrated into subsequent studies, as they hold significant potential to affect the system's long-term stability.

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