

Insights on Universal Pension Scheme in Bangladesh: Trajectory or Deviation

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Abstrak

Skema Pensiun Universal (UPS) merupakan kebijakan yang dibuat oleh pemerintah Bangladesh, yang bertujuan memberikan tunjangan bulanan kepada lansia dengan menempatkan mereka di bawah program jaring pengaman sosial yang terorganisir dengan baik. Penelitian ini bertujuan untuk mengetahui persepsi masyarakat mengenai UPS dan tantangan yang menimpa persepsi tersebut. Penelitian ini menggunakan metode kuantitatif untuk mengumpulkan data dari 404 partisipan melalui kuesioner tertutup setelah pengambilan sampel acak sederhana. Perangkat lunak SPSS digunakan untuk menganalisis data untuk pengujian chi-square, tabulasi silang, dan statistik deskriptif. Dengan melakukan uji Chi-square ($hal < 0,05$), hasil keseluruhan penelitian mengungkapkan bahwa masyarakat umum tidak banyak bersedia untuk berpartisipasi dalam Skema Pensiun Universal meskipun mengetahuinya, namun banyak yang tidak setuju untuk berpartisipasi di dalamnya dikarenakan risiko inflasi dan perubahan rezim. Oleh karena itu kebanyakan mereka lebih suka berinvestasi dalam bisnis daripada skema pensiun UPS ini.

Kata Kunci: Bangladesh; Tantangan; Pengetahuan; Persepsi; Skema Pensiun Universal.

Abstract

The Universal Pension Scheme (UPS) is a policy created by the Bangladeshi government, which aims to provide monthly benefits to the elderly by placing them under a well-organized social safety net program. This research aims to find out the public's perception of UPS and the challenges that befall this perception. The study used a quantitative method to collect data from 404 participants through a closed questionnaire after a simple random sampling. SPSS software is used to analyze data for chi-square testing, cross-tabulation and descriptive statistics. By conducting the Chi-square test ($p < 0.05$), the overall results of the study revealed that the general public was not willing to participate in the Universal Pension Scheme despite knowing it, but many did not agree to participate in it due to the risk of inflation and regime change. Therefore most of them prefer to invest in businesses rather than this UPS retirement scheme.

Keywords: Bangladesh; Challenges; Knowledge; Perception; Universal Pension Scheme.

INTRODUCTION

Article 15 of the Bangladesh constitution requires the state to guarantee "the right to social security." According to (Bach, 2003), "social security" embodies the financial assistance given by the government that assists those with low or no income. All residents will receive social security benefits under the Universal Pension Scheme, which is dedicated to ensuring that no one is left behind from birth to death. The UPS was previously described in the National Social Security Strategy (NSSS) 2015 and the Seventh Five-Year Plan (7FYP). The Universal Pension Management Bill 2022 was approved by the Bangladesh Parliament on January 24, 2023 (Zaman, 2023).

More than just about anyone else, society's elderly citizens deserve the right to social security. According to the United Nations, an elderly person is someone who is 60 years of age or older (UNHCR, 2023). There will be 962 million persons of such age in the world as of 2017 (Hossain, Haque, & Ullah, 2016). The United Nations has set a 60-year-old age limit for enrollment, according to Abdul Hamid Khan, the president of Bangladesh (Acharjee, 2017). The President also designated the aged as "Senior Citizens of the State," highlighting the significance of their social security, dignity, and other advantages (Bangladesh Sangbad Sanstha, 2014).

In response to the Bangladesh Demographic Profile 2018, the nation's senior population rate stands as 65 years and older being 6.23%, 55–64 years being 6.93% of the entire population (CIA World Factbook, 2018). Providing the appropriate social security benefits to the elderly people faces obstacles such as fiscal and administrative barriers regarding the decline of fertility rate and increase of ageing population in the state. (Islam, 2022). Right now, Bangladesh is going through its own "demographic window of opportunity." However, given the current demographic trend, it is predicted that by 2051, nearly 20% of Bangladesh's population will be over 60 (BBS, 2015). The elderly population of Bangladesh currently lacks access to pension schemes.

The Bangladeshi government (GoB) first implemented a modest "means-tested" program for the elderly called "Old Age Allowance" (OAA) in 1998 (Knox-Vydmanov & Khondker, 2013). Beneficiaries of the program receive a monthly payment, which is less than \$6 per month, as part of the program (Rahman, Khan, & Sabbih, 2021). According to the facts that are available, about half of the elderly population reside in poverty, and policies and programs frequently exclude women. Many elderly people are

in extremely difficult situations due to inadequate support and the degradation of traditional support caused by migration, urbanization, and other triggers.

The older population has been impacted by poverty and landlessness as a result of the current socio economic landscape (Dulal, 2016) The magnitude of the pension benefit (expressed as a proportion) and the length of service have an immediate association. Both public and corporate pension plans have proven this assertion to be accurate. According to Bangladesh's regulatory framework for the pension system, managing pension funds is difficult because there is no single complete legal guidance for the pension system (Mamun & Hossain, 2022). In addition, (Khondker B. H. & Razzaque , 2018) advanced a compelling argument for a universal social pension scheme for Bangladesh in conjunction with the high rates of poverty and lower labor market engagement among the elderly, who also frequently have inadequate access to credit.

Finally, as the government has issued this Universal Pension Scheme, there emerges other challenges regarding its acceptance in the society by the citizens. Government policies must be accepted by the citizens in order to be successful. No matter how well thought and positively aimed the policy happens to be it still may fail due to less popular support, citizen cooperation and participation. Thus, this newly adopted Universal Pension Scheme also comes with doubts, disbeliefs and confusions among the general mass. Therefore, this paper aims to study the people's perception regarding the Universal Pension Scheme by analyzing the level of its acceptance and find out the challenges that beset with this perception of the people.

METHODS

This study uses a quantitative method. Data was collected from 404 participants aged over 18 years old as the UPS is eligible for Bangladeshi citizens including the expatriates, aged between 18 to 50 years according to their National Identity card. The data collection was done using a close ended questionnaire following the simple random sampling method. The SPSS software was used to analyze the data for chi square testing, cross tabulation, and descriptive statistics.

RESULTS AND DISCUSSION

Knowledge about the UPS

Universal Pension Scheme is a fairly new policy by the government which was inaugurated on 17th August 2023 and ever since then it has been much talked about. Our study aimed to find out the knowledge of the UPS among the general people by analyzing how many knew about the scheme, from where they came to know about it and how many of them actually understood the different schemes, premiums, nominee policies and other necessary information related to it for them to participate in the scheme. Among the 404 participants 78.22% had knowledge about the UPS where 21.78% did not know.

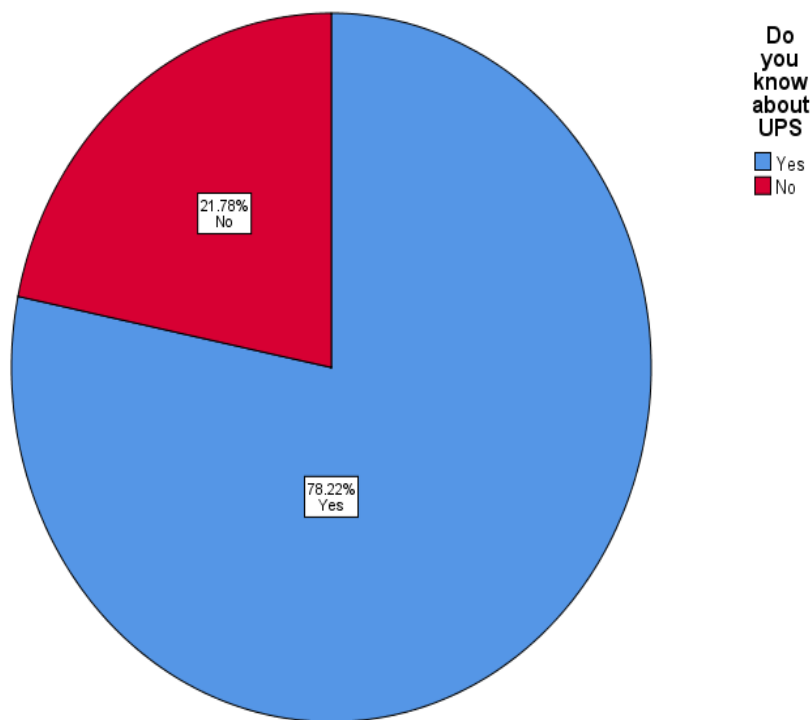


Figure 1: Knowledge about the UPS

The popular sources of this news of UPS being generated from was different forms of social media like Facebook, YouTube and others. About 40.59% of the participants had reported to have heard about the UPS from these social media sources. Newspaper was another popular source for this information as 19.80% people got the knowledge of the UPS from this source. An equal number of participants, which is 11.88%, got the information from both the Television, and as a word of mouth. 15.80% reported to have come to know about it through different sources like academic lectures, classes and others.

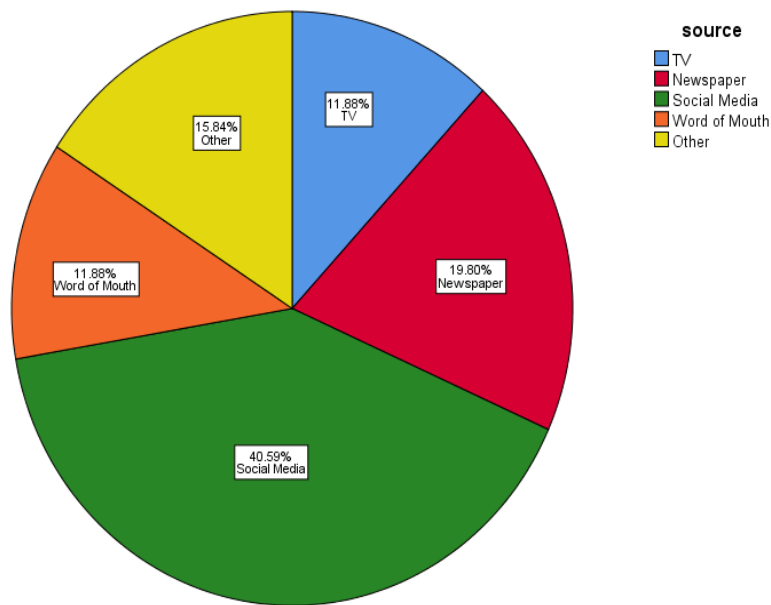


Figure 2: Sources of knowledge about the UPS

But among the ones who know about the UPS, only 40.8% are actually willing to participate whereas the rest 59.2% report that they are not willing to participate in the Universal Pension Scheme. The reason behind can be the lack of understanding the different schemes and several other reasons. According to Rajib, Mondal, & Hassan (2022) the citizen may also be unable to register in the national UPS due to factors such as lack of education, lesser income, and tendency for quick cash flows. Therefore, by running a cross tabulation, we looked into the number of participants who know about the programme and actually understand it.

The cross tabulation result shows that among the 404 participants, 316 knew about the programme and among them 184 actually understood the different schemes, premiums, nominee policies and other necessary information related to it for them to participate in the scheme. 132 of them had no idea about the 4 different schemes currently running among the 6 schemes for 4 different types of occupational groups such as - private employees, expatriates, non-institutional working people and the underprivileged.

The lack of knowledge about the new policy imposes challenges for the governance as uncertainty and ambiguity can create distrust among the people who do not have clear idea or information about the policy (Peters & Filgueiras, 2022). Making people have more clear knowledge about the different schemes and beneficiary outcomes

of the UPS can inspire them to take part in enthusiastically. Consensus building, positive feedback and enough access to information about the services can also smooth the path for the government to implement the UPS successfully (Peters & Pierre, 1998; Pierson, 2004; Ramos et al., 2021; Whittingham 2021).

People's Perception regarding the UPS

A Chi-square test for independence with $\alpha = 0.05$ was used to assess whether a person's knowledge impacts on the person's willingness to participate in the UPS. The Chi-square test was statistically significant, $\chi^2 (1, N = 404) = 8.182378$, $p < 0.05$, with a phi coefficient of 0.142314, indicating a Strong relationship. Here the p-value is .004 which is less than .05, so the Null Hypothesis gets rejected and the Alternative Hypothesis that the knowledge of the UPS has significant impact on the willingness of an individual to participate in the UPS gets accepted. 39.2% among the known participants showed interest in being a part of the UPS whereas only 22.7% among the ignorant participants agreed that they'd like to participate in the UPS. Thus the study finds that people who have knowledge on the UPS are more inclined to participate in it than the ones who do not have any knowledge of it. A study by Chen, Lan, Hsu, Chen, & Wang (2014) also implied that a grant that meets everyone's basic consumption needs after retirement will make risk-taking projects more acceptable to the average person, who is generally more risk-averse.

A Chi-square test for independence with $\alpha = 0.05$ was used to assess whether having a bank account impacts the willingness of participating in the UPS or not. The Chi-square test was not statistically significant, $\chi^2 (1, N = 404) = 0.618158$, $p > 0.05$, with a phi coefficient of 0.039116, indicating a weak relationship. Here the p-value is .432 which is more than .05, so the Null Hypothesis that having a bank account does not have any significant impact on the participant's willingness to participate in the UPS gets accepted. The data showed that almost the same percentage of participants having (36.4%) and not having (30.8%) a bank account were willing to participate in the UPS. And in both cases more than 60% of people were not willing to participate in the UPS. The reasons can be that for the ones who already have a bank account and are saving there, it will be a burden for them to carry on another UPS account for 10 years (at the least) or more than that to get the benefits out of it. A similar study by (Rajib, Mondal, & Hassan, 2022) also found this same challenge and stated that persuading the people to

give up a percentage of their salary in order to save for the UPS fund will always present obstacles. Also the ones who do not have any bank account yet find both the processes complex. And for the ones who agreed to participate in it wanted to get the promised benefit of the pension scheme by the government.

Among the 404 participants of the study only 60 reported to have insurance. This finding is also similar to that of Md, Alam, & Rahman (2017) that the people of Bangladesh still do not like to have any insurance for themselves. A Chi-square test for independence with $\alpha = 0.05$ was used to assess whether having an insurance account impacts the willingness of participating in the UPS or not. The Chi-square test was statistically significant, $\chi^2 (1, N = 404) = 8.626139$, $p < 0.05$, with a phi coefficient of -0.146123 , indicating a Strong relationship. Here the p-value is .003 which is less than .05, so the Null Hypothesis gets rejected and the Alternative Hypothesis that having or not having an insurance account significantly impacts the participant's willingness to be a part of the UPS. The results of the study showed that more among the ones not having any insurance are willing to be a part of the UPS, though in both cases the overall non willing individuals outnumber the ones who are willing.

Challenges of the UPS

The findings of the study overall indicate that the Universal Pension Scheme has not quite generated eagerness among the general people to participate in it. Most of the people are still comfortable with the traditional banking system as a reliable means for savings. Many do not even know about the programme and its schemes clearly and most of them are confused about it. The study therefore aimed to find out the major challenges of the UPS deemed by the people. The participants responded as:

Table 1: Challenges of the UPS	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Banking system is easier than the Government's Universal Pension Scheme	1%	10.9%	53.5%	26.7%	7.9%
Bank/insurance policies are more reliable than the Government's Universal Pension Scheme	2%	17.8%	50.5%	20.8%	8.9%
Inflation is a significant challenge for the Universal Pension Scheme	6.9%	9.9%	20.8%	41.6%	20.8%

Investing in a Business is more profitable than the Universal Pension Scheme	6.9%	9.9%	20.8%	41.6%	20.8%
Regime change will negatively affect the Universal Pension Scheme	4%	8.9%	32.7%	32.7%	21.8%

In comparing the UPS with banking and insurance programs, many remain neutral in choosing either one to be easier and reliable. More than half of the total respondents - 53.5% and 50.5% respectively think that the banking system is easier than the UPS and also banking / insurance policies are more reliable than the government's Universal Pension Scheme. Among the rest half, a significant amount of people disagrees (26.7%) and strongly disagrees (7.9%) to the statement that Banking system is easier than the Government's Universal Pension Scheme. Only 1% strongly agrees and 10.9% agrees to this. In the case of UPS being less reliable than the banking and insurance policies, 6.9% strongly agrees and 9.9% agrees whereas 20.8% disagrees and 8.9% strongly disagrees. There are a total of 61 scheduled banks and 35 financial Institutions in Bangladesh (Banks & FIs, 2023) and so in both cases the popularity and familiarity of the existing banking and insurance policies work as a challenge for the UPS.

The data represented on the above table also show how most of the respondents believe that investing in a business is more profitable than the UPS as the inflation is a significant challenge for this program. In both cases 41.6% and 20.8 % consecutively agree and strongly agree to this, whereas only 6.9% strongly disagrees, 9.9% disagrees and 20% remains neutral in this aspect. Such response is logical in a sense that the inflation situation of Bangladesh has reached a worse stage recently. Ahmed (2023) described how even though the price of oil and other commodities has significantly decreased globally, Bangladesh has seen growing inflation in 2022 and 2023.

This spike in inflation is attributed by the government to disruptions in global supply. While the early inflationary pressures were caused by the spike in global prices as a result of supply disruptions brought on by Covid-19 and the Ukraine War, Bangladesh's inflationary surge has been perpetuated by unsuitable policy responses. The government kept interest rates low to promote domestic credit, raised fiscal deficits, and increased its borrowings from the Bangladesh Bank to pay these deficits—instead of decreasing fiscal deficits and raising interest rates to constrain domestic demand. Even

while worldwide inflation decreased, rising demand pressures continued to drive domestic inflation.

Regime change is thought to be another challenge for this government policy by the participants of the study. Wison (2001) also asserted that modifications to the policy paradigm, adjustments to power structures, and adjustments to organizational configurations all contribute to the process of policy regime change. Most of the people of the study thus also leaned towards the agreement of this statement as 32.7% agreed and 21.8% strongly agreed to it. This esteemed risk is valid as the political history of Bangladesh has shown significant evidence of changed policy focus during different government regimes (ICG, 2015).

A good number of people (32.7%) also remained neutral in this aspect. There have been several assurances made by the government of the security of the UPS (Pension scheme: What will happen if the govt changes, 2023) and thus 4% of people strongly disagreed with it and 8.9% disagreed that regime change can negatively impact the Universal Pension Scheme. But as with a new policy paradigm, new power dynamics, the previous policy regime collapses and is made replaced, thus the fear and uncertainty in the mind of the common people is not to be taken lightly. So the governance system must be prepared to tackle this issue so that the notions of policy implementation failure are separated from regime replacement (Wison, 2000; May, 2014).

CONCLUSION

Preventing poverty and decreasing inequality are the primary goals of the public pension system, which also aims to provide elderly people with income security. Every senior citizen should have income security guaranteed by a comprehensive pension system. Many human rights documents, such as the Universal Declaration of Human Rights, incorporate this idea of universality. Universal Pension Scheme is a fairly new policy by the government which was inaugurated on 17th August 2023 and ever since then it has been much talked about. Many argue that the government appears to have made a hasty decision that is more motivated by the electoral agenda than by the current state of the nation's actual financial needs (Universal Pension Scheme: Rushed or timely?, 2023). As for being timely and well-put-together, a policy also must have popular support. Thus, this study aimed to find out the people's perception regarding the Universal Pension

Scheme and the challenges that beset with this perception of the people. The findings of the paper show that the general people are not much willing to participate in the program despite knowing about it. Though many still do not properly understand the different schemes of the UPS and prefer the traditional and familiar banking procedure for saving money, many mainly refrain from agreeing to participate on it because of the risk of inflation and regime change. Thus most people prefer investing in a business to make profit and be free from these risks that are associated with UPS.

The UPS was previously described in the National Social Security Strategy (NSSS) 2015 and the Seventh Five-Year Plan (7FYP). With the UPS, the government aims to 'leave no one behind' and involve everyone including the private sector employees, expatriates, poor and vulnerable ones. But the awareness and understanding of the schemes are not very clear to these group of people, specially expatriates, and poor-illiterates. Thus commonly the government is 'negatively' perceived as there is always a widespread negative bias that surrounds governments (Marvel, 2015). Therefore, people should get answer to their doubts and questions. Moreover, decision dilemmas regarding the vulnerable group to receive the 50% government contribution under the "Shomota Scheme," they must be removed from all other Social Safety Net programs should be addressed carefully. Furthermore, clarification must be ensured and the brighter side of the UPS, like- flexibility of the scheme, pension payments being exempted from taxation, insolvent subscribers getting 1 year of deadline, nominee policy, loan policy and specially the security promised by the government itself should be more popularized (Jahid, 2023).

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