An Empirical Study of the Reasons for Client Dropouts from Contributory Pension Schemes of Sri Lanka Social Security Board

SLJSSH

Mihirani, W.M.P.G.D.[1,*], Handaragama, S.[2] and Wickramasinghe, P.D.V.K.[3]

[1] Sri Lanka Social Security Board, Rajagiriya, Sri Lanka.
[2] Department of Social Sciences, Sabaragamuwa University of Sri Lanka, 70140. Belihuloya, Sri Lanka.
[3] Department of Indigenous Social Sciences, Gampaha Wickramarchchi University of Indigenous Medicine, Colombo, Sri Lanka.

Abstract

The study attempts to explore the causes of client dropouts of the said pension schemes in the Sri Lanka Social Security Board (SLSSB) to identify the mechanisms to overcome the weaknesses in providing a successful pension scheme. The study employed the embedded mixed method from nine Grama Niladhari Divisions in Gampaha, Badulla, and Matale Districts. A purposive sampling method was used and primary data were gathered using simple observation, key-informant interviews, survey with questionnaires and in-depth interview methods; secondary data, using government reports and relevant literature; SPSS package, used in analyzing quantitative data; content analysis, used in analyzing qualitative data. The findings revealed that socio-economic factors such as gender, occupation, income, expenditure and the number of dependents significantly affect the client dropping out of the pension schemes. Furthermore, lack of proper awareness among both active and inactive members regarding the contributory pension and social security benefit schemes of SLSSB was also a key contributory factor to client dropouts; in terms of institutional inefficiency of SLSSB, lack of a proper follow-up process, incompetent record-keeping, misinformed recruitments, having inadequate staff also seen as contributing factors. The lack of proper awareness and information dissemination about the institution and its program to the general public has created a distance between the SLSSB and the contributors. Enhancing the quality of customer service and taking proper measures will reduce this distance minimizing dropouts and developing an effective pension scheme.

Keywords: Client Dropouts, Social Security, Sri Lanka Social Security Board.

1. INTRODUCTION

Social security, a basic human right, (ILO, n.d), is extended by society to its fellow members to warrant income security and attainability of welfare services, for the vulnerable sections of society (Nivedita, Hemavarneshwari, Mangala, & Subrahmanyam, 2015) International Labor Organization [ILO], 2006 has defined social security as "the set of institutions, measures, rights and obligations whose primary goal is to provide income security and medical care to individual members of the society". In simple terms the signatories agree that the society, a person lives in, should help them to develop making the most of all advantages offered to them in the country. This concept addresses the vast range of social problems like healthcare and income security protection for individual and household sector; (International Labour Conference [ILC], 2008:1). Only one in five people in the world have been covered the adequate social security coverage (Eriyagama & Rannan-Eliya, 2003).

As life expectancy rises, the population of the aged groups increases proportionally. This demographic change altered the structure of the population. In 2010, 8% of the world's population constituted the elderly population, which is expected to increase up to 19% by 2050. Despite Sri Lanka being a developing country, its older population grows fast due to its life expectancy (Vodopivec & Arunathilake, 2008). The 2012 census recorded Sri Lanka's elderly population as 12.4%, predicted to double to 24.8% in 2041. Consequently, the total dependency ratio is gradually increasing with a combination of child dependency and increased elderly dependency (United Nation, 2019), which will create an economic downturn in the future as the labor force is shrinking due to a lesser young population (Menike, 2015). However, this process is universal according to the demographic transition theory, western world underwent this scenario but implemented strong social security mechanisms to address the issues that emerged (Asian Development Bank [ADB], 2019) "In developed and undeveloped countries, older people face an array of vulnerabilities; among these is lack of income, health insecurity and the need for physical care" (Bloom & Mckinnon., 2013). In terms of Sri Lankan culture, caring for elders is family centered. However, currently, a significant collapse in old age support mechanisms is observed within

* **Corresponding author:** Tel.: +94 701952752; Email: dinankamihirani@gamil.com

https://orcid.org/0000-0003-4871-892X.

the traditional society due to various factors resulting rise of the elderly population highlighting the need for social security for them. Reducing family support increases the state's responsibility to ensure the welfare of older persons.

Sri Lanka has introduced socio-economic and financial support—programs to address the needs rising aging population problem; the government pension scheme is the first formal scheme inaugurated in Sri Lanka to provide a security system for the aged population, representing a small percentage of the country (Menike, 2015). All government servants are required to contribute towards the "Widows" and "Orphans" pension scheme, which facilitates government servants over 60 years to enjoy a secure life without financial difficulties, which is covered a limited audience (Menike, 2015).

"*Sri Lanka provides a broad range of social security arrangements including pensions*" (Heenkenda, 2016:11). Currently, the following schemes are in place, Public Service Pension Scheme (PSPS), Public Service Provident Fund for public sector workers, Employees' Provident Fund (EPF), Employees Trust Fund for Formal Private sector workers (ETF), Farmers' Pension and Social Security Benefit Scheme (FMPS) (for farmers who eligible in the farming activities), Fisherman's Pension and Social Security Benefit (FSHPS) (for fisheries and Self-employed) and Persons Pension Scheme (for self-employed persons who have not eligible in government pension schemes) (Samarakoon & Arunatilake, 2015).

Furthermore, as a welfare state, Sri Lanka provides PinPadi, Elderly Allowances and Samurdhi for people under the poverty line especially (Menike, 2015:55). Retirement schemes within Sri Lanka were insufficient to meet the basic needs of the elderly (Gaminirathne, 2004); only 13% of the total population obtained permanent retirement plans as most Sri Lankans are self-employed Institute of Policy Studies [IPS], 2019). In both developed and developing countries, most social security programs were designed to be financed *predominantly* on the basis of contributions, in which, stable patterns of formal (regulated) employment are normally necessary for coverage. Yet, in many developing countries, stable patterns of widespread formal-sector employment have failed to materialize as was initially hoped in the middle decades of the twentieth century.

Thus, Sri Lanka Social Security Board was established by Act No.17 of 1996 to meet the needs of people unengaged in formal employment (Self- employment) informal sector, and other non-government employees – named "Samaja Arakshana Piyasa" of which sub-offices are maintained in all District Secretariats (SLSSB Annual report,2018), the primary objective being to provide social security to people without formal regulated employment and not entitled to government pensions when they are old (Eriyagama & Rannan-Eliya, 2003).

A total number of 715,013 has so far been enrolled in pension schemes at SLSSB and around 31508 people are actively receiving monthly pensions from SLSSB (SLSSB, 2020). Even in 2014, there were around 460,807 people entitled to retirement plans while 354,595 contributors remained inactive (Annual report, 2014). Sri Lanka Social Security Board tries to keep the membership active and to preserve their retirement but recently there has been significant dropping out from the pension plans.

Recently, many scholars have done research based on the insurance sector and lack of the research for contributory pension schemes. This study was conducted to investigate why people have been continuously dropping out of the pension plans of SLSBB. The findings of this study could be important for reviewing the existing pension schemes and improve them its maximum capacity.

2. LITERATURE REVIEW

2.1 Social Security

Social security is the protection that society provides to individuals and households to ensure access to healthcare and guarantees income security. It is defined in ILO conventions and UN instruments as a basic human right as one that a small proportion of the people on our planet actually enjoy. Broadly defined as a system of contribution-based health, pension and unemployment protection, along with tax-financed social benefits, social security has become a universal challenge in a globalizing world. Only 20 percent of the world's population has adequate social security coverage, while more than half lacks any kind of social security protection at all (ILO,2016). Those without coverage tend to be part of the informal economy, they are generally not protected in old age by social security and they cannot afford to pay their healthcare bill.

Social security was established as a basic human right in the ILO's Declaration of Philadelphia (1944) and its Income Security Recommendation, 1944 (No. 67). This right is upheld in the Universal Declaration of Human Rights, 1948, and the International Covenant on Economic, Social and Cultural Rights, 1966 (ILO,2016). However, only one in five people in the world has adequate social security coverage. In sub-Saharan Africa and South Asia, only an estimated 5% to 10% of the working population has some social security coverage. In countries in economic transition, Europe has the highest level of social security expenditure at nearly 25% of GDP, followed by North America at 16.6%. Africa has the lowest level at 4.3% of GDP. Covid -19 pandemic threatened the financial viability of social security systems in many developing countries. Lack of social security coverage is largely concentrated in the informal economies of the developing world, which are generally a larger source of employment for women than for men (ILO, 2016).

Social security has a powerful impact at all levels of society. It provides older people with income security in their retirement years. Children benefit from social security programs designed to help their families cope with the cost of education. For employers and enterprises, social security helps maintain stable labour relations and a productive workforce. And social security can contribute to social cohesion and to a country's overall growth and development by bolstering living standards.

2.2 Social Security and Sri Lankan Context

Sri Lanka's economy and society have experienced major structural changes in the past decades (ILO, 2016). According to International Labor Organization's country report on Sri Lanka (2016) following the transfer of power to elected governments in the 1930s, the country invested heavily in several initiatives to improve social protection and social security. Healthcare and education were made available to all through government taxation and direct provision of services. One important exception to this model of state-led financing and provision was the decision to maintain and continue with employer-provided social services for workers in the plantation sector, funded by access to plantation exports. The creation of these major social protection activities not only embedded the

democratic system in the country but also bolstered it during the various national crises, that occurred during 1971–2009.

Menike (2015) has explained that there is a long history of social security programs in Sri Lanka which runs back to the pre-independent era. Dutch and British colonizers initiated various programs to provide social service aid for orphans, helpless aged people and beggars. These rulers, who identified the significance of the said welfare services, instituted special commissions and took action with more emphasis on arriving at timely decisions.

The country faces significant challenges if it aspires to complete the development path it set itself in the late–1970s, match the economic growth of other Asian economies, and provide its people with the high living standards they desire. In particular, the economy needs to substantially deepen industrialization and the export sector (Menike, 2015). It also has to do this whilst facing the negative and insidious impacts on external competitiveness that arise from the large flow of remittances from many Sri Lankans, chosen to work and live outside the country. At the same time, declining population growth and population aging mean that the workforce is no longer expanding, placing a greater premium on improving labour productivity, reversing the export of workers, and increasing labour force participation rates in order to raise living standards (Menike, 2015).

These challenges imply that the country will need to focus on improving social conditions, and social protection in employment, and to ensure that all Sri Lankans are afforded a standard living status.

2.3 Social protection for the older person

Figure1: Social Protection Mechanism
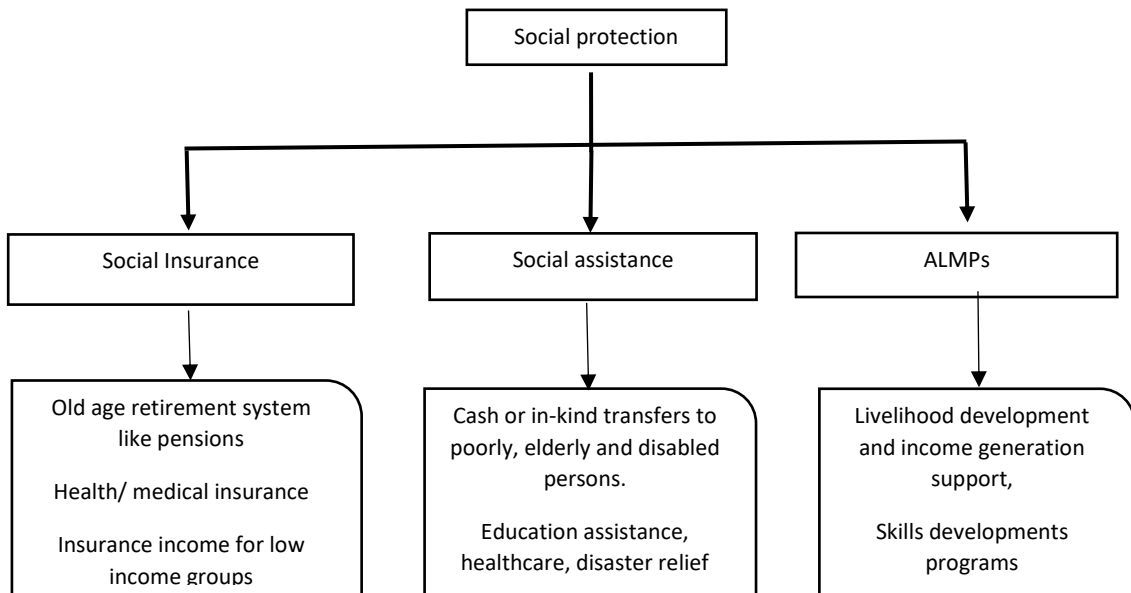
Source: Thilakaratne and Jayawardhane, 2015

Thilakaratne and Jayawardhane (2015:9) emphasized that "Sri Lankan social protection system" consists of a range of policies and programs implemented by the government specifically targeted toward various vulnerable segments of the population.

Though Sri Lankan elderly population has traditionally depended on family support, reduced family size and migration rates affect this option. As the dependency ratio grows up, only a small number is actively engaged in labour force. This generates vulnerability for older people. (Samarakoon and Arunathilake, 2015). A pension provides basic income security for economically inactive people and those unable to earn a sufficient income (ILO, 2016). According to the ILO convention C102, persons should be entitled to receive 40% of their previous earnings upon reaching the age of retirement, which may be defined according to country laws but which cannot exceed the age of 65 (ILO,2016).

Abeykoon and Elwalagedara (2008:33) state that Sri Lanka has introduced various financial and social programs against aging population's problems. Policies were formulated in 1982 with the implementation of the National Committee on Ageing in the Department of Social Service targeting to fulfill life in old age. There are many formal schemes providing for old-age income security in Sri Lanka consisting of pension schemes and provident funds or savings schemes - the former providing periodic benefits to eligible individuals, and the latter, only a fixed lump-sum benefit on reaching an eligible age. The schemes examined below are all meant to benefit those people of the labor force upon reaching old age. If a person never worked in their lifetime, he or she is not entitled to receive any old age benefit (ILO, 2016).

Table 1: Pension plans available in Sri Lanka

Name	Year Established	Administration	Financing
Public Sector Pension			
Public Servants Pension scheme	1901	Department of Pension	Treasury
Armed Forces Pension and Gratuities	1981	Department of Pension	Treasury
Widows/Widowers	1983	Department of Pension	Contributory Subsidized by Government
Public Servants Provident Fund	1942	Department of Pension	Joint contribution: worker 8%, employee 12%
Private Sector			
Employee Provident Fund	1958	EPF Department of Central Bank	Joint contribution: worker 8%, employee 12%
Employee Trust Fund	1981	Employees' Trust Fund Board	Contribution only from employer 3% of monthly gross earnings.
Informal Sector			
FMPS	1987	Agricultural and Agrarian Insurance Board (AAIB)	Contributory Subsidized by Government
FSHPS	1990	AAIB	Contributory Subsidized by Government
Migrant Worker Pension Scheme	2008	National Pension Trust Fund	Migrant Worker prior Agreed Monthly Contribution
Public Assistance Monthly Allowances (PAMA)Program	2012	Department of the Commissioner General of the Samurdhi	Treasury
Sahana	1996	SLSSB	Contributory Subsidized by Government
Thilina	1996	SLSSB	Contributory Subsidized by Government
Isuru	1996	SLSSB	Contributory Subsidized by Government
Sarana	2006	SLSSB	Contributory Subsidized by Government
Surekuma	2006	SLSSB	Contributory Subsidized by Government
Danalakshmi	2006	SLSSB	Contributory Subsidized by Government

Source: ILO, 2016.

According to ILO (2016), the largest and oldest pension scheme in place is the Civil Pension Scheme (CPS). This scheme covers public servants and is practically the only government-mandated program catering to a sector of workers with rights to a pension. Additionally, a number of government-administered schemes cover other workers, including the Farmers' and Fishermen's Pension schemes and the Self-employed Persons' Pensions Scheme. Private and non-pensionable public sector employees within the formal sector are compulsorily enrolled in provident funds. Both employers and employees contribute to such schemes. The major provident funds in the country are the Employees' Trust Fund (ETF), the Employees' Provident Fund (EPF), Approved Pension and Provident Funds (APPFs), and the Public Servants' Provident Fund (PSPF).

 "The Pension and Social Security Benefits Scheme for Self-Employed Persons was established by the Social Security Board Act No 17 of 1996" (ILO, 2016:63) – considered a voluntary contributory pension scheme (DC). Initially, there were several contribution programs, which merged into a single program 'Surekuma', the main pension scheme, operated by SLSB (Samarakoon and Arunathilake, (2015:21). SLSSB aims to provide social security to self-employed people during their old age and in case of disability and aims to provide relief upon death. It also encourages current occupation and develops skills and capabilities, encouraging youth to self-employment and develops skills and capabilities and educates self-employed on the benefits of thrift and resource management and improves living slandered self-employed (SLSSB, 2020 and ILO, 2016). People ineligible for government pension schemes are eligible for pension benefits offered through SLSB. Members can enroll in the scheme between 18-59 years and acquire monthly benefits until death.

According to the ILO (2016), this scheme basically targets low-income groups not entitled to a government pension. According to the Gazette No 948/10 in 1996, people engaged in production excluding primary produce of agriculture, fisheries and livestock, forestry and hunting, mining and quarrying, manufacturing, storage and packing, building and construction, electricity, gas and water, transport, repair and maintenance, trade and commerce, insurance and banking, real estate and business services, communications, community, social and personal services and occupation in other sector persons are eligible for this pension schemes excluding those covered in farmers' and fishermen's pension schemes. Considering the 2006 gazette, there were six different schemes Sahana, Thilina, Isuru, Sarana and Dhanalakshmi and Surekuma are the currently functioning pension schemes and Arassawa is the early pension scheme (SLSSB, 2020).

SLSSB also have several functioning specific pension and social security benefit schemes for targeted self-employed categories (ILO, 2016 & SLSSB, 2020).

Table 2: Extra Pension Schemes in Sri Lanka Social Security Board.

Scheme	Covered area	Coordinating partner
Sesatha	Migrant workers	Foreign Employment bureau of Sri Lanka
Helaweda Rakawarana	Indigenous medicine	Department of the Ayurveda Commissioner
Saraswathi	Artist	Department of cultural Affairs
Randalu	Small Tea Sector	National Craft Council
Kamdiriya	Small Industries Sector	Ministry of Traditional Industries and small Enterprise Development.
Rasiru	Employees in beauticulture	Sri Lanka Social Security Board
Ransalu	Handloom Industry	Department of Textile and Sri Lanka Social Security Board.

Source: Sri Lanka Social Security Board, 2018

Clients can make their contribution as a monthly installment or as a lump-sum payment. People can choose contributions as they wish and fit. However, according to the annual reports of SLSSB 2017/18, there is a significant number of dropouts. But there is no exact recorded number of inactive contributors due to the failure of the computer in SLSSB (Annual Report, 2018). Unlike the formal employee pension schemes due to irregular income patterns or no gain of continuous income among informal sector employees, contributors do not tend to maintain smooth continuous voluntary contributions. Even though clients try to pay their premium (installments) regularly, their irregular income patterns create difficulties in maintaining it (As cited in ILO, 2008).

Budget constraint is another factor creating a huge burden on the social protection programs in Sri Lanka restricting the expanding their coverage and improving retirement benefits. As cited in Tilakaratne et al, 2015, 80% of total benefits expenditures are allocated for formal public sector workers' benefits in their retirement age (PSPS, W&OP EPF/ETF). Help Age International (2008:1) states that aging is rapidly increasing in Sri Lanka posing a huge challenge to the existing pension coverage at present. "Residents over 60 years of age comprise 9% of the population and will reach 25% by 2041". These existing pension plans are not adequate to supply minimum income to older people to prevent poverty, especially for those who engage in informal sector employment. Thus, it is important to identify what caused the dropping out of the existing pension schemes in order to provide better and more effective programs in the future. This study investigates the factors causing a higher level of dropping out related to pension schemes offered by the Sri Lanka Social Security Board in order to provide a successful and effective pension scheme in the future.

3. MATERIALS AND METHODS

This study was conducted in three districts; namely, Gampaha, Badulla and Matale selected as they reported the highest, middle, and lowest levels of client dropping outs, respectively. Gampaha had (91.4%) dropouts; Badulla, (70.5%), and Matale, the had lowest (62%) (SLSSB Arassawa database, 2018). Additionally, three different sectors namely urban, estate, and rural were chosen to investigate different socioeconomic factors related to client dropout based on the sector. Several Grama Nildhari divisions belonging to each district as shown in the table 3 were selected as the primary data gathering.

Table 03: Study Sample

Urban Sector	Estate Sector	Rural Sector
Gampaha District	Badulla District	Matale District
191A Ja-Ela	94A Lunugala Town,	E355 Ukuwela,
190A Weligampitiya North	94G Sumudugama	E357A Kalalpitiya
190 Weligampitiya south	94D Sooriyagoda	E357 Bowatta

The total number of inactive members in these three districts, 35762 (Sri Lanka Social Security Data Base-2020), was used as the total population. As per data in these three districts, the study identified a total sample of 130 inactive members. There were two pension schemes, currently active in SLSSB - "Surakuma" and "Arassawa". Each district had the following number of clients in these two schemes: Gampaha, 49 clients, Badulla, 30 and Matale, 21 included in questionnaire data (100) and 30 of interview data. However, the SLSSB records did not indicate whether these clients are active or inactive in both schemes. Consequently, the sample was drawn using the purposive sampling method and the study gathered data from all the registered clients in three districts, enrolled in "Surakuma" and Arassawa" schemes.

The study collected both qualitative and quantitative data. A survey method was used to collect quantitative data, while in-depth interviews were conducted for the purpose of collecting qualitative data. Quantitative data were analyzed using SPSS package 20 and the Multiple Logistic Regression Model to achieve the main objective employed in this study to identify the factors influencing for the clients' dropouts in contributory pension schemes. In addition, Chi-square and Correlations analysis were used to identify the association between variables. Qualitative data gathered through the in-depth interviews were analyzed using thematic sampling.

This research was focused on the reasons for clients' dropouts in contributory pension schemes governed by Sri Lanka Social Security Board. Basically, identified the relationship between socio-economic factors, contributors' attitudes, and institutional factors with the dropout ratio. For achieved these objectives, employed both primary and secondary data collection methods. Simple Observation method, 12 Key Informant Interviews were conducted among 3 SLSSB district officers; 9 government officers in 9 Grama Niladhari Divisions, recruited the highest number of

contributors. The survey was conducted with 100 questionnaires and 18 in-depth interviews using 9 male and 9 female respondents in nine GN Divisions. The client drop-out rate was used as the basic unit of analysis.

This study considered Status (Active/Inactive) as a dependent variable and based on three hypotheses research was designed.

1. H1: There is a relationship between Socio-Demographic factors and clients' dropouts.
2. H2: There is a relationship between contributors' attitudes toward contributory pension schemes and clients' dropouts.
3. H3: There is a relationship between institutional factors and clients' dropouts.

4. RESULTS AND DISCUSSION

All the demographics in the above table are calculated as percentages and all respondents of the sample belong to basic two pension schemes, active currently offered by SLSB - "Arassawa" and "Surekuma", the majority in all three districts belonging to the Arassawa scheme, 81% of total sample; 19%, "Surekuma" scheme. Based on the primary data, only 27% of respondents out of the entire sample actively contribute to the pension schemes; the majority (73%) remain inactive. District wise in Gampaha district 30% of members are active; 70%, are inactive; in Badulla District, 29%, are active and 71%, are inactive; in Matale District, 19% are, active while 81%, are inactive. Inactive means members do not contribute to the pension scheme by paying their regular installments. The basic socio-demographic characteristics of the study sample are depicted in table 4.

Table 04: Socio-demographic characteristics of the sample

Type	Category	Percentage (%) District Level			
		Gampaha District	Badulla District	Matale District	Total
Status	Active	30	29	19	27
	Inactive	70	71	81	73
Scheme	Surekuma	30	10	19	19
	Arassawa	70	90	81	81
Gender	Male	37	45	24	37
	Female	63	55	76	63
Age	>20	0	3	0	1
	21-30	30	29	24	29
	31-40	33	45	29	37
	41-50	33	16	29	25
	51-60	4	7	14	8
	60<	0	0	1	0
Ethnicity	Sinhala	33	32	67	42
	Tamil	4	61	10	28
	Muslims	0	7	24	09
	Burger	63	0	0	22
Marital Status	Married	89	100	100	96
	Unmarried	11	0	0	4
Education	Non-schooling	0	3	0	1
	1-5	0	19	0	8
	6-10	19	38	10	24
	O/L	48	29	43	39
	A/L	22	8	29	18
	Higher Education	11	3	19	10
Occupation	Private Sector	67	7	67	30
	Self-employed	11	0	14	12
	Estate Sector	0	87	19	42
	Government sector	22	6	0	8

Source: Survey data, 2020.

Considering the socio-economic factors affecting client dropouts of the pension schemes, there is a moderate relationship between the dropouts and active status based on gender: among the active group, 28% are female and 24%, are male. Considering the inactive group, 76% of the majority of respondents are recorded as male; 72%, are female. In both scenarios regardless of gender, inactive members depict the highest percentage.

However, the fact that the active percentage remains high among males, and the inactive percentage, high among females could be due to the higher financial earning capacity that males possess compared to females; especially, the in-depth interviews revealed that female respondents tend to leave their jobs and financial means of income due to the

family responsibilities. Consequently, since after a while, they do not possess proper stable financial means to support themselves, they tend to simply avoid contributions to pension schemes.

The employment, income and expenditure and financial stability of the respondents are crucial factors in maintaining the pension schemes. It also heavily affects the clients' dropout from the pension schemes. The pension schemes offered by SLSSB are mostly voluntary contributory programs; especially, these programs require the member to pay a monthly installment proportionate to his or her income and age. The Sri Lanka Social Security Board calculates the installments technically known as "premiums" based on the age and ability to pay premiums of the contributors. Premium installment payment methods

can be decided by the member based on his ability to contribute.

Figure 02: Employment status in a sample
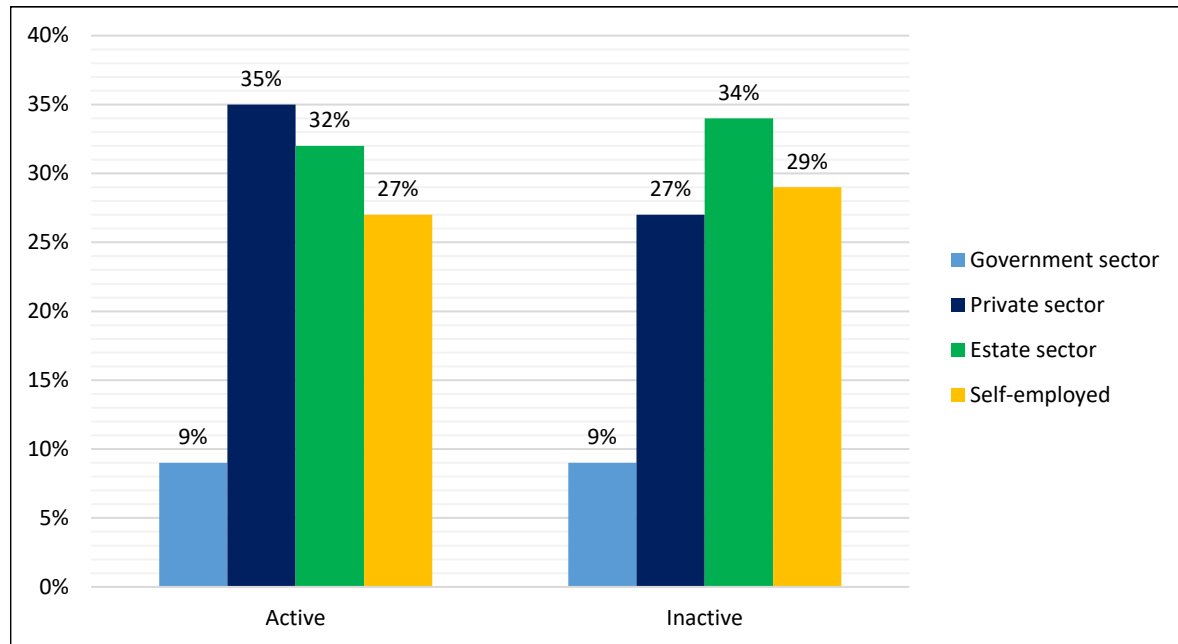
Source: Field Data-2020.

A monthly instalment plan is highly based on the employment, income and expenditure, and financial stability of the members. Considering the active and inactive status, the majority of respondents (35%) identified as private sector employees; 32% of respondents belong to the estate sector, and while (27%) are self-employed; the least number (9%) belong to the government sector. Considering the inactive group, 34% of the majority of respondents are working in the estate sector; also 29%, are self-employers; and 27%, private sector workers. It was identified from the sample survey that the nature of the employment of individuals influenced pension contributions. This is because many contributors do have not permanent jobs and earn a daily income leading to the recognition that occupation and income stability necessarily determine the dropouts in the pension schemes offered by SLSSB.

Considering the chi-square table (see table 5), the P value is 0.018 is less than the alpha value of 0.05. According to the P value, it can be concluded that there is enough evidence to reject the null (H0) hypothesis. Also, these variables are statistically significant. This shows a relationship between the number of dependents in a household and active contribution status. Considering the inactive contributors, (40%) of the highest respondents stated that they had more than 5 dependents in their household proving the number of dependents in a family affects the contribution to the pension schemes. According to the in-depth interviews, many inactive members had to drop out in the middle as they couldn't spend money in instalments due to increasing dependents in their families.

Table 5: Number of dependents in a household

Chi-Square Tests					
	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	5.570[a]	1	.018		
Continuity Correction	4.432	1	.035		
Likelihood Ratio	5.705	1	.017		
Fisher's Exact Test				.023	.017
Linear-by-Linear Association	5.499	1	.019		
N of Valid Cases	79				
a. 0 cells (0.0%) have an expected count of less than 5. The minimum expected count is 10.37.					
b. Computed only for a 2x2 table					

Source: Survey Data, 2020

I paid for a few months before the birth of my little son. But after his birth, I could not continue to pay for it with the house expenses. I also take care of both mom and dad. It is difficult for all of us to live on a single salary because only the husband has a job. So with the expenses, it's hard for me to think of a pension now (In-

depth interview, Field Data, contributor, Dropouts Female, 2020).

I previously worked in the private sector. After having three children, it became difficult to carry on the job and the children's work. I put money into this account before

I got married. After I got married, I could not pay for it with the occasional problems. Now with the cost of the three children, there is no way to put again money (In-depth interview, Field Data, contributor, Dropouts Female, 2020).

The above narratives prove the number of dependents in a family has a clear effect on the contribution for a retirement plan. Also, the increase of dependents in a family will have a huge impact on the family economy. It also affects the economic viability of the family of people – unemployed and job seekers. The following narrative explains it further:

It's been three years since my elder son finished school. He still doesn't have a job. Going from one job to another from time to time. But still not a permanent job. The two little ones are still learning. The husband also does hire work. The biggest problem we have is that our son does not have a job yet. If he gets the job, he would be free no (In-depth interview, Field Data, contributor, Dropouts Female, 2020).

Furthermore, changes occurred related to income generation sources of the respondents were also identified as a fact that affected dropping out from the pension schemes: 73% of respondents stated that there was no change in the income generation method (employment) during the payment period; 27% from total sample stated that payments were discontinued due to changes occurring in their income generation during the payment period; 8% have given-up the payment due to losing their careers and 10% have dropped out due to health issues. These respondents were seeking residential treatments due to chronic diseases and accidents. This has indirectly forced them to deactivate their accounts. In addition, 9% of respondents had to give up the pension plan as one of the income earners in the family had to leave the job. This situation clearly shows that respondents are indirectly forced to give up on the pension plans as they financially struggle due to irregular income sources. People tend to use

their money to fulfill their current needs rather than think about the distant future.

In this part was analyzed by using the multiple logistic regression model with the SPSS software. Basically, Multiple Logistic Regress Model was used to analyze the client's attitudes and awareness towards the contributory pension schemes with the purpose of establishing the relationship between clients' dropouts and the reasons behind the dropouts' ratio.

Primarily, identified the independent variables which are associated with the dependent variable namely active/inactive status among the contributors. So, after that, some variables were excluded from the data set due to not being related to the dependent variable. Totally 28 variables were studied and 17 variables were associated with the dependent variable used to identify the relationship between the dependent variable by using the correlation model and chi-square test. The set of independent variables consists of the age, income, education, number of dependents, awareness of the SLSSB, Promotion campaign of SLSSB, retirement age, adequacy of pension amount, period of premium payment, benefits, awareness of rules and regulations taken by SLSSB, reliability of the institute, convenience of payment methods, easy to access, follow-up process of SLSSB, competitiveness, and efficiency of the institute.

After that, using those 17 variables find the multi-collinearity relationship among independent variables (See table 6). Using the chi-square and correlation coefficient model excluded 11 variables due to the multi-collinearity. Throughout this test, identify the six independent variables which are not associated with each other variables. These were awareness of the SLSSB, retirement age, awareness of rules and regulations taken by SLSSB, adequacy of pension amount, follow-up process of SLSSB, competitiveness, and efficiency of the institute. Then fitted several models and used the Hosmer-Lemeshow test to check the goodness of fit of the best-fitted model.

Table 06: Model with Lack of Awareness of SLSSB, Indeterminate of Retirement age, and lack of follow-up process of the SLSSB

Parameter	B	S.E	Wald	df	Sig.	Exp(B)
Lack of Awareness of SLSSB	-1.253	0.765	2.6827	1	0.101	0.2856
Indeterminate of Retirement age	2.47	1.00	6.1009	1	0.013	0.0845
Lack of follow-up process of the SLSSB	2.17	1.26	2.9660	1	0.085	0.1142
Constant	0.223	0.671	0.1104	1	0.739	1.2498

Source: Survey Data, 2020

LogitP(x)= $\beta 0 + \beta 1 Awareness\ of\ SLSSB + \beta 2 Retirement\ age + \beta 3\ Follow\ up\ process\ of\ the\ SLSSB$

LogitP(x)= 0.223 -1.253 + 2.47 + 2.17

According to table 7, Awareness of SLSSB, Retirement age and Follow-up process of the SLSSB can be taken as significant variables for the model. Hence, the P-value of the model is less than the 0.05 significant level of the model.

Table 07: Hosmer and Lemeshow Test

Chi-Square	Df	Sig.
2.44	8	0.964

Source: Survey Data, 2020.

According to the Hosmer and Lemeshow Test, the P-value is greater than the significant value of 0.05. Hence, there is not enough evidence to reject the null hypothesis. Therefore,

the conclusion of this model can be identified as an adequate fit. Only Retirement age is significant

Hence, the best-fitted model can be written as follows,

Logit P(x)= 0.223 -1.253 ^Awareness of the SLSSB + 2.47 ^Retirement Age + 2.17 ^Follow-up process of the SLSSB

Considering these findings, basically, lack of awareness towards the SLSSB, indeterminate retirement age and lack of follow-up process of SLSSB causes the clients dropouts from the voluntary contributory pension schemes.

The study also tried to examine the respondents' future retirement plans by identifying whether they are concerned about their financial security when they are old. As the table below depicts, the majority (67%) of the sample has not clearly decided about their retirement or financial security and care when they are old; 15% said that they hope to live with their children when they are old. However, in terms of Sri Lankan culture, caring for elders is a family-centered requirement and the role of the family members is also the same. Presently, the aged population is subjected to severe distressing situations due to seclusion by their children with their migration to urban areas. Urbanization causes children to leave their aged parents alone in their ancestral homes or in Elders' Homes. It is a practical difficulty for children to look after their aged parents very closely because at present in urban households, both spouses are compelled to be employed enabling them to meet this problem; yet, it becomes further critical when women in rural areas leave the country for foreign employment assigning the responsibility of looking after their small children, to their aged parents (Menike, 2015). Consequently, it is important that people focus on their social and financial security when they are young and actively participate in the labor force. However, the in-depth interviews revealed that though the respondents are aware of the importance of financial and social security, they are unable to contribute due to the financial ends they have to meet.

> *I would like to think about retirement. But it is hard to do with these expenses. My husband doesn't have a permanent job and neither am I. So, it is difficult to bear the expenses of my three children (In-depth interview, Field Data, contributor, Dropouts Female, 2020).*

> *It is difficult to think about a pension this time, because of the responsibilities to my family. I might start to save when my kids are a bit grown up. (In-depth interview, Field Data, contributor, Dropouts Male, 2020).*

11% of respondents are currently contributing to pension and life insurance plans in either private or government sectors; among them, 7% stated they already have accounts and pension plans in private sector banks. The sample survey also revealed that Muslim members are more likely to deposit and invest in the private sector. This could be due to religious restrictions on money and financial handling. Since the SLSSB does not offer any culturally sensitive customized pension plans these respondents were much reluctant to maintain the pension plans in the future. In addition, 4% and 3% of respondents stated that they hope to secure their financial stability through income from their properties and self-employments they are trying to start.

Table 8: Living Strategies in Retirement

Strategy	Percentage
Not decided yet.	67%
Living with children in their care.	15%
Referral to other pensions and life insurance	11%
Depositing money in private banks	7%
Living on property income	4%
Thinking of starting self-employment.	3%

There are a number of other important behavioral and socio-economic factors affecting participation in retirement plans. It is very important to understand the characteristics of individuals who are more or less likely to become members and how these can be included in developing better retirement plans. An important factor that influences the likelihood of an individual's saving through a voluntary program is the degree of understanding of how financial systems work and the role of long-term savings in retirement income, two issues included typically in what is more broadly termed "financial literacy". A recent study (Hinz, 2008) found that the degree of financial literacy of individuals had an effect on the probability of their participating in voluntary pension savings, equivalent to the impact of the financial incentives. The capacity to plan over the relevant time horizons for pensions seems to be an important part of this process. An earlier study (Hinz, 2008) found that the planning horizon of individuals was a significant factor in explaining their participation in employer-sponsored voluntary savings plans. Most importantly, the provision of some education and especially advice on a personal level has proven to be among the most effective means of inducing contributions to voluntary arrangements. So, it is important that SLSSB lead individual grass root level awareness programs as well as follow-up programs to encourage and explain the importance of retirement plans.

Consequently, the social security board may require a method to balance the welfare, responsibility, and economy of its clients as most of them are financially struggling due to unstable means of income. If the board can introduce a mechanism to make the state do the minimum contribution along with the clients to each pension scheme, but the individual is required to pay in installments later on when he receives monthly benefits, helping reduce the client dropout.
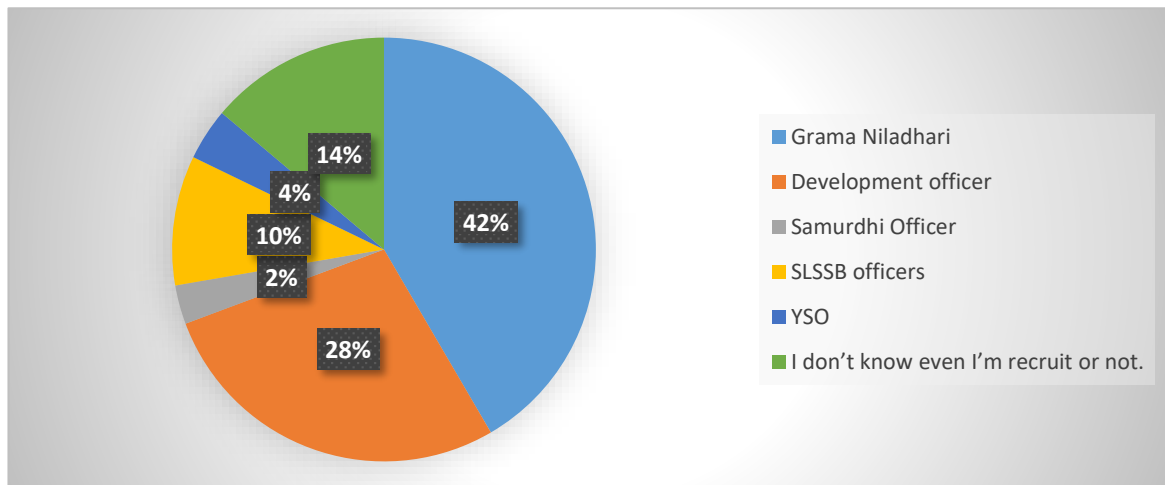
Currently, SLSSB is having their district offices in all 25 districts and the Head is in Rajagiriya to provide effective customer service for the contributors. According to the field survey data, all three districts faced a huge problem regarding their labor turnover due to retirement, resignation, and transfers of trained and experienced officers. And also board has faced a huge problem regarding their non-continuation of customer service due to constantly recruiting their officers and always having to be trained them. The following narrative explains it further.

> *One of the main problems we face as a board is the departure of our officers and the non-continuation of their service. Recruited officers who leave the service or resign if they get another job. Specially pensionable jobs. Therefore, we face a huge problem regarding the continuation of customer service in carrying out our work money (Key informant interview, Field Data, Coordinating Officer, Male, 2020).*

A new CO came after the former CO retired. But the new CO came here a few months after the old CO was gone. The newcomer CO was only a few months old and he was left. But haven't got a new CO yet since he left. Due to this reason, the area is not functioning properly (Key informant interview, Field Data, Management Assistant, Female, 2020).

And also another thing that became clear from the above narratives in the sample survey, was the failure to recruit a new officer as soon as an officers leave the service. What are long-term vacancies for the post. Due to this reason, customer service could not be maintained properly due to

Figure 3: Enrolments by officers.

Source: Survey data, 2020

the lack of opportunity to inform the new officer of the strategies previously implemented and taken by the previous officers in that area.

Due to this consideration, the board is unable to reach the expected accomplishments and it also affects the expanding of their arrangements and activities. So, it is very clear that there is no proper coordination between the board and contributors. It will create a high level of client dropouts from the SLSSB. According to the field survey data, there are various officers recruiting contributors to the Pension and Social Security Benefit Scheme of SLSSB. The following figure shows the recruitment by officers in three districts.

Considering the total sample, authorized government officers in that particular area recruited the contributors to the Pension and Social Security Benefit Scheme of the Sri Lanka Social Security Board. Among them, 42% of the highest respondents are enrolled by Grama Niladharis in the Pension and Social Security Benefit Scheme of Sri Lanka Social Security Board. Then 28%, 2%, and 4% of respondents are recruited by Development Officers, Samurdhi Officers, and Youth Service Officers respectively. According to officers in Sri Lanka Social Security Board, they recruited 10% of respondents directly for their Pension and Social Security Benefit Scheme. And 14% of respondents didn't know that they have contributed. Furthermore, recruitments have been made only on the basis of the purpose of recruitment, and some officers and also Recruitment of subscribers without proper knowledge of the rules and regulations of the board have had a high level of inactive. And also wrong record keeping, fake recruitments, and the distance between the contributors and the institution have caused to people be inactive in the account.

5. CONCLUSION

Providing social security for the elderly in Sri Lanka became a considerable aspect of society due. Raising elderly persons' own income, and social pensions have the potential to bring considerable benefits to the elderly. Sri Lanka Social Security Board has implemented several voluntary contributed pension schemes in order to provide social security to the elderly. However, most recent annual reports on SLSSB show that the members of the said pension scheme tend to drop out largely. This study was conducted with the intention of identifying the relevant causes for client dropouts in SLSSB. The findings of this study identified

that socio-economic factors such as gender income levels and occupation as well as dependents in a household significantly affect the contribution for voluntary pension schemes.

The lack of financial literacy among the clients has led them to ignore the importance of proper financial safety in old age. In addition, due to the lack of awareness and follow-up procedures by SLSSB many members have joined the pension programs without any proper knowledge of its mechanisms, rules, and regulations. Unlike private retirement plans, SLSSB does not have marketing or awareness. The awareness is only done through government mechanisms using public officials. As a result, proper information about retirement plans may not reach a larger group.

SLSSB gets support from other government officers at the ground level to recruit contributors for retirement plans. However, most of these people were recruited without proper knowledge sharing on the program just for the sake of documentation. Therefore, a large number of contributors recruited by the officials have become inactivated in time due to the lack of a follow-up process. These officials were targeting in receiving some extra benefits such as awards, commissions, and appreciation letters. Based on the findings of the study the following suggestions were identified as recommendations to develop a better pension scheme within the SLSSB.

Pertaining to these issues, overcome to the clients' dropouts from the SLSSB pensions schemes board can Implementing proper marketing and awareness programs to the general public about the SLSSB, Strengthening the customer follow-up process including introducing the short message service (SMS) to remind premium payments that are due and notifying the clients through a letter about premium is

missed. And also Proper training is given to ground-level government officers on information dissemination and recruiting members. Increase payment opportunities enabling the public to pay premiums to every bank (Government and Private) where people transact. Especially, Rural Development Banks and Samurdhi Banks. Furthermore, Introducing various retirement schemes in a timely manner, Providing a grace period for activating a deactivated account and properly advertising it, Recruiting the necessary employees to SLSSB to fulfill ground-level management, introducing computer database and updating members" information, Providing individual and group advise sessions for inactive members and encourage them to restart the contribution, Offering a small bonus as an incentive within 5 or 10 years to people who continue to pay a premium, Commence a new section in SLSSB to find out the inactive members, Establish the outreach section to investigate the follow-up process of the SLSSB and it should be governed by the audit under the general manager/chairman/administration branch impartially and Introduce computer software and improve the computer system so that it can identify people who give-up premium.

REFERENCES

Abeykoon, A.T.P.L. & Elwalagedara, R. (2008). Review of Social Protection Policies and Programs Strengthening Family Well-being: Sri Lanka Country Report. *Institute for health policy*. Retrieved 27, 5, 2020.

Asian Development Bank. (2019). Growing Old before Becoming Rich; challengers of an ageing population in Sri Lanka. *Asian Development Bank*. Retrieved 27, 5, 2020 *Available at https://www.google.com/url?sa=web&rct=j&url=https;//www.adb.org/sites/defaul/files/ publication/557446/agingpopulationsrilanka.pdf&ved=2ahUKEwj06aHnm5PuAhVMT30 KHQIODFMQFjAAegQIARAB&usg=AOvVw2KWgKEVhMconmlcWjg4B49.*

Bloom, D. E., & McKinnon, R. (2013). The Design and Implementation of Public Pension Systems in Developing Countries: Issues and Options. *IZA Policy Paper No. 59*. Retrieved 27,5, 2020, Available at https://ftp.iza.org/pp59pdf

Department of Census and Statistics (2012). Labour Force Survey annual report. *Department of Census* and Statistics. Retrieved 25, 5, Available at https://www.google.com/url?sa=t&source=web&rct=j&url=https;// www.statistics.gov.lk /PopHousat/CPH2011/Pages/Activities/Reports/CPH_2012_5Per_Rpt.pdf&ved=2ahUK Ewi85efUn5PuAhVLAHIKHT4UCTAQFjAAegQIARAB&usg=AvVaw1d8 5_YILFuj4VkC gf2-DaR

Eriyagama, V., & Rannan-Eliya, R. P. (2003A). Assessement of the Farmer's and Fishermen's Pension and Social Security Benefit Scheme. *Demographic Transition and Pension Series No.5*. Retrieved 29,5, 2020, Available at http://www.ips.lk/wp-content/uploads/2017/01/03-Assessmentofthepensionips.pdf

Gaminiratne, N. (2004). Population Ageing, Elderly Welfare, and Extending Retirement Cover: The Case Study of Sri Lanka. *Oversease Development Institute*. Available at http://www.researchgate.netpublication5204178PopulationAgeingElderlyWelfareandExtendingRetirementCoverTheCaseStudyofSriLanka

HelpAge (2008). Tackling poverty in Old Age: A Universal Pension for Sri Lanka. Retrieved 27, 5, 2020, Available at, http://www.helpage.org.

Heenkenda, S. (2016). The Determinants of Dropouts from Voluntary Pension Scheme: Evidence from Sri Lanka. *International Journal of Business and Management Society 1(1)*. Retrieved 29,5, 2020, Available at https://www.researchgate.net/publication/304673590_Determinents_of_Dropouts_from-Voluntary_Pension_Scheme_Evidence_from_Sri_Lanka

Hinz, R. (2008). Voluntary retirement savings: Motivations incentives and design. *International Federation of Pension Fund Administrators, (FIAP)*. Retrieved 27, 5, 2020, Available at, https://www.fiapinternacional.org/wpcontent/uploads/2016/01/richard_hinz.pdf

ILO (2016). Analysis of the Sri Lankan Social Protection Scheme in the context of Social Protection Floor Objectives; A Rapid Assessment and Estimating the cost of a Social Protection Floor in Sri Lanka. Retrieved 29, 5 2020, Available at http://www.ilo.org/wcmsp5/groups/public/----asia/---ro-bangkok/---ilocolombo/documents/publication/wcms 636600.pdf

ILC (2008). *Social Security in Sri Lanka: A review of the Social Security System for the Ministry of Labor Relations and Manpower.* International Labour Office, Geneva: International Labor Office Social security Department. Retrieved 31, 5, 2020.

ILO. (n.d.). Facts on Social Security. Retrieved 24, 5,Available at, https://www.google.com/url?sa=t&source=web&rct=j&url=http://www.ilo.org/wcmsp5/g roups/public/dgreports/dcomm/documents/publication/wcms_067 588.pdf&ved=2ahUKE wjV3aaEy5puAhVleH0KHYwyABkQFjAAegQIARAB&usg=AOvVaw2Z_ 4eVNmi3rw d8ynGAy-ow.

Menike, H. (2015). Social Support and Social Security of Elderly Population in Sri Lanka. *International Journal of Business Management, Vol.6, No. 11(1)*. Retrieved 28,5, 2020, Available at https://www.reserchgate.net/publication/299410925 Social support and social security of elderly population in Sri Lanka

Nivedita, B. M., Hemavarneshwari, S., Mangala, S., & Subrahmanyam, G. (2015). Utilization of social security schemes among elderly in Kannamangala, Bengaluru. *International Journal of Scientific Study*, 3(7), 82-85.

Samarakoon, S., & Arunatilake, N. (2015). Income Security for Older Persons in Sri Lanka. *SDD-SPPS Projected Working Paper Series-Income Security for Older Persons in Asia & The Pacific*. Retrieved 27, 5, 2020, Available at http://www.unescap.org/sites/default/files/SDD%20Working%20Paper%20Ageing%20In come%20Sri%20Lanka%20v2-5.pdf

Institute of Policy Studies (2019). Pension Coverage in Sri Lanka. Available at, www.ips.lk

Sri Lanka Social Security Board Act, No 17 of 1996 Available at, http://ssb.gov.lk/files/Act1996s.pdf

Sri Lanka Social Security Board (2015). Annual Report 2014. *Sri Lanka Social Security Board* Rajagiriya: SLSSB.

Sri Lanka Social Security Board (2018). Annual Report 2017. *Sri Lanka Social Security Board* Rajagiriya: SLSSB.

Sri Lanka Social Security Board (2019). Annual Report 2018. *Sri Lanka Social Security Board* SLSSB: Sri Lanka Social Security Board. Retrieved 27, 5. 2020 Available at http://ssb.gov.lk/Files/AnnualReport.pdf

Sri Lanka Social Security Board (2020) Retrieved 27, 5. 2020 Available at www.ssb.gov.lk

Tilakaratna, G., & Jayawardana, S. (2015). Social Protection in Sri Lanka: Current Status and Effect on Labour Market Outcomes. *SARNET Working Paper No.3*. Retrieved 27, 5, 2020, Available at http://www.ihdindia.org/sarnet/wp/SARNETWP3.pdf

United Nations (2019). World Population Ageing Highlights. *Department of Economic and Social Affairs, ST/ESA/SER.A/430*. Retrieved 05 27, 2020. Available at, https://www.google.com/url?sa=t&source=web&rct=j&url=http://un.org/en/development /desa/population/publications/pdf/ageing/worldpopulationageing2 019-highlights.pdf&ved=ahUKEwjzj_60ZPuAhXJQ30KHfUDAgIQFjAAegQIARAB&usg= AOvVaw0C2HrVeVvijqlZBxbVhS

Vodopivic, M., & Arunatilake, N. (2008). The impact of population ageing on the labour market: The case of Sri Lanka. *IZA Discussion Paper No.3456*. Retrieved 27, 5, Available at, https://www.google.com/url?sa=t&source=web&rct=j&url=http://ftp.iza.org/dp3456.pdf &ved=2ahUKEwiAhZepuZPuAhWdqksFHeAaDvEQFjACegQICxAB&usg=AOvVawO DVZeH5gmH1BRnmdH-IRiB