

# ***The Socio-economic Impact of Contributory Pension Schemes on the Well-being of the Elderly in Sri Lanka***

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## ***Abstract***

The Sri Lanka Social Security Board (SLSSB) was established in 1996 to implement social security pension schemes (SSPS) for self-employed and informal sector workers in the country. With the rate of defaulters being high it has however been argued that the schemes do not provide adequate social security that leads to default. The objective of this study is to investigate the socio-economic implications of contributory pension on the well-being of elders in Sri Lanka, who were self-employed or engaged in the informal sector during their working life. A comparison of well-being status of elderly pension recipients with elderly defaulters was also made. A field survey was conducted in the Kaduwela Divisional Secretariat of the Colombo district, by interviewing 150 pension recipients and 150 persons who defaulted from their pension policy offered by SLSSB. The data provide evidence that pension benefits enhance elders' economic standing, social relations and life satisfaction. The status of the well-being of the elderly who defaulted from the pension policy, remains significantly low compared to the pension recipients. Relatively a large proportion of defaulted elderly engage in employment, in comparison to the elderly pensioners. Low level of awareness among the self-employed workers leads to low enrollment and the lack of coordination between the contributors and providers increases the default. The insufficient number of field officers and poor awareness of the pension schemes also contributed significantly in defaulting of pension policy.

**Keywords:** Elderly, Pensioner, Defaulter, Employee, Well-being

## ***Introduction***

Population aging has been the subject of much discussion during the past few years in Sri Lanka. The tradition and practice of caring for senior citizens in society may face several challenges due to this phenomenon. As such, there is a need for a very strong social security benefit programme to safeguard citizens in their old age. Several types of social security systems have been introduced for the elderly, the most prominent ones of which are the pension coverages offered by the formal and informal sectors. These social security interventions will enable the elderly to lead independent lives, without being a burden to the government and society.

Due to the unstable economic situation of the self-employed and those engaged in the informal sector, they are considered the most vulnerable and unfortunate in old age. The social security pension benefit scheme, which was introduced in 1996 under Act No. 17, plays a vital role for the self-employed in the informal sector. However, owing to several factors, the scheme is yet to deliver the desired results intended by legislators—one being that the majority who joined the scheme genuinely at the beginning defaulted on their policies before the completion of their commitments due to various reasons.

The changing demography in Sri Lanka together with an aging population warrants special attention for financial security in old age. Therefore, research is imperative for raising awareness of the state of welfare and retirement provisions, and to make recommendations for government action to address the issues facing elderly informal sector employees, in order to provide them with better social protection in the future. On the other hand, there is a need for government patronage to re-visit policies that uplift the self-employed as well as those in the informal sector, through sound strategies ensuring that benefits reach across the board for those from both sectors in a more productive way. With this background, this study will seek to answer the following questions. First, what are the socio- economic implications of contributory pension on the well-being of the elderly in Sri Lanka? Second, what are the reasons for defaulting on their pension policy among elderly who were enrolled and what are the barriers to the expansion of enrolment in the pension schemes?

## **Methodology**

The research design used was a mixed method approach and data was collected in the Kaduwela Divisional Secretariat Division (DSD) in the Colombo district. The Colombo district was chosen for a number of reasons including the availability of details of pensioners in SSPS of different income and tenancy groups. Two Grama Niladhari Divisions (GNDs) were randomly chosen to select the respondents. The total number of 1111 elderly identified consists of 605 pensioners and 506 defaulters. Of these, 150 pension receivers and 150 defaulters were selected using a random sampling procedure. The sample included 120 males and 180 females (Table 1). All of them were 60 years or above at the time of interview in 2016. Apart from the field survey, focus group interviews were conducted with 10 pensioners, 10 defaulters and 15 government officials to get sufficient background information related to the research questions.

**Table 1. Respondents by gender and GN division**

GN Division	Pensioners			Defaulters			Total
	Female	Male	Total	Female	Male	Total	
Wellangiriya	45	30	75	45	30	75	150
Hokandara	45	30	75	45	30	75	150
Total	90	60	150	90	60	150	300

*Source: Survey data*

Enumerated in the latest population census of 2012, the sex ratio is estimated to be 93.8. In other words, in 2012, for every 100 females in Sri Lanka, there were only 94 males. However, the corresponding estimate of males per 100 females in the 1953 and 1981 A pre-tested structured questionnaire with closed-ended and open-ended questions was used for the survey. The questionnaire consisted of six main sections, viz., background information, economic characteristics, employment status, life satisfaction, awareness and knowledge of the SSPS scheme and reasons for defaulting on pension contribution. The demographic socio-economic variables in the questionnaire included sex, age, marital status, education, living

arrangement, health condition, life satisfaction, current occupation, and income. The SSPS related variables included were knowledge of benefits of the scheme, satisfaction with the pension or lump sum payment amount, and reasons for defaulting. Both quantitative and qualitative data were used for analysis of the general socio-economic profile of the respondents, the present economic status of the self-employed, and the informal sector social security benefit scheme.

### ***Growth of the elderly population in Sri Lanka***

A paradigm shift has taken place in the population of Sri Lanka during the past few decades, as demonstrated by several features. The significant ones among these are demographic changes in the total population, such as sex structure and aging. These demographic shifts do have significant implications on the pension schemes and well-being of the elderly population.

Sri Lanka's total population reached 18.7 and 20.4 million in 2001 and 2012 respectively. As per projection results, the population is expected to increase to 22.2 million in 2022 and to 24.9 million by 2042 (De Silva, 2015). How do these changes in the total population of Sri Lanka translate into different age and sex structures of the population? Sri Lanka, although located in the South Asian region, has not adhered to the common South Asian model, which is the male favoured sex ratio. Of the total population of 20.4 million population censuses were 116 and 104 respectively (Department of Census and Statistics, undated). This trend clearly demonstrates the excess of males in Sri Lankan society in the earlier years and the subsequent change of the sex ratio in favour of females. As the standard projection highlights, the sex ratio would decline to 92 males per 100 females in the period of 2027-2032.

The elderly proportion of 6.6% of the total population in 1981 increased to 12.4% by 2012. Between 1981 and 2012, the volume of the elderly increased more than double from 1.0 million to 2.5 million and is expected to increase to 5.2 million by 2037, which is a two-fold increase during the immediate 20-year period. In terms of the proportion of elderly relative to the total population, a strong linear



increase is visible. Such is the effect of the demographic transition occurring in Sri Lanka that about one-third of the Sri Lankan population would be elderly by the later part of the 21st century (De Silva, 2014). Apart from the rapid decline in fertility, the increase in life expectancy among the Sri Lankan population has become an additional factor in the population aging process. International migration has increased the proportion of the elderly population and as such emigration is concentrated within working age groups. It is estimated that 1.5 to 1.8 million Sri Lankans are working in various countries under contract employment agreements (De Silva & Siriwardena, 2015).

Life expectancy in Sri Lanka during the period of 1962-1964 showed that female life expectancy surpassed that of males by 0.4 years. Since then the life expectancy for both sexes increased considerably, but more so in favor of females. During 1980-1982, the life expectancy for males and females reached 67.7 and 72.1 years respectively. These figures reveal that females have consistently longer life expectancy than males.

For the period 2000-2002, male life expectancy at birth in Sri Lanka was estimated to be 68.1 years, while the corresponding estimate for females was 76.6 years. Thus, over the period of 1980-1982 and 2000-2002, male life expectancy increased very marginally while the increase in female life expectancy was significant. It is worth noting that during 2000-2002, an average female's longevity surpassed an average male's by 8.5 years. However, the corresponding difference in the period of 1980-1982 was only 4.4 years (De Silva, 2008). The life expectancy figures for 2011-2013 estimated a significant increase for both males (72.2 years) and females (78.4 years), and life expectancy at age 60 in the recent past was found to be 17 and 22 years for males and females respectively (De Silva, 2008). Therefore, the elderly in the total population of Sri Lanka is also increasingly becoming disproportionately female.

Unlike in the past, social and economic issues related to the aging population arise as Sri Lankan families are increasingly unable or unwilling to care for their elderly members. There is also increased public expectation of the government to help care for the elderly. Although a number of programmes are already in place, adequacy

and coverage may be grossly inadequate. Therefore, it is assumed that in the near future, the aged population of Sri Lanka would become a significant socio-economic problem (Abeykoon, 2000).

Considering the living arrangements and the poverty status of the elderly in Sri Lanka, the support schemes are employment-based. Most of the elderly people depend on filial support in old age, while some older persons reside with their children and depend on them for financial and other forms of support (World Bank, 2008). Unless older persons have access to formal or informal income support, they are likely to fall into poverty. Pensions are an important form of retirement security that is provided to protect the economic standing of elderly persons.

### **Development of existing retirement programmes in Sri Lanka**

Considering the Sri Lankan scenario, there is a long history of social security programmes in Sri Lanka, which dates back to the pre-independent era (Amarabandu, 1996). In 1948, a Royal Commission was inaugurated during the presidency of Sir Ivor Jennings, which arrived at a decision of granting a pension of Rs. 5-20 for males over 70 years of age and for females over 65 years of age.

There are six occupation-based pension schemes in Sri Lanka at present. These are the Public Service Pension Scheme (PSPS) for government sector workers<sup>1</sup>, and the Employee Provident Fund (EPF) and the Employees Trust Fund (ETF) for private sector employees. The informal sector pension schemes include the Farmers' Pension and Social Security Benefit Scheme (FPS), Fishermen's Pension and the Social Security Benefit Scheme (FSPS), and the Self-employed Social Security Pension Scheme (SSPS).

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1. In 2013, 498,291 older persons benefited from this scheme. This means about 18.4% of the 2.7 million older persons in the country benefited from the PSPS in 2013 (Samarakoon, Arunatilake, & Gunasekara, 2015).

Previous data suggests that less than 4 million workers out of a labour force of over 8 million are covered for old age security (World Bank, 2008). Both ETF and EPF schemes are defined as contributory old age benefit schemes that provide a lump sum payment at retirement. However, the majority of retirees have not utilized that money wisely to safeguard their own future well-being.

### **Self-employed and informal sector social security pension schemes**

The SLSSB implemented several contributory pension schemes for the self-employed and those engaged in the informal sector, but these merged into a single programme. The Surakuma programme is the main pension scheme currently in operation. Surakuma is a voluntary, contributory scheme that is accessible to those aged between 18-59 who are not eligible for a government pension and other informal sector pension schemes. Members are eligible for a monthly pension starting at age the of 60 until their death and spouses are also covered. In addition, the contributors are eligible for partial or total disability benefit and death gratuity.

### **Coverage of self-employed and informal sector pension schemes**

The number of pension beneficiaries under SSPS for 2017 was 25,262. The number of enrollees as of December 2017 was 564,596 (Data, SLSSB). About 5 million employees are estimated as eligible to be beneficiaries of at least one of the four pension schemes. Given that the number of enrollees amounts to about 2.3 million, the four pension schemes cover only about 46% of eligible people. Further, the estimated pension coverage was only 18% of the total population of the country aged 15-59 and the schemes effectively cover 13.2% of the prime-age population (Samarakoon et al., 2015).

Through an in-depth analysis of the viability of all the schemes in the light of the treasury's inability to meet its commitments regularly, policy makers have decided to discontinue enrollment of

new members to five of the six existing schemes while honouring only already enrolled members of all six schemes. There are several programmes that have been implemented by SLSSB jointly with the other line ministries and government organizations, such as the Department of Ayurveda, Ministry of Cultural Affairs, Foreign Employment Bureau, National Craft Council, Department of Textile, and Industrial Development Authority. Although there is much room for improvement, these were reasonably successful efforts.

In addition, there is a provision for minors to enrol in a savings account named *Arassawa* in which the SLSSB would be crediting periodic interest payments, subject to terms and conditions. This savings account is mainly meant for the initiation of a pension scheme membership at the minor's discretion upon attaining the age of 18.

In addition, the schemes in practice tend to “forgive” persons who default but then return to the fold. Contribution collection is centralized for the schemes, and has in part been delegated to other government agencies, including the post office and government banks. The six schemes mainly rely on Grama Niladari officers from the public administration or from the supporting government departments to collect contributions. Collected contributions are credited into separate pension and social security funds maintained by SLSSB. Most funds are invested in deposits at state banks or in treasury bills. Members' records are maintained in an information system.

One of the main problems with informal sector pension schemes is the high default rates. This occurs mainly because workers are expected to make regular contributions to the pension fund even though their income is often irregular and limited. From time to time grace periods have been introduced to allow participants to pay overdue contributions, yet the default rates have remained as high as 40% (ILO, 2008). In the case of default, the amount already contributed under this scheme is refunded only if the person has made 25% of the required contributions to receive a monthly pension at retirement.

Yet, if a worker enrolled under this scheme joins a government job, the amount already contributed is refunded regardless of whether or not he/she made the work contribution. If he/she is eligible for the PSPS as a civil servant he/she will no longer be eligible for the SSPS.

**Results**

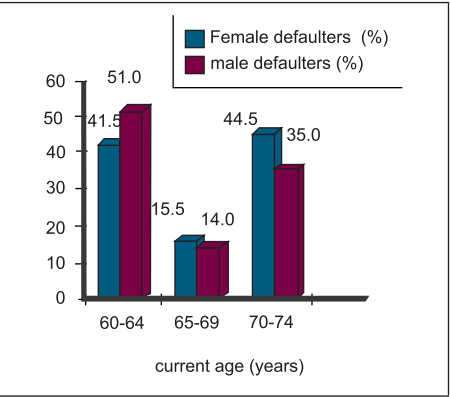
The pension scheme offered by the SLSSB to the self-employed is to benefit around 25,262 persons island-wide. The study conducted in the Kaduwela DSD in the Colombo district, enumerated 150 pensioners and 150 defaulters who were selected using a random sampling method. The respondents in the sample of 300 included 40% males and 60% females, which is a slightly higher female representation than the male respondents.

As per Figure 1, the highest number of pensioners is found in the age group of 65-69 years. The lowest number of pensioners was found in the age group of 70-74 years. The SLSSB commenced enrollment in the year 1996, and those who receive pensions have not reached 74 years of age and above. Where defaulters are considered, the highest number is found in the age group of 60-64 years (Figure 2). Among the defaulters the percentage of females is slightly higher than the percentage of males.

**Figure 1. Distribution of pensioners by age and gender**



**Figure 2. Distribution of defaulters by age and gender**



Source: Survey data

When the socio-economic characteristics of the pensioners and defaulters are considered, a majority of the respondents were female and married. Almost one-half of the pensioners had education up to GCE (O/L.), while one-half of the defaulters had education between grades 1-4 (Table 2). Civil status of the pensioners and defaulters indicates the same pattern more or less. As shown in the data, more married people preferred the scheme. This might be due to the fact that married informal sector employees give due consideration to their well-being as well as that of their family members.

The data reveals that a considerably high number of pensioners and defaulters lived with their spouses and children. Pensioners living with family members do so in a united family with a social bond. This pattern of co-residence depicts the strong traditional family ties prevalent in the Sri Lankan society. Some female pensioners reported that they shared their pension with vulnerable grandchildren, particularly in cases where their parents had migrated for work or could not care for their children due to other reasons.

**Table 2. Socio-economic characteristics of pensioners and defaulters**

Variable	Category	Pensioners		Defaulters	
		Total (n)	Percentage	Total (n)	Percentage
Civil Status	Never married	12	8.0	16	10.7
	Married	82	54.0	91	60.7
	Divorced/ Separated	28	19.0	22	14.6
	Widow/ Widower	28	19.0	21	14.0
Education	grade 1-4	35	23.3	70	46.7
	grade 5-10	32	21.3	32	21.3
	O/L passed	71	47.4	27	18.0
	A/L passed	12	8.00	21	14.0

Living arrangement	living alone	5	3.3	7	4.7
	with spouse	18	12.0	15	10.0
	spouse & children	69	46.0	70	47.0
	with children	53	35.4	50	33.0
	spouse & others	5	3.3	8	5.3
Health condition	very satisfactory	34	23.0	22	14.7
	satisfactory	75	50.0	50	33.3
	unsatisfactory	41	27.0	78	52.0
Total		150	100.0	150	100.0

Source: Survey data

Awareness of the benefits of their pension scheme at the time of enrollment was lower among defaulters than among pensioners. Only a small fraction (2%) of the respondents received benefits during the past years such as disability benefits (Table 3).

Table 3. Level of awareness of pension scheme

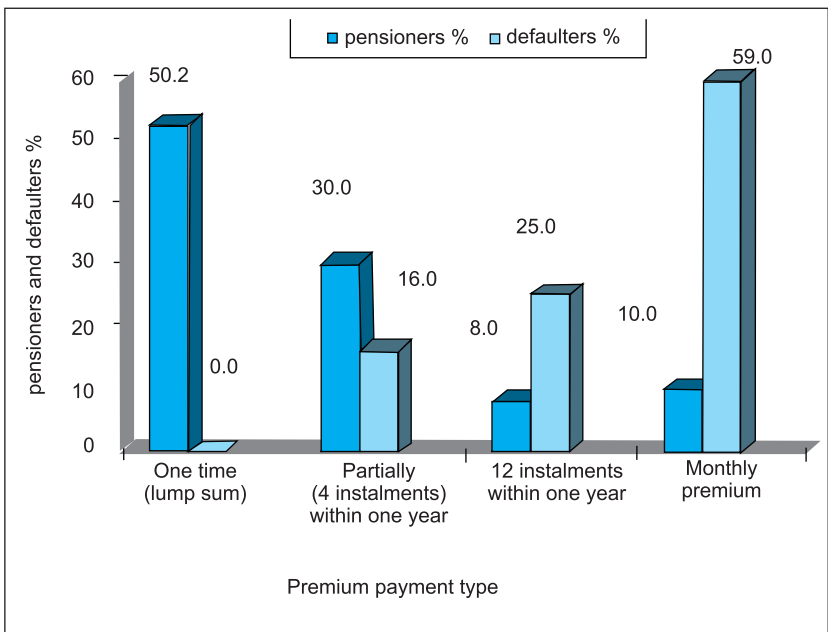
Variable	Level	Pensioners (%)	Defaulters (%)
Level of awareness of the benefits	High	16.0	10.0
	Moderate	18.0	18.0
	Low	66.0	72.0
Awareness of additional benefits	Yes	2.0	2.0
	No	98.0	98.0

Source: Survey data



Figure 3 reveals that a high proportion (52%) of elderly pensioners belongs to lump sum premium type of payment category, and most of the defaulters (59%) belong to the monthly premium payment category. Most of the defaulters had typically neglected instalment payments and finally given up the pension scheme. Although partial instalment payment option is available, most were unable to pay the large premium amount within a short period of time, and eventually defaulted on the pension scheme.

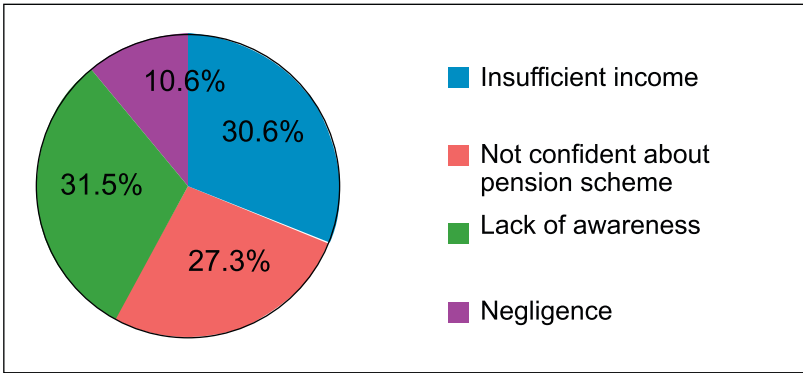
**Figure 3. Premium payment by pensioners and defaulters by type**



Source: Survey data

Several reasons for defaulting were given by informal sector employees, namely insufficient income, lack of awareness of the scheme, lack of confidence about the scheme and negligence (Figure 4). In fact, informal discussions revealed that even when they had the ability to pay, there was a lack of interest, mainly due to the low level of expected returns. Many had discontinued premium payments and their SSPS membership cancelled as a result.

**Figure 4. Reasons for defaulting on pension scheme**

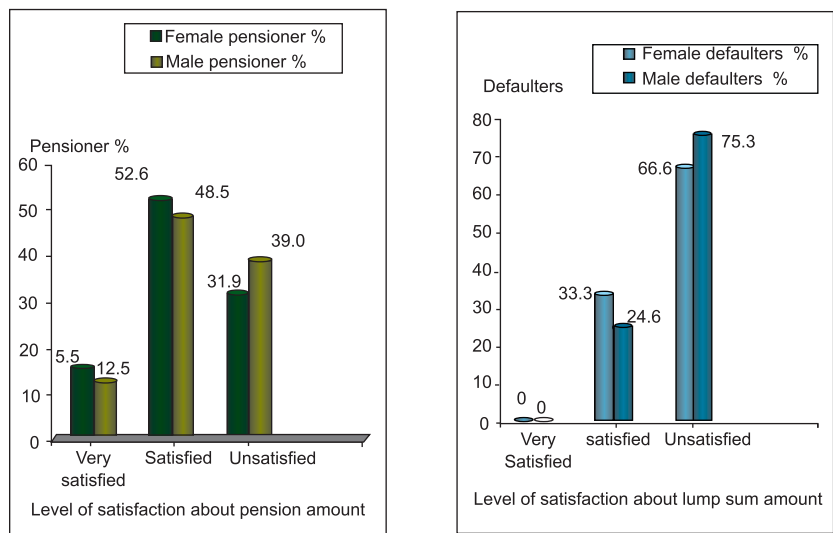


Source: Survey data

Field officers are assigned a target number of people to initiate into the scheme, and in some situations people without qualifications to join the scheme have been enrolled in addition to those who unknowingly enrol. Field officers visit the members to collect premiums, and when they fail to do so, informal sector employees may forget or lack interest to pay the premium regularly.

When pensioners and defaulters were questioned about their satisfaction with the pension and lump sum amount, responses were significantly varied. Although in general pensioners were satisfied with their pension, relatively more females were positive compared to their male counterparts (Figure 5). In contrast to the pensioners a higher percentage of defaulters were dissatisfied with their lump sum amount. However, 33% of female defaulters were satisfied with their lump sum. Defaulters reported that the lump sum was not attractive in the long term and for living expenses. Thus, they still worked as labourers and engaged in different types of employment in small scale factories, as house maids, as well as in agriculture related work.

**Figure 5. Distribution of pensioners and defaulters by level of satisfaction with benefits**

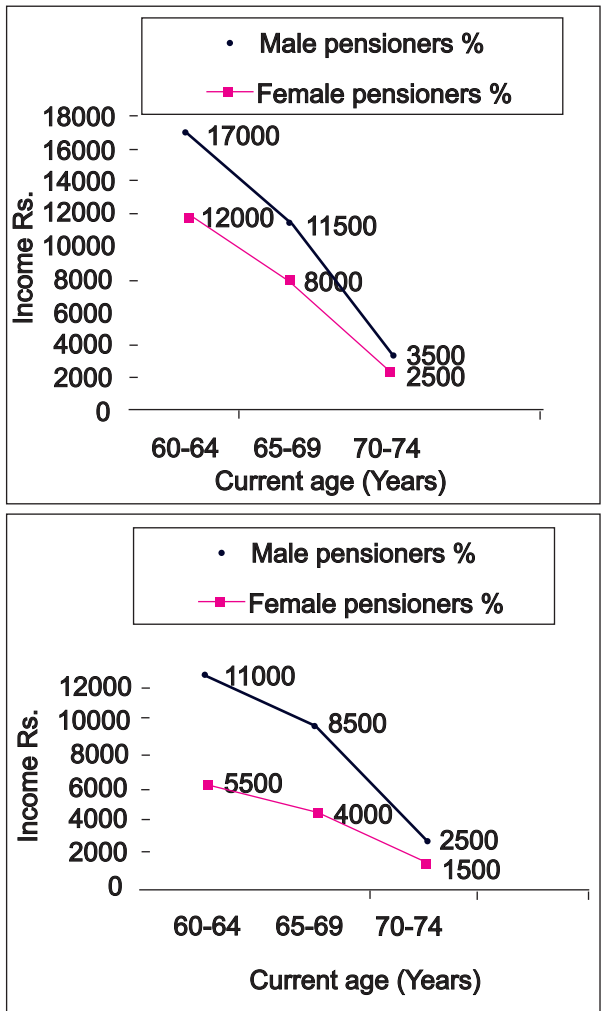


Source: Survey data

The present family income level of pensioners and defaulters are shown in Figure 6. Male pensioners in each elderly group had a higher income than their female counterparts. Gender disparity by income narrowed as age advanced and the highest disparity was observed between ages 60-64 years. Most of the females were incapable of doing hard work due to poor health.

Compared to pensioners, defaulters receive a lump sum of money after age 60. The findings indicated that most defaulters had used up that money for their children as well as for other domestic purposes. A defaulter's monthly family income level is less than that of a pensioner, because pensioners receive monthly pension that defaulters do not. Even among the defaulters, the gender disparity in income existed. It is important to note from Figure 6 that male and female defaulters in each elderly age category received less income than their corresponding counterparts from the pension receivers.

**Figure 6. Distribution of pensioners and defaulters by family income, age and gender**

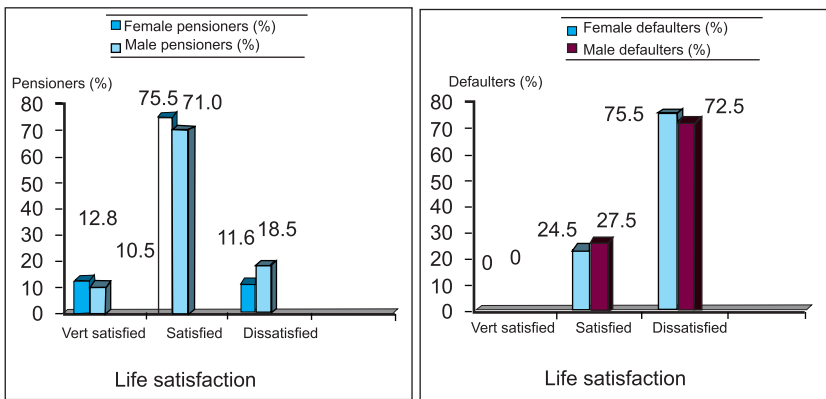


Source: Survey data

When considering the pensioners, a higher percentage of them were satisfied with their present life (Figure 7). This is because, most of the pensioners had substantial income from other sources, and in many cases their children were also employed. Hence, they were living happily. But some of the pensioners had personal health and family issues.

Life satisfaction of defaulters was less than that of the pensioners. Unlike pensioners they had no monthly income. Most of them maintained that a pension would have benefitted them and given them some recognition among family members and in society. About 20% of pensioners were very happy with their lives, but hardly any one out of the 150 defaulters reported to be so.

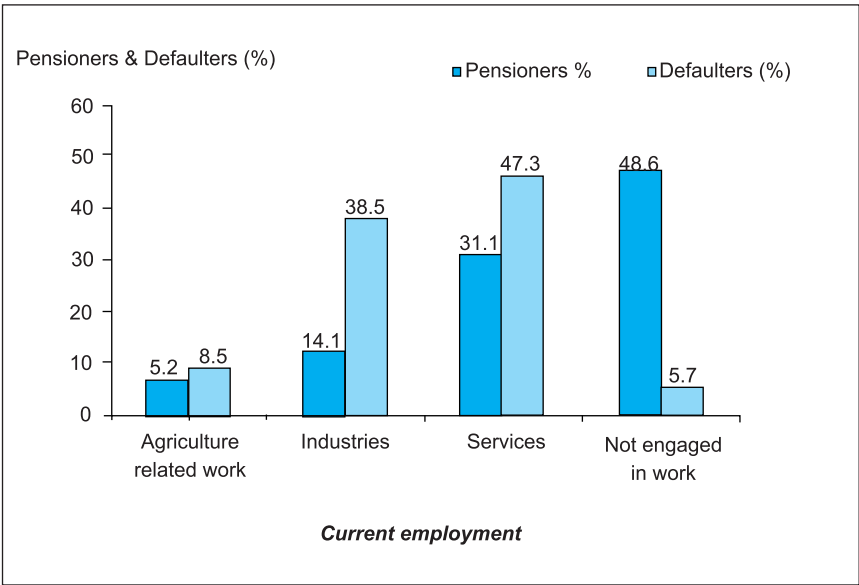
**Figure 7. Distribution of pensioners and defaulters by life satisfaction**



Source: Survey data

Figure 8 shows that almost one-half of pensioners were not engaged in any employment with their children and were looked after by them, and therefore felt much secure about the rest of their lives. However, an overwhelmingly large majority of defaulters were still employed and informal discussions revealed that they “lived from hand to mouth.” Almost all defaulters in the 70-74 age group engaged in hard labour work despite their age. – The highest percentage of defaulters were employed in the service sector, while the least engaged in agriculture related work.

**Figure 8. Distribution of pensioners and defaulters by current employment**



Source: Survey data

Narratives of pensioners also reveal the socio-economic implications of the pension and how it enhances comfort in their elderly lives. Mrs. Somawathi, 63 years old, said:

*My husband was a pensioner of the SSPS. After my husband died, I was entitled to that pension as his widow. Now I receive Rs. 15,000/- as a monthly pension. I am running my husband's boutique. I earn around Rs. 12,000/- per month and the pension amount also helps to increase my monthly income. So I am happy.*

Piyadasa, 68 years old, was an SSPS defaulter. He had two children with his wife, Karunawathi, and their younger daughter and her family were living with them. The daughter had migrated to the Middle East for employment. Her husband and two daughters lived with them. Her husband was an alcoholic without a proper job and always troubled the family. They also did not have a proper income and hence Piyadasa had to work as a cleaner despite his poor health.

They had the big responsibility of looking after their granddaughters until their daughter's return. Piyasena and his wife were very apprehensive about their future.

The study reveals that pension played an important role in the lives of the elderly in the informal sector economy. The findings indicate an association between pension and the standard of living, and also a significant correlation between elderly's income level and their well-being. When the income level increased the standard of living of the pensioners also increased. It has been noted that the low income people spend more money for their day to day activities and one defaulter noted that most like him were under the low income category and had no savings.

According to pensioners, the scheme was of social and economic value, affording social recognition to them in the old age. The pension payment they received was primarily utilized for purchasing medication, and whatever amount remained was spent on grandchildren, household expenses, religious activities and the like. Most defaulters were in the low income group, and whatever lump sum they receive had run out.

## **Discussion**

Findings of the study reveal that the pension income of the elderly who are pensioners positively contribute to their socio-economic well-being. Failure to plan for the future, limited opportunities for alternative income generation and expenditure that exceeds income have been identified as core reasons for poverty among those in the informal sector (Ranan-Eliya et al., 1998). This marginalization has resulted in underutilization of resources in the informal sector, and therefore the inability to reap the benefits of development, unlike the case in other sectors of the country. While there is a large majority of people in the community in need of pension, the existing economic process acts as a barrier, preventing them from obtaining membership in pension schemes.



The earnings of informal sector workers are quite irregular and workers have a limited income generating capacity. As a result, they are generally unable to self-finance their own income security schemes (Eriyagama & Rannan-Eliya, 2003; World Bank, 2008). Furthermore, the incidence of default in informal sector pension schemes is rather high. The survey revealed that the lack of awareness about the pension scheme among the target groups, unsatisfactory follow-up mechanisms, default on the part of the pension provider in updating on the status when there are defaults, and delay in issuing documents and benefits to the contributors are some reasons that can be attributed to the slackness of the contributors who have enrolled in the schemes. In-depth analysis reveals that the collapse of parallel state organizations awarding pensions has also created a loss of confidence in this type of government intervention. Moreover, SLSSB should act in such a way that delays in issuing policy, pension and insurance payments, etc., could be avoided. Follow up action should be implemented through the Grama Niladari and SLSSB officers throughout the year and should be done regularly.

Furthermore, with the high rate of inflation and associated high cost of living, the amount of pension received would hardly be sufficient to meet pensioners' needs. Even though there are some who are serious about having social security, most respondents indicate that they are not aware of the other benefits of the scheme. Informal discussions reveal that some who have the ability to pay are not interested in the scheme, mainly due to the low level of expected returns. Therefore, appropriate propaganda methods should be adopted to make them aware of the benefits of the scheme and to promote the programme, while compulsory adjustments to the premium payment structure for those in the age group 45-59 are needed in order to encourage them to continue with this welfare programme.

As the population in Sri Lanka ages, there will be an increase in the demand for better old-age income security policies. Given the history of social policy in Sri Lanka and its democratic tradition, it is likely that Sri Lanka will eventually move towards expanding pension scheme coverage for its elderly.

Sri Lanka's pension schemes need to be re-evaluated, as an adequate pension is essential to ensure income security for the elderly and to support the fast-growing aging population. As providing pension coverage for future older generations would be a challenge due to the increasing number of pensioners, sustainability of these funds is a critical issue to be addressed in the future (Samarakoon et al., 2015).

In addition to flexibility in terms of contributions, flexibility in terms of withdrawals would be necessary to encourage informal sector workers to participate in pension arrangements. These workers are from vulnerable groups in Sri Lanka, for whom access to long-term pension savings may be required to cover periods of unemployment, for emergency spending (such as on healthcare) and for other life essentials. For example, in Australia, early withdrawals from superannuation funds are permitted in limited and exceptional circumstances, on compassionate grounds or in cases of severe financial hardship. However, this flexibility needs to be balanced with the risk of "leakage" from the system, with large withdrawals leading to insufficient balances upon retirement. Problems with the provident fund such as in Singapore and pension funds in South Africa (Hu & Stewart, 2009) must be avoided.

In order to maintain a sustainable fund, there should be more provision to enrol individuals between the ages of 25-35 years. As the ratio of interest on investment shows a considerable decrease, it is essential to obtain timely actuarial estimates of the fund. On the other hand, the contributory pension system prior to 2012 was characterized by many problems, which made the payment of the retirement benefit

a failure in Sri Lanka (AAIB, 2012; Rannan-Eliya (1999). Given that there is a probability of a crisis similar to the farmers' pensions facing other retirement schemes in the future, there is a need to review the entire existing social security framework. Similarly, if there is diversion of funds from the scheme for other activities, there is a need to act with great vigilance (as has been a problem with the Farmers' and Fishermans' pension fund in Sri Lanka). Therefore, an appropriate strategy needs to be developed and implemented by the Board to attract more contributors with their future security in mind.

## **Conclusion**

All the findings point to the positive aspects of the pension scheme pensioners' life satisfaction and well-being. Compared to pensioners, the defaulters are in a vulnerable position. The major weaknesses of the pension scheme are the lack of adequate and timely budgetary provision coupled with rising life expectancy, and poor implementation of the pension scheme due to inadequate supervision and regulation (De Silva & Senerath, 2009) of the scheme.

Elderly welfare is an important policy component for the government of Sri Lanka. With the positive findings of contributory pension on elderly welfare, it is worth proposing a few recommendations in order to enhance the performance of the SSPS.

Firstly, contributory pension increases household income and reduces poverty to a certain extent. In general, pension received has positive impact in reducing intergenerational poverty. Therefore, it is necessary for the government to ensure that the pension is received flexibly and focus on the elderly working in the informal sector and rural areas, where the majority of the labour force and those with no pension live.

Secondly, the majority of elderly continue to contribute economically to the family even after retirement. Hence, it is necessary to create favorable conditions for the elderly, especially those with

specialized skills, to continue participating in the labour force. The government and policy makers should seriously consider employment opportunities for elder persons to ensure income and benefits in old age.

Finally, the government should consider establishing a medium term comprehensive strategy to include both contributory pension and social pension to provide social protection for elderly persons. The pension system needs to be reformed to be comprehensive and multilayered, to ensure income security in old age.

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