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Comparison of Canadian and Bangladeshi Pension Systems and Implications on Economic Policy

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Abstract

Purpose: The purpose of this paper is to propose the most economically efficient policy to countering the pension crisis in Bangladesh and other "least developed" countries with unique socio-cultural background. Design: A background of costs and benefits of Canada, a representative of a well-off OECD country's pension system is reviewed and its policies applied to the context of Bangladesh, to determine potential socio-economic outcomes. Findings: The analysis shows that it is not in the social or economic interest of Bangladesh or similar countries to use the same policies currently being deployed by Canada and most other OECD countries. Research implications: This type of analysis opens up the prospect of cultural considerations when looking at the viability of a pension policy; it is not always logical to use policies being used in countries of other cultural backgrounds. Originality/value: This paper is the first of its kind to apply socioeconomic costs and benefits of developed countries 'policies and apply them to the context of a developing country keeping in mind the cultural aspect and its implications. It aims at bringing back original ethical and moral values and a social orientation that should inspire all stakeholders in the sector and offer to ensure self-regulation initiatives and rules that converge toward a solid foundation of principles. These rules will help both western and eastern countries to build on their inherent strength and fundamental human qualities.

Keywords: Pension crisis, least developed countries (LDCs), Sustainable development, Cultural economics, pension systems.

INTRODUCTION

Bangladesh and Canada are two opposite extremes of the economic and socio-cultural spectrum. The two countries being reviewed are done so intentionally in order to eventually analyze the positive and negative effects of current pension arrangements in the countries. Canada represents a developed OECD country that has been doing a comparatively exemplary job at maintaining pensions to the elderly population (OECD 2013), whereas Bangladesh is classified as a "least developed country" (LDC) that has just started experiencing the cultural effects of urbanization with formal a pension plan in its nascent state.

Canada is a highly developed country, ranking #8 (0.902) on the UN HDI index in 2014 (Central Intelligence Agency, 2014a). Canada has a strong economy, with high development in the manufacturing, service-based, and mining/drilling industries that flourished after World-War II. Canada trades liberally around the world, albeit mostly with the US, generally importing more from the world than it exports (Scott 2013, p. 33). On the social side, Canada is very diverse, and ranks 3rd in immigration per capital, and ranking 24th in the world in terms of migrant population (5.66 migrants/1000). Canada has an aging population (median age 41.7) with low infant and maternal mortality and fertility rates (Central Intelligence Agency, 2014a). It will be revealed in latter sections that these statistics generally cause imbalances in the public pension system. Again, this country works as a representative for a highly developed country, which has a relatively long history of pension systems.

Bangladesh is a small, but highly populated country ranked 9th in the world—around five times as populated as Canada. Bangladesh is said to be "severely overpopulated"(Central Intelligence Agency, 2014b). Bangladesh's economy has been growing at a rate of around 6% annually, although political instability, corruption Mobolaji (2012, P. 135), and "slow implementation of economic reforms"are prevalent. Bangladesh's economy is largely based on the service sector (around half of GDP), and approximately half of Bangladeshis are employed in the agricultural sector. Garment sectors form the base of the industry sector that accounts for the vast majority of exports. On the social side of Bangladesh, it's important to note that there is large child-labor prevalence, with some 13% of children aged 5-14 active in the labor force.

For Bangladesh, there is less education, life expectancy, and a low literacy rate. Bangladesh is a youthful nation with a low median age (24.3). The population, however, is ageing and the fertility rate has been in steady decline (Central Intelligence Agency, 2014b).

Culturally, Bangladesh and Canada are almost at the opposite side of the social spectrum. Of relevance is the oriental culture that assigns a different value to ageing. Ageism is not a concern (or at least previously). Elderly members of the society are not put in nursing home or assisted care locations. In fact, many in Bangladesh cherish the notion of aging gracefully and elderly people look forward to an opportunity to attain that social status, as M.A. Islam, former President and Vice Chancellor of Shahjalal University of Science and Technology notes (M.A. Islam 2015, personal communication, 11 October).

This is true for both Muslim (80%) and Hindu and others (20%), making it a cultural issue rather than a religious issue. Nesa *et al.,* (2013) describe how urbanization in the recent era has changed the situation of the honorable status of the elderly, who were cared for by the family and respected, to a disrespected one, owing to cultural individualistic changes. This has negative psychological and psychical effects on the Bangladeshi elderly population.

These demographic facts give us an idea of the global socio-economic status of these two countries and serve as a backdrop for the pension analysis that follows. These facts are necessary to understand the reason why certain social policies, particularly public and corporation pensions, differ between the two countries.

PUBLIC AND PRIVATE PENSION PROGRAMS IN CANADA AND BANGLADESH

This section is dedicated to understanding the bare basics of the pension plans/elderly sources of income. It is relevant to understanding the differences (current and historical) that separate the countries, serving as a backdrop to understanding the cultural analysis and positive/negative effects of the plans on the population.

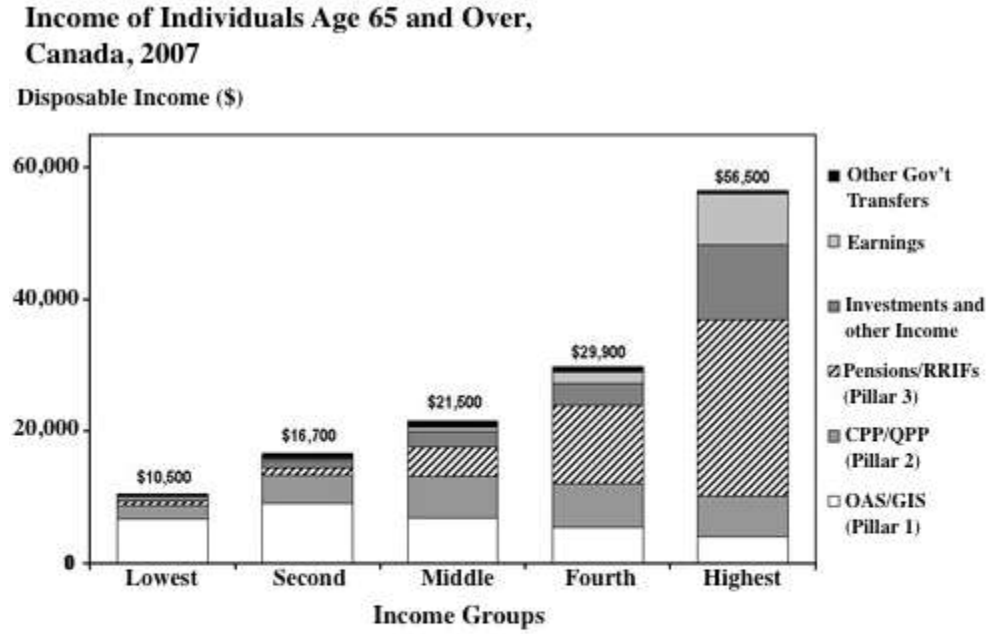
Canada's public and private pension plans

Canada has had a long history of pensions. The first pension system, at a national public level, was introduced in 1908 in the form of a Government Annuities plan. This, however, wasn't enough and the old age pensions act in 1927 had to be introduced in order to activate a government-funded, national pension system for all elderly Canadians. The first glimpse of pensions in the private sector can be found in the 20th century, where railroad sectors and certain employees in banks were provided with pensions. Public servants were given pensions before the 20th century (National Union of Public and General Employees, 2008).

Today, there are two main components of tier one (government provided) pension plans in Canada. The CPP/QPP (Canada/Quebec Pension Plan) is a forced-savings plan, collected by employees and employers equally. The OAS-GIS (Old age security, Guaranteed Income Supplement) is a publicly provided monthly provision to all Canadians over the age of 65 who lived in Canada a certain period of time. The full OAS requires that one be 65 or older, a Canadian citizen or legal resident at the time the application is approved, and had lived in Canada for at least 10 years after turning 18. For those living outside of Canada, they must have been Canadian/legal resident at the time of leaving Canada, and have lived in Canada for 20 years after turning 18 (Service Canada 2015a, p. 1).

The CPP is a forced savings plan, requiring all Canadians over the age of 18 to pay a portion of their earnings into the CPP. The employee contributes from 4.95% of his/her income, which is matched by the employer (Service Canada, 2015b). Self-employed people pay both halves (9.9% of income). The monthly payment depends on the age that one takes it out and the amount of contributions made. The maximum monthly CPP benefit a new retiree can receive is $934.17, $523.58 being the average (Ontario Ministry of Finance, 2010). The average OAS is around $515 (Jackson, 2012). Finally, the RRSPs (Registered Retirement Savings Plans) are optional plans. They provide people with the option to contribute a larger percentage of their income to a retirement plan. Employees can choose to add extra income to their RRSP, which is often matched by the employer. This type of plan is a defined contributions

Figure 1. Annual disposable incomes of individuals in different income tiers



plan; the employer and employee agree to an amount of contribution from a salary given to an RRSP, which is later paid monthly to the employee. These types of pension plans are gaining traction over the traditional defined benefits (DB) pensions in which the employee will generally agree that after the employee works for the company for a certain length of time; they get a percentage of their last few years' income for the rest of their lives after they retire. It's important to note that RRSPs and other defined contribution pensions give choice to the employee on investments, whereas CPPs are managed by a crown corporation (basically the government), namely, the Canada Pension Plan Investment Board (CPPIB). Figure 1 shows that people in the two lowest tiers depend heavily on the OAS, the CPP and OAS and Pensions are more evenly distributed in the third tier. The fourth tier benefits from all, but the biggest portion is pensions. The highest tier depends heavily on pensions as they have more investments and personal earnings than others (higher percentage).

Figure 1. The figure above modified from the Ontario Ministry of Finance (2010), shows the annual disposable incomes of individuals in different income tiers, and the different income sources that make up the whole. As we can see, there is a trend of government aid decreasing and private income increasing with an increase in income tiers.

When it comes to general trends, we know that today, around 37% of the Canadian workforce is covered by a registered pension plan (which we assume are reasonable pensions). However, this rate has been decreasing over time (Statistics Canada, 2005). We also see that the public sector has significantly more DB plans (94%) that are also indexed for inflation (Office of the Superintendent of Financial Institution, 2014), whereas this is not guaranteed for the private sector. The private sector has, however, taken on the prospect of DC (defined contribution) plans, which have increased over time in the public sector (Statistics Canada, 2010). This switch can be explained by a number of incentives for the employer. For instance, the employer doesn't't have to handle pensions and doesn't't have to be held responsible for losses or bad investment, if the corporation goes bankrupt.

These three forms of savings for retirement are termed the "three pillars": CPP, OAS, and registered pensions and accounts (Service Canada, 2015, P. 1). The implications of all of these plans combined are clear. Nearly every worker is provided with some sort of compensation after they retire, even if they did not save throughout their lifetime. Additionally, there are a lot of incentives (tax and from the employer-matching program) to put money one makes into a private retirement fund. The government of Canada has issued a report on pension retirement information (Ontario Ministry of Finance, 2010). Figure 1 looks at the different sources of income people of different income tiers have when they retire.

Clearly, we have gone through a lot of progress since the early 1900s. Canada has nearly 100 years of public-pension history. There are, of course, many problems Canada is facing regarding generally public pension coverage. These problems will be addressed in latter sections.

Table 2. Proposed social security programs for people with disabilities

Life course	Early Childhood	School Age	Youth	Working Age	Old Age
Tax Financed Schemes	Child Dependency Benefits		Disability Benefit		Citizens' Pension
Social Insurance Schemes			NSIS Disability Pension		NSIS Old Age Pension

Bangladesh's public and private pension plans

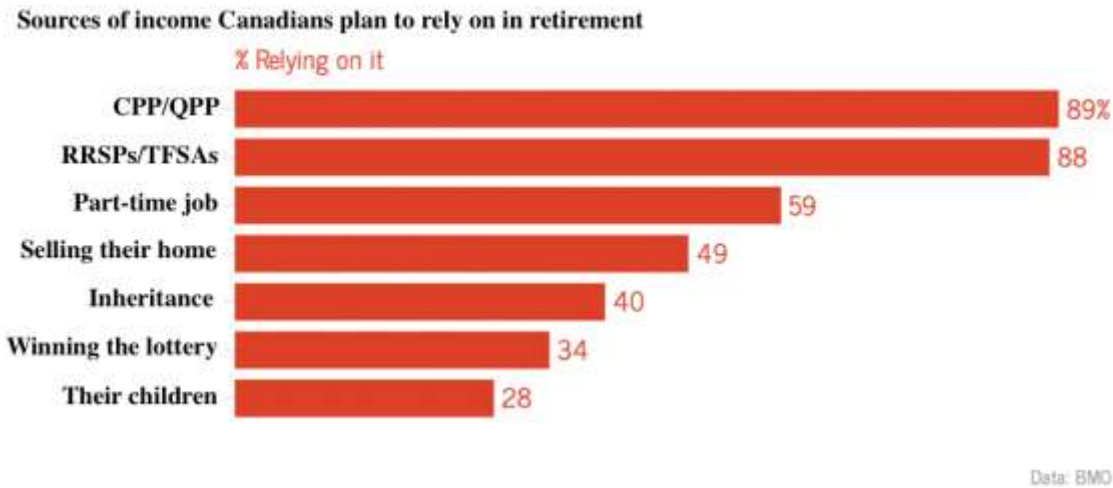
The pension system in Bangladesh is much newer than that of the Canadian system, and in the formative stage. It is influenced by cultural and economic factors. The US Office of Retirement and Disability Policy tells us that in Bangladesh, the first (and current) law imposing a social assistance system for the elderly, disabled, and survivors was established in 1998 (Social Security Administration [US], 2010). However, it was only for low-income citizens. Public servants have been receiving pension since 1974 (a few years after Bangladesh gained independence from Pakistan that was under British rule until 1947) (Public Servants (retirement) Act 1974). This pension plan did not include disability and survivor pension. Surprisingly, they only provided a payment of TK 300 quarterly, today (inflation did not change it significantly), it is equivalent to about 5 CAD. This was not clearly enough in 1998 (the USD-BDT exchange rate in 1998 was 45, this means that 300 BDT was worth around $6.66 USD. That's $2.22 dollars per month) to survive or significantly change a person's economic status in Bangladesh. At the same time, public servants were receiving 60% of their salary as pension (Aminuzzaman 2005, p. 10).

Very recently there has been a new program, named the National Social Security Strategy (NSSS), which has been approved by parliament and is expected to be implemented in 2016. Government reports first acknowledge the need for reformed social support due to the fact that "traditional systems of support" for the elderly are breaking down, and that there is a need for reform. This is fuelled by the fact that there is an ageing population that needs to be dealt with effectively in order tackle the poverty indicator that looms. Bangladesh government proposed a reformed pension plan, in which the poorest of the elderly will be given income security. It expects to transfer in 2016/2017 with 100% implementation rate of 50% of the elderly population, TK 800 for people over 65, TK 3000 for those who live past 90. The pensions are indexed (Bangladesh Government 2015, p. 86). The government also proposed disability and child disability benefits. In preparation for the projected increase in elderly population, a national social insurance scheme, in which employers and employees contribute to a national social insurance fund, is envisioned. This will provide pensions for the elderly and make funds available to the disabled, expectant mothers, etc. Unfortunately, there is no solid proposal to make pension mandatory for the private sector. Regarding the disabled, the program, as depicted in Figure 2, is proposed (Bangladesh Government 2015, p. 73). Over a lifetime, there are programs to keep disabled people with 'minimum'income, without specifying what that 'minimum' stands for.

Figure 2. This figure shows the various proposed social security programs for people with disabilities, this includes a retirement pension on top of the "Citizens Pension"which applies to every citizen of age, as does the Old Age Pension for certain private sector workers (Modified from Bangladesh Government, 2015).

Bangladesh has remained passive on the issue of social benefits for a long time. Only in 2015 that we are starting to see an initiative to provide more benefits to elderly citizens. Although this is an improvement, it is

Table 3. Results of a poll by the BMO (Scott 2014)



important to note that TK 800 per month is not sufficient for the living costs of anybody in Bangladesh. According to the government (Moazzam and Raz, 2013), a three-person household would need $67/month to sustain a reasonable diet (excluding rent). That is about TK 4824 per month. The minimum wage in Bangladesh is only TK 2957 ($38), as noted by Salam and McLean (2014), whereas, "the living cost in Bangladesh is much higher than that" (p. 1). At the outset, it would appear as though there is dire requirement for improvement. However, there is a very impotent cultural factor in Bangladesh that is missing in Canada. As Figure 3 shows, there are more people expecting to live off retirement through winning the lottery than do receiving financial aid from their children.

Figure 3. This figure depicts the results of a poll by the BMO (Scott 2014). The results find that more people are expecting to retire by winning the lottery (34%) than relying on children (28%) (Reprinted with permission from Scott 2014).

COMPARISONS AND DISCUSSION OF FUTURE TRENDS

This section focuses on direct comparison between the pensions systems of Canada and Bangladesh, and explains the differences between the two. It also discusses future trends and potential problems and challenges, along with potential remedies being proposed in respective countries.

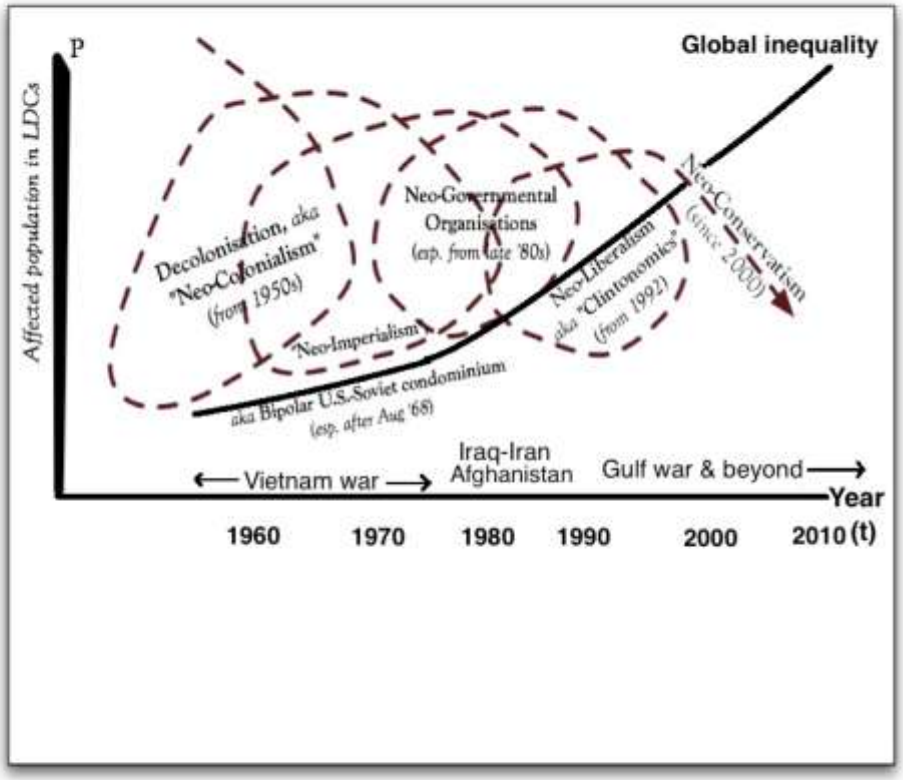
Perhaps the largest difference between the two systems is the simple fact that Canada has a real, organized, and helpful pension system that is available for all Canadians that have worked in Canada. Additionally, they are given the option throughout their life spans to invest in saving plans, designed specifically for retirement. As can be seen in Figure 1, if one were to remove all personal savings and investments, the private and public pension plans are still able to keep the top three tiers of income earners above the 2012 LICO (Low income cut off): $16,279 in rural to $23.647 in large cities for one person (Statistics Canada, 2013). Theoretically, when retirees are couples and both earning pension and living in the same household, the LICO is only $25,582, which all tiers of income are above the LICO ($10500*2 > $20500). Only 5.3 percent of seniors are under the low-income cutoff in 2014, as noted by Bazel and Mintz (2014). This is not to say that the elderly in Canada are free from poverty. In fact, there are several factors we must look at when analyzing the actual poverty rate. As expected with single-living seniors (who have double the chance of being income inadequate), Bazel and Mintz (2014) propose that single-living seniors be the target of income-adequacy policies (P. 11-12). Although workforce participation is increasing overall, the increasing divorce rate and increased childless couple complicate matters. Milligan (2008) analyzes the development of elderly poverty in Canada. There has been a sharp reduction in elderly poverty since income was expanded for the elderly. An interesting finding was that since the 80s, people leading up to the age of 65 had much less income (a "sharp spike") but similar consumption. This may be due to family charity or government transfers, but remains a mystery as relevant data are not available or are incomplete.

Perhaps the more ethically saddening fact about older Canadians is that the poorer population is suffering the worst in terms of health conditions. It has been reported that in rural areas, seniors face higher housing costs, and significantly higher healthcare, drug-related costs (Bacsu *et al.,* 2012, p. 83). Tang *et al.,* (2014) cited a study that found that 20.4% of LICO respondents said that costs related to drug non-adherence were an issue. A comprehensive study by Lehnert *et al.,* (2011) sums up the point being made. They conducted a review of 35 studies investigating the relationship between multiple chronic conditions (MCCs), and health care utilization and cost outcomes. The cost of medication for medical conditions were associated with high drug costs, and for the ones who could not afford medical expenses, they were at risk for insufficient care (which includes necessary drugs and medical services). The bottom line is, poorer seniors, especially ones that require drugs, are having a difficult time dealing with finances, making them the most vulnerable at an old age. In summary, although most retirees are above the LICO, there are many sufferings amongst the older population that are not measurable in the form of economical indices. Bazel and Mintz (2014) suggest several policy actions, such as increasing overall GIS payments for single seniors, and expanding coverage of pension plan survivor rates (p. 11-13). Regarding other negative effects, Islam, Islam, and Zatzman (In press) make the conclusion - based on a review of clinical trials - that there is a negative correlation between mental health problems and family/social support. There are fewer incidents of mental illnesses, such as, dementia and slower neurocognitive function degeneration when people are cared for by family and/or are supported socially otherwise. It should be noted that these negative effects can soon be expected to occur in Bangladesh, provided that sufficient cultural changes occur. Therefore, these negative effects are a consideration when examining future policy actions of Bangladesh.

In terms of health and quality of life, there is a different paradigm in the west than the east. This aspect will be discussed in latter section, but here it suffices to say that older generation suffers from a number of negative aspects of aging in the west that are insignificant in the east. One of them is ageism. As Iversen *et al.,* (2009) defined ageism as “prejudice by one age group toward other age groups” (p. 6). While the psychological consequences of ageism are beyond the scope of this paper, we can cite some of the tangible phenomena that are rooted in ageism. For instance, Islam et al. (2015, p. 104) noted that suicide rate in USA is the second most prevalent among the age group of 85 and older. In Canada, the statistical data on suicide among elderly population is also alarming. Statistics Canada (2013a) reports over 500 suicides per year in 2011 among 65 and older. Also noted is that the suicide rate is steadily increasing during recent years. This doesn’t reflect well on the emotional health of the nation, Islam et al. (2015) rebuked the government and the social elites in no uncertain terms, “A society that takes pride in decreasing mortality rate and increasing longevity must take responsibility for the elderly that don’t care to live longer.” (p. 104).

There is a sharp contrast between Bangladesh and Canada with respect to pension-reliance. Miyan (2005) analyzes public and private pensions in Bangladesh. We are informed that pensions for public servants have been around since 1974, which provide more than enough to reasonably sustain a person or a couple. The public sector employees are doing very well, as is the case in the majority of developing countries. The real issue that addresses the vast majority of working people in Bangladesh is the issue of private pensions. The vast majority, working for the agriculture and environment sectors, is entitled to no pension (Miyan, 2005, p.1). The agricultural sector has around 20 million laborers that make up around 50% of employees in Bangladesh, with around 40% of GDP that relies on this sector. The industry sector makes up another 48% of Bangladesh’s employees, 19 million laborers, and contributes to 26% of Bangladesh’s GDP and has an impressive growth rate (9%, better than the 5.8% of the country) (p. 19). None receive any pension. These sectors make up around 98% of the private employment in Bangladesh. It is possible that some employees receive some sort of “gratuity”, even though data on that are scarce. They receive the minuscule TK 100 per month (changing to TK 800 soon), in exchange of which they would be barred from receiving other government benefits or even international relief (Miyan 2005, p. 25). One would rationally ask, how do they people live? Well, the same way Canada and other countries operated before the introduction of pensions, when a person got old and could no longer work, they fell back onto the family. This is how the cultural aspect plays in. The family structure is strong and ready to continue the traditional practice of taking care of the elderly, sharing houses, etc. Today in Canada, more people expect to win the lottery than expect that their children will take care of them (Figure 3), the lifestyles are obviously very different. What needs to be considered is the fact that Canada has travelled away from that lifestyle some 100 years ago whereas Bangladesh is just beginning to travel the same path. This is the time to assess if the pathway is facing the correct direction. If not, Bangladesh might very well regret taking the same path as Canada without considering long-term implications. This aspect is almost never considered in classical economic considerations. In their book, titled: *Economics of Intangibles*, Zatzman and Islam (2007) considered historical background of LDC countries and demonstrated that in absence of inclusion of all salient features, including cultural, religious, political, economic analyses are often skewed in favor dominating political authorities, both in national and international levels. This skewed picture, however, implodes as time factor is considered (p. 353). Figure 4 shows how data collected on economic development on LDC countries can be “linearized”. For instance, as graphs ‘b’, ‘c’ and‘d’ illustrate in Figure 4, by “slicing” this view of the overall data trend from the Knowledge dimension so as to *exclude* the actual progression of historical time, one can

Table 4. Full historical view of increasingly implosive trend of neo-colonial decay in “developing” countries compared to middle classes’ share of national income in selected LDCs



extract any scenario one wishes about what is happening to social and economic conditions in the weakest and most vulnerable parts of the world, as the noose tightens around the necks of the neocolonies of this world system (p. 353). Also plotted is the exponential rise in global economic inequality that has reached a level where 1% richest controls nearly 50% of the world wealth (Islam et al., 2015). In this figure various long-term wars are indicated, showing how each war gives a kick start to the global instability, accumulating more wealth for the richest. Each helix identifies as a specific “neo-“spiral in the order of its historical appearance. The rising and declining trends are arbitrary depending on which trend would benefit the perpetrator of the global economic hegemony.

Figure 4. Full historical view of increasingly implosive trend of neo-colonial decay in “developing” countries compared to middle classes’ share of national income in selected LDCs (modified from Zatzman and Islam, 2007).

It’s only now, in the 21st century that Bangladeshis are reacting to a change in culture and other factors. They seem to be moving in the direction of a modern western culture, in which children and family simply do not care or are too busy to care for the retired parents and expect them to live off what they had saved and their pensions. It seems that there is a general shift currently occurring in Bangladesh, the same shift which caused the Canadian government to start a pension plan 100 years ago. In Bangladesh, there are several possible reasons why attitude of the children toward elderly has changed. One factor is the change in culture from unified to a broken-up family, proposed by Miyan (2005), due to urbanization rather than rural structure, and due to migration abroad (p. 12). This factor warrants a revised pension system in the near future. Uddin (2013) analyzed the inter-generational cultural changes in Bangladesh. The major observed cultural change relating to the issue is general disrespect to the elder generation (he terms “moral degradation”), considering their ‘wisdom’obsolete. This, he says, caused increased vulnerability of the elderly population. Ageism that was not an issue may begin to play a significant role, confounding matters even further.

This section was meant to analyze overall trends of public and private pension systems in Canada and Bangladesh. We discussed several overall observations. We see that Bangladesh is just beginning to shift from a family-based retirement system (in which there is no need for public or private pensions) to tier one and tier two pension plans. Bangladesh is not anywhere close to really solving the problems a matured pension system would have. Corporations are clearly not interested in providing pensions to protect their profits to private pensions (Ahmed and Nathan, 2014). The government has addressed this issue very recently. However, the old age security-like program of Bangladesh is still minimal and preliminary. Canada, on the other hand, has already transitioned from a unified to separated family structure, and it has a number of schemes planned to provide the elderly with income security. Canada is starting to face problems dealing with public pensions and the ageing population, and possible plans to aid low-income retirees. So far, we have covered the current situation trend of pensions in both countries, general tier one and two pensions in both countries, and their brief histories. Now we will look briefly into the future.

Regarding the ageing population, although it's not necessary to get a full picture of debates and proposed solutions to the pension crisis, it's important to outline the situation and connect that to the future outlook of Bangladesh. Canada has taken some measures, despite their lack of popularity for the elderly population, to attempt to deal with the pension crisis. For instance, Canada is planning to change the full retirement age to 67, which is expected to have many beneficial effects on fiscal policy (Hering & Klassen, 2010). On the other hand, Emery et al. (2013) found that such a change could further reduce food security of low income Canadian seniors two-fold. Stendardi (2005) analyzed the impacts of a phased-out pension plan to counter the large influx of retirees from the baby-boom generation. Based on the economic evidence and logic, it is said that such a plan has the benefits of; a) benefitting the employer, as they can retain experienced workers for a longer period of time; b) benefitting the retiree as they can cope with the economic burden and emotional strain of not working, and; c) benefit the government by putting less of an economic burden on them by the retirees.

A recent report, addressed as information to parliament (Simione & Theckedath, 2012), outlines several plans to counter the pension crisis. Examples include reducing disincentives to work due to government-guaranteed plans like the OAS (p.5), encouraging innovation (p.6-7), and increased training initiatives (to increase economic growth through increasing labor productivity) (p.7-8). Leonard (2007) discusses certain potential solutions, and mentions immigration policy as being key to counter the ageing population. In this plan, immigrants, coming from a young demographic will be able to work and counter the slow economic growth produced by an ageing population. There is a lot of debate and details need to be sorted out. However, what is clear is that Canada is just starting to address the concerns of an ageing population. Solid action such as increasing the retirement age was proposed to be in plan by April, 2023. In contrast, it is possible that Bangladesh will have to start dealing with these problems soon, as they are also experiencing an ageing population, and a possible shift in culture. Although the effect of these factors in the future is not determinable, it is interesting to see how Bangladesh will start to react to an ageing population, given that several proposed solutions and implementations will exist at that time (executed by developed countries that would have dealt with the problem before they did).

PARENTAL CARE ACT AND MORAL AND ETHICAL CONSEQUENCES

Only recently, Bangladesh enacted the Parent's Care Act, 2013 (International Labour Organization 2013). That makes it mandatory for the adult children to provide for their elderly parents in need of financial support. According to the law, the children will have to take necessary steps to look after their parents and provide them with food and shelter. Each of the children will be required to pay 10% of their total income regularly to their parents if they do not live with their parents. In addition, children are required to meet their parents regularly if they live in separate residences. Furthermore, under no circumstances are children allowed to send their parents in old homes beyond their wishes. The law also allows aggrieved parents to file cases against their children if they decline to support them. A first class magistrate court will settle issues related to the violation of the law. For reconciliation of any issues, local government representatives such as chairmen, members and others authorised by them will settle the disputes. The law has the provision of TK 200,000 (approximately $2200 US) as a fine and, in default, a six month-long jail term for violation of the law. Any spouse or relative, including the in-laws, will be considered as offenders and will be punished if they are proved to be guilty of having objected to such support.

This act emulates a previously enacted Indian Act that had been in place since 2007 (Hyder 2015) that itself is an emulation of Singapore law, enacted in 1995 (Lee, 1995), to compensate for the aging population that was facing significant financial burden on the society. Interestingly, the Singapore law was modeled based on U.S. filial support laws that had been largely in disuse (Britton, 1990; Lee, 1995). The U.S. filial support law stipulates that individuals can be held financially responsible for aged, poor relatives that are unable to maintain a reasonable standard of living. As pointed out by Lee (1995) these laws are still active in twenty-six states at least in the book and have potentially biblical roots [3] based on British Poor Relief Act 1601 that it was rooted in Reformist version of biblical context Exodus 20:12; Matthew 25:32-46. This law was motivated by protecting the public fund against exhaustion due to social welfare. The general principle was to provide for their indigent elderly parents and would read: "[a]ll children shall be responsible for supplying necessary goods and services to their parents when their parents are unable to do so themselves" (Teitelbaum, 1992).

These laws, while vary from state to state, all carry the general conditions, such as:

1) If the child was abandoned, he/she cannot be held responsible.
2) The immediate family of a married child is primary responsibility.
3) The child has to be financially able.
4) Parents have to be indigent (Lee, 1995). Lee (1995) points out the reason why U.S. filial laws have been in disuse, citing following external and internal factors:

a). The Growth of the Welfare State, in which the state administers welfare.
b) Industrialization and Modernization that eroded traditional family values.
c) Administrative Problems that attach a significant cost of bureaucracy.
d) Impact on Interfamily Relationships that make the law undesirable, unproductive, and least effective at a time of greatest need.

When Singapore enacted its parents care act, it was motivated by taking advantage of eastern values and moral standards in alleviating the high cost of healthcare of the aged population. Results show that Singapore model indeed succeeded in remedying shortcomings of U.S. filial laws. The discussion of this moral impetus is absent from Indian or Bangladeshi legislation.

The parent's care act of Bangladesh was enacted following India's similar law, enacted in 2007. However, significant discrepancy lingers between the two (Hyder, 2015). For instance, the Indian Act includes adoptive and step-parents under the term 'parents', while only the birth mothers have been recognized as mothers in the Bangladesh Act. It means adoptive and step-mothers are not protected by this law. Interestingly, the law does not make a similar distinction in case of the fathers. The definition of father includes any man who is father to the child, under which provision both adoptive and step fathers can be protected under the Act. Secondly, the Indian Act is explicit about who can make the application in case a violation of the act occurs, that is, the parent or any person or organization authorized by the parent(s). However, the Bangladesh act makes no mention of who can apply, making the position of the indigent parents vulnerable. Thirdly, the Indian Act also stipulates a 90 days' time limit from the date of serving the notice in order to dispose of the outstanding amount owing to the parents. In addition, there are other ambiguities regarding what constitutes 'reasonable amount', keeping it arbitrary.

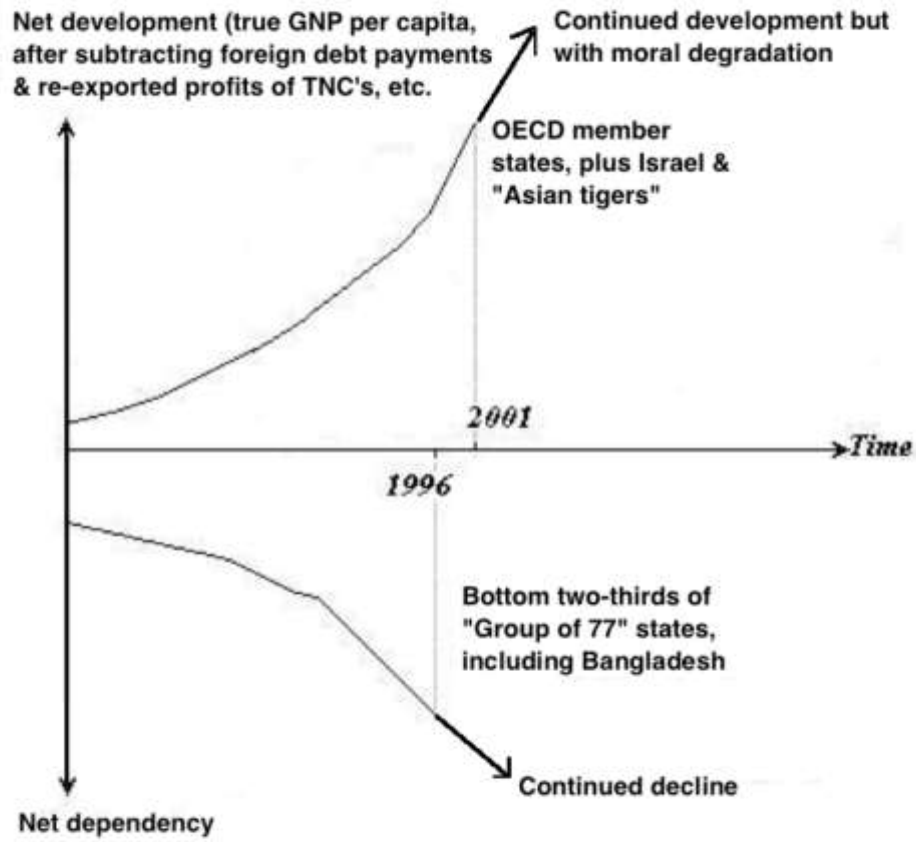
Even though the Bangladeshi legislation doesn't recognize explicitly, the provision of taking care of elderly parents is imbedded in the Quran – the book some 80% of Bangladeshis hold sacred. For instance, some 15 times Qur'an has decreed good behavior towards parents Quran 17:23-24. Similarly, the Hindu minority can also find guidance from their holy book, *Gita* that discusses about parents' devotion to the child as a sum total of financial, emotional, and physical services and must be repaid back fully. The problem in Bangladesh arises from the fact that the urbanization is synonymous with departure from religious values that are inherent to the oriental culture. This departure is evident from government efforts of following western pension plans, among others. However, at the same time invoking fundamentally religious values in terms of Parent's care act and making it a crime not to act according to those values can have little effect in the face of contradictory lifestyle that is glamorized in Bangladesh today. In fact, without proper education and a governmental directive toward comprehensive pension plan with recognized value system, the legislation may backfire.

RECOMMENDED POLICY ACTION

Based on the reviewed positive and negative effects of retirement arrangements in Canada, there are important considerations to be made when considering the future plan of Bangladesh's pensions and care of the elderly. As noted earlier, Bangladesh has the advantage of analyzing the positive and negative effects of retirement policies in currently developed countries and may base their plans on those observations. So far, it seems that the Government of Bangladesh is slowly following suit with the OECD countries in providing pensions to all seniors in the public and private sectors, as the 2015 recent developments show us. This section is intended to advance the argument that this is not the most favorable path to take. If all intangible factors are considered, it will be shown that the opposite path should be taken – the path that is socially responsible, culturally sensitive, and economically sustainable.

Instead of doing nothing about the "individualistic" cultural change observed with urbanization in Bangladesh, and attempting to cope with it by providing money to the elderly population (which will increase over time), the sensible direction to take could be reversing this change and promoting the cultural values of respect, and mental and physical support for the elderly by younger generation. There are several benefits to taking such a 'drastic' and unprecedented policy approach. Firstly, it can reduce the negative psychological effects of retirement and living alone, and even reduce the rate of mental illness and neurocognitive function degeneration. As we noted earlier, there are negative effects of retirement and living without social/family support. Secondly, it will reduce the government's expenditure (Bangladesh. General Economics Division, p. 86) and associated regulatory and bureaucratic costs that come with providing public pensions and regulating insurance programs of private companies. Thirdly, it reduces the pressure the government would put on private corporations, and, ideally, would allow for different pressure (perhaps pressure for higher minimum wage) to be applied. There is logically no doubt that being able to

Table 5.



prevent such cultural change is beneficial, the problem lies in the application. It is beyond the scope of this paper to analyze different policies and associated costs and benefits, but this paper is crucial in identifying the fact that being able to do such a thing is a better - and likely more feasible - policy, which will aid the economy and wellbeing of the elderly and taxpayers. It is important, however, to discuss an important aspect of economics of intangibles.

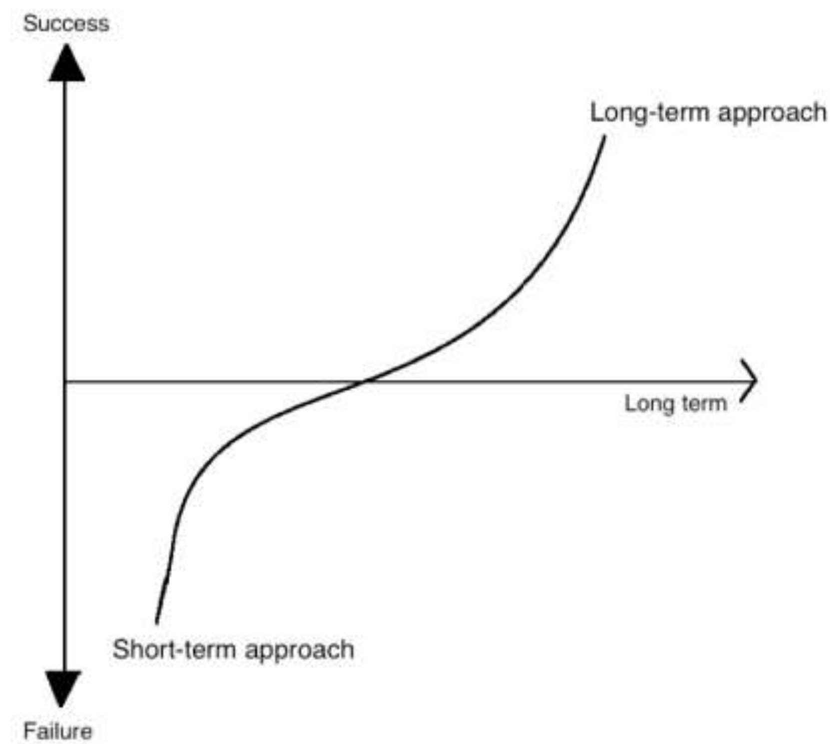
Figure 5 shows how following the western model can increase the dependence on the west. This is explained by the fact that every such initiative conflicts with natural traits and time-tested practices of a society. At the core of classical economics lies the consideration all factors in the shortest possible time frame. This is meant to increase gains in the short-term without regard to the long-term implications (Zatzman and Islam, 2007, p. 51). In essence, it means that all decisions are made based on what would make the policy makers look good "right now". This, in turn, places greed as the driver (Zatzman and Islam, 2007), making the policy making rather a myopic process. Khan and Islam (2007) discussed the implication of taking such myopic view. Figure 6shows how long-term decisions can result in eventual welfare of the society. Such approach includes adding synergy to the development process through adding to nature traits of the people. The natural trait in Bangladesh would be the oriental approach of caring for the elderly by the immediate relatives. Opposite results would emerge if this natural system is disturbed.

Figure 5: As a result of shortsighted schemes, the poorest 77 countries have fallen further down the dependency trend (modified from Zatzman and Islam 2007).

Figure 6: Long-term policy decisions can add to the overall welfare of a nation (modified from Khan and Islam, 2007).

When it comes to caring for the elderly population, cultural aspects become ever so important as happiness takes up a different meaning (Chueng & Chan, 2009). Unfortunately, this cannot be easily calculated or reduced in an index. In fact, it is practically impossible to compare such factors, as happiness between countries. When the happiness index was first introduced in 2005 by London school of Economics, controversies arose as Bangladesh

Table 6. Long-term policy decisions can add to the overall welfare of a nation



was named the happiest country in the world, far ahead of western countries, such as USA and Canada (Khan and Islam, 2007). Following that original ranking, numerous indices appeared in an apparent effort to quantify 'economics of happiness'.

CONCLUSIONS

Different types of pension plans in Bangladesh and Canada are critically reviewed. The Canadian government has the so-called "three pillars" of programs in place to assure some kind of income security and encourage retirement saving for Canadians. Tier two pensions have transformed from DB to DC plans. Each of these plans has its positive and negative factors. However, they both essentially, generally get the job done, that is, provide income security. Bangladesh, on the other hand, gives very little old age security to seniors, with the exception of the well-off government servants. The vast majority of Bangladeshi seniors rely heavily on their children for support after they can no longer work. Tier two pensions are nearly non-existent. Canada has problems dealing with low-income earning seniors and others that cannot afford prescription drugs and often suffer more from health conditions as a result. Canada also has to deal with the issue of decreasing workers per retiree (due to an ageing population, summarized below). In addition, public servants of Canada also have better pension plan than others, because of guaranteed indexed pension.

The trend that the pension system in Bangladesh seems to be following the pathway of Canada is worrisome. Bangladesh is just starting to respond to cultural changes by providing some income security to the elderly population, and by designing what will hopefully be an implemented social insurance policy on private sector employers (although the effect on quality of life is debatable). This is similar to what Canada did nearly a century ago. We cannot say that the path will be the same, or even similar, due to several reasons. Firstly, because Bangladesh has a largely labor-based economy which is under the tight grip of corporations, we cannot say that the vast majority of employers will be willing to provide the kind of pension that provides someone with adequate funds to fully live off of. In fact, it is highly unlikely. Because of this, it is much more likely that such a transformation if it is to occur will take a much longer time. Secondly, we cannot estimate the level/impact of the change in culture over time, there could be a series of events causing rapid cultural change leaving the older generation in the dust, or it could simply be an immovable part of society. We simply do not know enough to accurately predict the time-if at all- that such a change will occur.

Regarding the worldwide trend of an ageing population, policy analysts in both Bangladesh and Canada have been been discussing it. The biggest implication of an ageing population is that there is a larger non-working population causing an imbalance between workers (Canadian

Medical Association 2015) who are essentially paying a large portion of older people's pensions today. This warrants policy actions on behalf of the government, so the elderly population gains income security in the future. This is certainly the case for Canada. For Bangladesh, this also applies, but in a less direct sense. Despite cultural norms, the population is ageing, meaning that the older generation places a bigger burden on the families and community at large. Modern medicine and a lifestyle that doesn't support Bangladeshi culture contribute negatively to the pension crisis. In addition, changing cultural norms and migration/family-break-up trend are factors that are bing considered for a national pension plan, but has yet to be implemented.

The recently enacted Parent's Care Act in Bangladesh emulates that of Singapore from 1990s. This Act somewhat differs from that of India, enacted in 2007. However, without general directive from the government, education and resurgence of indigenous moral/ethical values, legislation of moral values can backfire. In this paper, numerous potential benefits of implementing a very different policy, namely, attempting to reverse the cultural changes observed with urbanization and industrialization are discussed. This was said to help the economy by putting less pressure on private corporations, prevent an increase in mental health problems of the elderly population, and reduce the burden on taxpayers who would have to pay for the initial government public pension program and additional costs with time.

NOTES

Ahmed and Nathan (2014) remind us of Bangladesh's notorious reputation when it comes to labour rights and benefits.

Canada's workers per retiree rates have been significantly dropping throughout time (Kramer and Li 1997, p. 4). This observation is key to the pension crisis. It is expected by 2030 that there will only be 2.7 workers per retiree in Canada (Canadian Medical Association 2015).

Corruption and pension plans may surprisingly have a correlation; Mobolaji (2012, P. 135) notes that some corruption is driven by insufficient pensions.

Estimated to be over $0.4 Bn US dollars, (Bangladesh. General Economics Division, p. 86). Note that the current pension arrangement is not nearly sufficient for the elderly population to live off sufficiently; this cost can be expected to increase over time with more cultural change.

The late John Maynard Lord Keynes, one of the most influential economists of the 20th century and the founder of modern macroeconomics, believed that historical time had nothing to do with establishing the truth or falsehood of economic doctrine. "In the long run, we are all dead," he wrote. (Zatzman and Islam, 2007, p. 51)

Quran 17:23-24: And your Lord has decreed that you worship none but Him. And that you be dutiful to your parents. If one of them or both of them attain old age in your life, say not to them a word of disrespect, nor shout at them but address them in terms of honor (23); And lower unto them the wing of submission and humility through mercy, and say: "My Lord! Bestow on them Your Mercy as they did bring me up when I was small."(24)

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