Group Insurance and Welfare Scheme for Public Servants in Bangladesh: An Appraisal of Economic Efficiency and Effectiveness

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Abstract

Given Civil Servant's dire financial condition. Bangladesh Employees Welfare Board has been providing social safety net since its inception in 1968. Staff bus scheme for the government employees; financial assistance for treatment of expensive and serious nature of diseases of the government employees both in home and abroad; special grant for medical treatment of an employee or her dependent; financial assistance for burial/funeral of deceased employees or their family member; scholarship for education of children of an employee (maximum two); construction of clubs/community centers, and arranging annual sports; providing vocational/technical training through Ladies industrial Homes; providing Group Insurance facilities for the employees are the programs through which it is trying to provide such relief to the government employees.

This study aims to evaluate the role of Group Insurance and Welfare Scheme for public servants through aforesaid programs. The most important thing is to identify whether the service provided by the government is efficient or not. Efficiency can be measured through time consumed by the organization, capability of its staffs, record keeping system, networking and liaison with the stakeholders.

On the other hand efficient resource allocation, timely provided service, adequacy in terms of value of money (which can be measured by Consumers Price Index of a particular time series) can be taken into consideration. Computerization, decentralization, proper training of staffs, continuous monitoring and evaluation of programs and flexibility in changing the benefit over time are some ways to cope up with the problems related to efficiency. Shifting towards fully funded program is also essential to face the future fiscal burden on the government.

Chapter I: Introduction and Background

Introduction

Government employees in Bangladesh are in the fixed income group and they depend mainly on their salary. They, especially the lower income group of the public servants, have no scope for saving any money for their family. Whenever an earning member of this type becomes unable to work (sickness or work injury) or in the worse case dies, s/he leaves the family in dire state. "Group Insurance" and "Benevolent Fund" provide the safety net for the family of the civil servants in crisis.

Like other governments around the world there are two other kinds of income security: public programs and private provisions which involve the major parts of assessments of income security of the country. Increased reliance on the work placé for basic income security has gained importance with unequal compensation coverage around the world. Practically those with better jobs—higher pay and great job security—have more protection; those with worse jobs are less likely to be covered for medical expenses or loss of income (Root 1985).

There are three aspects of work place income security. First, employee benefits through income security reinforce the resource disparities arising from pay differentials. Those with the fewest current resources are the least likely to have protection against the costs of medical care or loss of earnings, be it untimely death or temporary disability to work. Second, the coverage of the population through the vehicle of employee benefits reduces the aggregate demand for improvement in governmental programs. Thus, those who remain unprotected through the work place are more isolated politically, decreasing the potential pressure for governmental actions to meet their needs. Third, the institutional structures that have arisen in the implementation of employee benefits have created a new set of vested interests that present a significant source of resistance to change (Titmuss 1969, in Root 1985).

Bangladesh Employees Welfare Board can play an important role in providing income security for the civil servants of the country by reducing the gap of insufficient compensation package (World Bank 1996) and providing safety nets through its various programs. This study is aimed to evaluate the efforts made by the Board so far.

1.1 Back ground

Establishment of a "Staff Welfare Organization" in 1952 is the genesis of "Bangladesh Employees Welfare Board" of present day. It was spelled out that the organization would:

- Provide indirect economic relief by giving facilities of cheap consumers stores supplied through Fair Price Shops, Grain Depots, etc.
- Provide canteens for supplying light refreshments and wholesome meals at cheap rates during office hours.
- Provide facilities for recreation, sports, social and cultural activities.
- Grant scholarships to school and college going children of non-gazetted staff.
- Improve the quality of living of the government servants.

In line with the aforementioned objectives the Provincial Government of erstwhile East Pakistan initiated welfare activities among the employees working at the Secretariat in 1962. After liberation in 1971, it was recommended in the *Report of the Civil Administration Restoration Committee, 1972* that the Staff Welfare Organizations under the former Central and Provincial Governments be merged and function as one single unit under the Establishment Division (now Ministry of Establishment). In January 1979, the Directorate of Staff Welfare was created converging the Staff Welfare Organization and coverage of the activities were extended up to divisional levels of the country. Subsequently, in 1982, a Board of Trustees was established with a view to expand the welfare activities among the government employees as a whole. In 2004, convergence and amalgamation of Board of Trustees and Department of Government Employees Welfare Board into single entity of "Bangladesh Employees Welfare Board", henceforth called by 'Board', took effect through enactment of new law.

1.1.1 Major activities of the Board:

- Staff bus scheme for the government employees;
- Financial assistance for treatment of expensive and serious nature of diseases of the government employees both in home and abroad;
- Special grant for medical treatment of an employee or her dependent;

- Financial assistance for burial/funeral of deceased employees or their family member:
- Scholarship for education of children of an employee (maximum two);
- Construction of clubs/community centers, and arranging annual sports;
- Providing vocational/technical training through Ladies industrial Homes;
- Providing Group Insurance facilities for the employees.

1.2 Argument

Service provided by the Board in present day perspective is not adequate enough for the government servants of Bangladesh. Especially, keeping in mind the inflation rate over last decades, it is clearly evident that the value of money is reducing day by day, but we did not see any enhancement in the rate of services provided by the Board (except in the case of administrative cost and other service delivery like staff bus scheme).

1.3 Purpose

The present study purposes to identify the social safety net program available through the Board, with special emphasis on the economic efficiency and effectiveness of benevolent fund and group insurance for the civil servants. More specifically, the major objectives of the study include:

- Evaluate the role of benevolent fund and group insurance scheme for the civil servants as complementary role of compensation;
- Conduct a sample survey to assess the nature, magnitude and adequacy of various forms of assistances now available to the government servants;
- Review the existing programs for the government servants;
- Suggestion for a comprehensive social security scheme for the government servants.

Reforms in pension system are getting more importance of the governments and academics as the number of elderly people is increasing over time. It has already become a fiscal burden for the government of developed countries, and with advancement of medical science; increase in life expectancy is already causing same problems in developing countries

(Malhotra and Kabir 2002). Hence, pension reform is getting more importance over job risks related to income loses like sickness or untimely death of an employee. Developed countries has various safety nets to compensate these types of income losses, but unfortunately developing countries like Bangladesh does not have such safety net program in general (except old age pension scheme for elderly by Ministry of Social welfare which started from 1997 and still expanding and yet to reach a commendable level). From the beginning of functioning how far the Board has stretched its efforts in this arena is the focal point of the study.

1.4 Rationale

Success of any program depends on the continuous monitoring and evaluation of it. Collecting, analyzing and disseminating information on program impacts and effectiveness would allow the government to make more accurate decisions on whether to expand or contract a particular program. Evaluations, carried out at regular intervals, should determine whether the project objectives, expressed set in terms of expected outputs, are being or will be met and at some future point in time (WB 2006). Unfortunately no such study has yet been conducted on the services provided by the Board. I hope this study will be the beginning of such effort and will help to provide future policy implication for the government. Working as an employee of the Board for six months provided the motivation for conducting the study on this organization.

1.5 Key questions

Rationale for governments' intervention, especially in developing countries, is the absence of different risk related products provided by the market. Hence, government has the sufficient ground to intervene in providing safety net programs in case of any kind of income lose which directly influences the family of the incumbent. The government is the major service provider in this area. Though there are some market-based solutions for risks related to income lose, but they are not accessible to maximum civil servants because of high price. So, what would be the parameter of judging effectiveness and economic efficiency of the governments' activity? How can we improve the service delivery system? Should we go for a market-based solution option? Or should we transform the programs as a competitive one in comparison to the same service provided by the market? And what would be the *modus operandi?*

1.6 Methodology

This study is mainly of exploratory type. Most of the data were collected from the yearly report of the Bangladesh Employees Welfare Board, perusing the concern registers, analyzing them with the prevailing laws, rules and regulations. Data of ten fiscal years starting from 1995-96 to 2004-05 were analyzed. In analyzing the data or efficiency of the activities performed by the Board, Consumers Price Index (CPI) with the base year 1985 are used and efforts are made to establish that the economic efficiency and effectiveness of the Group Insurance and welfare scheme for the public servants are diminishing.

The reason for considering 1985 as base year was, on the basis of third pay commission report public servants salary was increased. On the other hand provision for assistance from the benevolent fund was changed from 'two basic salary' to 'four basic salary but maximum of twenty thousand taka' in the year 1995. That is the reason in this study the time horizon of 1995-2005 was chosen.

In case of Group Insurance every 20th case of this ten years time frame were chosen by using random sapling method, and it amounted the number case in 1232. These cases were analyzed by using statistical analytical tool SPSS.

To analyze the performance of benevolent fund 50 beneficiary each for the cases of expensive and normal medical treatment were chosen on purposive method due to time constraint. However, similar kinds of service provided by the two leading insurance companies operating in the country were collected to compare the public provision.

This paper is divided into seven chapters. The introductory chapter describes the general background, objectives and methodology of the study. Chapter two discusses theoretical framework under which related literature review is done. Chapter four focuses economic efficiency of the Board, provision of law and service delivery system in Bangladesh. Chapter five contains conceptual and practical discussion on effectiveness of the program on the basis of Consumer Price Index. Chapter six presents the findings of the study. In the seventh and final chapter recommendations based on the findings of the study are presented and area for further research is outlined.

Chapter–II: Theoretical Framework

Benevolent Fund and Group Insurance Scheme for the civil servants were first introduced in 1968 through enactment of an Ordinance. The rationale of introducing such scheme was to provide safety net in case of incidence like untimely death, sickness, natural and man made calamities that negatively impact on the family of an employee. Though the systems of support have been introduced but the victims do not get supports on time of need. As a result, the family of the victims had to bear the family needs and manage crisis immediate after the incidence on their own. Sometimes they have to utilize their own savings, sell their household belongings, or borrow the money from others in managing such crisis. However, as per existing process of providing support to the government employees from these schemes are not needs responsive in nature. There are various kinds of options available through out the world to face these challenges, developed countries provide public based solutions as their tax and income base is stronger in kind. However, some developed countries have the provision of market-based solution to cope up with the matter along with public programs. Developing countries like Bangladesh are lagging behind in providing total safety net program as a whole along with its employees to cope up with the risks they are exposed to.

Holzmann and Hinz (2005) provide conceptual framework for dealing with "the diverse risks to which individuals or households are exposed in a world characterized by asymmetric information and malfunctioning or non-existent markets." Prevention, mitigation and coping are the three main strategies for dealing with the risks. Whereas, there are three main arrangements for these risks as well, they are informal, market based and public. The advanced industrialized countries have sought to cope with the challenges of different types of risks through market or state provision replacing informal arrangements like family support. Formalized or market based provision is still largely absent or extremely uneven in the poorer countries like Bangladesh (Malhotra and Kabir 2002).

What would be the system design is determined not only by the risks related to general and age-related disability, death, and longevity but also by the many other risks and enabling environments. According to Holzmann and Hinz (2005) "short term risks like war, draught, flooding, unemployment, disability and sickness get more importance as threatening factors over lack of sufficient resources in old age and uncertain timing of death. Consequently, mandating the participation of the very poor in a public, earnings related pension scheme is likely to be welfare decreasing and difficult to enforce. This reasoning is supported by recent theory of annuity demand. Davidoff, Brown and Diamond (2003) suggest that full annuitization may not be optimal when markets (for other risks) are incomplete: this incompleteness of markets can lead to zero annuitization and the holding of traditional financial assets only."

In sickness or other impediments of work, informal arrangements help, but it seem to be less effective in situation where it takes long time to get oneself fit for job. This strongly suggests placing disability and work injury support before old-age insurance for low income countries. Holzmann and Hinz (2005) continue to argue that "the rate of return under any contributory system is subject to diverse risks, with the most important being economic, demographic, and political risks. These risks affect all types of pension systems—defined contribution or defined benefit, funded or unfunded—but in a differentiated manner. The fact that the rates of return of different schemes or pillars are imperfectly correlated and the robustness of the schemes in relation to covariate risks is different strongly favors a multi-pillar pension structure in which savings are put into different baskets and a risk floor is provided."

To cope with these divers risks there are three main strategies suggested by Holzmann and Hinz (2005), they are:

a) Informal arrangements: These are based on family or community support, but seem to be weakening with the fall of birth rates, rising of life expectancy, urbanization, and changing of family structure (transformation of joint family to nuclear family which makes the informal support weaker). These transitional situations suggest to going for more formal support in the form of government provisions or market-based arrangements to complement or supplement informal arrangements.

b) Public arrangements are largely market-substituting approaches. Hence, the question for countries moving from predominantly informal arrangements is the extent to which they should move to full-scale public and unfunded arrangements before relying (partially) on funded arrangements or whether they can and should develop market-based, funded arrangements from the beginning. This is an issue for the path of reform in this sector.

c) The better and factors markets work, the more reliance can placed on market based arrangements and individual choice. The extent to which this is feasible depends on the degree to which markets are able to provide the appropriate instruments and whether government can provide effective and reliable regulation and supervision.

In Bangladesh, informal arrangements seem to be predominant in coping with diverse risks. There are some public arrangements as well, especially in natural calamities like flood, cyclone or epidemic. The effectiveness or economic efficiency of those programs are not under purview of this study, however, in case of a distressed civil servants we find the combination of informal and public arrangements, as for example when a public employee gets sick and need long and expensive treatment s/he has to arrange the expenses on her/his own and after that upon notifying the government, mainly through the "Bangladesh Employees' Welfare Board", s/he gets some financial benefit.

Rationale for Government Intervention: Market failure and income redistribution are considered to be the textbook rationale for government intervention (Holzmann and Hinz 2005). For example, in a country like Bangladesh, civil servants are poorly paid. So in any kind of crisis they tremble to overcome or cope up with that, especially the lower income groups of the government employee are at the most vulnerable position regarding this. Government intervention may be needed in case of demand and supply side deficiencies. If there is no demand due to lack of farsightedness, supply will not emerge, and even if there is demand, supply by the private sector may not be assured if left unregulated. That's the reason Holzman and Hinz (2005) provided the following justifications for government intervention:

a) Myopia: Individuals may have a short planning horizon and can end up with insufficient savings to cope up with any kind of disaster, be it sickness, natural disaster or untimely death or whatever. Myopia or high price of income risk commodity provided by the market (due to incomplete market) could be reasons for insufficient planning. So, broadening the market base through a proper regulatory system could be a better solution.

b) Absence of financial products: Even if individuals are willing to buy different risk mitigating products, e.g. bank deposit, stocks, bonds; for transferring funds to the future for any kind of risk, it still needs government intervention in the form of education and guarantee funds to address behavioral impediments to their use. So that, people do not consume more to end up in poverty or being asset less in need. If there is no such product provided by the market, governments need to intervene and provide the required products in a market-substituting manner.

c) The need for regulation and supervision: Creating a functioning and stable financial market requires government regulation and supervision. Financial markets left to their own may not develop at all, with a few exceptions, or if they develop, they might not deliver the long-term savings and annuity products that individual needs. To ensure that the private sector delivers on the policy objectives related to the outsourcing of retirement income requires additional care and consumer protections, in particular, if participation in market-based systems is mandated.

d) The need for government protection: Even if private sector can provide market-based risk management products and lower level employees demand them, the government may want to intervene in order to alleviate poverty and achieve a more equitable distribution of income.

e) The desire to distribute income more equitably and solidarity: This argument addresses the issue of transferring income from the rich to poor.

The principle of efficiency in the management of risks—the optimization of expected returns in relation to risks through diversification of the elements of the system as a whole—is as important an element in the design of the overall system as it is in the management of any case. Holzmann and Hinz (2005) held that as risk management devices, like pension at old age, government should apply the multi-pillar approach, which is composed of some combination of five basic elements:

"(a) a noncontributory or "zero pillar" (in the form of a demogrant or social pension) that provides a minimal levels of protection;

(b) A "first-pillar" contributory system that is linked to varying degrees of earnings and seeks to replace some portion of income;

(c) A mandatory "second-pillar" that is essentially an individual savings account;

(d) Voluntary "third-pillar" arrangements that can take many forms (individual, employer sponsored, defined benefit, defined contribution) but are essentially flexible and discretionary in nature; and

(e) Informal interfamily or intergenerational sources of both financial and non-financial support to the elderly, including access to health care and housing."

Each of aforementioned elements addresses and characterized by its own particular type of risks. Zero pillars address the risk of lifetime poverty and liquidity constraints. First pillars address the risks of individual myopia, low earnings even within the formal economy, and inappropriate planning horizons due to the uncertainty of life expectancies and financial market risks, but they typically are financed on a pay-as-you-go basis and thus are subject to demographic and political risks. Mandatory second pillars address myopia and, if effectively designed and operated, can better insulate individuals from political risks. They subject participants to financial market volatility, the risk of high transaction costs, and demographic risks if they require some mandatory annuitization. Third pillars compensate for rigidities in the design of other systems but entail financial and agency risks as a result of the private management of assets.

According to Holzmann and Hinz (2005), "for a variety of reasons, a system that incorporates as many of these elements as possible, depending on the capacity and preferences of individual countries, can, through risk diversification, deliver retirement income more effectively and efficiently. At the most basic level, the rationale behind this statement is that the factors affecting are not perfectly correlated and, in some cases, have minimal or even negative association." This means that almost any given level of expected retirement income, or return, can be achieved at a lower risk by diversifying to a multi-pillar system. Perhaps simplest example of this is the relationship between a traditional public defined benefit (first pillar) that is linked to lifetime or final earnings and funded individual accounts (second or third pillar, depending on their construction). The earnings-based, defined-benefit system provides benefits that are a function of wage growth and thus are subject to the risks of variation in individual or average wages, depending on their design. "Individual accounts that are invested in financial assets are subject to the risks associated with return on these assets. Because wage growth and financial returns are not perfectly correlated, the efficiency gains from diversification across the two "asset categories" can be readily demonstrated" (Holzmann 2000; Lidbeck and Person 2003; Nataraj and Shoven 2003; Shiller 2003 in Holzmann and Hinz 2005)

There are varieties of similar examples of the diversification gains that result from multipillar designs. Pure capitalized savings systems, which seek to translate stock savings into a flow of retirement income at a point of withdrawal from the labor market, expose participants to substantial risks due to interest rate volatility or limited capacity to manage mortality risk through inefficiencies in private annuity markets. These risks are substantially truncated through staggered purchases of annuities instead of conversion at a given point in time, participation in public-defined benefit schemes that pool mortality risk across cohorts or generations, and the presence of zero-pillar safety net. The risks of earnings volatility and employment dislocation that underlie voluntary employment-based third pillars are significantly offset by first- and second-pillar arrangements. The political risk of default on benefit promises due to macro shocks or long-term demographic change can be mitigated through second- and third-pillar systems. These and a wide range of other factors make compelling arguments for the need to diversify the instruments of retirement savings and income.

In addition, a multipillar structure allows for tactical sequencing, strategic bundling, packaging, and compensation and thus is useful for overcoming resistance to reform (Müller 2003 in Holzmann and Hinz 2005). The proposed paradigm change has been credited with enabling successful reforms throughout the world (Holzmann, Orenstein, and Rutkowski 2003 in Holzmann and Hinz 2005).

In Bangladesh, we still follow, largely, unfunded system (zero pillar) of pension. In case of general provident fund (GPF) there is provision for mandatory savings by the civil servants at minimum 10% of monthly basic pay which can be drawn as pay-as-you-go system (second pillar). Government provides 12.5% interest on this personal saving and any incumbent can withdraw certain amounts of money as prescribed by the related law. This saving is often used by the employee in case of economic crisis like treatment of disease of her or her dependent or to build a house or repair it. This type of withdrawal is considered as loan and she has to reimburse the money in due course of time. Meanwhile, pension and gratuity paid by the government is fully unfunded.

However, whether a program is pragmatic or not can be measured by comparing the financial return with the Consumers Price Index (CPI) of a particular time series. Effectiveness can be measured through the successful overcoming of risks, which, again, can be measured or compared with CPI. Studies are there in measuring real wage. In case of Bangladesh Samad (1981) compared the real wage of Bangladesh through the time series of 1959-60 to 1974-75. Where he found "between 1959-60 and 1963-64, real wages increased; they increased again in 1968-69 through 1970-71, and have continuously declined over time."

In case of benevolent and group insurance fund provision of law provide mixture of funded and unfunded program. As for example, all employees must deduct, at the source, 1% of her basic pay or taka 50, whichever is lesser as contribution to the benevolent fund. On the other hand, a sum equal to 0.7% of basic pay or taka 40, whichever is lesser, has to be deducted by

The effectiveness of any program can also be understood by better financial management system, systematic, organized and result oriented annual planning; self-assessment trainings and practice; and proper use of visualization tools. Efficiency and effectiveness are assessed through verification of indicators such as the level of practice in record keeping and access to services, liaison and networking capacity. Further economic efficiency is determined by the ratio of administrative costs incurred by the price of the service delivered (as per industrial norms). If the ratio of administrative cost is below 15% than that of the cost of service provided/produced than it can be identified as economically efficient program (Wilson 1999). On the other hand a situation is deemed to be economically efficient when no one can be made "better off" without anyone else being made "worse off;" in other words, there is no pure waste. Efficiency means that economic resources are employed in a way that helps yield the greatest possible satisfaction of consumer demands.

2.1 Understanding Group Insurance

Group Insurance is a way of providing Life or Medical insurance coverage for a group of people under one insurance contract called a Master Group Insurance Contract. The most obvious difference is that rather than insuring one person individually, a group insurance plan insures a number of people under a single insurance contract and every individual member of the Group enjoys a comparatively lower rate of premium.

Insurance purchased by a group of persons, such as the employees of a company, often at a reduced individual rate (Dictionary meaning). In other words, insurance coverage bought for and provided to a group instead of an individual. For example, an employer may buy disability, health, and term life insurance for its employees at a far better rate than the employees could obtain on their own. Credit unions, trade associations, and other groups may also offer their members preferential group insurance rates. Group insurance is not only advantageous to employees or group members because it is cheaper than they could obtain on their own, but some people may be able to get coverage under the group umbrella when they would be denied coverage individually because of preexisting conditions or other factors.
On the other hand Adam Smith saw insurance in its broader perspective, "The trade of insurance gives great security to the fortunes of private people, and by dividing among a great many that loss which would ruin an individual, makes it fall light and easy upon the

whole society (As quoted in Denenberg 1963)." From the view point of insured, the primary emphasis is on risk transfer, the promise of payment by insurer, and the premium payment by the insured. Further, it is the function of insurance in its numerous forms to enables individuals to safeguard themselves against such misfortunes by having the losses of the unfortunate few paid by the contributions of the many who are exposed to the same risk (Denenberg 1963)

As per normal Insurance practice a person or group of persons are suppose to pay the premium for the certain risk(s), for agreed period of time and after the expiry or maturity of that period insured get a benefit accrued out of that period. In return for the payment of the single premium, the policyholder is entitled to a fixed guaranteed benefit, together with the so-called reversionary bonus which is added periodically (Ballotta et. al. 2006)

2.2 Group Insurance versus Welfare

The word "insurance" is used to describe these transfer programs because they deal with risks: the risk of job loss, of health care expenses, and of inadequate assets during retirement. But group insurance is very different from private insurance. The key distinction is that participation in group insurance programs is mandatory or is induced by substantial fiscal subsidies. Group insurance programs are paid only to those with incomes (and assets) below some level. In Bangladesh, these programs include ex-gratia allocation of money for the treatment of an employee or her dependent, scholarship for the children of the employee, subsidized transport, socio-cultural activities, and others. In contrast, group insurance programs are conditional. Benefits are paid when some event occurs in an individual's life regardless of the individual's income or assets, like death of an employee during her/his tenure.

Chapter-III: In Search of Effectiveness and Economic Efficiency: An Overview of Boards' Activities

The Board considers employees' welfare as a part of management services and tries to ensuring all aspect of human 'well being'. But in relation to welfare of government employees, it (Board) considers welfare as the overall economic and social well being of the employees with a view to ensuring social security and social justice to all employees.

3.1 Individual Financial Assistance Activities:

3.1.1 Scholarship:

Keeping in view the financial limitations of the low-paid class III and class IV employees of the government and to spread education as one of the basic policy of the government, taka 10 (ten) million was allocated for education support program of the children of government employees in 1978. Consequently the amount on this filed has been increased over the period of time since the demand from the employees increased over time.

A Statement narrating the number of applicants and amount of money allocated for scholarship in last ten financial years is given below:

Table 1: Scholarship from Benevolent Fund

Financial Year	No. of applicants	No. of students awarded with scholarship	Allocation (Taka in 000)	Average amount per student (in Taka)
1	2	3	4	5
1995-96	103,729	171,627	85,103	495.86
1996-97	112,930	187,625	88,700	472.75
1997-98	120,428	199,688	85,843	429.89
1998-99	107,907	180,213	88,655	491.95
1999-2000	123,207	203,302	95,696	470.71
2000-01	109,155	191,579	88,149	460.12
2001-02	111,683	190,175	89,211	469.10
2002-03	96,628	168,563	89,631	531.74
2003-04	100,894	172,549	91,924	532.74
2004-05	99,710	171,932	102,214	594.50
Total	1,086,271	1,837,253	905,126	492.65

Source: Yearly report of the Board and enumeration of the author

It's a program supported by the governments' revenue budget. i.e. no function under this program is being conducted by utilizing the benevolent fund. It is to be mentioned that the scholarship is provided to facilitate education of employees' children. The range of the scholarship per student is Taka 300 –1200 per annum; which, I believe, is very negligible for a student in conducting their study. During working at the field level, it was found that the scholarship money goes to grocery shops for arranging meal of the family or at best the student concern gets a good quality dress. Though, the highest scholarship amount disbursed per student per annum is Tk.1200/- (for university student) but average paid amount over last ten financial years shows that (column 5 of the table 1) it never crossed Taka 500. So, it puts the program under question in respect to the utility and adequacy of the money.

3.1.2 Scholarship from the Welfare Fund of the Board of Trustees:

In the same way, if any employee dies or retires or removed from government service due to mental or physical unfitness, or on normal retirement, not more than two children of the employee are awarded such scholarship from the Welfare Fund of the Board of Trustees for pursuing studies in all educational courses from class IX and above.

A statement figuring the number of applicants received for awards of scholarships and the amount of money allocated in their favor is given below:

Table 2: Scholarship from the Welfare Fund of the Board of Trustees

Financial Year	No. of applicants	Allocation (In taka 000)	Average
1996-97	1,941	2,447	1,260.69
1997-98	2,204	2,811	1,275.41
2001-02	3,189	3,923	1,230.31
2002-03	3,063	3,835	1,252.04
2003-04	3,251	3,930	1,208.86
2004-05	1,793	2,414	1,346.35

Source: Yearly report of the Board and enumeration of the author (Data for 1995-96, 99-2001 were not available)

So, in this case average amount allocated per student looks thicker than the previous one. But the eligibility of getting the scholarship starts from class IX+ and does not cover those who are below that level. But one may ask the question what will happen to the student belonging to the family of class II or class I employees, who dies or goes to retirement keeping their children below the level of class IX? We will come back with possible solution in chapter VII while making overall recommendations about the Boards, activities.

3.2 Medical Assistance Activities:

3.2.1 Financial assistance to meet the complex and expensive treatment in the country or abroad:

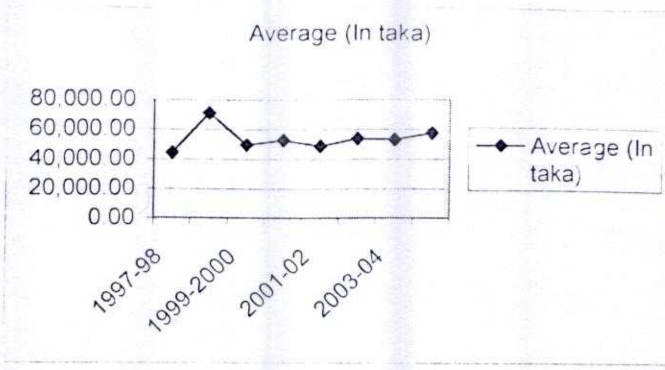
In order to give financial assistance to the employees of the government for the treatment of complex nature of diseases in the country and abroad government constituted a Fund in 1997, under the nomenclature of "Medical Assistance Fund for Complex and Expensive Diseases." An applicant may be granted a maximum amount of Taka 100 (one hundred) thousand depending on nature and type of disease. Meanwhile, these activities have aroused widespread inspiration among the employees. After the commencement of this fund the number of benefited employees is narrated in the following table:

Table 3: Financial Allocation for Expensive treatment

Financial Year	No. of applicants	No. of beneficiaries	Allocation (Taka in 000)	Average (In taka)
1997-98	190	125	55,53	44,424.00
1998-99	404	162	11,550	71,296.30
1999-2000	497	361	17,902	49,590.03
2000-01	664	418	22,097	52,863.64
2001-02	589	294	14,358	48,836.73
2002-03	696	382	20,535	53,756.54
2003-04	704	598	31,692	52,996.66
2004-05	817	678	39,112	57,687.32

Source: Yearly report of the Board and enumeration of the author

Figure 1: Average Allocation for expensive treatment



It was, off course, a commendable initiative by the government to start such a program for the civil servants. The table above and the following figure, however, show inconsistency in the average allocation of money per employee. Highest average allocation was little above seventy one thousand taka in the second year of the commencement of the program (fiscal 1998-99), other wise in other financial years it was around taka fifty thousand with little exception in fiscal 2004-05 when it neared taka sixty thousand.

3.2.2 Assistance from the Welfare Fund of the Board of Trustees for treatment and other financial crisis:

If any employee or any member of his/her family suffers from any complicated disease or falls in any great crisis the Board may pay an amount equivalent to basic pay of four months subject to a maximum amount of taka 20,000/- to the employee.

A statement describing the number of applications received and the amount of money allocated in the last 10 (ten) financial years is given below:

Table 4: Assistance from the Welfare Fund of the Board of Trustees for Treatment and Other Financial Crisis:

Financial Year	No. of applicants	No. of beneficiaries	Percentage of Allocations	Allocation (Taka in 000)	Average allocation
1995-96	13,721	7,644	55.71	41,397	5415.62
1996-97	11,971	9,982	83.38	44,711	4479.16
1997-98	14,251	11,425	80.17	69,139	6051.55
1998-99	14,591	10,134	69.45	63,544	6270.37
1999-2000	18,217	15,747	86.44	101,263	6430.62
2000-01	23,839	17,888	75.04	131,535	7353.25
2001-02	29,691	19,714	66.40	147,566	7485.34
2002-03	28,231	12,078	42.78	100,342	8307.83
2003-04	20,768	12,425	59.83	72,574	5840.96
2004-05	23,112	17,524	75.82	97,821	5582.11

Source: Yearly report of the Board and enumeration of the author

Figure- 2: Percentage distribution of receipient against applicants

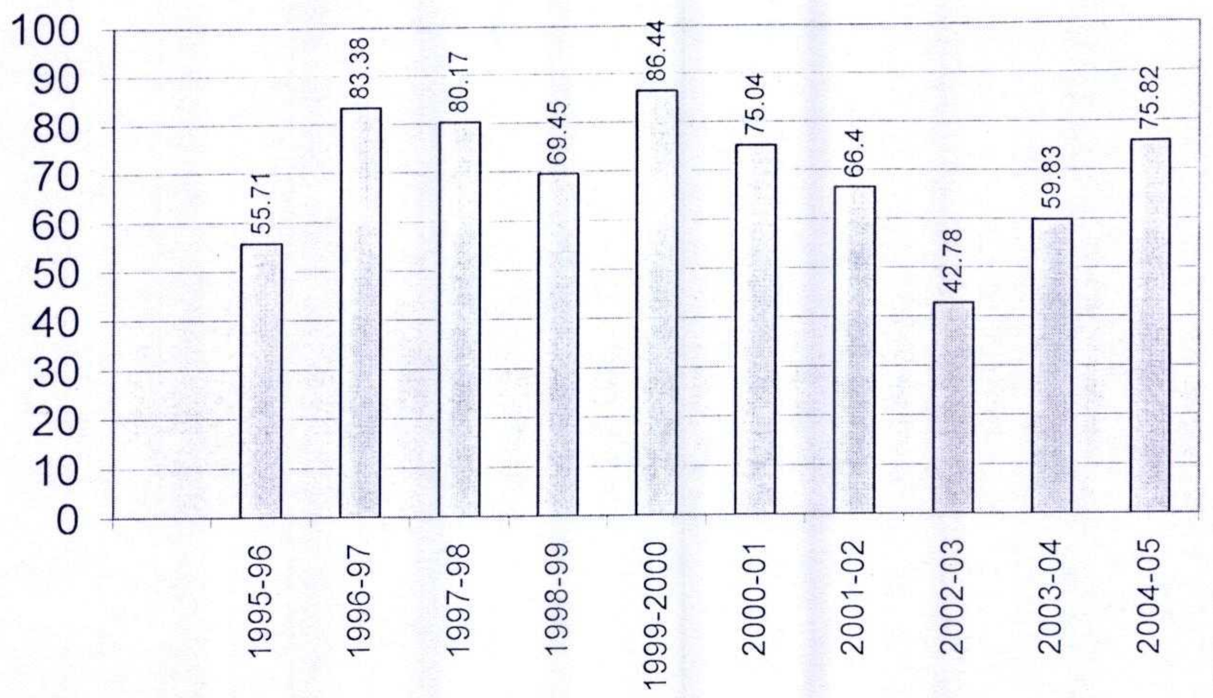
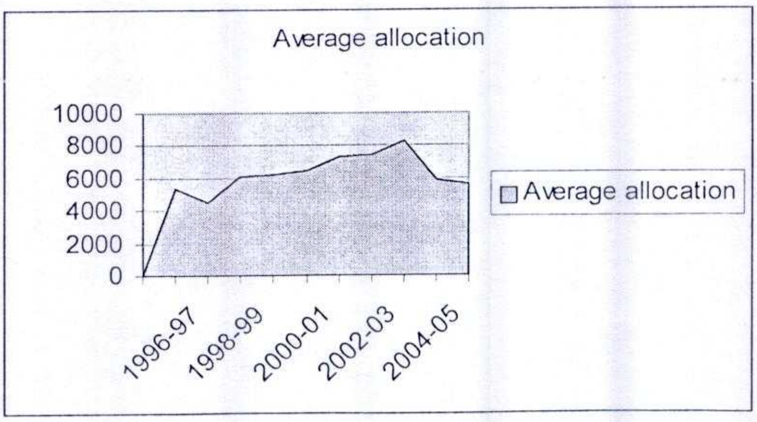


Figure 3: Average Allocation per Claim from Benevolent fund



3.2.3 Medical Assistance from the budgetary allocation of the department (Class III and class IV employee):

There is a fund in the department for financial assistance to meet the medical expenses of class III and class IV employees and the members of their families. Previously a maximum amount of taka two thousand was granted to the concerned employee or the members of their family considering the nature and type of the disease. It was then increased to taka three thousand from the year 1996. Again, it was increased to four thousand in 2002.[2]

3.2.4 Financial assistance for burial/funeral of the diseased employee or member of their Family:

There is provision for financial assistance for the employees in case of normal death of the incumbent or their family members from the fund of the Board. An amount of taka three thousand is granted if the dead body is buried in Dhaka and taka five thousand if the dead body buried outside Dhaka.

3.2.5 Monthly grant from the welfare fund of Board of trustees:

If any employee dies during the period of her service or within ten years from the date of her retirement, a program is there to give continuous monthly welfare allowance to the family at the rate of minimum taka 200 to a maximum of taka 1000 for a period of 15 years or up to the age of completion of 67 years of the deceased (which ever ends first).

In the same way, monthly welfare grant is given if any employee is retired or removed due to physical or mental inability.

3.2.6 Settlement of claim of the Group Insurance Fund of the Board:

If any employee dies during his/her service, an amount equivalent to the last pay of 24 months subject to a maximum of taka one hundred thousand is given to the members of the

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[2] 38^{th} and 45^{th} Board meeting respectively.

nominated person of the concerned employee as settlement of claim of group insurance. The premium of group insurance fund is realized at the rate of taka 0.70 percent of the monthly basic pay of an employee subject to the maximum of Taka 40. The government pays the premium of the non-gazetted employee.

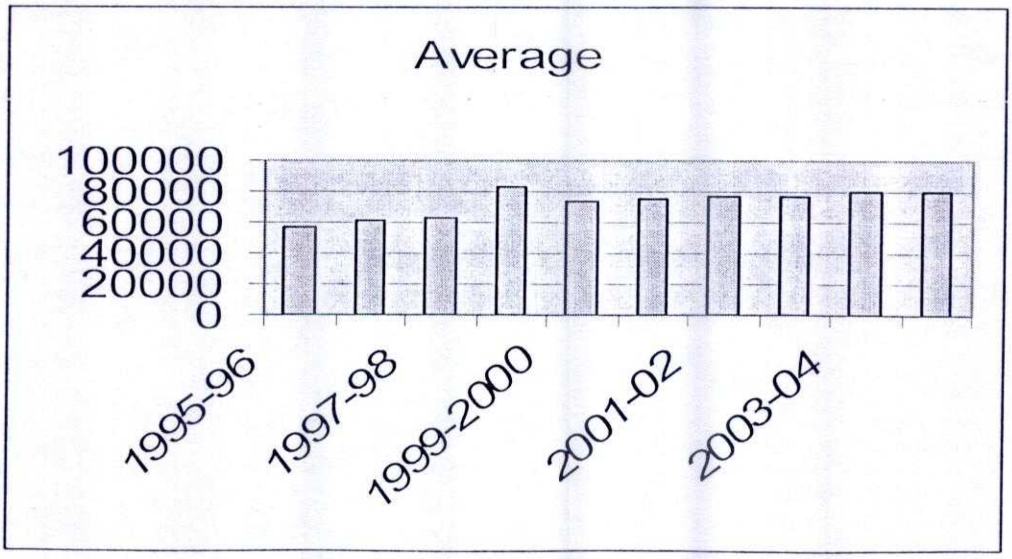
A statement, narrating the number of applications received and the amount paid for settlement of claims, of Group Insurance Fund, during last 10 financial years, is given below:

Table 5: Settlement of claim of the Group Insurance

Financial Year	No. of applicants	Beneficiary	% of beneficiary getting benefit	Allocation	Average
1995-96	2,837	2,129	75.04	1203,92,235	56548.72
1996-97	2,743	2,411	87.90	1500,03,403	62216.26
1997-98	2,961	2,441	82.44	1550,00,000	63498.57
1998-99	3,060	2,352	76.86	1969,33,245	83730.12
1999-2000	3,048	2,150	70.54	1576,00,701	73302.65
2000-01	3,146	2,723	76.86	2037,21,362	74815.04
2001-02	3,300	2,432	73.70	1872,14,942	76979.83
2002-03	3,309	2,622	79.24	2032,21,517	77506.30
2003-04	3,172	2,153	67.88	1737,19,840	80687.34
2004-05	2,123	2,432	114.55	1963,06,434	80718.11

Source: Yearly report of the Board and enumeration of the author

Figure 4: Average Allocation of Group Insurance per Nominee



3.3 Group-wise socio-economic activities:

3.3.1 Financial assistance for conducting and establishing clubs/community centers:

Clubs/community centers have been set up for the social, cultural activities and recreation of government employees and their families in Dhaka city and Divisional levels under the auspices of the Board. Alongside, the activities of 472 clubs/associations/societies led by the government employees in district and Upazila levels are patronized by the government grants. On the other hand 3 community centers funded through government development allocation, one in Chittagong, one in Khulna and one in Rajshahi have been set up and they are directly run by the Board.

3.3.2 Ladies industrial home:

The Board is operating 5 Ladies Industrial Homes, one each at Motijheel area in Dhaka, Chittagong, Khulna, Rajshahi and Barisal for the women who are dependent on government employees to enable them to earn money through self employment by receiving training in different trade courses, in their leisure time, in these training centers. Women family member of an employee receive training in different trade courses e.g. tailoring, knitting, embroidery, typing and short hand (English and Bengali). Besides this, the Board started computer courses in these training centers. Expectation is, in various ways a trained woman can contribute her family and bring happiness and prosperity. But objective of this program has never been evaluated neither it is the objective of this particular study.

3.3.3 Development of games and sports and arrangement of yearly sports:

The Board has arranged necessary facilities of providing physical exercise, games and sports for government employees and their children by establishing and developing the children parks and play grounds in the various government residential areas. Some community centers have arrangement of indoor games like carom, ping pong, tennis, badminton etc. A swimming pool has been established in Dhaka Officers club from the fund of this organization.

There are provisions for yearly sports competition in Dhaka city and Divisional levels for Government employees and their children.

3.3.4 Staff-Bus Schemes for the Government Employees:

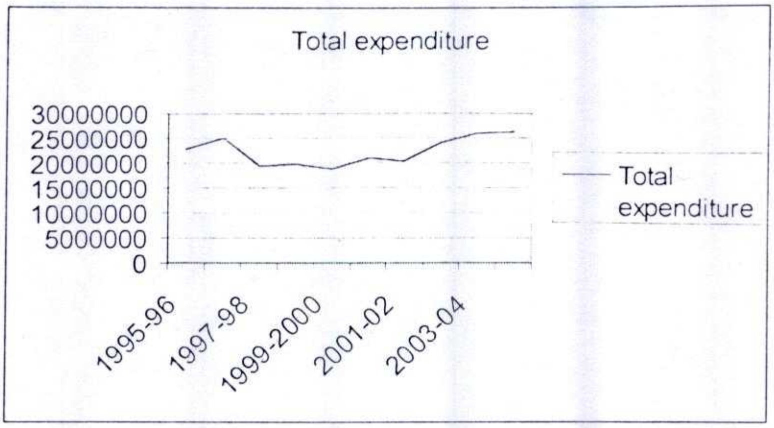
During the liberation war period "City Bus Services", both under public and private sectors, suffered a heavy damage and disruption. The fixed income groups like government employees were the worst victims. They were facing tremendous difficulties in attending offices timely. The Staff-Bus scheme was started with one bus in 1974. Afterwards the demand of the employees for the buses was created; later the buses were purchased by the money allocated in the revenue budget and the facility extended from Dhaka city and in adjacent Gazipur, Savar, Nabinagor, Nayerhat, Narsingdi, Sonargaon, Narayangonj, Demra, divisional headquarters and Rangamati hill district. At present there are 58 buses in staff bus scheme. Moreover, the Department has hired 3 busses from private sector. Nine busses from BRTC (7 of them are double decker) are also plying for the same purpose.

Table 6: Statement on Bus Services

Financial Year	Government allocation	Total income	Total expenditure	Remarks
1995-96	1,25,00,000	3,24,39,695	2,28,45,217	
1996-97	1,35,00,000	2,75,91,416	2,48,97,724	
1997-98	1,80,00,000	2,44,74,714	1,92,74,310	29,44,304 BRTC+
1998-99	1,80,00,000	2,59,24,007	1,96,11,043	47,94,840 BRTC+
1999-2000	1,90,00,000	2,44,42,360	1,88,32,178	44,74,681 BRTC+
2000-01	1,92,00,000	2,61,64,235	2,08,76,537	36,03,272 BRTC+
2001-02	2,10,00,000	2,71,30,522	2,04,18,887	55,19,675 BRTC+
2002-03	2,62,24,000	3,25,25,766	2,42,06,262	70,94,420 BRTC+
2003-04	2,01,24,000	2,68,04,178	2,60,65,585	52,93,181 BRTC+
2004-05	2,10,00,000	2,62,89,525	2,62,88,366	57,57,193 BRTC+

Source: Yearly report of the Board

Figure 5: Statement on Bus Services



Beside the above mentioned welfare activities, the Board actively considered to develop the government Employees Hospital at Fulbaria in Dhaka city as a self-sufficient hospital, which would be of similar quality as CMH. Each and every section of the hospital would be equipped with modern medical facilities where the government employees will get better medical treatment. In this connection, a memorandum of understanding was signed between the ministry of Health and Family Welfare and Ministry of Establishment on 2000. But the envisaged program yet to see the light.

There are other ambitious projects of which Board is considering to implement. Of them Graveyard for the government employees at Gazipur; Commercial building in Motijheel where about 1.26 acre of barren land is lying unutilized/underutilized which was bought by the Board at the cost of 13,23,554.90 crore Taka in 1970. The present value of that property, which is shown by the Board, is 16 crore Taka. Surprisingly for the last 10 years or so the Board is showing the same value of that land, which I assume, would be far better than that. It is understood, while talking to the related official of the Board that it may cost 150-200 crore Taka to build a thirty storied building and which is under active consideration of the government. If the project can be materialized successfully than the Board can have a fixed and assured amount of income from it, which can be used as replacement of the government's contribution towards benevolent and insurance fund. The Board has a plan to establish a 'Day Care Center' for the children of working mothers.

Chapter IV: Economic Efficiency: Conceptual and Practical Discussion

As industrial norm economic efficiency is achieved all through its' various activities as the administrative cost is far below 15% (Wilson 1999) of the service provided by the Board. However, to assess the actual efficiency we will try to delve down further by bringing in some other criteria such as: time consumed by the Board in processing a case as well as changing value of money over time, efficiency of staffs, and efficiency in terms of resources allocation by the government and the Board along with changes in the policy including amendments of law over time.

Before going into that analysis let's have an overview of the law and its changes in the course of time. After enactment of the "East Pakistan Government Servants' Benevolent Fund" and Rules in 1968, depending on the range of basic monthly pay the rate of contribution to the fund was 00.50 Rupees to 10.00 Rupees per month per employee. The range of monthly pay was below 100 to 1800 Rupees. In the Act Number II of 1969[3] and in its subsequent rules provision was made for monthly contribution to the benevolent fund was 1% of basic monthly pay or 20 Rupees whichever be less. It continued till the year of 1982, it was increased to Taka forty in 1987. Provisions for benefit from the benevolent fund in the Ordinance/Act/Rules of 1968/1969 were as follows:

(a) Benevolent grants for the employees who is declared physically or mentally incapable by competent medical authority and being removed from service for that reason;

(b) In case of death of an employee during her/his tenure or retirement before attaining sixty years s/he will or her/his family shall be entitled to receive benevolent grants up to ten years or attainment of sixty years of that employee, if he were alive, whichever is earlier. The range of grants was 50-500 Rupees depending on the basic monthly pay of the employee.

[3] The Central Employees Benevolent Fund and Group Insurance Act, 1969

In 1982, provision was unchanged for (a): afterwards in 1994 benefit of benevolent fund was extended to the normal retiree. In case of death of an employee, ten years time line was unchanged in the ordinance of 1982, but maximum period for getting monthly benevolent allowance was fixed for five years from the date of superannuation. Again, in 1987, ten years time line was changed into fifteen years, and maximum period of getting the benefit was ten years from the date of superannuation. Other benefits from the benevolent fund, which were included in 1982, were allocation of lamp grant in case of extreme financial crisis. The benefit was equal to two months basic of an employee, which was amended in 1995 and fixed to four months basic pay or maximum taka twenty thousand. It is being included in the act of 2004 with the same provision.

In case of provision of group insurance it was found that in the act number II of 1969, the provision of benefit in case of death of an employee during continuance of her/his employment her/his family/nominee would get assured sum of two thousand/five thousand/ ten thousand/fifteen thousand twenty thousand or thirty thousand rupees depending on the monthly basic pay of an employee which were little below to one hundred rupees to one thousand eighteen hundred rupees. Provision for payment of premium was "Every Government, other than Class III or Class IV Government servant, shall be liable to pay to the Insurance Fund such sum of money as may be determined by the Board as premium for the insurance of his life.."(Article 10, Ordinance No. XI of 1969). The premium which was payable for the insurance for the life of a Class III or Class IV Government servant would be paid by the government. Interestingly, there was no rate of premium mentioned in that Act/Ordinance. However, in 1982 it was fixed to 0.7% of the pay of an employee, subject to a maximum of taka 14 per month. It was increased to Taka 30 in 1987 following the consequence of new national pay scale of 1985 and it continued with the same rate up to January 2004 when the maximum premium was fixed to taka 40. It was done after enactment of the new Act in 2004 and subsequent rules regarding this in 2006. In 1982, provision was made to provide a sum equal to the employees' pay for twenty-four months, subject to the maximum of forty eight thousands taka to the deceased family. In an amendment, through an Ordinance in 1987, (Ordinance No. VII of 1987) assured amount for the deceased family was increased from Taka forty eight thousand to Taka one hundred thousand.

The average time taken by the Board in processing a case of financial assistance from the benevolent fund in case of an employee or her dependent is more than a year. It follows the ex-gratia allocation of financial help and an employee need to provide all the relevant documents in original. After scrutinizing related documents by the staffs of welfare fund it goes for consideration of the Welfare Committee which meets once a week and can dispose around 3/4 hundred application per meeting. The ratio of case received and disposed of is around 75% (see table 4). Data presented in table 4 shows that the rate of disposal is inconstant. As for example it was 86.44% in 1999-2000 and little above 83 and 80 per cent in the financial year 1996-97 and 1997-98 respectively which were at its best in regards to the efficiency as compared to the other years of the selected ten years time horizon.

As the number of cases increasing day by day the existing staffs are lagging behind to process those. They are still following the traditional method of record keeping and making mess out of it. When they were asked to provide the information it took almost 7 days to sort that out.

In case of Group Insurance the situation is more pathetic. It follows a huge process to make grant from the Insurance Fund. First, successor of a diseased employee has to apply in a prescribed form with related documents like last pay certificate, certificate proving the age of that employee, death certificate etc. It has to be forwarded through the office s/he last served. Provision is there to claim the insured money within six month of death of an employee; however, the Board accepts any late application if there is/are sufficient ground(s) of making delay. That's the reason there are few exceptional cases which were claimed long after death of an employee.

Data presented in the following tables (7, 8 and 9) narrate the level of efficiency of the Board in disposing the claims of Group Insurance.

Table 7: Time taken in disposing Group Insurance Claim from death of an employee

Disbursement time (Year)	Class				
	Class I	Class II	Class III	Class IV	Grand Total
The same year	36	101	100	97	334
	43.90%	31.08%	25.71%	22.25%	27.11%
2	41	210	260	286	797
	50.00%	64.62%	66.84%	65.60%	64.69%
3	1	8	16	31	56
	1.22%	2.46%	4.11%	7.11%	4.55%
4	2	1	5	9	17
	2.44%	0.31%	1.29%	2.06%	1.38%
5+	2	5	8	13	28
	2.44%	1.54%	2.06%	2.98%	2.27%
Total	82	325	389	436	1232
Total	100.00%	100.00%	100.00%	100.00%	100.00%

It seems that the Board is lagging behind in the question of efficiency, because it has the capability of disposing only 27.11% case of group insurance claim in the same year. In other cases it takes 2 years or above time to dispose a claim. In 2.27 cases it took 5 years or above time out of 1232 sample cases. When the staffs were asked to explain about this unusual time limit to dispose those cases the reply found was in those cases successors did not provide the necessary document for the purpose of group insurance claim (for example, its necessary to provide death certificate, Last Pay Certificate from the accounts department of the employee last served, proof of death of birth, authorization letter from all successors and one copy photograph of authorized person and cover letter from the office of the employee where s/he last served). Any shortfall of aforementioned documents creates problem for the Board and the successors. In most of the cases the Board communicates the shortcoming to the office, but sometimes it takes unusually more time to respond because the families of the diseased employee move away from the work place.

Table 8: Time taken in opening claim file from death of an employee

File open grouping (Year)	Class of Employee				
	I	II	III	IV	Grand Total
The same year	26	138	134	164	462
	31.71%	42.46%	34.45%	37.61%	37.50%
1	43	135	185	176	539
	52.44%	41.54%	47.56%	40.37%	43.75%
2	5	28	46	44	123
	6.10%	8.62%	11.83%	10.09%	9.98%
3	4	9	9	26	48
	4.88%	2.77%	2.31%	5.96%	3.90%
4	2	2	6	7	17
	2.44%	0.62%	1.54%	1.61%	1.38%
5+	2	13	9	19	43
	2.44%	4.00%	2.31%	4.36%	3.49%
Total	82	325	389	436	1232
Total	100.00%	100.00%	100.00%	100.00%	100.00%

In case of opening a file for Insurance case data presented in above table reveals that only 37.50% cases were processed through file. In most of the cases it took more than a year in opening a file after the death of an employee (43.75%).

Table 9: Time Required to Get Payment (File open to Disbursement)

Group (Year)	Class of Employee				Grand Total
	I	II	III	IV	
The same year	36	101	100	97	334
	43.90%	31.08%	25.71%	22.25%	27.11%
1	36	165	201	225	627
	43.90%	50.77%	51.67%	51.61%	50.89%
2	5	45	59	61	170
	6.10%	13.85%	15.17%	13.99%	13.80%
3	1	8	16	31	56
	1.22%	2.46%	4.11%	7.11%	4.55%
4	2	1	5	9	17
	2.44%	0.31%	1.29%	2.06%	1.38%
5+	2	5	8	13	28
	2.44%	1.54%	2.06%	2.98%	2.27%
Total	82	325	389	436	1232
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Above table reveals that after opening a file most of the cases were being disposed of within one year (27.11% in the same year; 50.89% in the following year). This data clearly suggest the pathetic picture of extra time consumed by the Board.

Chapter-V: Effectiveness: A Problem Focused Discussion

Effectiveness of a program depends on the timely delivery of service. It also depends on the value of money that changes over a period of time and can be measured by CPI. Table A-5 in Annex shows that CPI shot up over the period of 1985 to 2003-04 on the basis of base year 1985. At the end of fiscal year 2003-04 it stood at 273.47 (general) and 355.18 for medical expenses (BBS[4] 2004). This means, we needed the changes in the benefit of different programs narrated in the following table:

Table 10: Expected Benefit on the Basis of Consumer Price Index (CPI)

Financial Year	General	Expected Contribution & Benefit of Group Insurance		Medical care and health expenses	Expected Benefit from Benevolent Fund*
		Contribution	Benefit		
1995-96	190.27	57.08	190270	242.56	20000
1996-97	195.07	58.52	195070	245.31	20226.75
1997-98	208.71	62.61	208710	256.99	21189.81
1998-99	227.29	68.19	227290	274.36	22622.03
1999-00	235.05	70.52	235050	289.67	23884.4
2000-01	238.76	71.63	238760	301.15	24830.97
2001-02	244.39	73.32	244390	318.08	26226.91
2002-03	256.97	77.09	256970	335.06	27626.98
2003-04	273.47	82.04	273470	355.18	29285.95

Source: Bangladesh Bureau of Statistics, 2004 and enumeration of author
* For calculating the expected benefit of benevolent fund I considered 242.56=100, because it was increased to a highest of Taka twenty thousand in 1995.

[4] Bangladesh Bureau of Statistics

Above calculation on the basis of CPI clearly suggest that at present the Group Insurance benefit and assistance from the Benevolent Fund should have been 2,73,470 and 29,285 Taka respectively, but unfortunately after 1987 Group Insurance benefit has not been increased although public sector salary increased thrice over these period. In case of assistance from the Benevolent Fund the benefit has not been increased since 1995.

There is another dimension of judging effectiveness as well which is based on level of benefit. Those who put or invest more money in covering diverse risks will get more benefit than that of lower-paid employee who contributes less, at least that is the logical conclusion one can draw. As far as contribution/benefit towards Benevolent and Group Insurance is concerned the contribution and benefit are almost the same. The reason is after 1987 wage of the government employee increased thrice up to 2005. With this increment maximum number of employees are now entitled to get Taka one lac. The employee getting 4167 Taka or above as basic monthly pay would get the maximum benefit of Taka one lac as Insurance benefit. This provides the fairness debate who are getting more as salary, for example the highest salary of present government employee is Taka 23000. According to provision of law if an employee of this strata dies his/her successor will get Taka one lac as Insurance benefit as in the case of an employee who is getting Taka 4167. So, we find a huge gap in the benefit which, apparently, seems to be unfair. Ideal situation should have been like this, that the rate of contribution would be depend on the monthly basic pay, like exactly 1% or 0.7% of the basic pay instead of keeping the highest contribution rate of Taka 50 and 40 respectively.

On the other hand usually almost every government and autonomous bodies employees job are pensionable. But there is a minimum provision for serving at least 10 years to get the benefit of pension. Now the question arises if an employee dies before completion of 10 years service his/her family will not be entitled to family pension and will go with little amount from the group insurance fund, in this case what would be the fairness of welfare for them? Present provision does not provide any extra facility for them.

Chapter-VI: Economic Efficiency and Effectiveness: An Analysis

In terms of industrial norms the service provided by the Board is efficient because its administrative cost is far below 15% (Table A-4 in Annex). But in the matter of record keeping, time consumed by providing services to the customer is far below satisfactory level. Main impediment to this is provision of law which is rigid in nature and takes a lengthy method to amend. In other words it never changes its benefit level with the context of Consumers Price Index; neither had it revised the level of benefit after every increment of public servants wage done by the Pay Commissions over time.

If we look for the market based solution it does not provide a healthy picture either. Only comparable program was found in the 'Prime Insurance' who offers Taka one lac for the Group Insurance annual premium of Taka 550. At present our government employees are paying Taka 480 per annum. It suggests government and private initiatives are close enough. But, surprisingly Group Insurance policy of the above mentioned company is mainly limited to the other sister organizations of it. It has not been wide spread in other private companies. While talking to the one of the Vice President of the Prime Insurance it was found that almost every General Insurance Company has that kind of policy but their business in this particular area did not flourished enough. One of the reasons he mentioned is that, due to low premium rate and wide range of group coverage insurance companies do not feel encouraged to pursue this kind of insurance facilities. Absence of Governmental regulation is another reason. If there was a provision that every private employer must provide insurance facility for its employee than situation could have been better. The number of insurer of Prime Insurance is not mentionable in comparison to the other kinds of Insurance policy of that company. One important provision he mentioned about their group insurance policy is, if any employee wants can buy more than one Group Insurance policy, e.g. if any body wants that his/her successor would get Taka two lac s/he can pay 550X2=1100 Taka annually or even more than that. On the other hand Alico Bangladesh claimed that in Bangladesh, over 95% of the Multi National Companies and many Large Local Companies are among its valued 400 plus Group Insurance Clients with 140,000 plus Employees/Dependents for a Group Insurance Sum Assured of Taka 1,628 Crores.

In case of Government provision our law does not provide paying of or buying more benefit insurance as in the case of Prime Insurance. Further following provision of the law of 1982 was omitted in 2004:

"**Survival benefit**.--(1) An employee who opts to pay, in addition to the subscription payable by him under section 9, a monthly subscription to the Benevolent Fund at the rate of 0.70% of his pay shall, on his retirement from service, be paid a lump sum, not exceeding four thousand taka, calculated at the rate 8% of the monthly pay last drawn by him for each completed year of contribution to the Fund."[5]

While interviewing the officers and employees of the Board, it was asked that why the provision of 'survival benefit' was omitted? One of the officer's reaction was 'there was no such provision'—when the provision of the law was shown to him he argued that there was no such claim so far in his long service period—so the provision was omitted. But it was found from an employee that there was a claim few years ago. The problem our employees are facing is they are not aware of their entitlement. Even an officer of the Board is not thoroughly aware of the provision of the law, so can we blame an employee who is serving at a remote area of the country? Perhaps not, here we are clearly lagging behind in access to services, liaison and networking capacity.

Table 11: Settlement of claim of the Group Insurance

Financial Year	No. of applicants	Beneficiary	Pending Cases	Average Allocation
1995-96	2,837	2,129	708	56548.7
1996-97	2,743	2,411	332	62216.3
1997-98	2,961	2,441	520	63498.6
1998-99	3,060	2,352	708	83730.1
1999-2000	3,048	2,150	898	73302.7
2000-01	3,146	2,723	423	74815
2001-02	3,300	2,432	868	76979.8
2002-03	3,309	2,622	687	77506.3
2003-04	3,172	2,153	1,019	80687.3
2004-05	2,123	2,432	-309	80718.1

Source: Yearly report of the Board and enumeration of the author

[5] The Government and Autonomous Bodies employees Benevolent Fund and Group Insurance Ordinance, 1982, section 11.

Data about settlement of Group Insurance cases shows that every year the Board is leaving behind some cases pending accept in the case of fiscal year 2004-05 where number of disposal acceded the number of application received in that year. On the other hand Figure 2 suggests that in case of assistance from benevolent fund for treatment or other financial crisis highest number of applicant were dealt with in 1999-2000 (86.44%). after that it declined rapidly for consecutive three financial years (75.04%, 66.4% and 42.78% respectively). It again increased to 59.83% in 2003-04 and 75.82% in 2004-05.

6.2 Findings from Primary Data

In case of range of income of Benevolent Fund's beneficiary primary data show that out of 50 respondents 16% belong to below the yearly income range of Taka one lac, others belong to above one lac to below two lac Taka. 22% respondents, who applied to the Board for medical assistance were for the illness of themselves, and others for the illness of his/her dependents, i.e. 78% employees applied for the illness of his her dependents.

The range of money spent for the purpose of treatment was Taka 10,000 to 45,000, against which the range of amount received was Taka 5,000 to 12,000.

6.3 Time Consumed by the Board

In case of class I employee 19 out of 20 got the assistance in the same calendar year. but in case of other employees it took around two years to dispose a case. The cause is, the Board maintain two kinds of registers, one for the class I employee and the other for the rest. Time consumed by the Board and amount of assistance given by the Board clearly suggest that there are fair amount of dissatisfaction amongst the employees, especially those who belong to the level of class II and below.

6.4 Other Factors Related to Risks

When respondents were asked that whether they have any kind of Insurance Policy with other (private) Insurance Company only 6% respondents (all belonging to the class I category) answered in affirmative, i.e. only 3 respondents. Two of them have Education Protection Policy for their children and the other has a Deposit Pension Scheme with a Commercial Bank.

6.5 Case of Complex and Expensive Treatment

Out of 50 respondents of Complex and Expensive disease category the range of yearly income was Taka 60,000 to 2,25,000. The range of amount received was Taka 30,000 to 80,000.

6.6 Nature of Disease

Table 12: Distribution of Diseases by nature (Complex & Expensive)

Financial Year	Total no. of Allocation	Distribution by nature of Disease			
		Heart Disease	Cancer	Kidney	Others*
1997-98	125	75	30	11	9
1998-99	162	85	35	20	22
1999-00	361	167	70	65	59
2000-01	418	190	135	60	33
2001-02	294	140	67	57	30
2002-03	382	185	70	60	67
2003-04	598	255	160	105	78
2004-05	678	295	190	125	68
Total	3018	1392	757	503	366
Percentage	100%	46%	25%	17%	12%

Source: Yearly report of the Board and enumeration of the author
* Others include Orthopedic, diabetic, Liver and road accident.

After its inception in 1997 total number of employees got benefit from this category is 3018. Out of them most of the cases are related to cardiac disease (46%), second highest category is cancer (25%), and third is related to Kidney disease (17%).

6.7 Other Findings

Table 13: Distribution of Dead Employee by Sex

Sex	Frequency	Percent
Male	1188	96.4
Female	44	3.6
Total	1232	100.0

The findings from the primary data reveal that about 96 percent are male while only 4 percent are female. The government employee records reveal that the percent of female employee in government sector is about 11.12 percent[6] but the percent of benefit recipients are only about 4 percent. It indicates that the mortality rate in service female is lesser than that of male employee.

[6] Statistics of Civil Officers and staff of the Government of the Peoples' Republic of Bangladesh 2001

received Tk. 85000 and above. In is to be mentioned that after increase of benefit from Tk.48000 to Taka one lac, public servant's salary was increased thrice, once in the form of dearness allowance in 1994 and in other cases in 1997 and 2005. So, overall basic salary of civil servants increased in such an amount that most of the employee's successor/nominees got the benefit nearing Taka one lac. However, the cases under range of Tk. 5000-25000 fall under the provision of Ordinance enacted in 1982, where the highest provision of benefit was Tk.48000.

Table 16: Age Distribution of Dead Employee by Class

	Class				
Age Group	**Class I**	**Class II**	**Class III**	**Class IV**	**Grand Total**
20-29	1	5	7	15	28
	1.22%	1.54%	1.80%	3.44%	2.27%
30-39	9	16	47	79	151
	10.98%	4.92%	12.08%	18.12%	12.26%
40-49	19	105	164	164	452
	23.17%	32.31%	42.16%	37.61%	36.69%
50+	53	199	171	178	601
	64.63%	61.23%	43.96%	40.83%	48.78%
Total No	82	325	389	436	1232
Total %	100.00%	100.00%	100.00%	100.00%	100.00%

Above table reveals that the most of the employees who die in service belong to the group of 50-58 (48.78%), the second highest number belong to the age group 40-49 (36.69%)

Chapter-VII: Conclusion and Recommendation

Although in terms of administrative costs the Board's performance is satisfactory but in other cases it is clearly lagging behind. Findings from the previous chapter clearly suggest that the Board's performance in terms of resource allocation (financial management system), systematic, organized and result oriented annual planning; self-assessments training and practice and proper use of visualization tools are very poor. Manual record keeping system and waste of time through this does not provide the level playing ground for every employee. Those who reside in and around Dhaka (Head Office) have the clear opportunity of getting the service in time. Here arises the question of equity along with access to services. Following measures could be taken as recommendations for improving the service of the Board:

I. Computerization of all kind of record keeping system which is proved to be make the service delivery system many folds better than what the present situation is (Kamarck, 2003). An effort of the computerization by the government is already there through Support to the Information Communication Technology (SICT) Project. What we need is to include this organization into that project and train the personnel. It will bring many folds benefit to the organization like increase of efficiency of the staffs, efficient service delivery and customer's satisfaction. Other way of doing this is to decentralize the service delivery system to the peripheral offices at the Divisional level.

II. If we can gain the efficiency through computerization or decentralization we still need to address the issue of resource allocation. Our findings in the previous chapters revealed that present benefit from Group Insurance and Benevolent Fund scheme for the public servants is diminishing both in terms of value of money and comparative wage increase. This is the main challenge the Board has to face. This problem could partially be solved through resource reallocation by withdrawing some programs like scholarship for the children of the employee and Ladies Industrial Home. These two programs could easily be bestowed upon the Ministry of Education; Ministry of

Women's and Children Affairs and Ministry of Youth and Sports. Ministry of Education already has the program of scholarships for the girl children at the school level, and they are planning to expand the program up to the undergraduate level. Instead, the Board can think of providing education loan for the brilliant students which will be refundable as soft loan basis.

III. The Board is currently running its activities mainly through investment in buying governments' bond. Interests from which is generating a commendable amount of money to run the show. But it's not enough to fulfill the demand of the employees. Further, the government has decided to stop selling bonds in the name of an organization since 2004, it created some sort of hindrance in the income generating source of the Board, which clearly affected the program in terms of allocation of less money from Benevolent Fund or delayed payment of Group Insurance claim. Besides, for the last five fiscal years or so the government is paying 12 crores Taka as Benevolent Fund grants on behalf of the class III and IV employees which, I believe is not done on proper calculation. In this regard, the Board or the government on behalf of the Board can take initiative to ensure sustainable income generating project. The experience of BIAM Foundation could be one of the solutions by utilizing the barren land in Dilkusha Commercial area. On the other hand experience of the developed countries like USA shows that public plans earned a significantly lower rate of return than private plan (Coronado et. al. 2003, Ostaszewski 1997). Investment in the stock market could be another option for income generation, but volatility of the stock market in Bangladesh does not provide clear indication to go for it.

IV. There is another way of increasing the income of the Benevolent Fund, under the provision of current law one employee can claim medical assistance for the dependent family members, but he is not paying for it. As we see one employee pays 1% of his/her basic pay or highest amount of Taka 50 for Benevolent Fund and getting the coverage for every dependent family member which is not fair in terms of economic principle. If one wants to claim some financial benefit for something s/he must pay for it. Here I am trying to suggest that provision of law should be amended in considering the number of beneficiary. If we consider the average family size of an employee is 4 than we must take into consideration that one employee must pay another 50X3=150 Taka to be eligible for getting the coverage of treatment for their illness. However, this provision could be made optional, i.e. if an employee pays only for himself/herself s/he can claim the benefit in case of his/her illness only. If s/he does not opt for paying for the coverage of his/her dependents s/he can not claim anything from the Benevolent Fund for them. My sample survey revealed that in 78% cases an employee claims assistance from the Benevolent Fund. If 'no payment no coverage for the dependent' can be introduced it will increase the income of the Board and on the other hand it will reduce the burden on resource allocation of the government which will led to appropriate resource allocation for the beneficiary.

V. The Board has no actuary to assess the future claim neither it has any mechanism of performing any study. Study can be pursued by using the available data of the previous period and can easily focus on perfect future plan.

VI. Payment of premium for the class III and IV employees by the government may also be reconsidered, since the compensation of the employees have increased many fold since the inception of the Board in 1968.

VII. Instead of making ex-gratia payment from the Benevolent Fund provision can be made to pay the employee upon his/her application at the time of his/her need. After facing the crisis the employee will have to come to the Board with all necessary documents and than the Board after examining the relevant papers will make the decision how much of the expense s/he incurred can be turned into grants and rest of the amount will be considered as soft loan which will be deducted from the monthly salary of that particular employee.

VIII. In the matter of fixing or altering the rate of premium or the amount of benefit the matter could be referred to the Pay Commission to study the matter in line of their study. They can recommend the government about premium and benefit along with the salary structure of the employees in conformity with the Consumer Price Index.

IX. This study reveals that most of the employees die at the age of 40-58. The cause of death is mostly Cardiac related disease. This finding has an implication for the Ministry of Health and Family Welfare as well; they can take the measure to enhance the capability of the *Upazila* level health centre which will be equipped with cardiac specialists and equipments.

X. Provision should be there, for the purpose of Group Insurance, to pay more than one person's premium per month so that his/her nominee can have more than what is defined by the law, e.g. if someone pay 40X3=120 Taka a month his/her nominee will get taka three lac after his death instead of fixed amount of one lac.

7.2 Concluding remarks

In the quest of economic efficiency and effectiveness of social security program like Group Insurance and Benevolent fund a pragmatic approach is essential. For the current economic system and incompleteness of market privatization of this service is not yet possible. But what this study suggests is a shift to unfunded or partially funded program to a fully funded program so that the fiscal burdens on the government become lesser in course of time. With the growth Bangladesh achieving since last couple of years and increase in Life Expectancy at Birth Bangladesh is bound to face the fiscal burden for caring the aging population in near future as in the case of developed countries. Study in the whole pension system reform is becoming more and more essential.

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Annex

Table A-1: Cross tabulation

% of Total

	Range					Total
CLass	5000-25000	25001-45000	45001-65000	65001-85000	85001+	
Class I	.2%	.1%	.2%	.3%	5.9%	6.7%
Class II	.2%	.6%	2.2%	5.7%	17.6%	26.4%
Class III	.5%	1.9%	7.4%	10.1%	11.6%	31.6%
Class IV	1.3%	8.1%	18.6%	5.1%	2.3%	35.4%
Total	2.2%	10.8%	28.3%	21.3%	37.4%	100.0 %

Table A-2: Class distribution by sex

	Sex		
Class	Male	Female	Grand Total
Class I	79 6.65%	3 6.82%	82 6.66%
Class II	312 26.26%	13 29.55%	325 26.38%
Class III	375 31.57%	14 31.82%	389 31.57%
Class IV	422 35.52%	14 31.82%	436 35.39%
Total No	1188	44	1232
Total %	100.00%	100.00%	100.00%

Table A-3: Statement of Income and Expenditure of Benevolent Fund

(In 000 Taka)

Financial Year	Opening Balance of Assets (In 000 Taka)	Yearly Income		Expenditure		Closing Balance
		Contribution Towards BF	Profit & Other Income	Allowance	Administrative Cost	
1995-96	1075005	193954	108728	178635	2190	1196863
1996-97	1196863	206219	43466	210715	2295	1223649
1997-98	1223649	190201	6656	250131	2660	1167716
1998-99	1167716	267164	231854	265390	3796	1397549
1999-00	1397549	221210	115922	304869	4756	1425057
2000-01	1425057	194186	10731	299761	3626	1326587
2001-02	1326587	231089	490540	471837	4158	1546636
2002-03	1546636	232490	195768	458922	3909	1512069
2003-04	1512069	166875	36318	323491	4175	1387596
2004-05	1387596	306306	219751	553671	4388	1355594

Source: Yearly report of the Board and enumeration of the author

Figure A-1: Statement of Income and Expenditure of Benevolent Fund

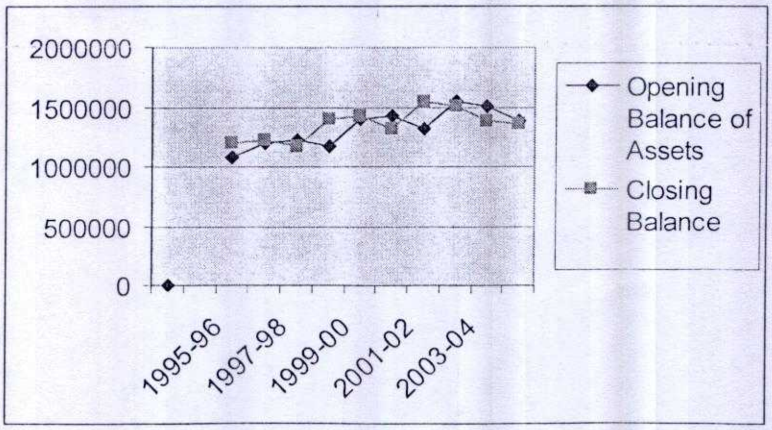
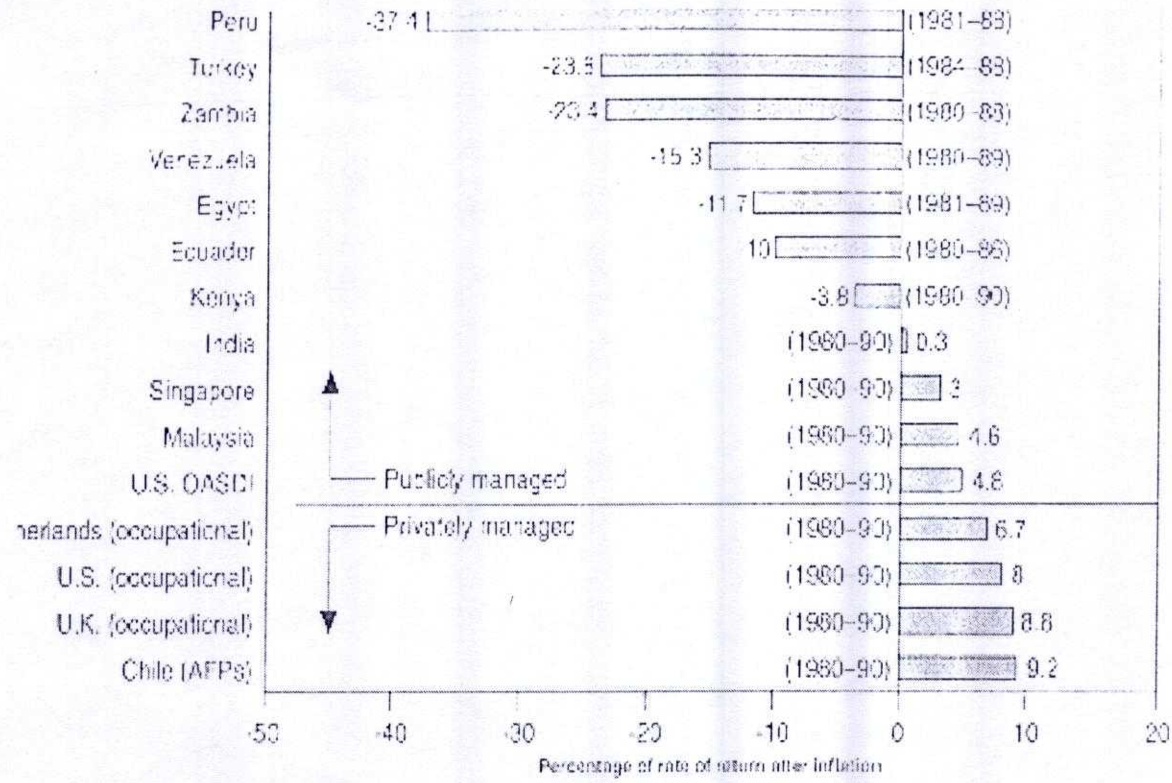


Table A-4: Percentage of Administrative cost against services provided (Benevolent Fund.)

Financial Year	Expenditure		
	Allowance (Taka in 000)	Administrative Cost (Taka in 000)	Percentage of Administrative cost against provided services
1995-96	178635	2190	1.23
1996-97	210715	2295	1.28
1997-98	250131	2660	1.49
1998-99	265390	3796	2.13
1999-00	304869	4756	2.66
2000-01	299761	3626	2.03
2001-02	471837	4158	2.33
2002-03	458922	3909	2.19
2003-04	323491	4175	2.34
2004-05	553671	4388	2.46

Source: Yearly report of the Board and enumeration of the author

Figure A-2: Average Annual Investment Returns for Selected Pension Funds, 1980s



Source: Ostaszewski, 1997

Table A-5: CONSUMER PRICE INDEX-NATIONAL

(Base : 1985-86=100)

PERIOD	General	Food beverage and tobacco	Non-food	of which: Clothing and footwear	Gross rent fuel and lighting	Furniture furnishing house hold equipments and operation	Medical care and health expenses	Transport and communi-cations	Recreation entertain-ment educations and cultural services	Miscellaneous goods and services
Weight	100.00	64.47	35.53	5.90	14.98	2.61	1.39	3.32	3.04	4.29
1	2	3	4	5	6	7	8	9	10	11
1993-94	163.87	161.80	167.69	141.51	165.76	154.05	226.16	192.97	190.29	164.13
1994-95	178.40	176.77	181.38	144.16	184.61	157.52	236.31	213.19	209.48	173.44
1995-96	190.27	189.13	191.86	150.68	198.10	165.64	242.56	216.14	231.17	180.22
1996-97	195.07	191.85	200.99	157.70	208.61	176.02	245.31	222.58	244.63	187.68
1997-98	208.71	205.55	214.46	164.90	221.75	193.26	256.99	235.62	261.10	207.36
1998-99	227.29	229.72	223.10	171.46	231.01	199.67	274.36	238.99	279.66	214.09
1999-00	235.05	239.13	228.93	178.61	235.88	204.69	289.67	256.41	288.21	220.89
2000-01	238.76	241.40	235.37	183.78	241.07	209.21	301.15	269.54	296.97	226.12
2001-02	244.39	244.40	245.92	189.83	251.78	216.91	318.08	286.00	317.72	232.41
2002-03	256.97	256.47	259.58	196.17	265.50	226.45	335.06	317.51	328.53	244.99
July	250.77	249.64	254.39	193.44	263.00	221.52	328.07	299.75	323.50	237.47
August	253.21	253.19	254.85	193.73	263.18	222.36	329.20	301.32	324.34	237.81
September	253.45	253.21	254.52	194.17	263.24	223.27	329.84	302.94	325.15	239.89
October	253.85	253.51	256.09	194.24	263.57	224.22	330.52	305.72	325.74	240.42
November	254.46	253.71	257.54	194.73	264.18	224.95	331.12	310.83	326.10	245.06
December	256.27	255.95	258.54	196.00	264.70	226.35	331.67	313.29	327.25	245.49
January	258.63	258.00	261.39	197.00	265.92	227.72	337.80	325.91	330.32	247.79
February	259.35	258.70	262.19	197.42	266.80	228.91	338.99	327.64	330.55	248.50
March	259.77	259.13	262.63	197.76	267.36	229.10	339.54	327.65	331.35	248.96
April	260.19	259.59	262.99	197.89	267.59	229.30	340.46	329.17	332.06	249.08
May	261.30	261.05	263.49	198.42	267.84	229.71	341.55	330.66	332.99	249.51
June	262.16	261.95	264.37	199.22	268.60	229.98	342.17	335.22	333.02	249.87
2003-04										
July	263.58	263.62	265.30	199.86	269.17	230.12	342.80	340.93	333.10	249.97
August	265.91	266.92	265.94	200.79	269.37	231.52	343.39	342.92	333.91	250.34
September	267.47	268.53	267.39	201.66	271.70	232.34	344.63	344.88	334.03	250.75
October	269.82	271.51	268.67	202.86	273.40	233.46	346.87	347.75	334.85	251.19
November	271.92	274.05	269.97	203.81	273.57	234.79	352.16	351.83	336.98	252.95
December	273.47	275.89	270.99	204.25	274.36	235.72	355.18	354.73	337.38	254.45

Bangladesh Bureau of Statistics, 2004

Questionnaire (Checklist)

Group Insurance and Welfare Scheme for Public Servants in Bangladesh: An Appraisal of Economic Efficiency and Effectiveness

(Questionnaire for the beneficiary of the benevolent fund)

Researcher: Md. Nurul Alam, student of MA in Governance & Development, BRAC University.

- Introductory remarks
- Explanatory statements
- Consent

1) Background of interviewee:

a) Designation and department:

b) Range of yearly income:

c) Yearly income except salary (if any):

2) Reason for applying for the financial assistance:

a) Illness of whom?
b) Nature/description of the illness (answer is not mandatory, respondent will be provided with the option if he or she does not want to answer this question):
c) How long it took to cure?:
d) Amount of money spent:
e) How did you manage that expense? :
f) Date of application to the Board:
g) Date of getting the financial assistance from the Board:
h) Amount of money you got:
i) Are you satisfied? If not what was your expectation?:
j) What is your comment on the time taken by the Board in processing your case?:
k) Did you go physically to pursue the matter? What treatment did you get from the personnel concerned with the Board?:

P.T.O.

l) Have you ever applied for financial assistance before?

m) If yes, when and how much did you get that/each time? Was that those satisfactory? If not, what was your expectation for that/those time(s).

3) Other factors related to risks:

a) Do you have any kind of insurance policy with other private insurance company?: Yes/no

b) If yes, what kind of policy do you have? Please describe: