

EVALUATION OF WILLINGNESS TO HAVE PENSION PLAN IN TURKEY AND AUTO ENROLLMENT SYSTEM

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Abstract. Actuality: Private pension systems have important contributions to both individuals and the financial system and economic development of any country. To be sustainable for this contribution, individuals must be permanent in the system. On the other hand, policy makers should design the system effectively. It is observed that some countries apply automatic enrollment system in order to increase participation in the system.

The aim of this study is to determine the level of those who remain in the auto enrollment system of employees in Turkey and if the people are willing to have private pension plans.

Research Method: In order to achieve the objectives, an online survey was conducted through easy sampling during the Covid-19 period and 454 people participated the survey.

Results show that 51% of the people in the automatic participation system have exited the system in the last three years. Besides, people in the Auto Enrollment System is 25,3% and in the Voluntary Participation is 29,3. While the rate of people with positive intention to have a future retirement plan is 26.7%, the rate of people with negative intentions is 44.3%.

Implications: The findings of the study reveal that the level of knowledge about the pension system should be increased and the transparency and more appropriate income opportunities required by the participants in the automatic participation system should be provided.

Keywords: Pension Plans, Auto Enrollment System (AES), Voluntary Participation (IPS)

JEL CLASSIFICATION : D14, H55, G51

1-Introduction

Private pension system and accumulated funds are quite important because of two main characteristics for a country's economy. This importance can be addressed in two aspects. First, it is possible for individuals to live at a certain level of well-being in later periods of their lives by ensuring that they save money. Another is that accumulated funds accumulate in the country's financial system and can be used as capital to increase production. This, in turn, leads to an increase in the country's gross national income and an increase in social welfare.

Capital accumulation in developing countries such as Turkey is not easy. This, in turn, is one of the most important obstacles to the accumulation of funds. In order to ensure this accumulation, governments may require participation in the pension system in some periods or automatically implement the participation of citizens in the system. In Turkey, employees between the ages of 18-45 are automatically involved into the individual pension system (Meral & Arıcan, 2020). However, individuals can later exit the system. As of the end of September 2020, the total of private pension funds is 127.5 billion TRY (\$16.3 Billion). In this, the share of automatic participation funds is 10.4 billion TRY (1,33 \$ Billion)¹⁶. However, the fact that people who participate in a mandatory or automatic retirement system stay in the system depends on the return of these funds and the satisfaction of participants with the system.

¹⁶ <https://egm.org.tr/bilgi-merkezi/istatistikler/> (30.

2- Purpose

This study analyzes the levels of citizens entering the private pension system to adopt and remain in the system.

3- Method

The study used an online survey method to obtain data. Data was collected from 454 people using an Online survey. The data was analyzed by frequency analysis, parametric and Non-parametric analysis methods.

4-Findings

The number of respondents was 454, with 51.1% of men and 48.9% of women (Table 1). According to Table 1, the largest group of respondents is those aged 25-34. According to the table, it is observed that the participation rate of people over the age of 56 in the survey is low because easy sampling is performed. Undergraduate graduates make up 60.8% of the total sample, and the proportion of those working in the public sector is 53.5%.

Table 1: Descriptive Statistics

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Man	232	51,1	51,1	51,1
	Woman	222	48,9	48,9	100,0
	Total	454	100,0	100,0	
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-24	41	9,0	9,0	9,0
	25-34	187	41,2	41,2	50,2
	35-45	149	32,8	32,8	83,0
	46-55	70	15,4	15,4	98,5
	56+	7	1,5	1,5	100,0
	Total	454	100,0	100,0	
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Highschool	28	6,2	6,2	6,2
	Bachelor	276	60,8	60,8	67,0
	Master and Doctorate	150	33,0	33,0	100,0
	Total	454	100,0	100,0	
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Private	211	46,5	46,5	46,5
	State	243	53,5	53,5	100,0
	Total	454	100,0	100,0	

Table 2 shows employee ownership of individual pension insurance and 52.9% of respondents are out of the system. The proportion of participants participating in the automatic participation system alone is 17.8% and the proportion of those participating in the system only voluntarily is 21.8%. The proportion of those who participated in both systems is 7.5 %. Thus, a total of 25.3% of the participants are in the automatic participation system.

Table 2: Type of Private Pension Envolving

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Dont have	240	52,9	52,9	52,9
	AES	81	17,8	17,8	70,7
	AES and IPS	34	7,5	7,5	78,2
	IPS	99	21,8	21,8	100,0
	Total	454	100,0	100,0	

It is also seen that those who enter the automatic envolving system exit the system. The results are shown in Table 3. Accordingly, after entering the automatic participation system, the exit rate within three years prior to the date of the survey was 50.9%.

Table 3: Cancellation of Private Insurance last in 3 years

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	231	50,9	50,9	50,9
	No	223	49,1	49,1	100,0
	Total	454	100,0	100,0	

In Table 4, the intentions of the respondents to enter the private pension insurance system again in the future are shown. The proportion of those who are willing to take out a new private pension policy is calculated at 26.7 % (So high %5,3, High %21,4).

Table 4: Intention New Private Pension Plan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	So Low	113	24,9	24,9	24,9
	Low	88	19,4	19,4	44,3
	Neutral	132	29,1	29,1	73,3
	High	97	21,4	21,4	94,7
	So High	24	5,3	5,3	100,0
	Total	454	100,0	100,0	

In this part of the study, it was investigated whether the gender of the participants made a difference on exit from the system. According to the Independent Samples test (Table 5a-b), gender was found to have no statistically significant difference in insurance cancellation (Sig. (2-tailed): 0,447).

Table 5a- Gender-Cancellation Group Statistics

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Cancellation in 3 years	Man	232	1,52	,501	,033
	Woman	222	1,46	,500	,034

Table 5b- Gender-Cancellation Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Cancellation in 3 years	Equal variances assumed	,578	,447	1,134	452	,257	,053	,047	-,039	,146
	Equal variances not assumed			1,134	451,195	,257	,053	,047	-,039	,146

Whether gender had an effect on participants' intentions to get a new private pension insurance was investigated (Table 6a-b). According to the Independent Samples test results (Sig. 0,116) gender has no effect on have a new individual pension plan.

Table 6a- Intention to a New Plan-Gender Independent Samples Test - Group Statistics

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Intention	Man	232	2,60	1,251	,082
	Woman	222	2,65	1,181	,079

Table 6b- Intention to a New Plan-Gender Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Intention	Equal variances assumed	2,481	,116	-,435	452	,664	-,050	,114	-,274	,175
	Equal variances not assumed			-,435	451,920	,663	-,050	,114	-,274	,175

ANOVA test was performed to see the effects of participants' ages on exit from the system (Table 7a-b). However, since the condition of homogeneity of variance was not provided, the Kruskal Wallis test, which is one of the non-parametric tests, was applied (Table 8a-b).

Table 7a: Age - Cancellation in 3 years Descriptives

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
18-24	41	1,15	,358	,056	1,03	1,26	1	2
25-34	187	1,63	,484	,035	1,56	1,70	1	2
35-45	149	1,50	,502	,041	1,42	1,58	1	2
46-55	70	1,30	,462	,055	1,19	1,41	1	2
56+	7	1,43	,535	,202	,93	1,92	1	2
Total	454	1,49	,500	,023	1,45	1,54	1	2

Table 7b: Age - Cancellation in 3 years Test of Homogeneity of Variances

Levene Statistic	df1	df2	Sig.
30,171	4	449	,000

Kruskal Wallis test results are statistically significant (P. 0,000). Accordingly, participants of survey between the ages of 18-24 and 46-55 are more likely to leave the system. The age range with the most involving is 25-34.

Table 8a- Age-Cancellation - Ranks

	Age	N	Mean Rank
Cancellation in 3 years	18-24	41	149,22
	25-34	187	259,24
	35-45	149	230,26
	46-55	70	184,10
	56+	7	213,29
	Total	454	

Table 8b Kruskal Wallis Test Test Statistics^{a,b}

	Cancellation in 3 years
Chi-square	44,476
df	4
Asymp. Sig.	,000
a. Kruskal Wallis Test	
b. Grouping Variable: Age	

5-Conclusion

This study examines the voluntary and automatic participation levels of individuals in the individual pension system in Turkey. The most striking result of the study is that more than half of individuals in the automatic participation system have exited the system in the last three years. Besides, gender has no effect on exit or new entry from the private pension system. However, the age of the participants makes a difference in staying in the system.

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