Ageing in India
Need for Universal Pension Scheme

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India has low pension coverage, and the pension system is unable to fulfil its purpose. A non-contributory, basic pension can guarantee a regular income in old age to all residents of the country, regardless of earning or occupation. The feasibility of introducing such a pension in India is explored in this paper. It is argued that a properly crafted universal pension scheme will increase the coverage of pension without putting stress on the fisc.

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1 Introduction

In the last century, with industrialisation and economic development, certain demographic changes have been observed in many parts of the world. In view of increasing medical advancements, mortality rates have declined rapidly in higher age-groups leading to improved life expectancy. Combined with a comparatively lower birth rate, the old-age dependency ratio has increased over the years.[1] This phenomenon is commonly referred to as ageing, and it has certain economic implications for the country, like increases in social security and health expenditure, and the need for new financial instruments.

The increasing ratio of the aged in the total population has created a substantial demand for old-age social security.[2] Thus, currently for a welfare state like India, it has become important to provide social security to its elderly, who numbered 110 million in 2013. One of the major components of old-age social security is pension, as it not only helps in consumption smoothening, but also mitigates longevity risks, poverty, and inter- and intra-generational inequality.

Developed countries are characterised mainly by highly organised formal labour markets and have systems of providing pensions to all those who contribute (through social security taxes) during their working years. On the contrary, developing countries are characterised mostly by informal labour markets, which force respective governments to provide pensions on a discretionary basis. It reduces the overall coverage of pension in such countries, and India is no exception.

The current study attempts to examine why there is a requirement of a universal pension for the elderly. It argues that the prevailing Indian pension system is unable to fulfil its purpose, and that a non-contributory, basic pension can guarantee a regular income in old age to all residents of the country, regardless of level of earnings or occupation. It further explores the feasibility of introducing such a pension in India and argues for a properly crafted universal pension scheme (UPS), which will increase the coverage of pensions without placing stress on the fisc.

Pension serves various objectives like poverty release, consumption smoothing, and insurance in respect of ageing population. Social security also helps in assuring the young that in old age there would be national savings to take care of any difficulties, implying that over-accumulation is not necessary during the younger days.

In India, dependence on children during old age has traditionally been the norm for millennia, but the situation is undergoing change because of socio-structural transformations. The elderly are facing different insecurities with respect to health—financial, physical and mental—thus warranting attention from policymakers, government authorities, and voluntary organisations. This difficult situation resulted in several governmental schemes/programmes and support mechanisms for the elderly as an alternative form of ensuring old-age care in absence of regular pensions.

The paper is organised in six sections. Section 2 discusses the current scenario of ageing in India. Section 3 illustrates the need for a pension for the elderly, and Section 4 examines the current Indian pension system and its coverage. Section 5 articulates a proposed scheme on UPS in detail and performs simulation exercises to understand the extent of the pension burden in India. Finally, in Section 6 conclusions are presented.

2 Ageing India

In the 20th century, the proportion of the aged population (60 years or more) increased in many countries (Sample Registration System 2012). The global share of old people, that is, aged 60 years or above, increased from 9.2% in 1990 to 11.7% in 2013 and is estimated to reach 21.1% by 2050 (United Nations 2013). Worldwide population reveals that currently, ageing is predominant in more-developed regions (MDRs) in comparison to less-developed regions (LDRs). However, the LDRs will also face the same demographic scenario in the not-so-distant future. Further, the gender dimension of ageing would also be evident by 2050. There will be significantly more women in comparison to men in the higher age cohorts due to increased life expectancy over their male counterparts.

Until the 1980s, the developing and developed world shared the elderly population in equal proportions. In recent years, developing countries are ageing faster, with India and China being the two largest ageing nations in Asia accounting for a significant share of the world's aged people (Prakash 1994; United Nations 2013). This phenomenon has led the Government of India to initiate policies to address the situation.

In the Indian context, available data on demographic trends reveals a gradual decline in the proportion of the young in the population and an increase in proporation of the elderly. The data for the last three decades highlights this development (Table 1). The number of aged people has increased from 56.7 million in 1991 to 103.8 million in 2011. In terms of their proportion to the total population, their share increased from 6.8% to 8.6% over the period. Improved life expectancy, and low fertility and mortality rates due to progress in healthcare facilities are important causes that are assisting this development. The increase in the number of elderly implies the need for supportive socio-economic, emotional and health infrastructure for which India seems unprepared, as it probably considers that ageing issues and elder care are part of the family domain and not a responsibility of the state.

Table 1: Population in India across Different Age Groups (million)

Age groups	Census 1991	Census 2001	Census 2011
All ages	838.6	1,028.6	1,210.6
0–14 years	312.4	363.5	372.4
15–59 years	464.8	585.6	729.9
60 years and above	56.7	76.6	103.8
Age not stated	4.7	2.9	4.5
% of 0–14 years	37.3	35.3	30.8
% of 15–59 years	55.4	56.9	60.3
% of 60 + years	6.8	7.5	8.6
Decadal Growth Rate of 0–14 years (%)	–	16.4	2.4
Decadal Growth Rate of 15–59 years (%)	–	26.0	24.6
Decadal Growth Rate of 60 + years (%)	–	35.1	35.5

Source: *Census of India*, various issues.

Table 2: Percentage Distribution of Population by Broad Age Groups, Sex and Residence, 2012

Residence	Sex	Broad Age Groups 0–14 years	15–59 years	60+ years
Total	Total	29.1	62.6	8.3
	Male	29.7	62.4	7.9
	Female	28.4	63.0	8.6
Rural	Total	30.5	61.2	8.3
	Male	31.1	60.9	7.9
	Female	29.8	61.5	8.7
Urban	Total	25.2	66.5	8.2
	Male	25.9	66.2	7.9
	Female	24.5	66.9	8.6

Source: Sample Registration System (2012).

Another factor that is of concern is that ageing in India is becoming more of a female and rural experience, as among these categories the proportion of the elderly is higher and increasing. Available sample data for 2012 shows that aged (60+) population accounts for 8.3% of the total population with an equally distributed proportion in both rural and urban areas (Table 2). In addition, the proportion of ageing males in the population (7.9%) is same across the country and at the rural–urban level, but the proportion of females above the age of 60 years is higher across the country.

The analysis of current and projected population of India further strengthens the emergence of the gender dimension in ageing. It is evident that the share of the population in case of both males and females in the lower age cohorts will decrease and that in the higher age cohorts will increase in the future. Thus, the old-age dependency ratio would increase, and India will start to age much faster by 2035.

In view of available statistical evidence of India's population, it can be said that the higher age cohorts, that is, population of 60 years and above is significantly showing its presence in population structure. At the same time this demographic category profile also has increased share of older females than older males, and that of the more elderly in rural areas than urban areas. Altogether, it suggests that India is fast becoming an ageing society, with predominance of rural aged and feminisation of ageing. Though it has various repercussions for the country, but at the foremost this demographic transition demands attention to the crucial aspect of ensuring security and care for the elderly—both of the present and of the future. Though authorities have initiated gradual steps, given the seriousness of the ageing problem, measures that have longer and wider reach are necessary.

3 Need for Pension

Although improvement in health, decline in fertility and increase in longevity, are desirable features in the economy, the increase of the elderly population and its gender dimension over the next few decades is a concern. It warrants priority attention from policymakers, especially due to various problems that people confront when they grow old (Subaiya and Bansod 2011). There is a need to explore various avenues that could provide security to aged people, especially ageing women who tend to live longer (Singh 2013).

Health problems, including medical care, is a primary concern among the large majority of aged as they become more and more susceptible to chronic diseases, physical disability and mental incapacity (Shah 1993; Raju 2000; Rajan 2006). It is reported that people over 65 years spend on average 1.5 times on healthcare compared to those in the 60–64 years age category (Mahal et al 2002).

The aged sick lack proper familial care and public health services were insufficient to meet healthcare needs of the aged (Kumar 1991). India's inadequate and inefficient public system of healthcare has led to the growth of unregulated and mostly expensive private sector. This phenomenon has made elderly Indians vulnerable to high health expenditure and spiralling poverty (Pal 2010).

Inadequate access to health insurance is also a reality for a majority of the elderly. Health insurance under the Pradhan Mantri Jan Dhan Yojana announced on 28 August 2014 might make some difference. Its impact is yet to be studied. In general, the insurance covers inpatient hospital expenditure whereas most of the elderly incur large outpatient charges, as they are more prone to chronic diseases (Sharawat and Rao 2011). Further, the coverage of insurance is limited in India, and people end up paying for themselves (Duggal 2007). Thus, despite having poor health, a majority of the elderly refrain from seeking medical assistance due to financial and other constraints. It implies that their health needs go unattended (Raju 2000; Rajan 2007).

Old age is also associated with changing social and economic roles accompanying physical change and reduced capacity to contribute or sustain a livelihood (Heslop and Gorman 2002). It raises the question of an individual's immediate economic insecurity in their old age, along with their social status in the family as they are normally assumed to be a burden to the family due to their non-economic status. Therefore, a great anxiety of old age undoubtedly relates to economic insecurity, especially among the elderly poor.

In 2011–12, approximately 21.9% of the population in India were living below the poverty line. A higher percentage of people in rural areas lived below the poverty line (25.7%) compared to 13.7% in urban areas (Planning Commission 2013). It can be safely construed that the economic situation of the elderly people living below the poverty line is fragile. Increase in the average life expectancy and life expectancy at age 60 years implies that people are surviving for a longer duration and require long-term care. Long-term healthcare involves expenditure that increases financial stress within the family. The situation gets aggravated by the fact that a large proportion of the total workforce is employed in the unorganised sector without any financial security such as pension or other post-retirement benefits (World Bank 2001). In the absence of financial security for the self and the household, many aged people are forced to remain engaged in work even in the late years of life (NSSO 2006b).

In India, over 50% of the elderly lack financial security and are "fully dependent on others" for their economic needs. Moreover, complete economic dependence is higher for women than men and those who are partially dependent on others are around 50%. Overall, about 65% of the elderly are economically dependent on others either completely or partially (NSSO 2006b).

Informal social arrangements, like intra-family transfers, have been the pillar of social security in India for centuries. The rapid decline in the joint family system is considered yet another cause for destitution of elderly and their increasing impoverishment (Shah 1993; Bose and Shankardass 2004; World Bank 2005; Raghaviah 2005). This scenario has resulted in seeking secondary alternative sources of social support and care for the elderly. The introduction of governmental schemes/programmes providing economic and social security in terms of pensions and other services, especially for the elderly, is one such alternative form of ensuring old-age care and active ageing (Bharati and Singh 2013).

4 Current Pension System

India has a long tradition of old-age income support system. The concept of old-age security in India dates back to the third century BC.[3] The practice of civil services pension was evident in 1881 when retirement benefits were provided by the Royal Commission on civil establishments during British colonial rule.[4] The Government of India Acts of 1919 and 1935 made further provisions in civil service pension schemes. These schemes were later consolidated and expanded to provide retirement benefits to the entire working public sector population. Post-independence, several provident funds[5] were also set up to extend social security coverage among private sector workers (Goswami 2001). The above mentioned forms of pension serve the formal sector only. In the informal sector, the existing pension schemes are largely targeted in nature. One of the most important amongst these, which is targeted towards the elderly poor, is the Indira Gandhi National Old Age Pension Scheme (IGNOAPS).[6] The government also introduced the *Annapurna* Scheme to ensure food security for those elderly who are eligible for IGNOAPS, but are presently not receiving it.[7] Pension amounts that the elderly receive contributes in fulfilling their basic needs along with instilling a sense of security and improving sense of well-being among them. Thus, the pensions that the elderly receive from the government as a part of the National Social Assistance Programme (NSAP) under IGNOAPS play a significant role in providing old-age security (Help Age International 2008; PRC–GOI 2009; Knox-Vydmanov 2011; Babu 2013; Bharati 2014).

In order to widen the coverage of pension, a contributory pension scheme based on individual retirement accounts was started for all citizens of India. However, due to the lukewarm response of the scheme, soon two more schemes were added, namely, National Pension System (NPS)—Lite, and NPS—Swavalamban. The target of Swavalamban is to encourage people from the unorganised sectors to save for the future.

Despite these efforts, the coverage of the Indian pension system has remained low (Table 3). It is because the schemes were either discretionary or voluntary in nature. Further, the coverage of NPS remains low, probably as people are largely myopic about future and prefer present consumption to future consumption (Pecchenino and Pollard 2005).

Table 3: Coverage of the Indian Pension Network

Different Stakeholders	Year	Coverage in Millions
EPFO[a]	2012-13	30.9
Civil servants[b]	2009-10	3.1
State government[c]	2009-10	7.4
Local bodies[d]	2009-10	2.1
Central government autonomous bodies[e]	2009-10	3.5
State government autonomous bodies[f]	2009-10	2.4
Defence[g]	2012-13	1.3
PPF[h]	2009-10	1.0
NPS (excluding bcdef)[i]	2013-14	2.9
Formal sector coverage outside EPFO[h]	2009-10	5.0
Micro-pension and other private pension[h]	2011-12	2.1

Source: (a) EPFO Annual Report, 2012-13; (b), (c), (d), (e), (f) http://mospi.nic.in; (g) IISS (2013); (h) Stelten 2011; (i) http://pfrda.org.in

Until 2013, only 1.2% of the working population had subscribed to the NPS, of which more than 50% were civil servants for whom the scheme was mandatory. Thus, it can be stated that it is the working population of the formal sector who are benefiting from such schemes and large group of people who are working in an informal sector and non-working population have remained out of any such schemes (Sanyal et al 2011). Therefore, in such a case, presently various welfare schemes of government seem to be the saviours for many of the elderly population.

The paper now examines the fiscal burden of government on account of pension. The real pension expenditure (base 2004–05) has grown at a compound annual growth rate (CAGR) of 13.8% from 2005–06 to 2010–11, which is much higher than the growth of gross domestic product (GDP). Apparently, it shows that the fiscal burden on account of pensions is gradually becoming a liability to the country.

Table 4: Total Pension Expenditure of Central and State Government in India

Year	Expenditure on Pensions (Rs Billion)	% of GDP	% of Total Revenue Receipts of Central and State Governments
2005-06	890.6	2.5	13.1
2006-07	946.0	2.4	12.0
2007-08	1028.5	2.4	11.4
2008-09	1183.0	2.7	13.5
2009-10	1641.6	3.4	18.3
2010-11	1696.9	3.2	15.8

Sources: Combined Finance and Revenue Accounts of the Union and State Governments of India; Union Budget; Annual Report of Railways, various years.

Table 4 reveals that pension expenditure of the government in 2010–11 was 3.2% of GDP or 15.8% of the total revenue receipts of the central and state governments. It, on face value implies that, 8.6% of the total population is receiving 3.2% of the GDP. In a developing country like India, it can be considered quite substantial. However, in order to have a better understanding of the above situation, a decomposition of the above data into civil service pensioners and old-age pensioners is essential.

Table 5 reveals that expenditure on social pension for the elderly in 2010–11 accounted for 0.1% of the GDP and 0.5% of the revenue receipts. On the contrary, the civil service pension expenditure of the government for retired government employees was as high as 3.1% of GDP and 15.3% of the revenue receipts.

Table 5: Decomposition of Annual Pension Expenditure

Year	Expenditure on Civil Service Pensions (Rs Billion)	% of GDP	% of Total Revenue Receipts of Central and State Governments	Expenditure on Social Pensions (Rs Billion)	% of GDP	% of Total Revenue Receipts of State Governments
2005-06	861.2	2.4	12.7	29.4	0.1	0.4
2006-07	907.0	2.3	11.5	39.0	0.1	0.5
2007-08	980.3	2.3	10.8	48.3	0.1	0.5
2008-09	1128.7	2.6	12.9	54.3	0.1	0.6
2009-10	1586.5	3.3	17.7	55.2	0.1	0.6
2010-11	1643.5	3.1	15.3	53.4	0.1	0.5

Source: Same as Table 4.

The study now tries to explore the number of beneficiaries covered under the existing pension system of India. It is clear from Table 6 that 11.1% of the 60+ population, or 1% of the total population is receiving 3.1% of the GDP or 15.3% of the revenue receipts. In contrast, 17.4% of the 60+ population or 1.5% of the total population is receiving only 0.1% of GDP or 0.5% of total revenue receipts. An approximately 70% of the total 60+ population receives no pension at all. Thus, there is a necessity for a new pension scheme in India to ensure a minimum Beveridgean pension to cover a majority of the workforce.

5 A Proposed Universal Pension Scheme

The above discussion brings forth the importance of pension for the elderly. It also highlights that the present IGNOAPS has ensured the economic security of the elderly, but its coverage remains low. Such a dichotomous situation where a smaller population of the elderly is receiving benefits and a larger population is not getting benefits requires immediate attention. Therefore, there is a need to extend the pension support to the later segment of elderly population who remained outside its purview because of the prescribed non-eligibility criteria (Sanyal and Singh 2013). Under this scenario, the study concedes that the universal form of old-age pension seems to be a better alternative because it takes care of ensuring security for all elderly citizens of the country. Moreover, it is more inclusive and would cover a wider population of elderly, compared to the existent targeted pension scheme.

Additionally universal pension has its advantage as it is the easiest to monitor, and also has very low administrative costs in comparison to the other schemes. This scheme can be implemented by the government under direct benefit transfers scheme, which is expected to be operational with the efforts

Table 6: Details of Pension Beneficiaries of Selected Pension Schemes

Schemes	Number of Beneficiaries (Million)	Year	% of Total 60+ Population	% of Total Population
Old Age Pension Scheme	18.0	2011-12	17.4	1.5
Civil Service Pension Schemes	11.5	2010-11	11.1	1.0
Employees' Provident Fund Organisation	2.8	2013-14	2.7	0.2

Source: *Times of India*, and Government of India.

placed on financial inclusion being extended on mission mode. Moreover, the scheme is found to be far better in terms of coverage when compared to means tested schemes (Willmore 2004).

The Netherlands and Norway provide universal basic pensions to their citizens that are tax-financed. Similarly, South Africa, Australia, Brazil, Lesotho and Chile also have pension schemes that exclude only a few. A basic universal pension based on the criteria of citizenship, residence, and age is provided by New Zealand, Mauritius, Botswana, Namibia, Bolivia, Nepal, Samoa, Brunei, Kosovo and Mexico City. Ironically, except for New Zealand none amongst these is a developed country. It means that various developing countries have also been providing economic security to their elderly population by formulating UPS mainly because the scheme is more inclusive in nature in comparison to any other means tested scheme.[11]

Despite of the advantages, UPS has been adopted by very few countries as it is often criticised for high fiscal costs. Nevertheless, empirical evidence shows otherwise. In no country is the programme cost more than 3% of the GDP (Subbarao 1998; Schleberger 2002; Barrientos 2002). Clearly, it is large, but if it is compared to expenditure on other social sector programmes by countries, it is quite small. It is often argued that there will be a rise of pension liabilities as a result of population ageing. However, these studies often fail to take account of economic growth and increases in incomes following development and the impact of the pension programmes themselves. Ideally, growth in per capita income would enable such programmes to become less dependent on external support over time (Barrientos and Lloyd-Sherlock 2002).

In view of the need for pensions for all, the study proposes the idea of UPS for India. For this, a scenario analysis is presented for extending the scheme. This stipulation is done by presenting an analysis of the economic situation by estimating cost and burden that the country will have to bear if it adopts UPS as against the present target-based scheme that is partial in coverage.

An attempt has been made by proposing an estimation of the fiscal cost of a UPS applicable to residents above 60 years of age in India if the country goes for it. It would be the simplest form of flat pension, based on age and residence (born resident) irrespective of income or participation in the labour force or retirement from the service. It means that all Indians of the qualifying age and above will receive financial support under UPS.

The estimates are made on the following assumptions:

(a) The real GDP (base year 2004–05) is assumed to grow at the rate of 4%, 5% and 6%. (CAGR from 1950–51 to 2012–13 is 5%.)

(b) The qualifying age is simulated from 60 to 65 years of age, given that the qualifying retirement age for pensions may change in view of the rising longevity of the population in India.

(c) All persons of the qualifying age and above will receive a pension.

(d) Pension amount per month is assumed to be Rs 500, Rs 1,000, Rs 1,500 and Rs 3,000 (base year 2004–05).

(e) The future population of India has been calculated from data presented in United Nations Department of Economic and Social Affairs (UNDESA) (2010).

(f) Pension estimates are made for 2015, 2025 and 2050.

The results of the simulation exercises show that, the burden of UPS is nominal even if the economy is estimated to grow at a conservative rate of 6% or less (Table 7). Implementation of the UPS would entail additional expenditure of 1% in 2015 if the qualifying age for pension is 60 years, and the economy grows at 4% per annum, given that the pension amount is Rs 500 per month (base year 2004–05). If the qualifying age for pensions rises to 65 years then at a monthly pension of Rs 500 per month the additional expenditure would just rise by 0.7% of GDP in 2015.

Table 7: Pension GDP Ratio in the Case of UPS

Year	Growth Rates (%)/ Age of Retirement	Pension GDP Ratio											
		Rs 500 Per Month			Rs 1,000 Per Month			Rs 1,500 Per Month			Rs 3,000 Per Month		
		4	5	6	4	5	6	4	5	6	4	5	6
2015	60 years	1.0	1.0	1.0	2.1	2.0	2.0	3.1	3.0	2.9	6.2	6.1	5.9
	61 years	1.0	0.9	0.9	1.9	1.9	1.8	2.9	2.8	2.7	5.8	5.6	5.4
	62 years	0.9	0.9	0.8	1.8	1.7	1.7	2.6	2.6	2.5	5.3	5.1	5.0
	63 years	0.8	0.8	0.8	1.6	1.6	1.5	2.4	2.3	2.3	4.8	4.7	4.6
	64 years	0.7	0.7	0.7	1.5	1.4	1.4	2.2	2.1	2.1	4.4	4.2	4.1
	65 years	0.7	0.6	0.6	1.3	1.3	1.2	1.9	1.9	1.8	3.9	3.8	3.7
2025	60 years	1.0	0.9	0.8	2.0	1.8	1.6	3.0	2.6	2.3	6.0	5.3	4.7
	61 years	0.9	0.8	0.7	1.9	1.6	1.5	2.8	2.5	2.2	5.6	4.9	4.3
	62 years	0.9	0.8	0.7	1.7	1.5	1.3	2.6	2.3	2.0	5.2	4.6	4.0
	63 years	0.8	0.7	0.6	1.6	1.4	1.2	2.4	2.1	1.9	4.8	4.2	3.7
	64 years	0.7	0.6	0.6	1.5	1.3	1.1	2.2	1.9	1.7	4.4	3.8	3.4
	65 years	0.7	0.6	0.5	1.3	1.2	1.0	2.0	1.7	1.5	3.9	3.5	3.1
2050	60 years	0.8	0.5	0.4	1.5	1.0	0.7	2.3	1.6	1.1	4.5	3.1	2.2
	61 years	0.7	0.5	0.3	1.4	1.0	0.7	2.1	1.5	1.0	4.2	3.0	2.1
	62 years	0.7	0.5	0.3	1.3	0.9	0.6	2.0	1.4	1.0	4.0	2.8	1.9
	63 years	0.6	0.4	0.3	1.2	0.9	0.6	1.9	1.3	0.9	3.7	2.6	1.8
	64 years	0.6	0.4	0.3	1.2	0.8	0.6	1.7	1.2	0.8	3.4	2.4	1.7
	65 years	0.5	0.4	0.3	1.1	0.7	0.5	1.6	1.1	0.8	3.2	2.2	1.5

Source: Authors' Calculation.

All (centre and states) pension amounts constitute 2.3% of the GDP in 2012–13. This expenditure is borne on account of civil servants that are a very small proportion of the elderly in India. Funding of UPS, therefore, remains a major problem, as pension expenditure is already high. Nevertheless, as the NPS has been implemented for civil servants, pension expenditure is expected to come down by 1% in the future provided the real growth rate of average salary exceeds 3% (Sanyal 2014). On the other hand, a part of the pension can be recovered from pensioners who continue to work or have investment income (rich pensioners) simply by making the non-contributory pension taxable as ordinary income, which is done in both Mauritius and New Zealand, with encouraging results (Willmore 2004).

6 Conclusions

Ageing has an impact on economic growth, savings, investment, consumption, labour market, public finance—taxation, pension—intergenerational transfers, healthcare expenditure and financial markets.

India has a limited pension system that is restrictive and does not cover the country. There is a social dimension in terms of intergenerational equity. Pensions have an implication for growth and stability, especially about contractual savings. There is also a fiscal dimension in terms of impact of payment of pensions to government employees, payment to poor as part of social safety net, and contingent liabilities that may arise due to the nature of regulatory prescriptions pertaining to provident funds and pensions.

The Indian government provides primary benefits to families below the poverty line. However, approximately 70% of the working population is not entitled to any pension or social security. Thus, existing old-age support measures are found to be inadequate as they exclude a large section of the elderly.

The purposes of a pension are smoothening of consumption, mitigation of longevity risks, elimination of poverty and addressing inter- and intra-generational inequality. The proposed scheme of UPS for the elderly is found to do this successfully for every person of the country. The introduction of this scheme will enhance the welfare of both the present and future aged population. A pension, even if a minimal amount, can maintain the usefulness of the elderly to the household through their economic contribution or by being "non-dependent" to the household to meeting their needs. If initiated, it will ensure to an extent that the elderly live a good quality/healthy life in their ageing years. It will still ensure the economic security of the elderly if they are unable to work due to any health emergency.

The demographic dividend that the country enjoys would diminish by 2050. India's population structure by then would mirror that of the major industrial countries as of now. The fiscal impact of ageing is substantial and, therefore, in India, measures should be initiated in time to address the problem. A significant proportion of individuals in the country lack the foresight to save for their retirement years, this may be due to financial illiteracy or due to economic reasons. Therefore, the impact of ageing in terms of financial planning in the absence of adequate provisions would directly fall on the government.

Given the existing situation of the elderly in India and the substantial increase of their proportion in the coming decades, there is a need to take a step towards the reorientation of existing policies and programmes. It is required so that better care for the aged cohorts in the present and the future could be ensured. The study concludes that the scheme based on universal pension could be one of those adequate steps with its inherent goal of providing economic security and of wider reach to the elderly.

NOTES

1 Old-age dependency ratio means the ratio of 60+ population to 15–59 population.

2 In the paper "old age," "aged," and "elderly" are used interchangeably to mean people in the age-group 60 years and above.

3 According to *Sukraniti*, a king had to pay half of the wages for people who had completed 40 years of service (Gayithri 2008).

4 Under continuation of this scheme, central and state government employees receive pension. The pension payments are defined benefits related to final salary, and are paid out of current revenues of respective central and state governments. Recently in the year 2004, the scheme was modified from defined benefit scheme to a defined contributory-individual retirement accounts scheme for new entrants.

5 For example, Employee's Provident Fund Scheme (EPFS) 1952 is meant for old-age/contingencies. Employees' Pension Scheme (EPS) 1995 provides pension to members, widows, widowers, children, orphans, physically disabled members and dependent parents or nominees. Employees' Deposit-Linked Insurance Scheme (EDLIS) 1976 provides insurance benefits to beneficiaries of members who died in harness; and Public Provident Fund (PPF) 1968, a voluntary tax-advantaged saving scheme for formal sector workers.

6 The scheme was launched in 1995 for persons who are aged 65 years and above, and belong to below the poverty line (BPL) households. Under this scheme, an amount of Rs 200 per month is paid by the central government with contribution by the state government according to their discretion. In 2011, the eligibility age was reduced to 60 years and the centre's contribution was increased to Rs 500 per month.

7 Started in 2000 and oriented towards BPL families. Under this scheme, 10 kg of foodgrain per month, free of cost, is provided to the deserted or elderly living alone, and those who have no income of their own. It is stated that beneficiaries of this should not exceed 20% of the state old-age pensioners.

8 In 2012–13 the total number of members in EPFO was 88.8 millon. However, in the period July 2012 to March 2013, 30.9 million members contributed.

9 Document sourced from Department of Financial Services (2013): http://financialservices.gov.in/pensionreforms/PRStatistics/Status%20of%20NPS.pdf, viewed on 8 October 2014.

10 See http://www.epfindia.com/EPFOinNEWS/TimesOfIndia_07022014.pdf, and http://rural.nic.in/sites/downloads/general/WRITUP_4_PRC_COMPLETE_FINAL.pdf

11 See Note 10.

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