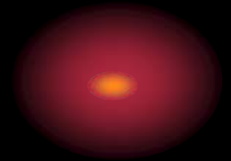


PENSION COVERAGE  
AND THE  
INFORMAL SECTOR  
IN  
INDIA



# INDIA

*.....an overview*



- Population : 1.1 billion  
(Second Highest in the World)
- GDP : US \$ 3.6 trillion  
(Fourth in the world on PPP basis)
- GDP Growth in past three years :8% per annum
- Area : 3,287,590 sq.km
- Exports: US \$ 100 Billion
- Foreign Exchange Reserves : US \$ 160 Billion

# INDIA

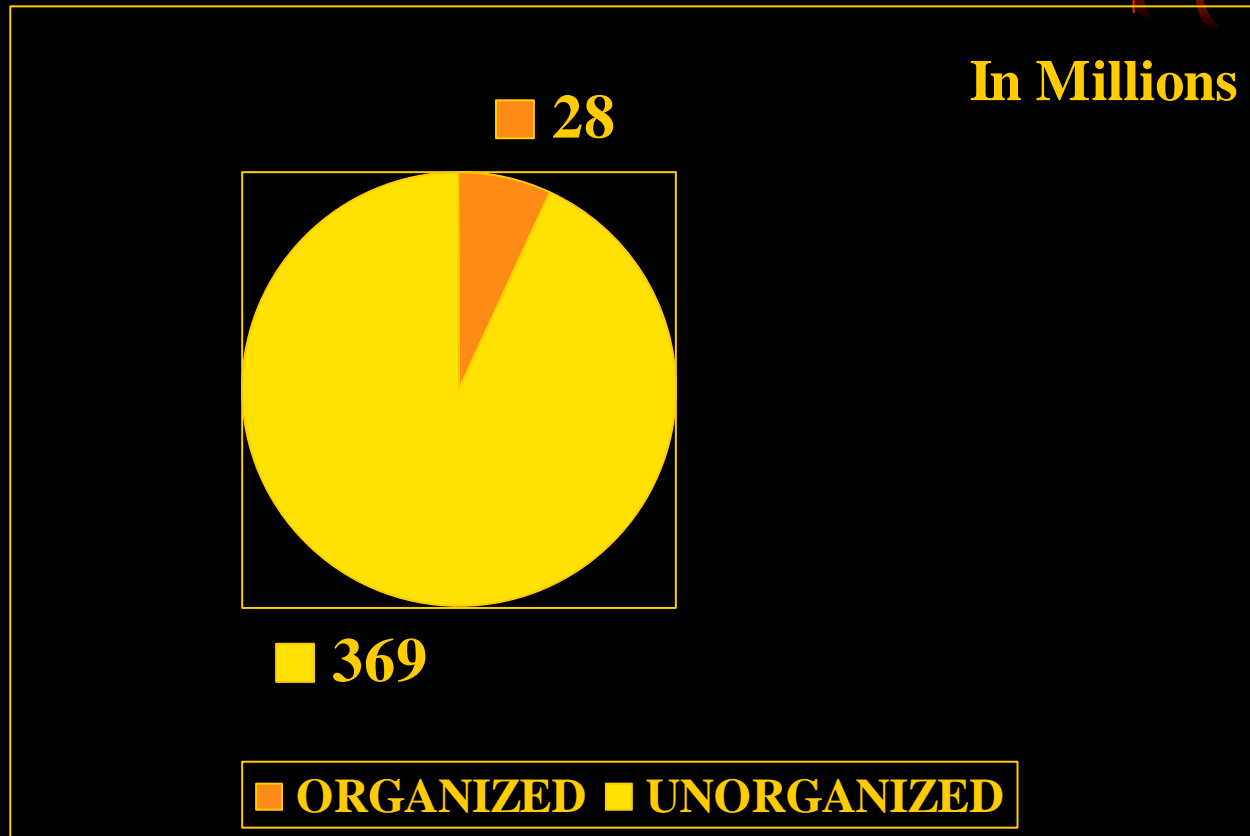
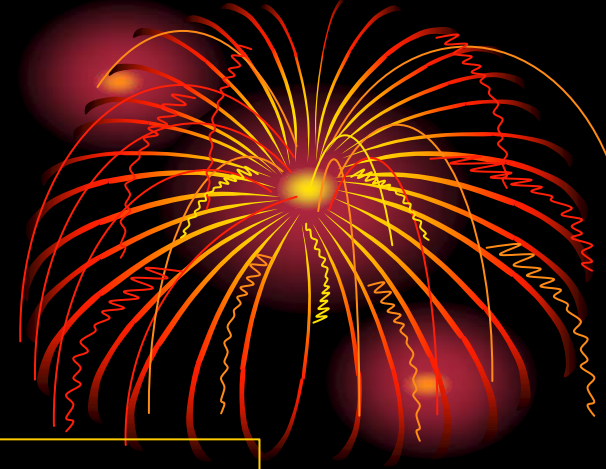
*.....political overview*

- A thriving democracy
- Parliamentary Form of Government
- A Federal Structure
- An independent and impartial judiciary
- A vibrant media



# INDIA

## ...composition of workforce



# WORKERS IN THE UNORGANIZED SECTOR IN INDIA

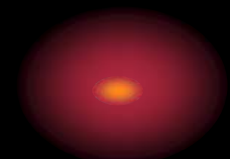
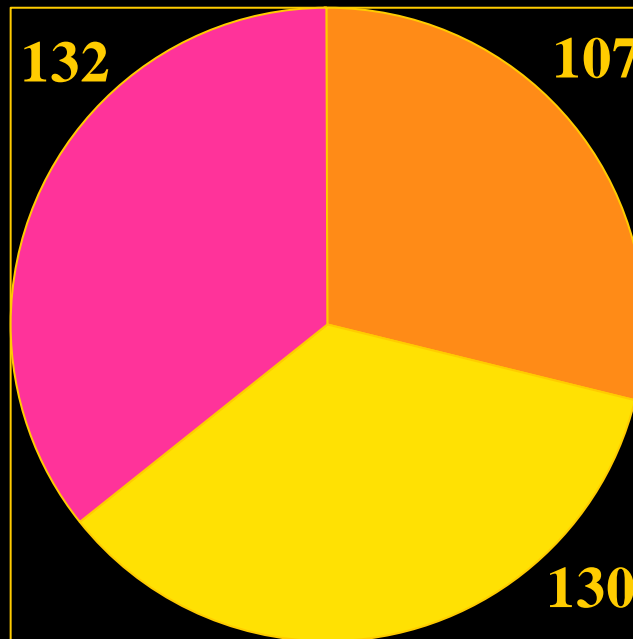


*In Millions*

- LANDLESS AGRI. LABOUR : 107
- OTHER AGRI WORKERS : 130
- TOTAL AGR. LABOUR : 237
- NON-AGRI. LABOUR : 132
- TOTAL LABOUR FORCE IN THE UNORGANIZED SECTOR : 369

# WORKERS IN THE UNORGANIZED SECTOR IN INDIA

*In Millions*



# CHARACTERISTICS OF UNORGANISED LABOUR IN INDIA



- Impoverished (A large number of them are below poverty line)
- Marked by low level of literacy
- They are migrant in nature
- Dispersed all over the country

# Social Security Problems of Workers in the Unorganized Sector



- Arising out of *deficiency* of *capability deprivation* in term of inadequate employment, low earnings, low health and educational status.
- Arising out of *adversity* on account of absence of adequate fallback mechanisms (safety nets) to meet such contingencies as ill health, accident, death and old age.



# IMPACT OF ABSENCE OF A MEANINGFUL SOCIAL SECURITY SYSTEM



- It debilitates the worker's ability to contribute meaningfully to his efficiency and thus to increase production and improve productivity.
- It leads to social dissatisfaction and disaffection, especially in the wake of prosperity evident in another segment of the society.

# SOCIAL SECURITY

*.....various dimensions*



- Health Security
- Maternity Needs
- Life and Accident Security
- Unemployment Security
- Old Age Security

# OLD AGE SECURITY



- Organized Sector
- Unorganized Sector

# OLD AGE SECURITY IN INDIA

*....organized sector*

- Provident Fund
- Pension Fund

# OLD AGE SECURITY IN INDIA

*....unorganized sector*



- Schemes sponsored/run by the Central Government
- Schemes Sponsored/run by the State Governments

# OLD AGE SECURITY SCHEMES FOR UNORGANISED SECTOR

*... Central Government*



- National Old Age Pension Scheme (NOAPS)
- Pension of        per month for all destitutes above 65 years of age. There is no contribution from the beneficiary
- So far covers 7.3 million persons

# OLD AGE SECURITY SCHEMES FOR UNORGANISED SECTOR

*... State Governments*

- Pension ranging from US \$ 2.2 per month to US \$ 4.4 per month or a lump sum by various State Governments with marginal contribution from the beneficiaries and some contribution from employers.



# THE NEED FOR PENSION SCHEMES IN THE UNORGANISED SECTOR



- Though the present share of the aged (60+) in India is lower than the Asian average, this share is likely to increase from 7.47% to 9.8% by 2021.
- The insecurities amongst the aged will rise on account of :
  - o Declining work participation rate among the elderly
  - o Inadequate public health care facilities and increasing cost of private health care
  - o Gradual breakdown of joint family existence



# FUTURE PLANS



- Comprehensive social security coverage entailing Life Insurance, Health Insurance and Old Age Pension for Unorganized Sector Workers.
- Encouraging private sector participation in providing social security, including old age pension.

# FUTURE PLANS FOR OLD AGE SECURITY

.... *OLD AGE PENSION*



- To cover all 13.5 million Below Poverty Line persons above the age of 60 years.
- Provide a pension of US \$ 4.4 per month
- Total funding by the Government
- A requirement of around US \$ 760 million per annum

# FUTURE PLANS FOR OLD AGE SECURITY

..... *PROVIDENT FUND*

- To cover unorganized workers above poverty line (APL)
- Contribution from beneficiaries depending upon the age of entry.
- Beneficiary has an option either to take the accumulated corpus or purchase an annuity.



# OLD AGE PENSION

*...PRIVATE SECTOR INITIATIVE*

- Legislation under consideration to enable private sector companies to sell insurance and pension products in the form of deferred annuity, immediate annuity, annuity with return of purchase price and the like.



# THE PROBLEMS



- Availability of Funds
- Structure to administer the scheme
- Contribution from various players.



.....there is still  
a long way to go.