

Income Support for Vulnerable Groups: India

Regional Consultation on Strengthening Income
Support for Vulnerable Groups in Asia and the Pacific

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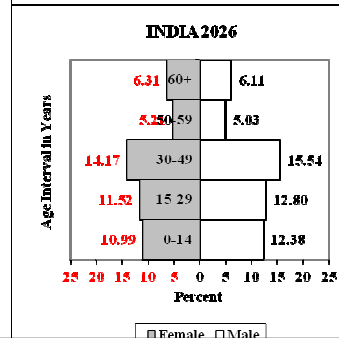
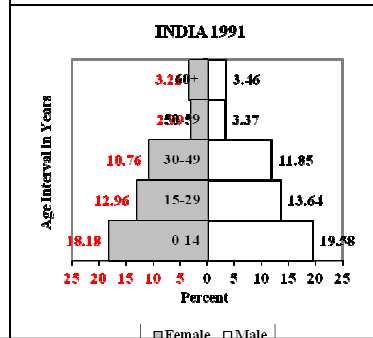
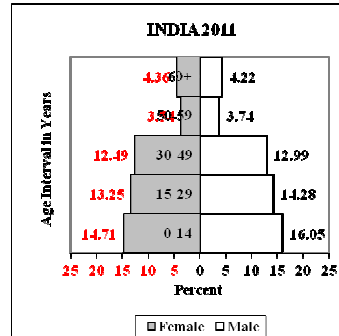
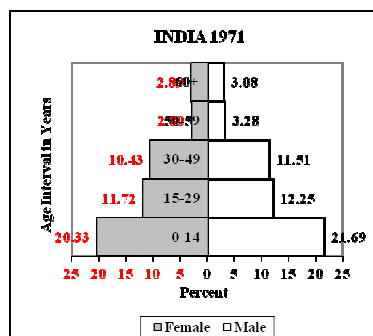
Plan of the Presentation

- Brief characterisation of India – income (average), population (old, young), workers, poor (slides 3-5)
- Contributory provident fund and pensions – mainly applicable to the private sector – applicability, coverage, beneficiaries, benefits (slides 6-7)
- Non-contributory (PAYG) pensions in the public sector (slides 9-14)
- Social assistance programmes (slides 15-16)
- Issues in reforms (slides 17-18)
- Summary and suggestions (slides 19-20)

India: Income, Population

National Income, Exchange Rate	2011-2	2012-3
GDP at Factor Cost at Current Prices, billion INR (trn USD)	83917 (1.75)	93889 (1.73)
Population (million)	1202	1217
Per Capita GDP in INR (USD)	69814 (1457)	77148 (1418)
Nominal Exchange rate, Average INR per USD	47.923	54.409
Population Characteristics, 2011 Census		
Proportion (%) of All ages	51.47	M
	48.53	F
Proportion (%) of > = 65+ years	2.67	M
	2.79	F
Proportion (%) of > = 60+ years	4.72	M
	4.36	F
Proportion (%) < 14 years	14.96	M
	13.71	F
Proportion (%) < 19 years	20.44	M
	18.55	F
Proportion (%) of All Ages	69	Rural
	31	Urban

Population Pyramid: *Rebus Sic Stantibus* (Latin for 'Things Thus Standing')



India (2011-2): Workers, Households, Poverty

Description	Figures	Region
Number of Labourers, Workers, Unemployed per 1000 persons NSSO 68 th Round, July 2011-June 2012	406, 399, 17	Rural
	367, 355, 13	Urban
	395, 386, 9	Total
Proportion of Labourers (M,F); Workers (M,F) (per cent)	(55,25); (54,25)	Rural
	(56,16); (55,15)	Urban
Out of Workers those that are Self Employed, Regular Wage / Salaried, Casual labour M;F ○ denotes 'Potential' Coverage	(55,10,36); (59,6,35)	Rural
	(42,43,15); (43,43,14)	Urban
Average Household Size (persons)	4.5	Rural
	4.0	Urban
	4.3	Total
Female Headed Households (per cent)	12	Rural
	12	Urban
Poverty Line, Monthly Per Capita Expenditure, INR 2011-2 (USD)	816 (17.03 USD)	Rural
	1000 (20.87 USD)	Urban
Proportion (%) and Number (mn) of Poor	25.7 %, 216.5 mn	Rural
	13.7 %, 52.8 mn	Urban
	21.9 %, 269.3	Total

Contributory / Funded (?) Schemes: Provident Fund / Pensions

Legislation / Act	Applicability of Act	Contribution
Employees Provident Fund and Miscellaneous Provisions Act, 1952	187 Industries (except in Jammu & Kashmir) employing 20 or more people	Employer: 13.61 % (8.33% to a max of INR 6500 p.a.); Employee: 12 % Cent. Govt.: (1.16)
The Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948	BCCL, ECL, CCL, WCL, MCL, SCCL, SECL, DVC, IISCO (Public); TISCO, BENGAL EMTA, JINDAL (Private)	Employer: 12 % (1.16) Employee: 12 % (1.16) Cent. Govt. (1.66) 3 % admin. charge out of Gr. Contr.
The Seamen's Provident Fund Act, 1966	Seamen engaged in shipping industry (merchant navy)	Employer: 12 %; Employee: 12 % 5 % of total contribution is administrative charge
The Assam Tea Plantation Provident Fund and Pensions Fund Scheme Act, 1955	All tea estates or tea gardens	Employer: 12 %; Employee: 12 %; 3.5 % of Contribution is administrative charge (from Employer) (2.33 % out of Admin + 1.16 per cent central Govt. for pensions)
The Jammu & Kashmir Employees Provident Fund Act, 1961	Workers in Jammu & Kashmir province in non-pensionable service	
The Pension Fund Regulatory and Development Authority Act, 2013	(a) The National Pension System (CG employees joining on or after Jan 1, 2004) (b) Pension Schemes not Regulated under the Other Acts	(a)Employer: 10 %; Employee: 10 %

Members, Beneficiaries, Fund Position					
Contributory Scheme	Position as on	Members	Pensioners	Corpus (INR billion)	Average Annual Benefits INR (USD)
EPF&MP, 1952	31/03/2013	88.76 mn PF 80.8 mn EPS	2.97 mn Mem	1834	11728 (216)
			1.43 mn Surv		
Coal Mines Provident Fund, 1948	31/12/2005	599186	155029		
Seamens Provident Fund, 1966	2010-11	51184			
Assam Tea Plantations, 1955	31/03/2012	808002	22870 Mem.	.048	28945 (604)
			17983 Surv.		4725 (99)
PFRDA, 2013	31/12/2013	5.86 mn		422.05	
	07/05/2013	4990988		325.67	
	Cent. Govt.	1155307		186.93	
	State Govt.	1684649		117.41	
	Pvt. Sect.	227181		15.29	
	NPS-Lite	1923851		6.04	

Pensions: Current Legal Position

- Not by way of charity.
- Not an ex-gratia payment.
- Not a purely social welfare measure.
- It is a right enforceable by law

Notes

Supreme court judgment in D.S.Nakra and Others vs. Union of India, on December 17, 1982,

Public Sector Workers

Year	Public Sector Workers ('000s)	Population	Col. 2 / Col. 3 *1000
(1)	(2)	(3)	(4)
1961	7050	439,234,771	16
1971	10730.4	548,159,652	20
1981	10908.0	683,329,097	16
1991	12835.4	843,387,888	15
2001	12946.0	1,028,737,436	13
2011	11734.0	1,210,854,977	10

Notes:

Col. 4 presents the number of public sector workers per 1000 persons in population
Public sector includes Federal, Provincial, and Local governments as also Quasi-Government agencies.

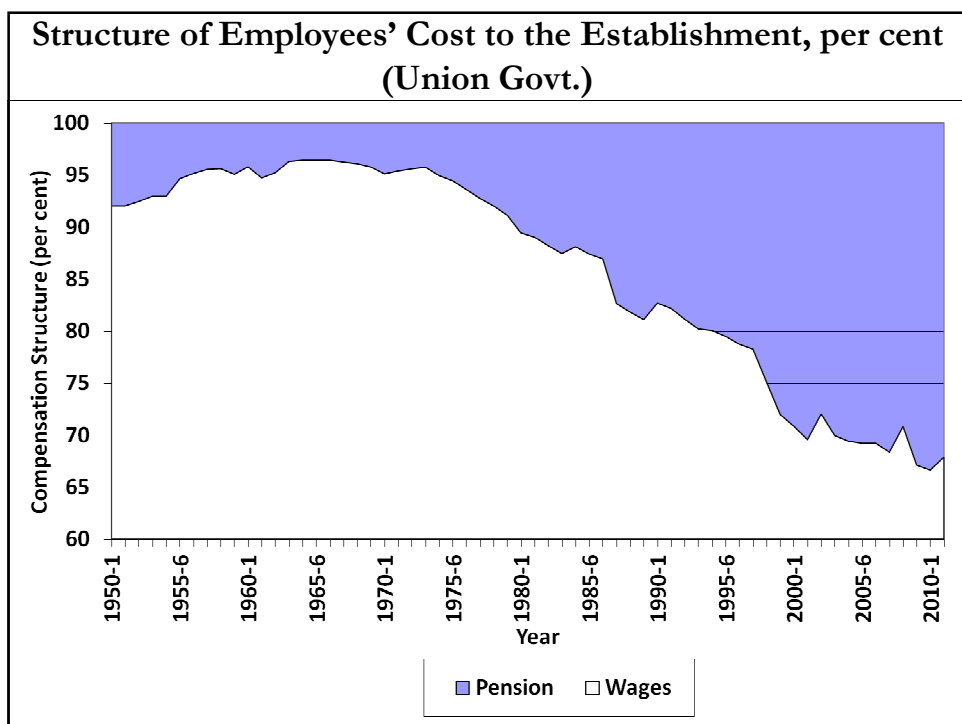
Federal Government Workers, Pensioners, Compensation, 2006-7

Number of Civilian Employees mn	Pay and Allowances to Civilian Employees bn	Number of Pensioners mn		Pension Payments INR bn	
		Civil	Defence	Civil	Defence
3.17	444.18	1.90	1.94	83.04	138.00
Per Person INR (USD)					
	140200 (3216)			43682 (1002)	71133 (1632)

Notes

It is likely that data in the Sixth Central Pay Commission report pertains to 2006-7. The report was submitted in March 2008. Nominal (average) Exchange Rate in 2006-7: 43.595

Annual Growth in Expenditure on Wages and Pensions (percent): Union Gov						
Period (1)	Wages		Pensions		Total	
	(2) ^F	(3) ^T	(4) ^F	(5) ^T	(6) ^F	(7) ^T
1950-1 to 1959-60	5.71	5.71	-2.52	-2.52	5.19	5.19
1959-60 to 1973-4	10.20	12.24	7.07	11.93	10.03	12.22
1973-4 to 1986-7	11.26	12.05	13.66	23.30	11.45	12.95
1986-7 to 1996-7	11.82	10.99	16.17	15.44	12.26	11.76
1996-7 to 2005-6	11.88	6.48	17.01	12.50	12.52	8.01
2005-6 to 2011-2	11.88	20.47	17.06	22.56	12.59	21.13



Structure of Expenditure on Superannuation and Retirement Benefits

Year	Periodic / Recurring		Terminal / One-Time			Others
	S&RA	FP	CVoP	G	LEB	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Union Government – Civilian Employees						
1987-8 (23.42)	55.63	9.80	13.61	19.43	0.00	1.54
2010-1 (34.96)	50.50	10.77	11.84	14.06	5.48	7.35
All-Provinces Combined						
1987-8	55.63	12.03	12.78	13.16	0.00	6.40
2010-1	55.30	11.06	6.88	9.76	4.04	12.97

Notes

S&RA: Superannuation and Retirement Allowance; FP: Family Pension; CVoP: Commuted Value of Pensions; G: Gratuity; LEB: Leave Encashment Benefits

Trend Growth Rate of Pension Expenditure, Union Govt. and Provincial Govts.

Government	Trend Growth Rate 1987-8 to 2011-2	Pension / Tot. Rev. 2011-2
Union	16.54	6.7
Provincial (combined)	19.4	11.6

Notes

Pension expenditure covers both periodic (regular) and terminal (one-time) benefits.

National Social Assistance Programme, Started on 15/08/1995				
Scheme	Household Characteristic	Individual Attributes		
		Eligibility	Age	Gender; Beneficiaries; Benefits (Dec' 2012)
Indira Gandhi National Old Age Pension Scheme	Below Poverty Line (BPL)		>= 65 >= 60	M, F; 22.32 mn; @ INR 200 pm
Indira Gandhi National Widow Pension Scheme	BPL		>= 40; <= 79	F; 4.13 mn; @ INR 300 pm
Indira Gandhi National Disability Pension Scheme	BPL	Severe / multiple (80%) disabilities	>= 18; <= 74	M, F; 0.74 mn; @ INR 300 pm
National Family Benefit Scheme	BPL	Death of Primary Bread Winner (>= 18, <= 59)		2.91 mn; Lump sum INR 20000
Annapurna Scheme, 01/04/2000	BPL	Those not covered under OAPS	>= 65	M, F; 0.82 mn; 10 kg foodgrains pm

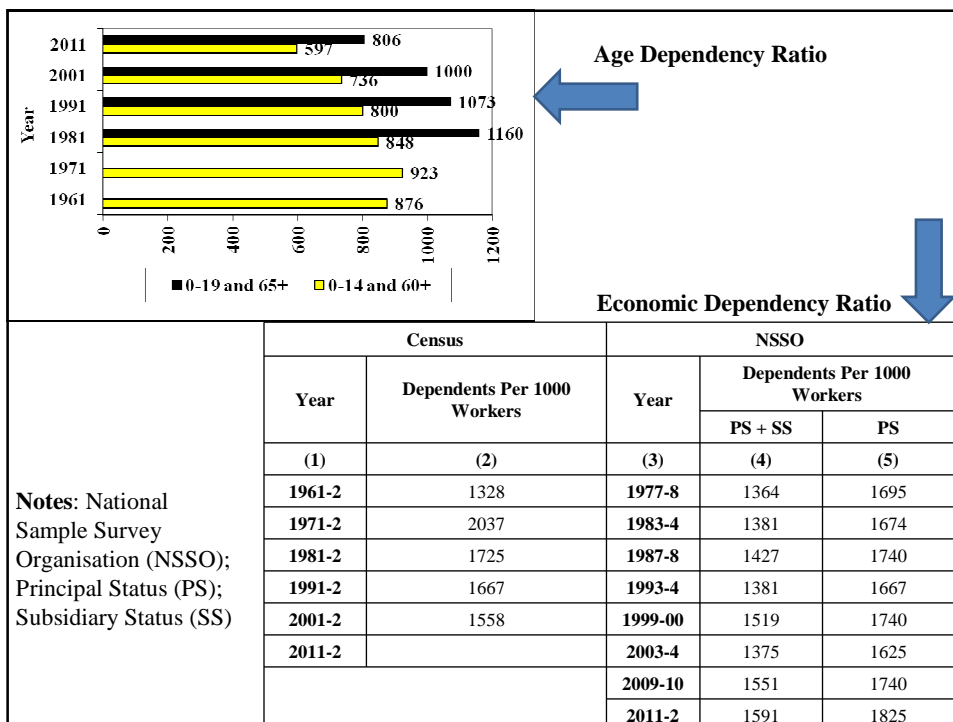
Quid Pro Quo Programmes	
Mahatma Gandhi National Rural Employment Guarantee (MGNREGA) Programme <ul style="list-style-type: none"> •Adult members volunteering for unskilled work •100 days in a year per household •Beneficiaries and benefits, 2012-3 <ul style="list-style-type: none"> – 49.9 mn Households – 79.7 mn Persons – 2.3 bn person days – 46.2 days per Hh – INR 121.4 per day average wage (~ 2.2 USD) 	Mid-Day Meal (MDM) Programme <ul style="list-style-type: none"> •All children in elementary education in Govt., govt.-aided, local-body, education guarantee scheme schools, alternative and innovative education schools •~ 200 days in a year •Beneficiaries and benefits, 2010-1 <ul style="list-style-type: none"> – 113.6 mn children (79.7 mn primary I – V, 450 cal., 12 gms protein; 33.9 mn upper primary, 700 cal., 20 gms. protein) – 1.26 mn schools

India: Expectation of Life

Expectation of Life in	At Birth								
1960	42.3								
1970	49.3								
1980	55.7								
1990	59.7								
2000	62.5								
2011	65.5								
		At Birth		At Age 25		At Age 30		At Age 60	
		M	F	M	F	M	F	M	F
		63.8	67.3	69.2	73.4	69.7	73.8	75.7	77.7
		63.8	67.3	69.2	73.4	69.7	73.8	75.7	77.7

2011

<http://www.worldlifeexpectancy.com/country-health-profile/india>



Summary

- System *dependency ratio* in public sector exceeds 1 (more retirees or pensioners than workers)
- *Age dependency ratio* (for India) appears favourable, but *economic dependency* (non-workers to workers ratio) has not shown any improvement.
- Optimistic estimate for coverage under any provident fund / pension system is less than 15 per cent of workforce
- Social pensions cover less than 12 per cent of poor.
- Social pensions are markedly deficient to address poverty.
- Public sector employment has declined – New civilian recruits moved out of PAYG system to contributory system.
- But, most contributory systems are inadequately funded or inadequately protected.
- High *replacement ratio* for those in PAYG, but very low for those in contributory systems.
- Expectation of life has improved (decline in fertility rate, decline in mortality) – Further, expectation of life at older ages has risen more – With unchanging age of superannuation, this raises the *passivity ratio* (number of years in retirement / number of years at work).

Tentative Suggestions on the Way Forward

- With current allocation of resources type-I error (error of omission, exclusion of eligible) is high.
- But type-II error (error of commission, inclusion of ineligible) is also high because of inadequate socio-economic mapping.
- To reduce both types of errors.
- At this stage, resist temptation to convert in-kind benefits into cash benefit / income transfer
- Benchmark social pensions (assistance) to poverty line (say, at least at 2/3rd of poverty line or 67 per cent)
- Pare / rationalise benefits under the PAYG system – track life time cost of employee – incentivise complete shift to contributory system
- Simultaneously raise employment – encourage work force participation – raise mandatory age of superannuation – (?) synchronise with expectation of life at average age of joining work.

Thank You

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