

Does Post 2005 Policy Reform Have Changed Means of Support for the Elderly in India? Quantifying by National Transfer Accounts

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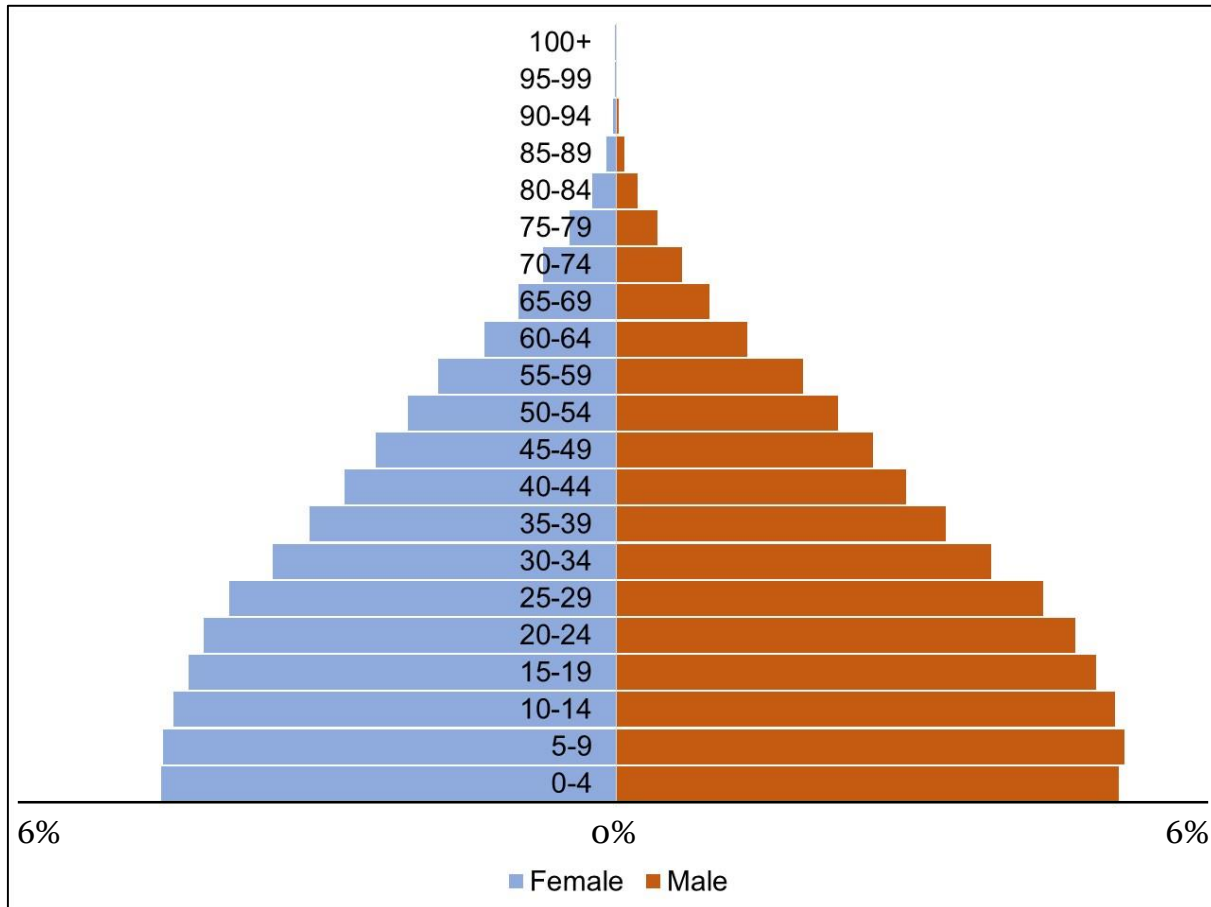
INDIA

Introduction

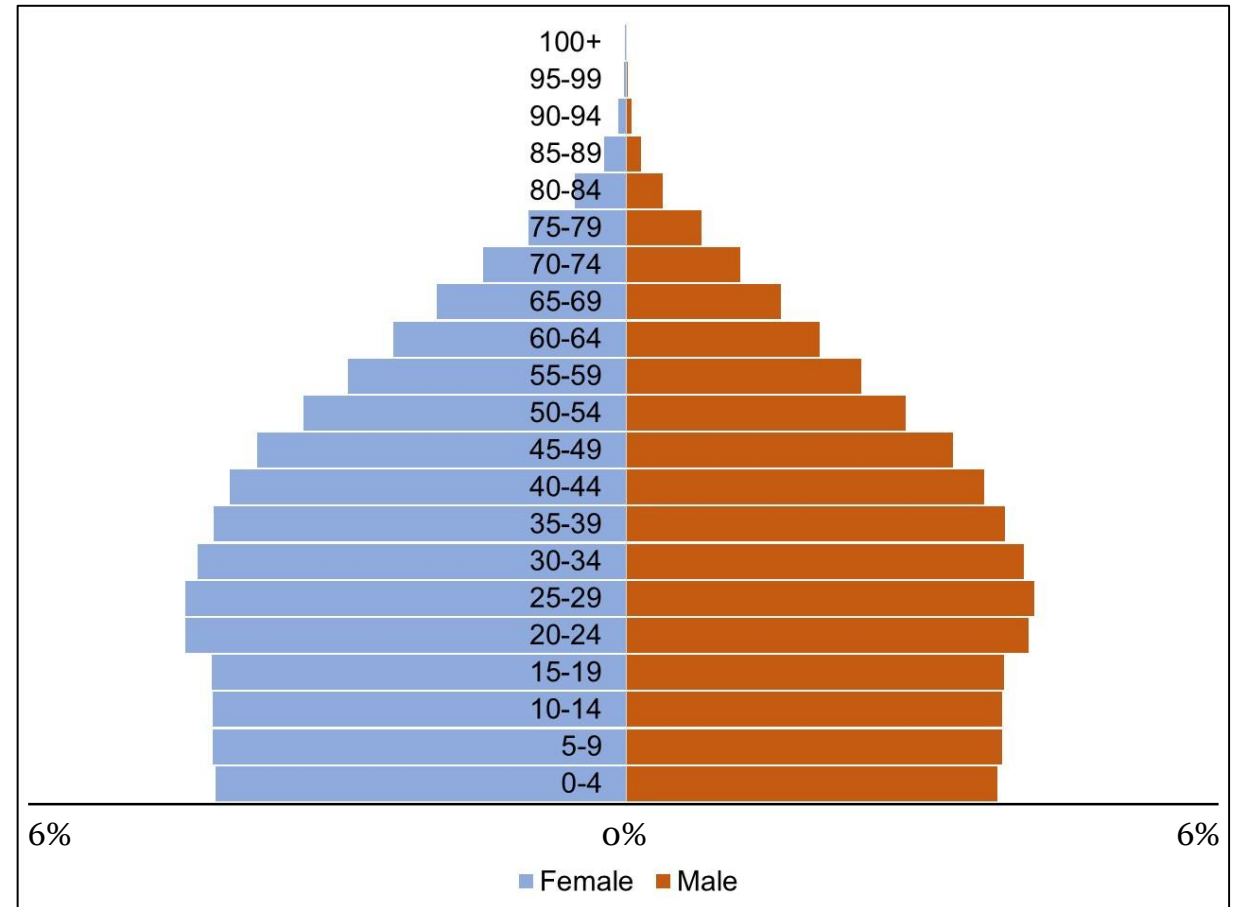
- The world population is undergoing thorough changes from high fertility and high mortality to low fertility and low mortality due to demographic transition.
- During this transition period, the age structure of the population undergoes unprecedented changes from broad-based pyramid tapering at the top to a shrinking base with an enlarged middle and a gradually expanding top.
- Population ageing is an obvious process of this demographic transition with an increase in the ratio of elderly to working age population.
- It has two consequences: lower fertility and longer life motivates saving and capital accumulation in the prime working age to support old-age consumption. On the other side, with the increasing elderly population the demand for comprehensive care tends to grow.
- India is an important case in point, increasing life expectancy has contributed significantly to the rise in the population share of the elderly population which leads to an increased demand for health care and social security for elderly.
- Financial insecurity, lack of adequate social assistance programs, low public expenditure on the health sector for aged people are serious concerns in this case.

Demographic Background of Elderly in India

India - 2011

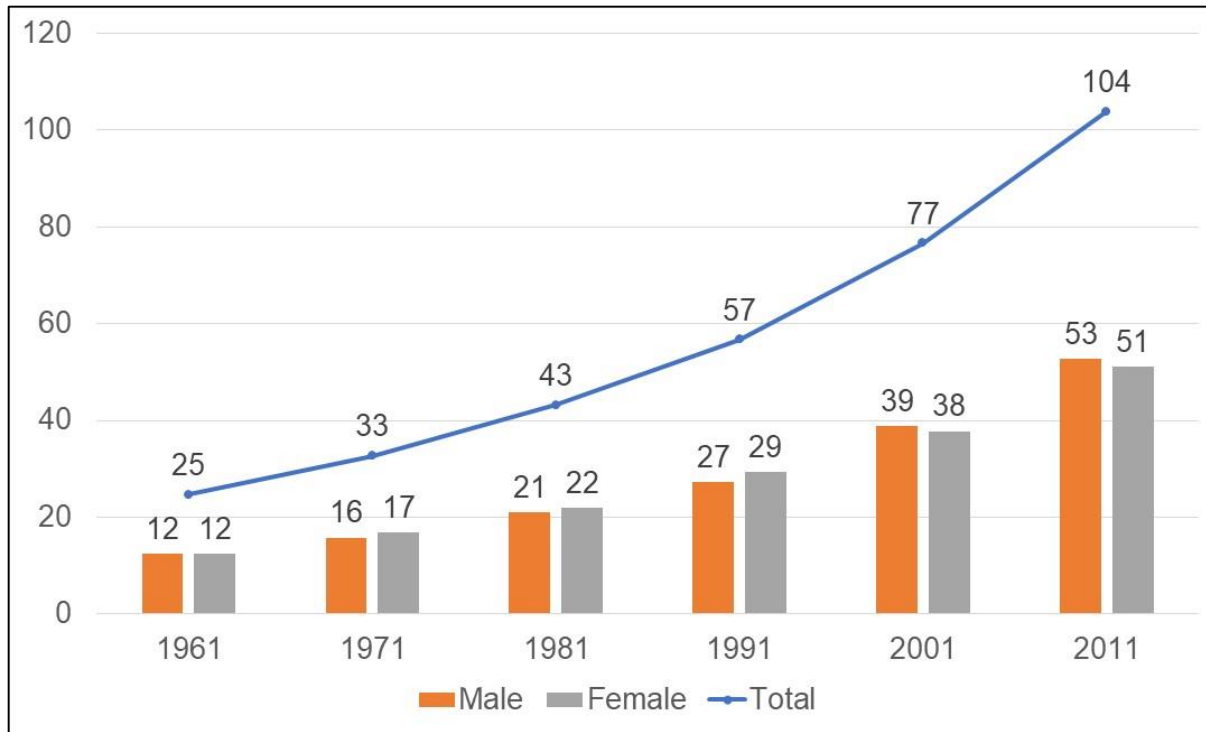


India - 2031

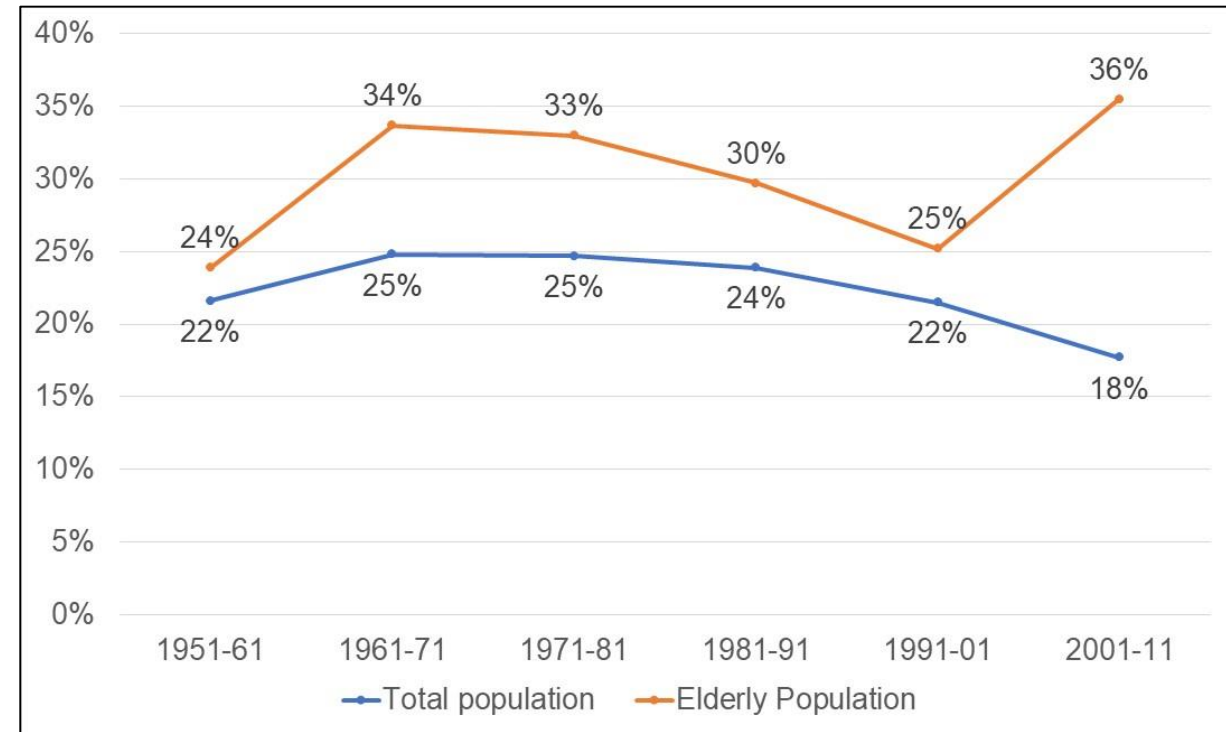


Situation of elderly in India

Elderly Population Aged 60 and Above (in millions)

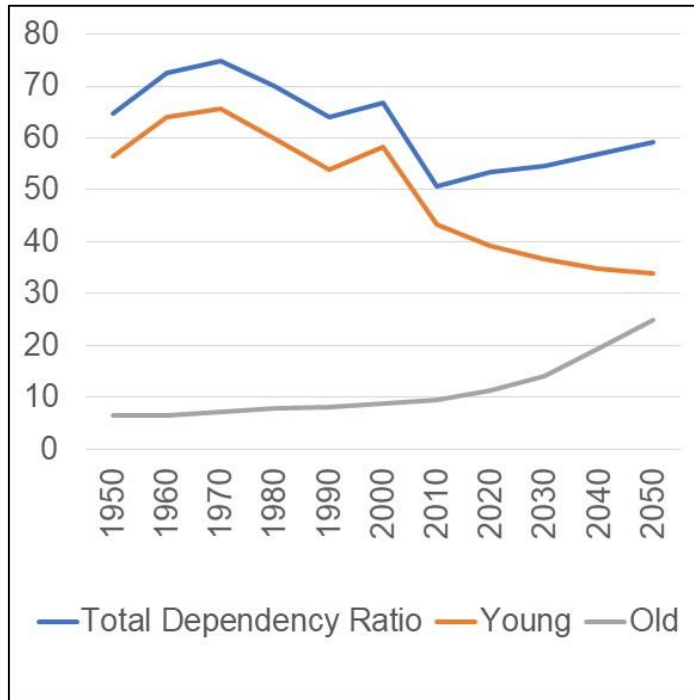


Decadal Growth Rate of Elderly and Total Population

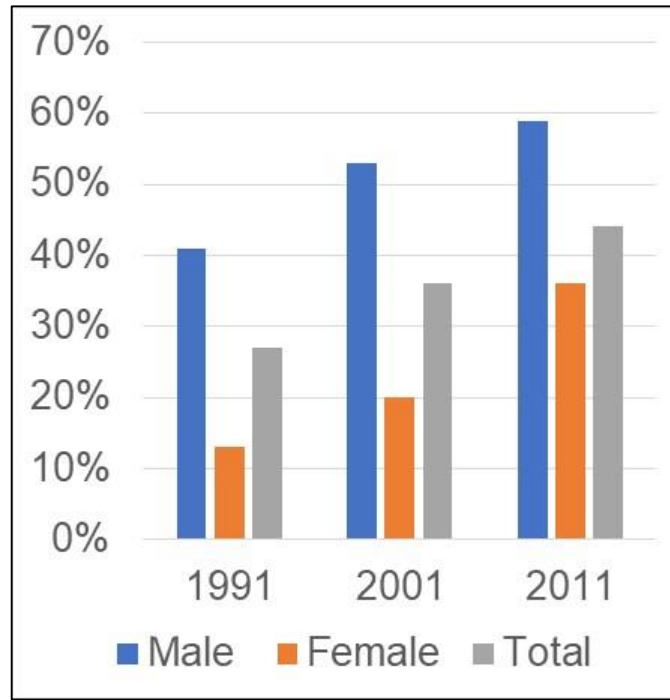


Demographic Characteristics of Elderly

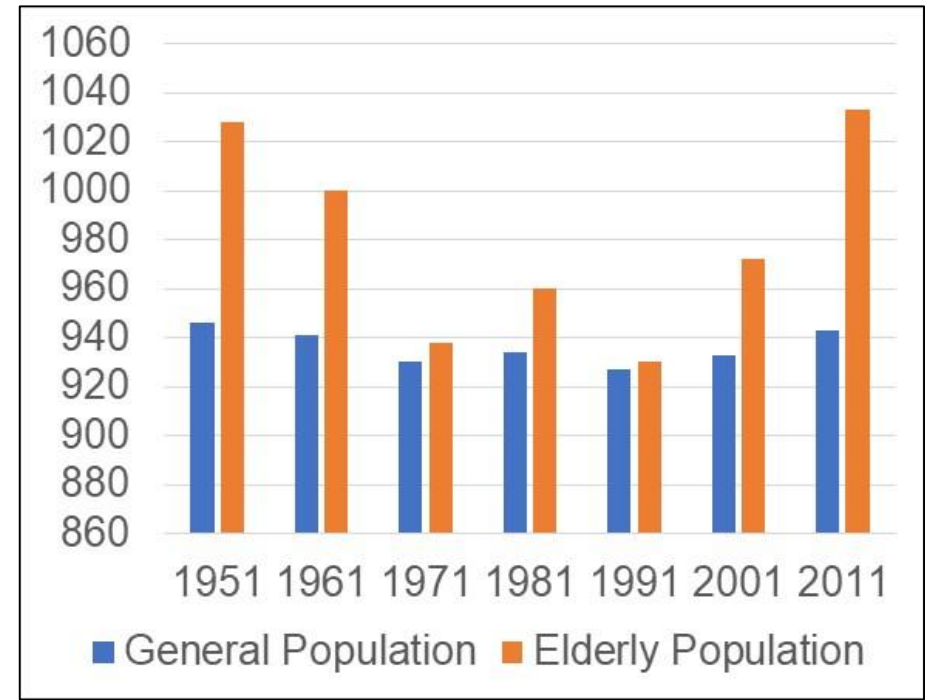
Dependency Ratio



Percent of literates among elderly persons over years

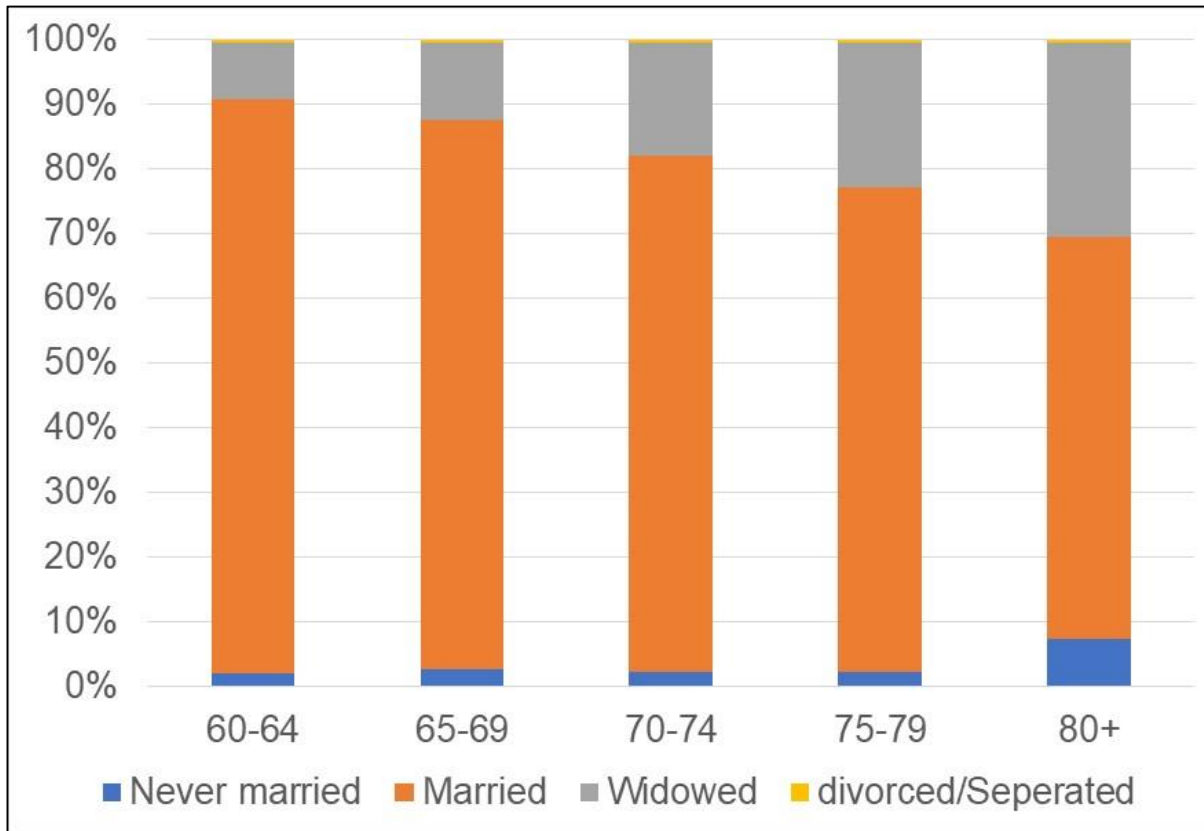


Trend in Sex Ratio (Number of Females per 1000 males) for the general and elderly population

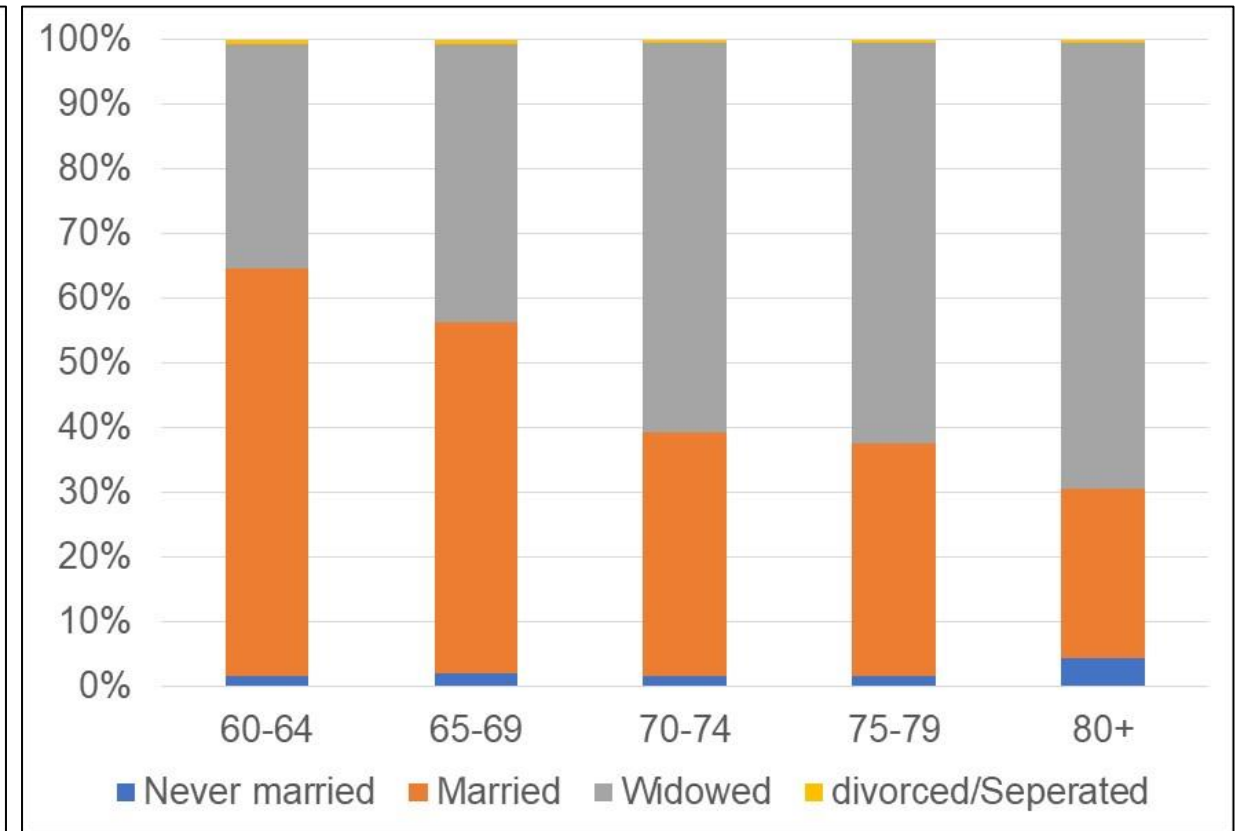


Percent Distribution of Elderly Persons of Different Age groups of Male and Female by Marital Status

Male



Female



Different challenges of elderly

- **Socio cultural** - Family has been the major source of economic, physical, psychological and social support for elderly.
- Elders used to enjoy the role of the head of the family and have been acting as the key decision makers in the family.
- Disintegration of joint family system has strongly impacted the status of the elderly due to the phenomenon of globalization, modernization and urbanization.
- **Healthcare** - Rise in longevity is also increasing comprehensive medical care.
- **Healthcare expenses along with caregiving is becoming serious challenges**
- **Economic security** plays an important role in wellbeing of older person.
- With retirement, limited income and little or no saving, it becomes difficult to achieve economic security specially for lower income classes
- Older women are often found to be disadvantaged economically, due to widowhood, less workforce participation and limited or no income.

Structure of social security system in India

The old age social security systems in India can be categorized below:

- Schemes for government employees (central and state)
- Pension and provident fund schemes for private sector employees
- Employer sponsored pension schemes for some private sector employees
- Voluntary Retirement Schemes

Targeted social assistance schemes and welfare funds.

- The Ministry of Rural Department in India started cash transfers program for the destitute person under the program of National Social Assistance Programme (NSAP). it has three components:
 - National Old Age Pension Scheme (NOAPS)
 - National Family Benefit Scheme (NFBS)
 - National Maternity Benefit Scheme
- Since, 1995, NOAPS is the most important poverty alleviation programme for the ageing population in India. cover person older than 65 years and Rs 75 (US\$ 1).

Post 2005 policies

To extend social security to **unorganized sector** workers Government of India (GoI) passed Unorganized Workers Social Security Act (UWSSA) in 2008. This is collaborated with three schemes:

- Rashtriya Swasthya Bima Yojana (RSBY)
- Aam Admi Bima Yojana (AABY)
- National Pension Scheme- Swavalamban (NPS-S)

New Pension Scheme (NPS) from 2004 is a defined contribution scheme where employee has to contribute 10 percent of salary and government also contributes 10 percent

NOAPS is continued with the new name Indira Gandhi National Old Age Pension (IGNOAPS) in 2007.

National Rural Health Mission (NRHM)-2005 is to provide accessible, affordable quality health care in rural areas with special care to elderly

MANREGA-2005 guarantees the 'RIGHT TO WORK' hundred days of wage employment in rural areas

The Maintenance and Welfare of Parents and Senior Citizens Act-2007

Objectives

- To analyze whether post 2005 policy reforms have improved the social security for the elderly in India
- To assess how the private and public transfers work together to meet income and consumption inequality

Data

Three types of data are needed for this study: population data, national account data and data on economic flows by age.

- The study is going to use Census data 2001 and 2011 for population. To get 2004 population data the study will use interpolation method.
- Macro aggregate controls for the consumption and labour income for the financial year 2004-2005 and 2011-2012 are compiled from the National Accounts Statistics (Government of India 2008, 2015 respectively).
- The India Human Development Survey (IHDS I & II) (Desai and others, 2008) conducted during 2004-05 and 2011-12 (Desai and others, 2015) are the sources of micro data.

Methodology

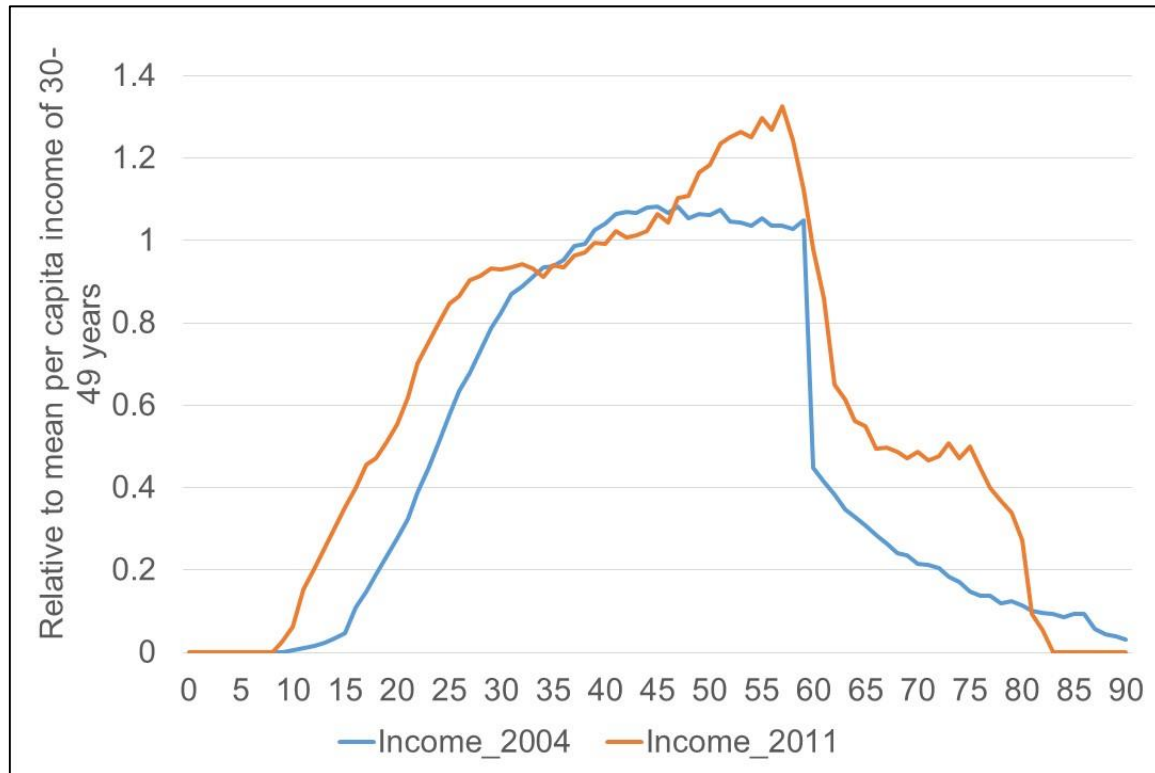
- The National Transfer Account (NTA) developed by Mason et al. (2009) offer a systematic approach to introducing age into national income and product accounts (NIPA) to describe lifecycle deficit/surplus and intergenerational reallocations of monetary resources across age groups.
- NTA framework is based on four broad economic flows: Labour income, Consumption, Transfers and Asset based flows. Where appropriate , flows are distinguished by whether they are public or private and by their purpose (education, health and other).
- Equation 1 defines the NTA's Flow Account identity where, suffix 'f' stands for private sector, 'g' stands for public sector and 'i' refers to individual or age group.
- $YL,i + YA,i + (T_{f,i+} + T_{g,i+}) = (C_{f,i} + C_{g,i}) + S_i + (T_{f,i-} + T_{g,i-})$ (1)

Rearranging terms in (1), we get:

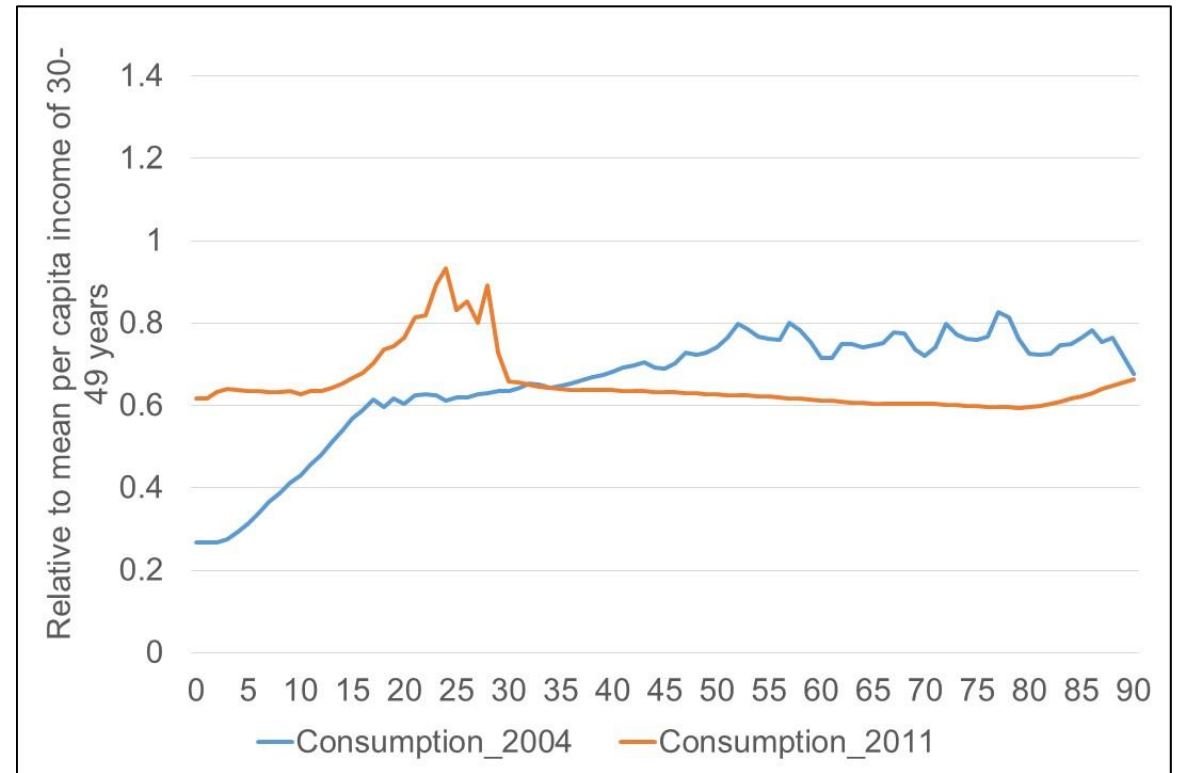
- $(C_{f,i} + C_{g,i}) - YL,i = (YA,i - S_i) + (T_{f,i+} - T_{f,i-}) + (T_{g,i+} - T_{g,i-})$ (2)

Results (per-capita labor income and consumption 2004-05 and 2011-12)

Labor Income

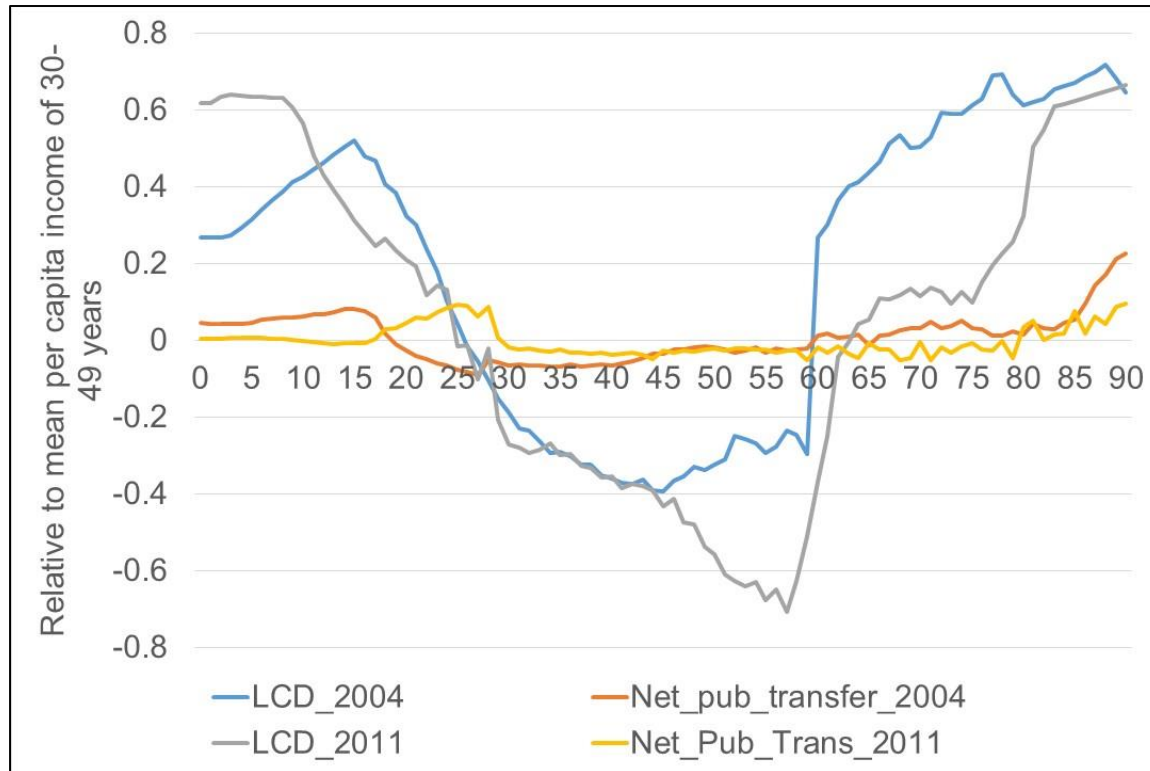


Consumption

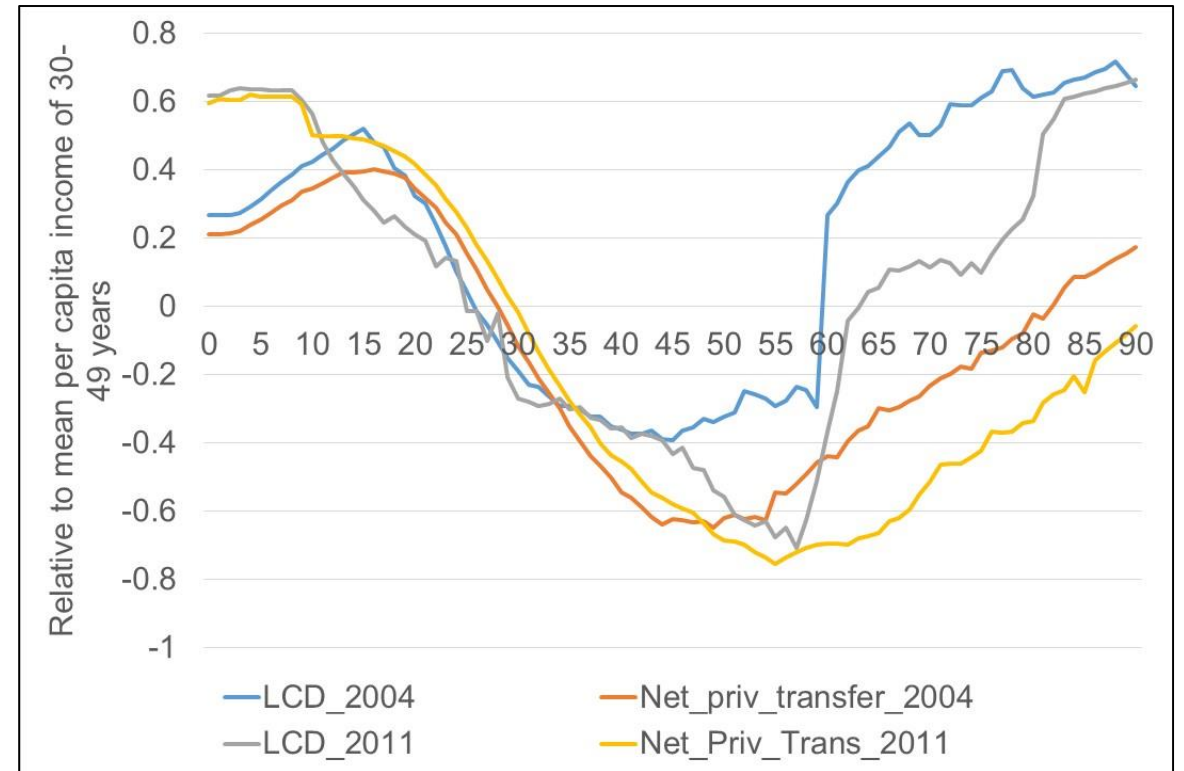


Private and public transfers, 2004-05 and 2011-12

LCD and Net Public Transfer

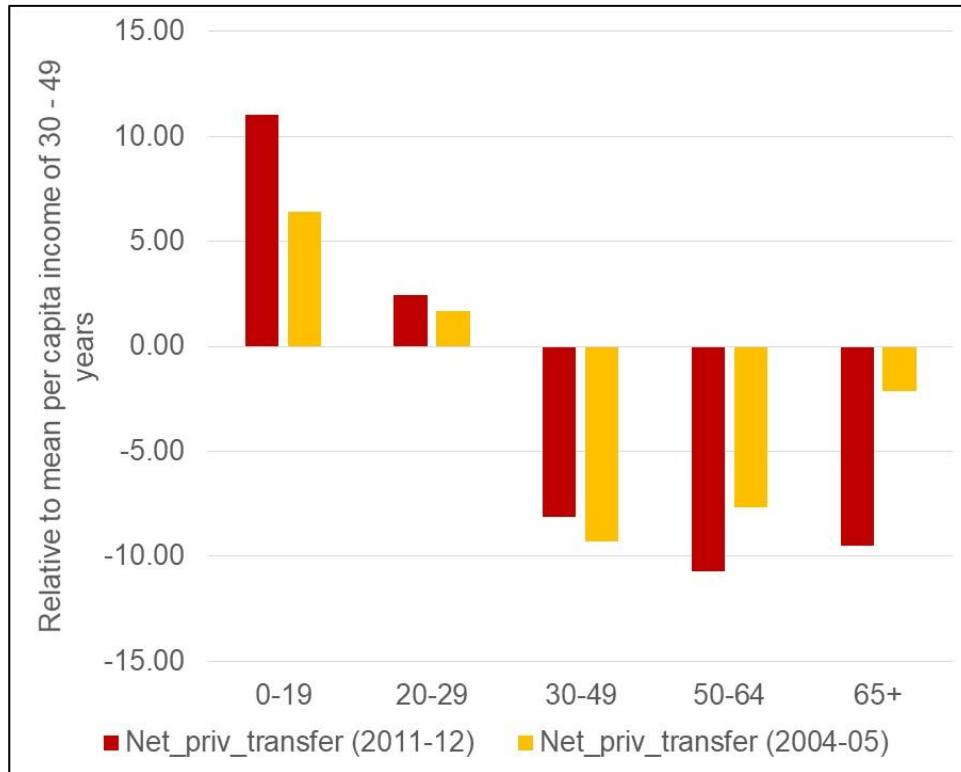


LCD and Net Private Transfer

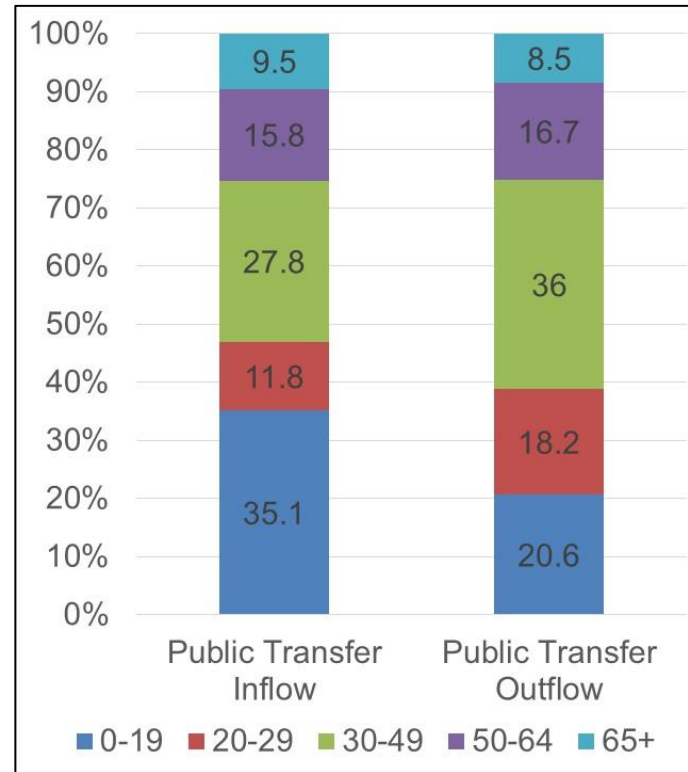


Public and Private transfers, 2004-05 and 2011-12

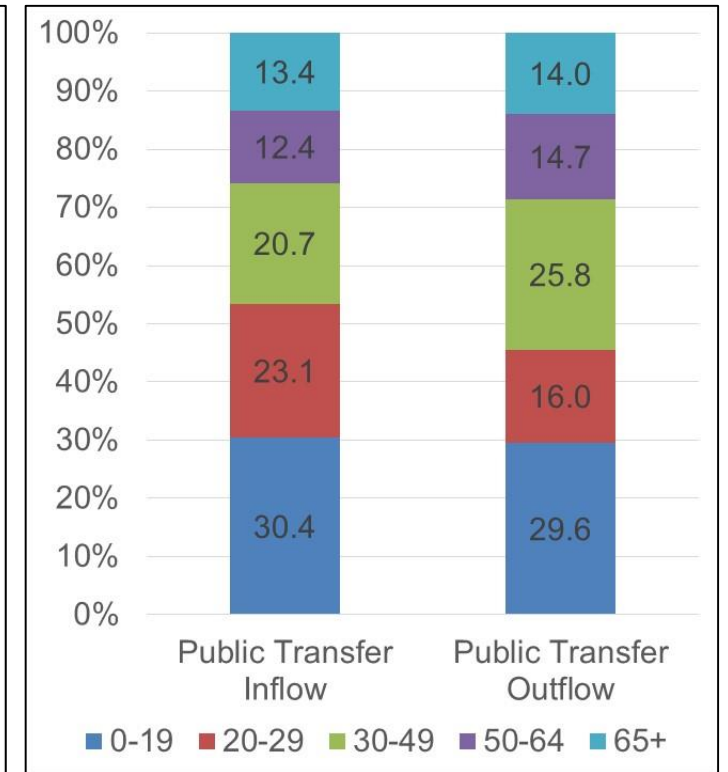
Net Intra-household Transfers



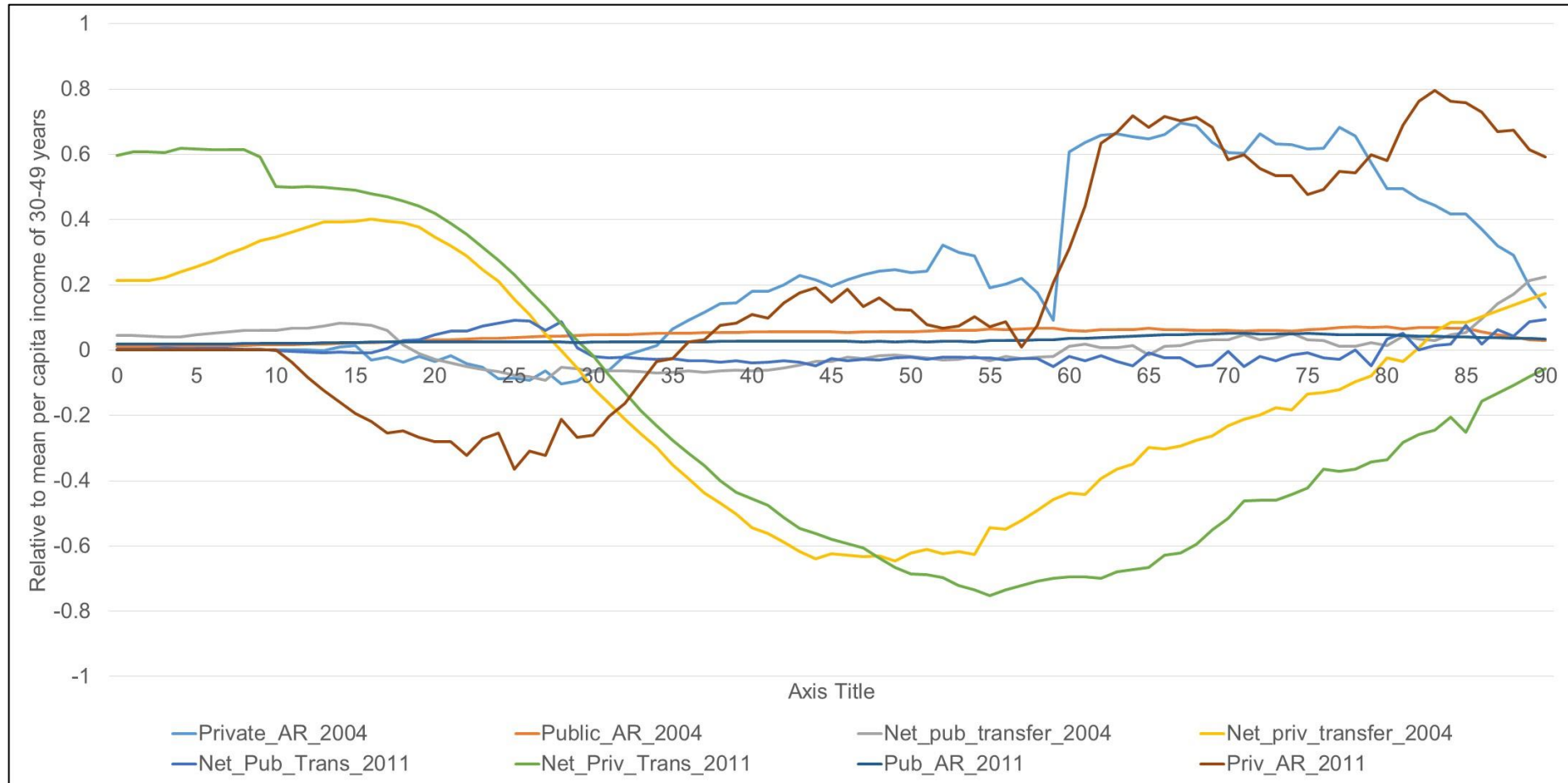
Public Transfer Inflow-Outflow 2004-2005



Public Transfer Inflow-Outflow 2011-2012



Private and Public Transfers and Asset-Based Reallocation, 2004-05 and 2011-12



Conclusion

- Post 2005 per capita labour income is higher for elderly due to different social security schemes and on the other side, declining pattern of their per capita consumption in 2011-12 reflects that post 2005 public reforms are not adequate to smooth out consumption of ever increasing elderly population.
- With increasing labour income and reducing consumption in post retirement age, reduces LCD just after retirement but it increases after 80 years and becomes same as 2004-05.
- Analysis suggests that public as well as private sectors and asset based reallocations play an important role in financing elderly consumption.
- The results also reveals that public financing is inadequate to fulfil the consumption requirement for elderly and there exist a great share for private sector transfers.
- In this context, appropriate policies should be taken by the government to take care of growing elderly in India.

Thank you

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