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Elderly population

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Abstract
This study by Pratibha Kumari brings to Elderly population ageing is a major achievement of our times it presents major challenges for the world of work that need to be addressed. With 90 million persons over 60 years of age, India has the second largest population of older people in the world. Furthermore, between now and 2050 the Indian population over 60 years of age will almost quadruple. The low level of benefits and their limited coverage push large numbers of older people (particularly older women) to continue working in the informal economy. The combination of old-age, lack of access to decent work, poverty and exclusion is therefore of great concern. This India study discusses the main economic and labour market issues and implications related to population ageing in India.

Keywords India, economy, labor market, aging, public policy, employment

Introduction

The twentieth century and the beginning of this one have seen an unprecedented demographic transition in the form of population ageing. Globally, life expectancy at birth increased from around 47 years in the 1950s to 67 in 2008, an increase of 20 years in the space of half a century. The gain has been impressive among less developed regions, i.e. 24 years compared to 10 in developed regions. In India, the gain has been 21 year. India has the second largest number of older persons in the world. On average, an older person [1] is expected to live 18-20 years upon reaching 60. When people live longer, what mechanisms are available to them to remain active and productive in employment and other gainful activities? How much unemployment and poverty are there among older persons? Are they covered under existing social security schemes and/or do they own financial assets and property? Are they assured of income through pension and retirement benefits? Are widowed women dispossessed? Is there any special social security provision for older women and widows? What are the policy responses? This paper aims to address these issues in the Indian context [2] using several population censuses and rounds of National Sample Surveys (NSS) and population projections by the author.

In 2008 India had 90 million older persons, the second largest in the world after China. According to the 2001 census, there were about 77 million persons aged 60 years and older, a notable increase from 25 million in 1961. The proportion of older persons rose from 5.6 per cent of the total population in 1961 to 6.6 per cent in 1991-1999) and to 7.5 per cent in 2001. The number of persons aged 70 years or older rose from 9 million in 1961 to 29 million in 2001, representing 2.0 per cent of the total population in 1961 and 2.9 in 2001. In 1961 an Indian census reported 99,000 centenarians. In 2001 there were 139,472 centenarians, 50,139 of them males and 89,333 females. The growth of different age groups among the elderly (i.e. 60 years or older, 70 years or older and 80 years or older) during 1991-2001 was much higher than the annual growth of 2.0 per cent for the general population. About 75 per cent of older persons live in rural areas. Data indicate that men are expected to live 16 years beyond the age of 60 and 10 years beyond 70. The figures for women are 18 and 11 respectively. Urban women are expected to live two years longer than urban men. Indicate the share of the elderly to be 19.1 per cent in 2051, 24.5 per cent in 2071 and 30.1 per cent in 2101, compared with 7.5 per cent in 2001. Their total number increases from 90 million in 2008 to 298 million in 2051 and 505 million in 2101. The number of persons above 70 years old was 9 million in 1961 and 29 million in 2001 and is expected to be 131 million in 2051 and 273 million in 2101. Similar trends hold for the age group above 80.

In a country such as India, where no universal social security exists, people tend to work as long as they can. Casual, informal sector workers and the self-employed are not entitled to retirement benefits. Regularly employed, salaried persons in several sectors may, upon retirement, be entitled to a one-time gratuity based on final salary and a provident fund from contributions made while working. In a limited number of cases, salaried employees receive a monthly pension in addition to a gratuity and provident fund. Employment of the elderly can be interrupted by retrenchment, sickness and disability. While opportunities for gainful employment decline as age advances into the 70s and 80s, many older persons need employment. Even those retiring with a pension tend to search for contract-based re-employment in the formal sector or join the informal sector.

Organised, formal sector workers [3] constitute a small share of the workforce. In the 61st NSS in 2004-05, among all employed persons, regular workers constituted only 9.1 per cent of rural men, 3.7 per cent of rural women, 40.6 per cent of urban men and 35.6 per cent of urban women. The rest were casual and self-employed workers without official retirement age.

Organised workers (including government or semi-government employees, industrial workers, and managerial cadres) are relatively privileged, with secure jobs and steady income. Some 32 per cent of organised workers are in the private sector and 62 per cent in the public sector. Organised workers constitute only 7 per cent of the total workforce. The rest are informal sector workers who tend to work beyond 60 years.

As per the 2001 census, labour force participation [4] of older persons is 40.3 per cent: 60.2 per cent for men and 20.9 per cent for women, with more of them rural than urban. These gender and area variations were seen also among other age groups.

The above discussions on employment among the elderly by education and sector were based on the 2001 census. This section draws on the five-yearly NSS concerning employment and unemployment in India. Table 10 shows the worker-population ratio (WPR) of older persons in different NSS rounds. The WPR of older persons has generally been about half of the working age population (aged 15 years or older), a gap of about 20 percentage points. The WPR for older persons and that for the working age population have both been almost constant. For older persons it increased from 38.5 per cent in 1983 to 40.8 per cent in 1993-94, and to 35.7 in 2004-05. The tendency applies broadly to both older men (58.8 per cent in 1983, 62.9 per cent in 1993-94, and 55.4 per cent in 2004-05) and older women (18.0 per cent in 1983, 18.3 per cent in 1993-94, and 15.8 in 2004-05). There was a marked decline in the WPR in 2004-05 for both men and women. In addition, a quarter of older persons aged 80 years or older engaged in gainful employment. The WPR has nevertheless been declining with age, more rapidly among older women than men.

The large majority has been self-employed (75.6 per cent in 1983 and 81.5 per cent in 2004-05). The second highest share has been casual labour (17.1 per cent in 1983 and 16.5 per cent in 2004-05). Regular (salaried/wage) employment has constituted the smallest share (6.5 per cent in 1983 and 4.4 per cent in 2004-05). This is natural since old persons are seldom hired in regular employment. This pattern generally applies both to men and women. A larger share of older men than women has been self-employed. A reverse trend holds for casual labour. The proportion of self-employed has been larger among rural older persons (77.8 per cent in 1983 and 82.7 per cent in 2004-05) than urban older persons (68.6 per cent in 1983 and 77.5 per cent in 2004-05). A larger share of urban than rural older persons has been regular, salaried workers, due possibly to the availability of fewer agricultural jobs in urban areas.

Older persons in rural areas tend to continue to work though their working hours decline as age advances. As noted earlier, more elderly men than women are participating in economic activity. This may partly be due to the categories in the 2001 census concerning work. In the census, around 40 per cent of women were reportedly engaged in household duties. This indicates their active participation in caring for children and grandchildren. The female labour participation rate would rise if this category was included. In order to demonstrate the actual employment status, we have used the raw data from the NSS 61 stround. The NSS provides a breakdown of employment types to capture work intensity among the elderly. There are 14 categories of employment (own account worker, employer, unpaid family worker, regular salaried worker, casual labour in public and other works, attending domestic duties and engaged in household work) used to calculate the labour participation rates.

In India no official poverty estimates for the elderly are available. Social security and welfare programmes targeting the elderly refer to household poverty estimates. As of 2004-05, some 27.5 per cent of households lived below the poverty line. The proportion is slightly higher in rural areas (28.3 per cent) than urban areas (25.7 per cent).

Sarmistha Pal and Robert Palacios (2008) estimate poverty among the elderly for major states in India. In general, poverty incidence is lower among households with elderly members than those without. The same trend holds for households with female elderly heads. Interestingly, there is not much difference between the total elderly population and elderly females. Meanwhile, individual poverty incidence is generally higher among the non-elderly than elderly. This implies that older persons contribute to their households in terms of paid and unpaid work. Deaton and Paxson (1995) present similar findings.

In India there are several economic and social safety nets for vulnerable groups such as the elderly, disabled and widows. In broad terms, they are provided as a formal or informal social security system which aims to ensure equitable justice in the society. The civil service pension system covers salaried workers in the central and state governments as well as union territory administrations. In the central government there are different pension schemes in different departments and ministries with respective rules on eligibility, e.g. railways, telecommunications and defence services. These programmes are typically on a pay-as-you-go basis and are non-contributory. The entire pension expenditure is charged to the annual revenue expenditure account of the government. There are different types of civil service pension schemes in India. The pension amount is calculated based on the average basic pay drawn by an employee during the last 10 months of service. An amount of 50 per cent of the average pay is payable to employees having completed 33 years of qualifying service. The maximum pension amount for a government official is half of the basic pay last drawn (plus “dearness” relief based on the cost of living index). The decline in income upon retirement can be compensated for by other sources of income by the family, such as interest on bank deposits, rental income, dividends from equity shares and mutual funds. The normal retirement age in the formal sector ranges from 55 years in Kerala to 65 years for special categories of central government employees. In the majority of cases it is 60 years, in some occupations and states 58, and in a few cases 62. The voluntary retirement programmers exist in the central and state governments, as well as other public sector bodies. According to available information, 45,625 persons in 141 public sector undertakings retired voluntarily in 2001. Voluntary retirement is more common for professional, technical workers than low-, semi-skilled workers. Gratuity is available to central and state government employees as retirement benefits, financed by the central government. Employees with a minimum five-year qualifying service receive a one-time lump-sum retirement gratuity, equivalent to a quarter of the last basic pay for a completed six-month period of service. Death gratuity is a one-time lump-sum benefit payable to the nominee of the deceased employee. There is also a service gratuity for employees with total qualifying service of less than 10 years. The admissible amount is a half-month basic pay for a completed six-month period of qualifying service, with no prescribed maximum or minimum. Civil servants are also eligible for other pension benefits, such as provident funds. In all states, pension schemes cover all government employees. There are different pension schemes for grant-in-aid institutions (GIA), which are mostly educational. In some states, employees are fully covered by government pensions. For example, in West Bengal the number of pensioners under state government service is almost equal to that under GIA and local bodies. As a result of expanded coverage and extended longevity, there has been a phenomenal growth in the number of pensioners, i.e. about 5.2 million in 1990-91, 6.0 million in 1996-97, and 9.4 million in 2005-06.

Most of the rising pension expenditure is paid out of pay roll tax, with the growing pension liability of the government negatively affecting state finances. The change in the age structure also affects the intergenerational distribution of the burden of pension schemes between pensioners and workers (Atkinson, 2001) as the period of pension exceeds the period of pay roll tax contribution. There is serous concern over the sustainability of the government-run defined benefits and the non-contributory pension system. The salary and pension payments account for a large proportion of both the central and state government expenditure, i.e. 9 per cent of GDP in 2003-04 compared with 7.9 per cent in 1990-91. Pension expenditure alone constituted about 2.5 per cent of GDP in 2003-04 as against 1.3 per cent in 1990-91. It has been larger than most other budget items of social sector expenditure. There was an unprecedented increase in the 1990s, i.e. 6,870 crore rupees in 1990-91 and 62,011 crore rupees in 2005-06. During this period, central government pension expenditure grew by 16 per cent. The impact of demographic changes as well as pension coverage has varied widely among different states. The fiscal stress has been very high in Tamil Nadu, Kerala, West Bengal and Andhra Pradesh, where life expectancy and the pension coverage are high. The fiscal impact of rapidly rising pension expenditure can be measured as a percentage of revenue receipts and the states' own revenues. National level pension expenditure constituted 12 per cent of revenue expenditure in 2004-05 in comparison with 2.0 per cent in 1980-81 and 5.0 per cent in 1990-91. Pension payments from a state's own revenue covers less than 15 per cent of the workforce and the elderly. This grew rapidly in the past two decades, from 3.4 per cent in 1980-81 to 7.9 per cent in 1990-91. The latter part of the 1990s saw a further sharp increase (18 per cent in 2004-05). In Bihar it reached 63.5 per cent. In Orissa and West Bengal it was around 30 per cent and Kerala, 28.5 per cent. Kerala had the highest revenue expenditure earmarked for pension payments.

There are two important policy milestones on the road to the protection and welfare of the elderly. First, the National Population Policy under the Ministry of Health has 12 strategic themes. One of them addresses the need for the support and care of an increasingly vulnerable older population in the context of weakening traditional support systems. NGOs and voluntary organisations are encouraged to enhance formal and informal avenues to allow economic self-reliance for the elderly, as well as tax benefits for children to look after their aged parents. The extension of the national old-age pension to all poor elderly is also included in this policy. Second, the National Policy on Older Persons was formulated by the Ministry of Social Justice and Empowerment and adopted in 1999, which the UN marked as the "International Year of Older Persons". The policy stipulates the extension of government support for financial security, health care, shelter, welfare and other needs of older persons; the provision of protection against abuse and exploitation; opportunities to develop the potential of older persons; and services to improve their quality of life. Viewing 60 and beyond as a time for people to lead an active, creative, productive and satisfying life, the policy emphasises the involvement of older persons. Principle areas of intervention include prompt settlement of pension, provident fund, gratuity and other retirement benefits. Widows are identified as needing special consideration in the settlement of benefits. The policy refers also to the need for income-generating activities by individual organisations (career guidance training, orientation and other support) and non-governmental organisations; abolishment of age-related discrimination in access to credit and other facilities; protection of the interests of older persons in sectors adversely affected by structural adjustment (especially household or small-scale industry). While the policy has been subject to debates and revisions and its implementation has not been comprehensive and constant, it has made some achievements, such as the extension of National Old Age Pension to all poor elderly and the passage of the Maintenance and Welfare of Parents and Senior Citizens Act 2007.

References

1. Throughout this paper, older persons and the elderly refer to those who are 60 years or older.
2. This study does not discuss the impact of the global financial crisis, mainly because the study was conducted prior to the crisis, and also because it would be difficult to assess such impact specifically vis-à-vis older persons.
3. In the National Accounts the unorganised sector comprises residual enterprises and the organised sector public or private enterprises providing formal social protection and labour rights according to set norms.

4. The census of India defines employment or work as physical and/or mental participation in any economically productive activity with or without compensation, wages or profit. Work involves actual work as well as supervision and direction. It also comprises part time help or unpaid work on a farm, in a family enterprise or any other economic activity. The reference period determining a person as worker and non-worker is one year preceding the date of enumeration.
5. Crore is 10 million.