

India recently completed *Census 2011*, the 15th National Census of the Country. Census provides data on India's latest demographic characteristics, social and economic activities, literacy, urbanisation, migration rates and so on. It is widely used for planning and formulation of policies for the central and state governments. Some interesting demographic facts emerging from the provisional totals of Census 2011 are-

- Provisional total of population is 1.21 billion, a little more than one out of every six persons in the world is from India.
- The Indian population grew at an annual rate of 1.64% during 2000-2010 as compared to 1.97% during the decade 1991-2000. In absolute terms, the population of India has increased by about 181 million during the decade 2001-2011(roughly equivalent to the population of Brazil the 5th most populous country in the world). Interestingly, one of the important features of the present decade is that, 2001-2011 is the first decade (with the exception of 1911-1921) which has actually added lesser population compared to the previous decade. Although India continues to grow in size, its pace of net addition is on the decrease.
- There is also a decline in fertility as evidenced by the declining proportion of child population in the age group of 0-6 years. The proportion of Child Population in the age group 0-6 years to total Population is 13.1% while the corresponding figure in Census 2001 was 15.9%.
- The sex ratio continues to be unfavourable to females. (For every 1000 males there are 940 females). The change towards a favourable sex ratio has come from population aged 7 and above. The sex ratio in the age group 0-6 has actually reduced from 927 in 2001 to 914 in 2011.

Indians have long viewed their growing population as a disadvantage when it comes to future development and maintaining social and political stability. But several years of strong economic growth, a robust modernisation campaign and recognition of India's emerging global status has changed the conversation about Indian demographic trends. The Census 2011 has created a lot of excitement on how India can reap "demographic dividend"- increased

savings and capital creation from a rise in the number of workers relative to dependents. With a median age of 25 and more than 11 million workers per year expected to come over the next two decades, India's youthful population stands in contrast to China (median age: 35) and Japan (44). Economists have been debating whether the projected surge in working age population will prove to be a boon or a bane. The final outcome will depend on policy initiatives and the ability of the country to provide health, education and employment opportunities to the young population.

An important demographic aspect which has largely remained in the back ground amidst all the discussions around demographic dividends is the phenomenon of an "ageing population". The 2001 census had shown that the elderly population (those aged 60 and above) of India accounted for 77 million and census 2011 projections indicate that elderly population has crossed the 100 million mark. It took more than 100 years for the aged population to double in most of the countries in the world, but in India it has doubled in just 20 years.

Ageing Population- a world perspective

Since the last century, human civilization has witnessed a silent revolution- an aging population. This population aging reflects both significant increases in longevity and significant decreases in fertility. The United Nation reports on population and population projections indicate that today the median age for the world is 28 years. Over the next four decades, the world's median age will likely increase by ten years, to reach 38 years in 2050. In 2000, the population aged 60 years or over numbered 600 million, triple the number present in 1950. In 2009, the number of older persons had surpassed 700 million. By 2050, 2 billion older persons are projected to be alive, implying that their number will once again triple over a span of 50 years. Globally the population of older persons is growing at a rate of 2.6% per year, considerably faster than the population as a whole, which is increasing at 1.2% annually. At least until 2050, the older population is expected to continue growing more rapidly than the population in other age groups. Such rapid growth will require far-reaching economic and social adjustments in most countries.

According to the "World Population

Ageing 2009" report prepared by the United Nations Department of Social and Economic Affairs-

- Population ageing is unprecedented, a process without parallel in the history of humanity.
- Population ageing is pervasive since it is affecting nearly all the countries of the world. The resulting slowdown in the growth of the number of children coupled with the steady increase in the number of older persons has a direct bearing on both the inter-generational and intra-generational equity and solidarity that are the foundations of society.
- Population ageing is profound, having major consequences and implications for all facets of human life. In the economic area, population ageing will have an impact on economic growth, savings, investment, consumption, labour markets, pensions, taxation and intergenerational transfers. In the social sphere, population ageing influences family composition and living arrangements, housing demand, migration trends, epidemiology and the need for healthcare services. In the political arena, population ageing may shape voting patterns and political representation.
- Population ageing is enduring. Since 1950, the proportion of older persons has been rising steadily, passing from 8 percent in 1950 to 11 per cent in 2009, and is expected to reach 22 per cent in 2050.

While discussing the dynamics of an ageing population the report highlights that-

- **Marked differences exist between developed and developing regions in the number and proportion of older persons.** In the more developed regions, over a fifth of the population is currently aged 60 years or over and by 2050, nearly a third of the population in developed countries is projected to be in that age group. In the less developed regions, older persons account today for just 8 per cent of the population but by 2050 they are expected to account for a fifth of the population, implying that, by mid-century, the developing world is likely to reach the same stage in the process of population ageing that the developed world is already at.
- The pace of population ageing **is**

faster in developing countries than in developed countries.

Consequently, developing countries will have less time to adjust to the consequences of population ageing. Moreover, population ageing in developing countries is taking place at lower levels of socio-economic development than has been the case for developed countries.

- The **population of older persons is itself ageing**. Among those aged 60 years or over, the fastest growing population is that of the oldest-old, that is, those aged 80 years or over. Their numbers are currently increasing at 4.0 per cent per year. Today, persons aged 80 years or over account for close to 1 in every 7 older persons (60 or over). By 2050, this ratio is expected to increase to nearly 1 person aged 80 or over among every 5 older persons.
- The potential support ratio (PSR), that is, the number of persons aged 15 to 64 for each older person aged 65 years or over, indicates how many potential workers there are per older person. As a population ages, the potential support ratio tends to fall. Between 1950 and 2009, the potential support ratio declined from 12 to 9 potential workers per person aged 65 or over. By 2050, the potential support ratio is projected to drop further to reach 4 potential workers per older person. The reduction of potential support ratios has important implications for social security schemes, particularly for pay-as-you-go pension systems under which taxes on current workers pay the pensions of retirees.
- Because women live longer than men, women constitute the majority of older persons. Currently, women outnumber men by an estimated 66 million among those aged 60 years or over. Among those aged 80 years or over, women are nearly twice as numerous as men, and among centenarians women are between four and five times as numerous as men.
- Both rural and urban populations are growing older. However, in most countries, rural areas face a double demographic burden—they have higher numbers of both children and older persons in relation to the numbers in the main working ages who are available to provide support to the young and the old. This situation results from the combination of higher fertility in the rural areas and sustained out-

migration of working-age adults from rural to urban areas. Access to basic social and health services also tends to be more limited in rural than in urban areas and poverty rates are higher.

- Illiteracy is still common among the older population of less developed regions. Currently, it is estimated that nearly half of all persons aged 65 or over in developing countries are illiterate. Only about 40 per cent of older women and about two thirds of older men in developing countries have basic reading and writing skills. In the more developed regions, literacy among the older population is nearly universal in all but a few countries.

Population Ageing: Policy responses and challenges

Population ageing had been primarily identified with only developed countries

in the last few decades and there has been an increasing focus over the last thirty years in developed countries on issues relating to the ageing of society. The United Nations General Assembly endorsed an *International Plan of Action on Ageing* that was developed at the first World Assembly on Ageing in Vienna in 1982. The Plan was almost exclusively for the most developed countries where ageing was emerging as an important concern. Most developed countries have expanded and diversified their systems of social security and health care and, on the whole, the standard of living of the old as well as the young improved as populations aged. However, strains are continuously observed in these support systems, as the older population continued to grow more rapidly than that of younger adults and as earlier withdrawal from the labour force added to the strains on social security systems. Reforms that have taken place in developed countries to address challenges associated with ageing population are in three primary categories:

- Addressing the worker-retiree ratio, via raising the retirement age, employment policy, and immigration policy;
- Reducing obligations e.g., shifting from defined benefit to defined contribution pension types and reducing future payment amounts; and
- Increasing resources to fund pensions/social security costs via increasing contribution rates and raising taxes.

Increasingly it is recognized that the ageing process will soon begin to affect several parts of the developing world also. In the 21st century rapid ageing will progressively become a global phenomenon. The Second World Assembly on Ageing, held in Madrid in 2002, adopted a *Political Declaration and International Plan of Action on Ageing*. The new Plan of Action on Ageing

focuses both on political priorities such as improvement in living conditions of older persons, combating poverty, social inclusion, individual self-fulfilment, human rights and gender equality. The Plan recognized the special situation in developing countries, where the process of demographic change has occurred/is expected to occur at an extraordinarily rapid pace. In many cases, rapid population ageing will be taking place in countries where the level of economic development is still low.

Ageing Population an Indian Perspective Census 2011 and Future Projection

The provisional Census 2011 figures indicate that the decade 2001-11 is the first decade in independent India to witness a reduction in both absolute and relative population growth. As per the 2001 census the elderly population of India accounted for 77 million while estimates for 2011 are at 100 million plus. The percentage of old people to total population has increased from 7.5% in 2001 to approximately 8.5% in 2011.

Table 1: Projected Changes in Indian Demography (in millions)

| Age Group | Projected Population in years | | | | | | |
|-------------|-------------------------------|-------|-------|-------|-------|------|-------|
| | 2000 | 2015 | 2025 | 2030 | 2035 | 2040 | 2050 |
| 0-14 years | 347 | 345 | 337 | 327 | 313 | 300 | 285 |
| % of total | 34.14 | 27.68 | 24.63 | 23.08 | 21.53 | 20.2 | 18.6 |
| 15-59 years | 593 | 782 | 865 | 895 | 919 | 937 | 938 |
| % of total | 58.31 | 62.76 | 63.15 | 63.16 | 63.17 | 63.1 | 61.26 |
| ≥ 60 years | 77 | 119 | 167 | 195 | 223 | 248 | 308 |
| % of total | 7.55 | 9.56 | 12.22 | 13.76 | 15.3 | 16.7 | 20.14 |
| Total | 1017 | 1246 | 1369 | 1417 | 1455 | 1485 | 1531 |

A demographic transition is well under way in India, though there are significant differences across States. Fertility rates have come down across the country, and several States such as Kerala, Tamil Nadu and Punjab have reached replacement levels of fertility. Kerala will, in fact, have to contend with the problem of an ageing population even while several other States will continue to experience a rising share of population in the working age groups. The problem of ageing populations and rising ratios of dependants to earners will also become a feature of some other States, which are moving rapidly through a process of demographic transition to low birth rates and low death rates.

The size and structure of the Indian population, as projected by the Population Division, Department of Economic and Social Affairs, United Nations Secretariat, is given in the following table (Source: P Bhattacharya, 2005):

Based on Statistics as prepared by Population Division, Department of Economic and Social Affairs, United Nations Secretariat

The table shows that the Indian demography will be gradually moving to a greyer one in the next few decades. The old age dependency ratio (number of people above 59 to the people between 15 and 59) will go up from 13.0% in 2000 to 32.8 % in 2050.

It is expected that this expected demographic ageing will also be accompanied by:

- A large population of the elderly population living in poverty, or at the subsistence level, and will also remain illiterate.
- The increase in the number of elderly women will be more than men.

A World Bank publication "Old-Age Income Support in the 21st Century: An International Perspective on Pension Systems and Reforms" (May, 2005) points out, while the developed world got rich before its people started living longer, in developing countries people are getting older before the countries have got rich. In the context of India this is amply true and makes the issue of ageing very critical.

In India, population aging is occurring at the same time as dramatic economic and social developments are transforming much of the country. Economic development has been accompanied by increasing urbanization, higher rates of rural-urban migration, changing patterns of labor force participation-e.g., increased participation of females in organised sector. Traditional family

support systems are stressed by the rapidly changing socio-economic scenario. All of these changes have raised concerns about pressure and challenges for the health care systems for the elderly, for social services and existing pension systems. Responding to these challenges will be one of the most difficult tasks facing government in the first half of this century.

Population Aging in India: Policy responses and challenges

In recent decades, there has been debates worldwide on the comparative roles of informal care (often carried out in the family domain) and formal care (which is provided by the state) for the elderly. Among the reasons advocated by scholars for state intervention in developing countries two most important are market failure and unequal distribution of income. For example, labour, credit and insurance markets are important for the poor in these countries. Deprivation and vulnerability may result if these markets do not exist or function well. In such cases, the state can interfere in market functioning in a bid to improve social security. The second reason is that the state may invoke the social equity rationale to alter highly uneven distributions of income, wealth or assets. Increasingly though it is recognized that formal old age care is a supplement to informal old age care and not its substitute and that attempts should be made to weave the two forms of care together. (Source: Anand Kumar and Navneet Anand, 2006)

Social Security in India

In India the problem of ageing and associated poverty and the role of State were identified as early as in the Fifth Plan (1974-79). It recognised the need for having a social security system for the disadvantaged aged and the handicapped for the first time. The first formal attempt for old age pensions stated in the late 70s and early 80s when a general grant scheme was stated for the construction of homes for the aged. Gradually, there was a growing realisation that the elderly needed a more formal care and support system and many State Governments started old age pension schemes providing minimum old age pension to elderly above age 60/65. A formal centrally managed social security scheme- the National Social Assistance Programmed (NSAP) came into effect on 15th August 1995. The NSAP includes three benefits as its components: the National Old Age Pension Scheme (NOAPS), the National

Family Benefit Scheme (NFVS) and the National Maternity Benefit Scheme (NMBS). The NSAP is a centrally-sponsored programme under which all such funding is dispersed to the states/UTs to provide the benefits in accordance with the norms, guidelines and conditions laid down by the Central Government.

The central government came out with the National Policy for Older Persons in 1999 to promote the health and welfare of senior citizens in India. This policy aims to encourage individuals to make provision for their own as well as their spouse's old age. It also strives to encourage families to take care of their older family members. The policy enables and supports voluntary and non-governmental organizations to supplement the care provided by the family and provide care and protection to vulnerable elderly people. Health care, research, creation of awareness and training facilities to geriatric caregivers have also been enumerated under this policy. The main objective of this policy is to make older people fully independent citizens.

National Old Age Pension Scheme

The stated objective at the time of introduction of the NOAPS was to add to the states' resources for providing social security. Central assistance to provide old age pension to an elderly was made available to those applicant who were destitute in the sense that he/she had no regular means of subsistence, no for his/her own source of income or no financial support from family members or other sources. The amount of old-age pension is different in different states. The scheme was implemented in the state and union territories through panchayats and municipalities. Applicants had to be above 65 years to be eligible for benefit. The amount of the pension was modest though the state governments could add to this amount from their own resources.

The NOAPS was perceived as being a successful scheme as the evaluation studies showed it was well targeted, and that it also performed better than the other components of the NSAP (Source:). The pension amount is found to have been spent on meeting the daily household expenditure and that it accounts for about 25 per cent to 40 per cent of the total annual income. Towards the end of 2006 more than 8 million were covered under the scheme. (Source: Anand Kumar and Navneet Anand, 2006)

In 2007, NSAP was modified to close some of the gaps/issues that were observed in the existing programs. The Central Government launched the Indira Gandhi

National Old Age Pension Scheme, a modified version of the NAOPS. With this scheme the old age pension scheme was broad-based to cover all those who are 65 years or above and belong to the BPL families instead of only destitute under the previous scheme. It was observed that establishing “destitute” criteria was a problem. Moreover, in some States annual income ceiling was prescribed while in other States the destitute criteria was fixed in terms of earning members in the household. Other areas which needed attention were the timely release of benefit, clearly defining the responsibility among the various functionaries involved in the implementation and greater emphasis on information dissemination and awareness generation regarding the scheme and the entitlement.

Under the new Scheme, the States have also been asked to certify that all eligible persons have been covered and that the pension is credited wherever possible into a post office or public sector bank account of the beneficiary. This was done mainly to avoid “leakage” of the benefits. The assistance being provided by the centre was revised from Rs75 to Rs200 per month. The state governments were also asked to match this raise. For year 2009-10, the number of beneficiaries under IGNOPAS was estimated at approximately 16 million with total disbursements estimated at approximately Rs 50 Billion.

As recent as 9th June 2011, the Union cabinet approved a plan to lower the age limit for the Indira Gandhi National Old Age Pension Scheme (IGNOAPS) to 60 years from 65 years, increasing the number of people that are eligible to benefit from the programme. It is expected that this move would benefit an additional 7.23 million people living below the so-called poverty line. It has also increased the pension for 80-year-olds and above to Rs. 500 from Rs. 200. The enhanced pension will cover around 2.65 million people. Currently, about 16.9 million people benefit from the pension plan. The additional funds required for the proposals are estimated at Rs. 28 Billion.

Pension Market: Organised and Un-Organised Sector

The State programs/schemes address the needs of the most vulnerable section of the aged (those falling under BPL). Recognizing that poverty alleviation programs targeted at the elderly cannot by itself be adequate to address the need of the aged and the elderly and there is need to encourage self help and savings for retirement, the Government

in 1999, set up a project team - the OASIS (Old Age Social & Income Security) Project to conduct a comprehensive study of India’s pension sector. The OASIS Project resulted in two policy proposals. The first Report submitted examined the shortcomings of existing pension provisions in India and proposed important changes and improvements to these schemes. These included the Employee Provident Fund and Employee Pension Scheme as managed by the Ministry of Labour for the organised sector, the Public Provident Fund managed by the Ministry of Finance available to the general population, the unfunded pension provisions for central and state government employees and the old-age and social assistance programs for current destitute old. The second and final Project OASIS Report recommended the establishment of a new pension system for India’s 300 million informal sector workers who are excluded from formal pension provisions

Based on the recommendations, the Indian Government in 2005 announced the first privately-managed, DC pension system in South Asia for new civil servants and informal sector workers. This scheme called the New Pension Scheme was initially open to employees of Central and State Governments and was also extended to the general population on 1st May 2009. This pension is based on individual retirement accounts created by individual members, central recordkeeping and administration for lower costs and portability, asset management by professional pension fund managers. It is early days yet and the success of the NPS will be watched with keen interest in future. In addition to NPS, private insurance companies and LIC also offer pension and annuity products. In fact, pension products have been the fastest growing segment for most private insurers. This indicates increased awareness and economic ability of the general population to save for its retirement.

Health Insurance for the elderly

Increasing longevity also results in rising medical costs and increasing demands for health services, since older people are typically more vulnerable to chronic diseases. The National Policy for Older Persons, 1999, resulted in the launch of new schemes/programs to promote the health and well-being of the elderly. These schemes/programs are in the nature of -

- Strengthening of primary health care system to enable it to meet the healthcare needs of older persons

- Training and orientation to medical and paramedical personnel in health care of the elderly.
- Promotion of the concept of healthy ageing.
- Assistance to societies for production and distribution of material on geriatric care.
- Provision of separate queues and reservation of beds for elderly patients in hospitals.
- The Integrated Programme for Older Persons, a scheme that provides financial assistance up to 90 per cent of the project cost to non-governmental organizations or NGOs. This money is used to establish and maintain old age homes, day care centres, mobile Medicare units and to provide non-institutional services to older persons. The scheme also works towards other needs of older persons such as reinforcing and strengthening the family, generation of awareness on related issues and facilitating productive ageing.
- Another programme of the government is the Scheme of Assistance to Panchayati Raj Institutions voluntary organisations and self help groups for the construction of old age homes and multi service centres for older persons
- The National Mental Health Programme focuses on the needs of senior citizens who are affected with Alzheimer’s and other dementias, Parkinson’s disease, depression and psycho geriatric disorders.

In 2007-08 the Government came up with the concept of new healthcare insurance schemes for the exclusive benefit of senior citizens. These schemes were initially introduced by the Government owned General insurance Companies but now are offered by several private insurers as well. Prior to this initiative from the Government, health insurance policies were offered by both life and non-life companies but none were specifically designed to address the requirements of the elderly.

Ageing Population: Policy Challenges

With the transition from high to low fertility and the continuous reduction of adult mortality, the population of India is ageing gradually. India like other developing countries has a shorter time span to adapt to the changes associated with population ageing. India is faced with the problem of ensuring that it reaps all the “demographic dividend” expected over the next few decades while at the time address the needs of the elderly

who are typically the most vulnerable section of the society due to poverty and illiteracy.

The evaluation of existing social security schemes indicates the need for significant improvement in the existing schemes including improvement in operating effectiveness. The recommendations include:

- Improving awareness, reducing delays, selection of beneficiaries, etc. ;
- better planning in disbursement of the benefit;
- reducing “leakage” and identifying right beneficiaries;
- having a central nodal agency for management of social security schemes for the elderly which currently is spread over several ministries and departments of the Government;
- Link the minimum pension levels to an index instead of discretionary increases ;
- Though the Policy framework is in place for health care of the elderly, health care delivery systems have to be necessarily geared to handle prevention, promotion, treatment and rehabilitation of the elderly section of the population. This is an area which requires significant focus of the Government in the future.

The first step toward improving operational efficiency has commenced with the “Unique identification project” conceived by the Planning Commission as an initiative that would provide identification for each resident across the country and would be used primarily as the basis for efficient delivery of welfare services. It would also act as a tool for effective monitoring of various programs and schemes of the Government.

The role of the Government in ensuring that people save for their old age isto provide the necessary institutional infrastructure for development of pension and health insurance markets. The areas where Government needs to take necessary policy action relate to -

- The Indian pension market, the regulation and supervision of the pension schemes are very complex and fragmented in nature. There are several providers- life insurance companies, NPS, Mutual Funds, Government and several schemes for the organised sector- gratuity, EPS, EPF etc. There is an urgent need to develop a clear regulatory and supervisory framework to avoid conflicts and have cost effective

regulatory mechanism in place.

- There is limited supply of long dated bond. Annuity liabilities are long term in nature due to increasing longevity. Providing competitive annuity rates has become a challenge for all providers.
- Lack of indexed bond – which will enable annuity providers to offer index linked pensions as well as be useful in hedging inflation risk during pension accumulation phase.
Distribution will be the key aspect in increasing the pension coverage. Globally, it has been observed that the voluntary participation is usually very low and to increase participation, trained advisors must be employed and consultative selling encouraged. Hence, the regulator will have to play a key role in customer education with a view to not just to create awareness, but also to educate customers to choose their plan asset allocation and vesting age.

Ageing Population- The future

Over the next few decades India will face a situation of more youngsters joining the workforce and increase in longevity and better health conditions leading to more productive working years for the old. The challenge before the country is managing the intricate balance between the aspirations of the youth and utilising productive capacity of the ageing population.

We may need re-define the concept of retirement including concept of mandatory retirement so that retirement need not be abrupt – it could be diminishing working hours or days, orshifting to less strenuous work environment including working out of home, creating virtual work environment to enable aging population to contribute to productivity and reduce cost of elderly care by society.

The nature of health care requirement will change dramatically

- Health problems due to communicable diseases will come down
- Health problems arising out of long term disabilities will increase
- Disease management will become major issue and cost contributor

Bigger challenge would be to design a social support, care system and corresponding eco system to take care of aging population. Building organisations to take care of aging population (as existing family systems may not be fully able to cope with increasing demands), the development of new financial

instruments to manage and meet the needs of aging population (e.g. reverse mortgage, long term care products etc) are the needs of the future.

Conclusion

India today has a very large population (and ever increasing) of old people who are the first timers (as old persons in their families). Most of them have not seen their own parents living this long. These demographic shifts are taking place alongside many other rapid social and economic changes that are transforming the lives of older people. In this scenario it is necessary to re-look at all the policy formulations and its implementation with a practical approach keeping in mind needs & rights of old people. Fortunately, these demographic changes are occurring over several decades and there is still time to strengthen policy development and execution. A window of opportunity exists, but it will not stay open indefinitely.

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