

## Chapter 2

# After the Dividend: Caring for a Greying India

Debasis Barik, Tushar Agrawal and Sonalde Desai

**Abstract** As in any other society, in India too, the economic security of the aged is based on three main sources: their own income and savings, support from the extended family, particularly children, and support from the state. As India moves rapidly towards a demographic future in which the elderly form a large part of the population, this article examines trends in each of the three supports. While doing so, it identifies the policy challenges and lists suggestions to deal with them.

**Keywords** Economic security · Greying india · Care · Public transfer · Work · Family remittances

## After the Dividend: Caring for a Greying India

National euphoria about reaping the demographic dividend has blinded us to the drama that is unfolding almost out of our sights, slow ageing of the Indian society. As we race towards a demographic future in which the elderly form a larger and larger part of population distribution, India is also experiencing transformation in its economic and social life. We take stock of some of these changes and identify policy challenges lurking on the horizon.

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In 1991, Indian population contained 57 million elderly; this population has now doubled to 104 million (Census of India 2011). Much of this increase is due to overall population increase, but fertility decline has contributed to increase the proportion of the elderly in the Indian population from 6.6% in 1991 to 8.6% in 2011 (Census of India 2011). However, ageing in India is not uniform across states (Fig. 2.1). States that began fertility decline early have a higher proportion of the elderly than states that still show moderate to high fertility.

According to Census of India, 2011, the proportion of elderly in most of the states falls within the range of 7–10%. Only Kerala is at the high end. One in every eight persons in Kerala is over 60. Some other states such as Tamil Nadu, Punjab and Himachal Pradesh are also closely following the same path. Since proportion of elderly in any society is dwarfed by proportion of children until replacement level fertility is achieved, the proportion of elderly is smaller—about 7%—in high-fertility states like Uttar Pradesh, Bihar and Madhya Pradesh, but as these states experience fertility transition, they will also face the burden of an ageing population.

While the demographic scenario is propelling us towards inevitable ageing over the next fifty years, social transformation already under way is shifting the fundamental props of elderly support.

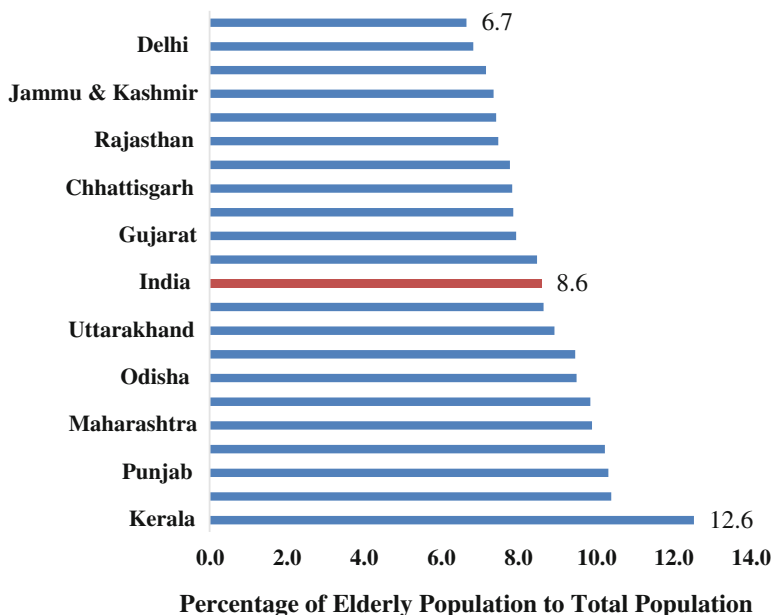


**Fig. 2.1** Proportion of elderly population (aged 60 and above) in India, 2011. *Source* Authors' calculations based on Census 2011 data

## Income and Consumption Across the Life Cycle

Figure 2.2, drawn from the research on the spread of income and consumption across the life cycle, documents two striking patterns (Lee and Mason 2011): (1) in any given country, the young and the old tend to consume more than they produce; and (2) when we compare across countries, although there are some differences between the rich and the poor countries in age-specific consumption and income patterns, the most striking divergence appears in consumption at the old age.

### *Comparison Over the Life Course*

In the early phase of demographic transition, the aggregate economic life cycle is dominated by the large life cycle deficit (consumption minus production) of the young. The net deficit in early ages is mainly due to the cost related to rearing of the children, and investment on education and skill building activities. This leads to a higher consumption in the absence of any income during these days. Over the course of the demographic transition, population's age and the life cycle deficit of the old become increasingly important. The deficit in the later ages is associated

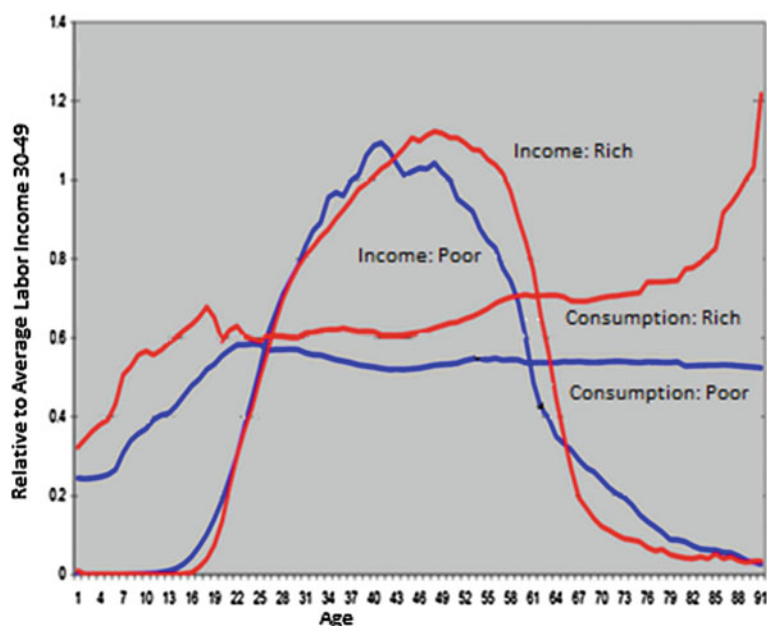


**Fig. 2.2** The economic life cycle of rich and poor countries: consumption and labour income. *Source* Lee and Mason (2011, p. 82)

with a higher consumption due to high treatment cost of late life chronic morbidities and lower productivity.

### *Comparison Across Countries*

Though the life cycle levels of income differ substantially between the rich and the poor nations, the patterns seem similar. However, when it comes to consumption, a huge difference can be observed between the rich countries like the USA, Japan, Finland and Sweden and the poor countries like India, Indonesia, the Philippines and Kenya. The increasingly higher consumption level in the later ages in the rich countries occurs due to health care costs and higher standard of living. The relatively low and downward sloping consumption curve on the poor countries reflects the lower ability to pay, mainly due to informal nature of work and absence of pension, lower accumulation of assets and negligible amount of support from the government. However, as health transition continues apace, the expenditure during old ages is likely to increase for the poor countries as well.

Thus, we must plan for a slowly ageing population where healthcare expenditure will inevitably rise with growing burden of non-communicable diseases (NCD) like cancer, diabetes and heart conditions that require expensive laboratory testing, continued care and monitoring and frequent hospitalisations. While this has been recognized in the policy discourse (Planning Commission 2011), little attention has been directed at the fact that source of income and nature of financial support for the elderly are also changing. Below we consider the importance of the three pillars of support for the elderly—own work and savings, help from extended family and support from the government. Looking at the trends between 2004–05 and 2011–12, we find that each of these three pillars is undergoing substantial changes and is likely to affect the well-being of the coming generations of older Indians.

### **Data**

We document changes in elderly support structure using two rounds of the India Human Development Survey (IHDS), conducted by the National Council of Applied Economic Research (NCAER), New Delhi, and the University of Maryland. The IHDS is a nationally representative household survey. The first round of the survey was conducted during 2004–05 and the second, during 2011–12. IHDS is a multitopic panel survey enumerating more than 200,000 individuals from about 42,000 households. These households spread across 33 states and union territories, 384 districts, 1503 villages and 971 urban blocks, located in 276 towns and cities. Villages and urban blocks (comprising of 150–200 households) formed the primary sampling unit (PSU) from which the households were selected. Urban and rural PSUs were selected using a different design. Urban blocks were selected based on

probability proportional to size method. Once the numbers of blocks for each urban area were determined, the enumeration blocks were selected randomly with help from the Registrar General of India. From these Census Enumeration Blocks of about 150–200 households, a complete household listing was conducted and household samples of 15 households per block were selected.

The rural sample contains about half the households that were interviewed initially by NCAER in 1993–94 in a survey titled Human Development Profile of India (HDPI)-1 and the other half of the samples were drawn from both districts surveyed in HDPI as well as from the districts located in the states and union territories not covered in HDPI. The original HDPI followed a stratified random sampling of 33,230 households across 16 major states, 195 districts, and 1765 villages. In 2004–05 survey, 13,593 households were randomly selected for re-interview, of which 11,153 were original households and 2440 were split households, which were separated from these root households but were still living in the village. The data collected through the survey appear to be of high quality and at par with other national level surveys like the National Sample Surveys and the National Family Health Surveys.

The period covering the two rounds of the survey has been an important phase of the Indian economy since during this period various flagship programmes like the National Rural Employment Guarantee Act, National Rural Health Mission, Janani Suraksha Yojana and the Right to Education Act were initiated by the central government and many other programmes like National Old Age Pension Scheme were expanded substantially.

The IHDS collects information on various factors related to the well-being of the older population such as living arrangements, health conditions and health care expenditure, participation in productive work (whether paid or unpaid), and their participation in government-sponsored pension programmes, etc. In addition, IHDS is unique in that it allows us to capture the intergenerational transfers of income and assets among household members.

## **Socio-demographic Profile of the Elderly Population in India**

The second round of the survey has a sample of 21,922 elderly (aged 60 or above) out of which around 68% are from rural areas and 32% from urban areas (Appendix Table A.1). The recent round has around 4000 more elderly than in the previous round. However, due to the ageing of the original sample, the IHDS sample contains a slightly higher proportion of elderly than the national census. For example, the percentage of elderly recorded in IHDS 2011–12 was 10.8%, which is about 2.2% points higher than the recent Census 2011 figures. The proportion of the oldest-old population (aged 80 or above) is also growing fast. Twelve per cent of the elderly belonged to this group during 2011–12 survey, 2% higher than the

corresponding figure in 2004–05. Thirty seven per cent of the elderly were widow and 57% were illiterate. While most of the available literature terms elderly as economically dependent, one-third of the Indian elderly continues to work beyond age 60 years.

## **Economic Security of Elderly in India**

Unlike developed countries, with the exception of formal sector workers, few elderly see their later years as a time of retirement that allows them time to enjoy leisure with family, friends and relatives. Given the nature of work, elderly people do during the early years of life, and the lack of savings mechanism and pension system, a majority of elderly in India continues work beyond the legal retirement age for formal sector workers. When they are unable to work, they are usually dependent on the familial transfers in the absence of a sound government support system.

In any society, the economic security of the older population is based on three main sources: (1) own income and savings; (2) support from the extended family, particularly children; and (3) support from the state. Below we examine trends in each of these.

### ***Work and Income as a Source of Old Age Income Security***

When we think of the sources of economic support for the elderly, it is important to recognize that own income and assets constitute the largest proportion of income security for the elderly (Fig. 2.3). A large proportion of the elderly households depends on income comes from salaried or wage work; about 87% of the households receive any income from agricultural/business/wage work. Close to 29% of the elderly lives in households which receive income from pensions, interest income and renting property. This also includes rent or crops received for leasing out farmland. These numbers are not surprising since only formal sector workers have access to some form of pension. A large number of workers who are self-employed in family businesses, farming or in manual labour at daily wages do not have this benefit, and their continued employment is mainly driven by lack of alternative income in the form of pensions. Income from property and pension are highest among the better-off segment of population namely educated, affluent income class, high caste Hindu/other religion and those reside in urban areas.

A significant proportion of the older population in India was economically active. These include those involved in salaried or business work, cultivation, farm and non-farm labour and animal care. Nevertheless, the nature of work done by the elderly varies by age, sex and place of residence. About 61% of the older male population in rural areas continues to engage in some economically productive

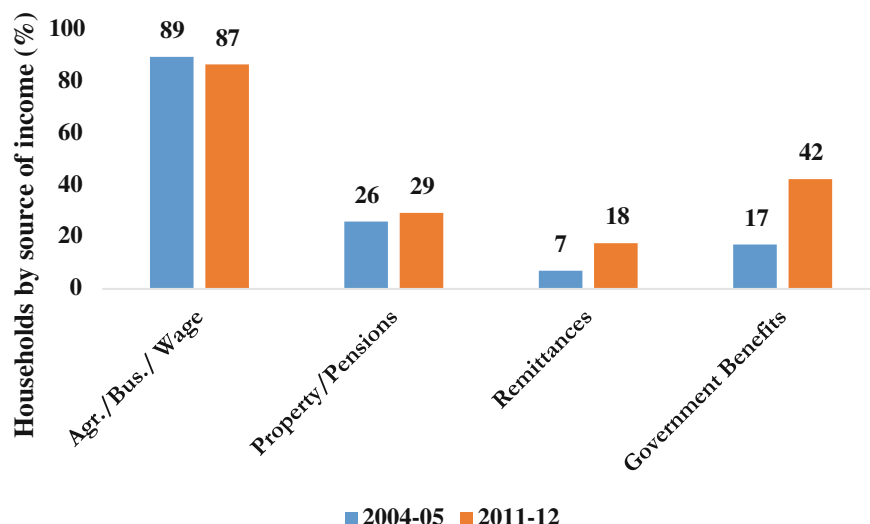


**Fig. 2.3** Proportion of elderly households by source of income 2004–12. *Source* Authors' calculations based on IHDS 2004–05 and 2011–12

**Table 2.1** Labour force participation rate and type of activities (in per cent) among men and women ages 60 and above in India, 2004–12

| Kind of employment | 2004–05    |              |            |              | 2011–12    |              |            |              |
|--------------------|------------|--------------|------------|--------------|------------|--------------|------------|--------------|
|                    | Rural male | Rural female | Urban male | Urban female | Rural male | Rural female | Urban male | Urban female |
| Salaried           | 3.00       | 0.70         | 8.60       | 2.30         | 2.80       | 0.80         | 8.90       | 2.90         |
| Business           | 6.60       | 1.50         | 14.20      | 1.80         | 6.80       | 2.30         | 15.10      | 2.80         |
| Cultivation        | 31.40      | 10.40        | 3.40       | 0.80         | 36.40      | 13.10        | 3.90       | 0.90         |
| Farm labour        | 11.50      | 5.80         | 3.10       | 1.10         | 12.30      | 7.30         | 2.60       | 1.10         |
| Non-farm labour    | 5.80       | 1.20         | 6.80       | 1.90         | 14.50      | 5.60         | 8.30       | 2.60         |
| Animal care        | 35.30      | 20.80        | 4.70       | 3.10         | 27.30      | 15.50        | 4.30       | 3.70         |
| Doing any work     | 60.70      | 31.20        | 36.90      | 10.10        | 60.90      | 31.10        | 39.30      | 12.50        |

*Source* Authors' calculations based on IHDS 2004–05 and 2011–12

work compared to 31% of their female counterpart (Table 2.1). In contrast, the elderly in urban areas are less likely to work in their later life. Low rate of labour force participation in urban areas is not surprising since women's work participation rate (for all age groups) in urban areas is lower than in the rural areas. Women (25%) are less likely to work than men (55%) in old age.

Labour force participation among elderly men and women declines with age as one can expect. The rural elderly were mostly engaged in cultivation and

farm-related activities including animal care. On the other hand, most of the urban elderly were engaged in family business and salaried activities. A significant share of the elderly in both rural and urban areas was engaged in non-farm activities. In rural areas, salaried work among elderly men and women is almost negligible. Formal sector work imposes much greater entry and exit regulations than work that is family based, such as work on family farms and in family businesses (Desai et al. 2010).

An interesting finding is that there is a substantial increase in non-farm employment in rural areas for both men and women between 2004–05 and 2011–12, which could be attributed to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). It is possible that many households choose the older members to work in MGNREGA while younger members work in more labour-intensive work (Desai et al. 2015).

### ***Family and Remittances***

Family is considered to be the ultimate source of economic, social and emotional support during old age in a society. With the exception of a few areas like Meghalaya and parts of Karnataka and Kerala, India remains a mostly patrilineal society, in which sons are expected to take care of their parents. This reciprocal obligation is bolstered by the fact that in spite of legal reforms, sons continue to inherit parental property, particularly the agricultural land and family residence and in return continue to live with their parents. This tradition is also often held responsible for the strong son preference in India. However, with the gradual decline of employment in the traditional sectors (like agriculture), opening up of new jobs in global settings, and growing individualism, it is often argued that the multigenerational family system is under increasing stress. IHDS finds some support for these expectations and reports five percentage points decline in the elderly co-residence during the last 7 years.

Nevertheless, most elderly persons (72%) continue to live with their children and other family members (Table 2.2). Only 18% elderly live either alone or with their spouse, and the remainder live with children or other family members. The younger elderly often take care of their single and dependent children. But at a later stage in life, co-residence involves living with married sons and their wives. Sixty six percent of the elderly men and 77% of the elderly women live with married children or other members of the family. Living in joint family during old ages is quite common among the richer households and in households with nominal education. Again, elderly in the higher age groups are more likely to be in the joint family than the young elderly, perhaps due to decline in health.

However, with rising prosperity and growing aspirations among both the new and the old generations, the traditional family co-residence may end up as nuclear living arrangements. Knodel and Chayovan (1997) noted only a modest trend towards a reduced co-residence between elderly parents and their children in South

**Table 2.2** Living arrangements (in per cent) of elderly aged 60 and above in major Indian states, 2004–12

| States           | 2004–05 |        |                         |                              |        | 2011–12 |                         |                              |  |  |
|------------------|---------|--------|-------------------------|------------------------------|--------|---------|-------------------------|------------------------------|--|--|
|                  | Single  | Couple | With unmarried children | With married children/others | Single | Couple  | With unmarried children | With married children/others |  |  |
| Himachal Pradesh | 2.00    | 8.83   | 9.77                    | 79.39                        | 4.89   | 13.76   | 6.49                    | 74.86                        |  |  |
| Punjab           | 0.71    | 7.22   | 9.13                    | 82.93                        | 2.73   | 11.47   | 9.90                    | 75.90                        |  |  |
| Haryana          | 0.50    | 9.24   | 6.98                    | 83.29                        | 1.01   | 10.93   | 8.71                    | 79.35                        |  |  |
| Uttar Pradesh    | 1.32    | 9.15   | 9.26                    | 80.27                        | 2.79   | 9.60    | 9.93                    | 77.68                        |  |  |
| Bihar            | 0.72    | 8.25   | 9.52                    | 81.51                        | 2.16   | 13.56   | 10.06                   | 74.22                        |  |  |
| Rajasthan        | 3.08    | 9.36   | 6.44                    | 81.12                        | 3.91   | 11.76   | 8.47                    | 75.87                        |  |  |
| Chhattisgarh     | 4.11    | 11.17  | 8.80                    | 75.92                        | 5.76   | 16.19   | 5.84                    | 72.22                        |  |  |
| Madhya Pradesh   | 3.35    | 9.57   | 8.38                    | 78.70                        | 5.14   | 14.69   | 8.66                    | 71.52                        |  |  |
| West Bengal      | 2.06    | 7.94   | 17.39                   | 72.61                        | 4.70   | 14.04   | 13.59                   | 67.67                        |  |  |
| Orissa           | 2.26    | 10.82  | 9.03                    | 77.89                        | 4.06   | 10.85   | 10.23                   | 74.86                        |  |  |
| Gujarat          | 4.74    | 11.27  | 8.32                    | 75.67                        | 6.01   | 11.66   | 8.50                    | 73.82                        |  |  |
| Maharashtra, Goa | 1.96    | 9.09   | 7.29                    | 81.66                        | 3.14   | 14.12   | 11.65                   | 71.10                        |  |  |
| Andhra Pradesh   | 3.54    | 16.07  | 7.54                    | 72.86                        | 6.88   | 21.67   | 7.45                    | 64.00                        |  |  |
| Karnataka        | 2.18    | 5.96   | 13.39                   | 78.46                        | 2.62   | 9.45    | 10.82                   | 77.11                        |  |  |
| Kerala           | 2.70    | 9.11   | 10.93                   | 77.25                        | 2.07   | 14.33   | 6.99                    | 76.61                        |  |  |
| Tamil Nadu       | 4.82    | 16.91  | 17.00                   | 61.27                        | 8.19   | 22.06   | 14.02                   | 55.73                        |  |  |
| India            | 2.44    | 9.81   | 10.79                   | 76.95                        | 3.98   | 13.58   | 10.7                    | 71.75                        |  |  |

Source: Authors' calculations based on IHDS 2004–05 and 2011–12. States with elderly sample 500 or above have been listed here

Asian Countries. On examining the perception of the aged themselves on their status in the family and community in the wake of changing societal structure in India, Rajan and Kumar (2003) found that the aged feel that they have lost status as a result of old age or their retirement from work. Diwan et al. (2011) observed a reduced filial obligation expectation among English-speaking older Asian Indian immigrants in Atlanta, GA. They found that very few respondents preferred to move with their children, but they liked to move closer to children after retirement. So, it becomes pertinent to examine whether similar expectations prevailed among native Indians. We cannot examine the expectation since we do not have data for the same. But, change in living arrangements among the elderly between IHDS 1 and 2 can provide us some insight on the issue.

While there remains some difference in change in magnitude, all the major states in India face a stark rise in families, where elderly either lives alone or with spouse only (Table 2.2). Though most elderly still live with their children and other family members, a significant decline has been recorded in families where the elderly lives with married children and other family members. Less than 1% of the elderly in Haryana live alone, in contrast, more than 8% of the elderly in Tamil Nadu live alone. We do not see any unidirectional trend in the living arrangements among the elderly living with unmarried children. This gives a sense of consistent weakening of family co-residence in Indian states as well.

It is important to note that men and women face ageing differently. The recent round of the data shows that among elderly while 57% women were widows, only 17% men were widowers. The longer life expectancy of women, on an average, and the normative age gap between husband and wife make widowhood more likely for women than for men. This also accounts for the fact that more women live with their married children than men.

Declining co-residence (about 6% percentage point between 2004–05 and 2011–12) does appear to be a harbinger of doom for the Indian extended family. Children continue to provide financial support for their parents even when they do not co-reside. About 18% of the elderly households received any income from remittances in 2011–12, up by 7% than in 2004–05. Remittances seem more likely for couples or single individuals whose children live elsewhere. When the elderly live with family members, they receive help via co-residence and do not receive monetary transfers (Desai et al. 2010).

Nonetheless, remittances do not replace co-residence in ensuring incomes of the elderly households. We find that though the proportion of households receive any income from remittances has gone up significantly during the last 7 years (Fig. 2.3), the amount received from remittances has remained more or less the same (Rs. 40,651 in 2011–12 compared to Rs. 36,332 in 2004–05) (Table 2.3). At the population level, the total amount received from remittances is Rs. 7158.

**Table 2.3** Sources of income of the households with elderly member, 2004–12

|                         | Per cent households with any income from |                   |             |                     | Average annual income (in Rs.) |                   |             |                     |                  |                   |
|-------------------------|------------------------------------------|-------------------|-------------|---------------------|--------------------------------|-------------------|-------------|---------------------|------------------|-------------------|
|                         |                                          |                   |             |                     | In households with elderly     |                   |             | In whole population |                  |                   |
|                         | Agr./ Bus./ Wage                         | Property pensions | Remittances | Government benefits | Agr./ Bus./ Wage               | Property pensions | Remittances | Government benefits | Agr./ Bus./ Wage | Property pensions |
| 2004–05                 |                                          |                   |             |                     |                                |                   |             |                     |                  |                   |
| All India               | 89.4                                     | 25.9              | 10.7        | 17.1                | 93638                          | 49440             | 36332       | 3267                | 83400            | 12138             |
| Gender                  |                                          |                   |             |                     |                                |                   |             |                     |                  |                   |
| Male                    | 89.8                                     | 27.4              | 10.4        | 14.7                | 93734                          | 52365             | 36417       | 3316                | 83921            | 13699             |
| Female                  | 88.9                                     | 24.3              | 11.1        | 19.5                | 93539                          | 46059             | 36251       | 3229                | 82867            | 10541             |
| Age                     |                                          |                   |             |                     |                                |                   |             |                     |                  |                   |
| 60–69                   | 90.4                                     | 25.5              | 10.6        | 15.8                | 91104                          | 51256             | 34026       | 3186                | 82134            | 12467             |
| 70–79                   | 88.2                                     | 25.1              | 10.9        | 19.3                | 97482                          | 49032             | 36884       | 3186                | 85704            | 11556             |
| 80+                     | 86                                       | 30.4              | 11.2        | 19.2                | 99186                          | 40980             | 48326       | 3900                | 84850            | 11720             |
| Family type             |                                          |                   |             |                     |                                |                   |             |                     |                  |                   |
| Single                  | 44.8                                     | 35                | 21.6        | 29.6                | 16311                          | 18273             | 17296       | 3326                | 7304             | 6240              |
| Couple                  | 57.6                                     | 40.4              | 14.6        | 15.4                | 55245                          | 58394             | 28666       | 4116                | 31605            | 23391             |
| With Unmarried Children | 90.1                                     | 27.1              | 6.7         | 9.5                 | 70992                          | 54610             | 33533       | 3285                | 63699            | 14560             |
| Joint                   | 94.7                                     | 23.6              | 10.5        | 18                  | 100802                         | 48120             | 39196       | 3170                | 95187            | 10551             |
| 2011–12                 |                                          |                   |             |                     |                                |                   |             |                     |                  |                   |
| All India               | 86.5                                     | 29.3              | 17.6        | 42.3                | 115962                         | 67379             | 40651       | 4965                | 99731            | 19745             |
| Gender                  |                                          |                   |             |                     |                                |                   |             |                     |                  |                   |
| Male                    | 87.1                                     | 30.2              | 18          | 38.3                | 119884                         | 74001             | 41179       | 5284                | 103759           | 22383             |
| Female                  | 85.9                                     | 28.4              | 17.2        | 46.2                | 112215                         | 60736             | 40131       | 4716                | 95936            | 17259             |
| Age                     |                                          |                   |             |                     |                                |                   |             |                     |                  |                   |
| 60–69                   | 88.4                                     | 28                | 17.6        | 39.7                | 112489                         | 69097             | 40864       | 5060                | 98814            | 19354             |

(continued)

**Table 2.3** (continued)

|                         | Per cent households with any income from |                   |             |                     | Average annual income (in Rs.) |                   |             |                     |                  |                   |
|-------------------------|------------------------------------------|-------------------|-------------|---------------------|--------------------------------|-------------------|-------------|---------------------|------------------|-------------------|
|                         |                                          |                   |             |                     | In households with elderly     |                   |             | In whole population |                  |                   |
|                         | Agr./ Bus./ Wage                         | Property pensions | Remittances | Government benefits | Agr./ Bus./ Wage               | Property pensions | Remittances | Government benefits | Agr./ Bus./ Wage | Property pensions |
| 70-79                   | 83.6                                     | 32                | 17.4        | 45.9                | 119707                         | 66288             | 38413       | 4896                | 99517            | 21206             |
| 80+                     | 83.7                                     | 29.5              | 18.1        | 47.3                | 125841                         | 61827             | 44771       | 4714                | 104965           | 18240             |
| Family type             |                                          |                   |             |                     |                                |                   |             |                     |                  |                   |
| Single                  | 44.3                                     | 29.7              | 27.6        | 51.1                | 21179                          | 35761             | 13897       | 4071                | 9332             | 10613             |
| Couple                  | 61.2                                     | 35                | 21.6        | 34.3                | 47076                          | 80293             | 31572       | 5847                | 28293            | 28111             |
| With Unmarried Children | 89.6                                     | 26.9              | 12.4        | 31.6                | 107538                         | 81017             | 30696       | 5505                | 96023            | 21824             |
| Joint                   | 93.2                                     | 28.6              | 17.1        | 45                  | 128226                         | 64284             | 46286       | 4837                | 118814           | 18357             |
|                         |                                          |                   |             |                     |                                |                   |             |                     | 7910             | 2175              |

Source Authors' calculations based on IHDS 2004-05 and 2011-12

## ***Public Transfer Scheme***

Though evidence suggests that work and family are the major supports for the elderly, the government-sponsored safety net programmes also play a small role in it. India has a social safety net programme, National Social Assistance Scheme (NSAP) that has functioned since 1995 and the National Old Age Pension Scheme (NOAPS) is an integral part of it since the inception. Under the NOAPS, a central contribution of Rs. 75/month was given to the destitute elderly aged 65 years or above. States supplement this, although the amount varies between states. Over time, the coverage, the criterion of destitution and pension amount, has changed with the change in its jargon. The Indira Gandhi National Old Age Pension Scheme (IGNOAPS) provides support to the elderly of age 60 years or above who belong to a BPL household. The pension amount by the centre has increased to Rs. 200/month up to age 79 years and Rs. 500/month to the oldest-old (age 80 years or over). Eligible elderly also receive 10 kilograms of food grains per month with no cost through Annapurna Yojana.

The role of public transfers in elderly households has grown sharply in recent years. The recent round of the IHDS shows that 42% elderly households receives any government benefits such as old age pension, widowhood pension, disability pension up from 17% in 2004–05 (Fig. 2.3). Increasing proportion of elderly receiving income from IGNOAPS—7% versus 18%—plays an important role. In recent years, eligibility for IGNOAPS has changed from 65 years to 60 years and greater efforts have been made to enrol eligible beneficiaries. Most government schemes appear to be targeted towards the vulnerable sections of the society; rural residents, females, Dalits and Adivasis are more likely to receive government assistance. More than half of the elderly living alone receive government pension. Close to half of the elderly living in multigenerational joint families are also getting this benefit. However, payments through these schemes are only modest in size. For households that receive transfers, annual benefit is Rs. 4965 on average; for population as a whole, it is Rs. 2102 per year.

## **Caring for the Elderly in a Changing World**

Over the last two decades, several states of India have achieved total fertility rates below 2.1 (known as below replacement fertility). Even the most populous states like Uttar Pradesh and Bihar are also showing a rapid decline in fertility rate, which eventually leads the Indian society towards its ageing phase. However, declining fertility is also associated with declining co-residence and declining proportion of working age adults per elderly household. In IHDS data, average number of working adults of ages 15–59 has declined from 2.9 in 2004–05 to 2.5 in 2011–12. This decline in workers per household coupled with declining co-residence suggests

a need to rethink our reliance on extended family for economic and social support of the elderly.

Each of the three pillars of economic support in the old age—work and personal savings, extended family and state—must be prepared for increasing demands in the decades to come. Below we outline some of the issues that deserve consideration.

- (1) **Work and Savings:** With some exceptions, retirement ages around the world have been rising (Lee and Mason 2011). Even in India, retirement age in some sectors such as universities has risen. We may want to think about increasing retirement ages in formal sector jobs. Economic growth and labour shortages in some sectors provide us with an opportunity to do so. More importantly, we may also need to create vehicles for increased private savings and investment. A variety of schemes are currently available to the middle classes but safe and accessible methods of savings are often not available to the poor who must deposit small amounts and are often not financially sophisticated. Current discussion on financial inclusion should be expanded to include micro-savings. Improving financial inclusion will also aid the elderly households in receiving remittances from family members living elsewhere, a growing source of income as documented above.

Moreover, present inheritance laws and laws governing agricultural property make it difficult for the elderly to sell or borrow against property. Simplification of these laws and regulations and reduction of black money component from real estate transaction may make it easier for the older population to self-finance their old age.

- (2) **Learning to Live with Declining Familial Support:** With declining fertility and increasing migration, the decline in extended families observed between 2004–05 and 2011–12 is simply the tip of the iceberg. We should expect more and more elderly individuals to live alone or with their spouses. In addition to day-to-day care, it may also affect their ability to obtain health care. Thus, as we develop health systems for diagnosis and treatment of ailments of older ages, particularly for non-communicable diseases like diabetes and heart diseases, we may need to think about the fact that many elderly patients will not have family members available to help them in negotiating access to health care.
- (3) **Developing Infrastructure for Public Transfers:** While it seems unfeasible that India can provide substantial income support to all elderly via a social pension programme, we can draw substantial lessons from the experience of other countries. Few countries have set up social security programmes overnight. Development of social pension programmes requires both building political support for these programmes and developing administrative capacity. Thus, it may make sense to start with a universal programme of modest pensions. Even now, a large number of elderly households receive transfer payments of some kind. For example, the IHDS data suggest that 42% of the elderly households receive modest transfers. Instead of a complex web of schemes such as Annapurna Yojana, IGNOAPS and income tax benefit schemes, it may make

sense to consider a universal modest social pension programme that benefits all elderly. This will form the backbone of a social security programme as income of the country grows and we seek to provide greater income security for the elderly. However, developing efficient transfer mechanisms via Direct Benefits Transfer or some other distribution channel will be essential in order to reduce corruption and leakage.

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## Appendix

See Table A.1.

**Table A.1** Socio-demographic profile of the elderly population in India, 2004–12

|                    | 2004–05 | 2011–12 |
|--------------------|---------|---------|
| Sex                |         |         |
| Male               | 50.1    | 48.0    |
| Female             | 49.9    | 52.0    |
| Age                |         |         |
| 60–64 years        | 35.2    | 33.1    |
| 65–69 year         | 25.8    | 25.9    |
| 70–74 year         | 19.5    | 18.5    |
| 75–79 year         | 9.6     | 10.8    |
| 80 years and above | 10.0    | 11.8    |
| Marital status     |         |         |
| Unmarried          | 0.6     | 1.0     |
| Married            | 63.1    | 61.9    |
| Widowed            | 35.8    | 36.8    |
| Divorced/Separated | 0.4     | 0.3     |
| Educational level  |         |         |
| Illiterate         | 59.6    | 57.41   |
| Up to 5th Std.     | 17.5    | 17.84   |

(continued)

**Table A.1** (continued)

|                                  | 2004–05 | 2011–12 |
|----------------------------------|---------|---------|
| Secondary level                  | 15.3    | 17.43   |
| Metric but non-graduate          | 2.3     | 3.13    |
| Graduate and above               | 3.1     | 3.99    |
| Missing Education Data           | 2.2     | 0.2     |
| Religion/Caste                   |         |         |
| Forward caste                    | 26.4    | 25.8    |
| OBC                              | 35.3    | 35.3    |
| Dalit                            | 17.7    | 18.4    |
| Adivasi                          | 6.3     | 6.7     |
| Muslim                           | 9.7     | 9.9     |
| Christian, Sikh, Jain and Others | 4.7     | 3.9     |
| Place of residence               |         |         |
| Rural                            | 70.6    | 67.9    |
| Urban                            | 29.4    | 32.1    |
| Working status                   |         |         |
| No                               | 60.4    | 67.3    |
| Yes                              | 39.7    | 32.7    |
| Total                            | 17904   | 21922   |

Source Authors' calculations based on IHDS 2004–05 and 2011–12

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