CONCLUSION

The insurance and pension system are the core elements of the economy of India, U.K. and U.S. The insurance and pension systems are two different types of social assistance program introduced by the government in the form of different schemes under the shadow of statutory guidelines for the benefits of employees (civil employees, government employees, as well as employee belong to the industrial class).

In the present era of liberalization, privatization and globalization, the economy is being in changing condition by the increasing approach in market competition, information technology, consumer services awareness etc. While the insurance and pension are core elements of economy, so these two sectors are also affected by these changing approaches of liberalization, privatization and globalization. So definitely there must be the reforms in the insurance and pension sector.

After that two broad question come before us-

1. Why insurance and pension reforms matter?
2. What imperatives (general/special) necessary to reform insurance and pension sector?

Why Insurance and Pension Reforms Matter

1. Sound Progress on Poverty Elimination among the Working Employees

The countries like U.K., U.S. especially India has experienced a substantial reduction in the headcount of poverty among the working employees. In the year to come, it is likely that GDP growth, and rising wage will lead to elimination of poverty among the employees in their working years.
2. Future Security for Employees is the Next Frontier

The poverty among the elderly will then become dominant, since the elderly do not work and does not benefit from higher wages. A parallel development of great importance is the rise in migration flows of labour, and the breakdown of the joint family through which the elderly are less likely to cohabit with their children in old age.

3. Fermentative Method will not Work

A government program that seeks to pay a charitable gift of Rs. 25 per day to 10% of the population would incur a revenue cost of GDP, excluding administrative costs. A more useful path is to focus on public programs that target the employees. However, the most effective public program that directly targets poverty is the employment guarantee scheme.

4. Sustainable and Scalable Insurance and Pension Systems are the only Solution

With a formal insurance and pension systems, individuals would save in their working years, and thus command personal wealth, which would ensure that they avoid poverty in present as well as in future. These two words sustainability and scalability are essential in thinking about insurance and pension systems. In the formal system it is possible to desire non-scalable-subsidy-based programs as well as unsustainable subsidy programs which work for few peoples and few years. Especially India has need of such kind of framework which reaches to a large portion of population of below medium incomes, for the coming 50 years. This would constitute a scalable and sustainable solution.
5. **Insurance and Pension Reforms should be “Second Generation Reforms”**

Insurance and pension reforms are consistent with present visions of countries like U.K. and U.S., especially India’s strategy for economic growth. Planning for income security is directly material to the employment and well being of millions of employees. The insurance and pension systems where employees are able to see substantial level of their own personal wealth is one where employees will be more comfortable in coping with the ordinary competitive process of market economy. By augmenting the flow of savings, and by fostering high quality investment decision, insurance and pension systems will help in attaining higher GDP growth.

6. **Insurance and Pension Policy Issues are highly Refine**

Sound strategy in insurance and pension reforms often diverge from obvious and apparent solutions, for two reasons. First, as compared with many field of public policy where sectoral knowledge is required for formulating sectoral policies, insurance and pension reforms are particularly complex fields involving interlocking considerations spanning the field of public finance, labour market, macro economics, demographics, I.T. intensive, administrative procedures, and political economy. The second aspect is that there are long lags between policies and their consequences, and the consequences can be of a macro-economics scale.

7. **Errors in Insurance and Pension Policies can destabilize the Entire Economy**

As compared with other aspects of economic policy, the insurance and pension sectors are unusual in the errors in policy which do not show up for a prolonged period. But when these mistakes do show up, they can easily generate reverence impacts in terms of percentage points of GDP. In India where economic policies are ordinarily executed, competently in areas such as
foreign trade or infrastructure are now laboring under insurance and pension-related debt. What are apparently micro-issues in the insurance and pension sectors have a disconcerting way of turning into macro-economic challenges for the country, to move ahead. Hence policies in this area need to be subjected to extremely searching scrutiny, to ensure that difficulties in pension and insurance do not derail India’s growth over the next 50 years.¹

**What Insurance and Pension Reforms requires**

The requirements of insurance and pension systems are of two types—

**General Requirements**

1. **Re-orientation of Laws, Regulations, Schemes and Organizational Structure**

   The current insurance and pension laws, regulations, schemes, and organizational structure were set up in pre-globalization era when the economy of India, U.K. and U.S. was less externally-oriented, when balance between the state and the market favored the former. There, is therefore, a need to re-orient them to reflect the new economic paradigm.

2. **Development of Human Resources**

   The labour market comprising about million of people has been undergoing significant transformation. But countries like India aims to develop its manufacturing sector, even as it continues to strengthen its service sector are including export-orientation components such as knowledge process outsourcing activities, etc. The need for reforming human resources development policies in the public sector, including room for mobility between public and private sectors is also increasingly being recognized. The role of contract workers, which often have access to provident fund and other related benefits but do not enjoy the legal right of permanent employment, is also
increasing. These factors have increased the importance of portability in the income security benefits for the development of human resources.

So there is need of mobility of insurance and pension-able benefits across the sector or occupation as well as more flexible compensation packages incorporating some degree of individual choice.?

3. **Cushion of Government Responsibility**

The globalization has made effective social safety net essential to cushion the adverse impact on those most adversely affected, help to maintain legitimacy of essential economic, social, and governance reforms, and to encourage risk-taking by providing a minimum floor in the event of failure.

But in Indian pluralistic and inclusive political system, requirement is there, of the pursuit of economic growth which can be possible by new policies designed in insurance and pension sectors, which can mitigate the inequalities as well as in the failure of these policies cast responsibilities on the government.

4. **Creation of Larger Number of Productive and Sustainable Jobs**

The favorable demographic phase is reflected in the share of working age population in U.K. and U.S. especially in India where the total population increasing from 60 percent in 2005 to 63.5 percent in 2040. This could lead to higher national savings rate from the current rate of around 30 percent to 35 percent of GDP. If these saving are invested in growth enhancing manner, higher growth rates could be achieved.

The above will require creation of large number of productive and sustainable jobs in the economy. So the balance between jobs creation on the one hand and preservation of existing jobs on the other hand must shift to the former.
5. Establishment of Contributory Defined Benefit Schemes

The establishment of contributory defined schemes is necessary in U.K., U.S. as well as in India. Now India has been experiencing a consolidated public sector deficit of about 9% of gross domestic product for several years. This and India’s internal debt of around 8%-9% of GDP are widely regarded as a major constraint in India being able to attain a sustain period of real GDP growth of between 8%-10% and for introducing capital convertibility of Indian rupees.

So the need of fiscal consolidation and fiscal flexibility has been necessitated the reform in the non-contributory defined benefit, generously price, wage index, and pension and insurance schemes.³

Special Requirements

1. Competence and Professionalism

It is imperative that there must be greater degree of competence and professionalism in design and governance of each insurance and pension organizations. Each such organization must perform the following core functions in an efficient manner. These are, the reliable collection of contribution/taxes, and other receipts, payment of benefits for each of the schemes in a correct way and in case of loans, its timely repayment, secure financial management and productive investment of insurance and pension fund assets, maintaining an effective communication network, including development of accurate data and record keeping mechanisms to support collection, payment and financial activities, and production of financial statements and reports that are tied to providing effective and reliable governance, fiduciary responsibility, transparency and accountability.

2. Systematic Perspective

It requires that all components of insurance and pension systems are well integrated in meeting the needs of the population. This is consistent with obtaining income security from multiple sources. The role of each component,
and scheme within each component should be periodically reviewed to assess their suitability, scalability and sustainability.  

3. **Financial Education**

The low level of financial literacy, particularly insurance and pension is endemic among countries like India's policy makers, elites, and the general public. The prevailing tendency of regarding insurance and pension as a welfare measure without due regard for empirical evidence and rigorous economic, financial and fiscal analysis represents a formidable constraint in insurance and pension reform. This mindset change in the broad political system is essential if requisite progress is to be made in attaining greater professionalism and system wide perspective.

4. **Indigenous Research Capability**

There are needs to substantially enhance the capacity to undertake rigorous empirical evidence based on relevant policy research on insurance and pension. This will require considerable strengthening of the existing database on morbidity and mortality patterns, and behavior of individuals and firms concerning income saving.

5. **Special Forum**

There must be a special forum to discuss the issues concerning insurance and pension. Such forum should bring together not only public officials, but also other stakeholders such as trade unions, employer organizations, academics researchers, and insurance and pension industry representatives.

6. **Vision and Leadership**

The insurance and pension systems not only requires the technical and governance capacities, but also vision and leadership which lead the industry towards the path of progress up to last extent.
Notes and References


4. Supra note-2.