CHAPTER 7
SUMMARY OF FINDINGS, CONCLUSIONS
AND POLICY IMPLICATIONS
7.1 Introduction

This thesis entitled ‘Social Security in Assam: Exploring Various Facets of Retirement Benefits’ is an attempt to study the different aspects and issues related to social security of Assam, especially retirement benefits. In the previous chapters various tools were adopted and utilized to analyse the relevant issues. This chapter summarises the major findings followed by a section recording the conclusions and policy implications.

7.2 Summary of Findings

The work undertaken and recorded in the previous six chapters are summarized below:

- Although some occasional and traditional social security arrangements were found in different countries of the world like Ireland, United Kingdom and Japan, but till the last part of the 19th century stable formal social security system did not exist. The modern institutionalised social security system was first started in Germany in 1889 and then it spread to different countries of the world.

- In India, the formal retirement benefit programmes came into being during the British period. The British Government tried to give some retirement benefits to its employees by the Royal Commission on Civil Establishments 1881, the Government of India Act of 1919, Lee Commission of 1924 and the Government of India Act of 1935.

- Different plans and programmes are taken for providing retirement benefits to the elderly in all the representative countries that we have taken for the study. All of them have made changes and reforms in the retirement benefit programmes to cope with the changing needs imposed by demographic changes.

- Pension fund is 83 per cent of GDP of the U.S.A. In Japan, it is 30.2 per cent and in Sweden pension fund is 9.3 per cent of GDP of the country. But in Egypt and China these percentages are very low, 2 per cent in Egypt and only 1.2 per cent in China.
In India, the central government employees who joined the service before 1st January, 2004 are covered by a defined benefit retirement plan that includes superannuation pension, gratuity, commutation of pension, general provident fund etc. The employees, who joined the service on or after 1st January, 2004 are covered by the defined contribution National Pension System (NPS).

The revenue expenditures of the centre and the states taken together on pension and other retirement benefits have increased manifold from Rs. 5184 crores in 1990-91 to Rs. 238328 crores in 2013-14 (Revised Estimate).

The military personnel of India are not covered by the NPS and their retirement benefits are provided by a defined benefit system. However, there are differences of the eligibility conditions and benefits of the retirement system between officers and Personnel Below Officer Rank (PBOR).

The retirement benefits of the organized private sector of India except in the state of Jammu and Kashmir are looked after by the Employees Provident Fund Organisation (EPFO). The employees whose monthly basic pay plus dearness allowance is Rs 15000 or below are considered as compulsory contributors and they are automatically linked to the pension schemes. Persons exceeding this limit can subscribe to Employees Provident Fund (EPF), but they cannot get the benefits of the pension scheme.

The Atal Pension Yojana (APY) was introduced to provide retirement benefits to the unorganized sector workers of India, but till 31st March 2016, only 24.6 lakhs subscribers are enrolled under it according to Ministry of Finance, Government of India. In expanding the coverage of APY, widespread illiteracy of the unorganized workers is one of the major obstacles.
Along with the debt oriented traditional plans, equity oriented unit linked private plans and mutual funds are also growing in India for providing retirement benefits to people.

From a multivariate time series analysis, it is found that in the household sector of India, decrease in the assets held as bank deposits and shares and debentures leads to increase in the amount of assets held as pension and provident fund and vice versa.

Assam Government employees joining the services before 1\textsuperscript{st} February, 2005 are covered by a defined benefit system while those joining on or after 01.02.2005 are covered by NPS. To the total number of state government pensioners of Assam every year there is an addition of about 10000 pensioners.

From 1998-99 to 2011-2012, public expenditures on revenue account of Government of Assam on superannuation and retirement allowances increased by 864.11 per cent. During the same period expenditures on gratuities increased by 1179.8 per cent and that on family pension by 842.72 per cent.

In all the years from 1998-99 to 2011-12, expenditures on Superannuation and Retirement Allowances constituted the major portion of total expenditures on pensions and other retirement benefits by Government of Assam. However the share of superannuation and retirement allowances in the total expenditures on pension and other retirement benefits declined from 70.9 per cent in 1998-99 to 66.12 per cent in 2011-12. The share of family pension decreased marginally from 14.64 per cent in 1998-1999 to 13.35 per cent in 2011-2012. However, the share of gratuities in total expenditures on retirement benefits increased from 10.81 per cent in 1998-1999 to 13.39 per cent in 2011-2012. But, the percentage share of Commuted Value of Pensions was 3.4 per cent in 1998-1999 which became negligible in 2011-2012.
• Total members of Employees’ Provident Fund (EPF) under the jurisdiction of Regional Office, Guwahati increased by about 237 per cent in the period 2009-2010 and 2015-2016. During the same period under the jurisdiction of the same office, the members of Employees’ Pension Scheme (EPS) and Employees’ Deposit Linked Insurance (EDLI) Fund increased by about 247 per cent and 240 per cent respectively. However, increase in the number of pensioners recorded about 143 per cent increase in the same period.

• ‘The Assam Tea Plantations Provident Fund and Pension Fund Scheme’ provides post-retirement security to the tea garden workers of Assam. During the service period if a worker dies the family gets the family pension and the monthly rate of family pension was Rs.175 to Rs.450 in 2013-14.

• In the sample under study, only 9.7 per cent of the senior citizens of rural areas and 21.23 per cent of senior citizens of urban areas have retirement plan coverage. Among those covered 82.41 per cent in rural areas and 61.86 per cent in urban areas are covered by government plans.

• From field survey data it is also found that on average, workers spend only 2.97 per cent of their monthly expenditures as contribution to retirement plans. Unawareness about retirement plans is the major cause of non-subscription to such plans.

• Workers give more importance to assured returns when choosing a retirement plan and most of them prefer to have the benefits from retirement plans as monthly returns (86.24%). Even a larger percentage of senior citizens (91.2%) are also in favour of monthly returns.

• Retirement benefit plans which also have life insurance coverage are preferred by both senior citizens and workers, surveyed for the study and according to 40.37 per cent of senior citizens and 35.2 per cent of workers an ideal premium plan is based on daily payment option.
• Retirement benefits have significant positive effect on the per capita food expenditure of the families having senior citizens. Other variables remaining unchanged an increase in retirement benefits leads to an increase in per capita food expenditure and vice versa.

• Retirement benefits also exert a statistically significant positive impact on the per capita total expenditure of the family having senior citizens.

• Access to health care by senior citizens is also positively linked to the presence of retirement benefits.

• From the sample survey, the predominance of ‘General’ category is seen in the coverage of retirement benefit plans as out of the total number of senior citizens covered by such plans, 35.36 per cent belonged to that category. Religion wise, Hindus constitute 64.09 per cent of the senior citizens covered by retirement plans.

• Monthly per capita total expenditure of the families with retirement benefit is found to be much more than that of the families without such benefit.

• Presence of retirement benefits significantly improves the participation of senior citizens in household decision making. However, this improvement is more for the male senior citizens. Again, in unitary families the participation is more as compared to the joint families as revealed by the analysis of field survey data.

• Among the effects of retirement benefits on the lives of the senior citizens, ‘lesser necessity to work’ is the predominant effect as 53.9 per cent of senior citizens gave first rank to it when they were asked to rank the effects.
7.3 Conclusions and Policy Implications

Starting from Chancellor Otto von Bismarck’s social security legislation of 1889, formal social security systems spread throughout the world. At present, different countries of the world are providing retirement benefits to their elderly population. But, there are vast differences among the developed and developing countries regarding coverage and adequacy of the systems of retirement benefits. Size of the pension fund in developing countries is very low as compared to the developed countries which have huge pension funds. As most of the low income families are the most vulnerable in the absence of a retirement support structure, it is imperative that any developing countries espousing the principles of benevolent public intervention should adopt a strategy that would enhance the coverage of their pension systems. This would enhance the level of social welfare and ensure the right of the senior citizens to a life of dignity. Resources for this purpose can be allocated on the principle that the basic duty of a welfare state is to ascertain that the citizens of the state have access to the basic needs of life including social security in their old age.

A minuscule section of the Indian senior citizens had access to retirement benefits in the British period. These benefits were provided to the employees of the British government in India in 1881, even prior to the Bismarck’s law of 1889. While the Bismarck’s law provided old age insurance to all workers of Germany, the retirement benefits provided by the British government in 1881 was confined only to its employees, of which a sizable portion was British officers. After Independence, the Indian government has been trying to provide retirement benefits to its citizens through various plans and schemes. In the government sector also simultaneously two systems of retirement benefit is operating at present; one, the defined benefit system for the employees joining the service before 01.01.2004 and the National Pension Systems (NPS) for the employees joining later. The NPS was introduced to contain the unsustainable fiscal burden imposed by the defined benefit system. However, the NPS is yet to provide the much needed respite to state finance as all the current beneficiaries are part of the defined benefit system. Thus, the impact of the new system will only be felt when retirees of the NPS starts replacing the beneficiaries of the former system.
There is large scale disparity in retirement benefits of even the organized sector workers of India. The retirement benefits that the government sector retirees are getting are much more than that of the organized private sector workers. The Employees’ Provident Fund (EPF) provides retirement benefits to most of the organized private sector workers of India, which is a defined contribution scheme and provides a lump sum amount at the time of retirement which is spent by the employees for fulfilling the immediate needs after retirement. The Employees’ Pension Scheme (EPS), 1995 is a defined benefit scheme and provides pensions on retirement, but the pension benefit is much less than that of the government employees. Moreover, there is a wage ceiling on EPS. Only the compulsory members of EPF with monthly basic pay plus dearness allowance of Rs 15000 or below are automatically linked to EPS. Persons exceeding this limit are considered as the voluntary members who are debarred from getting the benefits of pension scheme. For increasing the adequacy of retirement benefits of the organized private sector workers, pension benefits should be provided to all workers irrespective of their level of wages. If needed, the employer’s share of contribution can be increased.

With an aim of providing retirement benefits to the unorganized sector workers of India, Government of India introduced Atal Pension Yojana (APY) which came into effect from 01.06. 2015. In the first year of its performance the coverage of the scheme was found to be very low considering the total unorganized work force of the country. Since most of the unorganised sector workers are illiterate, advertisements in print media is not of much help to them. It is imperative that the banks bestowed with the responsibility of APY should initiate extension programmes for making face to face contact with the potential beneficiaries to make them aware and motivated to join the scheme. Again, to induce more people to join the scheme the government may adjust the fixed returns on retirement for inflation by adopting a policy of paying inflation adjusted returns.

Private plans providing retirement benefits to people are becoming more equity oriented in recent years. Although high returns can be expected from such plans, there is high risk associated with such investments. For better working of the private plans, strengthening of capital market is essential so that the beneficiaries do not become the
victims of volatility of the market. This will help in the working of NPS also which needs
good asset management for its effective working.

In addition to pensions and provident funds, people invest in various forms of assets like
bank deposits, shares and debentures which help in increasing their post retirement
earnings. However there is risk involved in investments in shares and as such no
assured return can be expected from such investments. Moreover, capital market
volatility and inflation can play havoc with the capital invested in debentures and bank
deposits respectively. Given the relative asymmetry in information and the prevailing
volatility associated with the capital market common people often get intimidated and
refrain from investing in it.

Analysis of time series data on household sector of India reveals that when assets held
as bank deposits, shares and debentures decline, amount of assets held as pension
and provident fund increases and vice versa. Hence, pension and provident fund can be
promoted as an alternative destination of investment for secured post retirement
earnings by redirecting the funds kept aside for investment in the former instruments.

With regards to state finance, the substitution of the old defined pension system by the
self sustaining NPS promises to bring in the much needed succor to the states who are
struggling to control their deficits. The Assam government too hopes to reap the much
needed relief in its committed expenditure as the NPS is expected to make the pension
programme self sustaining.

However, for effective working of NPS, strengthening of capital market is required which
can be achieved through maintenance of macroeconomic stability and proper
development of banks and other institutions.

Total memberships of all the three schemes as well as the number of pensioners under
EPFO Regional Office, Guwahati have increased in the last few years, but increase in
the number of pensioners is not as much as the increase in the number of members of
the schemes. The coverage and benefits of the welfare programmes of the Government
of Assam, which are aimed at providing old age security to the non-government senior
citizens is far from being satisfactory.
The retirement benefits provided to the tea garden workers of Assam is abysmally low with family pension ranging between Rs. 175 and Rs. 450 per month in 2013-14. Considering the costs of living even at the subsistence level these amounts are ridiculously small and reflect great insensitivity and indifference to the marginalized community. It is obvious that the state needs to make urgent intervention to rectify the abhorrent situation and resolve the matter to the satisfaction of all stakeholders. Government should take effective steps to enhance adequacy of the retirement benefits received by the tea garden workers of Assam as tea industry occupies a prominent place in the economy of the state.

From the analysis of the field survey data it is found that the coverage of retirement programmes is very low, especially in rural areas of Assam. Government employees are automatically covered by the retirement plans. Hence to increase the coverage, the main focus should be on the unorganized sector which constitutes the major share of total workers. The unorganized sector workers should be motivated to join the Atal Pension Yojana so that they can also be brought under the ambit of retirement benefit programmes.

Workers are found to prefer those retirement plans which offer them guaranteed returns. If the workers’ faith on retirement plans can be increased by providing assurance for returns, then the coverage will increase even for the private plans. Although two sets of data, one for the senior citizens and the other for the workers are used to study responses to and expectations from retirement plans, similar results are found from the two sets. Most of the senior citizens as well as workers like to get the benefits as monthly returns, as such form of return can ensure stable post retirement income. Retirement plans with life insurance coverage are the most preferred by both senior citizens and workers. Moreover, a high percentage of senior citizens also prefer retirement plans with medical coverage due to increased health expenditures in old age.

Poverty adversely affects the condition of living of people in general and senior citizens in particular. But presence of retirement benefits can considerably reduce poverty among senior citizens. Analysis of primary data reveals that retirement benefits have positive impact on all the three dimensions of poverty namely, per capita food
expenditure, per capita total expenditure and index of health access. Thus, it can be concluded that retirement programmes can be used as an effective instrument in a strategy for poverty alleviation. This answers the first research question pursued in this study.

Presence of retirement benefits also improves the socio-economic status of senior citizens. From the study it is found that there are differences of mean per capita total expenditures of families of senior citizens with or without retirement benefits and the mean per capita expenditures of families with retirement benefits is found to be more than that of families without it. Not only the economic condition and hence standard of living improve in the presence of retirement benefits but status of the senior citizens in their families get improved. Retirement benefits considerably improve participation of senior citizens in decision making of their families although this improvement is more prominent in unitary families and for male senior citizens. The results lead to the conclusion that access to retirement programme perceptibly enhances the socio-economic status of the subscribing senior citizens. This answers the second research question of the study.

Since retirement benefits have multidimensional positive effects on the lives of the senior citizens, the government should try to improve the retirement support structure of Assam by increasing the coverage, efficiency and adequacy of various plans and schemes. Private plans should also be encouraged to complement the government plans so that a significant improvement can be achieved in the arena of social security in Assam.