CHAPTER – V

REVIEW OF LITERATURE

As policymakers in the United States, Europe and Asia grapple with the long-term affordability of their pensions systems, a new World Bank report says that growing demographic and economic pressure are forcing both developing and developed countries to undertake urgent pension reform. According to the report Old Age Income Support in the Twenty-First Century: An International Perspective on Pension and Reform, more women in the global workforce, rising divorce rates, changing employment patterns in the global economy, rising budget deficits, and rising numbers of elderly are making the case for pension.

The report offers a common framework to help countries resolve their pension problems, proposing the diversification of pension systems into a combination of public elements to maintain minimum living standards, and privately managed and funded components, while emphasizing the potential links between pension reform and conditions conducive to growth and development. It says that most public pension schemes were not designed to deliver current benefit levels when confronted with today's major demographic and economic changes. Therefore, keeping existing systems afloat will require either cutting public spending on health and education, or cutting pensions drastically for the next generations of elderly.

Second, if the government wants to minimize the destabilizing effects of high budgetary transfers, it has to raise more taxes or make budget cuts elsewhere. Governments in many developing countries choose to prune back other social spending, typically for health and education because of the difficulty of raising taxes. For example, higher pension costs for retired
teachers simply reduce the number of new teachers that can be hired under an already constrained budget envelope for education. In other cases, teachers have to stay on the payroll after retirement age because there are insufficient resources in the retirement fund to pay their pension; as a result, no new teachers can be hired.

Mukul G Asher (2002) states that as a pension industry grows in India, the role of insurance companies in providing products, including annuities and mutual funds is likely to grow. The other elements of the pension industry, such as custodial services, human resource training, pension management and consultancy services and others will grow. A professional specialised regulatory agency such as the proposed Provident and Pension funds Authority will be able to take a system wide perspective.

According to Nandita Markandan, (2000) a reform in the pension system tackles the primary problem of the financial sector in a dual manner. On the one hand introduction of private pension fund managers will ensure the large-scale mobilisation of savings. This would increase the rate of savings, which would lead to higher rate of capital accumulation, crucial for a developing country like India. The private managers are in a position to earn greater returns from their sources. So in effect privatising the pension system would place a large pool of fund in the hands of efficient managers, specialising in this form of activity.

Leon Trotsky (2001) defines that, the Old age is the most unexpected of all things that happen to man. In India Old age seems to be the most unanticipated and consequently groundwork for it is quite inadequate. The hangover of the “welfare state” ideology has resulted in government sponsorship of a large part of pensions, which are a major part of government
expenditure. As of now, payment of pensions constitutes a large part of the government's expenditure. This is expected to increase more so in the future as the improvements in health have resulted in an increased life span of the elderly.

*Employees' pension scheme (2000) indicates that the payment of a member's pension upon the member's superannuation / retirement, disability and widow/widower pension and children's pension upon the member's death. The Employees' pension scheme programme has replaced the erstwhile Family Pension Scheme. Employers that are not mandated to be covered may voluntarily apply for coverage. The new scheme, known as the Employees' pension scheme is essentially a defined-benefit programme providing earnings related pension of superannuation, disability or death. Employees' pension Fund members are now eligible for two benefit streams on superannuation a lump sum Employees pension Fund accumulation upon retirement and a monthly pension from the Employees pension scheme.*

According to T Paul Diamond (2001) a pension market is disastrously unorganised in our country as only a minuscule percentage of less than three percent of our billion people are covered under this. With life expectancy at birth on the increase, and with propensity to draw almost fully on savings like provident fund even by the employees of the organised sector enjoying a measure of social security and with the break up of the joint family system, old age gap become a nightmare for millions.

S.V.Mony (2001) states that since pension is a long-term product, insecurity will dominate the investor's mind. So far, the organised sector has been receiving all the attention; other major segments like the self-employed and rural sections are least served by any institutional arrangement. The key goal should be to establish an institutional infrastructure through which the large working population will prepare for old age.
According to S.A. Dave, (2001) the size of pension funds in the country, even without taking into account the unfunded pensions of the government and unfunded gratuity, it would be around Rs.150,000 crore. A large sum, indeed. There should be freedom to choose and change during accumulative phase and later on the annuity payment stage as well. Individual choice is a basic ingredient of a sound, sustainable pension system. The regulator must ensure that there is no discrimination.

N. Rangachary (2001) defines that the recent hike in salaries for government employees, coupled with bulk retirements, is going to cast a shadow on government’s finances. Therefore, government’s liability towards pension to its employees must be funded. There is need to identify the contributor, create a system to collect the contribution, and invest to get maximum returns and after the accumulation phase, convert it into an annuity.

A. Ramamurthy (2001) states that, in western countries, life insurance companies collect more than two-thirds of the premium towards pension funds. In India, premium collected by LIC (Life Insurance Corporation) from individual pension policies constitutes hardly one percent. In the past, pension products were not quite attractive as there was no provision for refund, whereas the quantum of pension was roughly equal to the rate of return that was available in the market. There is a great need to bring about umbrella products under pension policies, like provision for life insurance cover, accident benefit, health insurance and credit cards.

Vrinda Kini (2001) indicates that there has to be a shift from the state to the individual in the pension arena. India accounts for an eighth of the world’s aged; so pension reforms are urgently needed here. The major challenges faced are to bring about the participation of major it of organised and informal workers in the pension system, to improve returns and reform pension system, to improve returns and to reform pension taxation.
According to Shika Sharma (2001), an ideal pension should provide for increasing longevity, inflation, falling interest rates, cost of health in old age, and protection for dependents. A life insurance company can devise a pension policy and provide income for life by using tax deferred compounding to beat inflation and with guaranteed minimum annuity pay-outs.

A.P. Kujan (2001) states that, education on pension and awareness are necessary to spread pension reforms. The real challenge lies in aggressive marketing. Worldwide, financial products are sold and are never bought; it will be much more so in selling pension concepts and products mutual funds come closer to pension products. This synergy makes them go hand in hand. World over, mutual funds are involved with pension markets and products.

According to R. Natarajan (2001), payment of pension, in lieu of contributory provident fund, was implemented for all the employees of public and private sector banks. They were given an option to choose either the pension scheme or to continue with the then existing provident fund scheme. A pension fund was created by the banks by pooling their initial corpus with the entire amount of bank's contribution to provident fund, together with interest, in respect of pension optees.

T.K. Banerjee (2001) defines that in any pension system, the major pillar should be the social security scheme with mandatory contributions and some cross-subsidy. This is the foundation for any pension scheme, though it gives frugal returns. At present, there is only partial tax relief for contributions to pension funds; whereas pension is fully taxed, leading to double taxation.

Ashok Reddy (2001) states that the organised pension market in the Indian context is still small, though it has big potential. Important structural issue need to be addressed to the existing Employees Provident Fund / Employees Pension schemes with reforms in investments and administration.
Technology should play a key role to improve service to both the contributors and trustees and also help cut costs.

Prakash Diwan (2001) emphasises that due to lack of awareness of long-term instruments, very few people in India plan for their future. Indians are good savers. But their investment in physical assets is very high. the trend needs to be changed to invest in long term saving products. pension funds do not have well-defined investment policy or risk management strategy to deliver the maximum yield with maximum security.

According to Moneer Alam (2004) much of the recent growth of India’s elderly population is expected to comprise persons with adverse life course experiences, by excessive socio-economic backwardness. Such an process suggests the need for a multi-pillared income security system. Income security for the aged in India is currently designed at two levels. One is the recently introduced national public assistance scheme by the central government and the other relates to the welfare activities funded by the states themselves One of these activities also includes the means tested old age pension programmes for the destitute elderly.

The OASIS project (2000) report indicates that India is not immune to the world wide phenomenon of populations. Life expectancy is rising and traditional support systems such as the joint family system are breaking down. If the country is not to have a huge population of the aged destitute, some pension system must be worked out. Currently, almost 90 percent of India’s workforce are not eligible to participate in any scheme providing security in their old age. At the same time, the government does not have the wherewithal to provide for the burden of pension.

Joseph L. Mc Connell and Janet M. Hooks (1954) defines that the most people come to retirement age with insufficient means to provide for their own support. Private savings plan were often neglected, deferred, or interrupted
because of sheet optimism, lack of foresight, business depression, or technological displacement. Whatever their intentions may have been, Competitive consumption to maintain social status is also a contributing cause to neglect of savings plans.

Jorge Bravo (2000) emphasises that demographic growth is a key factor in rates of return of such transfers as unfunded pension systems. An upward transfer system, in which resources flow from the young to the older members of a population, benefits from greater demographic growth, In expanding economies, the rate of return of this kind of transfer system should increase in direct proportion to the rate of productivity growth.

The Old Age Social and Income Security Committee,( 2005) indicates the old age income security, enunciated the basic philosophy of pension reforms namely that “economic security during old age should necessarily result from sustained preparation through life-long contribution” and that the government should step in only in case of those who do not have sufficient incomes to save for old age. The aim of any pension reform initiative is to reduce the unfunded pension liability, reduce the role of the state as pension provider and increase the pension coverage.

According to the World Bank report(2005) the outlays on pensions for government employees are likely to grow faster at the state level where employment more than doubled in 30 years. The defined contribution pension for new employees is a step to mitigate this. The transition can be effectively smoothed by efficient fund management and the monitoring of the accumulated pension on a continuous basis.

The Government of India,(2007) the ministry of finance state that, a modern pension system will lay sound foundations of financial portfolios through which individuals will be able to obtain income support in old age. Pension funds are natural vehicles for long-term investment, including in
equity. A modern well regulated pension sector, populated with professional pension fund managers will also be a highly beneficial force in India’s financial system.

According to Rajiv Ahuja, (2007) while the new pension system that is being promoted in the country is appropriate for those who can save for their retirement, there is need for an alternative approach for low-income people who cannot fully provide for their retirement, for which reason a significant proportion of workers may not be able to benefit from the new system. In India, old age security is not well developed. About 85 percent of the total workforce is in the unorganised sector with little or no formal old-age income security. The issue of old-age security is gaining importance, and it is now high on the public policy agenda.

Ashok Dasgupta (2007) states that Asia is set to become the ‘oldest’ region in the world in the next few decades and countries will have to take tough policy decisions to cope with the huge economic impact of an population. Asia’s share of the global elderly, which was at 44 percent in 1950, would rise to 62 percent by 2050. Some countries such as Japan where nearly two out of every five people will be 65 or older by 2050 already face the challenges of an population, such as a declining labour force numbers and spiraling pension and healthcare costs. Developing economies, by contrast, are yet to face such problems: their working populations will continue to expand sharply over the next two decades.

According to S.M.Chellaswamy, (2008) the state commissionerate must be established for the elderly with sub-offices at the district and block levels. Some of the areas that need to be covered by the commissionerate are financial security, protection of life and property, healthcare shelter and insuissuance of identity cards to the senior citizens. The senior citizens should get treatment
free of cost at government hospitals and primary health centres, concessions in bus fare.

Warren Sanderson(2008) emphazises that the cost of caring for the aged will face their greatest challenge in the next two decades, although the burden should ease towards the end of the century. The percentage of the grey heads in the world’s population will rise rapidly over the next 20 years, although it will peak in different regions at different times. The implications of an population are far-reaching for healthcare, where costs rise dramatically towards the end of life.

According to Santhosk Kumar(2009) the nuclear family has become so much a rigid system that even parents are not counted in the immediate family. To create more awareness regarding family values. The policy of government is to reunite the abandoned elderly people with their family. Putting them in old age home is only the last resort.

Paromita Pain(2008) reports that for many people, growing old would probably be as cool as being young if only it wasn’t so lonely and so difficult to get things done. They may be old and retired from active professional lives but that doesn’t mean their potential to contribute has lessened in any way. They are our “grey skill bank”

Helpage India(2008) states that in India, better medical care and low fertility have made this the fastest growing section of society. The grey population has doubled in 25 years By 2010 we are expected to have 135 million elderly people in the country. With most young people studying or working in other parts of the country, elderly people are often left to fend for themselves. But they could also use a helping hand at times that’s why activities for volunteers includes bonding at the school level, helping out in old age homes, service in hospitals, banks railways and courts and providing companionship for the elderly.
Praveen Kumar Gupta (2009) states that the increasing problem of the elderly being abandoned and left to fend for themselves and the fate of a large population of old people living alone have forced the state government to plan more old age homes. The alarming number of the elderly being thrown out of their homes and dumped in institutions has put severe pressure on many such homes in Chennai, most of which are fully occupied.

Indrani Rajadurai (2007) emphasises that the concept of old age home in our country developed only a decade ago. The poor cannot afford to take care of their elders, but the middleclass choose paid homes for their medical benefits and security. Each home has its own admission criteria.

According Chellaswamy (2008) that the liberalised medical insurance removing restrictions on age or disease; subsidised Government premium; State run old age homes and geriatric wards in every district and government hospital; and liberalised terms for obtaining the family pension to prevent delay in sanctioning of family pension after the death of the pensioner.

Rema Nagarajan (2008) states, growing old is a lonely business anywhere, but more so in Tamil Nadu than elsewhere in the country. The state has the highest number and proportion of elderly people living on their own, especially elderly women. The proportion of homes with elderly people in Tamilnadu is the same as the all India average. In most states, there are more elderly women than men while in Tamil Nadu they are almost equal. When it comes to the overall sex ratio of the 60+ population.

Dr. V. S. Natraj (2008), a pioneer in geriatrics points out that the city does not have enough facilities equipped to treat the ailments of the elderly. "Like pediatrics, geriatrics is separate specialization as the system and metabolism of the elderly are different. With the graying there is also a huge demand for homes and services that enable the elderly to live independently.

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According to L.W. Simmons (1945), the only reliable criteria for the onset of age seemed to be the social and cultural one. The simplest and safest rule to follow was to consider a person as "old" whenever he was so regarded and treated by his contemporaries. Accordingly, the various stages of life and the ages are to be determined on the basis of physical health, economic condition and occupational character nature of the community, proximity of relations.

Ageing is a phenomenon (1984) in which ecological organism changes slowly and sheds off slowly the resistance to mortality, and therefore, there is a wide range of ages to regard man 'aged' because some display 'old age' at 40–50 years of age while others appear young even at 70-75 years of age. Official ages of 'retirement' in government systems are also between 50-70 years. In short, it is speculative to establish any correlation between 'biological' and 'social' aging.

Gerontologists (1954) have argued that the older unemployed (or the retirees can compete successfully with younger job seekers, since the former have more experience and skill than the younger workers coming for the first time in the job. Nonetheless, it is socially and psychologically, desirable to push up retirement age to 62 years (or even more than that) in the wake of rising survival rates of the aged people, simultaneously, there is also a pressure to lower the age(s) of retirement since employment opportunities are not coming up as fast as the new additions of younger people in the labour market, as also the old are attempting to resist their elimination from labour market.

L.W. Simmons the adequate accommodation and physical environment are essential for the welfare of all the age groups, but more so, for the older persons; they can either stay in own houses or live with relatives / friends or live in retirement communities, roaming/ nursing 'aged-peoples' homes. But as the aged are societal beings, only a very small proportion of them life to live
outside their own familiar habitat groups/can communities. The elderly people do not prefer to change from the familiar area they lived in for a long time and therefore they lived in for a long time and therefore they do not join institutional housing facilities except when there is a failure on the part of the community to provide organised programmes with community support.

A majority of people, in pre-industrial periods—who lived mostly up to about 40-50 years were (1932) dependent on the family as a unit of production and with this ‘low expectation of life’ aged had a place. But in the industrial and urbanised age, the roles of the parents and grand-parents became slowly less and less important, and made the elders helpless. In the Western industrial societies, sizeable number of people live in hospitals and nursing homes—not because they are serious ill but due to non—availability of the services and facilities from the family and community to assist them when they have to adopt and adjust while superimposed by the limitation and uncolegenial environment, set by the competitive market economies where the value attaches primarily to the productive potential of the individual.

In old age, the pensioner like to live in specifically different surroundings than they had lived hitherto either by themselves (with the spouse) or with the other members of the family or with adult children or in the homes/hostel for pensioners’ or in a separate pensioners’ colony. Pensioners colony or have a certain residential quota in a general residential colony. The choice or preference offered by them could be an outflow of a gamut of social or psychological reasons. The illness that occurs retirement, is more from psychological stance; retirees /aged perhaps feel that they are intruders to their adult children and also that they have become dependent upon them. They also somehow feel that as retirees, their place in society has been robbed and they only play the role of ‘sick’ or vegetative’ members of the society.
Robert C. Atchley (1978) found that actually the aged have an improved psychological temper. Nonetheless, it is more authentic to say that retirees feel difficulty in social adjustment in relation of self-esteem, and age identification. How a new or a different arrangement than that they had been accustomed to before retirement, will be more pleasant of their leisure time’s special needs. In old age—when the retirees feel a loss of involvement and participation and a significant change in self-image is it not true that poverty-striken life spoils more of their self image than the decline in status after retirement.

The psycho-transformation of the pensioners takes place because the feelings of a retiree radically change within few days or weeks of retirement; from a busy life, he finds an abundant time-span for leisure; from a ‘often—sought of man he has to seek others for many of his personal problems and to execute his day to day household chores—to which he was not accustomed.

In developing countries, and also in India (and to a higher degree in rural area), ‘kinship’ is the cementing force and within it the economic power remains the sole preprogative of the head of the family, who very often is an aged; this circumstance incidentally offers opportunity, for the younger ones, to care for the aged.

The process of retirement might be less rigid and the atmosphere might become more amenable and agreeable to keep the aged people in the employment market; the pressure (from the employers, younger generation of working population and the Government) on the issue of super-annuation would also perhaps resilie and able retiress will find a market for their skill. Along with technological advances, which will grow exponentially, the working hours of the working population in the age groups “20-54” years and “55 years and over” will as well decline without affecting adversely the wage levels of the employed. Such a circumstance will generate more chances of
employment and perhaps accompanied by bright improvement in productivity and wages per man hours.

Aristotle (1978) observed the injustice arises when equals are treated unequally, and also when unequals are treated equally. Social services or economic assistance provided to the ‘aged’ ushers promotion of justice; but if the elderly are unequal to adults, injustice may also prevail in that situation. In advanced countries, quite many safeguards have been provided for the elderly and more services and assistance are devolved to them, consequent on vital advocacy which steads for vulnerable status of the aged; and the gerontological ‘discipline and movement’ also continuously stress of it.

According to Prof. Rosenfield, (1978) that a sizeable increase in life-span can bring a series of problems; for example, after 65 years of age, old people will stay in their top jobs and keep away younger ones from promotion. Further what would happen to social security, pension plan, and insurance as also other commitments; all these are terrified problems. How the population pressure will multiply – unless there is a severe check on births which should go hand in hand with researches top control cancer, heart disease, etc. along with findings in various fields applicable to expanding of ‘life-span’, and the specific problems of ‘’.

Dr.B.Jaykumar (2004) states that,Physical and psychological changes which are incident to old age. A process of gradual and spontaneous change, resulting in maturation through childhood, puberty, and young adulthood and then decline through middle and the late age. Although has both the positive components of development and the negative component of decline senescence refers only to the degenerative processes that ultimately make continued impossible.

Dr.G.Ganapathi Rao (2004) narrated that Old age and its problems are inevitable as one lives longer. With changes in joint family system and children
leaving for far away locations including foreign countries in search of better life, the old members of the family are left to look after themselves in a phase of their life where they require maximum physical and emotional support. No care in an old age home can substitute for the care and love of the family members. In a financially rich background the person who succeeded throughout life to reach the present stage, it is highly humiliating to find that he is slowly loosing grip over life events due to advanced age. On the contrary for a financially poor old man poverty itself is a burden.

According to B.Chandrashekara and S.S.Sannashiddannanvar, (2007) in India is disproportionately a female phenomena and this gender dimension of is a very significant aspect which needs to the given greater attention. The of population has social, medical and financial implications at the macro as well as at the house hold level. Population is the process by which older individuals became a proportionally large share of the total population. Biologically, has been defined as a natural and irreversible life process; generally associated with fatigue, decline in functional capacity of the organs of the body, decreased ability to cope with the stress of disease or trauma.

Binu Moses venkatapathy (2007) states that when a person reaches his normal retirement age of fifty –eight or sixty, he is already mentally prepared for it. He would also have made financial arrangement for the post – retirement period. Unlike their Western counterparts, Indian workers do not think of retirement when they start working. Till recently they had been conditioned to think that employment extends to a predetermined age. Because of advances in health care, there has been an increase in quality of life and productivity even beyond the mandatory age of retirement of fifty-eight or sixty. There are tremendous confusion and feelings of betrayal and fear on the part of the employees. Among individuals who have opted for voluntary retirement from public sector banks revealed that the Voluntary retirement schemes optant has not had the time to plan for his post retirement period.
R. Kannan (2004) emphasises that the risk facing pension fund managers is longevity risk. People live longer than the average age due to medical advancement. If people live longer than expected, then contributions made during working life will not be sufficient to meet the outgo during their retired life. Hence a reasonable estimation of average age is very crucial in estimating the contribution rate during accumulation phase and annuity rate during benefit payment phase. Pension arrangement is not only to take care of employees in their old ages, but this is also used as an insurance instrument to protect the families in the unfortunate event of the death of the earning member while in service.

Sewin Chan and Ann Huff Stevens (2008) states that retirement behaviour is strongly affected by pension incentives. People respond to incentives that they know about and that estimated responses of retirement to financial incentives are driven by a minority of the population who are well informed about those incentives.

Bernheim and Garrett (2008) slates that the large effects of financial education on individual savings and other behaviour also related to the lack of knowledge about pension incentives. Employees tend to follow the “path of least resistance” and that the default options in an employers’ pension plan have a major impact on participation in the plan and on the participants’ saving behaviour and investment portfolio. It is certainly consistent with individual behaviour that does not pay a great deal of attention of finaces and financial incentives.

According to R.N. Pandey and O.P. Gosh, (2002) a large proportion of the elderly are economically dependent on others for their livelihood. The economically dependent aged, a majority had to depend on their children and a sizeable proportion on their spouses for their economic support. The distribution of the aged who were economically dependent changed in respect
of the category of persons supporting them for their livelihood. The patterns of change are not similar for males and females, but are so for the elderly living in the rural and urban areas.

Prof. (Mrs.) Asha A. Bhende (1982) states that aging as it concerns an individual and as it concerns a population are two distinct concepts. An individual invariably ages as he / she passes through the various stages of life, such as childhood, adolescence, adulthood and old age. On the other hand, the aging of a population occurs when there is an increase in the proportion of persons defined as "old" in the population.

Dr. Ashok Sahni (1982) emphasizes that the old age is viewed and compared with death. As a result when those grow older they are afraid of death and thus suffer psychologically. The society is so much afraid of death, that they would like to send the elderly to nursing homes and / or aged homes where the aged can die alone. In the western counties the elderly suffer from psychological and physical diseases due to the fear of loneliness, having worked in a highly technical system, become less active in social activities and thus less centrally involved in the lives of others.

Prof. Victor D’ souza (1982) states that our predominantly rural agrarian society is slowly giving way to urbanization and industrialisation. Our traditional joint family system was also giving way to unitary families. Our older value system which emphasised the family and the community is now giving to a new value system emphasising the individual.

According to Mrs. Meenakshi J. Apte, (1982) all over the world due to improvement in the health conditions and life saving drugs, longevity of human beings is increasing. As compared to the developed countries the proportion of old people in total population of India is small but it is quite large if compared to the absolute numbers. Age of the old people, marital status, having children
or no children, economic conditions and health status are important variables which influence the life styles of old people.

A.B.Bose (1982) states that the stress of living in both urban and rural areas accentuated by inflationary pressures, paucity of accommodation and rising aspirations for material goods, is falling disproportionately higher on at least a growing number of the elderly. There is unfortunately some degree of ambivalence in regard to accepting even care of the elderly in our society as an emerging social problem and of considering their social psychological, and welfare needs when the family is unable to provide for these or needs support to be able to discharge its functions. A continuing positive value in India society is the recognition by the family of its role towards elderly members in the family and the formal social pressures which operate in this regard.

Dr.K.G.Desai and R.D.Naik(1987) states that the population of aged people, in India, is steadily increasing. The processes of urbanization and industrialization are bringing in changes on ways of life, prevailing values and norms. The increasing number of the aged who often become vulnerable due to ageing process are becoming conspicuous because of changes in varied spheres of life. The retirees did have health problems. They continued to face one or the other ailment since the time they retired from their services. Their financial position was critical because of liabilities, in particular, pension, income from other sources, savings as well as assistance from other appeared to place them well financially.

The Pension Fund Regulatory and Development Authority's (PFRDA) (2009) announcement of a new pension scheme, for all the Indian citizens, effective from May 1, 2009, at once raised the hopes of people who have no wherewithal to support themselves during their evening years of life. But the devil in the detail dampens this exuberance with equal alacrity.