POLICY BRIEF 1: THE PENSION CRISIS

Why Rs. 500/Month Is Not Enough

Report Title: The Pension Crisis: Inadequacy of IGNOAPS and Policy Recommendations for Elderly Financial Security

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Target Audience: Ministry of Social Justice, State Social Welfare Departments, HelpAge India, Pension Policy Analysts

Classification: Policy Brief

EXECUTIVE SUMMARY

The Indira Gandhi National Old Age Pension Scheme (IGNOAPS) provides Rs. 200-500 monthly to elderly citizens. This brief demonstrates that this amount is inadequate for basic survival and creates dependency on family members who themselves have limited resources. Based on interviews with five elderly people and comparison with national data, we recommend immediate increase to Rs. 1,500 monthly with pathway to Rs. 2,000 within three years.

Key Finding: 100% of sampled elderly experience monthly financial deficit despite pension eligibility. Average gap: Rs. 4,000-4,500 monthly, filled by adult children subsidies.

SECTION 1: THE PROBLEM (Current Situation)

What Is IGNOAPS?

The Indira Gandhi National Old Age Pension Scheme is India's primary government support for elderly citizens:

- Eligibility: Indian citizens aged 60+ years
- Non-contributory (no prior payment required)
- Amount: Rs. 200/month (ages 60-79); Rs. 500/month (ages 80+)
- Coverage: Approximately 29% of elderly population (2024)
- Cost to government: Rs. 6,000 crore annually

The scheme was designed in the 1990s with fixed amounts. Since then, inflation has been 300%+. The Rs. 500 of 1990 would need to be Rs. 1,500+ in 2024 prices to maintain purchasing power. This has never been adjusted.

Actual Monthly Expenses of Elderly People

Based on interviews with five elderly people in urban South India:

Food Expenses - Basic meals (rice, vegetables, pulses): Rs. 3,000-3,500/month - This assumes simple diet; no meat, no restaurant meals - Calculation: Rs. 100-120 per day for one person

Medicine and Health Costs - Multi-morbidity common (80-90% of elderly have 2+ chronic conditions) - Hypertension: Rs. 200-300/month in medicines - Diabetes: Rs. 300-400/month - Arthritis: Rs. 100-200/month - Other conditions: Rs. 200-300/month - Total: Rs. 700-1,200/month - Out-of-pocket (not covered by government or insurance)

Housing and Utilities - If paying rent: Rs. 3,000-5,000/month (urban areas) - If own home: Rs. 0-500 (maintenance only) - Electricity: Rs. 200-400/month - Water: Rs. 100-200/month - Total: Rs. 300-5,600/month (varies by ownership)

Transportation and Communications - Local transport: Rs. 200-400/month - Phone/mobile: Rs. 150-300/month - Total: Rs. 350-700/month

Miscellaneous - Clothing, personal care, gifts: Rs. 300-500/month

TOTAL MONTHLY MINIMUM NEED: Rs. 5,000-8,000

SECTION 2: WHY THIS MATTERS (Consequences)

Case Study 1: Lakshmi, Age 83

Household Profile: - Pension: Rs. 500/month - Lives with youngest son (age 50) and daughter-in-law - Husband deceased 9 years ago - Conditions: Hypertension, arthritis, mild dementia

Monthly Budget: - Pension received: Rs. 500 - Interest on savings: Rs. 200 - Total income: Rs. 700

- Food: Rs. 3,500
- Medicines: Rs. 800
- Utilities: Rs. 300
- Transport: Rs. 200
- Total expenses: Rs. 4,800

Monthly deficit: Rs. 4,100

How is deficit covered? Son subsidizes Rs. 4,100/month from his Rs. 40,000 salary

Son's perspective: "My mother's pension is 1% of her actual needs. I pay 99%. Out of my Rs. 40,000, after paying for my family (wife, two children in school, rent), I give Rs. 4,000 to my mother. It is not enough, but it is what I can afford. If I lose my job, I cannot support her. She has no one else."

Consequence of pension inadequacy: Lakshmi is completely dependent on her son. This creates: 1. Emotional burden (she feels she is a burden) 2. Fragility (if son becomes unemployed, Lakshmi is in crisis) 3. Intergenerational poverty (son cannot save; children's education at risk) 4. Health vulnerability (Lakshmi rationed medicines last year when son had illness)

Case Study 2: Mrs. Krishnamurthy, Age 75

Household Profile: - Pension: Rs. 500/month (government pension, former teacher) - Lives alone in rented apartment - Widowed 12 years - Conditions: Hypertension, previous heart attack, arthritis

Monthly Budget: - Pension: Rs. 500 - Total income: Rs. 500

- Food: Rs. 3,000
- Medicines: Rs. 900 (higher due to post-cardiac care)
- Rent: Rs. 4,000
- Utilities: Rs. 400
- Transport: Rs. 300
- Total: Rs. 8,600

Monthly deficit: Rs. 8,100

How is deficit covered? Son (age 48) subsidizes Rs. 7,000-8,000/month from his Rs. 45,000 salary

Consequence: Mrs. Krishnamurthy reports: "My son pays my rent. I cannot understand how he does this. He has a wife and two children. He should be saving for their education. Instead, he is paying for my apartment. I feel guilty every day."

She has begun rationing medicine: "If I skip the blood pressure medicine, it saves Rs. 200/month. I know it is not wise, but I feel less guilt about burdening my son."

Health consequence of rationing: Last year, Mrs. Krishnamurthy had a cardiac event. She delayed going to hospital because "I did not want to burden my son with hospital costs." By the time she went, the condition had worsened. Hospital bill: Rs. 1,50,000. Son paid this from savings, depleting the family's emergency fund entirely.

National-Level Consequences

When we multiply Mrs. Krishnamurthy's experience across 145 million elderly Indians:

1. **45 million elderly (29% coverage) receive IGNOAPS**
2. **Approximately 35 million elderly need pension increase** (cannot meet basic expenses)
3. **These 35 million depend on adult children for subsidy**
4. **70 million adult children are subsidizing elderly parents** (approximately 2 adults per elderly person)

Consequence: 70 million working-age Indians are reducing their own savings, delaying education for their children, and experiencing stress due to supporting inadequately pensioned parents.

SECTION 3: EVIDENCE AND DATA COMPARISON

Our Archive Data

Sample: 5 elderly people, urban South India

Person	Age	Pension	Monthly Expenses	Deficit	Covered By
Lakshmi	83	Rs. 500	Rs. 4,800	Rs. 4,300	Son
Mrs. K	75	Rs. 500	Rs. 8,600	Rs. 8,100	Son
Mangalaxmi	54	Rs. 200	Rs. 3,500	Rs. 3,300	Husband
Balaganesh	49	Rs. 300	Rs. 4,200	Rs. 3,900	Son
[5th]	72	Rs. 600	Rs. 5,000	Rs. 4,400	Daughter
Average	**67**	**Rs. 420**	**Rs. 5,220**	**Rs. 4,800**	**Family**

Key Finding: 100% of sample experienced monthly deficit. Average deficit Rs. 4,800/month.

National Survey Data (LASI)

Longitudinal Aging Study of India (largest national survey): - Sample size: 30,000+ elderly people - Coverage: All-India, rural and urban - Finding: 70% of elderly are financially dependent (cannot meet basic needs from own income) - Average pension amount: Rs. 200-400/month

Comparison: Our sample has higher pension (Rs. 420 vs. national average Rs. 300) but 100% report deficit vs. 70% nationally. This suggests our sample is slightly more privileged but still universally inadequate.

Inflation Analysis

IGNOAPS amount over time (Rs. 200 in ages 60-79):

Year	Amount	Purchasing Power (2024 Rs.)
1990	Rs. 75	Rs. 750 (estimated)
2000	Rs. 100	Rs. 500
2010	Rs. 200	Rs. 300
2024	Rs. 200	Rs. 200

Interpretation: The nominal amount has doubled since 1990 (Rs. 75 to Rs. 200). But inflation has made it worth less in real terms. To maintain 1990 purchasing power, the pension should be Rs. 750 in 2024. To meet basic needs, it should be at least Rs. 2,000.

SECTION 4: POLICY SOLUTIONS (Three Options)

Option A: IMMEDIATE INCREASE to Rs. 1,000/month (All ages)

Rationale: Doubles current pension; reaches 50% of estimated minimum need; feasible within current budget

Implementation: - Increase IGNOAPS from Rs. 200-500 to Rs. 1,000 (uniform across all ages) - Cost: Rs. 50,000 crore annually - Funding source: Reallocation within existing social welfare budget or small tax increase

Feasibility: - Cost as % of GDP: 0.15% (India spends 0.25% of GDP on social protection; increase to 0.40% is feasible) - Timeline: 1 year to implement - Government precedent: Similar increases announced in multiple states (Kerala NNPC increased to Rs. 1,600/month)

Expected Impact: - Reduces monthly deficit by 50% - Still requires family subsidy but makes it more manageable - Allows some elderly to be self-sufficient if they own home and have no rent

Limitations: - Does not fully solve problem - Still leaves Rs. 2,000-4,000 monthly gap for many elderly

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Option B: MODERATE INCREASE to Rs. 2,000/month (Recommended)

Rationale: Meets basic need for food and medicines; allows self-sufficiency for homeowners; aligns with poverty line

Implementation: - Increase IGNOAPS to Rs. 2,000/month uniform across all ages - Cost: Rs. 100,000 crore annually - Funding source: Allocation as 0.3% of GDP (reasonable within fiscal space)

Feasibility: - Cost: 0.3% GDP (currently spend 0.25%; expansion to 0.3% is feasible) - Timeline: 2 years phased implementation (Rs. 1,200 in year 1; Rs. 2,000 in year 2) - Precedent: Sri Lanka provides elderly pension of approximately Rs. 2,500/month; Nepal Rs. 3,000/month

Expected Impact: - Covers food and medicine for most elderly - Elderly who own home can be self-sufficient - Reduces family subsidy requirement significantly - Allows adult children to save for their own children's education - Reduces intergenerational poverty transmission

Implementation Timeline: Year 1 (2025): Announce policy and increase to Rs. 1,200 Year 2 (2026): Further increase to Rs. 2,000 Year 3 (2027): Index to inflation going forward

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Option C: COMPREHENSIVE APPROACH (Universal Basic Income + Health Subsidy)

Rationale: Addresses not just pension but health vulnerability; comprehensive solution

Components: 1. Universal basic income for all 60+: Rs. 3,000/month 2. Government health insurance covering medicines and outpatient care 3. Community care centres for isolated elderly

Cost: Rs. 200,000 crore annually total - UBI: Rs. 150,000 crore - Health insurance: Rs. 30,000 crore - Community care: Rs. 20,000 crore

Feasibility: 0.4% of GDP (current social welfare budget is 0.25%; expansion to 0.65% total is significant but feasible)

Timeline: 3-5 years to implement fully

Expected Impact: - Eliminates elderly poverty entirely - Ensures health security - Reduces family burden completely - Highest fiscal cost but most comprehensive

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SECTION 5: SPECIFIC RECOMMENDATIONS

Immediate Actions (Next 12 months)

Recommendation 1: Increase IGNOAPS to Rs. 1,500/month for all ages - Cost: Rs. 75,000 crore annually - Achievable within current fiscal space (0.22% GDP) - Implementation: Announce in next budget cycle

Recommendation 2: Index pension to inflation going forward - Current: Fixed at Rs. 200-500 for 15+ years - Proposed: Automatic inflation adjustment annually - Cost: Minimal (built into program going forward) - Implementation: Amend IGNOAPS rules

Recommendation 3: Pilot universal basic income in 2 states - Select: One high-income state (e.g., Tamil Nadu) + one low-income state (e.g., Bihar) - Design: Rs. 2,000/month UBI for all 60+ for 3 years - Evaluation: Track health outcomes, family stress, quality of life - Cost: Rs. 10,000 crore over 3 years - Learning: Assess feasibility for national expansion

Recommendation 4: Establish health subsidy for elderly medicines - Coverage: 10 most common chronic disease medications - Subsidy: 50% government, 50% elderly/family - Cost: Rs. 15,000 crore annually - Implementation: Government price negotiation with pharma companies

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SECTION 6: ADDRESSING COUNTERARGUMENTS

Argument 1: "India cannot afford higher pensions. Fiscal deficit is too high."

Response: - Increasing pension from Rs. 500 to Rs. 2,000 costs Rs. 100,000 crore annually - Current government budget: Rs. 45 lakh crore - This is 0.22% of annual budget, or reallocation from existing social welfare programs - Comparable countries (Sri Lanka, Thailand) allocate 0.5-1% GDP to elderly pensions - India could achieve this by modest tax increase or efficiency improvement

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Argument 2: "Higher pensions will reduce incentive to work or save."

Response: - Elderly people aged 60-80 are mostly not in workforce anyway - Current pension is so inadequate that it creates dependency, not reduced work incentive - Adequate pension allows elderly to stop working when unable (dignified retirement instead of forced work until collapse) - Research shows that adequate basic income does not reduce work; it improves health outcomes

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Argument 3: "Family support is traditional. Pensions weaken family bonds."

Response: - Traditional family support worked when families lived together (joint families) - Geographic dispersal has already weakened families; policy cannot restore traditional structure - Adult children providing family support are already stressed and sacrificing their own families' wellbeing - Government pension allows families to maintain bonds without financial stress

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SECTION 7: IMPLEMENTATION ROADMAP

Phase 1 (Immediate): Budget Allocation

- Month 1: Proposal to Ministry of Social Justice
- Month 2: Review by Finance Ministry
- Month 3: Cabinet approval
- Month 4: Budget announcement

Phase 2 (Short-term): Policy Change

- Month 5-6: Draft revised IGNOAPS guidelines
- Month 7: State-level training for implementation
- Month 8: Public announcement of new pension amount

Phase 3 (Implementation): Rollout

- Month 9: Pension amount updated in payment systems
- Month 10: First payment at new amount
- Month 11-12: Monitoring and feedback collection

Phase 4 (Sustainability): Long-term

- Year 2: Annual inflation adjustment
- Year 3: Evaluation of outcomes
- Year 4: Plan for further increase if needed

SECTION 8: COST ESTIMATE SUMMARY

Policy Option	Annual Cost	% of GDP	Feasibility
Current IGNOAPS	Rs. 6,000 Cr	0.018%	Current state
Option A (Rs. 1,000)	Rs. 50,000 Cr	0.15%	High
Option B (Rs. 2,000)	Rs. 100,000 Cr	0.30%	Moderate
Option C (Comprehensive)	Rs. 200,000 Cr	0.60%	Challenging

SECTION 9: EXPECTED OUTCOMES

By increasing pension to Rs. 2,000/month:

For Elderly:

- 50% reduction in poverty rate
- Improved health outcomes (can afford medicines)
- Reduced anxiety and depression (financial security)
- Maintenance of dignity (reduced dependence on children)

For Adult Children:

- Reduced financial burden (Rs. 4,000/month subsidy becomes Rs. 500/month supplement)
- Ability to save for own children's education
- Reduced stress and health problems
- Improved family relationships (financial stress removed)

For Society:

- Reduced intergenerational poverty transmission
- Improved economic productivity (fewer adults distracted by parent care)
- Reduced institutionalization (elderly can remain in community)
- More equitable society (basic security for all elders)

SECTION 10: CALL TO ACTION

To Government: Increase IGNOAPS to Rs. 2,000/month within 2 years. This is affordable, feasible, and morally necessary.

To NGOs: Advocate for pension increase through campaigns, media, and direct engagement with policymakers.

To Researchers: Conduct similar studies in other states/regions. Build evidence base for policy change.

To Individuals: Share this brief with elected representatives. Demand policy action.

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