The Crisis of Elder Welfare in India's Pension Exclusion

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Introduction

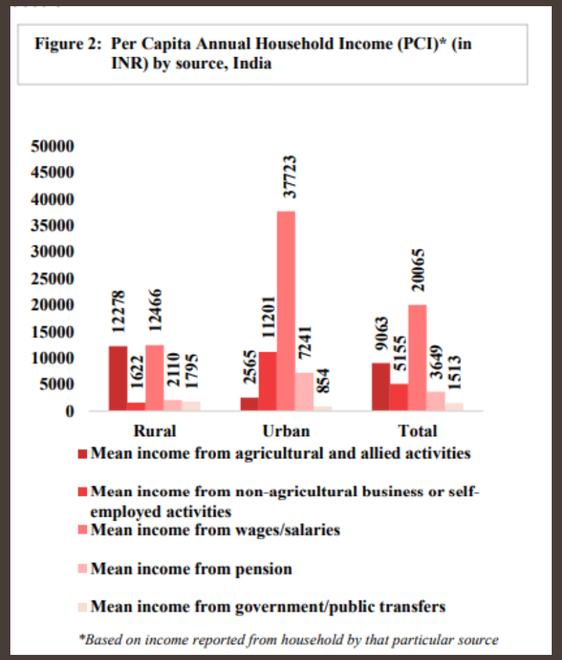
What India's Pension Architecture Reveals About Ageing in Precarity

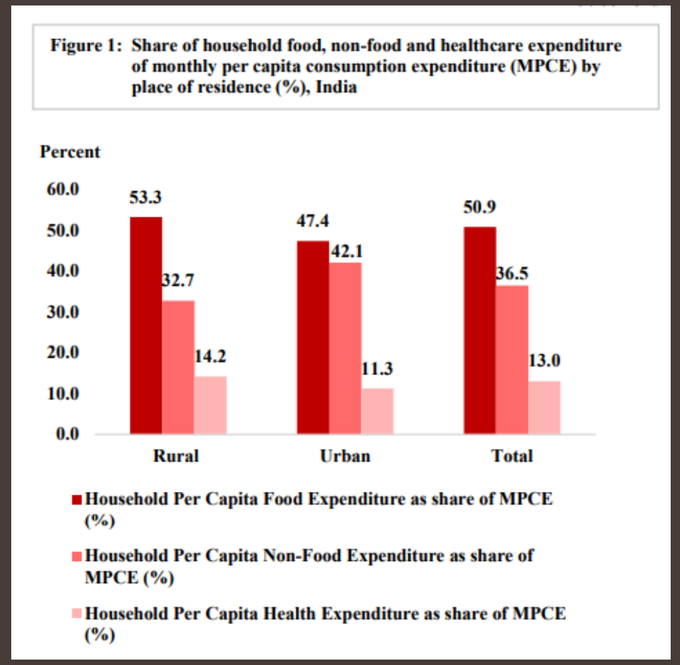
The Indian Pension System is designed to include individuals who engage with the formal and salaried sector of the economy, isolating people of old age who are part of the unorganized sector and struggle with inconsistent documentation. Contributory schemes like the Employees' Provident Fund Organization (EPFO) and the National Pension System (NPS) are inaccessible to over half the workforce and exclude informal workers. The only public safety net available, the Indira Gandhi National Old Age Pension Scheme (IGNOAPS) offers meagre and insubstantial payments. As a result, retirement becomes a privilege rather than a right with ageing increasingly marked by economic uncertainty. As India's demographic shifts into an ageing society, its fragmented pension architecture is unfit for the scale and structure of elderly needs. To prevent widespread late-life precarity, the state must build a universal, inclusive pension system rooted in the realities of how Indians live, work and grow old.

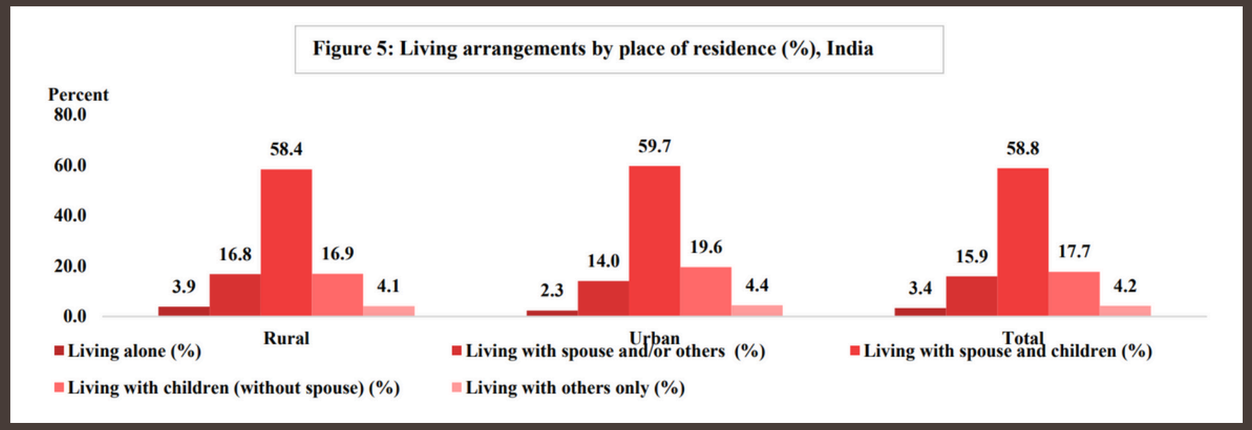
Existing Pension Schemes

- IGNOAPS was introduced in 1995 as part of the National Social Assistance Programme (NSAP) to provide financial assistance to the elderly who are below the poverty line. The scheme was later transferred to the state in 2002–2003 for implementation with additional central financial assistance. The main objective of this scheme is to provide social security to make older people economically independent. The scheme covers the elderly aged 60 and above who have little or no regular means of subsistence either from their own source of income or through financial support from family members or other sources.
- The Indira Gandhi National Widow Pension Scheme (IGNWPS) is implemented by the Ministry of Rural Development, Government of India. The applicant should belong to a household falling below the poverty line as per criteria prescribed by the Government of India. The pension amount is INR 200 per month, and the state government is also urged to provide the matching amount or more. The pension is credited into a post office or public sector bank account of the beneficiary and is discontinued if the widow remarries or moves above the poverty line.
- The Annapurna Scheme is a centrally sponsored food security scheme that was launched in 2000 as part of the National Social Assistance Programme (NSAP). It provides food security for senior citizens who, although eligible, remain uncovered by the National Old-Age Pension Scheme (NOAPS).

The Pension Divide: Who Retires and Who Can't

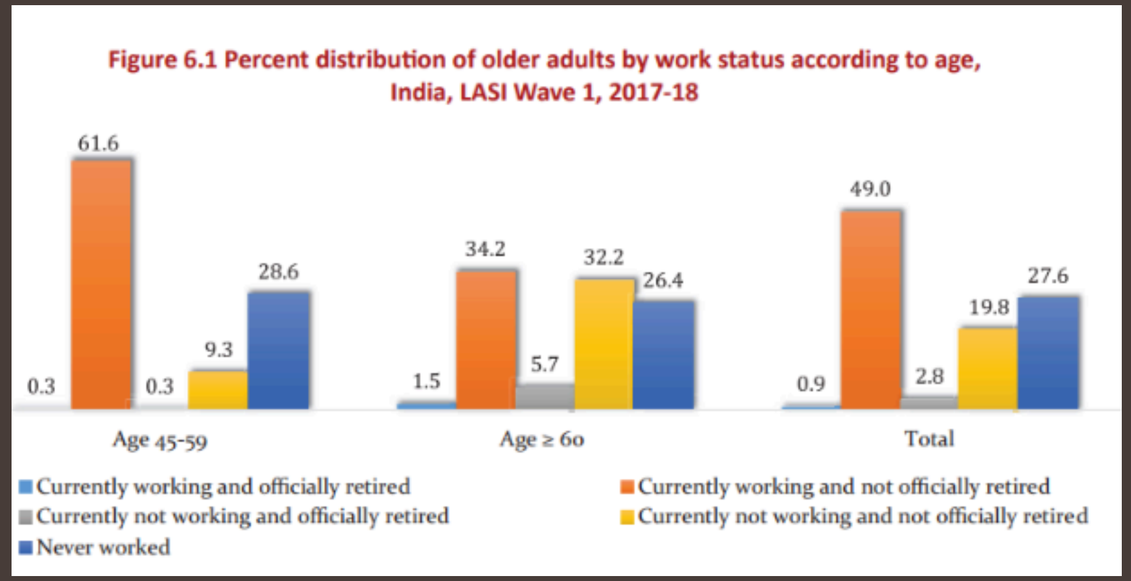






Source: LASI Wave-1 Factsheet

- Pension income is minimal across both rural and urban areas
- Government/public transfers also remain low especially in rural areas
- Majority of the urban incomes are wages/salaries while income from agriculture is more prominent in rural areas.
- Rural incomes are significantly lower overall
- Food consumes over half of rural monthly spending (53.3%), compared to 47.4% in urban areas.
- Non-food expenditure is higher in urban areas, but health costs are proportionally heavier for rural households.
- Most elderly live with spouse and/or others
- Living alone is more common in rural areas (3.9%) than urban (2.3%).
- Around 16–20% live only with children without a spouse.



Source: LASI India Report 2020

Less than 4% of the elderly experience formal retirement. India's pension system applies to a small fraction of its ageing population. The majority of older adults, despite being past retirement age, remain in the workforce (typically in informal, low-paying and physically demanding jobs). The Indian pension system is designed for a formal salaried class but over 90% of elderly workers are in informal employment with no retirement benefits. This reflects economic necessity for survival. With a large percentage of income going toward basic food and health needs and a lack of a sufficient pension system, the elderly face deep financial stress, especially in rural India where food and health eat up 67.5% of all spending. There is a heavy reliance on family for economic and social support. Institutional or independent living is rare, which means pension or income insecurity directly burdens households. Beyond age, among all caste groups, the Monthly Per Capita Expenditure (MPCE) is the lowest among Scheduled tribe (` 2,208) households, followed by Scheduled caste (` 2,444) and other backward class (` 3,029). The mean MPCE of households with at least one elderly person age 60 and above is ` 2,948, compared with households with no elderly members (` 3,001). This reflects how the India pension system has diverse impacts on varying social classes resulting in a silent axis of economic neglect.

Hence, retirement is a myth for most Indians. Instead of a dignified transition into later life, the elderly face extended labour, inadequate state support and near-total reliance on family or personal savings (if any exist) making retirement a privilege only few can afford.

The Gender Penalty in Retirement

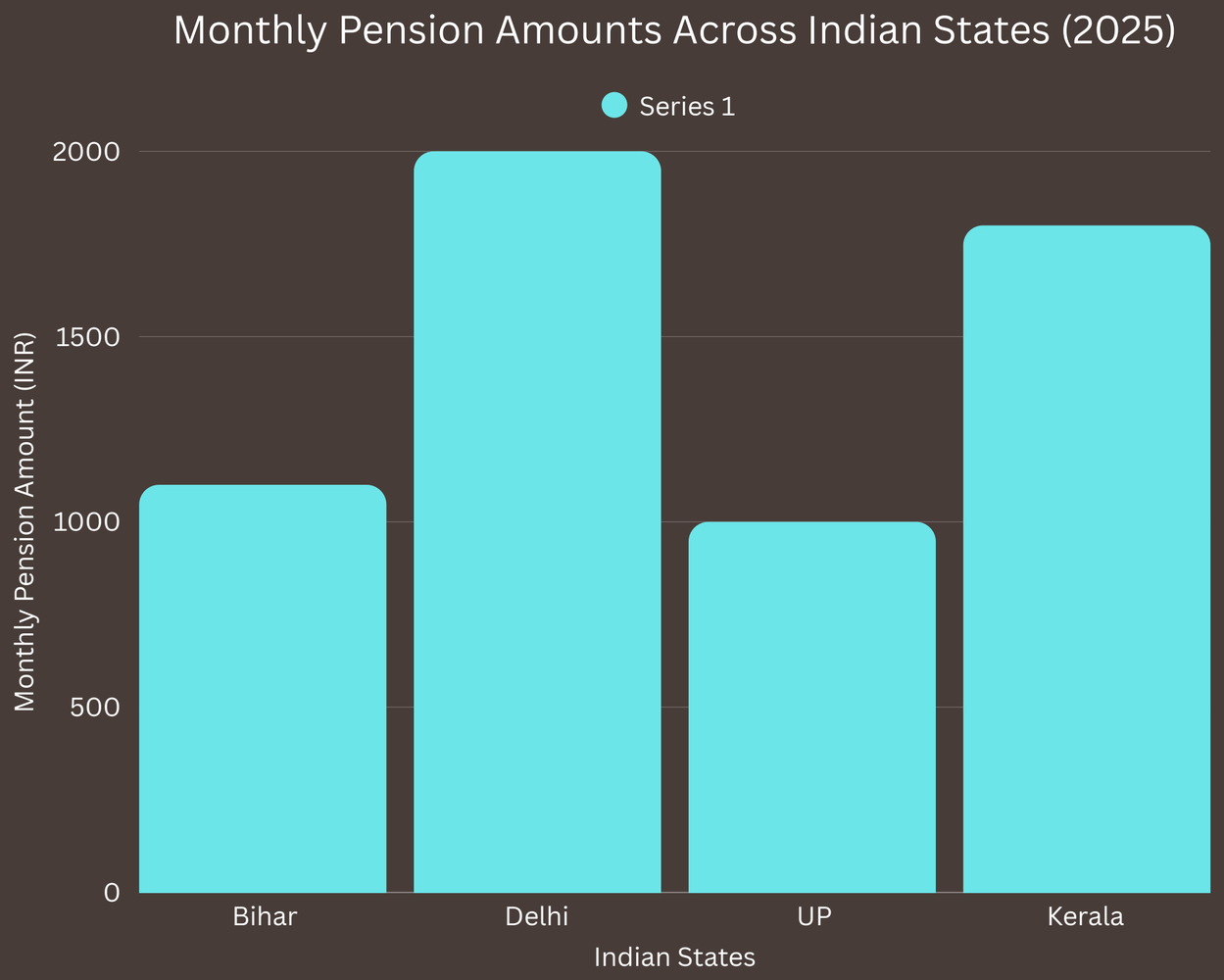
- India’s pension system structurally marginalises women, particularly widowed, single, and informally employed elderly women, replicating gendered inequalities from working life into old age. Though women live, on average, five years longer than men, their labour force participation in later life is drastically lower. According to the HelpAge India 2024 survey, only 7% of elderly women are engaged in paid work, compared to 24% of men, with most working in the informal economy and earning less than ₹1 lakh annually. A majority of these women were homemakers or informal workers, whose lifelong unpaid or underpaid labour receives no pension credit.
- The report further observes that 38% of elderly women reported zero income in the past year (2024), compared to 27% of men. Among those with no income, only 36% receive financial support, and this is often irregular and insufficient to cover even half of their living expenses. This leaves around one in five elderly women completely unsupported, a group disproportionately comprising widows and particularly those from lower- or middle-income households.
- Despite such vulnerability, India’s two main social pension schemes for women: IGNWPS and IGNOAPS that offer a paltry ₹300–₹500/month. Even access to these schemes is exclusionary. Fewer than 25% of eligible widows actually receive IGNWPS benefits, and only 45% of elderly women are even aware of the scheme. Documentation hurdles and extensive procedures remain a major barrier, especially for women without digital literacy or Aadhaar-linked bank accounts.

- Women’s care labour, often an overlooked and neglected dimension, whether for children, spouses, or grandchildren is invisible in the pension architecture. Neither the Atal Pension Yojana nor PM-SYM accounts for unpaid caregiving or the fragmented income streams typical of female informal workers. The HelpAge report notes that elderly women are primary caregivers for grandchildren and provide domestic support even into advanced age, yet none of this labour is pension-eligible. This underscores the urgent need to implement non-contributory pension schemes.
- Compounding this is the gender digital divide. Only 33% of elderly women have access to any digital device, compared to 48% of elderly men. Even among device users, functionality is limited to entertainment and social media. Fewer than 1 in 5 elderly women are comfortable using digital services, making it nearly impossible for them to independently apply for or track pension entitlements.
- The cumulative effect is India’s pension system is structurally misaligned with the life trajectories of most women.

The Pension Gap Between States

- The stark inequalities in India's pension landscape are most visible when examined through a state-level lens. This section compares Kerala, Delhi, Uttar Pradesh (UP), and Bihar, highlighting vast differences in pension amounts, coverage, and inclusivity.
- Kerala remains India's most progressive in elderly care. As of 2024, it provides ₹1,600–₹1,800/month under the Social Security Pension Scheme (SSPS). Its 2023 Senior Citizens' Bill further institutionalises rights-based protections. Importantly, coverage is nearly universal for those above 60, and the scheme is delinked from BPL status, unlike central norms. The HelpAge 2024 survey also show Kerala as having one of the lowest shares of elderly reporting zero income, indicating effective state support.
- Even Delhi, despite being a Union Territory, has set a high benchmark with pensions of ₹2,000 for those aged 60–69 and ₹2,500 for those over 70, provided the annual family income is below ₹1 lakh. Though income thresholds remain restrictive, benefit amounts are more in line with real costs of living.
- In contrast, in UP, pensions under IGNOAPS and state schemes meet ₹1000/month, and coverage remains below 30% for the eligible elderly. Data reveal that UP has one of the highest proportions of elders reporting no income, especially among Dalit and female respondents. Weak administrative capacity and digital exclusion, especially in rural areas, contribute to low utilisation,
- Likewise, Bihar mirrored UP in its tokenistic pension levels (₹400–₹500) and low enrolment rates until 2024. HelpAge 2024 found that Bihar's elderly were among the least likely to receive regular pensions, with many citing delays, digital barriers, and lack of awareness as key hurdles. However, the Bihar government has expanded its social security pension coverage upto ₹1100 per month in 2025.

- Kerala’s rights-based model, characterised by universal access, higher monthly disbursals, and political continuity. In contrast, states like Bihar and Uttar Pradesh continue to use strict means-testing and offer minimal support, often below ₹500/month, with poor state contribution and weak administrative focus. As a result, those most in need are often left out, reinforcing existing social and economic inequalities.
- In Bihar, a substantial share of elderly, report no income or financial support, and pension coverage remains erratic. Even Delhi, despite greater fiscal capacity, maintains fragmented and discretionary pension delivery, only around 30% of eligible elderly are enrolled under old age pensions, and benefit delays are frequent, This reflects a deeper failure of political priority and elderly neglect.



Sources: Deccan Herald (Kerala, Mar 2024), Times of India (Delhi & UP, Feb–Mar 2024), Indian Express (Bihar, June 2025).

- The comparative state-level analysis of pension provision as illustrated previously reveals a deeply fragmented welfare architecture in India, one that systematically undermines the promise of dignified ageing. The divergence is not merely a difference in administrative delivery. It reflects entirely on what the elderly are owed by the state, and whether retirement is seen as a right or a residual charity.
- Furthermore, these disparities are not only geographic but intersectional. Elderly women, Dalits, and informal workers are disproportionately concentrated in the worst-performing states. The pension system, while continuing to adopt and evolve, reproduces historical marginalisation, as those who were excluded from formal employment due to caste, gender, or location now find themselves excluded again in retirement. Thus, India's pension regime, built on minimal, targeted, and exclusionary logic, overlooks structural vulnerabilities, as intergenerational support erodes due to migration, urbanisation, and declining fertility,

Barriers to Reform

- Political Disinterest - A reform in the Pension system attracts bleak political interest due to low visibility of the stakeholders involved as well as the demand for change. This segment of population has lesser contribution to electoral gains, attracting less attention from the government which is diverted to subsidies and cash transfer instead. According to the Government of India's National Commission on Population's Report of the Technical Group on Population Projections (2011-2036) for India and States, India is going to be home to around 22.7 crore senior citizens which roughly 15% of the population, though mostly seen as a non-productive component in the economy. The unorganized sector struggles with various problems like employment, healthcare and food scarcity where demand for an inclusive pension system does not take precedence.
- Technical Difficulties - Increased digitalization of these processes also presumes increased digital literacy which is not the case in the informal sector which remains aloof from the pension benefits. Increased reliance on technology creates gaps for the people in the unorganized sector without internet connectivity and access to smartphone. Aadhar and Bank linkages also creates hindrances for people with dormant bank accounts or outdated biometrics in the system.
- Stringent requirement for documentation for the purposes of age, address and identity verification also creates a barrier for the elderly people working in the informal sector.

- Overlapping Responsibilities - Multiple ministries deal with matters relating to pension creating overlap which leads to diversion of effort and resources in the same direction, thus reducing the efficiency of the scheme.
- The Ministry of Personnel, Public Grievances and Pensions is the coordinating agency under the Union Government responsible for matters relating to post retirement dispensation.
- The Ministry of Finance introduced the National Pension System (NPS) and is responsible for dealing with pensionary matters under the scheme.
- The Employees' Provident Fund Organization (EPFO) comes under the administrative control of Ministry of Labour and Employment.
- This leads to lack of accountability and an absence of concentrated effort in the direction of reform. This creates bureaucratic inertia increasing the administrative burden involved in the process.
- Additionally, a significant portion of the informal sector consists of elderly women who work as domestic help or daily wage workers but the policies relating pension assume a formal and urban male employment status which is disparate from the working reality.

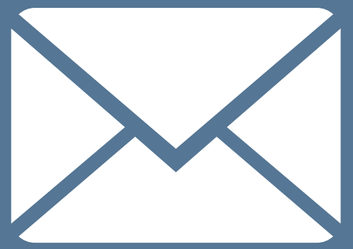
Way forward: Rethinking Pension Justice

India can adopt and emulate from the highest-ranking countries on the Mercer Pension Index like Iceland and Netherlands who have universal and non-contributory pension schemes. These ensure inclusivity regardless of the type of employment of the beneficiaries. They also have a mandatory occupational pension, where contributions are made by both employers and employees, further enhancing the pension objective.

Similarly, Old Age Allowance (OAA) scheme of Thailand is also universal and non-contributory which provides monthly cash transfers to the elderly of the country. This scheme also requires only minimal documentation which is a foundational requirement in India for the implementation of a universal scheme which includes the informal sector. This is critical as in great semblance with India Thailand is reported to have 15.8 per cent elderly citizens of all age groups. Additionally, these funds can be used to purchase essential services and goods which is projected to increase Thailand's GDP by 0.1% as well, whilst enhancing the well-being of elderly citizens.

The need of the hour is adoption of universal, non-contributory policies which require minimal documentation, and have automated mechanisms capable of adjusting with inflation and have digital assistance ready for the elderly of the informal sector.

Thank you!



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