India's elderly poor are being left behind

Poverty among the elderly in developing countries such as India is on the rise as the traditional extended family unit dissolves, fertility rates decline, migration to urban jobs rises, and government attempts to improve aged care have left many falling through the gaps.

A small minority of workers in the formal sector are secure, but the vast majority of informal sector workers face poverty in their old age because they lack social protection.

To improve the income security of the elderly poor, the Indian government introduced the National Old Age Pension Scheme in 1995, a cash transfer to mitigate poverty faced by the elderly.

It is administered by the Ministry of Rural Development and state governments implement it through municipalities, which identify beneficiaries. But that initiative depends on whether the money reaches the elderly poor.

Research on social pensions in other countries such as Brazil and South Africa has shown how important social pensions are for reducing poverty, with other household members helped by the direct beneficiary.

The problem in India was that elderly poor who needed assistance were slipping through the net, while too many old people who didn't need help got it anyway.

To better target beneficiaries, India introduced social pension reforms in 2007 and, while the gap narrowed, it was not eliminated.

Eligibility has shifted to holders of the Below Poverty Line card, but the policy is too weakly implemented to effectively target the poor. The non-poor, particularly those with direct connections to the local government, can get the card, and the non-poor have a better chance of receiving benefits.

The need for an effective social pension scheme in India has been reinforced by progressing demographic change and weakening family support.

Life expectancy has been increasing and fertility rates have been falling. There are about 9 elderly dependents for every 100 people of working age or 15 to 64 years old, but in 2050 there will be about 21 such dependents.

That more than 90 percent of the labor force is working in the informal sector implies that most elderly people lack all the safety nets that formal sector workers enjoy. Many don't have enough savings, and their well-being depends on government support beyond what their families can provide.

To get the pension, applicants need to prove they are destitute, with little or no regular means of subsistence from income or financial support from family or other sources. The elderly have to ask for assistance before they can be assessed by local authorities.

In 2006, the central government increased its contribution to social pension by almost 170% and asked all state governments to match it.

Information gaps, missing data, misreporting, and corruption have meant that many elderly are not covered by government initiatives, and the situation is worse in developing countries.

The poorest elderly face the biggest difficulties in accessing social pensions. They are more likely to be unaware of what assistance is available, and even if they do know, they often lack the documents needed to apply, such as a birth certificate. In remote areas, they often must go through middlemen, who take a share of the benefit.

The Below Poverty Line card has become the primary document needed to receive social pensions, but some people who aren't poor use it—and their connections to local officials—to obtain the benefits.

This episode is based on research done for ADBI by Viola Asri, a PhD candidate at the University of Zurich and a visiting doctoral researcher at the Laboratory for Effective Anti-Poverty Policies at Bocconi University in Milan.

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