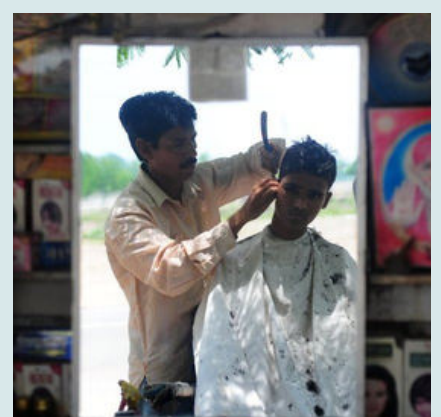


MICRO PENSION

A MAGIC STICK FOR INFORMAL SECTOR WORKERS

Dr. Jeeban Jyoti Mohanty
Prof. Sudhakar Patra



Micro Pension: A Magic Stick for Informal Sector Workers



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Micro Pension: A Magic Stick for Informal Sector Workers

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Preface

The phenomenon of population ageing has emerged as one of the most critical demographic transformations of the twenty-first century, carrying profound economic and social implications. In 1950, there were approximately 205 million people aged over 60 years globally, which rose to 606 million by 2000. By 2050, this number is projected to reach an alarming 2 billion, with nearly two-thirds residing in developing countries. These countries, including India, are witnessing a rapid demographic shift characterized by declining fertility and increasing longevity. The proportion of older persons in developing countries is expected to exceed 19 percent by 2050, while that of children will decline sharply from 33 percent to 22 percent. India, following this global trajectory, stands at a demographic crossroads. With its elderly population currently constituting about 7.2 percent of the total, India has nearly 76.6 million aged persons today expected to rise to nearly 198 million by 2030.

This demographic transformation brings to the forefront the critical issue of old-age income security, particularly for the informal sector workers who make up nearly 90 percent of India's workforce. These workers comprising construction labourers, domestic helpers, drivers, vendors, home-based producers, agricultural labourers, and gig and care workers typically engage in physically demanding jobs with limited work potential beyond the age of 55 or 60. For the vast majority, the absence of any meaningful social protection renders old age synonymous with vulnerability and deprivation. Existing government old-age pension programmes, though well-intentioned, are modest in coverage and benefits. Against this backdrop, the concept of Micro Pension emerges as a viable and innovative solution to provide social security to the unorganized and low-income ageing population.

The motivation for this book stems from the recognition that India, like many other developing economies, lacks a universal and comprehensive social security architecture capable of mitigating the financial vulnerabilities of the elderly. Informal sector workers remain entrapped in cycles of economic fragility arising from irregular incomes, insecure employment, and limited access to formal savings and insurance instruments. The situation is especially acute for women, who face compounded disadvantages due to gender wage gaps, career interruptions from caregiving responsibilities, and longer life expectancy all of which heighten their exposure to old-age poverty.

Against this backdrop, this book seeks to explore the potential of micro pension schemes as an instrument of inclusive social protection. The key objectives include:

1. Analysing the demographic and socio-economic trends of India's ageing population;
2. Examining the structure, size, and dynamics of the informal sector;
3. Identifying operational and institutional challenges in implementing micro pension schemes; and
4. Assessing the awareness, enrolment, and willingness of informal workers to participate and contribute to such schemes.

Empirical insights presented in this book are drawn from an extensive field study conducted in three pilot districts of Odisha - Bolangir, Mayurbhanj, and Sundargarh, where the Rural Micro Pension Programme was first introduced with the support of NABARD in 2011.

The findings reveal compelling evidence on the socio-economic and behavioural dimensions of micro pension participation among informal workers. Factors such as gender, education, caste, annual income, house ownership, and membership in community-based organizations (CBOs) significantly influence both participation and contribution decisions. Awareness of micro pension schemes was found to be relatively high, reflecting the effectiveness of training and capacity-building initiatives under the programme. However, savings behaviour remains short-sighted: most participants prioritize savings for children's education, health, and business needs, while retirement planning receives minimal attention a reflection of pervasive behavioural myopia among low-income households.

Collectively, these findings affirm that micro pensions hold transformative potential to bridge the social protection gap for informal sector workers by fostering a culture of long-term saving and financial inclusion. Yet, the success of such schemes hinges on systemic efforts in policy innovation, financial literacy, and institutional coordination. The study advocates for a multi-stakeholder approach involving government agencies, regulators, financial institutions, and civil society organizations to ensure scalability, sustainability, and equitable access.

India, often described as sitting on an "ageing time bomb," cannot afford complacency.

The rising dependency ratio, coupled with the predominance of informal employment, threatens to erode the gains of economic growth if adequate pension coverage is not ensured. In this light, micro pensions offer a pragmatic, scalable, and inclusive pathway to secure the livelihoods of millions of workers who have long remained outside the ambit of formal social security.

This book, *Micro Pension: A Magic Stick for Informal Sector Workers*, thus serves both as an analytical reflection and a policy roadmap. It endeavours to deepen understanding of micro pension initiatives through empirical evidence from Odisha, while also contributing to the broader discourse on constructing a sustainable, gender-sensitive, and inclusive pension ecosystem in India. It is our earnest hope that the insights and policy recommendations presented herein will assist policymakers, researchers, financial institutions, and development practitioners in designing pension reforms that truly reach the grassroots ensuring economic security and dignity in ageing for all.

Dr. Jeeban Jyoti Mohanty

Prof. Sudhakar Patra

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ABOUT THE BOOK

The book *Micro Pension: A Magic Stick for Informal Sector Workers* offers a rigorous and timely examination of one of India's most pressing socio-economic challenges old-age income security for the informal workforce. Rooted in the context of rapid demographic ageing and the growing fragility of informal sector livelihoods, the book provides a comprehensive exploration of how micro pension schemes can serve as an inclusive mechanism for social protection. Drawing upon empirical evidence from field studies conducted in three districts of Odisha viz. Bolangir, Mayurbhanj, and Sundargarh, the book analyses the behavioural, institutional, and gendered dimensions of pension participation among low-income workers. It situates the discourse within the broader framework of India's demographic transition, highlighting the critical need for policy innovation to prevent the deepening of old-age poverty. By combining field-based insights with theoretical and policy perspectives, the book not only diagnoses the structural limitations of existing pension schemes but also offers actionable pathways for creating a scalable and sustainable pension ecosystem. Ultimately, it contributes meaningfully to the academic and policy discourse on ageing, financial inclusion, and social security, positioning micro pensions as a pragmatic tool for advancing equity and economic dignity in India's development journey.



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