



## नीति आयोग

National Institution for Transforming India

There is a growing recognition among Indian policymakers that the country needs to make more strategic and nuanced use of the opportunities provided by digital technologies, by the increasing availability of 'big data', and the capacities to engage in data analytics in various sectors of the economy. The Digital India initiative is designed to support and implement innovative ideas and solutions towards better research and analysis for desired outcomes from public policies.

It is in the above context that a strong case can be made for establishing an Indian Centre for Research on Retirement Behaviour (ICRRB) as elaborated below.

**Complex Demographic and Labour Market Trends:** India is usually classified as a rapidly ageing country due to declining fertility rate and increasing longevity. India's official Total fertility rate (TFR) which measures average number of children a woman produces during reproductive age, was 2.3 (2.1 is considered a rate at which population replaces itself) in 2016, a sharp decline from 3.2 only 16 years ago in 2000.

There is considerable heterogeneity in fertility rates across states, with at least 13 out of 22 States for which data is available, exhibiting fertility rates below the replacement rate. The 13 States are located in all parts of India, East, West, North, and South.

Such differential fertility rates have meant large internal migration within the country, some of it seasonal; and increasing cross-State Border manpower flows on a daily basis. These require tracking and should be subjected to more rigorous empirical analysis than is the case today.

India's longevity trends are also complex. Longevity is increasing with improved public health initiatives (such as [Swacch Bharat](#)), rising incomes, and increasing awareness of healthier lifestyles, but there is considerable heterogeneity among regions and various occupation and other groups. Indian women, as a group, exhibit life expectancy at birth of around three years more than men (69.8 years as compared to 66.8 years in 2015); but they have less resources for retirement as a group. A more systematic analysis of the trends across regions would help in evolving more nuanced policies to achieve better gender equality in provision of retirement income security.

With rising longevity, India will need to consider demographic research on retrospective ageing as well. The chronological concept of 'ageing' measures how many years a person has lived, the 'prospective age' measures the number of expected years left to live by the individuals. With increasing longevity, a fifty year old person, who currently has a much longer life expectancy than a fifty year old in 1990, may well make different saving, investment, labour force participation and other relevant economic and personal decisions. The differing behavioural decisions in turn have different implications for public policies and social attitudes towards ageing policies.

Rising longevity also implies that age-related diseases, and the need for long-term care arrangements, particularly in view of higher internal and external mobility of Indian people, will acquire greater significance. An important of research for ICRRB would be to track such behaviour and their implications for public policies.

India's labour market is characterised by substantial proportion of labour force not having employer-employee contractual agreements. An increasing share of labour force is self-employed but not adequately captured in the labour market statistics. But they still require a policy environment and instruments for long term retirement savings, an organization that can use 'big data' analytics techniques to track behaviour has become a necessity.

**Rising Membership of pension and provident Funds and their Assets:** India's pension and provident fund organisations, primarily the EPFO (Employees' Provident Fund Organisation) and NPST (National Pension System Trust) have made rapid progress in embracing information technology, such as in the computerisation of records. As a result, they have a substantial volume of data which may be usefully accessed for policy-relevant analysis. The volume of data can be expected to accelerate in the future as the EPFO and the NPST gain more members and assets in the future. As of January 2018, combined active contributors were about 60 million, and their combined assets were equivalent to about 10 percent of GDP.

India's mutual fund industry and [India Post Payments Bank](#) which are used for retirement savings have also acquired considerable digital capabilities, with a substantial volume of data available that can be utilized for evolving policy options, for refining existing schemes, and tracking the behaviour of those saving through these vehicles.

With rising membership and assets, and increasing choices offered by provident and pension funds, there is an urgent need to understand how the retirement income choices are made by different groups, and their implications for public policies. Insights from behavioural economics, and diverse measures being undertaken by different countries to

make pension promises more credible, can be more easily be incorporated in India's public policies by an organization such as ICRRB. It can also undertake customized studies according to the policy requirements of a particular governmental or other organizations.

**Where to Locate ICRRB?** In many countries, in addition to social security organizations having strong internal research divisions, there are also research centres usually established at an academic institution. As an example, in the United States, there is a Centre for Retirement research at Boston College; and Boettner Centre for Pension and Retirement security at Wharton School, University of Pennsylvania. In Australia, there is a Centre of Excellence in Population Ageing Research (CEPAR) at University of New South Wales.

The EPFO, and India's pension regulator, PFRDA (Pension Fund Regulatory and Development Authority) do need to consider establishing some research capabilities within their organizations. They must at least have professional staff who understand research generated from data analytics, and are able to communicate the policy-relevance of the findings to their organizational leadership.

But there is also a need for well-funded and professionally staffed autonomous or independent research centre on retirement behaviour with capacities to fully benefit from digital technologies and extensive data availability encompassing the whole country. Given the initial high cost of setting up necessary digital infrastructure, and assembling professional skill-sets, the funding requirements would be significant. Thus, initial funding will need to be from the Union Government, with flexibility to raise funding from other sources over time.

Options for locating ICRRB include as an independent unit within the NITI AAYOG (National Institution for Transforming India), or as a new autonomous organization. The advantage of setting up with NITI AAYOG is that the existing physical and other infrastructure could be used; and its expertise could be more easily available to both the Union and the State Governments.

In India, academic institutions are unlikely to be a suitable location for ICRRB at this point in time. But it is hoped that some academic institutions, particularly those which have resources and policy autonomy would consider setting up their own research centres on ageing policies.

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