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SOCIO- PSYCHOANALYSIS OF SOCIAL SECURITY REFORMS ON ORGANIZED AND UNORGANIZED SECTORS WORKERS IN INDIA

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ABSTRACT

Before introduction of National pension scheme, social security was restricted only to the handful of the people in the society. Traditional approach to social security was to provide social insurance only to the employees in the formal and organised sector. This restrictive approach has harmed the growth of the pension industry in India where majority of the workers are working in the unorganised and informal sectors. Not only the share of employees in the unorganised sector has increased over a period of years but at the same time informal workers in the formal sectors are on rise. This led to emergence of the single pension system which will cater to the needs of the workers in both formal and informal sector. Design and implementation of the social security system in such diverse and complex economy has to face many challenges. new pension scheme to succeed, it has to compete with other financial products available to the individuals in the form of saving and investment opportunities in the Indian financial system. It is also in direct competition with the various financial products provided by the employers in the organised sector. It includes financial products managed by government agencies like public provident funds, post office monthly income scheme or national saving certificate, etc. Since, these financial products have backing of the Government, it is preferred by the individuals for retirement saving. Also, there are lot retail products offered by the private pension funds, insurance companies and deposit products offered by banks. However, the existing system do not have any significant impact on the pension fund markets.

Keywords: Social security, Organized , Unorganized, Finance, Savings and etc.,

Introduction

Amendments in the social security system have created unprecedented challenge for the policy makers in India. Policy makers are on the verge of abolishing the old system and creating a new one. The reforms thus implemented will have long lasting impact not only on the society but also on the economy. The Pension sector is evolving very fast but in the initial stages it is very difficult to comment on the capability of this sector to cater to the needs of ageing population in India. Therefore, it is necessary study the pros and cons of the existing system which has developed over a period of time. The data has been collected both from primary as well as secondary sources for studying the existing social security system in India.

A sincere attempt has been made to understand the needs and opinions of the general public by way of data collected from the respondents through questionnaire. The questionnaire was divided in four sections and consists of 42 questions related to the social protection available to the public through government and private sectors. The primary data has been collected from 230 respondents, who have filled up the questionnaire relating to the research area.. The responses were collected via email and through personal visits. They were briefed about research objective during the interaction. Some respondents did not fill in certain questions as they were not applicable to them. The questionnaire consists of four parts. The aims to collate data to understand the general awareness among the respondents regarding the retirement planning. It also serves the purpose of acquainting the respondents about the importance of saving for their retirement age.

Table.1. Planning of retirement age

Age Group	No.of Repondents	Percentage
Between 55-60	96	43.64
Between 60-65	86	39.09
Other	38	17.27
Total	220	100.00

Source: Field Survey

Out of the respondents, 44% plan to retire between the age 55-60 years, 39% replied that they would retire between the age 60-65 whereas the remaining 17% were not sure of when they would retire. The question was with aim to understand the earning life of the sample respondents, 83% were sure of their retirement age which would bring clarity to their retirement planning and thus enable them to plan their financial accordingly.

Table.2. Starting age of savings for retirement

Age Group	No.of Repondents	Percentage
18-25	67	31
26-35	107	49
36-45	37	17
46-55	6	3
55-65	0	0
Above 65	2	1
Total	**220**	**100**

Source: Field Survey

From the above table it can be seen that 49% of the respondents started planning for their retirement between the age group 26-35, 31 % of the respondents started planning for their retirement between the age group 18-25, 17 % of the respondents started planning for their retirement between the age group 36-45 and the remaining 4% planned their retirement post 45. This indicates that nearly 96% of the respondents were aware about the need for retirement planning, in which pension plays a significant role, especially for salaries employee for whom retirement planning is a significant aspect of financial planning.

Table 4.3 - Reasons for old age saving

Reasons for Saving	No.of Repondents	Percentage
Prudent Economic Sense	100	16.08
Suggestion from Friends or Family	87	13.99
Suggestion from Financial Advisor / Professional	58	9.32
Compulsory saving by Employer	61	9.81
Saving in Income Tax	96	15.43
Meeting Retirement Goals	111	17.85

Uncertainty of Income during Post Retirement	109	17.52

Source: Field Survey

Table .3 indicates the probable reason that induces the respondent to save for their retirement. Of the respondents 17.85% stated that achieving retirement goals is the key driver for retirement planning, as future is uncertain and hence saving for sunset years is one of the important aspect in the life cycle of the individual. Further, 17.52 % indicated that uncertainty of income post retirement is one of the reason for saving for retirement. Prudent economic sense was the reason cited by 16.08% of the respondents. Tax saving and suggestions from family and friends were also other major factors stated by the respondents. This indicates that nearly 35% wanted to minimize the future uncertainty and hence prefer to plan for retirement. Nearly 31.04% indicated that retirement planning done at an early age made financial prudence.

Table 4.4 - Means of livelihood during post retirement period

Post Retirement Livelihood Support	No.of Respondents	Percentage
Work after Retirement	76	14.18
Personal savings & Fixed Deposit bank account	124	23.13
Compulsory provident fund / pension (SPF/ RPF)	89	16.60
National Pension Scheme (NPS) & Atal Pension Yojana	58	10.82
Contribution to a personal or private pension	54	10.07
Investment in property/financial assets (e.g. shares)	120	22.39
Dependence on children	15	2.80

Source: Field Survey

The question seeks to understand the possible sources of post retirement support for livelihood. 23.13 % of the respondents are likely to invest in bank's fixed deposits and use personal saving to generate income post retirement. Investment in property and/or financial asset was the second most cited response by 22.39 % for post-retirement income. Of the sample respondents, 16.60% are dependent on compulsory saving during employment through provident and pension funds. Only 20% of the respondents are planning to invest in public or private pension funds or National Pension Scheme (NPS)/ Atal Pension Yojana (APY). Further, 14.18 % of the respondents do not have any plan for retirement and will like to work post retirement to support their livelihood. This also shows that post retirement investment psychology is tended towards fixed income instrument and real estate as the risk aversion increases.

Table 4.5- Prospective annual saving for achieving retirement goal

Percentage of Annual Income	No.of Respondents	Percentage
0-3 %	12	5.45
4-6 %	30	13.64
7-10%	60	27.27
11-15%	56	25.45
>15%	62	28.18

Source: Field Survey

The question seeks to understand the saving habits and financial discipline among the respondents. Of the respondents, 28.18 % want to invest more than 15% of their annual income for achieving retirement goals. 25.45 % of the respondents are ready to commit 11% to 15% of their annual income for attaining their post retirement requirements. This indicates that more than 53% of the respondent sample are thoughtful about the financial requirements in the post retirement period. This also indicates the awareness of the need to plan for retirement. Following table displays the possible concerns that can be faced in the post retirement period during old age. It has been ranked in the order of importance. The most important reason has been denoted by number one and the least important has been denoted by number five.

Table 4.6 - Reasons for investment in pension funds.

Possible Concerns	1	2	3	4	5
I may fail to provide for expenses of my Kids and dependants	23.65	15.76	32.02	15.27	13.30
I will have no shelter of my own	29.29	13.64	18.69	18.18	20.20
No access to health care	37.93	22.66	20.69	13.79	4.93
Education for my children	37.31	16.92	23.38	9.45	12.94
No savings and No pension	37.93	15.76	19.21	7.39	19.70

Source: Field Survey

Absence of the medical facilities, meeting education requirement of the children and lack of financial asset are the primary concerns among the respondents that pushes for investment in pension. Almost 61% of the respondents are concerned about the health issues that might arise in the post retirement period and financing of the medical cost. Almost 54% of the respondents are worried about shortage of income in the form of saving and pension. Another primary concern for the respondents is supporting education cost of the children that will arise in the evening age of the life, i.e. the sunset years. Not having the shelter of their own at the old age is the concern for almost 42% of the respondents covered by the study. Various compulsory benefits are provided under social security by employer. These benefits are mandatory as per the laws and administered by Government authorities. Also it is available only to the employees of organised sector.

Table 4.7 Compulsory social security benefits to employees of organized sector

Social Security Benefits	**EPF**	**Gratuity**	**Maternity/ Paternity**	**ESIC**
Benefits Available	82.27	67.27	60.45	38.18
Knows Contribution	77.73	45.91	35.91	25.00
Aware about amount receivables	53.18	44.55	28.64	17.27
Think useful	80.45	68.18	52.27	39.55
Procedure for investing & withdrawing is simple	33.18	26.36	23.18	17.27
Want increase in benefits	71.82	60.45	48.18	39.09
Pay extra for additional benefits	60.45	43.18	31.82	25.91
Think these are sufficient for retirement	42.27	32.27	22.73	16.36

Source: Field Survey.

The question seeks to understand the availability and awareness among the employees from the organised sector of mandatory benefits provided by employer.

Employee Provident fund (EPF)

Amongst the responses, 82.27% of the respondents are availing the benefits under employees provident fund and 80.45% of the respondents find this to be useful. However, only 77.73% of the respondents are aware about their contributions to fund and only 53.18% of the respondents were aware about the benefits they are going to receive from the fund. This creates the need to spread more awareness of these financial instrument by the employer or the government. Merely, 33.18% of the respondents are of the opinion that procedure for investment and withdrawal is simple. According to 42.27% of the respondent benefits available under the fund will be adequate for retirement. Increase in the benefits is expected by 71.82% of the respondent but only 60.45% of them are ready give extra contribution for that.

Gratuity

The gratuity benefit is available to 62.27% of the respondent and 68.18% of the respondents find this to be useful. However, only 45.91% of the respondents are aware about their contributions for getting this benefit and only 44.55% of the respondents were aware about the amount of gratuity they are eligible to receive under the law. 26.36% of the respondents are of the opinion that procedure is simple. According to 32.27% of the respondent benefits available will be adequate for retirement. Increase in the benefits is expected by 60.45% of the respondent but only 43.18% of them are ready give extra contribution for that.

Maternity/Paternity Benefit

Maternity/Paternity benefit is available in case of 60.45% of the respondent and 52.27% of the respondents find this to be useful. However, only 35.91% of the respondents are aware about their contributions for getting this benefit and only 28.64% of the respondents were aware about the amount of Maternity/Paternity benefit that they are eligible to receive under the law. Of the respondents, 23.18% are of the opinion that the procedure for obtaining such a benefit is hassle free. Increase in the benefits is expected by 48.18% of the respondent but only 31.82% of them are ready to pay extra contribution for that.

Employees State Insurance Corporation (ESIC)

Benefits under ESIC are available only in case of 38.18% of the respondents and 39.55% of the respondents find this to be useful. However, only 25% of the respondents are aware about their contributions for getting this benefit and merely 17.27% of the respondents were aware about the amount of benefits they are eligible to receive under the law. Of the respondents 17.27% are of the opinion that procedure obtaining the benefits is simple. According to 16.36% of the respondent benefits available will be adequate for retirement. Increase in the benefits is expected by 39.09% of the respondent but only 25.91% of them are ready give extra contribution for that. Employees from the organised sector enjoy additional social security benefits. It is not mandatory in nature and the availability and extent of benefits depends upon the organisational policy. Also these benefits are not uniform throughout the industry and it gets unmeasured while studying the availability of social security system.

Table 4.8 - Optional social security benefits to employees of organized sector

S.No	Particulars	Highly Satisfied	Satisfied	Dissatisfied	Highly Dissatisfied
1.	Medical Insurance for Self	1.96	15.03	15.69	67.32
2.	Medical Insurance for Family	4.79	20.55	21.23	53.42
3.	Life Insurance by Employer	7.14	20.71	29.29	42.86
4.	Employee Training	6.94	15.28	20.14	57.64
5.	Stress Management Programmes	16.23	23.38	24.68	35.71
6.	Accidental Benefits	5.37	17.45	25.50	51.68
7.	Pension for Not capable of working	10.56	25.47	37.89	26.09
8.	Family pension in case of death	12.58	22.64	37.11	27.67
9.	Employee Credit Societies	10.13	20.25	36.08	33.54
10.	Financial Assistance in Emergency	11.59	18.29	31.71	38.41
11.	Preventive Medical health check up	9.55	12.74	21.66	56.05

Source: Field Survey

The question seeks to find out the satisfaction level among the employees in case of various optional social security benefits provided by employers to employees of the organised sector. Almost 83.01% of the respondent are not satisfied with the medical insurance provided by the employer out of which 67.32% are highly dissatisfied. In case of medical insurance for family, 53.42% of the respondents are highly dissatisfied with the benefits provided. 56.05% of the respondents are highly dissatisfied with the benefits under preventive medical health check-up. A total of 77.78% of the respondents were dissatisfied and highly dissatisfied in relation to training provided by employers. 16.23% of the respondents are highly satisfied for stress management programmes rendered by employer. Of the respondents, 72.14% are not satisfied with the benefits provided under life insurance by the employer.

Further, 77.18% of the respondents are not satisfied about the accidental benefits provided by the employer and out of that 51.68% are highly dissatisfied. 36.02% of the respondents are satisfied and highly satisfied regarding pension provided in case employee is not capable of working. Additionally, 64.78% of the respondents are not satisfied regarding the family pension provided in the event of demise of the employee. Only 11.59% of the respondents are highly satisfied and 18.29% of the respondents are satisfied in respect of financial aid provided to employee's in emergency situation. Also, 69.92% of the respondents are not satisfied with the benefits provided through employee's credit societies. Employees from the unorganised sector forms majority of the working population. They are dependent on the Government for providing social security. Government have started from time to time different investment schemes for support during the old age. These schemes are funded by the individuals and Government's contribution, if any, is limited.

Table 4.9 - Funded social security benefits by Government to individuals of unorganized sector

S.No	Particulars	Aware	Subscribed	Satisfied	Continue to Invest
1.	National Pension Scheme(NPS)	70.45	25.00	28.18	45.45
2.	Awareness about the Atal Pension Yojana (APY)	51.36	16.82	18.64	31.82
3.	Public Provident Fund (PPF)	83.18	55.00	55.45	66.82
4.	Pradhan Mantri Jeevan Jyoti Beema Yojana (PMJJBY)	49.09	19.09	16.82	27.73
5.	Pradhan Mantri Suraksha Bima Yojana (PMSBY)	45.45	15.00	15.91	21.36

Source: Field Survey

The question seeks to understand the awareness and satisfaction level among the respondents regarding the voluntary contribution schemes started by government providing social security and micro insurance to the masses. Of the respondents, 70.45% are aware about the National Pension Scheme(NPS) but only 25% of the respondents have subscribed to the scheme. Only 28.18% of the respondents are satisfied about the benefits available under the scheme. However, 45.45% of the respondents wish to continue to invest in scheme.

Awareness about the Atal Pension Yojana (APY) is slightly lower among the respondents as 51.36% indicated that they have heard about the scheme. The level of subscription is lowest among the three schemes at 16.82% and only 18.64% of the respondents are satisfied regarding the benefits available under the scheme. However, 31.82% of the respondents are willing to continuing their investment under the scheme.

Public Provident Fund (PPF) seems to be the most popular among the three schemes since 83.18% of the respondents are aware the scheme. 55% of the respondents have subscribe for the scheme and 55.45% of the respondents are satisfied about the benefits offered under the scheme. Sizable proportion of 66.82% of the respondent wish to continuing their investment in the scheme.

Pradhan Mantri Jeevan Jyoti Beema Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) aims to provide micro insurance at the lowest cost. There is very good awareness among the respondents regarding the scheme viz. 49.09% and 45.45% for PMJJBY and PMSBY respectively. However, there is dismal performance in respect of level subscription among the respondents because only 19.09% of the respondents have subscribed the PMJJBY. Level of subscription is the lowest for PMSBY at 15%. Only 16.82% off the respondent are satisfied about the benefits available under PMJJBY and merely 15.91% of the respondents are satisfied about the benefits available under PMSBY. 27.73% and 21.36% of the respondents are willing to subscribe the scheme in future in case of PMJJBY and PMSBY respectively.

Table 11 - Two-Sample t – test assuming Unequal Variances

	Changes in financial assets	**Provident and pension fund**
Mean	4272.11	652.6173

Variance	25904789.69	758268.76
Observations	41	41
Hypothesized Mean Difference	0	
Df	42	
t Stat	4.481156	
P(T<=t) one-tail	2.75206E-05	
t Critical one-tail	1.681458	
P(T<=t) two-tail	5.50412E-05	
t Critical two-tail	2.01897012	

It can be seen that the increase in the changes in the provident fund and pension fund contribution are not significant to changes in total financial assets of the country on an average as the p-value is less than 0.05.

In terms of assets managed, HDFC pension fund is far ahead of its competent. It is more than three times of the average funds managed by all seven funds under consideration. Within public sector pension funds, SBI pension fund is far ahead of its rivals in terms of assets managed. Total assets managed by SBI pension fund viz. Rs.6.04 crore is approximately double of the average assets managed by public sector pension fund companies viz. 3.09 crores. Also, in terms of returns provided since inception, HDFC pension fund is far ahead than its competitors. Highest returns since inception are provided by HDFC Pension fund of 8.91% whereas lowest return of 6.96% is provided by UTI pension fund. But if returns earned in the last one year is compared then ICICI pension fund and Kotak Mahindra pension fund has outsmarted other pension fund management companies. Also, close scrutiny of returns for last two years indicates the good performance of ICICI pension fund because it has given the highest returns of 9.79%. Returns generated by these two companies in last two years is higher than HDFC pension fund. Therefore, there is a sign of improvement in case of these two companies. Average returns given by public sector pension funds is much lower than returns generated by private sector pension funds. Within public sector pension funds, performance of UTI retirement solutions is much lower than average. Remaining two funds within public sector viz. SBI pension fund and LIC pension fund have given similar performance in terms of returns generated. Within private sector pension funds, Aditya Birla pension fund has shown very poor performance. But this fund has not completed two years therefore it will be too early to compare its performance with other funds.

Conclusion

There is no possibility of compulsory saving, which is prevalent in the formal sector. In the formal sector, cost of social insurance is statutorily deducted from the salary of the employee and it is the responsibility of the employer to deposit it to the Government. It inculcates the habit of saving amongst the employees and it is easy for the Government and administrator to monitor the scheme. The biggest challenge for the administrators is the lack of data about the workers, for whom the policy is to be framed. Neither the enterprises nor the workers in the informal sector are registered with government authorities. Also the workers are moving from one employer to another, which makes it difficult for the administrators to fix the responsibility on the employer in informal sector. Lastly, the level of income earned by the workers is very low. Sometimes, it is just sufficient to cover up the daily necessities of life. Expecting them to save for retirement is challenge for the policy makers which needs to be accomplished for implementation of comprehensive social security system. Thus, the proposed social security system should be robust enough to address these issues. It should be voluntary and financed by worker's contribution without any intermediation of employers with low level of contribution.

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