

RS. 500 CRORE FOR PENSION FOR UNORGANISED LABOUR

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

The Centre has allocated Rs. 500 crore for a new pension scheme for workers in the unorganised sector, even while reducing its allocation for an existing pension scheme by Rs. 775 crore.

The new scheme, to be called the Pradhan Mantri Shram-Yogi Maandhan, will benefit unorganised sector workers who have a monthly income up to Rs. 15,000. It will provide them a monthly pension of Rs. 3,000 from the age of 60.

Workers will contribute an amount ranging from Rs. 55 to Rs. 100 each month, depending on their age, at the time of joining the scheme, while the government will deposit a matching contribution. The Centre expects 10 crore workers to get the benefit within the next five years.

“Half of India’s GDP comes from the sweat and toil of 42 crore workers in the unorganised sector...We must provide them comprehensive social security coverage for their old age,” said Finance Minister Piyush Goyal, while announcing the scheme in Parliament.

However, the Budget documents show that an existing pension scheme, which already benefits more than 3 crore poor people who are senior citizens, disabled or widows, has had its allocation slashed. The National Social Assistance Programme (NSAP), a pension scheme administered by the Ministry of Rural Development, had originally been allocated Rs. 9,975 crore in the 2018-19 Budget. For 2019-20, the scheme’s allocation has been cut to Rs. 9,200 crore, a drop of Rs. 775 crore.

The NSAP featured in last year’s Budget speech, when then Finance Minister Arun Jaitley had said the government was “implementing a comprehensive social security and protection programme to reach every household of old, widows, orphaned children, *divyaang* and deprived as per the Socio Economic Caste Census (SECC).”

Using the SECC criteria as opposed to the existing Below Poverty Line criteria would have doubled the pension coverage to more than 6 crore people. However, Mr. Jaitley’s Budget allocation remained unchanged. This year, Mr. Goyal made no mention of the NSAP, but reduced next year’s allocation from the current year’s estimates.

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Piyush Goyal

Finance Minister

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