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Expanding Pension Coverage among Informal Workers

India's Experience with the Atal Pension Yojana

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High Informality, Low Retirement Savings, Rising Longevity

A Convergent Challenge — Why This Population Is So Hard to Reach

~90%

of the workforce is informal

No employer pension, no payroll deduction

~17 yrs

of life expectancy after 60

Years that must be funded without savings

~23%

of the elderly have any pension income

20.65% from government schemes, 2.1% from private employers (LASI Wave 1, 2017–18)

THE CONVERGENCE

India is aging faster than it is getting rich — longevity is rising ahead of retirement savings, while contributory pension architecture reaches only the 10% in formal employment.

The 90% face old age with nothing but family support — and a meagre social pension if they qualify.

India's Pension System: The Full Picture

A Three-Tier Architecture — With a Large Gap in the Middle

TIER	SCHEME	WHO IT COVERS
Mandatory Contributory Formal sector	**EPS (pvt. sector) + NPS (Government + Defence & Railways DB pensions)** *Robust , well-governed— but unreachable by informal workers*	**~110M** formal sector workers (2026)
Voluntary Contributory **THE MISSING MIDDLE**	**Atal Pension Yojana (APY)** *The bridge between the thin floor and the formal tier*	**~90M** informal workers (March 2026)
Non-Contributory Floor Social assistance	**NSAP/IGNOAPS + State schemes** - ₹ 200–500/month; State top-ups vary significantly across states- bring average to ~₹1,000/month in most states *Thin — deeply inadequate on its own*	**~40M** poorest elderly (2026)

*The floor leaks — only 30% of eligible BPL households receive IGNOAPS benefits (LASI Wave 1, 2017-18)

APY is not a standalone scheme — it is the missing middle of India's pension architecture.

From Swavalamban to Atal Pension Yojana

What a Failed Predecessor Taught India About Pension Design

2010

Swavalamban Yojana

Government contributed a flat ₹1,000/year to any eligible subscriber — not a percentage match, but a fixed subsidy irrespective of how much the subscriber saved

To qualify, the subscriber had to contribute between ₹1,000 and ₹12,000 per year

No guaranteed pension output — subscribers never knew what they would receive at retirement

Result: low awareness, high dormancy, widely considered a design and implementation failure

2015

Atal Pension Yojana (APY)

Replaced Swavalamban; built on NPS infrastructure, administered by PFRDA

Radical pivot: flat subsidy with no guaranteed output → defined pension target, guaranteed by government

The subscriber knows exactly what monthly pension they will receive at 60

Co-contribution window: June 2015 – March 2016 only; qualifying subscribers received it for 5 years

Swavalamban taught India that informal workers don't respond to flat subsidies with uncertain outcomes — they respond to guaranteed, concrete income.

How APY Works

Six Design Choices That Changed the Equation

01 **Defined benefit in a DC world**
₹1,000–₹5,000 a month, guaranteed by the government as an absolute rupee amount regardless of market returns — if actual returns exceed what the contribution tables assume, the entire surplus flows to the subscriber as a higher pension or enhanced corpus

02 **Contribution anchored to life stage, not income**
Set by age of entry and chosen pension: ₹42/month at 18 for ₹1,000; ₹1,454/month at 40 for ₹5,000 — avoiding the irregular-income trap

03 **Auto-debit — inaction becomes the pro-saving default**
Debited from a savings account monthly, quarterly or half-yearly, with no active decision after enrollment

04 **The bank as pension agent**
500+ banks, regional rural banks and 150,000+ post offices as enrollment touchpoints

05 **Triple Guarantee — Not Just a Pension, But a Family Security Contract**
Subscriber receives pension for life → spouse receives the same pension for life → full corpus of ₹1.7–8.5 lakh returned to the nominee after both have passed. This is not individual retirement saving — it is intergenerational household security.

06 **Voluntary exit before 60 is permitted**
but only own contributions plus interest are returned; government co-contribution is forfeited. Exit is penalised without being punitive

Guarantee, life-stage pricing, automation, existing distribution and family framing work as one system — each choice removes a specific barrier facing informal workers.

The Infrastructure That Made Scale Possible

APY Didn’t Build the Stack — It Rode a Wave Already Breaking

LAYER 1 · DIGITAL IDENTITY

Aadhaar

Enrollment is Aadhaar-linked — instant KYC and near-zero enrollment fraud

1.4B

biometric IDs issued

LAYER 2 · FINANCIAL INCLUSION

Jan Dhan Yojana

590M+ accounts opened since 2014 — APY’s subscribers are drawn entirely from this banked population — the account came first, the pension followed

35% → 78%+

bank penetration, 2011–2021
World Bank Global Findex)

LAYER 3 · PAYMENT RAILS

NACH auto-debit

The National Automated Clearing House enables seamless recurring contributions — no cash, no agent at the payment stage

Zero

cash touchpoints at
the contribution stage

APY’s enrollment explosion did not come from marketing — it came from financial inclusion infrastructure maturing underneath it.

90 Million Subscribers in 10 Years

The Numbers That Surprised Everyone

90M
total enrollments, April 2026

13.5 M
New enrollments FY 25-26

USD 5.4B
assets under management (May 2026)

~50%
women subscribers

>70%
of annual new joiners are aged 18–30 (FY2024–FY2026)

Concentration at the floor

87% sit in the ₹1,000/month bracket and only 8% at ₹5,000

The gender surprise

Women are ~50% of subscribers in a country where national female labour-force participation is 41.7% — and where almost none of that participation is in formal, pension-covered employment — survivor benefit design explains it

The youth skew

Over 70% of new annual enrollments are aged 18–30 — though the cumulative base sits at 44–50% in this bracket; the age-40 cap structurally forces early action, habituating savers before bad habits form

The momentum effect

Each year sets a new enrollment record — unlike schemes that peak and plateau, APY accelerates as bank-channel network effects compound

Behind every headline number is a design choice that made it possible.

Making Distribution Pay — The Incentive Architecture

How India Aligned Financial Incentives Behind Pension Enrollment

WHAT THE SYSTEM PAYS FOR		WHAT THAT BUYS
Banks and post offices A flat government-paid onboarding incentive for every new APY account registered	**₹120–150**	**A self-sustaining network** Distribution runs with no direct government enrollment staff
Pension Sakhis SHG-network women correspondents share the fee and serve as last-mile rural enrollment agents	**Shared fee**	**Paid to enroll, not to educate** Little incentive to inform subscribers or help them upgrade their tier
Persistency incentive Paid to the institution each year for keeping an account active — aligning channels with retention	**₹100/yr**	**Volume over participation** Enrollment becomes a transaction; informed participation stays secondary

India paid for distribution, not literacy — and got scale without engagement. The incentive design explains both the achievement and the gap.

The Co-Contribution Experiment

What the Government's Matching Bet Revealed

THE DESIGN

June 2015 – March 2016 only

Government co-contributed 50% of the annual contribution or ₹1,000/year, whichever was lower, for five years — open only to non-taxpayers with no existing pension coverage

WHAT IT ACHIEVED

~2.5 million early subscribers

Critical first-mover momentum, with the auto-debit habit established before the subsidy expired

WHAT IT REVEALED

Enrollment accelerated without it

The next 87 million enrolled with no co-contribution — the guaranteed pension, not the subsidy, was the driver; the window was too short and too small to be decisive

THE HARDER TRUTH FOR PENSION DESIGNERS

Countries designing matching schemes may be overpaying — fiscal space saved on subsidies can be redirected to adequacy and inflation protection, where the real gaps lie.

The guarantee did more than the subsidy — certainty is cheaper, and more powerful, than matching.

The Unfinished Business

Five Challenges That 90 Million Enrollments Have Not Solved

01	**Persistency — dormancy, not exit** auto-debit fails when the balance is zero, reflecting income irregularity, not exit intent. Accounts never close for non-payment and can be regularised anytime by paying overdue contributions plus ₹1 per ₹100 per month interest- but recoverable accounts stay dormant because nobody reaches out.	**~20%** of accounts are dormant at any given time
02	**Adequacy and inflation erosion** The ₹5,000/month ceiling (~USD 60) is fixed in nominal terms against an average urban monthly per capita expenditure of ~₹7000 and rising	**No indexation** maximum pension ₹5,000/month
03	**Coverage ceiling** Agricultural and seasonal workers stay hardest to reach, and the age-40 ceiling excludes older workers who need coverage most. Migrant workers face friction when changing states or banks. Gig and platform workers — the fastest-growing segment of informality — remain largely outside APY's reach.	**18%** of ~500M informal workers
04	**Awareness and financial literacy** Few subscribers know what they will receive, when, or that they can upgrade their tier — and many eligible workers never hear of it	**87%** sit in the lowest tier
05	**The long accumulation risk** A 20-year minimum means entrants at 38–40 who face income shocks can reach 60 with a depleted corpus despite years of intent	**20 yrs** minimum contribution period

Coverage without adequacy, persistency and engagement is the first generation of reform — not the finished one.

What a Decade of APY Actually Taught

Five Lessons for Pension Designers Everywhere

01

Guarantee certainty, not complexity — and subsidise last

A simple guaranteed outcome drove 85 million enrollments after the co-contribution ended. Workers pay for certainty. They do not pay for complexity. Don't lead with the subsidy — lead with the promise.

02

Design for irregularity, not the salaried norm

Flexible contribution frequencies and auto-debit are not conveniences — they are design essentials. Dormancy is not default; it is income irregularity in the payment mechanism. The scheme must absorb the worker's reality, not demand they conform to a payroll assumption..

03

Treat distribution as pension design, not an afterthought

APY's enrollment curve tracks Jan Dhan penetration almost exactly. Banks, post offices, and Pension Sakhis are structural components of the pension — not just channels. No financial inclusion stack beneath it, no pension scale above it.

04

Frame for the family, not the individual

"Your family will be protected" outperformed "save for your retirement." Spousal survivor benefits and nominee architecture are behavioral enrollment tools — not peripheral features.

05

Coverage is only the first generation

Voluntary schemes alone will not finish the job — a layered architecture pairs voluntary contributory cover for the middle with non-contributory pensions for the floor.

06

Pay for engagement, not just enrollment

India's incentive architecture rewarded sign-ups — ₹120–150 per account. It did not reward informed participation, tier upgrades, or persistency. Scale without engagement is coverage without security.

The second generation of reform must move from push enrollment to informed, persistent participation.

The Road Ahead

From Coverage to Adequacy, Persistency and Dignity in Old Age

Inflation protection
Index the guaranteed pension amount to the cost of living

Raising the pension ceiling
structural upward revision of the ₹5,000/month cap

Post-40 contributions
Re-examine the age entry ceiling to include older workers currently excluded

NPS graduation pathway
APY as the entry point, with Pension Sakhis evolving from enrollment agents into financial wellbeing coaches guiding subscribers toward NPS as capacity grows

Analytics and engagement
Dropout-risk early warning and proactive re-engagement built into the system architecture

Integration with social protection
Link APY with health coverage (Ayushman Bharat) and welfare databases such as ration cards and digital ID

Gig and platform workers
Code on Social Security 2020 creates enabling provisions; operationalisation is the next frontier

Migrant portability
seamless account migration across states and banks to reduce friction for mobile workers

Every three seconds, another Indian informal worker enrolls in APY — making sure they stay enrolled, and retire better for it, is the work that remains.

THANK YOU