Pradhan Mantri Shram-Yogi Maandhan

Why in news?

The Interim Budget 2019 announced Pradhan Mantri Shram-Yogi Maandhan (PMSYM), a pension scheme for the unorganised sector workers.

What are the key provisions?

- PMSYM is a mega co-contributory pension scheme for unorganised sector workers with monthly income of up to Rs 15,000.
- It promises to provide assured pension of Rs 3,000 per month from the age of 60 years, in return for making a monthly contribution of a nominal sum during the working age.
- The scheme will cover 10 crore workers in the unorganised sector in the first 5 years, making it one of the largest pension schemes in the world.
- The benefits and the design spelt out in PMSYM are much in line with the Atal Pension Yojana (APY).

How does PMSYM compare with APY, and what are the concerns?

- The Atal Pension Yojana (APY) launched in 2015 also targets the unorganised sector.
- The government's estimate that the scheme would cover 2 crore workers in a year is uncertain, given the similar target group and similar design as APY.
- The five-year projections on coverage are less likely to be materialised as even APY had only about 1.34 crore subscribers in the 3 years (a mere 3.2% of the total unorganised sector workforce).
- APY has not been attractive for the unorganised sector -

i. due to its contributory nature
ii. the inflation-adjusted future benefits are too small to meaningfully serve any purpose in the old age

- By fixing Rs 3,000 per month, PMSYM has limited the options for a worker to choose the level of benefits as is currently possible under APY.
- In effect, it is said that the APY has been merely rechristened as PMSYM as there are no big changes in terms of design or real benefits.
- It is also unfair to allocate scarce financial and regulatory resources on duplicate schemes for the same target group.

- So in reality PMSYM may not make a big impact in serving a vast majority of the unorganised class.

What should be done?

- Workers in the unorganised sector constitute 90% of the country's workforce.
- Among them, a substantial proportion belongs to the economically weaker sections (EWS).
- There is thus a need for concrete public policy initiatives that secure their well-being, particularly in the old age.
- Addressing the underlying issues around design, adequacy, efficiency, equity and targeting is essential.

Source: Financial Express

Quick Fact

Atal Pension Yojana (APY)

- APY was conceived as an investment pattern, as applicable to the NPS (National Pension System) contribution of central government employees.
- It allows Indian citizens between 18 and 40 years of age to opt for fixed pension slabs of Rs 1,000, Rs 2,000, Rs 3,000, Rs 4,000 and Rs 5,000 at the time of subscription.
- The earlier a beneficiary joins the scheme, the less he or she has to pay as contribution.
- The same pension would be paid to the spouse of the subscriber and on the demise of both the subscriber and spouse, the accumulated pension wealth is returned to the nominee.

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