

Uncle’s Pension Pinch: India’s Pension Play and Why EPFO Needs a Makeover

Under the faint glow of a single bulb, my uncle budgets ₹500 of his ₹1,000 monthly Employees’ Pension Scheme (EPS-95) pension for medicines. “This pension,” he quips, “is one idli at a feast.” His humour masks a harsh truth: inflation has cut his pension to ₹732 in real terms, barely covering rice and dal. I analysed India’s pension system using [Indiastat](#) data with Stata and RStudio. EPS-95 serves 2.06 million minimum pensioners, with subsidies up 6.37% to ₹979.08 crore. A proposed ₹7,500 hike, costing ₹18,499.69 crore. The Hindu faces 2025 hurdles: 5-6% inflation, 2.7-3% pensioner growth, and a ₹19,500 crore cost in a 6.5% GDP economy. By 2025, data planning falters. South Indian states like Andhra Pradesh (₹3,000) and Kerala (up to ₹5,000) offer stronger models. With two visualisations and policy proposals, I explore why my uncle’s pension shrinks—and how to serve a heartier plate.

The Pension Landscape: South India’s Thali vs. EPFO’s Morsel

South India’s Robust Spread

My uncle’s ₹1,000 EPS-95 pension feels like a single idli next to India’s generous pension thali.

Table 1 contrasts the systems:

State/UT	Scheme	Pension Amount (₹/month)	Eligibility	Coverage (2023-2024)
Delhi	Old Age Pension	2,000–2,500 (60+)	60+, income <₹1 lakh	~4.5 lakh
Kerala	IGNOAPS + State	1,600 (60+), 2,500–5,000 (80+)	60+, BPL priority	~5.6 lakh
Tamil Nadu	IGNOAPS + State	1,200 (60+)	60+, BPL, no family support	~7 lakh
Andhra Pradesh	NTR Bharosa	3,000 (60+), 3,000–6,000 (disabled, widows)	60+, BPL	~25.66 lakh
Karnataka	Sandhya Suraksha Yojana	1,200 (65+)	65+, income <₹20,000/year	~8 lakh
Telangana	Aasara Pension	2,016 (65+), 3,016 (disabled, widows)	65+, BPL	~10 lakh
Central	EPS-95	1,000 (eroded to ₹732)	Formal sector retirees	2.06 million minimum pensioners

Delhi’s ₹2,000–₹2,500 supports 4.5 lakh elderly, with extra for SC/ST [Delhi Government, 2024](#). Kerala supplements central ₹200–₹500 with state funds, providing ₹1,600 (60+) and up to ₹5,000 (80+) for 5.6 lakh, backed by ₹1,604 crore: The [Hindu, 2025](#). Tamil Nadu’s ₹1,200 reaches 7 lakh BPL elderly [Tamil Nadu Government, 2024](#). Andhra Pradesh’s NTR Bharosa offers ₹3,000 (up to ₹6,000 for special groups) to 25.66 lakh with ₹7,698 crore: The [Hindu, 2024](#). Karnataka’s ₹1,200 covers 8 lakh [Karnataka Government, 2024](#), and Telangana’s ₹2,016–₹3,016 reaches 10 lakh [Telangana Government, 2024](#). South India’s pensions, 20–400% higher than EPS-95,

leverage budgets like Tamil Nadu's ₹31.03 lakh crore GDP: the [South First, 2025](#). Andhra's coverage and Kerala's tiers outshine EPS-95, but without 2025 data, their sustainability is unclear.

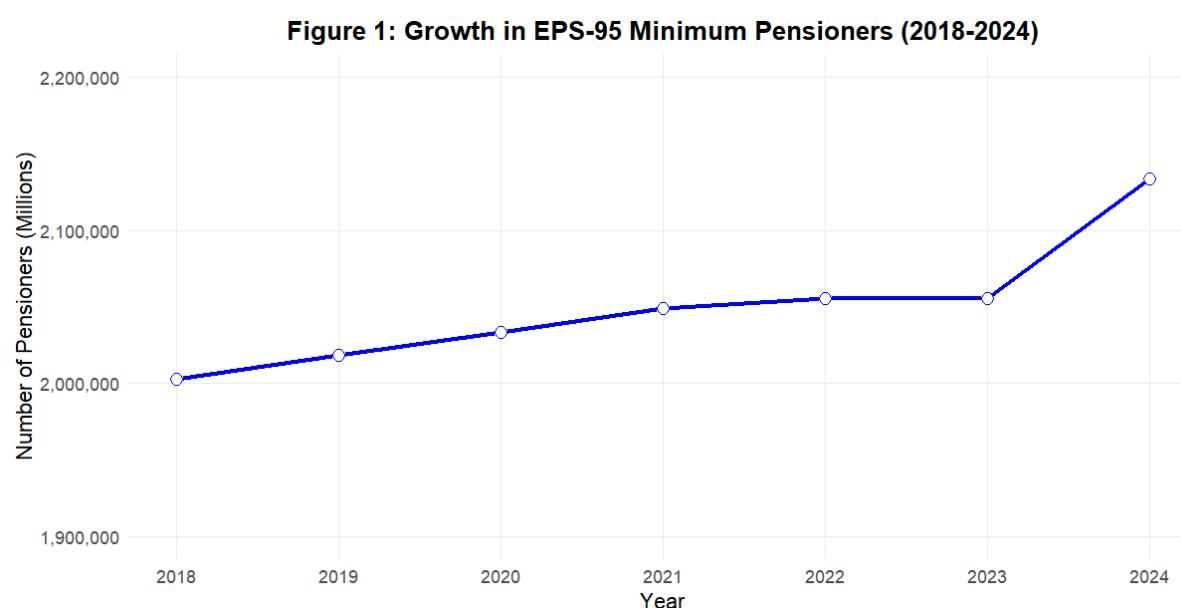
### Gaps in Coverage and Value

EPS-95's ₹1,000 is a stale dosa beside South India's hearty meals. It covers 7.8 million formal sector retirees, 26% (2.06 million) at ₹1,000, but excludes 90% of India's informal workforce [Rajan & Asher, 2020](#). Andhra's 25.66 lakh pensioners surpass Delhi's 4.5 lakh yet miss non-BPL retirees. EPS-95's real value of ₹732 lags Andhra's ₹3,000 and Kerala's ₹5,000, as states adjust for inflation while EPS-95 remains static since 2014: The [Hindu, 2024](#). The Centralised Pension Payment System (January 2025) struggles with 30% rural digital exclusion, affecting 600,000 pensioners [Telecom Regulatory Authority of India, 2024](#). Andhra's local networks perform better, though rural gaps remain—The [Hindu, 2024](#). Kerala's ₹1,604 crore budget faces deficits, [PRS India, 2023](#). EPS-95's subsidies, up 6.37% to ₹979.08 crore, strain finances, with 2025 costs projected at ₹1,041 crore [IndiaStat, n.d.](#) Without 2025 data, budgeting is uncertain. States prioritise fairness but lack national reach; EPS-95 spans widely but offers little, leaving my uncle coveting Kerala's approach.

### The Growing Burden: More Pensioners, Less Purchasing Power

#### A Swelling Pensioner Family

Figure 1 - Pensioner Growth

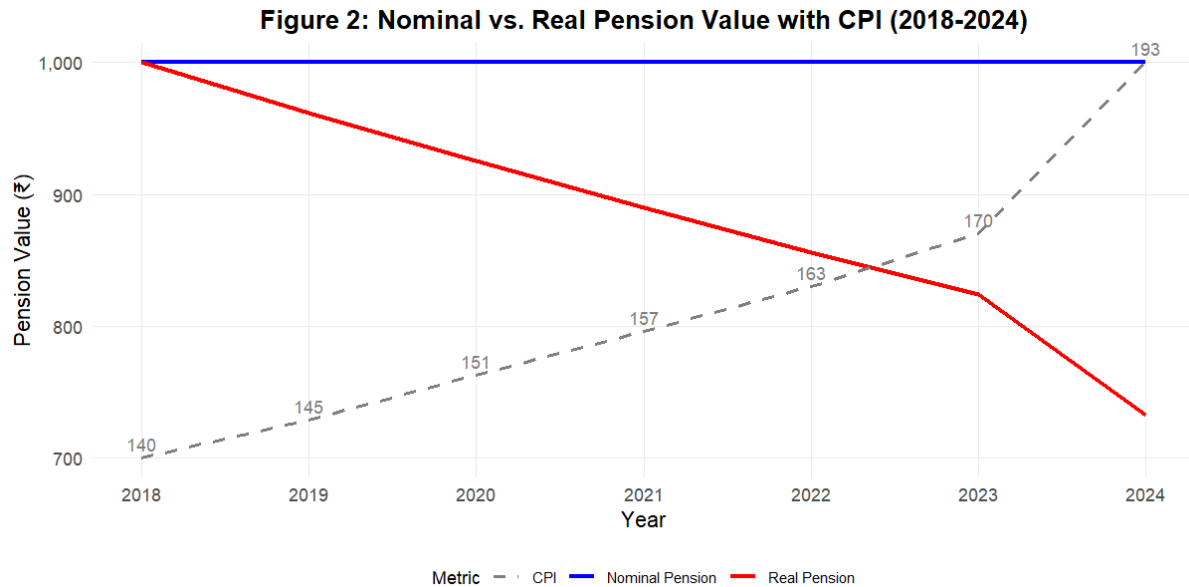


The above chart shows a blue curve climbing: EPS-95 minimum pensioners grew from 2,003,143 in 2018-2019 to 2,055,521 in 2023-2024, projected to 2,133,630 by Q1 2024 (2.61% growth). The x-axis spans 2018–2024, and the y-axis covers 1.9–2.2 million pensioners. It's a growing reunion, but the pension plate shrinks for all.

**Data Point:** Using [Indiastat](#) the chart shows EPS-95's expanding reach, yet its 2.61% growth trails India's 3–4% elderly population rise, [United Nations Population Division, 2023](#). A 2.7–3% increase in 2025 could push the ₹7,500 hike's cost to ₹19,500 crore in a 6.5% GDP economy, [International Monetary Fund, 2025](#). Without 2025 data, budgeting risks shortfalls. Andhra's 25.66 lakh pensioners show that large-scale coverage is feasible, but funding must scale up. Policymakers should focus on sustainable budgets, unlike my uncle's unchanging ₹1,000.

## A Pension Losing Its Flavour

Figure 2 - Nominal vs. Real Pension Value with CPI



The above chart paints a grim picture: a blue line steady at ₹1,000 (nominal pension) from 2018–2024, a red line falling from ₹1,000 to ₹732 (absolute value), and a grey dashed line for CPI (140–193), annotated with CPI values. The x-axis covers 2018–2024, and the y-axis spans ₹700–1,000. It's my uncle's pension fading like a worn-out shirt.

**Data Point:** Using [Indiastat](#) and [GoIStats MoSPI](#), the chart reveals a 28% value loss as CPI climbed from 140 to 193. My uncle's ₹232 after medicines pushes him onto family support. Subsidies rose 6.37% to ₹979.08 crore, outpacing 4.08% disbursements, yet they can't keep up with inflation. [Indiastat](#). Without 2025 data, the ₹1,041 crore subsidy projection for 2025 is uncertain. [Indiastat](#). Kerala's ₹5,000 pension, adjusted for inflation, shames EPS-95's stagnation. It should prioritise CPI indexing and address digital gaps (30% rural exclusion), [Telecom Regulatory Authority of India \(TRAI\)](#)

### Policy Solutions: Crafting a Tastier Pension Plan

The ₹7,500 hike, costing ₹18,499.69 crore, could let my uncle buy rice, medicines, and a rickshaw ride, with the Centralised Pension Payment System (January 2025) streamlining delivery—theBut challenges loom: 6.37% subsidy growth, 10% fuel price rises, the [International Energy Agency \(IEA\)](#) and 30% rural digital exclusion. Costs may hit ₹19,500 crore in 2025, but no 2025 data make projections shaky (5-6% inflation, 2.7-3% pensioner growth), [International Monetary Fund](#). Low pensions cost local shops ₹500 crore.

I would like to propose the following.

1. **Tiered Contributions:** High earners (₹50,000+) pay 1.5%, low earners 0.5%, raising ₹2,000 crore, [Asher & Bali, 2015](#). It's like the wealthy uncle adding curry to the pot.
2. **CPI Indexing:** Tie pensions to CPI, as Chile's system gained 15% efficiency, [World Bank, 2018](#). Kerala's model proves it works.
3. **Pilot Programs:** Test state-central hybrids in high-coverage states like Andhra, using ₹500 crore to fix digital gaps. High earners may resist, and digital infrastructure needs

investment. Without 2025 data, pilots are critical. Andhra's ₹7,698 crore and Kerala's ₹1,604 crore show states lead, but national scaling requires better data.

### Conclusion: From Struggle to Solutions

My uncle's ₹1,000 pension, now ₹732, is a sad jest—only inflation's laughing. Figures 1 and 3 show 2.06 million pensioners and a dwindling pension value, with the ₹7,500 hike's ₹19,500 crore cost looming. The absence of 2025 data clouds budgeting in a 6.5% GDP economy [International Monetary Fund, 2025](#). Andhra's ₹3,000 and Kerala's ₹5,000 pensions adjust for inflation, unlike EPS-95—[The Hindu, 2024](#); [The Hindu, 2025](#). My uncle's reliance on family and ₹500 crore in lost local spending, National Council of Applied Economic Research, 2023, demands change. I urge tiered contributions, CPI indexing, and pilots to close data gaps by 2030, ensuring no retiree faces a one-idli future.

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