India may have to raise the retirement age as the country sees a rapid increase in the size of the elderly population over the next two decades due to the slowing down of the population growth rate, according to the Economic Survey 2018-19.

It is forecast that the population rate will grow less than 1% from 2021 to 2031 and under 0.5% from 2031 to 2041. This is primarily due to the fall in the total fertility rate (TFR), which is projected to decline between 2021-2041 and fall below replacement level fertility at 1.8 as early as 2021.

The total fertility rate of 2.1 is called the replacement level fertility below which populations begin to decline. For India, the effective replacement level fertility is slightly higher than the normal benchmark due to the skewed gender ratio and is at 2.15-2.2. The current TFR in 14 out of the 22 major States is already below the effective replacement level fertility.

At the State level, southern States as well as West Bengal, Punjab, Maharashtra and Himachal Pradesh have below replacement level fertility and will see TFR decline to 1.5-1.6 by 2021. And by 2031, all States are likely to see below replacement level fertility.

The size of the elderly population, 60 years and above, is expected to nearly double from 8.6% in 2011 to 16% by 2041, whereas the population size of those between 0-19 years, which is on the decline, is likely to drop from as high as 41% in 2011 to 25% by 2041.

This will throw new policy challenges such as provision for health and old-age care, access to retirement-related financial services, public pension funding, and retirement age, states the survey.

“Increasing the retirement age for both men and women going forward could be considered in line with the experience of other countries. This will be key to the viability of pension systems and would also help increase female labour force participation in the older age-groups,” it suggests.

Many countries such as the U.S., Germany and France have already raised the retirement age to reduce the burden on pension funding. The working-age population is expected to see a large increase leading to India’s demographic dividend peaking around 2041, when the share of those in the age group of 20-59 is expected to hit 59%. The survey highlights that this will mean additional jobs will have to be created to keep pace with annual increase in working-age population of 9.7 million during 2021-31 and 4.2 million during 2031-41.