

Retirement Preparedness of Public- and Private-Sector Employees: Evidence from Jaipur, India

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Abstract

Despite saving a higher percentage of their income, private-sector workers in Jaipur are more poorly prepared for retirement than public-sector workers. This paper examines six measures of retirement readiness: retirement planning age, retirement needs assessment, retirement savings vehicle selection, inflation and tax awareness, retirement counseling sources, and estate planning. The paper compares six measures of retirement readiness obtained from a stratified survey of 800 public and private sector salaried workers: retirement planning onset, retirement needs assessment, retirement savings vehicle selection, retirement need for inflation and tax awareness, retirement counseling sources, and estate planning.

Public servants took the lead on all fronts. 42% had started to consider retirement planning (20% private), and 91% had taken up to estimate their retirement savings requirement (58% private). 78% had made an account for inflation (vs 49%) and 75% had a will or estate plan (vs 49%). A quarter of private employees did not plan for retirement at all, and a like proportion were not seeking advice. Public employees had a large stake in employee pensions (57%), and public employees held a significant amount of their wealth in illiquid real estate (43%), while private employees were more reliant on equities (40%) without a defined-benefit backstop.

Overall financial planning ($F = 3.450$, $p = .064$) was not significantly affected by retirement planning beyond the effect of other factors. This implies that retirement preparedness is not a stand-alone factor, but is rather part of planning behaviour. The results suggest that there is a gap in readiness that is driven by pensions that information will not bridge. The paper suggests such measures for private-sector employees as auto-enrolment, employer-matching contributions to NPS, and an inflation-compensated retirement calculator, along with low-cost estate-planning assistance.

Keywords: retirement planning, retirement preparedness, pension, National Pension System, public sector, private sector, India

1. Introduction

Retirement security in India is increasingly dependent on individual choices and not guaranteed benefits. There is no state-wide pension in the country and a significant proportion of the working population are in jobs not covered by pensions. The quality of retirement income for those who work for a salary, however, can be significantly influenced by their employer. Historically, the safety net in the public sector has been structured around jobs. People usually have a pension plan, provident fund and gratuity benefits and regular increments. The private sector employee is typically paid a variable salary that depends on performance, and is on their own to create retirement options from the Employees' Provident Fund (EPF), the National Pension System (NPS), mutual funds, and equities. This difference puts a higher burden and risk on the private-sector worker. This is exacerbated by low financial literacy. The financial literacy rates among Indian adults are estimated to be only quarter (NCFE, 2019) and varies across income, gender and location. For retirement planning to be successful, workers need to make predictions about what they will need in retirement, adjust for inflation and tax considerations, select appropriate vehicles, and plan for transferring assets. Every step requires knowledge and a degree of discipline. There remains a dearth of comparative Indian studies directly between different sectors in the same labour market that examine retirement preparedness. National samples are heterogeneous in terms of the employment structure and mask out sector effects. To fill this gap, this paper focuses on a balanced sample of 800 workers in Jaipur, capital of Rajasthan, where public and private work co-exists on large scale.

The paper asks three questions:

1. How do public- and private-sector employees differ in the timing, quantification and funding of retirement planning?
2. How aware are they of the inflation, tax and succession risks that erode retirement wealth?
3. Does retirement planning exert an independent influence on overall financial planning?

Section 2 reviews the literature and states the hypotheses. Section 3 describes the data and methods, Section 4 reports results, Section 5 discusses them and Section 6 concludes with policy recommendations.

2. Literature Review and Hypotheses

Prior research shows that retirement preparedness depends less on intention than on literacy, attitude and access to institutional support.

2.1 Theoretical grounding

The life-cycle hypothesis suggests that people save over the working years to reduce their consumption when they retire (Modigliani & Brumberg, 1954). Behavioural finance can explain why many households do not save as much as they should, because they suffer from “present bias,” procrastination, and limited self-control. Attitudes, social norms and perceived control are thought to influence the translation of intention to plan into action (Ajzen, 1991). Institutional design is important, as it can be used to replace discipline at the individual level. Where a defined-benefit pension eliminates the need to estimate, save and invest in retirement, a defined-contribution pension shifts each of these responsibilities to the worker. This means that automatic enrolment can be more effective in increasing participation than information alone.

2.2 Empirical evidence

Lusardi and Mitchell (2007, 2014) have demonstrated that the financially literate are more likely to plan for retirement and have more wealth. Lim (2003) discovered that there was little formal retirement planning among older workers in Singapore, and occupation was found to be an important factor affecting planning attitudes by Lai and Tan (2009). New studies from India confirm the behavioural perspective. Nonetheless, Vijayalakshmi et al. (2024) showed that biases like present bias and procrastination have a greater influence on retirement than actual intentions. Financial attitude is found to be a mediator between well-being and retirement planning as reported by Indapurkar et al. (2024). Khurana and Sharma (2026) highlighted that having a willingness to plan is the only way to enhance digital financial literacy in retirement planning, while Sharma and Negi (2025) reported low levels of preparedness for retirement among the salaried class in India. In each of these studies, lower income and younger workers and those who are not pensioned turn out to be the least prepared.

2.3 Research gap

Very few studies have separated the impacts of employment sector from other factors in the context of retirement preparedness in one city. It also often views retirement planning as a standalone result rather than seeing if it stimulates financial planning or is merely a product of it. In this study, both gaps are addressed.

2.4 Hypotheses

Given the public sector’s pension-based safety net, public employees are expected to be better prepared on every measured dimension.

- **H1:** Retirement planning onset is associated with employment sector.
- **H2:** Estimation of retirement savings needs is associated with employment sector.
- **H3:** Awareness of inflation and tax effects on retirement savings is associated with employment sector.
- **H4:** The choice of retirement savings vehicle and source of advice are associated with employment sector.

- **H5:** Estate planning is associated with employment sector.
- **H6:** Retirement planning has a significant independent effect on overall financial planning.

3. Data and Methods

The analysis uses cross-sectional survey data from 800 salaried employees in Jaipur, collected through a structured online questionnaire.

3.1 Sample

The respondents were selected by stratified random sampling of respondents across sector, age, gender, income and education, and 400 respondents were sampled from each sector. The two groups are different life stages with respect to retirement. The modal public employee was aged 35–45 (54%) and earned ₹10–15 lakh a year (48%). The modal private employee age was 25–35 (54%) and income distribution was wider. Gender parity was equal in both sectors at approximately 60% male.

3.2 Measures

In addition to the questions on financial attitude, knowledge and behaviour (36 scale items, $\alpha=0.879$), the questionnaire comprised a retirement planning module. To improve the wording of the items, an 80-respondent pilot was conducted before the main survey.

Table 1. Retirement-preparedness measures

Dimension	Survey item	Response format
Planning onset	When do you plan to start (or have you started) retirement planning?	Already started; within 1–5, 6–10 or 11–20 years; not planned
Needs estimation	Have you estimated the savings you will need for retirement?	Yes / no
Retirement steps	Main step taken toward retirement	Employee pension, stocks, mutual funds, other
Savings vehicle	Where most savings are held	Real estate, provident fund, fixed or recurring deposits, market instruments
Advice source	Main source of retirement advice	Bank or insurer, family, adviser or planner, colleagues, none
Inflation awareness	Have you considered the impact of inflation on retirement savings?	Yes / no
Tax awareness	Are you aware of the tax implications of retirement savings?	Yes / no
Estate planning	Do you have a will or estate plan?	Yes / no

3.3 Analysis

H1–H5 are tested using Pearson chi-square tests of independence between sector and each of the retirement indicators. The number of cases in each test are rounded from the reported percentages of each sector ($n = 400$ per test) and should be re-run on the raw data prior to publication. Effect sizes are reported as Cramér's V , interpreted as small (≈ 0.10), medium (≈ 0.30) or large (≈ 0.50). H6 is tested with a one-way ANOVA of financial-planning composite on retirement-planning composite (as stated in the underlying thesis). All tests use $\alpha = 0.05$.

4. Results

Supporting H1–H5, sector was strongly related to all the retirement indicators (all $p < .001$). H6 was not available.

4.1 Planning onset (H1)

Retirement planning by public employees had begun much earlier. The association was significant and of medium strength ($\chi^2(4) = 111.09$, $p < .001$, $V = 0.37$).

Table 2. Retirement planning onset by sector

Planning onset	Public	Private
Already started	42%	20%
Within 1–5 years	33%	20%
Within 6–10 years	5%	21%
Within 11–20 years	8%	19%
Not planned	12%	21%

Of the public employees, three out of every four had begun or were beginning to start a business in the next five years, whereas 2 out of 5 private employees answered the same. This gap is part of that of course, as the public sample is older. One in five private employees, however, did not have any retirement plan ($\chi^2(1) = 11.76$, $p < .001$).

4.2 Needs estimation (H2)

Considerably more public workers ($N = 91\%$) than private workers ($N = 58\%$) had estimated their retirement savings need ($\chi^2(1) = 114.65$, $p < .001$, $V = 0.38$). The gap between the highest and lowest estimates for the need was greatest for needs estimation. If an estimate is not available, then workers have no basis for determining if they are saving enough or not.

4.3 Inflation, tax and estate awareness (H3, H5)

Public employees were far more aware of the risks that erode retirement wealth.

Table 3. Retirement-preparedness indicators by sector

Indicator	Public	Private	$\chi^2(1)$	Cramér's V
Has estimated retirement need	91%	58%	114.65	0.38
Considers inflation	78%	49%	72.57	0.30
Aware of tax implications	75%	49%	57.39	0.27
Has a will or estate plan	75%	49%	57.39	0.27
Has already started planning	42%	20%	45.25	0.24
Seeks no retirement advice	7%	21%	32.56	0.20

All associations are significant at $p > .001$. Half of private employees had not thought about inflation/tax, and half had no will. Empty spaces are expensive as they erode the value of the fixed corpus over time due to inflation, and without a will, families are at risk of estate disputes.

4.4 Savings vehicles and advice (H4)

The two sectors funded retirement in different ways (main retirement step: $\chi^2(3) = 53.41$, $p < .001$, $V = 0.26$). Public employees used primarily employee pensions (57% compared to 39%) whereas private employees used significantly more stocks (40% compared to 17%). Similarly, mutual funds have been used in both sectors, albeit with a slightly different usage rate (24% vs 20%). The location of savings also differed ($\chi^2(3) = 43.88$, $p < .001$, $V = 0.23$). Real estate was the type of saving held by the largest proportion of public employees (43% vs 21%). Provident funds (32%) and fixed deposits or recurring deposits (27%) were the most popular among private employees. Sources of advice differed most sharply of all ($\chi^2(4) = 98.84$, $p < .001$, $V = 0.35$). The primary sources of funding for public employees were banks and insurers (39%) and family (34%). Private employees were distributed among family (21%), advisers (20%) and colleagues (20%), and 21% did not seek any advice. Less use of professional planners in both sectors (13% public, 20% private). The teacher is responsible for making sure that students are aware of the retirement plan and overall financial plan.

4.5 Retirement planning and overall financial planning (H6)

The financial-planning composite had a mean score of 2.401 (SD = 0.408) and the retirement-planning composite had a mean score of 2.262 (SD = 0.460) ($n = 800$). The ANOVA did not reach significance ($F = 3.450$, $p = .064$). Thus, retirement planning did not have a significant independent effect on overall financial planning and is therefore not supported: H6.

4. Discussion

Results indicate a difference between levels of retirement readiness, according to the presence or absence of an institutional pension.

5.1 The pension safety net

The employment structure does much of the preparation for public employees and that's why they are better prepared. A guaranteed pension offers a known income floor, allowing for easier planning for inflation and tax, as well as a more predictable income floor. These steps don't fall to private employees; they are lacking. Lots of people don't finish them: 42% have not taken into account their need and roughly half of them have not taken into account inflation.

This is a typical pattern that fits with the notion that defaults and institutions can replace individual discipline. It also reflects the recent Indian evidence that it is attitude and bias, not intention, which determines retirement outcomes (Vijayalakshmi et al., 2024; Indapurkar et al., 2024). The education difference between private employees in this sample and public employees is not one of qualifications; rather, the public employees are better educated.

5.2 Two different risk profiles

There are different retirement risks for each sector. Private workers are at risk on the market: 40% are primarily invested in stocks, and without a pension plan to protect them if the market tanks near retirement age. Liquidity and concentration risk: 43% of public employees' savings are in real estate, which is challenging to transform into regular income. Both sectors under-use professional advice and particularly, the one in five private employees who seek no professional advice is a concern.

5.3 Retirement planning as an embedded behaviour

The sector comparison is also partly confounded by age as the public respondents are older and closer to retirement, which should be controlled in multivariate models in future work. The chi-square tests are re-calculated from percentages that have been rounded and should be re-calculated from the raw data. All measures

are self-reported and only cross-sectional. Lastly, the data are limited to one city and may not be representative of rural or other urban groups.

5.4 Limitations

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6. Conclusion and Policy Recommendations

One's readiness for retirement in Jaipur is better predicted through having a pension than through having an income or education. Public employees have begun earlier, they have estimated public needs and took into account inflation, tax and succession. Private workers save more of their earnings, and may be more likely to have a goal and a plan and to be protected from erosion. Retirement planning seems to be part of the planning process itself, so it is not enough to provide information, there needs to be structural nudges to close the gap.

6.1 Recommendations

Table 4. Policy recommendations

Actor	Recommendation	Gap addressed
Employers (private sector)	Auto-enrol employees in NPS with employer matching and an opt-out rather than opt-in design	Late or absent planning (21% not planned)
Employers and advisers	Provide payroll-linked retirement calculators that include inflation and tax	Needs estimation (42% of private employees have none)
Financial institutions	Offer low-cost, goal-based retirement products and fee-transparent advice	Reliance on stocks; 21% seek no advice
Public-sector employers	Run diversification and income-planning sessions for staff nearing retirement	Concentration in illiquid real estate (43%)
Regulators (PFRDA, SEBI)	Promote NPS awareness and standardised retirement-readiness disclosures	Low inflation and tax awareness
All employers	Offer free will-drafting and nomination drives	No will or estate plan (49% private)

6.2 Future research

Future studies should attempt to use multivariate models controlling for age, and income, as the sectors vary in life stage. Longitudinal studies might allow examination of the evolution of preparedness over the course of a worker's life. Willingness and attitude could be tested using structural equation modelling to determine if it is a mediator between literacy and retirement action. Lastly, findings would be checked for their generalizability by replication across other cities in India and for the self-employed.

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