All India BSNL Pensioners Welfare Association's Document to International Conference of Pensioners & Retirees (organized by WFTU) to be held at Barcelona (Spain) on 5th & 6th February 2014

Comrade President, Leaders from various countries and fellow delegates, we extend our heartiest greetings to all of you.

We have come from a developing country **(India),** the largest democratic, 2nd populous, 3rd largest standing army, 3rd largest purchasing power parity, 7th largest by area, 11th largest in GDP (Gross Domestic Product) in the world.

We have come to a developed country **(Spain)** which is 5th largest in Europe, having 10th index rating in Quality of Life, 13th largest economy, 52nd largest in the world. Spain is solar power leader in the world and it runs fastest train in the world. No one can ignore Spain's contribution in Sports and most successful football clubs in the world are 'Real Madrid C.F and F.C. Barcelona. Spain won FIFA world cup in 2010 and Rafel Nadal won Wimbledon 2010 in Tennis.

Both the Nations practice 'Parlimentary Democracy'. Both Nations have two houses of Parliament. Both Nations are 'Secular' and do not have any state religion. Both Nations are multi-lingual and multi-ethnic. Both Nations have many provinces with 'Indivisible Unity' and federal in character. Both Nations have free and compulsory education (6 to 14 age in India & 6 to 16 age in Spain). Bull fight is common in both the Nations. Both Nations have revolutionary background.

In India, the head of State is elected whereas the head of State in Spain is a Monarch. In India, general elections are held once in 5 years whereas in Spain it is held once in 4 years. Spain has 'Gender Equality Legislation' passed in 2007 and 50% of Ministers are women, Among the congress members 36.3% are women and 30% senators are women. India is yet to pass a legislation for 33% reservation for women in Parliament and State Legislatures.

We congratulate WFTU for taking the initiative to form a separate Global organization for Pensioners and Retirees. It is the need of the hour because there is a concerted and calculated attempt by most of the Governments in the world to reduce the quantum of pension by various methods and they call it as 'Pension Reform'.

Reforms in civil service pension schemes in OECD countries include

1. Increase in pension age

2. Restrictions on early retirement

3. Reduced pension or increased service requirement

4. Change in updating procedures

5. Integration of civil service with General state scheme

6. Increase in contribution rates

7. Introduction of some form of Pre-funding

(Source Robert Palacios and Edward Whitehouse, 2006)

Governments advocates Pension Reform mainly for the following reasons:-

a) **Increase in Unemployment**
b) **Rising Longevity**
c) **Low Average Retirement Age**

The average Retirement Age in OECD Countries is 63.9 for Men and 62.8 for women. **But it is to be noted that the average age of workers is 58.8 only.**

In Poland in 2012 Prime-Minister Donald Tusk proposed to raise the Retirement Age of women from 60 to 67 and of men from 65 to 67. Polish President Bronislaw Komorowski gave the reason for this reform because Pensioner/People in working age Ratio was 1:4 in 2010 which would become 1:2 in 2035.

Civil Servant Pension: The Genesis and Issues

Pension Payments refer to the periodical payments made to the individuals beginning with retirement which continue until death. Pension provides lifetime income security for however long the retiree lives. There are largely two forms of financing the same, first, the Pay as you go system (PAYG), an unfunded scheme, wherein the current workers meet the bill of the retiree payments (by way of tax resources raised by the government) and secondly, the workers save from their current income to earn their future retirement income, a funded scheme. Thus the pension is a form of transfer of income from the working phase to the retirement phase. Pension therefore serves two essential purposes. The first is consumption smoothing over an individual's lifecycle i.e. a person provides an income in retirement when someone is no longer working in exchange for contributions into a pension scheme when they are. The second is insurance, especially in respect of longevity risk-the uncertainty attached to an individual's life.

There are two forms of pension. Civil servant pension, payment made after retirement to its employees who were engaged in the discharge of fiscal responsibilities of the Government from time to time. The second one is a welfare measure provided to various sections of society such as old, destitute, women etc. The criteria for these two are different and mixing up these two forms of pension payments could lead to very erroneous conclusions. Decisions based on such conclusions could result in faulty policy design. **An important aspect is that while the old age related pension payments are related to the demographic status of a society, the civil servant pension is directly dependent on the employment policy of the respective governments in the corresponding past period.** *Larry Wilmore observed that Civil Service Pension is nothing but a 'Deferred Wage'.*

The main objectives for providing pension to Government employees are:-

- Securing the independence of public servants
- Making a career in public service attractive
- Shifting the cost of remunerating public servants into the future
- Retiring older civil servants in a politically and socially acceptable way

Military was the first to receive pension especially with regard to disability and survivor benefits. **English and Spanish** Governments were providing pension to their veterans in 17th Century itself. Naval pension was introduced in US before the ratification of its constitution in 1787. According to a study by Mr. Raphael (in 1964) initially British civil service pension scheme was on a discretionary and individual basis. Formal superannuation pension was introduced to custom officials in 1712 in England. In 1810, British parliament passed an act for British civil servants scheme. So, civil servants pension system is more than 2 century old.

Struggles against Pension Reform

There were several struggles in various countries against Pension Reform. But the struggle in France is noteworthy to quote here. France introduced Pension Reforms in 1995, 2003 & 2007. In 2010, **Nicolas Sarkozy regime** introduced another pension reform which included raising the retirement age from 60 to 62, Increasing the contribution period to 41.5 years. Against this reform, **lakhs of workers were on the streets on 27/5/2010, 24/6/2010 and 12/10/2010.** It was a powerful movement and **Sarkozy was defeated in the election** which was held subsequently in 2011. **Francis Hollande was elected as President of France** and the retirement age was restored back to 60. But he also proposed a different reform which include 41 years contribution to get full pension which may go to 43 years contribution by 2035 and contribution to pension scheme increase by 0.3%.

Spain's Employment Minister Fatima Banez said that the link between Pension and Inflation should be ended; Pension will depend on Spanish Economy and Life Expectancy; Pension will not increase more than 0.25% above inflation. It would be linked to the amount of contributions paid into the social security system. From 2019, pension payments will also be coupled to longevity which means if one gets older, pension will fall. **Nine million pensioners in Spain would be affected by this reform.** Banez also said that Spain would have a population of 37 million by 2050 and 45.94% of that population would be pensioners. We understand that **the real reason is high rate of Unemployment which stands at 26%.** Workers have conducted several struggles against this reform.

Civil Servant Pension in India

The concept of security for old age in India dates back to 3rd century B.C. According to Sukraniti, a king had to pay half of the wages for people who had completed 40 years of service. Royal Commission brought in retirement benefits for Civil establishments and Pension Act 1881 was introduced by British colonial rule. But it was contributory pension and the employees contributed 4% of their salary. It was made applicable to all Europeans but to only some Indians. When ICS provident fund was introduced to non-Europeans the practice of contribution was stopped. The provisions of pension benefits were strengthened in the Government of India Act 1935. Thus, the civil servant pension system originated in India on the lines of the UK system.

There was a sharp increase in the employment base created for almost three decades after independence under various five year plans. But there has been a considerable decline in the numbers recruited from one plan period to another. There was negative growth in eighties and nineties. In 1960-61, the expenditure for Pay & Allowances was Rs.417 crore which was 2.7% of GDP. It rose to Rs.36,704 crore in 2004-05 but it was only 1.18% of GDP.

The Central Government Employees Pay is revised once in 10 years on an average through Pay Commissions appointed by the Government. So far 6 Pay Commissions were appointed after independence. Government of India made an announcement for appointment of 7th Central Pay Commission and its recommendations would be implemented from 1/1/2016. Till 3rd Pay Commission, Pension was not revised to old pensioners on the basis of pay revision. But following the judgement of Constitutional Bench of Supreme Court of India on 17/12/1982 subsequent Pay Commissions recommended for pension revision on the basis of pay revision. Price-rise is compensated by way of Dearness Relief and revised once in 6 months. At present, 50% of Last Basic Pay is granted as Pension. In the event of death of pensioner the spouse is getting family pension for life. 30% of Basic Pay is granted as Family Pension. After the death of spouse also, family pension is granted to anyone like widowed/ divorced daughter, handicapped child, dependent parents for life. Almost all State Governments follow the same pattern for their employees and teachers. **Among the working population, only 12% have formal pension coverage.**

Pension in India is statutorily guaranteed. There was a land-mark judgement on pension by the Constitutional Bench of Honourable Supreme Court of India (consisting of 5 honourable judges including Chief Justice) on 17/12/1982. It gave clarity on many issues. It paved the way for revision of pension to past pensioners and ensured regular payment of Dearness Relief to compensate price-rise. So 17th December is celeberated as **'Pensioners Day'** in India by the Pensioners Organisations. We herebelow quote some important portions from that judgement.

The "Magna Carta" of Pensioners

The basic contention as hereinbefore noticed is that the Pensioners for the purpose of receiving Pension form a class and there is no criterion on which classification of Pensioners retiring prior to specified date and retiring subsequent to that date can provide a rational principle correlated to object, viz., object underlying payment of Pensions.

The reasons underlying the grant of Pension vary from country to country and from scheme to scheme. But broadly stated they are (i) as compensation to former members of the Armed Forces of their dependents for old age, disability, or death (usually from service causes) (ii) as old age retirement or disability benefits for civilian employees and (iii) as social security payments for the aged, disabled, or deceased citizens made in accordance with the rules governing social service programmes of the country. Pensions under the first head are of great antiquity. Under the second head, they have been in force in one form or another in some countries for over a century, but those coming under the third head are relatively of recent origin.

From the discussion three things emerge (i) that Pension is neither a bounty nor a matter of grace depending upon the sweet will of the employer and that it creates a vested right subject to 1972 Rules which are statutory in character, because they are enacted in exercise of powers conferred by the Proviso to Art. 309 and clause (5) of Art. 148 of the constitution; (ii) that Pension is not an ex-gratia payment but it is a payment for the past service rendered; and (iii) it is a social welfare measure rendering socio-economic justice to those who in the heyday of their life ceaselessly toiled for the employer on an assurance that in their old age, they would not be left in the lurch.

A Pension scheme consistent with available resources, must provide that the Pensioner would be able to live (i) free from want and with decency, independence and self-respect (ii) at a standard equivalent at the pre-retirement level.

Those who rendered the same service earned less Pension and are exposed to the vagary of rising prices consequent upon the inflationary inputs. If, therefore, those who are to retire subsequent to the specified date would feel the pangs in their old age, of lack of adequate security, by what stretch of imagination the same can be denied to those who retired earlier with lower emoluments and yet are exposed to the vagaries of the rising prices and the falling purchasing power of the rupee?

Life Expectancy in India

It was 71.8 in 1951-61 for Men which rose to 75.7 in 1995-99. For the same period for Women it rose from 73 to 77.7

Minimum Pension

There was no Minimum Pension before 1.1.1964. From 1.1.1964 it was Rs.25/- p.m.. It was changed to Rs.40/- p.m. from 1.3.1970, to Rs.60/- p.m. from 1.1.1980, to Rs.150/- p.m. from 1.4.1982, to Rs.160/- p.m. from 1.4.1983. IVth CPC only introduced the concept of 50% of Minimum of Minimum scale and under this concept it became Rs.375/- p.m. from 1.1.1986. It rose to Rs.1275/- p.m. from 1.1.1996 (Vth CPC) which was changed to Rs.3500/- p.m. w.e.f. 1.1.2006 (VIth CPC).

Maximum Pension

Before 17.4.1950 Maximum Pension per annum was Rs.6,000/-. It rose to Rs.6,750/- from 17.4.1950, to Rs.8,100/- from 17.4.1956, to Rs.12,000/- from 1.1.1973. From 31.3.1979 it became Rs.1,500/- p.m. and from 1.1.1986 (IVth CPC) it rose to Rs.4,500/- p.m. The concept of 50% of the Maximum Pay in the Government as ceiling was introduced by IVth CPC. The same concept was followed by Vth CPC & VIth CPC. So the ceiling from 1.1.996 was Rs.15,000/- p.m. and from 1.1.2006 it was Rs.45,000/- p.m..

Family Pension

Family Pension was introduced in April 1950. FP is eligible for those who have put in a service of 25 years. FP was 50% of Pension. It was allowed for a total period of 10 years subject to a maximum of 5 years beyond date of retirement. The service condition of 25 years was reduced to 20 years from 1.4.1957. **Family Pension Scheme 1964 was introduced and it was made applicable to all those who were in service as on 31.12.1963.** Upto 22.9.1977 two months gratuity was deducted towards Family Pension. It was withdrawn from 22.9.1977 on the basis of Apex Court Judgement. From 1.1.1986, on the basis of IVth CPC recommendations, upto the Basic Pay of Rs.1,500/- FP was 30% of Pay with a minimum of Rs.375/-. For those who drew a Basic Pay of Rs.1501 to 3000 it was 20% of pay with a minimum of Rs.450/- p.m. and for those who drew a Basic Pay above Rs.3,000 it was 15% of pay with a minimum of Rs.600/- p.m. The ceiling of Family Pension was Rs.1,250/- p.m. As per Vth CPC recommendations from 1.1.1996 FP is granted @ 30% of Last Pay Drawn. Minimum Pension of Rs.1,275/- is made applicable to family Pensioners also from 1.1.1996. Both Son and daughter is eligible to receive FP upto the age of 25 years or marriage or employment whichever is earlier. But handicapped children are eligible to get FP for life. Vth CPC introduced the concept of **'Enhanced Family Pension'** for 7 years or pensioner would have attained the age of 67 whichever is earlier, if the employee died in harness (i.e. 50% of Average emoluments instead of 30% of LPD). From 1.1.2006 on the basis of VIth CPC recommendations, the period of 7 years was increased to 10 years (for those died in harness). As per the existing orders, if the period of 7 years falls beyond 1.1.2006, then FP at enhanced rate should be given for 10 years.

Commutation

A portion of pension is granted as lump-sum at the time of retirement is called Commutation. A commutation table is applied on the basis of the age at which one retires. If one retires on completion of 60 years of age, then it is calculated as Pension X 12 X 8.194.

Upto 17.4.1950, 50% of pension was allowed for commutation. It was reduced to 1/3rd from 17.4.1950. From 1.1.1996 (Vth CPC) 40% is allowed. BSNL retirees are eligible for this 40%. Upto 31.3.1985 there was no scheme of **'restoration of commutation'.** On the basis of Supreme Court Judgement **'Restoration of commutation'** was allowed after 15 years from 1.4.1985. Though Vth CPc recommended for restoration after 12 years, Government did not accept that recommendation. **BSNL retirees are entitled for restoration of commutation after 15 years.**

Death-cum-Retirement Gratuity

DCRG was introduced from 17.4.1950. For each completed year of service it was 9/20 of emoluments with a maximum of 15 times. It was changed to 1/4th for every 6 months service from 22.4.1960. Maximum was raised to 16 and half times from 1.1.1973 (III CPC). The ceiling was raised to one lakh from 1.1.1986 (IVth CPC). From 16.9.1993 20% of Basic Pay was treated as Dearness Pay for DCRG. 97% of Basic Pay was treated as dearness pay for DCRG and ceiling was raised to Rs.2.5 lakh from 1.4.1995. On the basis of Vth CPC recommendations, from 1.1.1996, Pay + DA was taken into account for payment of DCRG (till then only Basic Pay was taken into account). On the basis of VIth CPC recommendations ceiling was raised to Rs.10 lakhs from 1.1.2006.

Retirement Age

Normal retirement age of civil servants in various countries varies from 50 to 67. In India, it is 60 for Central Government Employees and 58 for State Government Employees & Public Sector Employees.

Number of Pensioners in India

According to 6th Central Pay Commission Report (in 2007) total Central Government Pensioners were 38.41 lakhs (Defence – 19.40 lakhs + Railways – 10.18 lakhs + Civil – 5.83 lakhs + Postal 1.58 lakhs and Telecom 1.42 lakhs). If Para-military forces and Public Sector are included, then the figure may touch 10 million. In India we have 28 States and 7 Union Territories. Their employees & Teachers are also getting pension. We have authentic figures from two states viz. Tamilnadu has 7,00,350 pensioners as on 1/1/2013 and Kerala has 5,28,296 pensioners as on 31/3/2010. Overall State Government Pensioners may cross 10 million. So 20 million pensioners are in India out of a population of 1200 million (1.67%).

Expenditure

On an average a pensioner is getting pension for 20 years. 5% of pensioners die every year. On an average Family Pensioner is getting pension for 10 years and 10% of Family Pensioner die every year. During 1964-65 total pension expenditure was only 31.24 crore rupees. It rose to Rs.26,205.07 crores in 2004-05. The increase was due to three factors viz. 1) Implementation of Pay Commission Recommendations 2) Inflation (Price-rise) 3) Increase in number of pensioners. Pension bill would increase until 2036-37 and subsequently it would decline. The average growth rate works out to 18.45%. On an average pension expenditure for defence works out to 54.73% followed by Railways with 21.94% for the same period. The overall trend and its increase are largely for pension payments to Defence sector. In proportion to GDP (Gross Domestic Product) pension expenditure was 0.13% in 1964-65 which rose marginally to 0.93% in 2004-05. On an average pension expenditure is only 0.51% of GDP. A study by Centre for Economic Studies and Policy, Institute for social and economic change revealed that the pension liability would be 0.54% of GDP till 2024-25 after which it would decline. **It is understood that the Civil servant pension payments in OECD countries works out to 1.8% of GDP on an average and in Middle & Low Income countries it is 1.2% of GDP on an average.**

Health Care

Railways, State (Provincial) Governments and Public Sector Undertakings are having their own health schemes for their employees and pensioners. Central Government Health Scheme under the Ministry of Health and Family Welfare provides comprehensive health care facilities to Central Government Employees, Pensioners and their dependents. It is available only in 25 cities. Totally 254 Allopathic dispensaries, 19 Polyclinics, 78 Ayush dispensaries, 3 Yoga centres, 65 Laboratories and 17 Dental clinics are available in those cities. Those who are living in those cities are eligible to take treatment. The Employees and Pensioners have to pay a monthly subscription ranging from Rs.50/- to Rs.500/- depending upon their grade pay. Pensioners can pay 120 months subscription in lumpsum and get a life-time card. For those who are living beyond the limit of those 25 cities are paid a monthly allowance of Rs.300/-.

In BSNL (Bharat Sanchar Nigam Limited), a public sector undertaking in Telecom has got its own health scheme. Out-door treatment and indoor treatment is allowed both to the employees and pensioners. They have to take treatment in empanelled hospitals as in-patient. For out-door treatment, they can submit original bills and claim reimbursement. There is a ceiling for each individual.

Old Age Pension

The Central Government, under "Indira Gandhi National Old age Pension Scheme" is giving Rs.200/- per month for those who are 'Below Poverty Line' in the age group of 60 to 79 and Rs.500/- for above 80 years of age. State Governments are providing such financial help to destitute, disabled, helpless widows etc.

Pension Reform in India

World Bank released a report called "**The challenge of old age income security"** in 2001 which said that 1/8th of world elderly live in India.

IMF working paper on Pension Reform in India states "Pension obligation or promises made by Government, which have potential of exerting pressure on Govt. finance, have been the subject of increased focus in assessing medium to long-term fiscal sustainability".

National Democratic Government (headed by Bharatia Janata Party) led by Shri Vajpayee established Pension Fund Regulatory and Development Authority (PFRDA) through a resolution on 10/10/2003. An Ordinance was promulgated on 29/12/2004. A Bill was introduced in Parliament on 21/3/2005 but was opposed by Left Parties which were supporting the Government from outside. However United Progressive Alliance Government (headed by Indian National Congress) led by Dr. Manmohansingh passed a resolution on 14/11/2008. It was passed by Parliament in 2013 called PFRDA Act 2013. Both the Ruling Party and main opposition party joined hands in enacting this Act. Only Left parties were stoutly opposing this, inside and outside Parliament since 2003. Though all State Governments have implemented this Act, only one State which is Ruled by Left has refused to implement it.

By enacting this Act, the concept of **'Defined Benefit Scheme' is changed as 'Defined Contributory Scheme'.** It is called National Pension Scheme (NPS). This NPS is mandatory for all Government Employees (Except Armed Forces) who joined the service on or after 1/1/2004.

There are two tiers in the scheme. According to this new scheme, in tier one, 10% of Basic Pay + Dearness Allowance would be deducted every month from the salary and Government would contribute the equal amount. The amount would be deposited in an account and the employee would be allotted a 12 digit number which is called Permanent Retirement Account number (PRAN). The accumulated amount cannot be withdrawn by the employee before retirement. Pension Fund Managers are appointed to manage and maintain the funds. If the employee retires on completion of 60 years of age, 40% of accumulated amount would be taken to purchase an 'Annuity' and the remaining 60% would be given to the employee. If the employee retires before completion of 60 years, then 80% of the accumulated amount would be taken for purchasing 'Annuity' and only 20% would be given to the employee. 7 Annuity Service Providers are appointed out of which 5 are Private Companies and only two are Public Sector Companies.

As on 2/3/2013, there were 44.93 lakh subscribers in NPS out of which 27 lakh are Government employees. It has a corpus fund of Rs.28,400 crore. The corpus fund is expected to reach one trillion USD by 2025. **This huge amount is going to be pumped into share market to boost the profit of capitalists.**

The amount in Pension Account would be invested in purchasing bonds, government securities, share market etc. **All investments are subject to Market risks and there is no guarantee or assurance that the investment objectives shall be achieved. Investment risks such as trading volumes, settlement risks, liquidity risk, default risk including the possible loss of principal.**

Dean Baker (co-director for centre for economic and policy research, Washington) said **"Privatisation means that you would not have a guaranteed benefit that you have today. It would depend on how will your investments do or how well they have done at the point you retire. He quoted the collapse of NASDAQ and Enron. In Britain, Insurance companies could not honour their promises and the government had to compensate with 8 billion pounds".**

Joseph Stiglitz (Chief economic advisor to Bill Clinton, former vice-chairman and chief economic advisor, world bank, Nobel prize winner, Professor of economics, Columbia university) said that **"Stock market does not guarantee returns. It does not even guarantee that the stock values will keep up with inflation. Privatisation would not protect retirees against the social security systems insolvency. Argentina's privatization of its pension system was at the centre of its fiscal woes".**

The working class in India have conducted several struggles including General Strikes (atleast one strike in every year) but it could not force the Government to retreat. The weakness of the movement is that the employees who were in service prior to 1/1/2004 feel that their pension is safe. Trade Unions could not educate the employees about the impending danger.

Our Organisation

We have formed our All India Organisation on 20th August 2009. We have Branches in all States. Within 4 years we could reach a membership of nearly 40,000. We are functioning democratically. Our Central Executive Committee meets regularly once in 6 months. State Conferences are held once in 2 years and All India Conference once in 3 years. We have settled many problems of the pensioners. Pension Revision on the basis of pay revision to pre-2007 retirees was the most important achievement of our organization. Nearly 60,000 pensioners got the benefit. Their pension got doubled and they got sumptuous amount as arrears which they have not seen even during their service. In India nearly 85 to 90% pensioners are unorganized. In Telecom we are the best organized one but still nearly 50% of Telecom Pensioners are unorganized. We are trying our best to rope them.

Conclusion

Most of the Governments in the world are dancing to the tune of World Bank, IMF & WTO. The Governments are washing off their hands from providing social security. They are advocating that everything would be decided by the Market Forces. The gap between the rich and the poor are widening day by day. Unemployment is enormous and loss of jobs are also increasing. We are of the opinion that unemployment is the prime reason for bringing in pension reform. Pensioners while protecting their right to pension, they should protest against unemployment in whatever manner they can. In our opinion, pensioners who are in the age group of 60 to 70 are active in the movement. Due to ageing and ill-health, pensioners beyond 70 are only silent spectators. The conference should deliberate on all these aspects and arrive at a proper conclusion.

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