COMMENT

Curbing Pension

IN BRITISH INDIA PENSION WAS introduced for British and Indian soldiers and civil servants. Later some British commercial and banking organisations extended pension benefits to their retired officers, clerks and other subordinate members of the staff. The pensioners were few. Pension could be disbursed from the regular wage fund. Only pension-accounts were kept separate. In independent India the number of pensioners soared dizzily. Pension needed a separate pension fund. And that P-fund needed to be regulated and well-managed. With this end in view the BJP-led NDA government at the centre made all the ground work and introduced the New Pension System for the central government employees joining service on and from 1 January 2004. The CPM-led Left Front supported Congress-led UPA government at the Centre seeks to extend the New Pension System to all other categories of employees and further to move towards commercialisation and semi-privatisation of the P-fund.

Previously the participants of the Pension-scheme either could not feel the load or had no other way than to keep themselves content and re-conciled since in the former case no deduction and in the latter compulsory deduction was made from current wage/salary bill. In the new pension system the participants must have to contribute to the P-fund. For example, it has been roughly estimated that the central government recruits 50,000 employees every year and therefore by now the new-recruits total above 1 lakh. Assuming an average salary of 5000.00 (Rupees five thousand) per month the total amount accumulated at the refund in two years is 2×12000× 100000 that is Rs. 240 crore. The figure has been worked out on the basis of 10% of one's salary/wage as employees' contribution plus 10% of the employees' salary/wage as employers' contribution which are compulsory. The employee, however, has the option of getting more than 10% of salary / wage deducted as his/her contribution to P-fund. Under the New Pension System (NPS) therefore, the minimum on the receipt side of the P-fund is Rs. 120 crore per annum for Central Goverment employees alone. If the NPS is extended to all state government employees proper the annual receipt shall multiply by at least five. If further the employees of PSUs and PSEs are brought within the fold of NPS, the receipt shall multiply at least by another five. If local govt. (Municipalities, Panchayats) employees all over the country are taken then also the multiplier shall be at least another 5. And if all the employees of all government-aided non-government institutions like schools, colleges and state universities and Research Organisations are taken into account the multiplier at the minimum end shall soar by another 10. In this case the annual yield to the P-fund shall be at least 25 times Rs 120 crore which is Rs 3000 crore. When the private sector joins the NPS, their annual contribution (both employers' and employees') shall tend to the same figure. And last but not the least, if and when the self employed, farmers and informal sector operators are brought within the fold of the NPS, the corpus of the P-fund is visualised to grow at the rate of at least Rs 10,000 crore each year.

The estimate of annual accumulation rate as above is provisional; yet it is neither imaginary nor absurd. The exact figures will certainly show higher figures.

In fact the IMF-World Bank calculated P-fund accumulation in India and its annual rate and suggested in the late 1980s that this huge fund could be mobilised to investments, long and midium term, long before WTO was born. Now the WTO wants this Pension Fund to be severed and separated from Government (Central and States) control and be managed by an extra-Government management group to be supervised by a Central Pension-Fund Regulatory Authority, called Pension Fund Regulatory and Development Authority (PFRDA) as the apex body supported by a private public combine, Central Record-keeping Agency (CRA) who will keep records of all transactions and maintain individual retirement accounts. In the area of management of the P-fund, the CRA will have a monopoly power. The PFRDA will only oversee so that there is no abuse of power. About transactions, the CRA will invest the P-fund in mutual fund business, Indian and overseas and thereby channelise the P-fund through the Mutual Fund route to Shares and Stocks business. A detailed plan has been worked out in the Finance Ministry of the Government of India. In finalising the New Pension system all parliamentary political parties and their affiliated Central Trade Union Organisations have their contributions. But they are not sure how the affected participants especially the employees and workers in the organised sector will react. That is why they put up the sham show in the open that they oppose the NPS whereas in the past deliberations in the dark with all shades of Finance Ministers and the ministry officials for the past 15-20 years they provided inputs and ways and means about how to frame and implement the NPS. Earlier pension was considered as benefit earned through toil. In the NPS pension shall be a commodity to be purchased and preserved. ✍✍✍✍