

# Rank and Pension

## *The Statesman*

*September 03 2015*

The nation is presently under the grip of OROP (One Rank One Pension) fever. Several army veterans are fasting unto death, front pages of newspapers are full of it and talking heads on TV are crying hoarse over it. Passions are ignited while invectives fly thick and fast and emotion is being invoked much more than logic and facts, often misleading the audience. The nation is being sensitised afresh to the unprecedented hardships experienced by our men in uniform, about the untold sufferings of their families and the earnest sacrifices made by the men themselves including the supreme sacrifice of their lives for the sake of an ungrateful nation. One is learning about their inadequate pension due to truncated service and limited job opportunities after a compulsory early retirement. No one doubts the truth of any of these, but the issue is more deep seated. Various conjectures are being attempted about the impact of OROP, from extremely conservative to wildly fanciful ones, while skirting the precise nature and magnitude of the problem.

OROP implies uniform pension to persons retiring in the same rank with the same length of service irrespective of their dates of retirement. It implies bridging the gap between the rates of pension of current and past pensioners, and also their equalisation in respect of future enhancements in the rates of pension. One should dispel the myth that OROP is an army specific problem; it is not. All paramilitary forces and 99 percent of the civilian government employees are similar victims of an unjust system of pension. Barring a handful who have the privilege of retiring at a fixed scale, normally at the top, whether in the army or in the civil administration, all employees suffer from this discrimination.

Pension drawn by any government servant including defence personnel consists of two elements: a basic pension which is fixed at the time of retirement and a relief thereon as and when successive DA instalments are released by the Government based on the consumer price index of inflation. Central Pay Commissions (CPC) are constituted every 10 years, and with each CPC awards, enhancement in pay scales and revised rates of pension are automatically passed on to the past pensioners whose basic salaries at the times of retirement are revised and re-fixed in the new scale of pay and new pension determined accordingly. While some benefits of revision are passed to retired employees, problem arises due to the bunching several old pay scales into a smaller number of scales in the new revised pay structure. There would be no disparity in pension if the number of pay-scales and their intermediate stages remain the same; then there would be point to point fixation between the old and the new pay-scales without ambiguity. This was the case with the pay-scales of defence forces, which were different from those of civil servants, till the 2<sup>nd</sup> CPC awards (1966-76).

The armed forces enjoyed the OROP till 1976, i.e. before the 3<sup>rd</sup> CPC (1976-86) took an ex-parte decision against OROP and applied the civilian pension rules to the armed forces pensioners as well. This was the genesis of discrimination between the past and present pensioners. The 3<sup>rd</sup> CPC (1976-86) compressed 36 running pay scales prevalent in government service to only 19 by merging several of older scales into single running scales in the revised pay structure. When a number of pay scales are merged into a single running pay band, pensions drawn by all pre-existing pensioners who had retired at the old scales are fixed at the lowest of the pay band into which these old scales are merged. This is where the problem arises and disparity kicks in between the past and the present pensioners, as an official retiring now would obviously draw a higher pay than the same-rank official who had retired 10 years ago.

With the 4<sup>th</sup> and 5<sup>th</sup> CPC awards, the number of pay-scales again proliferated to 34, but the problem really got aggravated when the 6<sup>th</sup> CPC (2006-16) reduced it drastically to only 9 running pay-bands (PB) by introducing a number of fixed grade-pays within each band; these grade pays did not affect the pension. For example, 26 pay-scales were converted into 4 PBs, accommodating within a single pay-band (PB-4) carrying scale of 37,400 - 67,000 pays of all officers from the level of Lt. Colonel to Major General, making all of them, irrespective of their years of retirement or rank, draw the same basic pension of 18,700 fixed at the lowest of PB-4, and hence lesser than anyone retiring presently at a higher level within this PB with higher or lower rank. This anomaly also applies to the civilian employees. All past retirees would therefore stand to suffer monetary losses which will amplify with every successive CPC awards, with ever-widening disparity between present and past pensioners.

Resentment of defence forces on ground of unequal pension is thus understandable, but there is another reason for their sensitivity to this. For armed forces, equality in service has two components, rank and length of service. Rank signifies command, control and responsibility. A soldier is attached to his rank and is allowed to retain it even after retirement. Differential pensions to soldiers retiring in the same rank with equal years of service also creates social inequality between them, apart from financial inequality.

About 85 percent of the armed forces personnel retire below the age of 40; this is necessary to keep our fighting forces young. Even officers retire between 52 and 54 depending on their rank, while all civilian employees retire at the age of 60. A larger service span allows the civilians more time to rise in hierarchy and get higher pension, those advantages are denied to armed forces. Though there are some job reservations for ex-servicemen, opportunities are limited. Given the hardships and peculiarities of service conditions of armed forces, they obviously cannot be equated with civil servants. OROP for them is thus imperative, which is why all political parties and five Prime Ministers have favoured it, but it still remains unimplemented, due primarily to bureaucratic apathy if not disinclination. Bureaucrats who have to decide on such matters do not stand to lose; almost every bureaucrat reaches the fixed apex scale of Rs 80,000 at which there is cent per cent equalisation of pension, whereas only the chiefs of three defence forces, vice chiefs, army commanders and their counterparts

in air-force and navy draw the apex scale. Bureaucrats thus may not be too inclined to appreciate the difficulties faced by lesser mortals in the army.

Issue of OROP has earlier engaged the attention of umpteen number High Level Empowered Committees, Inter-Ministerial Groups, Cabinet Secretary Committee, Standing Committee on Defence, Rajya Sabha Committee on Petitions etc. whose efforts did rationalise the system of pension to some degree and narrowed the gap between past and present pensioners. The fact that so many committees had to address the issue is in itself a testimony to the difficulties inherent therein. Grant of weightage for the purpose of calculation and revision of pay of all pre-2006 pensioners below officer rank and removal of linkage of full pension with 33 years of qualifying service with effect from 2006 have, in particular, brought in much better parity.

On government's side, the major impediment is, of course, financial. In 2011, the Controller General of Defence Accounts had estimated the additional annual liability on this account at Rs 3000 crore. Today it is estimated to be about Rs 8300 crore annually which may increase to Rs 10000 crore, if the impending 7<sup>th</sup> CPC awards are factored in, taking the base year of 2011 for fixation of pension, and rolling it out from January 2015 – both points being contested by army veterans, who further want a continuous 'rolling' adjustment of all past pensions with present values which is unrealistic. Given that 60000 soldiers retire every year, it will be an administrative nightmare to adjust the pensions of some 30 lakh existing defence pensioners on a running basis. Instead, government's proposal of adjustment once every five years in place of once in every ten years for civilians appears reasonable. Negotiation is struck at present on these issues. But the financial implication is probably being exaggerated by bureaucrats and ministry mandarins.

The total Central government pension expenditure during 2012-13 was Rs 69,479 crore, of which defence pension was Rs 43,368 crore and civil pension Rs 26,111 crore. Both have grown almost equally during the last five years. Factoring the likely impact of 7<sup>th</sup> CPC, total pension liability may increase to Rs 88,000 crore. Compare this to Union Government's subsidy expenditure of Rs 257,179 crore in 2012-13, of which food subsidy was Rs 85,000 crore, fertiliser subsidy Rs 65,808 crore and petroleum subsidy Rs 96,880 crore. Given the falling price of petroleum in the global market, there is some cushion to absorb the excess expenditure of Rs 18,000 crore OROP is likely to impose, provided the Government curtails directionless subsidy, disinvests its PSUs and implements economic reforms with urgency. If the fiscal deficit of Rs 4.95 lakh crore in 2012-13 did not throw the economy out of gear, the additional burden imposed by OROP will not unsettle it either, even after considering the likely demands from civilian employees and paramilitary forces. This price cannot be too high for the morale of our defence forces.