Declaration
adopted at the Mass Convention of Income Tax employees being held at New Delhi on 14th March 2019.

Restore the Defined Benefit Pension Scheme for all Civil Servants.

The System of Pension as a social security benefit for the employees under the Government was in existence since the early British days, though the concept in a primitive manner could be traced back to the ancient times of Gupta Dynasty. It was conceived as "Pay as you go" and had been functioning well. The system had an inbuilt contribution for the beneficiaries in the form of suppressed wages, which fact was later recognised by the highest judiciary of the country, the Supreme Court, when they pronounced that Pension is not a product of gratis of the employer.

It was Ronald Reagan, who became American President later, first mooted the idea of the pension Fund being employed in speculative investments. The World Bank, later alarmed over the Pension outflow of Governments brought out a report called "averting the old age crisis" a euphemism they employed to put the Reagan theory into a worldwide reality.

The Indian government, which had already embraced the globalization path of development, set out an expert committee to go into the need of Pension architecture to cover the old age citizens. The OASIS (Old age social and income security) Committee headed by Mr Dave had advocated what World Bank wanted and thus came in for severe criticism of the central board of trustees of the Employee's Provident Fund. In the India-specific report of the World Bank, they did not touch upon the universal social security aspect but confined themselves to the concern over the fiscal deficit, as a result of the unfunded pension scheme for civil servants consuming alarming proportion of the government budget. As they were duty bound to abide by the dictates of the world Bank, the Government of India announced major reforms to the civil service pension in its 2001 budget.

In an almost identical approach, the International Monetary Fund opined that "absent reform, the pension system of government employees is likely to place the increasing pressure in the budget in the years ahead". They further observed that "the CSPS (Civil Service Pension System) will become the increasing burden on the budget".

To put forth the envisaged pension reforms in concrete terms, the Government set up another committee under Shri. Bhattacharya who had retired as the Chief Secretary of the Karnataka State. While fully agreeing the need to address the fiscal deficit concerns and the increasing pension outflow (without examining as to why the increasing financial outflow came about at the outset) suggested inter-alia the switch over from DBS to DCS. However, in their final recommendation, they suggested a hybrid DBS/DCS or a mixed scheme. They also recommended a two-tier system whereby the first tier Pension will be Defined Benefit Scheme- Benefit being 50% of the average emoluments of the last 36 months, in the case of those who had put in 33 years of service and above (for full pension).

The NDA Government, which notified the New Scheme to give effect to its earlier Budget proposal, did not conform to the suggestions of Bhattacharya Committee. It made DCS Pension mandatory for all entrants to the Government Service after 1.1.2004 and at a cost of deduction of 10% of Pay plus DA while Government contributing same amount to the Pension Fund. Most of the State governments adopted the central scheme without any modification and imposed the conditionalities upon its employees.

The very issue of a mandatory contribution and non guarantied annuity benefit as pension was questioned by the employees at the JCM National Council, the National Negotiating forum of the Central Government employees. In the discussion that ensued, the government held out a solemn assurance on 14.12.2017 as under.

“For employees who had entered Government Service on or after 1.1.2004 are not likely to be worse off vis-a-vis the current pension system in force as the replacement rate would match to the present one. Thus NPS is a Win-Win situation for employees and government”

The thrust of the Government’s explanation when the PFRDA Bill was presented in the Parliament was the increased pension outflow over the years threatening the management of fiscal balance. It was undoubtedly an incorrect statement. The pension outflows no doubt- quantum wise had increased but was certainly in tune with the rate of increase of the wage bill of the Government.

It was in the wake of these reform processes the GOI set up 6th CPC. The said commission referred the new contributory pension scheme for a deeper study to the Centre for Economic Studies and policies, Institute for Social and Economic Change, Bangalore headed by Dr. Gayatri. Shri S.Chidambaram who was actuary appointed by the institute in his report pointed out:-

“That the government liability on account of Contributory pension scheme would in effect increase for the periods spanning for next 34 years from the existing Rs.14284 crores to Rs.57,088 crores(2004-2038) and is likely to taper off only from 2038 onwards. The exchequer is bound to have an increased outflow for the next 34 years and will be called upon to bear the actual pension liability of defence personal and personnel from paramilitary forces besides making the contribution to pension fund of the civil servant recruited on or after the cut-off date. The specious plea that the exchequer is bound to gain due to contributory pension scheme is, therefore, not borne from fact. ”The study report ultimately concluded that

> “Mainly given the fact that the future liability although may be large in terms of absolute size is not to last very long and does not constitute an alarmingly big share of the GDP which is also on the decline. It appears that pursuing the existing “pay as you go” to meet the liability will be an ideal solution.”

Most of the State Governments found it difficult, given its feeble resources to effect the mandatory contribution under the DCS system. To their dismay and to match with the conclusion of the report of the Bangalore Institute, the financial outflow of the pension account went on increasing making the State Governments compulsory defaulters in providing the matching contribution. Many of the State Governments also faulted in making over the subscription received from the employees to the Fund Managers. Thus, even the meagre annuity that an employee was to receive under the DCS as pension got vanished.

It is now more than a decade the DCS is in operation. The UPA government could successfully enact the PFRDA at the fag end of its tenure soliciting and receiving the support of BJP. While extending the support to the bill it is to be recalled that the BJP did not even insist to provide for a minimum guaranteed pension under the DCS which the standing committee of the Parliament headed by the nominee of the BJP had insisted upon.

It was only the Confederation of Central government employees and workers and the All India State Government Employees who had been consistently and systematically opposing and resisting the conversion of DBS into DCS right from the beginning. It was a similar convention held in the same hall on 13th August, 2007 that gave the clarion call for a one day strike on 30th October, 2007, which was responded admirably by the rank and file of the membership to make it a grand success in terms of participation. Quite a number of programmes were carried out under the auspices of the Joint Platform of the AISGEF and Confederation. The Joint movement can unhesitatingly claim credit for demolition of the myth allowed to be pervaded in the beginning that DCS would be much more beneficial than DBS.

Large number of employees have joined in Central services since 2004 and so is the case with the various State Governments, who have adopted the DCS in replacement of DBS. It is estimated that they presently constitute almost half of the total employed in Government offices in the country. The deeper study of the functioning of the DCS has proved that the promised better returns in the form of Annuity is nothing but an ever eluding mirage .

The 7th CPC which submitted its report to the Government on 19th November, 2015 had gone into the functioning of the Defined Contributory Pension scheme. The Commission has enumerated the various complaints it received from the different stake holders.

Without going into the merits and demerits of the complaints, the Commission suggested to the Government to set up a Committee (consisting of bureaucrats) to look into the issue with the objective of streamlining the scheme. A scheme, which is ab-initio conceived to loot the employees for the benefit of the Corporate is beyond repair and is required to be discarded lock, stock and barrel. Nothing can, therefore, be expected to come out of the deliberations of the said Committee. It is however, educating to note that in the presentation made by the IPS all India organisation to the committee, they could succinctly bring forth the startling fact that an officer of 2003 batch, who could rise to the level of Secretary, while retiring in 2037 will get Pension 3.25 time higher than a 2004 Batch officer, who also retires in 2037. They have further stated that the pension differential of the very same officers after 10 years of retired life shall be in the ratio of 1:7.3 . Quantum wise the two officers would receive in 2037 Rs. 3.78 lakhs and 1.16 lakhs respectively. These computations and comparison, based on the projection of return on DCS made by the PFRDA reveals as to how the employees had been deceived in the name of pension reforms.

It is evident from the study conducted by the Bangalore Institute, that there had been no reduction in the financial outlay on Pension account due to the introduction of the DCS. What was then the real purport is the moot question. It was neither the noble endeavour of providing social security to the aged, nor the eagerness to bring about financial stability of the Nation, but sheer greed of maximising profit for the Transnational Corporations or in other words transferring wealth from the poor to the rich.

It is satisfying to note that the employees due to the consistent efforts undertaken by the Confederation and the All India State Govt. employees Federation have begun to observe the dimension of the problem and the support and solidarity provided by the democratically elected Sovereign Government to the Corporate houses. It is also equally gratifying that the young comrades have also begun to realise that this has to be resisted and defeated.

The question of providing a guaranteed minimum pension under the DCS had been raised quite often and before the Committee set up by the Government on the basis of the recommendation of the 7th CPC. The representatives of the Pension Fund regulatory authority have stoutly defended its decision, for according to them such a decision will amount to nationalisation of private losses. In this connection it is necessary for one to note that the Atal Pension Yojana is part of NPS and provides minimum guaranteed pension to all its subscribers. A subscriber of APY at the age of 18 is guaranteed with a minimum of Rs. 1000 per month as pension on payment of a monthly subscription of Rs. 42 and Rs. 5000 for subscription of Rs. 210 p.m.

From the foregoing it is not difficult to discern that the DCS evolved and imposed on Civil servants is nothing but the adherence to the dictates of the World Bank/IMF and is designed to sub-serve the interest of the monopoly and finance capital .

As explained in the foregoing para, DCS does not guarantee returns. Benefit depends upon as to how the investment has fared in the market. As per the extant instructions, the Fund Managers are advised to invest up to 50% in Government bonds, 45% in Debt securities, 5% in Money market instruments and up to 15% in equities. In such an investment pattern, returns are bound to be low and the subscribers, the worst sufferers. The stock markets have never remained strong over a long period of time. It is not only volatile but susceptible to manipulation and machinations. The global financial crisis in 2008 had been the product of investment derivative manipulations. It wiped out the savings of thousands of workers, employees, teachers and many others. No Government came to render help to these unfortunate losers, whereas bail- out packages of millions of dollars was rolled out to rescue the culprits. On one ’fine’ morning, the workers lost everything including hope.

In this situation, the Government employees has to emphatically demand that the defined contributory pension scheme imposed in replacement of the DBS must be scrapped to end the untenable discrimination of the pre and post 2004 entrants to Government service and reintroduce the Defined benefit pension scheme that was in vogue for a century and more. In other words, the Government must come forward to amend the PFRDA to exclude the Central and State Government employees from its ambit and operation.

The Convention also appeals, especially to the young comrades in the rank and file to realize the enormous power at the command of the Corporate owned mass media to control people and implant illusory, false and reactionary views to distract them from the path of struggle so that they will never be able to advance. The Convention also appeals to them to realise that their hard-earned savings are being channelized into the hands of the monopoly capital to sub-serve their efforts in the maximisation of profit. The Convention also appeals to them to understand the politics behind the policy and the pernicious impact of the neo liberal economic policies on the life and living standards of the multitude of their countrymen and be part and parcel of the global resistance being built against the globalisation, for the intensification of which the pension reform process and in formalisation of employment was ushered in by the World Bank and IMF.