ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION

LIC BUILDING SECRETARIAT ROAD HYDERABAD

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To all the Zonal/Divisional/State/Regional Units:

Dear Comrades,

WAGE DEMAND – THE FOCAL POINT

The Sixth Central Pay Commission headed by Justice Srikrishna submitted its report to the Finance Minister on March 24, 2008. The government has appointed a 12 member screening committee headed by the Cabinet Secretary and Secretaries from various departments to process the recommendations and suggest procedures for implementation.

The reading of the Report makes it clear that the recommendations perfectly fit into the neo-liberal philosophy. The Commission has argued that the role of government has changed under globalisation. It says that the principal role of the government now is reduced to that of a facilitator and regulator rather than that of an active player in various economic activities. The Commission, therefore, recommends corporatisation of defence production establishments and railways. The Commission also refers to the Fiscal Responsibility and Budget Management Act and campaigns on the need to adhere to the strict fiscal discipline. The Commission makes a sweeping recommendation to abolish Group D posts. This means that in the Central Government alone around 10 lakh posts would be eliminated.

The Commission has recommended a wage hike of 40 percent across the board. This hike includes the increase already granted by merger of 50% of D.A with effect from 1.4.2004. The effective date suggested for the pay scales is January 1, 2006. Recommendations relating to allowances and other issues are prospectively from the date of their acceptance by the government. The Central Government employees had demanded Rs.10000 as the minimum wage computed on the basis of the 15th Indian Labour Conference norms. Rejecting these demands, the Commission has recommended Rs.5740 as the minimum wage. While recommending this minimum wage, the Commission has observed that "a fair comparison based on principles of equity and social justice, also makes it imperative to take into account the economic conditions of large sections of the community that are less privileged than government employees and several of whom live below the poverty line." The Commission, however, has been generous at the higher levels and fixed the maximum salary at Rs.90000 raising the ratio of minimum and maximum to 1:16 from the earlier ratio of 1:13. This shows how much the neo-liberal policies have influenced the recommendations of the Commission.

The Commission has attempted to remove stagnation through a running scale and reduction of pay bands. It has suggested payment of Pension at the rate of 50% of the Pay any time after completing the minimum service required under pension rules. The Commission has also recommended higher rate of pension after attaining the age of 80, 85, 90, 95 and 100 years. Of course, the number of such pensioners is estimated to be less than 0.1%.

It is recommended that the holidays be severely curtailed. The Commission has worked out a revised commutation factor for commuting Pension. It is argued that the new table is proposed taking into account the prevailing mortality rates, interest rates and fact that the commuted portion is restorable after 15 years. It has also proposed increase in the advances for housing etc. It is suggested that these advances must be secured from banks and the government would provide an interest subsidy of 2 percent. The Commission estimates Rs.1000 crore would be saved through rectification of commutation of pension formula and another Rs.1344 crore through revised scheme for payment of pension commutation. The revised scheme for payment of advances would result in savings of Rs.442 crore. Through such measures the Commission estimates that the total savings could be Rs.4586 crore. The abolition of Group D posts would further result into cut in expenditure on salaries. While additional annual load is estimated at Rs.12561 crore, after accounting for the savings, the net financial implication on account of the recommendations of the Commission is estimated to be Rs.7975 crore annually.

The present health care system under the CGHS is to be replaced by the Medi-insurance for the new entrants. The pension scheme presently in vogue for those who are recruited prior to 1.4. 2004 has not been extended to the new entrants while they are perforce to join the new contributory Pension scheme. The Pay Commission also recommended for the construction of a separate cost of living index for central government employees.

The Pay Commission recommendations are a mixed bag. Though there are some positive features, there are many negative suggestions.

The Pay Commission recommendations have expectedly raised the interests of the other sections of the working class. Wage revisions are due in insurance, banks and public sector. In the insurance sector wage revision is due from 1.8.2007. Even preliminary discussions have not been held so far. The LIC has closed its new business for 2007-08 with a new premium income of Rs.43,813 crores which reflects a growth rate of 10.8% despite tremendous difficulties. This growth is registered over a massive growth of 118% recorded in the last financial year. P&GS Portfolio brought in a premium income of Rs.9,256 crores with a growth rate of 58%. The total premium income of LIC is expected to cross Rs.1,50,000 crores. Similarly the four general insurance companies have also posted moderate growth rate of 4%. The Profits of these four companies are expected to rise over the last year’s figures. The AIIEA is firmly of the view that the wage revision in LIC and Public Sector general insurance industry must be based on the strength and paying capacity of the industry. Therefore, the managements must make efforts to commence negotiations in a meaningful manner. **The Secretariat of AIIEA is meeting at Bhopal on 2nd and 3rd May 2008. The Secretariat would review the situation and chalk out appropriate tactics to force open negotiations to secure a good wage revision.**

Comradely yours,

General Secretary.