ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION
LIC BUILDING SECRETARIAT ROAD HYDERABAD 500 063
(E-mail: aiieahyd@gmail.com)

Cir. No. 20 / 2018	12th November, 2018

To

All the Zonal/Divisional/Regional/State Units,

Dear Comrades,

PENSION – BROADEN AND INTENSIFY THE AGITATION

Pension as social security has become the focal issue of many agitations of different sections of the Indian society. In the recent period there was a massive mobilisation of elderly persons in the National Capital and other parts of the country covered under Indira Gandhi National Old Age Pension Scheme on demand to increase the pension amount from Rs.200 per month being paid by the Central Government to a minimum of Rs.3000/-. They were also demanding universalisation of this Pension Scheme rather than restricting it only to those below the poverty levels. The Central and State Governments employees are agitating for withdrawal of National Pension Scheme and coverage of all government employees under the old defined benefit scheme. They have called for a nationwide protest action on 26th November, 2018. The RBI employees and Officers have been on struggle demanding another option and pension updation.

STRUGGLE OF INSURANCE EMPLOYEES

The insurance employees too have been on agitation for nearly a decade now demanding a final pension option and improvement in the pension scheme. The AIIEA had called a number of strikes on this issue which were very successfully observed. The Pension was introduced in LIC and PS General Insurance Industry in lieu of management's contribution to PF in the year 1995. Today nearly 87000 existing employees and 53000 pensioners and family pensioners are covered under this scheme in LIC. The exact number in the general insurance industry is not available at present. The Pension Fund has a corpus of around Rs.53904 crore as at 31st March 2018. This fund is the pension liability relating to the existing employees and the increase in the dearness allowance to the pensioners and family pensioners. It may be noted that on retirement of an employee, the Pension Trust purchases the annuity and thereafter LIC's responsibility is only towards the increase in the dearness allowance, for which additional annuities are purchased when required. It was the farsightedness of AIIEA that had ensured that any deficit in the fund would be made good by LIC and the PSGI companies.

While majority of the employees in LIC and PSGI companies had opted to join the 1995 Pension Scheme, a small percentage chose to remain with the PF for various reasons. A second option to join the scheme was given in 1997; still some employees did not opt as there was no significant change in the interest rate regime. But a significant improvement in the form of full neutralisation of DA came in the wage revision concluded in the year 2000 effective from 1.8.1997 making 1995 Pension Scheme much more attractive. Thereafter a few more improvements like eligibility for pension to the widow/divorcee daughters and dependent parents came about. With these improvements it was natural for employees to expect another option but this did not happen despite repeated representations. In the meantime pension was made compulsory to those who joined services after introduction of the scheme and before 1.4.2010. Effective from 1.4.2010, the 1995 Defined Benefit pension scheme was made inapplicable to the new recruits and they were covered under National Pension Scheme.

The Defined Benefit Pension Scheme was also withdrawn for the Central and State Governments employees with effect from 1.1.2004 and in the banking the withdrawal was from 1.4.2010. Today more than 50 lakh government employees are covered by NPS and they are demanding scrapping this scheme and for coverage under Defined Benefit Pension Scheme. The government justified this action saying that it was a conscious move to shift from Defined Benefit Pension Scheme to Defined Contribution Pension Scheme due to rising and unsustainable Pension Bill. The government feels that Defined Benefit Pension Schemes are unsustainable due to increasing life span and declining interest rates.

AIIEA'S DEMAND AND LIC'S RECOMMEDATIONS

The AIIEA's demand for a final pension option is totally justified in the context of changing economic environment and the fall in the interest rates. Agreeing with AIIEA, both the managements of LIC and PSGI companies have been pursuing with government to allow them to offer a final option to join the 1995 pension scheme to the eligible employees. The LIC quoting the opinion of an eminent actuary has reasoned with the government that:

1. The estimated additional pension one time net liability of the option is around Rs.2390 Cr. Further recurring expenses in terms of additional contribution to pension fund every year may increase overall ratio by maximum of 50 basis point;
2. Total liability as well as fund size will increase initially for some years and will start decreasing thereafter. As a result contribution to be made each year will become a small fraction of total premium income; and
3. The overall cost ratio has been almost steadily decreasing. Continuous reduction in cost will result in emergence of additional surplus which in turn will enable the Corporation to adopt a reduced pace of funding pension liability.

This reasoning is identical to the arguments of AIIEA that the cost of a final option is marginal and the increasing growth in the premium income would absorb this cost. The AIIEA had also pointed out to the continuous decline in the wage cost including pension as a ratio of the total premium income. With these weighty arguments, the LIC has recommended for a final pension option and continuing to pursue with the government. Similar arguments have been placed by the PSGI companies. But the government remains unresponsive to this genuine demand. The representatives of AIIEA along with other unions in General Insurance met the Finance Minister and impressed upon the need to concede this legitimate demand. However, the unhelpful attitude of the government to accept the well-reasoned recommendations and requests by the unions makes it clear that Pension is no longer an economic demand but has become a political policy of the State. Therefore, it has become necessary to broaden and intensify the agitation on this issue.

SOCIAL SECURITY A CONSTITUTIONAL OBLIGATION

Pension and other social security schemes are under attack not just in India but across the world from neo-liberal regimes. Neo-liberalism as an ideology is hostile to the working class and a welfare State. The Welfare States that were built as a response to the crisis in the aftermath of the great wars are systematically being dismantled. In many of the countries pension benefits are being reduced and retirement age increased. This is to increase the working life in order to reduce the post-retirement life span. The working class is heroically fighting these onslaughts.

Social security is a human rights issue. India as a Member of the United Nations has accepted the UN Declaration of Human Rights in 1948 which recognises social security as a basic human right. The Right to Life is a fundamental right under Article 21 of the Indian Constitution. The Supreme Court has interpreted this right progressively in many cases to assert that right to life is not just a bare animal existence but a right to live with human dignity.

Article 39 of the Constitution under Directive Principles of the State Policy urges the State to direct its policy towards securing right to an adequate means of livelihood for all citizens. Further Article 41 directs the State to make provisions within its economic capacity for securing right to work, to education and public assistance in old age and sickness. Therefore, it is the constitutional responsibility of the State to bring a universal social security for all citizens in the form of Pension.

UNIVERSAL PENSION SCHEME IS POSSIBLE AND AFFORDABLE

The question is whether the State has adequate resources to universalise social security. Undoubtedly the State has the capacity and the resources so required but what it lacks is a political will. The government claims that India is the fastest growing among the large economies. If the economy is creating unprecedented wealth, certainly it is possible to allocate adequate funds for a universal pension scheme. Rather than bringing a genuine social security scheme, the government is showcasing the PM Jan JyotiBimaYojana, PM Suraksha BimaYojana and Atal Pension Yojana as the great social security measures. Both the PMJJBY and PMSBY have no financial commitment from the government. The participants have to bear the full contribution. On the issue of Atal Pension Yojana, the government commitment is only marginal. In real terms these schemes cannot be considered as genuine retirement benefits. Instead of seriously addressing the needs of the elderly, the State wants to abdicate its responsibility by making the relatives responsible for the care and upkeep of the senior citizens. Interestingly, the Ministry of social justice and empowerment has finalised the Maintenance and Welfare of Parents and Senior Citizens (Amendment) Bill 2018 making even distant relatives responsible for the upkeep of the senior citizens. This Bill may be brought in the Parliament any time.

According to the 2011 census, there are 10.4 crore citizens above the age of 60 and the number of elderly are expected to grow to nearly 18 crore in the next few years. Moreover those who reach the age 60 are expected to live on average for another 20 years. In such a situation, absence of genuine social security will have disastrous social impact. This is because more than 93% of the Indian workforce is in the informal sector where there is no social security and working conditions are miserable. At present a very small number of elderly classified under BPL category between ages 60-79 are paid a pension of Rs.200 p.m. by central government under Indira Gandhi National Old Age Pension Scheme and Rs.500 p.m. for those above 80 years. Under Indira Gandhi National Widow Pension Scheme Rs.200/- p.m. is paid for those between the ages 40-59. This is too inadequate.

The Central Government spending on social security is abysmally low. According to Centre for Budget and Governance Accountability the total allocation for social security in the Central Budget is 0.07% of the GDP for the year 2018-19. It may be noted that the public expenditure on old age entitlements in France is 11.5% of the GDP and in Germany it is 8.5%. In fact India spends much lower than many least developed countries on social security. It is estimated that a Universal Pension Scheme with a minimum of Rs.3000 per month would cost India less than 2% of its GDP. Surely this is affordable in the context of the fact that India foregoes taxes due from the corporate to the extent of over 5% of the GDP every year. In institutions like LIC, where there is a Pension scheme, the government can allow decisions to be taken for its improvement to the institutions depending upon their financial strengths.

NEED TO INTEGRATE OUR STRUGGLE WITH OTHER SECTIONS

But this is a very tall order to expect from a neo-liberal regime. Neo-liberalism is an ideology that works to make the functioning of the markets easy by making conditions tough for the working people. This policy puts profits before the people. Therefore, it has become necessary for the entire working class to unite to demand not only improvements in the pension schemes in their respective institutions but also to wage a serious struggle for universalisation of Pension. Fortunately, the working and toiling masses have come together to challenge neo-liberal policies through a two day nationwide strike on 8-9 January 2019 and to demand reorientation of the economic policies in favour of the people. In this struggle, minimum wage, pension and protection of public sector are the focal demands.

This is an opportunity to broaden our struggle for a final pension option; improvements in the pension scheme and for withdrawal of NPS by joining hands with the government and RBI employees who are also agitating on these demands. At the same time we must lend the force of our agitation to those sections of the working class who are campaigning for a universal pension scheme. These are the right tactics to not only achieve the goal of another pension option and other demands related to pension but also to protect this important benefit from the attacks of neo-liberalism.

With greetings,

Comradely yours,

General Secretary.