

**POLICING INDIA'S
DIGITAL UNIVERSE**

**ARMED FORCES
THE PENSION BOMB**

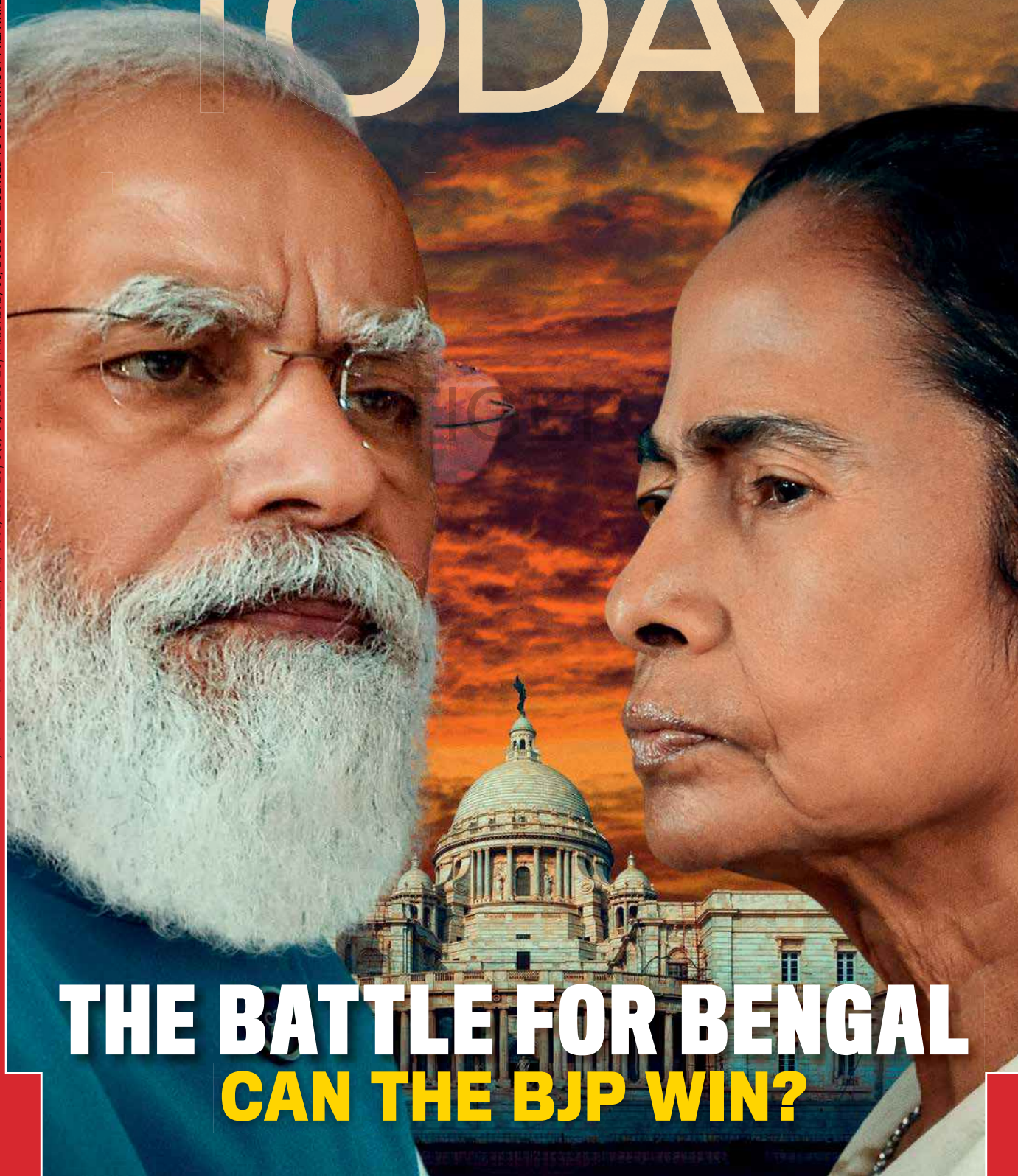
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DEFUSING THE PENSION BOMB

A LEAKED DEFENCE MINISTRY NOTE PROPOSING PENSION CUTS TRIGGERS CONTROVERSY. BUT WITHOUT MAJOR REFORMS, THE INDIAN ARMED FORCES' PENSION PROBLEM IS UNLIKELY TO DISAPPEAR

BY SANDEEP UNNITHAN

TIGER

Over the past 11 months, India's first Chief of Defence Staff (CDS), General Bipin Rawat, has opened many fronts in the battle for reform. He has attempted to bring down military expenditure, create new joint commands and encourage jointmanship among the forces. All of these are part of his mandate to create a leaner, meaner military. The Department of Military Affairs (DMA), which he heads within the MoD (ministry of defence), is responsible for 'all major aspects of armed forces functioning'—this includes the organisation, recruitment, training and terms and conditions of service for personnel, as well as career management of all ranks of service members.

However, some of his proposals, though well-meaning—like cutting down on ceremonies and the number of officers' messes in peace stations—have attracted scorn from service members and turned into social media flamebait. Yet nothing has created as much discontent as the proposal to increase the retirement age of Indian Army personnel and to slash defence pensions. Among other changes, the proposal suggests the retirement age for colonels be increased from 54 to 57, brigadiers from 56 to 58 and major-generals from 58 to 59. The DMA wants a similar increase in retirement ages for personnel in the navy and air force as well.

Another proposal is that officers who retire prematurely should get only a percentage of the stipulated pension: for instance, those with 26 to 30 years of service would get only 60 per cent and those with 31 to 35

₹1.3 LAKH CRORE

The allocation to pensions in this year's defence budget

₹1.1 LAKH CRORE

The allocation to hardware purchases—tanks, jets, warships—in this year's defence budget



CHANDRADEEP KUMAR

years of service would get only 75 per cent of entitled premature retirement pensions (see *Ballooning Pensions*). Only those officers retiring with over 35 years of service would get full pensions. The calculated savings from this proposal have not been made public, but the objective is clear; the government wants to bring down the armed forces' pension bill. The reason is not hard to see—this year, for the first time in the history of independent India, the government will spend more on paying pensions than on purchasing military hardware. In a nutshell, this year's defence budget allocates Rs 1.3 lakh crore to defence pensions and Rs 1.1 lakh crore to buying military hardware like fighter jets, tanks and warships.

The proposal, which was leaked on social media, triggered a tsunami of protests primarily among (but not confined to) the military veterans' community. One former army commander, who asked not to be named, described it as a "nutty proposal", while a former deputy chief of army staff went further, calling it "harebrained".

'As it is, [a career in the] military is the last option for the youth,' wrote Major Gen. Satbir Singh, chairman of the IESM (Indian Ex-Servicemen Movement), in a letter to defence

minister Rajnath Singh on November 7. 'Introducing further downgradation, degradation, demotivation and demoralisation policies will seriously damage the efficiency and effectiveness of our military.' The DMA's logic has been questioned by the armed forces themselves. A leaked briefing note, purportedly for navy chief Admiral Karambir Singh, says the proposal has the potential to wreck the service as a career option and could cause a trust deficit within the armed forces.

This also turns the armed forces' human resources policy on its head. A steep and narrow promotion pyramid in which only 30 per cent of officers get to the rank of colonel has led to a policy of allowing officers who don't make the cut to leave the service. If the proposal to reduce pensions is implemented, it could lead to a 'greying' of the armed forces—officers will likely choose to stay longer despite the lack of promotions to claim pension benefits, rather than choosing to retire early and making way for a younger lot.

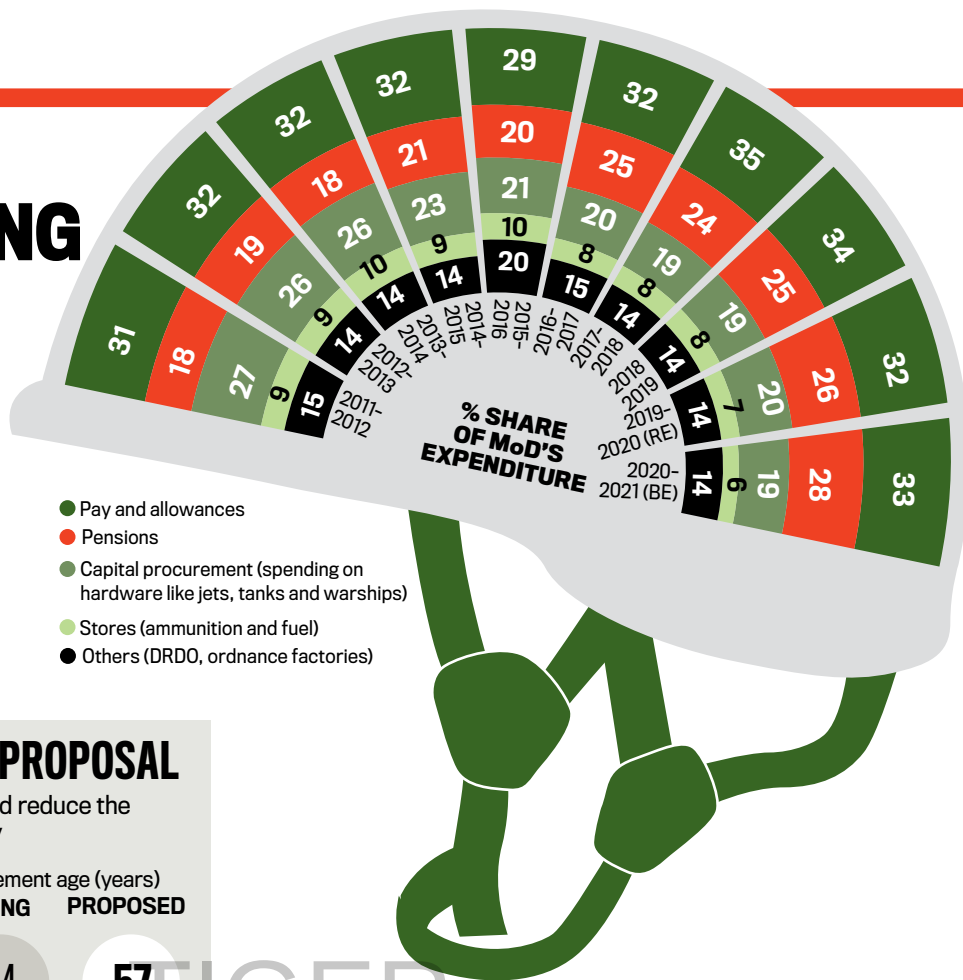
THE TICKING PENSION BOMB

The defence budget, tabled in Parliament on February 1 this year, had some startling facts. The defence ministry's

BALLOONING PENSIONS

Pensions are the fastest growing component of the defence budget. The increase has come at the expense of purchasing military hardware

(Source: 'Defence Pension Reforms: Recommendations of Past Committees and Commissions', Laxman Kumar Behera and Vinay Kaushal, Manohar Parrikar Institute of Defence Studies and Analyses)

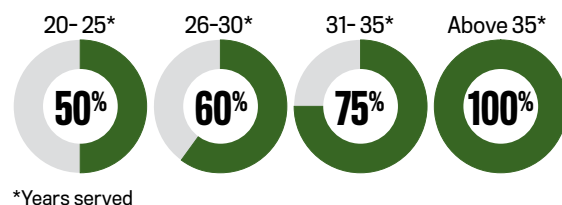


GENERAL RAWAT'S PROPOSAL

To increase retirement ages and reduce the pensions of those retiring early

Rank	Retirement age (years)	
	EXISTING	PROPOSED
Colonels/ Group Captains/ Captains	54	57
Brigadiers/ Air Commodores/ Commodores	56	58
Major General/ Air Vice Marshal/ Rear Admiral	58	59

Proposed pension entitlements for those retiring early from service



Graphic by TANMOY CHAKRABORTY

Rs 1.33 lakh crore allocation for pensions was 28 per cent of the total budget. Over the past decade, defence pensions have seen the fastest growth in percentage terms of any component in the budget, outstripping even the growth in what the government spends on buying military hardware. The obvious solution—to hike the defence budget—seems unlikely in the present pandemic- and lockdown-induced downturn where the economy is projected to contract by 10.3 per cent this year. (Defence makes up 15 per cent of the central government's expenditure and is the second largest head after interest payment liabilities.)

This explosive growth in the pension bill can be traced back to a single decision taken exactly five years ago. In November 2015, the government announced the implementation of OROP (One Rank, One Pension), which mandated

equal pensions for equal ranks, irrespective of the date of retirement. A promise made in the BJP's 2014 manifesto, OROP was implemented after street protests staged by the military veterans' community. Military analysts now say it has caused the most egregious harm to the defence budget. The pension bill has more than doubled from Rs 55,000 crore in 2015 to Rs 1.33 lakh crore in 2020-21. India has 3.2 million pensioners and dependents and only 1.6 million ex-servicemen. Pension outlays, as the last defence budget showed, are now increasing faster than the component for buying new military hardware like warships, planes and tanks. The government has pressed the pause button on its OROP promise of revising defence pensions every five years. The 2019 revision of pension scales, which would have seen it fork out an additional Rs 8,000-10,000 crore each year,

has been put on hold by the government.

A paper published in March 2020 by research scholar Laxman Kumar Behera at the Manohar Parrikar Institute of Defence Studies and Analyses says the increase in pension costs in the defence budget has come at the cost of capital procurement. The share of defence pensions, pay and allowances has gone up from 49 per cent in 2011-12 to 61 per cent in 2020-21. The share of capital expenditure has declined from 36 per cent in 2012 to 25 per cent in 2020-21. "The fast rise in pension expenditure has a significant crowding out effect on stores and modernisation, two major components that determine a nation's war-fighting ability. Needless to say, this does not augur well for India's defence preparedness," Behera's paper says.

Gen. Rawat, meanwhile, seems unfazed by the opprobrium that his proposal has attracted. "We are more concerned about the wellbeing of the frontline combatant soldiers who face the real hardships and on whose courage and valour we all seem to be basking in," he told India Today TV on November 5, adding that it was the "technically qualified personnel within the armed forces" who were unhappy with such proposals. This echoes what the DMA proposal says—that specialists and super-specialists trained for highly skilled tasks leave the service to work in other sectors. "The loss of such high-skilled manpower results in a void in the service skill matrix and is counterproductive."

However, an undated briefing note from naval headquarters provides the clearest reasons why the DMA proposal could be unimplementable. It warns that the proposal could lead to a trust deficit within the armed forces. The circular, also leaked on social media, says it could 'end up setting a dangerous and avoidable precedent' and that it could have worrying implications for moves like enhanced jointmanship and theatre commands (part of the CDS's mandate). This method of reducing expenditure does not make mathematical sense, the paper says, because it could lead to the government retaining officers at full salary levels for longer periods of time—for an additional 16 years in the case of colonel-ranked officers—rather than retiring them early and paying them half their salary as pension. The briefing note says the DMA proposal, if implemented, could not only adversely impact the living standards of retired officers but also affect the navy's ability to attract and retain talent. However, the biggest reason why the proposal could be unimplementable is that it opens the armed forces up to a barrage of litigation by changing the terms and conditions of service in the armed forces. In a similar vein, the New Pension Scheme (NPS), which paid a lump sum to retiring civilian government employees instead of a lifelong pension, was introduced in 2004. The government found

it could not be applied retrospectively to existing pensioners, only to those who had entered the service after the rules were changed. It would also be difficult for the government to slash defence pensions for armed forces personnel without doing the same for their civilian counterparts.

THE WAY AHEAD

The government's pension burden is unlikely to go away anytime soon. This is because India's manpower-intensive armed forces have only worsened their pension costs in the recent past—India's armed forces are the only major fighting force in the world that are increasing personnel numbers instead of reducing them. The Indian Army, with 1.3 million soldiers, is the world's second largest, and it continued to add soldiers until 2015, when the government paused recruitment for the Army's Mountain Strike Corps. The new corps envisaged adding 90,000 soldiers—all of whom will have to be paid pensions on retirement.

Some cosmetic changes have been made in the name of reducing manpower—shutting down military farms, for instance—but these have not altered the skew of the armed forces towards manpower over military equipment. In countries with large militaries, like the US, pensions are a major spend, but the bulk of US military personnel do not qualify for pensions, because nearly 80 per cent serve short terms. In sharp contrast, Indian officers are on permanent commissions and make up over 80 per cent of the force, going on to see over 20 years of service.

In terms of reforms, the armed forces have paid lip service to options like short service commissions, in which officers and men serve for periods that

do not qualify them for pensions. Proposals made by the sixth pay commission in 2006 to absorb retiring army personnel into the central police forces could have ensured the government retained a portion of its trained manpower rather than sending them home early as pensioners. These were not implemented because of opposition from the home ministry.

The solution could lie in policies like the NPS, which was implemented for all government servants (except armed forces' employees) in 2004. Under the NPS, government employees contribute towards their own pensions from their monthly salaries, with a matching contribution from their employers. Pension fund managers then invest these funds in earmarked investment schemes. The entire corpus is handed over to an individual at the time of retirement, free of tax. Army officials say that the NPS could be an attractive option instead of a monthly pension. But these are long-term proposals whose effects would be felt after over a decade. In the absence of holistic long-term solutions to the problem, short-term kneejerk responses could be the order of the day. ■

THE FAST RISE IN PENSION COSTS HAS REDUCED RESOURCES AVAILABLE FOR STORES AND MODERNISATION, TWO COMPONENTS THAT DETERMINE A NATION'S WAR FIGHTING ABILITY