

High Allocation for Defence Pension

Why in News?

The Union Budget for 2020-21 has allocated Rs 1,33,825 crore to defence pensions which is up by 10½ times the allocation made in 2005-06.

How much allocation is made?

- **Allocation** - This budgetary allocation is 4.4% of the total expenditure of the central government or 0.6% of GDP.
- Of the overall allocation made to the Defence Ministry, 28.4% goes towards pensions.
- The bill for defence pensions has gone upper than the Defence Ministry's total capital expenditure.
- It now nearly equals the salaries bill for Defence Ministry.
- The more the government spends on salaries and pensions, the less it can spend on modernizing the armed forces.
- **Comparison** - To compare it with other sectors, the government's rural employment scheme MGNREGA has an allocation of 46% of the bill for defence pensions.

Why the bill is high?

- As per the Defence Ministry, there are about 26 lakh armed forces pensioners and family pensioners, and approximately 55,000 pensioners added every year.
- In 2015, government announced the OROP (One Rank, One Pension) scheme that cost it Rs 8,600 crore.
- The implementation of the 7th Pay Commission's recommendations in 2017 again increased the defence pensions bill.

How defence pensions are unique?

- Defence personnel retire at a young age and thus continue to get pensions for a longer period than their civilian counterparts do.
 1. The current ratio of military pensioners to serving military personnel is 1.7 to 1
 2. The current ratio of civil pensioners to civil working personnel is 0.56

to 1.

- This ratio in defence is projected to further change as life expectancy in India goes up and retired personnel live far longer than earlier.
- All civilian employees in the government who joined service on or after 1 January 2004 do not get an assured pension but come under the ambit of the contributory National Pension Scheme (NPS).
- However, military personnel have been excluded from the ambit of the NPS because of their short service span.

Where this can lead?

- With economic growth stalling and competing requirement from development and infrastructure sectors, the government is being hard-pressed for the last rupee in its kitty.
- The defence services themselves need more funds to modernise themselves but are struggling with budgetary allocations.
- In such a scenario, attention is likely to come to the fast-rising defence pensions bill.

What could be done?

- **Increasing the retirement age** - To keep the bill frozen at the same level, a short-term solution is to increase the retirement age of serving military personnel and stop the rise in number of pensioners.
- However, the country is facing an all-time high unemployment and stopping recruitment for a few years now will worsen the situation.
- **Sending to the paramilitary forces** - To send the retired military personnel to paramilitary forces is another solution.
- But those forces too need to stay young and have not accepted the proposal.
- That would also pose the problem of recruitment in a time of high unemployment, as in the case of increase in retirement age of military personnel.
- **A Solution** - Unless India's economy grows at a double-digit rate, it will not be possible to handle the challenge of the sharply rising defence pensions bill and still modernize the armed forces.
- There are no easy answers to the challenge, and the answer will have to come from the top political leadership.

Source: The Indian Express



SHANKAR
IAS PARLIAMENT
Information is Empowering