One-Rank-One-Pension Logjam
Is There a Way Out?

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The continuing stand off between the government and retired soldiers over One-Rank-One-Pension has engendered distrust between the civilian bureaucracy and the military. While the ex-servicemen have been rigid on all their demands, including ones that defy sound reasoning, the manner in which the bureaucracy continues to quibble on minor issues grates on the military’s sense of honour and dignity.

The agitation by retired soldiers seeking One-Rank-One-Pension (OROP) status continues to simmer. Although the government issued an order for OROP on 7 November 2015, the ex-servicemen insist that this does not actually adhere to the spirit of the demand. The Indian Ex-Servicemen Movement (IESM) has pointed out that the current order departs significantly from the one drafted by Defence Minister Manohar Parrikar in February 2015 and has asked for specific changes to the order. Matters have been complicated by the delay on the part of the government in spelling out details of implementation, including the new pension tables.

Underlying these differences is a major trust deficit: the ex-servicemen are concerned that the bureaucracy is deliberately playing for time and is hoping to conflate the question of OROP with the recommendations of the Seventh Pay Commission (which will obviously have a bearing on pensions), thus diluting their demand for OROP. At this writing, the IESM has agreed that Union Minister and former Army Chief, V K Singh, can act as a mediator between them and the government to resolve these differences. However, they have also stated that they will not grant the minister more than a few days to help settle the matter.

OROP was a major theme of the Bharatiya Janata Party’s (BJP) campaign during the 2014 general elections. One of the first meetings addressed by Narendra Modi after he was declared the party’s prime ministerial candidate was to a massive gathering of ex-servicemen where he pledged support for OROP. Singh had shared the stage with him. After the BJP came to power, the promise of OROP was repeated several times by the government. And, yet, its announcement was almost a year and a half in the coming.

Retired soldiers read this delay as an attempt by the bureaucracy to stymie the declaration of OROP despite a favourably-inclined political leadership.

In retrospect, it seems clear that Prime Minister Modi and his colleagues had not reckoned the complexities of the issue and its potential consequences. When the ex-servicemen took to the streets earlier this year, the Prime Minister conceded in a radio broadcast that this was “a complex issue, a vexed issue” and that he needed more time to work it out. However, the eventual solution has failed to satisfy the IESM, which continues to spearhead the movement despite some ex-servicemen taking a stance more sympathetic to the government.

Principles Underlying OROP

The principle underlying OROP as demanded by the ex-servicemen is straightforward: soldiers retiring at the same rank and after the same length of service should receive the same pension irrespective of when they retired. This implies that the gap in the pension received by current pensioners and older pensioners must be bridged. It also means that any future increases in the rate of pension should automatically be passed on to past pensioners. The demand for OROP stems from several reasons—some convincing and the others less so.

Let us start with the strongest argument for OROP. Military personnel typically do not serve as long as their civilian counterparts. Owing to the steep pyramidal structure of promotions in the armed forces, the bulk of soldiers retire between the ages of 38 and 40, while most officers have to retire at 54. Unlike civilian employees, who are eligible to serve until the age of 60, those joining the armed forces have to effectively forego several years of income. The upward revision of past pension rates to match current and future ones compensates to some extent for this unavoidable loss of income for soldiers compared to their civilian counterparts.

The second most credible argument for demanding OROP is that this principle is
already applicable to the All Indian Civil Service—the Indian Administrative Service, Indian Police Service, Indian Forestry Service—as well as the host of other services that come under the Central Civil Services, Group A. This had been recommended by the Fifth Pay Commission and has been in existence since 1 January 1996. This apparent argument for parity is, however, not airtight. From 1 January 2004, all civilian services have moved to a Defined Contribution Pension Scheme (or New Pension Scheme), whereby employees have to make a monthly contribution towards their pension which is matched by the government. This is much less generous—and more financially sustainable for the government—than the older model that remains applicable to the armed forces.

The third point advanced in the demand for OROP is that this principle was actually applicable to the military until the Third Pay Commission abandoned it in 1973. It is also frequently claimed that this was the first time a pay commission did not have a member of the armed forces on it and that the bureaucracy effectively marginalised the defence services. While superficially appealing, these arguments are flawed. In fact, the Third Pay Commission was the first time a pay commission was tasked with looking into the salaries of the military as well as civilian employees. Prior to that, the pay of military personnel was considered by committees within the Ministry of Defence (MoD) that were constituted after a pay commission announced its recommendations for civilian employees. It was these committees that included service officers. More importantly, the principle on which pensions were decided before the Third Pay Commission was very different from the current demand for OROP.

**Third Pay Commission**

The older system had been introduced in 1953 on the recommendation of an Armed Forces Pension Revision Committee (AFPRC) and had remained in place without any change, barring the introduction of a death-cum-retirement gratuity in 1970. The AFPRC had taken the view that pension should vary with the length and quality of service. However, the pension would be calculated on the basis of the minimum service required for any rank—and, crucially, would not be increased if the actual period served was greater than the minimum required. In other words, the rank of retirement rather than the number of years served would be the main determinant of a serviceman’s pension. This is, of course, rather different from the model that is now prevalent both for civilians and the military. In fact, one of the main demands tabled by an expert committee from the three services before the Third Pay Commission was to modify the older pension model to take into account actual number of years served as well as rank.

The Third Pay Commission, however, observed that the model recommended by the AFPRC had several advantages: simplicity, ease of administration, uniformity among services. Above all, it enabled service personnel to earn a full pension for the rank without necessarily having to continue in service till the age of compulsory retirement merely for this purpose. This was not only advantageous to individuals but also to the organisation. For it takes away the incentive to continue in service even when there are no prospects of promotion, and so enables the replacement of older men by younger ones—a highly desirable, and, indeed essential, attribute for any military organisation. The Third Pay Commission sought therefore to retain the advantages of this system even while taking into account the demands of the armed forces.

The commission also admitted to the need for compensating servicemen for their early retirement by explicitly granting an additional component to their pensions. Such a compensatory element had been considered by the AFPRC, but no satisfactory method of calculating and fixing it had been arrived at then or later. The Third Pay Commission devised a formula for this, which while not meeting the armed forces’ exact demand was nevertheless equitable. In short, the pension model changed by the Third Pay Commission was very different from the one that currently obtains; there was no automatic increase to past pensions even earlier; and the changes introduced were not necessarily disadvantageous to the armed forces.

An underlying consideration for the Third Pay Commission was that while service personnel might retire earlier than their civilian counterparts, they also had better chances of re-employment and the value of the pension drawn by them over a longer period was in actuarial terms higher. What it could not, of course, anticipate was the scale of increase in salaries to soldiers that would be recommended by future pay commissions. This issue has become particularly salient with the last, Sixth Pay Commission.

This has had a subtle sociological impact. The individual and collective identities of soldiers, whether serving or retired, are shaped around rank and organisational standing. The fact that a senior retired soldier may draw much less pension than another who retired later but at a junior rank is an important driver of discontent. There is a wider societal dimension to this as well. Over the past two and a half decades, there has been a noticeable decline in economic and social standing of the military vis-à-vis their peers in the private sectors. It is no coincidence that the demand for OROP has become so strong during a period when the Indian economy has registered rapid growth.

**Nitty-gritty of Demands**

Analysing the demands of the ex-servicemen threadbare betrays the weakness of arguments of both the parties. First, the retired soldiers want pensions to be equalised every year, while the government’s order agrees to equalisation every five years. The ex-servicemen’s demand will likely result in an administrative nightmare. Even for the central services that currently have something akin to OROP, equalisation of pensions happens only once in a decade when a new pay commission is constituted. The government’s proposal for five-year equalisation seems a sensible compromise.

Second, the ex-servicemen want the revised pensions to be fixed at the
maximum of the pension received by retirees at every rank. The government order states that the average of the maximum and minimum will be given, though the pensions of those above the average will be protected. The retired soldiers have claimed that this vitiates the idea of OROP by creating multiple categories of pensioners within one rank. We may wonder how they would have reacted if the government had elected to fix the pension at the minimum of every rank, which would of course have ensured a rigid OROP outcome. In fact, this is exactly the policy followed since 1996 for calculating the pensions of the All-Indian and Group A civil services. The Seventh Pay Commission has recently recommended increasing pensions for these personnel by linking it to the number of increments drawn by them at the rank of retirement. It remains to be seen how the government will respond to it. In any case, the government’s present order is more favourable to ex-soldiers than the Seventh Pay Commission’s recommendation.

Third, the government has announced that the amounts paid to past pensioners will be recalculated on the basis of the pensions of those who retired in 2013 and that the revised rates will be applicable from 1 July 2014. The ex-servicemen want it to be effective from 1 April 2014. While conceding this minor demand will have a small financial implication, the government’s adherence to its stance seems petty and graceless.

Premature Retirement

Fourth, the government was initially minded to deny OROP to all servicemen who had taken premature retirement. Since this category might include over 66% of all retired soldiers, owing to the career ceilings at every level, the ex-servicemen rightly protested against such a move. In the event, the government did not extend it retrospectively but instead announced that OROP will not be applicable to those who exit by premature retirement in the future. Apart from the question of equity, the government’s stance on this point is blind to negative incentives created by this policy and its likely baleful impact on the composition of our military.

On average some 12,000–14,000 soldiers and junior commissioned officers as well as 450–500 officers seek premature retirement from the army every year. The denial of OROP to these personnel will incentivise them to stay on in service even after they have been passed over for promotion. Indeed, almost half of every batch of officers is superseded by the age of 40. If they do not opt for premature retirement and stay on for another 14 years, they will have to be posted in operational areas—and not just in “sheltered” appointments, of which there will not be adequate numbers to absorb the overhang of superseded officers who are not exiting the service. This will undoubtedly have an impact on the efficiency and morale of the army at the sharp edge.

What we need, in fact, is exactly the opposite: an army that follows an up-or-out policy, whereby superseded officers have to retire within five years of being passed over. This will ensure a younger and more motivated army. Unsurprisingly, the service chiefs have conveyed their concern on this score about the OROP order to the government. Both equity and efficiency demand that OROP be extended to soldiers seeking premature retirement in the future.

The last point of disagreement is over the government’s decision to appoint a single-member judicial commission to examine the anomalies, if any, in the implementation of OROP. The commission will present its report within six months of being constituted. The ex-servicemen want their own representative as well as a serving three-star officer on any such commission and they want it to report within a month.

Consequences of Agitation

The consequences of the ongoing agitation are likely to be as intricate as its causes. To begin with, the issue has acquired political overtones that should be a matter of concern. While the BJP made OROP a campaign agenda, the delay in formally announcing it allowed the opposition parties to enter the fray in an attempt to embarrass the government. More worrying is the stance of at least some ex-servicemen. Earlier this year, Satbir Singh of IESM—a retired major general—decried the government’s dilatory stance on OROP as a betrayal, adding for good measure that “We the ex-servicemen supported him [Narendra Modi] and played an important role in bringing the BJP to power.” The choice of V K Singh as a mediator hardly inspires confidence on the politics of negotiating OROP.

Soldiers, like citizens, are free to exercise their choice in the ballot box. But it is deleterious for associations of ex-servicemen to seek to work with or against any political party. In making the case of OROP, these groups have emphasised the bond between retired and serving soldiers, and the consequent need to have sound policies for ex-servicemen. But these circuits of influence run the other way too. It is futile to assume that serving soldiers will remain entirely immune to the political partisanship of groups like IESM. Wherever they end up on this issue, the ex-servicemen’s handling of it has stored up problems for the future.

More immediately, the entire episode has engendered considerable levels of mistrust between the military and the civilian bureaucracy. The institutional divide between the two sides goes all the way back to the early years after independence. The military has long believed that civilian control has degenerated into civil service control. This stems from the structural problem of a lack of integration between the MoD and the service headquarters. And it has been exacerbated by the feeling that the civilian bureaucracy has feathered its own nest while short-changing the armed forces. The granting of something approaching OROP for large parts of the central services while denying the same to the military is a case in point.

Accentuating Problems

The arguments advanced by the bureaucracy in opposition to OROP for the military have accentuated these problems. The former’s concerns about financial implications of an open-ended commitment
to OROP are perhaps understandable, but their unwillingness to share the figures of projected expenditure does not help. The bureaucracy has also put forth several spurious administrative and legal points. For instance, while testifying before a parliamentary committee in 2011, a senior MoD official claimed that implementing OROP would be difficult as records of defence pensioners were discarded after 25 years. This was patently absurd and false. In fact, it is the record of non-pensioners that are destroyed after 25 years. Similarly, the official claimed that extending current pay and service benefits to past pensioners would amount to discrimination under the Constitution. To be sure, the Fourth Pay Commission had taken this view. But the Supreme Court had already ruled in 2009 that OROP should be granted to the armed forces. The manner in which the bureaucracy continues to quibble on minor issues grates on the military’s sense of honour and dignity.

Whatever the denouement to this episode, the political leadership must take steps to prevent this breach from widening any further and to find ways of reducing the trust deficit. Above all, this will require fundamental changes to the institutional architecture of civil–military relations. This issue has hitherto been considered in the context of integration between the services and the MoD as well as the appointment of a single-point military adviser to the defence minister. The government has a range of proposals suggested by various committees over the past decade and a half. The Prime Minister has recently said that “reforms in senior defence management ...is an area of priority for me.” It is indeed time to shed political inhibitions and lassitude on this matter and move towards fostering a more harmonious institutional relationship between the armed forces and bureaucracy.

Need for Broader View

The government must also take a broader view of the problem at hand. In the medium to long term, it is imperative to keep the financial burden of pensions within manageable levels. Given the fact that the defence budget is unlikely to breach the threshold of 3.5% of gross domestic product, it is difficult to envisage defence outlays increasing considerably even if the economy is restored to a high growth trajectory. In consequence, increasing pension commitments will eat into capital expenditure and will retard the modernisation of the armed forces. Having conceded OROP, the government must think of other ways to curb expenditure on pensions.

One way of doing this would be to reduce the long-service component of the officer class that would be eligible for pension and attract personnel that will serve for shorter periods and in the lower ranks. It is imperative, therefore, to increase the intake of Short Service Commission Officers (SSCOs). This issue has hung fire for the past decade. If anything, there has been a regression. The Short Service Commission in the army used to be a five year commission with the option of a five year extension. But now there is a lock-in period of 10 years—a duration that would render most officers unfit for a serious civilian career. In consequence, not only has intake failed to increase, but a majority of SSCOs seek to opt for a permanent commission. Reversing this trend should be a prime concern of the government.

A New Compact?

In order to make the Short Service Commission more attractive as well as to ensure that superseded permanent commissioned officers exit early, it is important to provide officers with adequate opportunities both while in service and after to acquire professional skills that will stand them in good stead in the civilian street. Recall that the Third Pay Commission in 1973 assumed that retired but relatively young officers could have a decent shot at a second career. This can hardly be taken for granted in today’s competitive private sector.

The services’ approach to “resettlement”—both for officers and men—is unimaginative and outdated. To be sure, there are provisions to take study leave while in service and opportunities for short executive courses after retirement. But this falls well short of what is required for a serious second career. What the armed forces need is something along the lines of the GI Bill adopted by the US government after the World War II, which included, among other things, cash payment of tuition fee and living expenses for further education and vocational training in any institution. For instance, the government can easily arrange for various Indian Institutes of Management and Indian Institutes of Technology to set aside places every year for service personnel to do proper postgraduate programmes—not just short courses. Similarly, the government should substantially increase the level of financial assistance offered to retired soldiers for starting ventures and supplement this with professional assistance from consulting firms to help come up with viable ventures. Such provisions will make short stints in the army much more attractive and will help smooth concerns over pensions for those retiring after long service. Above all, it will signal a new compact between the Indian soldier and the state.

Notes


2 Sushant Singh, “Premature Retirement Clause: Armed Forces Convey OROP Concerns to Govt,” Indian Express, 1 December 2015. I am also grateful to Sushant Singh for several useful discussions on these points.
