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ORIGIN AND GROWTH OF CIVIL PENSION

Robin Malik[1] and O P Midha[2]
[1]Research scholar, Prof O P Midha , Dean, Rayat Bahra University Mohali.
[2]Dean, Rayat Bahra University Mohali.

Robin Malik

ABSTRACT
All of us expect to grow old. Today and tomorrow more and more of us will realise our expectations. We are faced individually with the need to provide for old age, but the ultimate focus was concentrated on welfare.1 Pension provision in most countries is a combination of public (unfunded) schemes, publicly mandatory contributory schemes and voluntary private retirement savings.2

KEYWORDS :Training Transfer, Professional development, Comp-etencies.

1.1 INTRODUCTION :

To most men and women a Pension means a regular source of income, which they hope to get when they retire from work. Sometimes Pension will come from their employment, sometimes from the National Insurance Scheme and sometimes from both. Many married women must rely on their husband's Pensions in retirement and old age, and also receive a Family Pension in case of their widow life. Civil pension is mainly related to the employees who generally retire from government sector.

1.2 EVOLUTION OF THE SOCIAL SECURITY SYSTEM IN THE GLOBAL SETTING

The social security benefits provided by various countries, by and large, reflect the differences in the levels of development; historical experiences; political philosophies; and the cultural diversities of these countries concerning the roles and responsibilities of the individuals, families, employers, capital markets, and the Governments. At present, social security programmes are provided by at least 172 countries. In general, there are seven ways by which mandatory old-age benefits are provided by various countries mentioned below in Box 1. Though large differences in the features of social security programmesare found within each region of the world.There are general similarities as to theprogramme type among the countries within the regions.

Box 1
Alternative Approaches to Social Security: Cross-Country Experience

1. A large majority of countries provide old -age benefits through a defined benefit social security system based on principles of social insurance. Most of the countries of the OECD have such programmes.

2. An increasing number of countries provide benefits t hrough a mandatory individual account **defined contribution programme** . A number of countries in Latin America adopted these programmes during the 1990s.

3. A number of countries which were formerly British colonies have provident funds. These provident fund s are national mandatory savings plans that generally pay benefits in a single payment, known as lump sum benefits.

4. **Notional account plans** are relatively new and recently adopted by Sweden and Poland, where each worker has an individual account but the accounts are not funded. The return that is credited to each worker's account takes into consideration current and prospective demographic and productivity change.

5. Some countries give workers the option of contributing to a state -run plan or contributin g to a private sector managed plan. This approach is often called **contracting out,** and is used by the United Kingdom, Japan and some countries in Latin America.

6. Some countries **mandate employer -provided pension plans**, an approach used by Australia and Switzerland. These mandated plans can either be defined benefit or defined contribution plans. In Switzerland, cash balance plans are commonly used, which are a hybrid plan combining features of both defined benefit and defined contribution plans.

7. Some counties have **quasi-mandating employer -provided plans**, where the mandate is not a legal requirement imposed by the State but is the result of a contractual agreement between labour unions and employers that covers most workers in the country. The Netherlan ds and Sweden are examples of this approach.

Countries, such as Sweden and Poland, combine two or sometimes three of these approaches.

Pension in other words is a retirement benefit paid monthly to a Government employee on retirement from service. It is earned by rendering long efficient service and therefore, can be said a deferred portion of the compensation for service rendered. Its payment is dependent upon a condition of future good conduct. It can be withhold and withdrawn as a disciplinary measure. Pension is no longer any bounty to be distributed by the Government to its employees on their retirement but has become valuable legal right and property in their hands. Though, not the first statute to deal with relief of destitution, the Poor Relief Act 1601 can be regarded as the starting point of State provision for social security. The first pension scheme in civil services was initiated towards the end of the Seventeenth Century. First organised Pension Scheme was introduced in 1670 for Royal Navy officers. A public bank of charity for Excise Officers was established on 1st February 1687 by a treasury warrant. In 1712 a superannuation Fund was also established in the customs.3 To the eighteenth century and earlier, a Pension was simply a source of income; it might be given after long and faithful service.

The idea of a proper system of Superannuation first arose in the ten reports between 1786 to1788 in U.K. The commissioners made frequent reference to the desirability of the provision of Pensions generally in the public offices. First Act of Parliament was passed on this issue in 1810 and the first Act devoted exclusively to this problem was the Superannuation Act of 1834. These were landmarks in Pension history, because they attempted for the first time to establish a comprehensive and uniform scheme for all when we should now call Civil Servants or to be more accurate, for 'Established' Civil Servants. To the eighteenth century and earlier, a Pension was simply a source of income. This broadly speaking, represented the nineteenth century view of Pension, as a benevolent charity on the part of employer. In 1834, a Superannuation Act, gave statutory definition to a Non-Contributory Pension Scheme for male Civil Servants. Probably, it would be fair to date the origin of pension system from the industrial revolution. Charles Booth also presented his paper entitled, "Old Age Pensions and the aged poor" in 1849 for its development.

It was not until 1908, however, that the first real departure from the Poor Law occurred with the introduction of the Old Age Pensions Act. Despite the pensions provided being small and subject to a means test, this legislation represented new thinking on the part of the Government of the day. Although there were several earlier attempts of providing regular superannuation benefits, but the true system established in 1908, which was the first of its kind .4As long ago as 1908, the State began to make specific provision for the payment of the Old Age Pensions to certain groups of employees. An Old Age Pension Act was passed in 1908. It introduced first general Old Age Pension paying a non-contributory amount between 10p. and 25p. a week from January 1, 1909 on "Pension Day". This was introduced during the Liberal Government of David Lloyd-George. Sir William Beveridge, Father of Welfare State, was an Advisor for the same. In the years of the introduction of the Income Tax Acts 1918 and 1921 and followed by second world war, there was a significant increase in the number of private and occupational schemes, including no fundamental change in Government policy, but there were several minor developments in the coverage and benefits of State Pension provision throughout the same period.5

Further, a Finance Act was also introduced in 1921 for its development under which tax relief was granted to Pension Schemes satisfying certain conditions. Social change was still to be a low priority, with no further progress made until 1925 when the Widows', Orphans' and Old Age Contributory Pensions Act introduced the first national scheme of Contributory Pensions. In continuation of it, one more Contributory Pension Act was introduced in 1925 under which a Contributory State Scheme for manual workers and others earning up to £250 a year was set up in view of the above mentioned Act. One more Act related to National Insurance was also passed in 1946 and Contributory State Pension was introduced for all. In view of the development of Pension, an important Finance Act was introduced in1947 to limit the maximum amount of tax relief on Pensions, and the proportion that could be taken as a lump sum. There are examples of pension provision dating back well over 300 years, but it is only over the last 50 years or so that pensions have become a significant feature of the pay package. Over the same period, successive Governments have become increasingly involved with national pension schemes.

Two more Social Security Pension Acts were introduced in 1975 and 1980 respectively for the benefits of Pensioners in U.K. A few more Acts were also introduced in 1986, 1995, 1997, 1999, 2001, 2002,2007 2012,2015 and so on for the welfare of the Pensioners in United Kingdom but Pension had been becoming a big problem to upset the annual budget in the Country.6 It is true to say in the old age, the general theory was that every man must save enough in his working years to keep him in his old age.7 A modern historian who has carefully analyzed the recipients of Pensions and Annuities payable at the exchequer or per paymaster in the middle years of eighteenth century found in the lists not only retired officials but also some of the first Dukes of the Kingdom to whom a Pension was a welcome and useful recognition of their importance.8 One factor, which soon assumed importance in Pension arrangements, was the question of cost. A committee recommended the reductions in Public Expenditure without detriment to the public service and approved the superannuation arrangements, with a just attention to economy.9 Many people also contributed to the new knowledge of pension system, but among most important was Charles Booth, a Liverpool ship owner, who between 1887 and 1903, published the results of an enormous and painstaking survey of life and labour of people were living in extreme poverty.10 The problem of the poor had been a preoccupation of Government from before the time of the Elizabethan Poor Law; then it was the distinct threat to law and order presented by large numbers of poor and desperate people, which chiefly focused the motive of Pension for action.11 Further the example of Germany in providing Pensions and other measures of social insurances in the 1880's was bound to influence feeling in other countries, which were affected by the social and economic problems associated with modern industrial development. At the same time, the increasing strength of the trade unions, this by 1895 included about one-fifth of all adult male workers for providing Pension.12 It was indeed the importance of welfare. Motives of efficiency must have relayed their part, but the evidence of some early twentieth century schemes of Pension suggests that benevolent may also have been at work.13 But old employees were being replaced by the young newly recruited workers. Half a century or more ago most employees were content to employ men and women for as long as they were useful and then to replace them with younger persons without much thought as to what means of livelihood was available to the elderly ex-servant and employee did not expect any other treatment. It was all done only because of the provision of Pension to them.14

Pension was further considered just like a bonus over a good job. A Pension is part of remuneration, one of the fringe benefits of good job that should be negotiated between employer and employee.15 Concept of lumpsum Pension payments was also developed in this direction. A recent survey of Pension Schemes in 180 companies seems to indicate that the trend may be in the direction of lump sum payments.16 The provision of pensions is also guaranteed by the socialist system established in U.S.S.R. while in the private sector the history of occupational schemes is much more recent, less widespread, and, in the main, far less generous17.

The pension scheme is thus seen as a convenient vehicle for spreading a man's remuneration over the whole of his life instead of confining it to his working years.18Though the pension was a welfare scheme but it was implemented indifferent years after the pressure of Trade Unionists in most of the countries19. The detail of implementation years of pensions in different countries is also given as below:

Table No. 1.1
Development of Pension Systems in Various Countries

Name of Country	Year of first Pension program	Year of Major Pension Programme
Australia	1908	1941
Austria	1909	1935
Belgium	1900	1967
Canada	1927	1966
Denmark	1891	1964
Finland	1937	1956
France	1910	1945
Germany	1889	1949
Greece	1934	1978-85
Iceland	1909	1969-70
Ireland	1908	1952

The above table shows that the development of pension system varies from country to country. In fact, it was the commencement of the pension in favour of the civil servants in the above said years in different countries. The development of pension system has thus been improving in all the countries steadily.

EVOLUTION OF SOCIAL SECURITY SYSTEM IN INDIA

Available evidence suggests that the origin of social security in India dates back to third century B.C. Different social assistance institutions and welfare centers were established in the ancient Indian society, which were concerned with the relief and alleviation of sickness, poverty and distress. The King or Emperor and the well-to-do sections of the society used to provide charity to the poor and the needy. In Sukraniti1, it was mentioned that the King should grant half the wages to a worker who had passed forty years in service and was not able to perform normal duties on account of old age. In fact, social securities provided through the institutions of self sufficient village economies, the caste system, the joint family system and institutionalized charity were considered to be the basis of modern social assistance system in India.

As in the case of most of the developing countries, modern India also does not have a universal social security system to protect the elderly against economic deprivation. Perhaps, higher levels of poverty and unemployment Act as deterrents to institute a pay-roll tax financed state pension arrangement for each and every citizen attaining old age. Instead, India has adopted a social insurance policy that largely depends on financing through employer and employee participation and restricting the coverage to the organised sector workers. The existing social security schemes in India can be classified into three categories. The upper tier consists of statutory pension schemes and provident funds for the organised sector employees; the middle tier comprises of voluntary retirement saving schemes for the self employed and unorganised sector workers; while the lower tier consists of targeted means tested social assistance schemes and welfare funds for the poor.

Major retirement schemes in India include provident fund, gratuity andpension schemes, which are basically administered for the benefit of the organised sector which represents less than 10 per cent of the work force. The first two schemes provide lump sum retirement benefits, while the last one makes payment in the form of monthly pension. These schemes are characterised by the following common features, i.e. they are mandatory, occupation based, earnings related, and have embedded insurance cover against disability and death. Provident fund is a defined-contribution and fully funded benefit programme providing lump sum benefit at the time of retirement. In addition to the provident fund, workers in both public and private sectors in the organised sector receive a second tier of lump sum retirement benefit known as Gratuity. It is paid to the workers who fulfill certain eligibility conditions like a minimum qualifying service period of five years. The cost of Gratuity is entirely borne by the employer. A scheme of monthly pension is operated through the Employees' Pension Scheme which not only provides pension benefits but also survivor and disability benefits. The scheme is funded by contributions from the employer or the State Government.

1.5 EVOLUTION OF CIVIL SERVICE PENSION SYSTEM IN INDIA

The history of a formal civil service pension system in India can be traced back to the colonial period of British-India. The first awarded pension benefits to the Government employees were given by the Royal Commission on Civil Establishments in 1881. Members of the Indian Civil Service were to contribute 4 per cent of their salary. Apart from a pension, the civil servants were also entitled to a family pension under the Indian Civil Service Family Pension rules. These rules applied to all European and Anglo-Indian members of the service and also to some Indian members. Every member to whom these rules applied made contributions, which were credited to the revenues of India and the pensions and other benefits payable under these rules were debited as a charge upon those revenues. The pensions and other benefits payable under these rules were divided into two portions viz., those met from contributions of subscribers and those met from public funds. An account was maintained of all contributions received and all disbursements made there from together with an account of interest on the balance calculated at the rate of 4 per cent per annum. The benefits on behalf of a son were payable until he attained the age of 24 and on behalf of a daughter until her marriage. On the recommendations of the Royal Commission presided by Lord Islington, the 4 per cent contribution that the employee had to make to earn the pension was stopped in 1920 and the Government undertook to provide the full expenditure of the pensionary charges. At the same time, an ICS Provident Fund [an ICS Non- European Fund for Indian civil servants] was started for which the minimum contribution was 4 per cent and the maximum 12.5 per cent.

The representatives of the civil service argued their case for an increase in the rate of pension before the Royal Commission of 1924 (Lee Commission). Apart from recommending an increase in pension, the Commission recommended that if and when the work for which a civilian had been recruited was transferred, it should be optional for that employee to retire on a proportionate pension. Further, Provident Fund was suggested as an alternative to pension system for all future recruits. Also the Indian civil servant could, under certain conditions, commute for a lump payment not more than half of any pension which was statutorily granted.

The Government of India Acts of 1919 and 1935 made further provisions in Pension System. Due to the changed conditions of service brought about by the passage of the Government of India Act, 1919, provisions were made for retiring those members of the civil service who joined the service before January 1, 1920 and were not permanently employed under the Government of India, at any time, at their option, on a pension proportionate to their length of service. It was not necessary for the civil servant to serve the full term of twenty-five years in order to earn pension. The Government of India Act, 1935 also protected the rights and privileges of the members of the civil services. These schemes were later consolidated and expanded to provide retirement benefits to the entire public sector working employees.

1.6 DEVELOPMENT OF PENSION AT STATE LEVEL:

There has been a lot of improvement and simplification in the Pension Rules from time to time. The 10th of June, 1951 was a Red Letter Day in the history of Pension Rules, when the employees in lieu of reduction of some portion of Pension were given the right to Death cum Retirement Gratuity on retirement and in the case of death, while in service. The Family Pension Scheme was also introduced, though a limited form, with effect from 12th of June, 1951. The present Pension Rules issued by the Governor under provision to Article 302 of the Constitution of India as contained in Punjab Civil Services Rules Vol.II, came into existence from 1st April 1953. Further, the benefit of temporary service followed by confirmation as Qualifying Service was given to the pensioner since 5th January 1961. Another important day in the history of Pension Rules was 1st July, 1964 when "New Family Pension Scheme" came into force. The method regarding calculation of Average Emoluments has also been simplified from time to time. Formerly, Average Emoluments had been worked out for the last 36 months. Since 5th February 1969, this period was reduced to 24 months and subsequently it was reduced to 10 months from 1st March1976 onwards.

Besides above, there has also been made a lot of liberalization in a State like Haryana both in the amount of Pension and Death cum Retirement Gratuity since 10th of June, 1951. Proper management of Public Pension funds contributes to fulfilling the promise of providing adequate retirement income. The table given below also indicates the increase in the amount of Pension and DCRG in Haryana State from time to time.

Table No. 1.2
Scales of Pension in Haryana State

Date from which made effective	Ceiling of maximum admissible monthly Pension(in Rs.)
Under the old and new Pension Rules Prior to 5th January,1961	416.00
From 5th January, 1961	500.00
From Ist December, 1968	675.00
From Ist January, 1973	1000.00
From Ist April, 1979	1500.00
From Ist January, 1986	3800.00
From Ist January, 1996 From 1st January, 2006 From 1st January 2016	12250.00 39500.00 125000.00

Source: Office record in Finance Department, Haryana Government

The increase in the amount of DCRG from time to time is also shown as below.

Table No. 1.3
Scales of Gratuity in Haryana State

Date from which made effective	Ceiling of maximum admissible Gratuity Pension(in Rs.)
With effect from 10.6.1951	22500.00
From Ist April, 1957	24000.00
From Ist January, 1973	30000.00
From 3Ist January, 1982	36000.00
From Ist January, 1986	100000.00
From Ist April, 1995	250000.00
From 1st January, 1996	350000.00

From 1st January 2006 1000000.00

From 1st January 2016 2000000'00

Source: Office record in Finance Department, Haryana Government

The above tables indicate the continuous increase in Pension and Gratuity granted to the pensioners.

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