

Pension Woes: EPFO Member-Pensioners' Struggle

The Standing Committee of Parliamentarians on Labour, Textiles and Skill Development has rightly emphasized the urgent need to revise the minimum monthly pension of ₹1,000 for member-pensioners under the Employees' Provident Fund Organisation (EPFO). This amount, established in August 2014 under the Employees' Pension Scheme (EPS) of 1995, has remained unchanged for over a decade.

Ironically, the BJP-led government continues to take credit for the pension hike in 2014, though it merely implemented a decision announced earlier by the Congress-led UPA regime. In 2014, when the UPA proposed the ₹1,000 minimum pension, the BJP, then in Opposition, criticised it as insufficient, with senior leader Prakash Javadekar calling it a "pittance" and demanding at least ₹3,000.



by OJAANK IAS

Current Financial Allocation for Pensions

₹980cr ₹9,25...

Annual Allocation

Current average government spending on minimum pension payments

EPS Corpus

Centre's contribution for 2024-25 (1.16% of wages)

₹10,00...

Future Projection

Expected contribution for 2025-26

The government currently allocates an average of ₹980 crore annually for minimum pension payments. This figure would need to be tripled to make a meaningful increase. Additionally, the Centre contributes 1.16% of wages (capped at a ₹15,000 monthly wage ceiling) towards the EPS corpus, which has been revised to ₹9,250 crore for 2024-25 and is expected to exceed ₹10,000 crore in 2025-26.

Government's Financial Constraints

Government's Position

The government argues it cannot afford further financial burden on the pension system, citing existing allocations as already substantial.

Officials point to the increasing corpus contribution, which is expected to cross ₹10,000 crore in the coming fiscal year.

Despite the government's reluctance to increase financial commitments, experts suggest that with proper planning and resource allocation, a meaningful pension increase is achievable without destabilizing public finances.

Stakeholder Suggestions

Various feasible suggestions to manage additional expenditure have been submitted to relevant authorities.

These proposals have been presented to the Labour and Finance Ministries as well as directly to the EPFO for consideration.

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Historical Context of Pension Rates

- 1 Pre-2014**
Pension rates below ₹1,000 for many EPFO members, causing financial hardship for elderly
- 2 2014 UPA Proposal**
Congress-led government announces minimum ₹1,000 pension plan before leaving office
- 3 August 2014**
BJP government implements the previously announced ₹1,000 minimum pension
- 4 2014-2024**
No revision to the minimum pension amount despite rising inflation and cost of living

The ₹1,000 minimum pension has remained stagnant for over a decade, despite significant economic changes and rising living costs across India. The BJP, which criticized this amount as insufficient when in opposition, has not increased it during their extended time in power.

Indian Pension History

History

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Issues with Higher Pension Applications



Demand Notices

Many applicants now receive notices requiring contributions amounting to several lakhs of rupees without clarity on entitled pension amounts or arrears.



Lack of Communication

Applicants must rely on online accounts to track updates as EPFO fails to issue official communications about application status.



Unreliable Calculations

Instead of providing clarity, applicants must use a portal-based calculator with disclaimers and no assurance of accuracy.

The EPFO's handling of applications from those opting for pensions based on higher wages has created significant confusion and financial uncertainty for many retirees, who are left without clear guidance on their entitlements.





Challenges for Exempted Establishments

Application Rejections

Authorities have summarily rejected applications for higher pension from members of exempted establishments without proper explanation or justification.

Pension Cancellations

Previously sanctioned higher pensions have been stopped without adequate notice or clear reasoning, leaving pensioners in financial distress.

Lack of Transparency

Decision-making processes remain opaque, with little information provided to affected pensioners about why their benefits have been reduced or denied.

The situation is particularly dire for member-pensioners from exempted establishments, who face additional bureaucratic hurdles and often find themselves without recourse when their pension applications are rejected or existing benefits are reduced.

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Question 1. Which of the following best explains the essence of secularism as introduced in the chapter?

1. Equal promotion of all religions by the State
2. Dominance of the majority religion.
3. State funding of religious festivals.
4. Ending all forms of religious domination.
5. Question

Question 1. निम्नलिखित में से कौन सा अध्याय में प्रस्तुत धर्मनिरपेक्षता के सार को सर्वोत्तम रूप से समझाता है?

1. राज्य द्वारा सभी धर्मों को समान प्रोत्साहन
2. बहुसंख्यक धर्म का प्रभुत्व
3. धार्मिक उत्सवों के लिए राज्य द्वारा वित्तपोषण
4. सभी प्रकार के धार्मिक वर्चस्व को समाप्त करना

Question 2. What is the significance of 'principled distance' in Indian secularism?

1. The state gives equal preference to all religious laws
2. The state may intervene in religion when constitutional values are at stake
3. The state follows religious scriptures while drafting laws
4. All religions must stay away from politics

Question 2. भारतीय धर्मनिरपेक्षता में 'सिद्धांतबद्ध दूरी' का क्या महत्व है?

1. राज्य सभी धार्मिक कानूनों को समान वरीयता देता है
2. जब संवैधानिक मूल्य दांव पर हों तो राज्य धर्म में हस्तक्षेप कर सकता है
3. राज्य कानून बनाते समय धार्मिक ग्रंथों का अनुसरण करता है
4. सभी धर्मों को राजनीति से दूर रहना चाहिए

Political Contradictions in Pension Policy

Opposition Promises

BJP criticized ₹1,000 as "pittance" when in opposition, demanding at least ₹3,000

Policy Stagnation

No revision to minimum pension despite decade in power and rising costs



Governance Reality

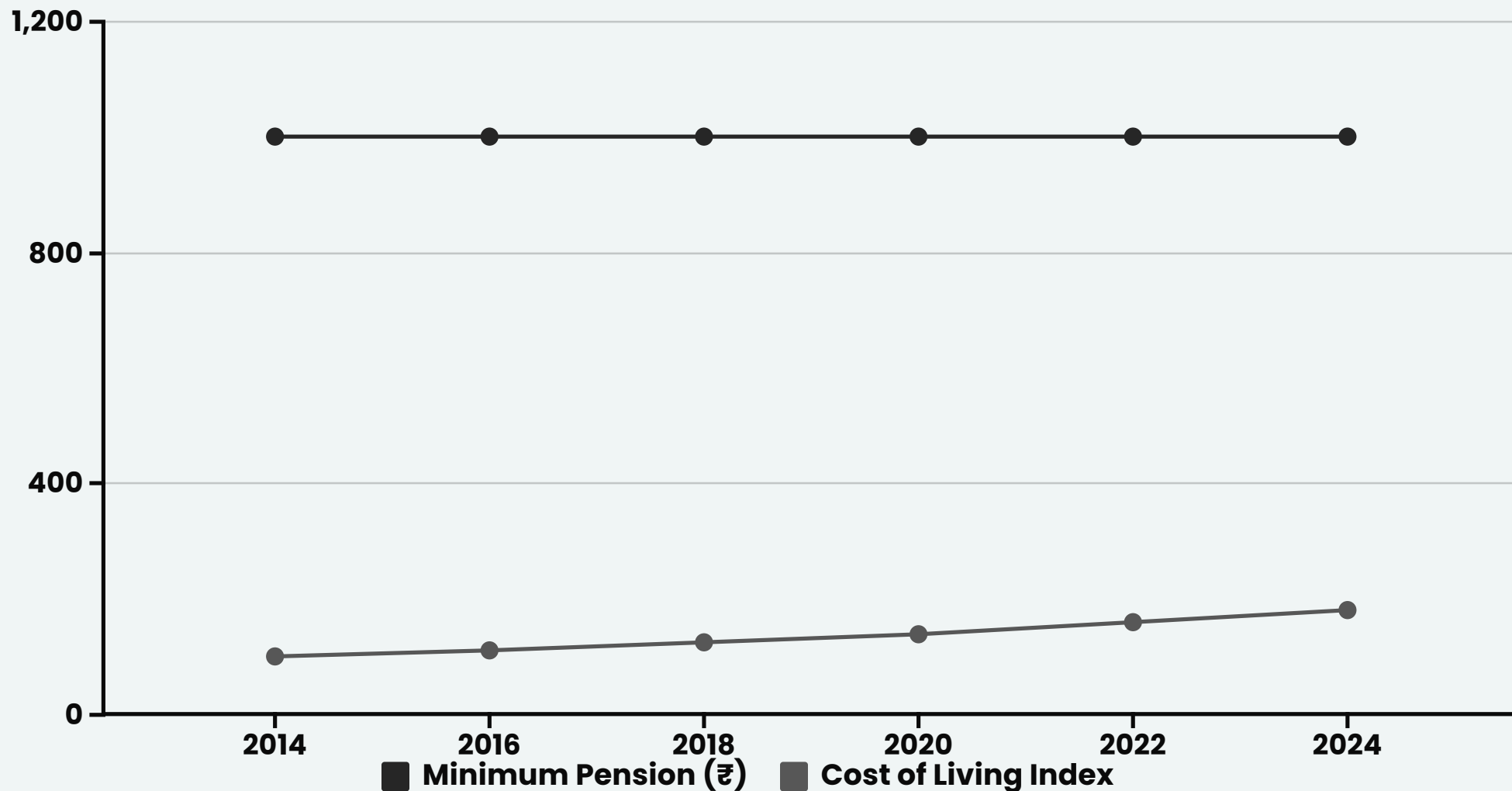
Once in power, failed to implement their own demanded increases

Taking Credit

Claims achievement for implementing UPA's previously announced policy

The political handling of pension policy reveals significant contradictions between opposition rhetoric and governance actions. Despite strong criticism of the ₹1,000 minimum pension when in opposition, the BJP-led government has maintained this same amount throughout their extended tenure in power.

Financial Impact on Pensioners



While the minimum pension has remained fixed at ₹1,000 since 2014, the cost of living has increased significantly. This chart illustrates how the purchasing power of pensioners has steadily declined over the past decade, with inflation eroding the real value of their fixed pension payments.

The growing gap between pension amounts and living costs has pushed many elderly EPFO pensioners toward financial hardship, with some struggling to afford basic necessities despite having contributed to the pension scheme throughout their working lives.



Transparency Issues in Pension Administration



Application Submission

Pensioners submit applications for higher pension based on their contributions



Opaque Processing

Applications enter a system with little visibility or communication to applicants



Unexpected Demands

Many receive sudden demands for large additional contributions without explanation

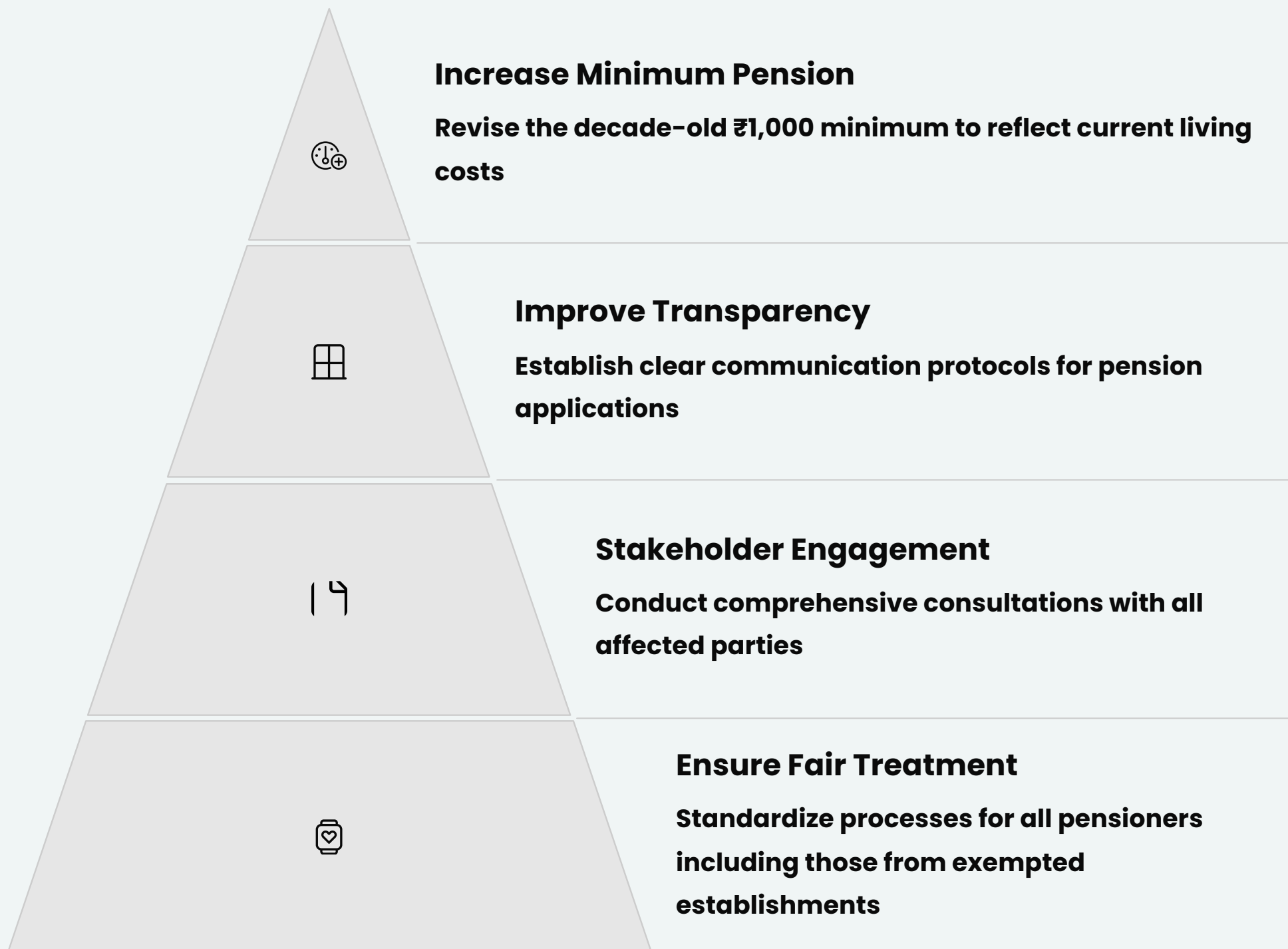


Unclear Outcomes

Final pension amounts and arrears remain uncertain even after payment of demands

The lack of transparency in the EPFO's processing of pension claims has created significant confusion and anxiety among applicants. Without clear communication about application status, calculation methods, or expected outcomes, many pensioners are left in limbo, unable to plan their financial futures effectively.

Recommendations for Pension Reform



The Union government must initiate comprehensive stakeholder consultations to address these longstanding issues. Steps should be taken to meaningfully increase the monthly pension amount, reflecting the economic realities pensioners face today. Additionally, the government must ensure fair and transparent treatment of all member-pensioners, with clear communication and standardized processes.

Without these reforms, millions of elderly Indians who contributed to the nation's workforce will continue to face financial hardship in their retirement years, undermining the very purpose of the pension system.



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