CHAPTER XIV

Pension Movement

Pension was a long standing demand of the bank employees. It was raised before Sen Tribunal as well as in both Sastry and Desai Tribunals. Sen Tribunal did not pass any orders but made some recommendations, that too, in respect of only Imperial Bank of India where a contributory pension scheme prevailed at that time. At the time of introduction of the scheme the employees were given a choice between either pension or gratuity and they chose pension. Before the Tribunal the employees pleaded for a pension scheme to be funded by the Bank alone and employees' contribution of 5% of substantive pay should be stopped. The Tribunal agreed to the employees' contention, but as the Bank's Pension Fund was governed by a valid Trust and the Trustees were not a party before the Tribunal, no orders were passed but it was recommended that the Bank should consider necessary change in the provisions of the Trust Deed to remove the condition of employees' contribution. Besides Imperial Bank of India, pension scheme also prevailed in some foreign banks as well as two more Indian Banks, viz. Allahabad Bank and Calcutta National Bank. But the Tribunal did not pass any orders in respect of these banks, as it was not in possession of the relevant facts.

The issue was placed before Sastry Tribunal also. At that time the following banks had pension schemes:-

1. Allahabad Bank Ltd.
2. Calcutta National Bank Ltd. (in liquidation).
3. Chartered Bank of India, Australia and China.
4. Grindlays Bank Ltd.
5. Hyderabad State Bank.

6. Imperial Bank of India.
7. Lloyds Bank Ltd.
8. Mercantile Bank of India Ltd.
9. National Bank of India Ltd.
10. Netherlands Trading Society.

Out of the above, the Tribunal gave verdict only in respect of Imperial Bank of India. Agreeing with the views of Sen Tribunal for abolition of the system of employees' contribution to the Pension Fund of the Bank, the Tribunal said that the employees' contribution should be stopped. Recognizing the legal difficulty arising out of the absence of the Trustees in the hearing, the Tribunal said that the same objective could be achieved in another way and they passed the following orders:

"We direct that that so long as these rules remain unaltered and provide for Compulsory contribution by the employees the Bank should pay a special gratuity to employees as provided for by us in our award in the chapter relating to gratuity." (Para 414 of Sastry Award).

The relevant portion of the Award relating to special gratuity mentioned above is as follows :-

"In the case of Imperial Bank of India there is a provident fund as well as a pension and guarantee fund. For reasons which will be found stated later on when we deal with question of pension fund, we are of opinion 5 per cent. Contribution for the pension fund by workmen should now be stopped. We would normally have provided for abolition of 5 per cent contribution from the workmen in the Pension Fund itself if it had been agreed to by the Bank or legally possible to be carried out by it. We would have adopted that course, but on account of certain technical difficulties urged in the way of giving a direction which we have discussed elsewhere we decided that the pension fund may be left undisturbed for the present so far as this matter is concerned, but the same objective could be achieved by directing a special gratuity of an amount equal to the contribution by a workman and the interest thereon as standing to his credit in the pension section of that Fund. We direct accordingly." (Para 403 of Sastry Award).

The technical difficulties referred to above relates to absence of the Trustees of Pension Fund as parties before the Tribunal.

About the foreign banks Sastry Tribunal did not like to interfere with the discretionary system of pension payable in those banks. In view of the fact that the Tribunal had already made compulsory provisions of both Provident Fund and Gratuity, it also made it clear that pension would be payable in lieu of gratuity, not as 3rd benefit.

The issue of Imperial Bank also came up before Desai Tribunal. The Tribunal noted that "The Imperial Bank, and, thereafter its successor, the State Bank of India, is not claiming now this five per cent contribution from the workmen." (Ibid).

The Tribunal further noted that "the workmen have demanded pension in addition to provident fund and gratuity." (Ibid, para 8.45). Thus, the demand for pension as the 3rd retirement benefit was specifically claimed by the Employees' Organisations including All India Bank Employees Association before Desai Tribunal. The Tribunal, however, did not consider the demand justified.

As regards computation of pension amount in respect of banks where pension schemes exist, the Tribunal provided as follows:-

"The existing pension or retiring allowance schemes have been provided only by A or B class banks. The pension or retiring allowances scheme are generally co-related to basic

pay. In the case of an employee who will be governed by the scales of pay laid down in this award, and who, on retirement chooses to receive pension under the bank's pension scheme, it may become necessary for some of these banks to make suitable changes in their pension or retiring allowance schemes having regard to the new scales of pay provided by me which materially differ from the old scales of pay. (Ibid, Para 8.62).

"When any such change is being effected, a question may arise regarding the extent to which such change is warranted having regard to the changes made in the wage scales. As I have altered the wage scales, it would be but fair both to the banks and the workmen, that I would indicate the extent of the change that I would consider reasonable, in view of the change in wage scales........Having taken all the circumstances into account, I should consider that for the purpose of calculation of pension of workmen other than those belonging to sub-ordinate staff basic pay may be taken to be 80 per cent of the basic pay provided under this award, and so far as the members of the subordinate staff are concerned, the basic pay may be taken to 75 per cent of the basic pay provided under this award, from the date that the new scales of wages come into force. I would consider a change effected to this extent in the pension or retiring allowances scheme to be reasonable. No change in respect of special allowance or officiating allowance payable under this Award would be necessary." (Ibid, para 8.63).

From the above, it has been clear that the demand for pension as 3rd retiral benefit was raised before Desai Tribunal also, but not conceded. Subsequently, the issue came to focus after the Reserve Bank of India, to scuttle the demand of pension as 3rd retiral benefit, unilaterally announced a pension scheme in lieu of Contributory Provident Fund for its workman and officer employees without any consultation and agreement with the employees' organizations. The employees willing to accept pension in place of provident fund were called upon to exercise their option for pension. Against this unilateral imposition of pension in lieu of Contributory Provident Fund by RBI management AIRBEA went ahead with serious opposition and called upon their members not to exercise option for pension so as to keep demand for pension as 3rd benefit alive. Overwhelming majority of the employees responded to the call of the Association.

In this background a meeting was held on 11 July 1990 participated by major unions of workmen and officers in the financial sector, viz., BEFI, AIRBEA, NCBE, AIBOC, All India Insurance Employees Association, LIC Class I Officers Federation, etc. except AIBEA which preferred to keep away. The meeting unanimously resolved to form the Co-ordinating Body of Associations/Federations in Banks, Insurance and other Financial Institutions, with Samir Ghosh, General Secretary of AIRBEA, as Convener, for conducting necessary campaign and struggle for pension as third retiral benefit. It was a unique experience of urge for an all-embracing common platform and united action on an issue which concerns everyone employed in the financial institutions. A renewed appeal was made to AIBEA and to associate itself with the Co-ordinating Body but they did not respond. Subsequently, All India Regional Rural Bank Employees Association, All India NABARD Emp. Assn, AIIFCEA, National Confederation of General Insurance Officers and INBEF joined the Co-ordinating Body further widening its reach. The united movement gathered tremendous momentum and became widespread. Even employees belonging to organizations outside its ambit came with their spontaneous support. Delegations of leaders met successive Union Finance Ministers as well as the RBI Governor beginning from 5

October 1990. Several well-articulated memoranda explaining the rationale of the demand was submitted, but things did not move in the desired direction. The forms of agitation had, therefore, to be stepped up. Under the auspices of the Co-ordinating Body the first country-wide strike action on this issue was observed on 30 April 1992. The response was very encouraging.

When this movement for pension as third benefit had thus gathered high momentum encompassing response from members of all other unions in financial sector, it was unfortunate that AIBEA, with the intention of confusing and weakening the movement, stepped in with campaign that the health of the banking industry being unsound, the third benefit was beyond reach and, therefore, pension by surrender of employees' contribution to P.F. was a realistic and pragmatic approach. The Co-ordinating Body took the firm stand that pension as 3rd benefit was realizable. AlBEA's stand and the premise thereof were conceptually as well as factually wrong. The Coordinating Body, therefore, decided to further intensify the struggle.

In this background the Co-ordinating Body met at Bombay on 14th February 1993 and decided upon a programme of another full-day strike on 29th March 1993 to be followed by a series of intensified struggle including two days strike immediately thereafter in the event of no positive response from the Government. However, at this stage two major Bank Unions AIBOC & NCBE asked for a change of Convener and AIBOC General Secretary suggested Com. P. Narsaiah, General Secretary of NCBE, as Convener in place of Com. Samir Ghosh, although his performance was upto the mark in every respect. Many constituents including BEFI did not like this change, but gave in for the larger interest of unity and united struggle in a meeting at Calcutta on March 6,1993. The name of the Co-ordinating Body was also changed to Joint Action Committee.

The strike on the issue on 29th March 1993 was responded magnificently by employees and officers in financial sector at large, preceded by an indepth campaign and other forms of mobilization in which all the units of BEFI played a very active role of organizer and coordinator in very many places.

In the absence of desired response from the Government, consecutive two days' strike action on 11 and 12 May 1993 was announced. The decision created tremendous impact and the strike call went beyond the constituent units, a large section of membership of AIBEA also rallied in its support. However, in a meeting of the JAC at Bombay on 7th May 1993 some constituents having negotiating status with IBA proposed that IBA being desirous of settling the matter by discussion, the agitational call might be deferred. BEFI, AIRBEA and some other constituents expressed strong reservations and apprehended that this might be a ploy of the bankers. But the Bank Unions having negotiating status insisted on deferment and the strike did not materialize. As apprehended by BEFI, IBA seized the opportunity of the let-up, signed a MOU with AIBEA on 25th May 1993 agreeing to introduction of pension in lieu of CPF. JAC's protest was of no avail. Subsequently, the whole situation was analyzed in several meetings of the JAC. BEFI, AIRBEA proposed for immediate resumption of the two day strike call as bankers had gone back on their commitment of a settlement through negotiation. JAC meanwhile sought a meeting with the Finance Minister. He, however, was unresponsive. Hence to escalate the struggle, two one-day strikes on 2nd Sept. 1993 and 4th October 1993 and a continuous strike from 2nd November 1993 was decided,

which was widely acclaimed all over the country. Serious preparatory steps began in right earnest and the stage was set for a decisive battle. The first strike of the series on 2nd September evoked a tremendous response. Entire financial sector came to a standstill. The second strike, however, could not take place because of a devastating earthquake in Maharashtra. More than one million workforce were poised for the continuous strike from 2nd November 1993. Determination was writ large everywhere.

In this situation, IBA was clearly jittery and Government's uneasiness, palpable. Bankers started informal parleys with two of the then negotiating unions in the banking sector in the JAC viz., AIBOC and NCBE with no positive results. In this backdrop a meeting of the JAC was called at Hyderabad on 12 October 1993 wherein the decision of continuous strike was reiterated and it was also decided that in the event of any negotiations meanwhile our demand for pension as third benefit should be seriously pursued. Meanwhile backdoor parleys had started between IBA and AIBOC-NCBE for averting the proposed continuous strike. BEFI was informed later that a meeting had taken place at Delhi on 21st October 1993 between IBA, Government and the RBI management on the one side and AIBOC leaders on the other and an understanding had been reached for pension in lieu of contributory provident fund on the same line as MOU with AIBEA, giving up the demand of third retiral benefit. As P. Narsaiah, Convener was lying ill in a Nursing Home, the Minutes were signed by the General Secretary of AIBOC alone on behalf of both AIBOC and NCBE, keeping other constituent organizations completely at dark. Thus a powerful movement with promise of successful result came to an abrupt end without yielding result due to pre-mature withdrawal, caused by one-upmanship of the then leaders of two major unions, behind the back of the other participating constituents, and that at a time, when there was every possibility of realization of pension as a 3rd retiral benefit.

Formal meeting of JAC was held on 26th October 1993 wherein the negotiating unions, viz., AIBOC and NCBE proposed acceptance of the understanding. BEFI, AIRBEA, AIRRBEA stated categorically that it was a complete surrender of the collective demand of pension as a 3rd retirement benefit, belying expectations of employees at large and unbefitting the powerful agitation including successfully conducted 3 All India strikes and seriousness shown by the employees and officers all over the country to achieve the demand. BEFI also pointed out that the lacunae in RBI pension scheme persisted and the employees would be faced with a difficult choice between pension or CPF which, in case of large number employees, was to be decided such a long time before their retirement that it would be next to impossible for them to foresee at this stage which would be more beneficial for them - Pension or CPF; and the new entrants would compulsorily have to forego CPF. BEFI demanded that agitational course be pursued further and necessary improvement clinched which was definitely possible, given the tempo of the agitation that was sweeping across the country. However, the leaders of major Unions like AIBOC or NCBE were not ready to reopen the arrangements agreed on 21 October 1993, thus putting a seal on further united struggle on the issue and the agitation had to be called off by JAC. Surprisingly, it was further informed that the agreed understanding was conditional on acceptance of a package agreement between IBA and the workmen's organisations on computerization in banks in lieu of one increment. BEFI was completely taken aback by revelation of this surreptitious deal and though invited by IBA to sign the settlements on the appointed day, did not do so without consideration and decision of the Central Committee.

The employees were seriously confused regarding exercising option, when they were called upon to exercise option individually. Different unions took different position. Ultimately it turned out that majority of the employees including officers did not exercise option for pension considering high interest rate then prevailing which would have fetched higher return on accumulated provident fund amount at the time of retirement, compared to pensionary benefit.

Although the agreement came into effect in 1993 with retrospective effect from 1.1.1986, technical difficulties arose in the way of implementation of the pension settlement even after completion of option exercise. According to Income Tax Act, pension had to be made payable by means of insurance policy obtained from Life Insurance Corporation of India, to get exemption from income tax on the amount spent on pension. The difficulty was obviated by issuance of Gazette Notifications by Government of India for payment of pension in respect of each individual bank on the same terms and conditions as embodied in the pension agreement. But while doing so, the Government made one modification to the effect that participation in strike would result in forfeiture of pension. However, with strenuous persuasion by the Unions this clause was subsequently withdrawn. As the Gazette Notification was made in 1995, implementation of the settlement was delayed by two years and fresh options were invited. The eligible employees opting for pension who had retired in the meantime had to refund the Bank's contribution to Provident Fund received by them with 6% interest thereon. This was, however, adjusted from the commuted amount of pension.

However, with downward trend of interest regime coming in a big way subsequently, all previous calculations regarding returns on Provident Fund amount were upset. Considering the inadequacy of social security measures and dwindling retirement benefits due to reduced interest rates on savings BEFI General Council in its meeting held at Hyderabad in July, 2004 adopted a resolution to unleash movement on the demand for opening of another pension option and also strive for making it a common issue under the banner of UFBU. Incidentally, it should be borne in mind that in other sectors and institutions such as Railways, Reserve Bank of India, Insurance sector, further option was allowed, but IBA adopted a step-motherly attitude and continued to deny another option to bank employees.

Initially there was absence of common approach on the issue inside UFBU. However, initial skepticism, hesitation and reluctance, within UFBU, to go for a sustained movement on the issue, could be overcome with the passage of time. BEFI played a pivotal role in bringing about this change in attitude and building up of a common approach in this regard.

The attitude of IBA and Government combine on extending the existing Pension Scheme to the non-optees was totally negative. During early stage of negotiation on the issue, IBA wanted to sell the idea of introducing an alternate Pension Scheme in lieu of the existing one. This attitude of IBA could be thwarted by the united opposition of UFBU and the struggles including strike that was organized during the period of last four years. On the demand for opening another Pension Option, along with the other issues, strikes were observed in banking industry on 28th July 2006, 25th January 2008 and the last one was on 6th and 7th August 2009.

As a result of these struggles, IBA agreed in principle, through the MOU signed on 25th February 2008, for opening of Pension Option and to arrive at a Settlement in that regard. IBA had all along been pleading that for opening of another

option to the non-optees, the banking industry will have to bear an additional expenditure of Rs.26000/- crores. This was firmly contested by UFBU, saying that actuarial calculation of load made by IBA was fallacious and much on the higher side. On behalf of the UFBU, BEFI took upon itself the task of load calculation by a renowned Actuary of the country which was presented by UFBU before IBA on cost for opening of a second Pension Option. But IBA was reluctant to accept this presentation as the basis of negotiation on the plea that this was prepared by an Actuary appointed by the Unions and, hence, the question of appointing a common Actuary, acceptable to both the parties, for cost calculation came to surface and it was mutually agreed by the Unions and IBA to go for such an exercise.

After appointment of the common Actuaries, the hurdle that had to be crossed was fixation of yard sticks of different parameters relevant to the cost calculation. Two rounds of tripartite negotiations were held to finalise the parameters and our forceful logic and arguments could keep the final yardsticks close to those of our original presentation. The cost factor having been thus arrived at, the question of sharing it then came up for discussion. IBA started with a proposal for sharing in the ratio of 50:50 and, through several rounds of talks, it was finally decided to be 30:70 by employees and management respectively.

Another pertinent point relating to cost sharing was who, among the employees, are to bear the burden - the fresh optees only or all the serving employees? During the early phase of negotiation on Pension, it was a consensus decision of UFBU that all serving employees, whether optees or non-optees, would contribute for the quantum to be shared by the employees out of the total cost for another Pension Option. In tune with this decision of UFBU, the language relating to sharing was given in the MOU signed on 27th November, 2009. Exact quantum of money to be contributed by each serving employee was also finalized on 13th April 2010 and that was 1.6 times of pay as of November 2007.

But the situation took a worse turn on 18th April onwards resulting in change in the agreed position as on 13th April. While in case of serving employees contribution remained at 1.6 times of November, 2007 Pay as agreed earlier, it was raised to 2.8 times of pay of that month for fresh optees.

The question of date of effect of payment of Pension to the retirees who would opt after opening of the scheme was also an important point to be addressed during the negotiation. There was lack of seriousness to vigorously pursue the matter by some constituent within UFBU. BEFI, with the help of CITU leaders, played a leading role in clinching this issue. Though not entirely satisfactory, five months Pension as arrear preceding 27th April 2010 was available to all those who retired in the month of October 2009 or before that. This has been a matter of some relief on the burden of additional 56% of bank's contribution to PF to be refunded by such retirees.

Another negative aspect of the Pension Settlement was consent, for all future recruits in the banking industry with effect from 01.04.2010, to introduction of Contributory Pension Scheme akin to what had been made applicable by Central Government to its employees joining service on and from 01.01.2004. Principled opposition to it notwithstanding, the UFBU had to adjust itself with the ground realities keeping in view the expectations of the bulk of the bank employees and keeping the issue to be reopened at the time of next bipartite negotiation.

In relation to pension some issues still remain unresolved.

UFBU has to vigorously follow up with IBA for (a) improvement of family pension, (b) payment of DA at uniform rates to all pensioners, (c) updating of pension scheme, (d) additional pension to pensioners above the age of 80 years. IBA is reported to have expressed inclination to accept the first two of the above items which, in all likelihood, would be formalized in the next bipartite settlement.

Settlement on opening of Pension Option, in spite of not being fully satisfactory, is a significant achievement of bank employees' movement in the back ground of the grim situation prevailing in the country. In the expectation of UFBU, the employees would carry forward the message of achievement on the Pension Settlement made so far and strive in unison for settlement of the remaining unresolved points.