

Rajasthan rewinds to guaranteed pension scheme in poll season

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Rajasthan on Wednesday reverted to the old scheme to provide guaranteed pension to state government employees. With this announcement in the state Budget, the 18-year-old contributory 'New Pension Scheme' comes to an end.

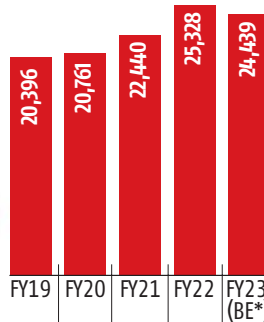
With Assembly elections due next year in Rajasthan, this was the last full Budget presented by the current Congress-led government.

"We all know that employees associated with government services should feel secure about future, only then can they make invaluable contribution towards good governance during the service period. Therefore, I announce that for all employees appointed after January 1, 2004, I will implement the old pension scheme from the coming year," Rajasthan chief minister Ashok Gehlot, who also holds the finance portfolio, said while presenting the state Budget for FY23.

N R Bhanumurthy, vice chancellor at the Bengaluru-based BR Ambedkar School of Economics University, said the

STATUS CHECK

Pension bill of Rajasthan government (in ₹ crore)



*BE: Budget estimates
Source: Rajasthan budget documents

move could have a significant repercussion on fiscal stability. "Pensions are a generational issue. Disconsolation of the old pension scheme was one of the success stories of fiscal reform in the current century. Going back on it would be a painful journey," he said.

The state government has budgeted the pension burden on the exchequer to go down to ₹24,439 crore in FY23 from ₹25,328 crore in the previous year as contributions under the NPS would be discontinued from this April. Turn to Page 11 ▶



RAJASTHAN ANNOUNCES MGNREGA-LIKE URBAN JOBS SCHEME

The Rajasthan government today announced that it will soon introduce an urban employment guarantee programme on the lines of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), thus becoming the sixth state in the country to come up with such schemes. Though the details are still awaited, the state government has said that it will allocate ₹800 crore for the programme.

Rajasthan...

However, experts say this dip may be temporary and the government could either have to cut on social sector expenditure or borrow more to pay for a higher pension bill under the old pension scheme.

Mukesh Anand, assistant professor at the National Institute of Public Finance and Policy (NIPFP), believes going back to the old pension scheme is a dangerous development. "The move towards the new pension scheme was not pushed through properly. Those who are in the old pension scheme, they were actually grandfathered and didn't make any sacrifice. Unless everyone in the system makes a contribution, there will always be an incentive to go back to a system (old pension scheme) which is more liberal and provides more benefits to employees," he added.

Under the new pension scheme, for the same work in a government job, a worker appointed on or after January 1, 2004, gets 10 per cent less take-home salary because of the contribution he makes, compared to the beneficiary under the old pension scheme appointed till December 31, 2003. Under the old pension scheme, the worker didn't have to make any such contribution towards his pension.

The move may encourage other state governments to go back to the old pension scheme as well, according to analysts. The Samajwadi Party has already promised to restore the old pension scheme if it returns to power in Uttar Pradesh.