

UNITED FORUM OF BANK UNIONS

(AIBEA-AIBOC-NCBE-AIBOA-BEFI-INBEF-INBOC-NOBW-NOBO)

SBI Buildings, Bank Street, Koti, HYDERABAD – 500 095
Tel. Nos.040-24754166, 24754266, 24754566, Fax – 040-24752966
Mobile – 09848124254 e-Mail – ufbu.hyd@gmail.com

K K NAIR
Chairman

M V MURALI
Convenor

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NOTE ON JUSTIFICATION OF WAGE REVISION TO BANK EMPLOYEES

Preamble:

United Forum of Bank Unions (UFBU), an umbrella forum consisting of Five Workmen Unions and Four Officers' Associations representing nearly 1 million bank employees in workmen and officers' cadres, which is the sole bargaining agent and is currently on wage negotiations with the Indian Banks' Association (IBA), who is the authorized representative of all bank managements, who are parties to the settlement.

The Tenth Bipartite Wage Revision for bank employees is due from 01.11.2012 and the Common Charter of Demands of both workmen and officers' cadres were submitted to IBA on 30.10.2012, before expiry of 9th Bipartite Wage Settlement.

Role of Bank Employees:

Starting from the nationalization of banks in the year 1969, public sector banks have not only improved their performance and increased their profits year after year but also stood as vanguard in implementation of initiatives of Government in lending timely assistance to priority sector and also in various developmental activities. The financial assistance to a large extent by the public sector banks to the small scale sector witnessed remarkable improvement in the area of development of industries. The industrial development has not only sourced for the growth of economy but also provided vast employment opportunities. The role of Public Sector Banks in assisting the government towards development of infrastructure in the country is commendable.

Banks play a pivotal role in the economic growth of the country and Public Sector Banks play a very crucial role in the channelization of funds, in tune with the Government policies and the social objective of nationalization of banks to inculcate savings habit, self-sufficiency to meet unexpected crisis, priority sector lending and so on, primarily to cater to the needs of poor sector by releasing them from the clutches of greedy money-lenders.

It is an undisputed fact that public sector banks played a very crucial role in the balanced development of economy. The economy of the country never got shackled mainly due to the regulated banking system in the country prevalent through public sector banks and was the prime protector against the disastrous economic recession that affected many European Countries in the year 2008. All these years, the bank employees have played a significant role not only in the proper implementation of Government schemes but also in improving and carrying the banking services even to the remotest centres by getting themselves adopted to several changes that were brought in the working system due to increase in needs/demands of the customers, computerization, increasing competitive environment and so on.

Plight of Bank employees:

The bank employees all these years stood for their commitment, sincerity and loyalty to the Institution as employees and to the Nation as true citizens. They reconciled themselves to the increase in business hours, adopted themselves to the alien system of computerization, ensured effective services to customers belonging to various sectors and contributed to the growth of economy of the Nation by standing shoulder to shoulder with Government in proper implementation of its policies.

Now the questions before the Bank employees –

- 1) Are they being compensated adequately for the risk and responsibility shouldered in dealing with the public money?
- 2) Are they able to meet the ordinary financial commitments and responsibilities of their life?
- 3) Are they being fairly treated?

With these realistic queries in mind, we humbly place our view points in the forthcoming paragraphs for your kind consideration and intervention in the expeditious settlement of our wage revision.

Wage structure of Bank employees:

The recommendations of Sen Award and Sastry Award categorically spelt the need for respectable wages to bank employees insisting that wages of bank employees should be such that they do not succumb to the temptations that often come in their way, oftener than in most other industries, and it should further be such as to inspire and maintain their integrity, loyalty and co-operation. It was also recommended that the results of the introduction of better scales of pay allowances than that exist is likely to be the gradual elimination of inefficiency, dishonesty and deliberate shirking of work to a marked degree, so that in time the introduction of improved methods of organization would be rendered possible.

In tune with the above recommendations, wages for bank employees were fixed in the yester years and employees in banking industry were placed in a level little higher than those in other industries and Government departments. The employees of Life Insurance Corporation of India (LIC) and employees of the Bank were drawing similar wages and presently the wage structure of employees in LIC is better than Bank employees. With the recommendations of Sixth Pay Commission, significant improvements in the wages of Government employees and teachers pushed the bank employees to the position of lowly paid employees.

Further, the increase in the cost of pension is the prime factor for low level of wages to bank employees. It is pertinent to mention that the Pension Scheme was introduced to employees of Banks, LIC and Reserve Bank of India at the same time on similar lines. But only the bank employees are burdened with the additional cost of pension in every wage revision costing heavily on the wages of bank employees thereby reducing the amount available for improvements in other components of wage.

The cost of pension on the pay components quoted by IBA and appropriated in the wage increase of bank employees during 7th, 8th and 9th Bipartite Settlements were 26.5%, 30% and 36% respectively against 10% in LIC and RBI. The second option on pension is also the major contributing factor in the huge increase in cost of pension during 9th Bipartite wage settlement. It is pertinent to mention that the employees of LIC and RBI are given opportunity to opt for Pension more than once outside the scope of wage revision. Resultantly, starting from 7th Bipartite Wage Revision, the wages of bank employees got eroded mainly on account of appropriation of additional cost of pension from out of proposed increase in wages.

As on date, the employees in Government departments and LIC are with better wage structure than the bank employees. The comparative table showing starting salaries of employees in Government Departments, LIC and Banks is furnished below for your instant reference:

Wage Structure of Bank Employees Vis-à-vis Government / LIC employees

STARTING SALARY AND ALLOWANCES			
CATEGORY	BANKS	LIC	GOVERNMENT
Sub-ordinate Staff	Rs.12,364/-	Rs.13,115/-	Rs.16,000/-
Clerical Staff	Rs.15,165/-	Rs.16,124/-	Rs.18,979/-
Supervising Staff	Rs.30,410/-	Rs.36,564/-	Rs.34,250/-

The above situation is also the compelling reason for many of the youngsters preferring to get employed in other public sector undertakings / Government organizations.

Other contributing factors:

- (i) **Inflation:** The high level of rise in inflation in the recent times is evidenced by the fact that the Consumer Price Index points have increased from 1813 to 3059 i.e., by just 1246 points during the 15-year period from the year 1992 to the year 2007, whereas it has alarmingly increased by 1917 points in the last five years starting from the year 2008, which has made the life of a common man miserable.
- (ii) The wages should commensurate with the present standard of living;
- (iii) Due to the increase in attrition rate, more number of employees needs to be recruited and reasonable wages need to be offered to retain them inasmuch as, the other comparable sectors offer more to their employees. This would not only encourage and motivate the employees but also would ensure perfect growth of the institution. Also, the adequacy in earnings ensures more than expected output by employees with utmost sincerity and integrity;
- (iv) The increased load of work, on account of highly competitive environment, needs to be adequately compensated;
- (v) The impending retirements of around 15% of employees during the 5-year settlement period would reduce the wage bill expenses even if replaced by recruitment;

Wage Negotiations:

Despite a lapse of more than 2 years in the ongoing 10th Bipartite negotiations, no significant improvement has been made in the negotiations except in agreeing to the date of effect of wage revision and the merger point of Dearness Allowance with Basic Pay for arriving at the Revised Pay. Further, the IBA has proposed a meager increase of 12.5% on Pay Slip Components which is far less than the increase offered on total wage bill expenses in the previous bipartite wage settlement. Reasonable increase is denied quoting non-affordability of banks for payment of higher wages, increasing NPAs and decreasing Net Profits even though the huge write-offs of NPAs and high provisioning towards bad loans are the prime reasons for decrease in net profits of public sector banks. At the same time it may be noted that the operational profits have substantially gone up reflecting the contribution of employees. All the bank employees are eligible for their due share in the growth and profits of their respective banks as they have contributed their level best in ensuring higher profits year after year.

The last three years' data, relating to Public Sector Banks, is furnished hereunder for your kind reference:

(in Crores)

YEAR	Operating Profit	Provisions & Contingencies	Net Profit
2011-12	1,16,335	66,823	49,514
2012-13	1,21,838	71,256	50,583
2013-14	1,27,633	90,626	37,007



(M.V. MURALI)
CONVENOR

