CHAPTER 3

The year 1969 was a very critical and significant year for the bank. First, the sudden death of the CE after a massive heart attack removed one of the most dynamic and charismatic leaders in the banking industry from the bank. Although he was to retire within a fortnight, his sudden death plunged the entire organization in a state of uncertainty. Second, the nationalization of the bank marked the beginning of a new era calling for major strategic shift in the objectives of commercial banking in the country.

The new CE had worked as general manager under the earlier CE, had grown with the bank and symbolised continuity. As an insider, he was no stranger to bank’s traditions, strategies and areas of concerns.

Taking over reins of the bank from a dynamic and a popular predecessor was, however, both a challenge as well as a handicap, for the new chief executive. It was a challenge because of the expectations of maintaining the tempo of business development that his predecessor had set in motion and also because of new challenges as a result of nationalization of the bank. The handicap arose from the uncertainty of the CE’s tenure as he had already reached the age of superannuation.
The new CE was known to be a strict disciplinarian and rule-oriented. Hence many people in management were concerned about the possible negative impact of his image on IR.

Describing the contrast in the personality of the new CE and his predecessor, the personnel manager (who had worked with both the executives) said:

the earlier CE was liberal and democratic, but the new incumbent was rule-oriented and a hard core disciplinarian.

A similar observation was made by the federation leader when he observed:

the new CE was a stickler for rules and believed in management's right to manage as against the earlier CE who did not allow rules to come in the way of his concern for employees. He (the predecessor) also believed in managing through collaboration with unions and employees.

Many others in the management at that time had also predicted new problems in IR due to the formal and disciplinarian approach of the new CE.
Apart from the differences in personality between the two CEs, the new CE was not in agreement with certain aspects of the IR policy pursued by his predecessor, especially the concessions granted to top union leaders. He said:

The management under my predecessor had been extravagant in giving concessions to the federation and to officers' association. For example, promoting the general secretary of the federation and allowing him to do union work as an officer was a wrong decision and the bank had to pay for it by agreeing to allow the same privilege to the member of rival union."

Inspite of the apprehensions summarized above, during 1969-1970, the bank continued to pursue the earlier strategy of supporting the federation by extending concessions and favours and thus ensured industrial peace.

The status quo maintained in IR policy and strategy pursued by the bank needs to be understood in the context of various external and internal pressures on the management at that time.
Nationalization of the Bank: New Problems in IR

The nationalization of banks had brought about major reorientation in the objectives of banking in terms of change of focus from class banking to mass banking. Banks were now expected to channelize their resources for intensive rural development through expansion of branches in rural areas. One of the principal mechanisms by which the new objectives of social transformation through rural development were sought to be achieved was the lead bank scheme. Under the lead bank scheme, each bank was allotted certain districts for which it acted as a consortium leader to expand and popularise banking. The bank under this scheme was allotted 35 districts - 12 in U.P., 10 in Rajasthan, 7 in Gujarat, 2 in Karnataka and 4 in Maharashtra. Except Maharashtra and Gujarat, the bank did not have much presence in the regions where it was allotted lead districts. The bank was expected to open about 100 new branches every year especially in lead districts.

The change of ownership after nationalization brought about increasing control of the government in the form of exclusive authority to appoint chief executives in the banks and close monitoring of development and expansion through a newly created banking department in the ministry of finance. The Reserve Bank of India acquired increasing control over the credit policy and branch expansion programmes of the nationalized banks. In short, nationalized banks came under
increasing control of RBI and Ministry of Finance and their authority in the matters of business and expansion were curtailed to a great degree.

In the matter of personnel management initially no major changes were imposed by government. However, it was understood that banks would not enjoy the freedom that they had enjoyed in the past in the matters of personnel management and IR and that they had to now operate within the overall framework of the industry level bipartite agreements.

Nationalization also provided a shot in the arm to the powerful AIBEA, the militant and majority organization of employees at industry level which had been demanding nationalization of banks for a long time. In the background of the management's continued policy in discouraging the coordination committee which was affiliated to AIBEA, its top leaders nurtured a grievance against the bank. It was, therefore, apprehended that the coordination committee would increase pressure on the management to gain acceptance and might even launch agitation to draw public attention, especially in the north region where the union had a firmer base and where the bank was given lead bank responsibilities.

Apart from external pressures as stated above, the bank had also to deal with a variety of pressures from within. For example, the continuance of the present chief executive even
after superannuation was seen as an adhoc arrangement by two ambitious top executives who were vying with each other for the top position. This posed problems in creating a cohesive top management team. It was no secret that both these executives maintained liaison with the leaders of the federation and association for gaining their acceptance and also with government officials.

A factor that caused considerable anxiety at that time was the attitude of two key leaders of the federation and the association who had acquired tremendous power during the tenure of previous chief executive and who frequently interfered in various personnel management functions. Although these leaders were cooperative throughout, and espoused resolution of problems through peaceful means they expected special favour and treatment from management. Many senior executives resented the power of these leaders but hardly any executive stood up to challenge the interference of any union leaders in the day-to-day management of the bank. As one senior executive who later became the CE of the bank commented:

Management had all along pampered the leaders and they had emerged as parallel management. They interfered in day-to-day management and they did not hesitate to black-mail the executives who questioned their interference.
Tackling Growth Problems by Buying Peace

The nationalization of banks had two major implications for personnel policies. One was in the area of personnel administration in terms of the need for massive recruitment in clerical and officer cadres, accelerated promotions, and training of existing personnel as well as new recruits.

Secondly, a major task of personnel function in the bank was to facilitate smooth opening of new branches by ensuring industrial peace during the process of expansion.

In order to meet the growing pressure on the personnel function as a result of fast expansion, the bank recruited professional personnel specialists. Each region of the bank was given professional support by posting one personnel specialist. At the regional level, these specialists were expected to lend support to regional managers in all aspects of personnel administration and industrial relations.

At the corporate level, the personnel department was also strengthened with more specialists. A new department called "Management Services Department" was established to design induction and training policies. It was expected to arrange for expansion of inhouse training infrastructure by opening training centres to train employees for manning new branches and also prepare existing employees to take up new roles as "social bankers" in the changing context of banking.
During this period of transition, the bank had to undertake massive recruitment and promotion exercises to provide the manpower for the newly opened branches, deal with the number of issues raised by the federation and the coordination committee in the matters of payment of new allowances, and resolve issues raised by the officers' association regarding the problems encountered by officers on account of transfers.

The sudden growth in the manpower size, aggravated the problem of union rivalries as each union tried to take the new recruits into their fold. The task of personnel management thus became more difficult. While the personnel department was bogged down with routine personnel administration chores, the unions, especially the federation wanted a greater say almost on all aspects of personnel management. It frequently pressurised the management to grant special concessions so that it could maintain its hold over employees to checkmate the coordination committee.

The management in this period of transition continued the previous strategy of supporting the federation and the officers' association. Although the CE did not favour union interference, he had seen the positive results of cooperation received from both these organizations in the past just by extending some concessions and favours.

The CE, therefore, continued the policy of his predecessor to provide for formal participation of the federation and the association in important business meetings. The management
also allowed several other concessions to the federation like giving them results of promotion test from clerical to officers one day in advance before the declaration of the result; sanctioning about 25 posts of Daftary (a post carrying special allowance in the subordinate staff cadre) for the Bombay main branch etc.

The special attention accorded to the federation and the officers' association reinforced the power of their leaders. Officers and executives approached them for seeking favours in the matters of transfers and postings. According to a close aide of the CE, these leaders would often approach for transfers and postings of officers and the CE often obliged them. A specialist officer was transferred in 1970, from Bombay to Madras. His representation against the transfer and the recommendations by his immediate superior who was a senior executive were rejected by the CE. Later, this transfer, according to this officer, was cancelled on the intervention of an important activist of the officers' association.

Apart from extending favours in the matters of transfers and promotions, the management also obliged an important federation leader in matters of recruitment of subordinate staff. According to a senior official of the personnel department, a number of candidates belonging to the native place of the federation leader were recruited in the
subordinate cadre during that time. This is substantiated by the fact that later there were internal squabbles within the federation on this issue, ultimately creating two groups. The resentment on this issue was so grave that some members of one group eventually left federation and organized an agitation demanding recruitment of locals only in the subordinate cadre.

It is thus apparent that the personnel function which management was professionalising was at the same time getting eroded by the successful interference by the unions. The boundary between the union and the management was getting blurred.

**Strike by the Federation**

Despite every effort of the bank to help the federation to maintain its distinct identity by extending various concessions even under the changed circumstances, there were times when the bank just could not help the federation. For example, in 1970 the federation refused to accept the implementation of the second bi-partite settlement at the industry level signed between the IBA and AIBEA in the matter of wages and service conditions. The federation's plea was that it was not a party to the settlement. Accustomed to special favours and concessions, over and above the industry level settlements, to maintain their unique identity, the federation demanded a separate settlement on the wages and
service conditions of the bank staff. However, the implementation of Industry level agreement was mandatory for all the member of banks.

The bank knew very well that as a member of IBA and as a nationalized bank, it was duty bound to implement the settlement and it could not oblige the federation on this issue as could be done earlier when the bank was in the private sector. The federation too was aware of the limitations and the constraints before the bank in this regard. At the same time, signing of the settlement arrived at by AIBEA, its rival, without any additional benefit was something that the federation did not want to accept. This would have meant loss of credibility.

Consequently, the first time ever since its inception in 1959, the federation gave a strike call in the bank against the implementation of the second bipartite settlement. It was unusual for the bank to face a strike from the federation but it certainly knew that the strike was not against the bank management. In fact the rival union claimed that the top management helped the federation to disrupt clearing in different metropolitan centres to bring pressure on the government for some understanding on the issue in favour of the federation.
According to the general secretary of the federation,

the strike was in fact to put pressure on the Central Government to intervene and was not against any policy of the bank as such.

The strike continued for 14 days and the bank suffered considerably in its business. As a result of intense pressure by the federation, the government advised the bank to consider some additional demands in the nature of welfare measures raised by the federation. The federation called off the strike and an understanding was reached that certain concessions would be granted as a welfare measure.

The bank management then arrived at an understanding with the federation, to provide for certain benefits including subsidized quarters to subordinate staff residing in Bombay, reduction in interest on housing loan, welfare fund for employees etc. As expected the coordination committee protested but did not go too far because it involved benefits to all employees of the bank including their members. Even the Indian Banks' Association resented the behaviour of the bank in extending concessions beyond the industry level agreement. The bank, however, had pursued a logic of its own. As the personnel manager put it:
No union worth its name would sign on the dotted lines of the settlement signed by rival unions. The bank had a stake in the federation which had throughout maintained industrial peace in the bank. Isolation of the federation would mean inviting coordination committee whose militant and agitational methods would have cost the bank a lot in terms of industrial unrest.

It is evident from the above analysis that both, at the time of the first bipartite settlement in 1966 as well as the second bipartite settlement in 1970, the management took a lot of pains to protect the identity of the federation and gave additional benefits to employees over and above the industry level agreements. The management and the federation thus maintained their relationship of mutual accommodation leading to industrial peace.

The progress made by the bank during two years under the new CE suggests that the management successfully achieved the objective of settling down in the period of transition from the pre-nationalization to the post-nationalization stage and achieved success in specific areas of its operation. For example during the period 1969-70, the bank opened over 150
branches and achieved a deposit growth better than the average of the banking industry due to industrial peace ensured by the federation and the officers' association.

Conclusion:

The period under discussion was marked by the pressures and exigencies of banking industry in the immediate post-nationalization period. The most urgent exigency in IR was the need for massive recruitment of clerical staff and officers as well as transfers and promotions involving semi-urban and rural areas. Meanwhile, the unions had become more militant and demanding by exerting rising pressures on management on promotions and placement of employees. This pressure was compounded by the rivalries between the federation and the coordination committee.

From management's point of view, industrial peace was most consequential for its ability to achieve the goals of development banking inherent in the act of nationalization. Hence the CE continued his predecessor's strategy of soliciting cooperation from the federation, and ignore the militant AIBEA's coordination committee. The federation leadership was kept in good humour by making concessions to their demands. Some people in the bank interpreted this strategy as a convenient method adopted by the CE to buy peace from union leaders to resolve the power politics at the
top level of management and reduce the uncertainty of his tenure as CE. However, it was a necessary part of the strategy to avoid militant unionism for achievement of business results.

Concurrently, the CE continued the process of building specialized personnel-IR function in the bank by recruitment of specialists at the corporate level as well as decentralization of the function at the regional level.

This strategy served the main objective of maintaining peace for business performance. However, it enabled union leaders to extract more and more concessions from management regarding service conditions, transfers, promotions etc. The union leaders began to browbeat and blackmail operating managers while they showed a spirit of cooperation in relation to corporate management. The 14 day strike by the federation leading to concessions for employees beyond the industry level agreement is a dramatic illustration of growing union power. The balance of power in IR had begun to tilt in favour of the unions and as Flanders (1970: 155) put it 'Peace at this price apart from obstructing economic and social advance, merely stores up trouble for the future.' The events after 1971 amply confirm this as we shall see in the next chapter.