CHAPTER 2
HR MANAGEMENT POLICIES AND
PRACTICES IN PUBLIC SECTOR BANKS

2.1 Introduction

Public Sector Banks in India have been considered traditional organizations with employees enjoying job security and employers enjoying a low attrition rate. This were the scenario until a few years back, to be precise until the advent of globalization and liberalization (LPG) which led to the introduction of reform measures since 1991-92, and 1998 in a phased manner. This has resulted in the entry of few foreign banks, new generation private banks, emergence of financial and other developmental institutions inflicting competition to PSBs for sourcing new businesses and Human capital from the market, besides paving way for lot of employment opportunities.

In spite of PSBs impressive growth and massive contribution in the nation building, recruitment of employees was not matched with business growth and future potential to capture the emerging wide-ranging opportunities, coupled with impending HR challenges and problems due to a legacy of several decades and consequent rapid loss of talent due to VRS, retirements, attrition and the similar, and the current decade is quoted as ‘retirement decade’ in the banking circle.

This was due to faulty HR Policies pursued by PSBs which were guided by GOI viz. ban on recruitment from 1991 and introduction of VRS scheme-2000 for downsizing the employees strength without taking into growth potential of PSBs, which leads to large scale retirements of people hired during 1970s and 1980s, and gradual deterioration in standards even for the selection of CEOs (EDs and CMDs) as revealed from Khandelwal committee report on HR issues of PSBs (2010).
Dr. Khandelwal, ex-CMD of Bank of Baroda and chairman of Khandelwal committee reported that the talent acquisition policy pursued by the PSBs over the decades lacks direction and vision besides the neglect of HRM in their journey over the decades.

2.1.2 Human Resources: Asset-Liability Mismatch

In the current decade, a grave human resources crisis is building up in the banking sector, due to prolonged lag in recruitment from 1987 to 2007 and proliferation of bank branches and thereby creating a huge ‘operational risk’ to banks, according to Abraham Shaji John, one of the Secretary of All-India Bank Officers’ Confederation (2013).

McKinsey had made some revealing observations that PSBs would have dearth of talented manpower by way of loosing experienced senior executive and middle management at an unprecedented rate: 80 percent of General Managers (GMs), 65 per cent of DGMs, 44 per cent of chief managers, 58 per cent of AGMs, 50 percent of middle management, and around 30 to 35 percent of other employees are also due for retirement in the current decade (2010-20). As such, PSBs today are seriously handicapped vis-à-vis their competitor in the market place in terms of huge human capital deficit at all levels besides the looming attrition levels.

Banks have to understand that the capital, products and technology are viewed as the most important pillars of banking are replicable, but not the human capital. It is considered as a valuable capital investment for the achievement of competitive advantage of the PSBs (Shilpi Singh, 2012). The researcher also observed that the talent they employ and the way the banks engage them would be the deciding factor for the level and extent of competitiveness of banks (PSB). As such, winning the war for talent will be the biggest risk factor in determining Bank’s success in the decades. To sum up, the HR function in most PSBs is overwhelmingly maintenance-driven, compliance and control-oriented and Industrial relations-focused. Barring some ad hoc measures in promotion methodologies and training systems, the core of HR has lacked long-term strategy to integrate business, people (employees) and customer.
These were the findings and observation of the papers presented, discussed and moderated by senior officials from RBI, IBA, GOI, and EDs/CMDs of SCBs, Global HR consultants, IT and HR specialists under different thematic titles of banking in the decades in the Annual Bankers Conference (BANCON) of 2011, and 2012.

2.2 Human Resource Management in PSBs (HRM)

The current scenario in Human Resource Management is greatly impacted by the application of following talent management policies and practices pursued in the Public Sector Banks over the decades, which have been influenced by GOI as a major shareholder, regulator and promoter of the PSBs. These HR/Job/Organizational policies are nearly uniform to all the PSBs except a few variations based on the employee’s perceptions and top management culture including ‘IOB’, our research unit:

1. Compensation Benefits and Incentive Scheme
2. Talent Induction and Retention Management
3. Leadership development and succession planning
4. Performance Management Promotion and Transfer Policies
5. Learning and Development
6. Rapid Technological Changes
7. Government Policy Guidelines
8. Dealing with Trade Union and Association
9. Staff Accountability
10. Employee Engagement Motivation Performance: Job Satisfaction
A cursory knowledge on HRM strategies and process on these vital factors will help to frame the gamut of research problems to conceive the objectives, hypotheses, and constructs from the light of literature and secondary data in pursuit of a wider perspective hitherto not covered in the existing HR research studies in the PSBs.

2.2.1 Compensation Benefits and Incentive System

The bane of the development of HR function in banks is the prevalence of industry level wage settlement for too long, leading to standardization in compensation. The broad basic structure of Salary, DA, other major Allowances and benefits (mainly medical reimbursements) of the bank employees are negotiated and agreed as a bi-partite settlement by the employees union and officers association separately for clerks/sub-ordinates, and all officers respectively, with Indian Banking Association (IBA), an apex co-ordination body of SCBs for every 5 years with due approval from Ministry of Finance, Government of India.

Trade union and officers association pressurized the management subsequent to the settlement through various IR techniques at individual banks in the welfare and other fringe benefits viz. conveyance, staff quarters, loan facilities for housing/education/marriage with better terms, insurance and other social security measures except for the basic wage structure settled at the industry level. This leads to lot of anomaly among the PSBs on the total CTC (cost to company) paid to an employee.

There is no linkage with capacity to pay at the individual banks. An employee in a top-performing bank earns the same salary as that of one in a low performing bank and so also to performer and non-performer. It has perpetuated rigidity in job roles, restrictive practices, restrictive mobility, and culture of entitlement, placing the performers and non-performers on equal footing. Since the wage settlement is done at
the industry level, there is lack of initiatives at bank level for innovation to utilize compensation as a motivator (Krishnamoorthy, 2004 and Khandelwal committee, 2010). This is also not in harmony with the requirements of new-age banking.

In general, the average compensation which encompasses all forms of financial returns and tangible benefits and services received by the PSB employees is lower than the private sector and foreign banks and that creates a state of perceived inequity as experienced by the employees in the PSBs. This view was endorsed in an earlier study, that the best predictor of job satisfaction is the belief that one is treated in a fair and equitable manner (Adams, 1965, Berkowitz, Fraser, Treasure and Cochran, 1987) and also in a recent study of Arunima Shrivastava and Pooja Purang (2009) and Mosammod Mahamuda Parvin and Nural Kabir (2011).

Compensation structures have been significantly impacted the PSB officers in terms of job satisfaction, motivation, willingness to accept higher assignments, risk and mobility due to inherent risk in the job profiles of bank officers as revealed from a pilot study conducted by Sharma, JD (2012). Salary was rated as a much stronger driver for job satisfaction in Hong Kong, India and Malaysia as disclosed from the Ranstad Work monitor survey of 2012 conducted worldwide (32 Countries).

Employees rated compensation as the most important aspect of job satisfaction in a study conducted globally by SHRM during 2007-2012 among the various industries including financial services. This factor assumed only slight variations in the year-on ranking among the five most important factors of job satisfaction disclosed in the surveys. The earlier studies which echoed these trends in PSBs were done by Rao (1970), Rao, N.V, 2002, Annamalai, S., 2002; Suresh, and others 2004; Kavitha.D,

The British media (2013) reported in an article titled, “Money can buy happiness”, by analyzing an array of robust data from 126 countries. The findings of the study contradicted the fact that, above certain income level, people do not become happier. Richer individuals are happier with their lives and the relationship between income and higher satisfaction level is remarkably similar and holds true more or less in all the countries studied. Survey by the Central Institute of Economic Affairs (Cebr, India) also has shown that happiness level correlates with the amount of wealth a person accumulates. This study finally put the age old glowing debate more authentically, “Yes Money can buy happiness”.

The PSBs have been implementing incentive scheme guided by GOI since 2006. The scheme envisages identification of the top 25 percent of staff, a distinction that can’t be made within the existing PMS i.e. annual performance appraisals. It has not covered many functional and developmental departments attached to banks head office who are leading from the rear.

Under the existing framework, the incentive is not a prize that an employee can achieve by working harder towards a defined, measurable target. Rather, it is a prize for winning a race against one’s peers. Further, not much is gained by celebrating only a few top performers. This approach demoralizes the vast majority of staff- the average and moderate performers, as banking is a team game (Dr. Chakrabarty, 2012).

In the cultural setting of the public sector banks, inclusive group incentives would be more appropriate, where the role of every team members contributes to the overall achievement. Thus, the introduction of performance linked incentive scheme in the present form has not
been successful in enhancing the performance outcomes of the employees in the banks. These findings were echoed in an earlier study by Eisenberger and others (1990) that the increased performance and positive work attitudes came from those employees who perceived that Job Satisfaction can be an important barometer of HRM effectiveness.

Incentives would be another engine to keep them engaged. If a variable pay structure is transparent, easy to understand and compute, it will attract and help motivate Gen Y who is looking for Engagement and not entertainment (Sapnapoti and other, 2012). All said and done, the overall per employee cost factor of PSB is 150 per cent higher than similar costs in private sector banks, despite the pension expenses not reflected fully in the pay factor of PSBs, is a problem for packaging future wage settlement.

2.2.2 Talent Induction and Retention Management

Public Sector Banks have been inducting large number of clerks and officers by entrusting the job to IBPS (Indian Banking Personnel Selection), authorized by IBA in order to tackle the ‘problem’ of huge skill deficit arised due to retirement and attrition since 2010, abandoning their own recruitment system due to cost and time over run. Banks resort to lateral recruitment on a limited scale to select specialist officers from Agriculture, Legal, IT, CAs for treasury, credit appraisal and risk management.

2.2.2.1 Talent Induction Process

The challenge in direct recruitment of employees by the new system is to spot out right kind of talent from the graduate and PGs from the pool of MBA, engineers, IT, science, commerce and arts. But, the same pool is targeted by banks, financial institutions, Insurance, Telecom, IT and other industries.
Dr. Chakrabarty, KC, RBI Deputy Governor raised some valid points in spotting and inducting right talent in PSBs in the HR Conference of PSBs (2012). He observed that the aspiring candidates from top business institute possess the requisite empathy, and inclination to work in rural areas is a moot question, and so also the number of people at the taluk/tehsil level attended and selected in the IBPS Processes.

Because, these might be the people who could be best suited to drive the country’s financial agenda to nook and corner of the nation.

Another thought provoking points rose about the age old selection process and methodology being followed without any re-engineering, that it tested the candidate for problem solving skills on paper, using psychometric and classic tests in the IBPS. Prof. Debashis Chatterjee, Director of IIM, Kozhikode says that these do not necessarily mean problem solving skills on the ground. Talent, as he puts it, is transferable from one context to another but not from one person to another. It had ramification from studies at Harvard that there may be no correlation between academic performance and performance in the field, the deputy Governor lamented. As a researcher, I also agreed on this observation based on the working experiences gained from vast streams of bank employees of all cadres.

Dr. Pritam Singh, globally acclaimed IIM Director and an ex-director of PNB (PSB) throws some insight to bankers on attracting and retaining the millennial in the Bancon 2011: 1) An entrepreneurial culture where the eco system provides autonomy and freedom, 2) facilitating relentless leadership development, 3) recognition of performance, 4) parity of equity in reward, justice and fair, 5) an ambience of learning and teaching.
2.2.2.2 Retention Management

Public Sector Banks have been experiencing higher attrition rate of 20-30 per cent similar to other industries and service sectors in the last couple of years. The Hay Group made study on employee turnover covering 70 billion in 19 countries in 2013 endorsed this view and predicted that India is at the edge of the storm with highest attrition rate of 26.90 per cent globally in 2013 starting from 2012 and the trend may continue till 2017. Low attrition rate predicted for US (21.8 per cent), China with 21.3 per cent and 14.6 per cent for UK. About 34 per cent of Gen-Y in India is on the fence, a disturbing disclosure from another study of Blessing Whites, conducted in 2012.

Globally, common reasons to look for a new job are: better employment conditions, organizational circumstances or a personal desire for change as revealed from Ranstad Work monitor Survey conducted in 2012, and 68 per cent of respondents in India perceived better salary was more important than enjoying the work itself from the sample frame of 400 per country surveyed.

The Global HR consultant Hay Group study of 2013 endorsed that nearly 55 per cent of ‘Indian respondents’ expressed concerns about the fairness of their compensation and the extent to which benefits meet their needs (48 per cent). One in every three employees expressed concern over a lack confidence: to achieve their career objectives with their current employers (37 per cent); opportunities for learning and development (39 per cent) and supervisory coaching skill (36 per cent). Blessing Whites Global Engagement Report (2012) revealed that engaged employees plan to stay for what they give; the disengaged stay for what they get suggesting that organization would benefit from a targeted retention strategy.
Large scale recruitment has led to the most imminent problem of demographic risk and the yawning generation gap will emerge as a typical problem to the public sector banks by 2020. The ranks of the 20-30 year age group (young-Gen) will swell, at the same time, the majority of the remaining workforce will fall into the 50-60 year age group. The emerging generation gap between the young cohort of new hires and the experienced employees to whom they would report creates disconnect. It would threaten to damage the assimilation and retention of the new recruits as a challenge in the transition journey of PSBs (BCG/IBA/FICCI survey 2010).

Overall, the state-wise trends in recruitment and existence of vacancies pan India, especially in different language zones have been posing a serious problem viz. customer service, interpersonal relations and processing of documents in vernacular in day today banking, areas of specialization and to face the critical business challenge of financial inclusion. Reduced job satisfaction due to these operational issues and greener pastures outside the Bank or within the PSBs are considered by the new recruits to hop jobs even within the PSBs (Sushma Bali, 2011 and Sharma, 2012).

Banks may able to get suitable people for their work but then the challenge is to retain these people and to develop them. Many bankers reported in the business dailies during 2010-12, that the HR policies should be focused first to attract and retain the people in the banking sector as they observed large scale mismatch between people selected, joined and stayed in the bank.

Amit Malik (2013), reported that ‘new gen-employees’ are collaborative, independent, adaptable, tech-savvy, goal-oriented, and diverse and creative. However, they are more sensitive and minor issues are easily escalated. “The key is to treat and leverage their strengths as a vibrant and dynamic segment of internal customers and
organization’s policies as products as an internal marketing strategy”. It would focus essentially on visibility of employer brand value and overall compensation package in the market place to attract and retain the fresher in the first instance.

Shiva Kumar, D (2013) president, AIMA (all India management association) and Sr.Vice President, Nokia, gives another perspective on the New-Gen employees as a Concorde generation equating with arrive before they leave, and they are loyal to their careers and not institutions. They seek harmony in values and their learning style is doing-by trial and error. It is a privileged generation, since their parents have provided for the basic needs.

For this generation work is a verb, not a noun and they thrive on praise and are sensitive to criticism and change jobs to keep life interesting.

Srinath ,T.T (2013) in an interesting study on New-Gen titled ‘From college to the Cubicle ’observed that these youngsters expect job security, good salary, work-life balance, career growth, learning opportunity and recognition from the organization, assuming that these are not present. Sadly, youth seldom say that organizations want them to be happy. The challenge, therefore, for those who induct youngsters into the company, is to demystify the ghosts that they are battling and show that organizations can also be a place of joy and happiness.

The single best way to retain employees is to give them better opportunities than they could find elsewhere.People at all levels in the organization must feel empowered to engage happily to ‘derive satisfaction in their jobs’ (Peter Cappelli, 2013).This is altogether a new experience and different kind of challenge to the employee as well as to employer in the current retention management scenario in PSBs, as the new-gen employees are going to rule and manage the banking sectors in the decades ahead.
2.2.3 Leadership Development and succession planning

Leadership, career development and succession planning are very crucial issues in the current phase of competitive banking. The leadership gaps in PSBs are quite alarming both under Senior and middle management levels as discussed earlier. As per the present policy of the GOI, three top executives (CMD/EDs) may come from three different banks for different tenures. It is not uncommon that sometimes CMDs and EDs are placed for tenures under less than two years as against the longer tenure of 3-5 years witnessed in the previous decades.

It appears that it is becoming increasingly difficult to find appropriate talent for senior management cadres in banks, and it is a worldwide trend according to ‘Global Talent Market survey 2013’. The primary reason for that is most organizations have not invested in leadership development besides inadequate attention paid by the PSB Boards, and other stakeholders to this vital issue. It was also due to absence of a well-knit performance management system (PMS) and comprehensive succession planning strategy to develop and groom available in-house talent to take up higher level management positions in PSBs. Creating talent pipeline will be an organization’s biggest asset and responsibility of the CEOs.

Fast track promotions and diluting norms to fill vacancies right from GMs down the lines up to Scale-1 officer cadre also happening in varying degrees across the banks. The tendency to adopt quick promotion system currently to tide over the problems of finding successors to retiring senior/top management levels without rigorous leadership grooming is far from adequate in meeting the new challenges.

The Banks which have been successful in their leadership development programmes not only produce the leaders for Banking Industry, but also able to create better Brand Value for their Bank and thereby enhancing their share price index. It is significant that the morale of the workforce is greatly influenced by the quality of Leadership and the brand value of an organization. It also helps the employees to get better prospects of their career progression
thereby motivating them to display higher levels of performance. However, most PSBs do not have well crafted board authorized career development and succession plan document, and they manage by adhoc policies.

It should be remembered that the potential strength of today’s leaders and branch managers would determine the future of Public Sector Banking in meeting the new business trends and challenges concurrently in the decades. Managers in India enjoy a better level of trust from their employees at 84 percent, close to China at 86 per cent followed by Aus /NZ, US, Europe at 76 per cent, 73 per cent and 71 per cent respectively (Blessing White engagement research summary of 01/13).

“At a high level, though employees trust in senior leaders of the organization for India, it does not contribute significantly to engagement, retention and satisfaction level of employees”. It was due to moderate scores given to the primary function of senior management: act in alignment with core values, communicate honestly, link the work of the organization to a larger purpose and created a work environment that drives high performance, the survey revealed.

These findings echoed alarmingly from the conclusion of strategic consultant Gallup study in 142 countries in 2013. It reported that ‘Engaged employees are relatively rare in one of the world’s most populous emerging markets, India. The global average for engaged worker is 13 per cent, while for India it is 9 per cent indicating that a whopping 91 per cent of Indian employees are not as productive as they can be or psychologically committed to their organizations.

To sum up, the career development is no longer a marathon that an organization can always run for employees at levels. It is now a relay race- for one it may be make him employable, another by gives him the status and esteem he/she looks for, and yet other way makes him a leader or so, a well conceived thought by Ganesh Chella, CEO of Totus HR consulting firm (2013).
2.2.4 Performance Management System

The basic objective of a Performance Management System (PMS) is to evaluate the employees’ performance objectively, in order to take unbiased decisions with regard to placement, training, promotions, incentives and recognition and rewards. It is the most important area of Human Resource Management, the foundation of which is discrimination. Unfortunately, though the system of employee appraisal has been in vogue in banks, it had not helped to discriminate, and differentiate between performers and non-performers.

In any organization, typically there would be some 10-15 per cent of people who would be high performers. HR managers often focus on this segment and try to cater to their needs first. Instead, the focus should be on the remaining 85 per cent, as any improvement in their performance would have a significant impact on the organization’s performance, more so to PSBs as banking is a team game.

Banks all have to deal with the problem of people who are ‘promotable’ but not ‘postable’ and people who are ‘postable’ but not getting promoted. This is because PMS systems have failed to appreciate performers, and have not even tried to define what performance is in a given job in all cadres. These were the observation of the RBI, Deputy Governor (Chakrabarty 2012). The current researcher agreed this opinion as many Regional Managers and HR department officials openly admitted while selecting the promoted officers for suitable placement in their bank’s (IOB).

A Performance Management System should throw up future leaders. This sounds very simple but the expectation from the people is that a leader is expected to do three things: Plan the tasks, Inspire people, Inspire for aspiring, inspire for perspiring and deliver on results. Other important aspect of performance evaluation relate to deciding about incentives and also
helps in identifying the skill deficits and need to address the deficit by appropriate training programmes and develop the effective leadership position across the board for a sustained succession planning and career development. David Cohen research showed that nearly 80 per cent of those hired to executive ranks from the open market met with failure, while 66 per cent of those groomed internally are successful (2013).

2.2.4.1 Promotion Policies and Practices

The clerical and officer cadre (1st stage, JM) are the fountain stock for upwards mobility to the level of GMs and then to EDs and CMDs. The promotion process involves written test and interview up to Scale-IV (Chief Manager) based on seniority and merit (fast track) as the case may be. It is only interview for AGM to GMs, conducted by individual banks based on the vacancies identified and approved by the board. The promotion policy is uniform to all banks as the same is framed by GOI and authorized by individual bank boards ceremoniously.

Quick promotion from ED to CMD sometimes in less than one year, and from Assistant General Manager cadre to ED and CMD in a span of five years as per ad-hoc policy pursued by the GOI, does not auger well for the level of responsibility and accountability of these top slots in PSBs in an era of LPG (Khandelwal committee, 2010). While they may be talented bankers, they might require adequate leadership grooming and seasoning to manage large-size organizations such as banks.

The interview process adopted by GOI and RBI attract constructive dictates in a widely publicized Financial daily ‘The Mint’ in May, 2013, on the selection process to select nine posts of CMDs for the PSBs from the panel of 18 executive directors (EDs). The notable observation in this article titled ‘How the Govt Chooses PS bank CEOs’ was that; basic simple questions were asked in the interview on financial
inclusion, risk management, Basel III norms etc (30 marks); panel hardly spent more
than 10 minutes each; Professional confidential reports (PCR) of the past 7 yrs for 70 marks; very few candidates had a two tenure as ED, and the PCR mostly pertain to
their earlier career as GMs and DGMs; how realistic is the idea of making this as a key contributor to their promotion to a top position that involves running a bank.
Whether the candidates have adequate exposure in key areas from their earlier limited tenure is another mooted question, and selection and placement as CEOs to a bank, based on category (small, medium and large) is the next stage of imperfect system.

The performance evaluation play a significant role in considering the suitability of an employee for higher promotions for the simple reason that it has got a concretized weightage in the promotion processes across the grades. Annual performance self-appraisal from employee is more of a communication of achievements of targets on key business areas and qualitative aspects of business such as housekeeping, inspection ratings, NPA level, customer service, training needs, constrained faced etc.

It is being reviewed by the immediate superior and the next controlling executive and scores/grades were awarded as the case may be. First, the quality of power exercised by an appraiser (Supervisor) and next immediate superior (reviewing authority) on the appraisee is poor (BCG, 2010). Second, a PMS is predicated on rich developmental feedback between the appraisers and appraise. It requires a culture of trust, and a tradition of strong leadership training and feedback, both of which are typically absent in public sector banks. Third, annual performance reports are kept confidential and not shared with employees to know their strength and weakness.
Further, there is no framework for identifying average from outstanding performance. It is common for many employees to receive “outstanding” ratings, regardless of whether their performance in fact stands out from that of their peers. The researcher strongly concur these findings of BCG, from the real life experience in his career. In most PSBs, career planning of individual officers is shrouded in misery.

The main issue that weakens the credibility of the PMS is the lack of transparent linkage with promotions, postings, trainings, incentives and skill inventory. Finally, promotion is often tied to a painful transfer of location, rural service obligation for next scale promotion impacting family and work life balance. *The uniform promotion policy prescriptions for all banks not augurs well since each PSB differs from other in terms of culture, outreach, business volume, profitability and customer segments and organizational climate.* At the time of promotion process, the interview committee members’ encourage informal recommendations to identify a list of deserving candidates, as endorsed in the BCG study.

Some of the respondents of the current research during the course of the study confirmed this to the researcher expressing dissatisfaction about this practice wherein the executives and trade union people wield influence indirectly in the promotion process to favour a few people of their choices. Given the above five factors, PMS scheme implemented in a public sector bank lacked sensitive to these social constraints prevailed in the PSBs.

*Clerical cadres are not covered by the appraisal system in many banks, who are one of the foundation stocks for the management cadre.*

Overall, the system revealed pious, arbitrariness and deficiencies which requires a total review of PMS linked to corporate business objectively, and that would only led to improving the motivation and satisfaction level of employees as opined by Mohan Deshmukh in 2004, and also by Khandelwal with a host of Bankers in a review of HRM Challenges in PSBs during the year 2004-05, and Dr.Chakrabarty in 2012.
2.2.4.2 Transfer Policies and Practices

The regular transfer policy for clerical cadre is to transfer them once in 3-5 years as the case may be within the region or zone as per the settlements between individual banks and the trade unions. Hence, clerical cadre employees are more comfortable with this policy and that is why majority of the clerical staff especially women are not opted for promotion for the sake of their family interests.

Regarding transfer policy of officers, banks follow adhoc policy for each year which may be region or zone wise in the state or outside the state once in 3-5 years as agreed between banks and officers association. Transfer of officers on ‘promotions’ are guided by GOI to satisfy rural service norms for junior and middle management, and for senior management as regional managers or as second line in banks regional/zonal offices.

To sum up, PMS is construed as an effective linkage to rewards and recognition, career advancement, trainings, performance counseling, competency mapping and skill inventory, and placement but failed to develop as an organization wide linkage to leverage and promote engagement, satisfaction and empowerment of employees in PSBs today.

2.2.5 Learning and Development

Banks have been running a battery of courses to train and upgrade the skill levels of employees in the functional areas of banking through their training centres. They also depute selectively to colleges run by RBI, NIBM (National Institute of Bank Management) and Administrative staff colleges of India for imparting value
added skills in credit management, Foreign exchange, risk management, HRM, Agriculture etc.

**2.2.5.1 Training to honing internal people capabilities**

Workforce is the first set of brand ambassadors and they make customers as branch ambassadors. In this connection, the role played by clerical staff is most critical and significant in driving the business level, as they are the front liners in branch banking which is the back bone of banking industry.

The challenge to capacity building is to recognize the centrality of frontline employees and it may seem intuitive, but the bankers will be surprised at the level to which this obvious truth is ignored across the world as put forward by Vineet Nayar, Vice-chairman and joint MD of HAL technologies Ltd (2013).

Another looming trend is the growing role of ego and the diminishing sway of corporate loyalty-in employees, particularly middle/ senior management in the forties to work in 3-6 companies and the generation behind them scout to work around for 12 or more. One-third of all executives today are loyal to their career, not to their companies as observed by Sushma Bali, General Manager, Punjab National Bank while presenting a thematic paper on Winning the ‘WAR’ for talent in Bancon, 2011.

Further, the methodology used by most banks in the capacity building of middle, senior and top management through sporadic and ad hoc exposures by deputing to different management development programmes in India, in-house and abroad, is quite in-adequate. As such, the people have not been oriented to unlearn past, and learn the new skill sets to remain more productive in the present environment of new challenges and emerging opportunities in the decades as many of the past skills have become redundant (Krishnamurthy, 2004 and Mallya, MD., chairman IBA 2011).
### 2.2.5.2 Training System - current scenario

‘Competencies’, when rightly identified and used, have proved to be one of the most powerful tools for the organizations to meet its business results, through its most valuable resource—people. However, Competency gap based training to suit the skill levels and needs of employees is lacking in PSBs. It has been conducted for the sake of training with ‘bums on seats’ mentality, just to suit and complete the course schedule prepared by the training centres of the banks in a calendar year.

The regional/other offices of banks also depute employees mechanically without assessing the individual needs of employees and branches. For example, a rural branch staff is deputed to foreign exchange course has no relevance and utility to both of them. Similarly, staffs trained in advanced course of credit appraisal is posted to work in rural branch or as scroll officer/ back office operations in urban and metro branches.

Dr. Sharad Kumar (2004), General Manager, Bankers Training College, RBI, stated that ‘in most of the banks, adhocism is prevalent in selection of employees to the training. Banks have hardly developed data base to capture the training needs of employees and rarely use any IT based support system based on PMS to select trainees. After implementing VRS in 2010, many banks have even closed down their training centres to meet the line functions. Competency mapping, and the level of competency acquired and its utility in the field after training have not been evaluated (Raj Gopal and Lakshmy Radhakrishnan, 2011).

Ken Simper, Managing Director, Blessing white Asia-Pacific (2012) averred that the average expenditure on training and development in the US, UK or Australia, as a percentage of the annual payroll, is 4 to 5 per cent in most companies. In India, it is around 1 or 1.5 per cent. There is even a thought that setting aside two days for ‘expensive’ resources who are key to the organization, for training, is expensive in itself, and the amount of money companies end up paying for the training itself is much lower than what is spent on the frills. It’s more about making them feel good — almost like a reward or time off for good behaviour every year.
The post evaluations of training are in low gear in many banks except half the time, the feedback sheet has more about the venue and the food than the actual training. Banks don't have any real follow-up to see if it made a difference in terms of increasing their performance in and off the job (Khandelwal committee, 2010 and Ken Simper, 2013).

Shri. Pranab Mukherjee, former Finance Minister of the country (2012) more aptly amplified the role of training that ‘Human capital deficit’, both in quantity and quality is one of the major challenges PSBs face today. He said that major HR challenges in public sector Banks today are: building capabilities for the future including technological environment; improving productivity and performance; building talent management practices; developing institutional arrangement for sustained human capital management and transforming the HR function from legacy driven to developmental HR.

Thirdly, the training strategy must have a grass-root base and provide tailor-made banking solutions for the rural economy, specifically for sectors which support means of livelihood and financial inclusion in rural areas.

Shilpi Singh (2013) studied ‘HR practices in today’s scenario in Indian banks, and concluded that developing individual or human capacity is an integral element of capacity building and appropriate training is a must for taking the banking industry to the heights of excellence in the midst of new age banking and competitive environment.

2.2.6 Rapid Technological Changes

All public sector are already on Core Banking Systems (CBS) which covers banking operations pertaining to deposits, withdrawals, credit delivery, remittance services, back-office operations etc. CBS has been providing inputs for developing customized deposit and credit products, IT services (Debit card, credit card) and ATM units at multiple/selected delivery points based on customer data ware housing. Besides complementing the human-ware to escalate better Customer Relationship to translate these inputs/products into higher revenues for the banks.
2.2.6.1 Mobile banking will amaze transaction banking paradigm

Comparing with usage pattern in US, the significance and potential of mobile telephony and internet banking channels are apparent globally. The penetration of internet and broadband access in India has been picking up slowly in the current decade. However, the private sector and foreign banks are better placed in adopting the IT and mobile telephony with high speed. PSBs are also picking up to match their competitor in the latter half of the current decade.

However, despite efforts made by the Reserve Bank of India and banks rolling out apps, mobile banking is yet to achieve the expected potential growth rate in Indian banks, particularly PSBs. But low levels of awareness, acceptance and factors such as inability of banks to “seed the mobile number with the account number,” handset compatibility issues, absence of collaboration and revenue-sharing models between banks and mobile network operators, are affecting the growth of this channel.

With the advent of mobile banking, the access to banking facilities could completely get revolutionized and amaze the country’s financial inclusion drive to new peak at the end of the decade as projected by Khan, H.R., Deputy Governor, RBI, 2012.

The IT revolution in the banking field would help the PSBs in larger measures to achieve its primary objectives of nationalization as public sectors today are like miniature governments having an overall effect on social, political and economic scenarios of the country. The use of technology should not be seen as an end in itself but as a means to an end.

2.2.7 Government Policy Guide Lines

GOI has granted managerial autonomy to major banks on HR issues during the second-half of the last decade in order to empower the PSBs to fulfill the laid down business performance criteria. The present UPA Government (from 2010) also documented it in its election manifesto (the National Common Minimum Programme) in the form of main objective of the Government Policy.
The Government had made it clear that it was committed to empower the Public Sector enterprises and their Managements to compete with private enterprises with freedom to function and operate commercially. The reforms to meet these objectives included are delegation of Managerial Autonomy, Professionalization of the Board of Directors and evaluations of the Performance of Public Sector Banks through the Statement of Intent.

In contrary to the above backdrop, the GOI has issued a series of policy guidelines on Recruitment, Promotions, Deployment, Mobility, Performance Management and Evaluation, Performance Incentives etc. These new guidelines amounted to withdrawal of Managerial Autonomy granted during the earlier years and rendering the Boards of the Banks as a helpless bunch of Directors who were individuals but not independent. The Boards are crippled and precluded from exercising their collective wisdom to even modify the Government prescriptions to suit the needs of their respective Banks, to enhance the morale, motivation and satisfaction level of the employees.

The prescription of “One size fits all” policy is forced on the Public Sector Banks who are otherwise expected to be competitive in the market place which includes New Generation Private Sector Banks, Foreign Banks and other Private Financial Institutions and Non-Banking Finance Companies.

It was substantiated in a pilot study conducted during 2012 (Sharma) that a long term solution to fill up leadership positions in a sustainable internal succession plan with Bank specific promotion policy within the overall legal framework was curtailed, as the recent uniform promotion guidelines of 2010 are considered not only water-tight but also retrograde step vis-à-vis the Managerial Autonomy granted to PSBs.

The latest guidelines providing for fast track promotions will result in an inadequate seasoning and grooming of officers for further leadership positions. It is thus clear that the undue influence of the government in the HR portfolio of the PSBs through their boards has not gone down well with the employees/senior management who has larger stakes in overall
talent management strategies of the Public Sector Banks. Overtime, Government has to relent being the sole custodian of the HR policies and manage the banks purely towards defined and measurable financial and non-financial objectives.

All banks have board approved policy document for vital aspects of banking like loan policy, credit monitoring, risk management, recovery policy, audit and inspection etc. However, most banks do not have any HR policy document. In the absence of it, there are wide variations in managing this vital function by different management functionaries and there is no monitoring by the bank’s board as well as by the promoter and regulators (GOI and RBI) and other stakeholders. (Khandelwal 2010 and Dr. Chakrabarty (2012).

**2.2.8 Role of Trade Unions**

Trade unions and Associations are a major component of the system of modern industrial relations in any nation, each having their own set of objectives or goals to achieve according to their constitution and each having its own strategy to reach those goals. Thus, the primary function of a trade union is to promote and protect the interest of its members for the purpose of maintaining and improving working conditions.

The third five year plan of the country amplified the role of trade union as an essential apparatus of industrial and economic administration of the country, and should be prepared for the discharge of the responsibilities which attach to this position. This can be summarized: i. to improve working and living conditions and to represent workers' interests in various forums, ii. To offer responsive cooperation in improving levels of production and productivity, discipline, and high standards of quality, iii. to secure fair wages for workers, v. To promote identity of workers' interests with their industries, vi. to cooperate in and facilitate technological advancement by broadening workers' understanding of underlying issues.
In addition to their traditional bargaining activities, unions now have a newly acquired voice and representative/participative function in the management of public sector units. Many of them are motivated to increase their value to workers by providing a variety of services to their members, as well as to the community to which they belong. Many unions are engaged in a number of welfare activities, such as providing housing and organizing cooperative societies to improve the quality of workers' lives and schools. SBI staff association is a leader in starting many schools.

In PSBs, the Unions of the Award staff (Cerical and messenger cadre) and Association (for officers) focused their strategy for standardization of salary, other allowances, benefits and service conditions at the industry levels. Besides, for improvement in the welfare measures and other fringe benefits which was led to anomaly in the compensation structure among the PSBs as discussed earlier.

The unions indulge in restrictive practices in deployment of staff at the macro-level and also in day-to-day working. The trade union, and officers association wield undue influence in the execution of transfer policy of clerical and officers cadre (up to scale-III) and few employees who are close to the leaders are flavourably placed. This works counter to issues of productivity. In the rapid technological, and market driven environment, enhancement of productivity of man power is the responsibility of managements by creating a sustainable HRD system. However, the agenda for HR management has been dictated and influenced by trade unions/Associations as per the observations of Khandelwal Committee report on HR issues of PSBs (2010).

However, organized employee unions are an important part of the democratic process and form an effective channel for communicating with employees down the line. It is important to involve them in the HR process without allowing them to have
an overbearing influence. Communication with employees is a vital part of the HR process as trade union helps to enhance transparency in banks business policies and HR practices.

The Banks have a clear cut advantage in this respect since they already have a participative process. Representatives of the employees sit on the Board itself and hence, it requires better practice of participative management in the real sense of the term. When dealing with human beings, it is important to be objective, transparent and non-discriminatory and this must be communicated effectively by the banks.

2.2.9 Staff Accountability

‘Perform or perish’ used to be the mantra for businessmen, and business entities of any kind. However, for the officers in public sector banks (PSBs), it appears to be ‘perform and perish’ as they often face allegations of insensitivity to client needs from government agencies, entrepreneurs and borrowers. In this connection, there is a general view among the employees and senior executives of PSBs that they have been subjected too much of accountability as compared to other categories of banks.

The PSBs are subjected to the superintendence of Bank’s own Vigilance Department, Central Vigilance Commission (CVC), Central Bureau of Investigation (CBI), and Reserve Bank of India, Central Government and State level Police. Employees have to face such multiplicity and overlapping to deal with the issue of staff accountability to prevent and control financial losses arises in the functional areas of banking.

2.2.9.1 Accountability frame work

Every bank has formulated a policy for examining staff accountability whenever an account turns bad. After the scrutiny by senior officers, the case is classified as ‘vigilance’ or ‘non-vigilance’ by a committee of senior executives (as per Chief Vigilance Commission (CVC)
guidelines). If it is classified as a ‘vigilance’ case (where *mala fide* or gross negligence is suspected), the case is dealt with by the Chief Vigilance officer (CVO) who decides whether the offence attracts a ‘major’ or a ‘minor’ penalty. The final penalty must have his concurrence.

The final fate of the official depends entirely on the mindset of the CVO. A person with operational experience understands the nuances of decision-making and takes an objective view of the issue. If, unfortunately, the CVO is a person with little operational exposure the concerned official’s life becomes miserable.

It is undeniable that accountability has to be examined and those found delinquent punished. However, a distinction has to be made between genuine error of judgment and acts of malfeasance.

Mr. T. S. Krishnamurthy, a former Deputy General Manager of State Bank of Mysore and State Bank of Travancore in an article (2012) expressed that staff accountability is studied seven or eight years after the sanction of the loan. Credit decisions are taken based on the circumstances prevailing and the information available at that point of time. No commercial organization including PSBs can claim that 100 per cent of their decisions have been correct and resulted in profit.

Once a case is classified as ‘vigilance’, it takes years for the whole process, including the appeal, to be completed. During this time, the official undergoes trauma and loses his promotions, resulting in stagnation and frustration which leads to de-motivation and dissatisfaction.

He further argued that more often than not, the officer is an innocent victim of a clever fraudster. However, it is presumed that the official has a role in the fraud and he is subjected to untold misery. When hard-working and enthusiastic officers get demoralized, fear psychosis sets in and decision-making is the casualty. The morale of personnel has been affected by the fear that they may be held responsible on the ground of *mala fide* actions in the
event of loans or investments turning bad. There has been, consequently, a tendency on the part of middle and senior management for risk aversion. Safety appears to lie in taking no decision or taking a negative one.

Mr. R. Viswanathan.-Deputy Managing Director, State Bank of India argued that the vigilance machinery as it exists today is one of the major causes for demotivation in public sector banks, and further elaborated that the "THE BANE” of public sector banks (PSBs) is that the Government imposes too much accountability on the employees."

As per the Report of the Committee on Banking Sector Reforms (Narasimham Committee II) on the subject in April 1998: "Any discussion on human resource in banks must touch on the issue of "morale" of the staff ...... One must make a distinction between genuine commercial mis-judgment with respect to decisions taken in good faith and deliberate misfeasance. However, the pervasive fear of an external vigilance authority has tended to inculcate what has been described as "fear psychosis" among bank personnel. The morale of personnel has been affected by the fear that they may be held responsible on the ground of mala fide actions in the event of loans or investments turning bad.

Mistakes will be made but an atmosphere of fear of being subjected at some later date to investigation and unsavory publicity is not conducive to efficient and informed decision making. This point has been urged upon the Narasimham committee by representatives of both management and trade unions.

Therefore, the focus of accountability should shift from post mortem examination to looking at the concerned official's overall decision making ability over a period and taking suitable action only if the official was either grossly negligent or dishonest, as perceived by Sri.Viswanathan.
2.2.9.2 Accountability Syndrome

There is lot of ‘subjectivity in assessing accountability’ as the dividing line between delinquency in a loan account and fraud is very thin. The accounts which are viewed as delinquent by private banks are often viewed by public sector banks as frauds and reported, as such. “There is, therefore, a tendency among public sector banks to report even normal delinquencies as frauds to be on the safer side of law whereas private banks are more discreet”.

Chakraborty, K.C., (2013) raised an valid question as to whether diversion of funds is to be treated as frauds, and concluded that so long as the borrower does not dispute that he owes money to the bank, it may not be treated as ‘fraud’.

As regards to the departmental enquiry in the banks, and also by CBI, it takes years for the whole process, including the appeal, to be completed in the Bank’s. During this time, the official undergoes trauma and loses his promotions, resulting in stagnation and frustration besides social discrimination and exclusion.

Another subjective area is ‘preponderance of probabilities which is considered adequate to hold the charges as proved in the banks departmental enquiry and punishment awarded, though the rule of the land requires that the charges should be proved beyond doubt. Those employees who were at the relatively lower levels of hierarchy in the Bank are suffering more from the application of staff accountability and that inferable malafides on the part of these employees are dealt with ruthlessly in Public Sector Banks.

On the other hand, the collective decision making through a committee approach prevailed in sanctioning loans at Regional and H.O levels from the latter half of 2010, acts as insulation against the accountability for officers (executives) at a significantly higher levels of hierarchy as reported in a pilot study of Sharma in PSBs (2012).
No bank, anywhere in the world, other than PSBs in India, has a policy that every loan loss should be scrutinized with a view to fixing accountability on all the officials who had been associated with the loan and other transactions. The perceptions that bonafide actions of officers and other employees enjoy the protection in PSBs from accountability are only on paper.

The present accountability policies is also visibly associated with risk aversion tendencies on the part of the officers due to the fear psychosis of an external and internal vigilance mechanism prevailing with a damsel sword, which acted as an antithesis to the motivation in the Public Sector Banks (Viswanathan, 2002, Krishnamurthy, 2012 and Sharma, JD, 2012).

In his Inaugural address during the National Conference on Financial Fraud organized by ASSOCHAM at New Delhi on July 26, 2013, Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India expressed that there is a pressing need to probe staff accountability in a fair and objective manner and take it to its logical conclusion. This is necessary to instill a sense of responsibility amongst the officials for complying with the laid down procedures.

These views were voiced by employees — serving and retired — of public sector banks. Amazingly, both views have a large element of truth. The first statement refers to the oppressive levels of accountability and punishing employees even for genuine decisions taken, which later result in a loss. In addition, the second is a widely held perception among employees of PSBs that any official who is totally negative in his/her approach and refuses to take decisions is never called to question for the inaction.

All this is of relevance because, “a perception has been spread for some time now that financial liberalization that involves regulatory forbearance but emphasizes better accounting standards and stringent disclosure requirements is accompanied by reduced fraud. The evidence is to the contrary in view of mounting frauds and large scale NPA
creeping in the banking system. The problem has been increased post-liberalization", an observation from the RBI Deputy Governor (Dr. Chakrabarty, CK., 2012).

These views and opinions emerged from the review of speeches and articles of senior bankers’ correlates with the expressive feedbacks received from the bank executives, officers, other employees, and trade union office bearers while conceiving the perspectives for the current research. The researcher identified staff accountability as one of the factor’s of research gap and hence elaborate discussion was made on this variable which has significant bearings on the job satisfaction of PSB employees.

2.2.10 Employee Engagement Motivation Performance: Job Satisfaction

The challenge before the banks is how to channelize employees’ energies to transform them into active and willing partners in the change process, to meet the problem and challenges faced by PSBs in the millennium as discussed so far in HR and business trends concurrently. Banks will need to work out innovative motivational techniques to foster Job Satisfaction which leads to improved employee engagement and Productivity.

What is engagement any way?

The term ‘employee engagement’ means different things to different organizations. Some equate with Job Satisfaction, others measure engagement by gauging employees’ emotional commitment to their organization. While organizations are keen to maximize the contribution of each individual toward corporate imperatives and metrics, individual employees need to find purpose and satisfaction in their work as per Blessing White’s engagement model, which focuses on individuals’ contribution to the company's success and personal satisfaction in their role.

Full engagement represents an alignment of maximum job satisfaction ("I like my work and do it well") with maximum job contribution ("I help achieve the goals of my organization"). Engaged employees are not just committed. They are not just passionate or
proud. They have a line-of-sight on their own future and on the organization's mission and goals. They are enthused and in gear, using their talents and discretionary effort to make a difference in their employer's quest for sustainable productivity for overall business success.

There were strong correlations between satisfaction and engagement levels and age, role/level, and tenure in the organizations. Older employees, people in power and authority, and long term employee (7+ years) were mostly engaged due to higher levels of satisfaction as reported in Blessing white study (2011 and 2012). It also reported employee who work in departments closest to strategy decisions and customer relationship tend to more engaged as well.

So, in a global world, impacted by globalization, the economy, technology and growing individualism, our existing management theories, which are oriented towards being more productive in the industrial society and the ethics around it, will need to give ways to; Rewards, appreciation, work life balance and enhancing the overall satisfaction levels of employee is a key to employee performance and retention.

The major challenge in this scenario is the ability of the organization to convert the rewards and appreciation into performance and business. Work life balance will be given more importance as the employee spends more than 70 per cent of his time in the organization working for the organization and hence he/she is not able to spend more time for personal needs. Corporate Social Responsibility is a way of giving back to the society what the organization takes from them. The opportunity to represent your organization in such an activity invokes pride in an employee.

As such, the key driver that motivates people in the knowledge era is not livelihood or monetary benefits but is the feeling of empowerment that drives satisfaction of employees. It is about managing knowledge workers who cannot be treated as subordinates, but as associates. They cannot be managed, but led.
The future of organization will be built around teams, especially for service industries. Employers like team players rather than super stars because employees have to work with people not just across departments but across countries and cultures (Rajagopal, 2012). Hence, the future leaders should be disciplined, humble and rich in social skills.

Blessing White survey report’s of 2011 revealed that career development opportunities and training, opportunities to apply their talents and more challenging work were the top influencing factors of job satisfaction of employees in manufacturing, Banking/financial services in India and so also in South east Asia, China ,Europe and North America.

SHRM Satisfaction Survey (2012) worldwide disclosed that the opportunities to use skill and abilities as the most important factor’s for job satisfaction, and also ranked 3rd to the engagement aspects. Relationship with immediate supervisor/manager and senior management were the other top influencing job factors at varied proportions globally to engagement and job satisfaction. This global rating’s on the influence of supervisor and senior executives to engagement and satisfaction found correlate with the study ranking of these factors on equal footing in Blessing white research report on employee engagement (2012).

Hygiene factors like transparent corporate communications, congenial work atmosphere, emotional support in times of personal and official distress, power and authority for effective functioning, work life balance, clear role functions, adequate manpower, and job security beyond the compensation structure play an important role in performance enhancement and hence such non-monetary factors should have adequate visibility in the HR policy of an organization.

To sum up, the author recall an interesting observation from the study of Meena, M.L., and Dangayach,G.S.,(2012) titled ‘employee satisfaction in banking sector’. It reported that banks have been recognized to cause major impact on economy and social phenomenon of growth and
standard of living in the country. Hence, banks should concentrate continuously on employee satisfaction in order to stay profitable and in the process, would be benefited by employee retention, reduced recruiting and training costs, increased staff productivity, enhanced customer satisfaction and improved team work, and fostering greater employee positive contributions to the organizational effectiveness and performance.

To sum-up, the researcher has made an elaborative review on PMS, Training, Government Policy guide lines, Staff accountability and Role of trade unions obtained in the PSBs, in order to evaluate their influences on the job satisfaction of employees in Indian Overseas Bank (IOB). In the process, these factors have been well qualified as research gap variables for his proposed study, and furthermore very limited studies were conducted on the influence of these variables.