3. PROCUREMENT OF HUMAN RESOURCE

3.1. INTRODUCTION:

In the past thirty years we have moved from an industrial society to an information society in which 60 per cent of the workforce is occupied with creation, processing and distribution of information. The organisation world over has started realising that after people, information is its most important asset. Many aggressive firms are learning to use information technology and their people as strategic weapon to gain, regain and sustain competitive advantage within their markets. In the past, development of a firm’s strategic business plan focussed on production, distribution, development, price and market environment. The human resource necessary to execute the plan generally were not considered strategic.

Today, the firms which are described as “people intensive” or “people oriented” are including human resources and the related information flow requirements as a primary element of the corporate strategic plan. This may be because of the rapid proliferation of computers, innovations in production systems, increasing size of organisation, liberalization, and diversification. The changes are so fast that the people can not be taken for granted. In past, attention of managers were towards administering necessary conditions of work.\textsuperscript{150}

Recently the word Personnel Management was questioned and a new term “Human Resource Management” came into currency. But soon people started saying that human can not be considered as a resource and a new terminology was given to this concept, i.e., ‘Human Talent Management’.\textsuperscript{151} For the purpose of this study we have considered the three terms as synonyms and may even use them interchangeably.

In most organisations the Personnel Management is an independent function. Despite an increasing trend towards computerisation, banking remains
a high-labour more than high-technology industry. The success of a bank depends on managing the human talent successfully.

In most texts human resource management systems and personnel management are divided into similar functions. But for the present study it is divided into the following broad categories with its sub categories. The classification is purely arbitrary and taken together for convenience sake.

1. Procurement of Human Resource
   * Human Resource/ Manpower Planning,
   * Recruitment and Selection, and
   * Equal Employment Opportunities.

2. Human Resource Development;
   * Training,
   * Performance Appraisal, and
   * Career Planning.

3. Compensation Management;
   * Payroll,
   * Other Benefits,

3.2. HUMAN RESOURCE / MANPOWER PLANNING:

Human Resource/Manpower Planning is the process of identifying and implementing appropriate activities to ensure that the Human Resource function is supporting the organisation’s direction. This system is used to prepare human resource statistics, and analyse staff turnover or wastage so that demand and supply forecasts can be made and comparison carried out between budgeted and actual figures. Its major functions involve human resource mobilisation, succession planning, and career planning and inputs for skills demand.

Human Resource Planning is the first operative function of human resource management. But it remained neglected in banking industry in India for a long
time. It means different things to different people. To some, it means manpower forecast while to others, ensuring the supply of manpower. The right explanation of manpower planning may said to be, securing right person, for the right job, at the right time, and in right numbers. This means that not only demand and supply is to be ensured but also the classification of jobs and the persons needed according to the skill requirement for the available job. The first and foremost question to be faced by a personnel manager is to determine as to how many people will he need? As with over staffing, cost would be excessive, with under staffing, opportunities will be missed. The objective of this section is, first to focus on the concept of manpower planning and then to see as to how computerisation has affected the planning process and how it can be used as a useful tool in assisting manpower planning.

The assumption that the developing countries with surplus labour, also has, trained manpower available for any specific skill requirements, is not generally so. This kind of assumptions prove to be misleading. For example, in the banking industry’s CPPD/EDP section there still exist a dearth of qualified manpower as it is still staffed by scale II & IV officers. The Annual Report of Department of Electronics, Government of India shows that as computer industry expanded, a large number of institutions in the formal education system were motivated to introduce courses in computer science in collaboration with UGC/Ministry of HRD, Directorate General of Employment and Training and State Governments.

Manpower Planning makes for different purposes at different level: national, sector-wise, industry-wise, and individual unit-based. What ever may be the level, the two questions, how many people will we need? and how many people will we need to hire (or train)? have to be answered. The first question is determined by the business plans, market conditions, technology, individual productivity and a host of other environmental factors. We also need to analyse
as to how many present employee would be available in future to continue in different positions and of different categories after allowing for turnover, retirement and promotions etc. The first question is answered by the demand forecast and the second question is answered by subtracting the supply forecast from the demand forecast.  

3.2.1. Techniques of Forecasting:
The are various techniques of forecasting human resource requirements. The important ones include, trend analysis, correlation analysis, and computerised forecasting.

3.2.1.1. Trend Analysis: Trend Analysis means study of a firm’s past employment needs over a period of time to predict its future needs. How staffing levels have changed over time or in other words to see firm’s employment trends over the last five years or so. One may compute the number of employees in an organisation at the end of each year during the last five years, or perhaps the number in each sub group. The purpose is to find clear trends and then extrapolate them. However, this exercise may at best be used as an initial exploratory exercise, since employment levels rarely depend solely on the passage of time.

3.2.1.2. Ratio Analysis: Ratio Analysis in terms of Manpower Planning, determines the ratio between some causal factor and number of employee required. It can be for example, manager to clerk ratio in a branch of a bank, or a manager to sub-staff ratio in a branch and thereby to determine as to how many new clerks or sub-staff would be needed to support the extra manager. As with trend analysis, ratio analysis assumes that productivity remains about the same over a period of time which in reality rarely happen.

3.2.1.3. Computerised Forecasting: Computers can also be used for forecasting manpower requirements. Some experts have developed a computerised packages for forecasting. In the Citibank computerised system is in use for forecasting manpower requirements. With a computerised system an employer can check
the effects of productivity on sales and sales on personnel requirements.

There are various statistical packages like SPSS, Systat, and SAS available in the market which can help in trend analysis, correlation analysis, regression analysis and multi-variate analysis. Which ever approach we use for determining the requirement, managerial judgement will play a vital role. Judgement will need to be used to modify the forecast based on factors likely to change in future.

3.3.HUMAN RESOURCE PLANNING IN BANKING INDUSTRY:

Manpower Planning is a recent development in banks like any other industry. For a long time banks were unfamiliar with the concept and techniques of manpower planning. Soon after its establishment NIBM organised a seminar on management development for top level and senior level executives. The participant unanimously felt that the manpower needs of bank had to be forecast on a scientific basis. Subsequently the Banking Commission also recommended setting up a separate manpower planning cell incharge of a qualified senior executive and responsible for “manpower forecast, job analysis, personnel inventories, planning for recruitment and training and introducing schemes for motivation and worker participation”. As a sequel to the above, many banks established manpower planning cells in their personnel department.

The reasons for an emphasis on manpower planning are many. The decade following nationalisation of fourteen major banks saw an spurt in branch expansion and consequent increase in the number of staff at all levels. Then came the phase of expansion in terms of diversification during the early 1980s. And the late eighties experienced a change in the form of emerging technology and need for its adoption by the banking industry.

Need for Human Resource Planning in Banks arise because of the following
factors:
1. to carry out day to day operations,
2. to meet the needs of expansion, diversification etc.,
3. to meet the challenges posed by competition, adoption of new technology,
4. surpluses and shortages created by Union pressures, and
5. maintain sound Industrial Relations.

The above list can be made more exhaustive but our purpose here is just to demonstrate rather than to make it descriptive. In the present scenario the importance of Manpower Planning has further increased owing to the financial reforms process, business expansion in different areas and computerisation. It may also be because of the competition envisaged as a consequence of liberalization.

The introduction of computer has affected manpower planning activity of banks. Banks have been facing the problem of placement of EDP personnel within the organisation as well as the related changes in the personnel function. The need for a Computerised inventory system was felt for the EDP personnel. The rotation of people through various EDP function has not provided a long term answer to the banks' requirement for trained people. There are two alternatives of this problem: First, to hire from outside, and second, to train people from within. During the course of planning process a stock of present employees is necessary to determine how many people have to be hired from outside and with what skills.

Banking industry is now at the consolidation phase and large scale recruitment even without computerisation is a thing of past. The governmental restrictions on recruitment (not more than 1 per cent of recruitment per annum (calculated on the basis of total employee at the of the last financial year) have brought down the growth of staff in the industry. It is believed in the banking
circles that the future requirements even if the restrictions imposed by RBI is removed, will be mainly for meeting additional business requirements and for replacement of the staff retired or deceased. The above study based on in-house studies conducted by SBI predicts that the future requirement would be more than offset by the displacement as a result of computerisation. This is posing one of the biggest challenge for manpower planning in banks.

There are three components which contribute to the development of a manpower plan. They are business expansion, branch expansion and replacement on account of promotion and retirements. There are three aspects in a scientific and integrated manpower planning. The first is to determine the demand, the second, the supply and third is to balance the two to find surpluses or shortages.

One of the major problems in manpower forecast is the choice of predictor variable(s). The banks apply various ratios to asses manpower demand, deposit credit ratio, voucher to workman, voucher to officer, officers/clerks/subordinate staffs. Verde has used regressional analysis to predict the manning levels in banks. He forecasts total manpower as a function of total deposit, using the time series data. Shah and Patil have developed a manpower planning forecast model based on multi-variate regression analysis, using time series and cross sectional data.

In the present context, when there is a restriction on employment, not to employ more than one per cent of total staff strength, the manpower planning function has become all the more critical. While planning for the future requirement, banks calculate the total requirement as per the Reserve Bank of India guidelines. Then they allow for exit in each positions as a result of retirement and death to arrive at the total requirement for the year. Once the total figure is determined, the banks classify the positions according to skill requirements of each job.

How many employee will be needed? The question that follows is how many people will be hired from outside. If the required number of persons with
necessary skills are available then there is no need to hire from outside. This brings the question of determining the promotion for the year in different positions and to identify the individuals to be promoted in each position. It is here that computerised inventory system plays a vital role in determining internal supply for different positions. But forecast does not only mean to determine share number but to take organisation’s special circumstances to allow for changes that are in store, is believed by management, and is actually used for decision making.\textsuperscript{170}

The supply from within calls for an integrated system comprising of career planning, training and development and performance appraisal. Even if the recruitment is from outside through BSRB or any other agency the new recruits have to be trained to take up the responsibility. To sum up, we may say that the Manpower planning system in existence in banks have outlived its life and therefore a revamped system based on computerised system may help in making the system better. But we do not suggest that the judgement will not play any role. Banks like State Bank of India has already established a full-fledged system based on computerised inventory system to conduct the manpower planning function and other banks, too, are on its way.

\subsection*{3.4. RECRUITMENT AND SELECTION}

The banking Industry has reached a stage where further investment by adding more human resources and training would not by itself produce results commensurate with the costs involved. The answer has, therefore, to be found in a proper man-machine combination and an application of appropriate technology. There has been a deceleration, overtime, in the rate of growth in staff; the trend has become more pronounced in the mid-eighties onwards.\textsuperscript{171}

The average intake of staff during the last two decades laid down below shows an increase in staff strength from 1973 to 1985 but thereafter it drastically
decreases.

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Number of Additional Staff during the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-1975</td>
<td>23,000</td>
</tr>
<tr>
<td>1975-1980</td>
<td>44,000</td>
</tr>
<tr>
<td>1980-1985</td>
<td>49,000</td>
</tr>
<tr>
<td>1985-1990</td>
<td>4,000</td>
</tr>
</tbody>
</table>

Although Rangarajan committee and the subsequent settlements between the IBA and Employee Association ensure that there would be no displacement as a result of computerisation, however, reallocation can not be ruled out. But it may be noted from the above figures that computerisation in real sense began during 1985 and it is the same period when addition of staff is found to be the lowest.

So far no scientific study has been conducted in India with regard to the type and extent of surplus generated by computerisation of banking industry. This may be because the issue is sensitive and union in the industry is highly organised and volatile. It may partly also be due to the fact that computerisation process is still in infancy. However, two in-house studies by one of the staff training colleges on the basis of impressionistic and observed data suggest generation of fairly large surpluses at mechanised/ computerised branches. If these studies are indicative of future, then the computerisation of 6000-6500 branches in next ten years would generate a surplus of around 4000-5000 employee per year, more than the employment generated during 1985-90. Therefore, the future recruitment would be offset by the surpluses. The recruitment pattern, too would undergo drastic changes. We will take up the issue of recruitment in the above backdrop.

Recruitment refers to a process of searching for prospective employees by the employers or their agents, and to stimulate and encourage them to apply for
jobs in the concerned organisation. Traditionally, Indian banks encouraged school leavers to join banks on clerical positions and grow within the bank by acquiring professional qualification and experience. As the belief prevailed that highly qualified people were not suitable for banking jobs which was considered monotonous. But lately, banks started recruiting both at clerical and officers (probationer) level qualified and experienced people to cope with increasing professionalisation of job.

For any bank there are two sources of recruitment: Internal; and External.  

3.4.1. The Internal Sources: refers to those who were or had been on the payroll of the organisation. Some surveys even indicate that up to 90 per cent of all management positions are filled through internal sources.\(^\text{174}\) It is the utilisation of existing human resources through planned placements and transfers.\(^\text{175}\) The ratio of internal promotees to direct recruitment ranges from nil:100 to 50:50.\(^\text{176}\) Filling open positions with inside candidate with choice and not under compulsion has several benefits. Employees see that competence is rewarded and morale and performance may thus be enhanced. But it may some time backfire. Apart from the present employee, retrenched employee, too, should be considered as the law provides for recruitment of retrenched employees first, if they fulfil the requirement.

Promotions from within, to be effective, requires using job posting, personnel records, and skill banks.\(^\text{177}\) Job posting means posting the open job and listing its attributes like qualifications, working schedule, and pay rate. Posting is generally not used when promotion to supervisory position is involved, since management often prefers to select personnel itself for promotion to management levels.\(^\text{178}\) In banking industry in India, a large number of posts are filled by promotions from within the cadre and across the cadre, i.e., officers grade I to officers grade II and so on and from clerical grade to officers grade and in some cases from subordinate staff to clerical grade. In the present context the EDP cells to be staffed under the pressure from unions had to be staffed by the internal
people who opted to be relocated and fulfilled the requirement. The manpower inventory system, as explained in Chapter-II, helps the banks find suitable skill within the bank by having a glance at the profile of employees.

3.4.2. **External Sources:** Entry level jobs are usually filled from the external sources. In banks recruitment beyond entry level is rare, however, Narsimham committee recommended that for high skill requirements banks may have to recruit from outside. This is substantiated by the fact that many specialist positions are still not filled up in computer sections and even the trainers at staff colleges for the required skill may have to be recruited from outside.

The recruitment process begins with the submission of requirement by individual banks to the BSRBs as per Banking Services Act 1975. The centralised recruitment by one board was overburdened and therefore, replaced in 1978 by nine boards to cover twenty nationalised banks. These BSRBs render services like inviting applications; conducting selection tests, conducting interviews, selecting the candidates and allotting them to the banks as per their requirement. We must bear in mind at this point that majority of recruitment is at entry levels only i.e., as clerks and probationers.

The clerical recruitment in public sector banks continue to be through BSRBs. The nine BSRBs handled clerical recruitment of 20 nationalised banks and the thirteen RRBs for the State Bank of India and its associated banks. A large number of banks sought help of Institute of Banking Personnel Selection (IBPS). Similarly for Officers, Probationary Officers, the recruitment in nationalised banks are carried out through BSRBs and for State Bank of India and its Associates through CRBs.

After the formation of BSRBs for both clerical and officers recruitment, objective type tests were prepared having a weightage of 2:1 for test and interview respectively. Now the professional bodies like IBPS helps State Bank of India to recruit their POs. The idea of a Banking Service Commission is still to be
implemented. To enable the employees in clerical cadre with adequate potential
to make career in the banks, a fast track channel known as “trainee officers” has
been introduced by State Bank of India. They also recruit specialists, officers
directly from the employment market. Upon computerisation of banks, the
staffing of the CPPD and EDP section too came under the BSRBs, CRBs and the
IBPS.

3.5. EQUAL EMPLOYMENT OPPORTUNITIES:
The banking industry like any other sector has to offer employment to those
sections of population which are considered underprivileged in the eyes of the
government or has rendered valuable service to the nation and are provided with
some kind of reservations. In India there had been three distinct categories for
whom reservations in jobs were provided. They are; the Scheduled Castes
(reservation of 15 per cent seats), the Scheduled Tribes (reservation of 7.5 per
cent) and the ex-servicemen and physically handicapped for whom there is no
fixed per centage but are provided for from time to time in the range of about 2.5
per cent. After the passing of the Other Backward Classes bill the total reservation
has increased to nearly 50 per cent.

All banks in public sector employ the above category people except the
Other Backward Classes which is yet to be implemented although circulars to this
effect had already been issued. The banks have to file a report to the government
both half yearly and annually viz, the reserved category employees which is
statutory. The records of promotion of Schedule Castes and Schedule Tribes
along with records of ex-service men and physically handicapped are to be filed
on annual basis. The review committee on rationalization of returns have
proposed to change the frequency of these returns to be annually only.
3.5.1. Pre-recruitment Training/coaching Reserved Posts:

The need for pre-recruitment training for reserved jobs can be traced to the job reservation policy itself. Most often the quota meant for candidates belonging to the reserved categories remains unfilled owing to non-availability of candidates with required knowledge and skill. The tests devised by recruitment boards are such that general education at Universities/Colleges/Institutes does not suffice the modern testing parameters. In principle the concept of pre-examination training was accepted by banks, but who should carry it out remained unresolved for a long time. It was only after the Rangabashyam Committee\textsuperscript{183} that the problem was solved.

Now most BSRBs entrust each of the banks under them to train a number of candidates for a particular examination. It is the responsibility of the banks to interact with the candidates and provide them training. How far these trainings are useful can be gauged by the rate of their success. For the two BSRBs, Baroda and Bangalore as many as 1,18863 candidates applied for officers examination training, of which only 34253 (28.82 per cent) were found eligible. For the clerical cadre figures for BSRBs Baroda, Bhubaneshwar, Calcutta, Guwahati, Jaipur and Hyderabad totalled 5,14939 and the eligible candidates out of the total were 1,43754 (27.92 per cent), for the year 1990-91.\textsuperscript{184} The training of such a large number require a vast infrastructure but individual banks are carrying out this responsibility.

With regard to the reserved category employment very little disparity exists in banks. For example Punjab National Bank employed a total of 25.1 per cent people in officers cadre the reserved post filled were 15.58 per cent. Similarly out of 50.6 per cent clerks the Schedule Castes and Schedule Tribes were found to be 45.42 per cent. The total Schedule Castes and Schedule Tribes employee works out to be 38.99 per cent much higher than the figure provided by the government.
3.6. COMPUTERS IN RECRUITMENT:
Computers are used in recruitment process for streamlining administrative procedures and realising gains in terms of manpower savings. It may be used as a filing cabinet to store details of each applicant, date of receipt of application, date of interview, and the outcome. For the internal sources of recruitment the manpower inventory system developed by various banks and in majority of cases called PINS as provided by CMC limited may help to produce a list of candidate who fulfil the criteria for upward mobility in he organisation and also prepare a list for special assignments based on hard figures. The various reports generated can help in not only recruitment but in an integrated personnel function.

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