CHAPTER - FIVE
5. COMPENSATION MANAGEMENT

5.1. INTRODUCTION:
The term compensation refers to all forms of payment to the employees arising from their employment. The compensation comprises of following three components:

   a. direct financial payments like wages, salaries, incentives, commissions, and bonuses etc.,
   b. indirect payments like fringe benefits, vacation etc., and
   c. non-financial rewards like prestigious office, flexible working hours etc.

The main objective of this section is first to examine the benefits that fall under the first two above mentioned categories and then to see as to what extent these functions are computerised or are likely to be computerised.

5.2. PAYROLL:
Payroll is considered as one of the most important element of human resource management. Some studies from the U.S suggest that traditionally the question of pay has ranked among the top five potential rewards. Pay is a substantial cost to the organisation. In manufacturing industry, it may comprise of as much as 40 per cent of the sales revenue, while in the labour intensive service sector like the banking, the cost may run as high as 70 per cent or even more. Pay is a reward in lieu of the services rendered by an individual to the organisation he works for. The pay has to be in commensurate with the efforts.

In banks, fixation of wage/salary is invariably on time rate. The jobs are classified and grouped and later on grades are assigned to each group. If we look at the officers cadre, there are seven different grades starting with Scale I to VII, and there are further groupings such as the JMGs, MMGs and SMGs. In general, there are three cadres in the banking industry;
i. Officers;
ii. Clerks; and
iii. the subordinate staff.

The computer was introduced in the area of the personnel management following the Second World War. The payroll was the first function of the personnel management which was computerised during this period. Gradually, owing to the financial commitment, the payroll function was taken up by the finance department. But conceptually speaking, the payroll is a part of the personnel management, hence when a complete computerised Human Resource Information System was developed, payroll became one of its sub-system.

In the U.K. a study of 638 service sector organisations (out of which 119 fell in the financial sector) suggests that 69 per cent of the organisations, in the sample, were using computers in their operation. The figure for the financial sector was a whooping 92 per cent. Out of the total organisation surveyed, 63 per cent were found to be using computer in their payroll.

In India, too, the payroll has perhaps been one of the earliest personnel functions to be computerised. This may be because of the fact that the payroll requires one of the least complex applications and is repetitive in nature. The Payroll in every organisation, let alone the banks, serves three broad purposes: first, timely and accurate calculation of pay, second, accurate deductions of taxes and savings and third, a consolidated figure along with break-down to facilitate the decision making as well as declaration of financial performance where pay is a cost.

The banking industry in India has been a back bencher in adopting computers in any meaningful manner. The computerisation of payroll function is also not very old. The Reserve Bank of India and the State Bank of India were the first among the Indian banks to employ computer and to use it for the payroll calculations albeit selectively. The Reserve Bank of India installed a mini
computer- ECIL’s BDP-100 for the automation of payroll system of various departments and offices in Bombay. Now, the majority of large commercial banks have computerised their payroll fully at the head offices and partially at other offices. This scattered nature of computerisation is owing to two reasons: first the computerisation in total or even near total is a distant dream, second the calculations are performed at decentralised locations, i.e., at branch/ regional/zonal levels. It is at the regional and zonal levels where partial computerisation of payroll can be noted in majority of banks. But paradoxically, the largest number of employees are with the branches and it is here that computerisation is not found with the exception of the totally computerised branches. However, in the metropolitan zones, the payroll is in the process of computerisation. For example, in the Bank of Baroda and the Canara Bank, the payroll for almost fifty per cent of their branches of Delhi zone has been put to computer at the zonal EDP centre. The State Bank of India is perhaps the only bank to be quoted as an exception where near total computerisation of payroll up to the Local Head Office level has been achieved. The CMC limited developed seven packages for the banks and one of them was payroll, which majority of banks procured and are using wherever computerisation is available.

The other areas where computers are in use in banks, is in the compensation and benefits as listed below. A package on provident fund accounting developed by CMC limited is found to be in use in the industry on a widespread basis. A few banks have developed an in-house computer application in pension payments. Housing loan, festival advances, vehicle loans etc, have been computerised, although mostly on the stand alone PCs.
5.3. INCREMENT AS A RESULT OF COMPUTERISATION:

All workmen employees who are in the bank’s permanent service and permanent part-time employees drawing scale wages as on 1st November 1993, will get one advance increment in the scale of pay with all consequent benefits, e.g., D.A., HRA., CCA., PF., Gratuity., and Pension etc. Those who were on probation on the above date will get one advance increment one year after the confirmation. This is to be noted that this will not affect the date of normal increment. An employee who is at the maximum of the scale will draw fixed personal allowance i.e., Rs.120 for clerks and Rs.50 for the subordinate staff.

5.4. BENEFITS:

5.4.1. Hospitalization Charges:

In partial modification of clause 13(b) of the Bipartite Settlement dated 10th April 1989, hospitalisation expenses are reimbursed to the award staff to the extent of 100 per cent in case of self, and 75 per cent in case of family members. Under the guidelines of Indian Bank’s Association, which drew up a detailed scheme for the reimbursement of hospitalisation expenses for the officers, then stood at 90 per cent for self and 60 per cent for the family members. Individual banks have provided a definition of the family which is found to be more or less uniform. This applies to officers in JMG, and MMG categories. The banks have drawn a detailed list of the ailments and the charges reimbursable for different investigation along with the consultants fees. It also provides for the charges to be paid for the surgery, both major and minor.

5.4.2. Special Allowances:

There are two types of allowances admissible as per the memorandum of settlement 1993.
(a). The special allowance payable to data entry operators Rs. 285/- p.m. of which an amount of Rs. 257/- shall rank as pay for the purpose of superannuation benefits.

(b). The special allowance payable to the computer operators shall be Rs. 410/- p.m. of which an amount of Rs. 369/- shall rank as ‘pay’ for the purpose of superannuation benefits.

A women employee in a family way, may discontinue working on computer during pregnancy, provided she seeks permission by writing to the manager concerned. She will not get any allowance for the period of exemption. However, upon resumption of the duty she will continue to get the allowances as had been in the past.

5.5. LEAVE RULES:

The Leave of any kind can not be claimed as a matter of right by any employee in the organisation. The leave rules operate on a calendar year basis. In general, the following types of leave are applicable to the bank employees.

5.5.1. Casual Leave:

The Casual leave is intended to meet a special or an unforeseen circumstance. An officer in a bank gets twelve days casual leave in a year i.e. one every month. There is no restriction on availing the leave on a pro-rata basis. But the casual leave can not be combined with any other type of leaves except with the special casual leave. The application for leave shall normally be given before hand. However, if it is not possible at the earliest, and the senior officer must be communicated verbally or on telephone. For the senior managers and the branch managers etc, prior arrangement is necessary. All unavailed casual leave shall be prefixed or suffixed with the sick leave. This shall be availed as sick leave within the next calendar year.
5.5.2. Privilege Leave:
An officer gets one day’s privilege leave for every eleven days of active service. This works out to be 31 days in a calendar year. The privilege leave can be accumulated for up to 240 days at a time. For availing the privilege leave a notice of one month is necessary.

5.5.3. Sick Leave:
An officer gets 30 days sick leave in a calendar year on half pay or 15 days commuted i.e., on full pay on production of a valid medical certificate. The sick leave can be accumulated for up to 365 days.

5.5.4. Additional Sick Leave:
An officer who has completed 24 years of service shall normally gets a maximum of 90 days additional sick leave. But it can only be availed, if the normal sick leave has been exhausted.

5.5.5. Maternity Leave:
Maternity leave to a female officer can be granted on production of medical certificate for up to a period of three months at a time, and a maximum of 12 months in the entire career. In case of miscarriage or abortion, maternity leave of up to six weeks at a time can be granted. However, it may be increased up to 90 days.

5.5.6. Special Leave:
The special leave of up to 45 days is granted to a sports person participating in the district/state/national competitions. Special leave is also given for family planning purposes including one day Special Leave for blood donation etc. Ex-Servicemen gets a 15 days Special Leave in a calendar year.

Since leave records are maintained at dispersed location, a full computerisation is not possible. However, some the banks studied have computerised the leave accounts at the apex level as well as at the Regional Office/Zonal Office levels. The account is updated once in a year or as and when
leave is availed by the employee. The application is in batch processing and mostly on stand alone PCs, but in some banks it is also on the mini computers.

5.6. LEAVE FARE CONCESSION:
All full time officers including probationers who have completed eleven months of service are entitled for leave fare concession. A block of four year is designed in which leave fare concession can be availed. Out of four years, once in two years home travel concession i.e to the place of domicile and/or to any place in India by the shortest route is allowed. This facility is available for the officers and their families. The officers in grade scale vi and vii and senior management grade scale iv & v get an AC First by train or an economy class air-fare. The officers in the middle management scale II & III get first class by train/ II AC sleeper, or economy class air-fare, upto 500 Kilometers. The Officers in JMG get first class train/II AC sleeper. Upon production of the valid receipts the expenses are reimbursed. In some cases advance, too, is allowed for leave fare concessions.

5.7. PRIVILEGE LEAVE ENCASHMENT:
Once in a block of four years, an officer is permitted to encash a maximum of 30 days privilege leave while availing leave fare concession. For the purpose of encashment of privilege leave, basic pay plus SI, DA, CCA, PQA and HRA and other such allowances for the month would be admissible.
In majority of banks records for all the above have been computerised.

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