CHAPTER-II

WAGE AND SALARY,
CONCEPTUAL
APPROACH

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WAGE AND SALARY, A CONCEPTUAL APPROACH

"Everyone is pleased with GROSS SALARY,
But no one is contented with NET SALARY."

-Union’s literature

Generally, Money paid to the workers is considered as his wages. Various

terms are in use in the payment system are 'Pay', 'Compensation',

' earnings', ' Wages', 'Salary', etc.

**WAGE** as per the *Oxford Dictionary* meaning ' an amount paid periodically,
especially by day or week, for work or service of employee or servant;
requital, reward that part of total production which is reward of all forms of
labour'. It is Payment to the labour engaged directly in production.

According to the Encyclopedia of Social Sciences(1957 p.292) “ Wages are
remuneration for labour. Like interest and rent, wages are contractual
incomes. Wage rates, whether piece rates or time rates or whether fixed in
money or in goods, are agreed upon by the payers and the recipients of
wages before the product is sold”.

**PAY** amount given to discharge debt to, the amount paid as wage for
labour, usually manual or mechanical, at short stated intervals, as
distinguished from salaries or fees.
COMPENSATION, this term is of a recent origin, which includes everything an employed individual receives in return for his work. It is a comprehensive term, which includes wage and all other allowances and benefits. The process of compensation is a complex network of sub-process directed towards remunerating people for the services rendered and motivating them to attain a desired level of performance. Thus, compensation includes all expenditures of valued resources by the organisation for the employees, including managers and professionals, as well as blue and white-collar workers.

EARNINGS, relates to remuneration in cash and in kind paid to employees, as a rule, at regular intervals for time worked or work done together with remuneration for time not worked, such as for annual vacation, other paid leave or holidays. Earnings exclude employers' contributions in respect of their employees paid to social security and pension schemes and also the benefits received by employees under these schemes. Earnings also exclude severance and termination pay"1.

SALARY the dictionary meaning 'a fixed periodical payment for other than manual or mechanical work. Salariat, means salaried class. Salaried, means a person paid by salary.2

Salary is the payment made to a personnel engaged in rendering services whose production, quantum cannot be directly measured.

In ancient times 'salt' was used as 'money', as it was so scarce and precious, Caesar's soldiers received part of their pay in common salt. This part of their pay was called as 'salarium', and it is from this word that the word "salary" is derived. Even today salt is the medium of exchange among the natives of some South Sea Islands and Africa.

The term SALARY and WAGE are often used to mean one and the same, but they are interchangeable. If a worker is paid by the year, he is considered to be in receipt of a 'salary', not wages. If he is paid by the hour or day, he is stated to be in receipt of 'wages'. If he is paid by the month, he is usually looked upon as salaried employee rather a wage earner. Normally, the term 'salary' is used for compensation to white-collar employees while the term 'wage' is used to denote the payment made to blue-collar workers. By whatever name it is called, "it means to say the reward for service rendered, paid in different forms by his employer to the employee as per the obligations of the laws of the land and conditions on which such obligation arises".
REMNURATION means reward, recompense, something paid in return for the service rendered.

INCENTIVE means something inciting or encouraging to action; stimulus, inducement, urge that which acts as a motive especially given to increase the output.

FRINGE BENEFITS: 'these are also incentives, which incite or have a tendency to invite action' as told by George R Terry a management scientist. These stimulate the action necessarily if it is to perform by the workers. These may be (i) Financial- planned money payments by the employer

(ii) Non-Financial- which includes planned and non-planned payments, which are not in terms of money.

The Fringe Benefits are supplementary to wages that increases total real wages of an individual or groups of individuals in the industry. As per Chamber of Commerce and U S A these are total five, while George R Terry gives 28 numbers, few of them are as follows:

1. Statutory payments like- old age pension, unemployment Insurance, Group Insurance

2. Payment of pensions and labour welfare expenditures

3. Periodical Rest or leave with pay facilities

4. Payment for the time not actually worked

5. Others, like profit sharing, suggestion reward, reimbursement of tuition fees, Leave Travel Concessions, Festival Advances etc.,
The Economist speaks of real wages as distinct from monetary remuneration. This term embraces all benefits accruing in return for labour, and these may come directly from the employer or indirectly from the state. Certainly remuneration can be either monetary or in kind.

To attempt to prescribe the limits of the use of the term ‘incentive’ is an almost impossible task, since it may be monetary or non-monetary, direct or indirect, tangible or intangible, physical or mental, according to the specific circumstances and the source of the urge or inducement.

The relationship between “remuneration” and “incentive” is somewhat intermixed. The non-monetary and less tangible aspects of incentive are not related to remuneration, while the monetary aspects are a means of earning remuneration. Again, remuneration, in addition to being factual evidence of reward for effort as a result of incentive, can also be paid in circumstances where no incentive is applied.3

Remuneration covers:


B] Wages and Salaries paid to staff employees.

C] Fees and other emoluments for administration.

D] Monetary allowances.

E] Allowance in kind

Incentive covers:

A] Monetary incentives related to effort- e.g. bonus schemes, merit rating, etc.,

B] Non-monetary incentives- e.g. the provision of adequate facilities and background conditions to obtain full effectiveness of the personnel of all grades.

WAGE ADMINISTRATION:

The basic purpose of Wage and Salary Administration is to establish and maintain an equitable wage and salary structure. Its secondary objective is the establishment and maintenance of an equitable labour-cost structure i.e. an optimal balancing of conflicting personnel interests, so that satisfaction of employees and employers is maximized and conflicts minimized. The Wage and Salary administration is concerned with the financial aspects of needs, motivation and rewards. A sound wage policy is to adopt a job evaluation programme in order to establish fair differential in wages based upon differences in job contents.

It deals with techniques and procedures for designing and maintaining salary structures, rewarding staff, and exercising wage control. The basic aim of wage administration is to attract, retain and motivate employees by
developing and maintaining competitive and equitable wage structure. It is concerned with-
A] the design and maintenance of wage structure
B] the operation of wage progression systems
C] the provision of employee benefits and other allowances, and
D] the development of a total remuneration policy

Thus, the task of wage and salary administration is a broad and complex one. One of the problem areas in wage administration is the different dimension of wage differentials and disparities, which have both economic and social significance. The wage structure everywhere today tends to move towards one situation; the money wages that a worker can command are still on the whole inversely, not positively, correlated with the degree of physical unpleasantness of the work he does. On the whole, the wage structure is characterized by high dispersal across occupations, industries and regions.

**OBJECTIVES OF SOUND WAGE/SALARY POLICY:**

1. There shall be link with productivity
2. There shall be link with job requirements
3. Ensuring the lower cost of production

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4. There shall be incentive system as well for the achievements
5. Proper wage differentials
6. Guarantee of Minimum Wage to meet minimum needs of the worker
7. It should be within the framework of the legislations for e.g. Minimum Wages act'1948 etc.
8. It should be flexible to changing economic conditions
9. Promote good Industrial relations
10. It should be similar to the other firms in the same industry
11. It should promote for good industrial relations, selections and placements
12. It should be providing hedge against inflation

METHODS OF WAGE FIXATION:


The Collective Bargaining : [ a. ] Bi-partite Agreements voluntarily agreeing between the employer and Union [ b ] Bi-partite Settlements negotiated and Settled primarily by the parties but registered before a conciliator in settlements [ c ] Consent Awards, when disputes are pending before the Tribunal, parties negotiate the contracts, which is recorded by the Tribunal but the contracts so negotiated acquire legal status. However, in case of
service and public Utility services conciliation is compulsory to avoid prolonged disputes, and for smoother industrial relations in the long-run⁵.

**DIFFERENT CONCEPTS OF WAGE:**

Since 1948 several terms have acquired currency referring to the wage levels, i.e.

i) Statutory minimum wage

ii) The base or basic minimum wage

iii) The minimum wage

iv) The fair wage

v) The living wage, and

vi) The need based minimum wage

The first one owes its origin to the provision of the Minimum Wages Act, 1948; the Second one has found its place in industrial awards and judicial dicta of the courts; the next set of three terms have been introduced in the report of the Committee on the Fair Wages; and the last one in the Resolution of the 15th session of the Indian Labour Conference held in July' 1957. It would be obvious that these wage concepts cannot be described in definite words because their contents are elastic and they are bound to vary from time to time and from country to country⁶.

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MONEY WAGE AND REAL WAGE:

Wages earned by employees are expressed in terms of money, which are expressed as 'Money Wage' i.e. actual money received in terms of wages while 'Real Wage' i.e. actual value of goods and services wage can be exchanged$^7$.

\[
\text{Real Wage} = \text{Index of Money Wages} \times \frac{100}{\text{Cost of living Index Number}}
\]

Cost of Living Index: It is an index of the cost of collection of goods and services, which are bought by an average working class householder in a given year. In other words, an index of real wages tells us how often the average money wage in a given year can buy this typical 'basket of goods'.

[Real Wage - deflated wage]

Cost of Living Index Number is calculated by the following formula:

\[
I = \text{Price Relative} \frac{P_1}{P_0} \times 100
\]

Where, \( P_1 \) = Price of the Commodity in the Current Year

\( P_0 \) = Price of the Commodity in the Base Year

\[
\text{Purchasing power of Money} = \frac{1}{\text{Cost of living index number}}
\]

Where it is helpful to decide the amount of increments/benefits based on Consumer Price Index.

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$^7$ Ibid. P-24.
High level of real wages ultimately result only from a rising level of productivity or vice versa is indisputable.

**Minimum Wage:**

The basic minimum wage is the bare subsistence wage; above that is the fair wage; and beyond the fair wage is the living wage. The content of the Minimum Wage is not fixed and static. It is dynamic and is bound to vary from time to time and place to place. The International Labour Organisation (ILO) lists three criteria for fixing the minimum wage. These are-(a) the needs of workers (b) the capacity to pay, and (c) wages paid for comparable work elsewhere in the economy or more generally the standard of living of other social groups.

The Committee on Fair Wages (1948) opines that, Minimum Wage must provide not merely for the bare sustenance of life but for the preservation of the efficiency of the worker. For this purpose, the minimum wage must also provide for some measures of education, medical requirements, and amenities.

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Need-based Minimum Wage:

The Indian Labour Conference held in 1957 at Nainital which, passed resolution with intention to provide concept of Minimum Wage for all workers in Industry, states "that minimum wage was need-based and should ensure the minimum human needs of the industrial worker, irrespective of any other considerations. To calculate the minimum wage, the committee accepted the following norms and recommended that they should guide all wage fixing authorities, including minimum wage committees, wage boards, adjudicators, etc.,

i) In calculating the minimum wage, the standard working class family should be taken to consist of three consumption units for one earner; the earnings of women, children, and adolescents should be disregarded.

ii) Minimum food requirements should be calculated on the basis of a net intake of 2,700 calories, as recommended by Dr. Akroyed for an average Indian adult of moderate activity.

iii) Clothing requirements should be estimated at a per capita consumption of 18 yards per annum, which could give for the average workers' family of four, a total of 72 yards.

iv) In respect of housing, the norm should be the minimum rent charged by government in any area for houses provided under the subsidized industrial housing scheme for low-income groups; and
v) Fuel, lighting and other miscellaneous items of expenditure should constitute 20 per cent of the total minimum wage.

Fair wage:

The Encyclopedia of Social Sciences describes, "a fair wage as one equal to that received by workers performing work of equal skill, difficulty or unpleasantness. According to Prof. Pigou, "a wage rate is fair in the narrower sense when it is equal to the rate current for similar workmen in the same trade and neighborhood and fair in the wider sense when it is equal to the predominant rate for similar work throughout the country and in the generality of trades". (Express Newspapers v/s Union of India, 1961-1 LLJ P.363). A fair wage is, in the opinion of the Indian National Trade Union Congress (INTUC), "a step towards the progressive realization of a living wage". A fair wage is settled above the minimum wage and goes through the process of approximating towards a living wage.

The Committee on Fair Wages stated that the fair wage was something between a minimum wage and a living wage. The committee envisaged that while the lower limit of the fair wage must obviously be the minimum wage, the upper limit is equally set by what may broadly be called the capacity of the industry to pay.
**Living Wage:**

Justice Higgins of the Australian Commonwealth Court of Conciliation in the Harvester Case has given the most illustrative definition; "The living wage is one, which is appropriate for the normal needs of the average employee, regarded as a human being living in a civilized community." Justice Higgins has, at other places, explained what he meant by this cryptic pronouncement. The living wage must provide not merely for absolute essentials such as food, shelter and clothing but for "a condition of frugal comfort estimated by current human standards." He explained it further by saying that it was a wage "sufficient to insure the workmen food, shelter, clothing, frugal comfort, provision for evil days, etc., as well as regard for the special skill of an artisan if he is one".

According to the South Australian Act of 1912, the living wage means, "a sum sufficient for the normal and reasonable needs of the average employee living in a locality where work under consideration is done or is to be done."\(^{11}\)

There are three possible ways of obtaining some indication as to what constitutes a living wage\(^{12}\):

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11. *Express Newspapers v/s Union of India*, 1961, 1 LLJ, p.360
1. It should be sufficient to purchase the minimum theoretical needs of a typical family, calculated in accordance with some more or less scientific formula.

2. It should be sufficient to pay for a satisfactory basic budget, as revealed by a survey of actual family expenditures.

3. It should be comparable with a living wage already established in similar circumstances.

The concept of 'Living Wage' in the words of Prof. Snowdon "as it may be possible to give a precise or satisfactory definition of a living wage, but it expresses an idea, a belief, a conviction, a demand. The idea of a living wage seems to come from the fountain of justice, which no man has ever seen, which no man has ever explained, but which we all know is an instinct divinely implanted in the human heart. A living wage is something far greater than the figures of a wage schedule. It is at the same time a condemnation of unmerited and unnecessary poverty and a demand for some measure of Justice.\(^\text{13}\)"

Thus, the concept of a living wage is not a static concept; it is expanding. A living wage will provide the workmen with the highest state of industrial

\(^{13}\) Philip Snowdon, "The Living Wage" p.1 which quoted in Standard Vacuum Refining Co. v/s Its workmen Union, 1961 I LLJ 234 S.C.
efficiency, and will enable him to provide his family with all the material things which are needed for their health and physical well-being enough to enable him to qualify to discharge his duties as a citizen. (Hindustan Times v/s Their Workmen Union)

THE PROMINENT PAYMENT SYSTEMS:
(In India and in other Countries, irrespective of any particular Industry)

There is no uniformity in wage payments of different countries as there is a wide variation in the methods of negotiations and settlements, based on historical, cultural and national factors. There is a wide variation as regards government intervention in industrial relations field; the type of collective bargaining; the extent to which payment by results methods are being replaced by standard grades based on job evaluation; the amount of fringe benefits included in the wage bill; the gaps between the pay of men and women; and the strength of organized labour in different countries. However, the system of free collective bargaining at the plant and at industry level covering both blue and white-collar workers has become the cornerstone of wage determination in several countries in the present century.
In **United Kingdom**, the British Parliament adopted minimum wage legislation in 1909 and general slogan was *abolishing of sweating*\(^\text{14}\).*

In **West Germany**, there are only 16 union groups organized on Industrial basis, and employer organisation, commonly issue guidelines for wage negotiations and for collective bargaining. The settlement does not require Government approval but have to be reported to the federal Minister of Labour.

In **United States of America**, Collective Bargaining is the most powerful institution; it is carried out exclusively at the level of Enterprise on Job evaluation methods.

In **Australia**, Collective bargaining operates in the context of an extensive network of legally constituted wage-fixing tribunals, which are ready to intervene in industrial disputes by conciliations and arbitrations, provides highly centralised approach to wage adjustments.

In **France**, by adopting legislation on minimum wages in 1950, it has entered into collective bargaining system recently. After industrial unrest of 1968 the new agreement called ‘Grenelle’ declaration brought consensus

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between Government, Employees and Unions to stimulate collective bargaining and extend its scope to cover such issues as hours, salaried status and profit sharing of all industries.

In **Netherlands**, the history of Government intervention prevailed for more than 12 years after the end of Second World War. The Dutch operated a compulsory wage and price fixing system. This was convenient mediation for the government to decide wages, its imposition and administering for all the industry through standard method of job evaluation and productivity. By 1950 employers and unions were keen to regain their freedom of action and return to the normal collective bargaining processes, which prevailed in other European countries. As a result Dutch collective bargaining is still centralised, with contracts negotiated at national or industrial level or industry wise, which is generally applicable throughout industry. Dutch attach great importance to fringe benefits and social security measures.

In **Sweden**, it is based on an agreement—the Saltsjobaden agreement—reached in 1936 between the National Federations of Employees (SAF) and the Unions (LO). These organisations meet regularly at national level to reach broad agreements on the permissible rate of percentage increase in wages, taking into account national economic performance and needs, and they lay down guidelines for individual unions and employers. The industry wise and plant wise agreements should conform to the parameters laid
down in the national level agreements, reached between employers and employees at the apex level.

In **INDIA**, the agreement as to the terms of payment, increase or decrease, types of benefits to be given are all negotiated between the managements and trade unions through collective bargaining. The final settlement is influenced by number of forces, economic and social conditions. The exercise necessarily involves a delicate balance between numerous conflicting goals and interests of both employers and employees with public interest in general and consumes interest in particular.

**Particularly for the Banks**, the charter of demands is framed by the forum of unions, which comprises the representatives from all the member unions of the forum. It is submitted to the I B A for initial discussions amongst the member banks of the I B A, which comprises the representatives of the management. The affordability factor of each member bank, counter suggestions from them are all recorded and the rough draft of area and points of discussions and negotiations are prepared for onward transmission to the Finance Ministry, Banking Division, Government of India. The prolonged and protracted discussions are held until a final settlement is reached spelling out the effective date for implementation, mode of payment of arrears, approval from finance department, finally, the
I B A is directed to issue notifications to that effect which in turn issues guidelines to the Member Banks and thus the settlement is implemented.

Thus, any system of payment should fit into the objectives and needs of the organisations at the same time compatible with the values and attitudes of the employees while taking into account economic, institutional, and technological constraints confronting the organisation. It is utmost important to the organisation for the success and to achieve welfare of the employees and employers, followed by periodical reviews to take corrective measures in the faults of the payment system.

HISTORY OF WAGES

The influence of wages on Industry:-

The history of wages is the history of mankind itself. Man's primeval urge to survive and to provide himself with the means of subsistence is the motive force behind most economic and social change. War and revolution have been brought about by religious, political and racial fanaticism, crusades have been undertaken because of a high ideal, but, in the last resort, how often is it that the pressure of man's physical wants and the demands of
his body for food and warmth have been the conditions out of which such events arose.

The struggle between what a man wants and what he gets goes on eternally. It is seen in the fourteenth century in the peasants, revolt against their compulsory servility. The rapidity of the changes in the late eighteenth and early nineteenth centuries, and the concentration of workers in factories and factory towns, caused an intensification of the exploitation of human labour, which had existed under the domestic system but had been to some extent mitigated by the conditions under which that system had operated. The bitterness created found expression both in physical violence, such as the Peterloo massacre [generated by French Revolution, the Luddite movement in Lancashire and Yorkshire in 1819 attempted to break plant in textile mills, similarly Peterloo tragedy in Manchester resulted into labour atrocities], and in the development of trade unions, and was responsible for the growth of a tradition of hostility and mistrust between unions and employers. Abroad, the French Revolution was an example of a people rising against the poverty and degradation of centuries. And now the fight between master and man, although greatly abated, continues in the form of strikes, demands, and go-slows in spite of great efforts at reconciliation.
The history of the relationship between master and man may be divided into two broad phases in this country. There is no sudden change between the two. Transition is gradual but the force of economic events increased the tempo from time to time. If the Norman invasion is taken as a convenient starting point, the first, slow phase may be said to have lasted from about the eleventh century to the middle of the eighteenth. The second and far more active phase extends over the short space of the last two hundred years. In the first period this country was largely agricultural and in the second it was transformed within the space of a few short years into the leading industrial country of the world. Disturbance to the social structure and way of life, and disturbance on a vast scale, was inevitable in such a convulsive change.

**Early History- (prior to 11th Century in Europe)**

Feudalism to the Industrial Revolution, during which there was no recognition for the employer and employee relations. The land was held by the king and man attached to his estate for labour, to render service only for the severe obligation to his Lord.

_During the thirteenth and early fourteenth centuries feudalism_ both as a political and as an economic system began to be outgrown, and among the many changes was the development of a considerable class of “free” labourers working for a “wage”. Lords of the manor were not always averse to this in some respects; it was better to hire more or less regular labour
and to pay wages for the cultivation and upkeep of the manorial estate than it was to force a grudgingly given service from the tenants. A cash relationship began to replace servitude. The further evolution resulted into two division of peasants' viz., tenants' class, who got land on lease from the Lord the other became the 'paid worker'.

*During the Craft guilds stage*, various craftsmen established their associations known as craft guilds. By fourteenth century these guilds were very powerful and fixed the wages of all class of workers and dealt severely with the defective workmanship and dishonest dealings of all trades. In some cases, craftsman's wages were fixed by local justices, and sometimes by statute. With the growth of fashion and luxury the diversity of craftsmen's trade grew, dissatisfaction appeared within the ranks of the guilds. The wealthier craftsman grown into entrepreneurs and traders, their poorer brethren remained craftsmen, they pressed for higher wages and formed into yeomen's guilds. This prevailed till 16th century until Edward- VI confiscated their property by his Act. The chief feature of this system was that the master craftsman employed labourers and apprentices for wages in his own home. This lead to the growth of merchant capitalism.

*The Domestic System*, the increase of merchant capitalism and its inadequacies gave way for Domestic System in which the capitalist employed the workers in their own homes, the workers providing themselves
with the tools and equipment necessary for their trade. Their wages were usually based on piecework. This continued till eighteenth century up to the time of Industrial Revolution and even beyond. The factory system was almost unknown, but the revolution in technological methods during the latter half of the eighteenth century made the modern factory a logical sequel to the domestic system of employment.

There were no noticeable changes in the methods of paying the labour. Wages were paid either on time basis or on a very simple piecework basis till the Incentives, came to be understood as form of remunerating the labour\textsuperscript{15}.

The demands of the worker were not great because his pleasures were simple, he could fill his leisure with his own self-made amusements. This continued till 18\textsuperscript{th} century French Revolution, where amalgamation of labourers took place to protect from the harassments by the Industrialists and realized that there is strength in Unity that is how the union movement was initiated at the Industry level. It was followed by the further agitations to legalise their Unions for better results.

**Concretization of Wage Plans:**

Few of enlightened employers tried their way to show better conditions, Principal among them are Sir Robert Peel the elder, and Robert Owen. Humanitarian movements began to grow out of the widespread poverty and starvation. But these thoughts were ahead of the times and the people who held them were in a minority.

The rapid growth in the different industries at the same time arose a deep interest in religious and social questions, and this, and the recognition of trade unions, secured an increase in wages for the working class and a more even distribution of the national dividend. It was towards the end of the century that the first thought appears to have been given to incentive schemes and methods of remuneration in general. Rapid advances in the development of machinery and in scientific management led employers to devise means of increasing output.

One of the pioneers in the field of scientific management, *F.W.Taylor introduced in 1884* in the United States his merit differential piece rate for repetitive work. It found favour with no one, but is the first noticeable attempt at departure from the old order of straight piecework. It was followed by *F.A.Halsey* in 1891 ‘*Premium Plan for Paying Labour*, Rowan’s *plan, Emerson, Gantt and Bedaux plan’s etc.*, all these aimed at reducing time spent in performing operations, giving benefit both to workers and to employers.
The value of the welfare of the workers as a non-monetary incentive was beginning to be realized, and much work in this direction is attributed to Mr. B. S. Rowntree. In 1906 he introduced a 'pension scheme' for his employees.

In the early days of the present century there was a growing realization that low wage standards were not producing the best results, and attempts were made to stabilize wages and living standards by ensuring that labour received some compensation when the cost of living rose.¹⁶

The special reference must be made to the setting up of the Whitley Committee in October 1916 and its success in endeavouring to bring about

Nevertheless, the structure of wages in this country at the present time presents a picture of apparent chaos. Between industry and industry, job and job, wage levels vary considerably, but in accordance with no visible principle and without relation to the value to the community of the work done, the economic requirements of the country as a whole, or even the needs of particular industries and their capacity to pay.

It is perhaps true to say that the history of labour and wages is the history of the endless struggle to relate the legitimate reward of the worker with the share of the national income due to him for his contribution towards the national wealth. **There is no formula for determining such reward and the law of the market still broadly prevails.**

In the words of Jules Backman, "What happens to wages is of critical concern to everyone. To the worker-wages represent income; To the businessman, they represent costs; and to the Government, they represent potential taxes; Wages are the largest source of purchasing power; hence, changes in labour income have an important bearing on the level of economic activity. At the same time, payments for labour are the most important element of cost in our economy and thus influence the level of prices and of profits"\(^\text{17}\)

**PRINCIPLES OF REMUNERATION: [Wage Criteria]**

Basic considerations which govern remuneration are:

A] the overall impact of remuneration levels on the economy of the nation

B] the level of remuneration which the employer is able to pay as an appropriate value for his employees' services;

C] the needs of the employee in relation to the standard of living he desires.

\(^{17}\) Jules and Backman, "Wage Determination, an Analysis of wage criteria", p.1) Portland Place London W1 ED 1964
ECONOMIC PRINCIPLES:

A] It should ensure increased standard of living to its citizens.

B] Economic stability of the country should not be affecting

C] It should be within the general total costs of the industry.

D] It should not be resorting to discrimination of the workers within the industry.

E] It should be proportionate to his/her contribution to the industry.

F] It should be based on the demand and supply factors of the workers.

G] It should be in proportion to the skill and ability of the workers having adopted differential total remuneration.

EMPLOYER PRINCIPLES:

A] it should ensure the employer to increase the productivity.

B] it should be commensurate with skill, ability, and experience of the worker.

C] the incentive scheme should be based on sound principles of mutual benefit

D] It should ensure to evoke naturally favourable response of the employees.

E] adoption of fair promotion policy which motivates employees to assume higher responsibility
EMPLOYEE PRINCIPLES:

A] it should be in conformity with his abilities and contributions to the organisation.
B] it should ensure him savings for his bad days i.e. to use in the time when he could not work
C] it should be positively motivating the worker and feel proud of his employer
D] he should be ensured with minimum welfare measures like, time breaks, entertainments, safety conditions etc.,
E] it should ensure him minimum standard of living for himself and his family.

WAGE CRITERIA:

Sumner Slichter\textsuperscript{18}, lists Seven wage criteria:—

1] the minimum necessities of workers
2] the change in the cost of living
3] the maintenance of take-home pay in the face of reduction in hours\textsuperscript{19}
4] the changes in the productivity of labour
5] the ability (or inability) of the employer to pay
6] the alleged effect of higher or lower wages upon consumer purchasing power and employment; and
7] the wages paid in other industries or places.

\textsuperscript{18}Slichter, Basic Criteria Used in ‘Wage Negotiations.’
\textsuperscript{19}Lester, ‘Company Wage Policies’ p.28
PRINCIPLES OF REMUNERATION FOR SERVICE:

There must be an agreement between employer and employee which may be either written or implied and which is two fold in character:

(a) the employee agrees to give his services to the employer; and

(b) the employer undertakes to pay suitable remuneration, the amount and form of which should first be agreed between the parties, subject to the requirements to honour negotiated agreements between employer and unions.

The following factors determine wage levels:

A) The demand for labour
B) The capacity of industry to pay
C) The bargaining strength of the parties (unions)
D) The existence of monopolies
E) Wage levels in other industries
F) Wages in relation to the cost of living

The rate of the individual employees remuneration is conditioned by:

A] the degree of difficulty, danger, and inconvenience associated with work;
B] the intensity of effort required
C] the amount of training and education necessary to perform the task
D] the degree of responsibility
E] special human characteristics necessary for the performance of the work

The groups of employees to be considered in assessing wage levels are:
a) Production workers (I) adult male and female workers (skilled, semi-skilled, unskilled) (ii) apprentices (craft or technical)
b) Indirect workers as in (a) above
c) Supervising staff.
d) Administrative staff (I) clerical staff (II) departmental heads (III) managers (IV) directors

Negotiated basic rates tend to provide equal rates of payment to all workers within the group and do not take fully into account:
   (i) the individuality of human nature and endeavour and
   (ii) the effort expended by the individual

Some reward must be provided for these factors, either by recognizing merit differentials, or by providing incentives to ensure that varying effort and skill are suitably rewarded.

PRINCIPLES OF MONETARY INCENTIVES:

The imperfections in human nature, which affect relations between employer and employee and for which management must attempt to overcome by providing an appropriate form of incentives, are:

   a) Laziness- this characteristic which deters the employee from doing any more than he is forced to do,
b) **Apathy and ignorance**- the inability to appreciate the effect of one’s inefficiency or disloyalty as it affects society, and a lack of ambition to improve one’s position,

c) **Suspicion and distrust**- the fear that the others are taking or getting an advantage of you,

d) **Selfishness**- the attitude of indifference to co-operation with others for mutual benefit, and the obsession of getting the full benefit personally,

e) **Conservatism**- reluctance to accept new ideas or keep abreast of the times in relation to social, economic and technical evolution.

The applications of monetary incentives can be put under two headings:-

a) Schemes which are purely related to effort and make additional remuneration variable with the rate of production,

b) Schemes of a more general nature, which take a broader view of the skill, abilities, and human traits- i.e., merit rating schemes—but which nevertheless may vary from time to time according to assessments of effort and other factors.

According to the particular circumstances for which an incentive is required; the type of scheme may be either:-

[a] **Individual**, i.e. the employee gets the direct reward for his personal efforts; or

[b] **Collective**, i.e. the employee shares in a group scheme with others and receives an appropriate share on a predetermined basis without consideration to individual efforts.
The extension of incentive schemes to indirect workers is usually a necessity on the grounds of justice. It is essential, if interest is to be maintained by the indirect worker, that he should feel he is contributing to greater output. Therefore, Bonus etc. may be based principally and logically on output; it is agreed on one hand that there should be a generous reward for a high effort, but, on the other, too generous a reward may defeat the objective of the incentive. The following general principles should apply to all incentive schemes:

a) the reward must be as nearly related to effort as possible both in amount and in time of payment
b) the scheme must be just to both employer and employee
c) there must be mutual agreement to ensure that the basis of the scheme is fully understood, covers all reasonable points, and is not capable of being misinterpreted,
d) the scheme should be strong and positive, it should have clearly defined, worth-while, and attainable objectives
e) there should be no limits placed upon the amount of additional earnings
f) the scheme should be so framed that anomalies or loose practice cannot occur through the willful disregard of non-standard conditions
g) the incentive should not be affected by matters outside the employees control
h) the incentive should be reasonably permanent and not just a device to be used by the employer when he is busy and dropped when he is not

i) the rates for payment by result should be fixed only after the job can be properly assessed

j) piece rates or time allowances, once fixed, should remain unless conditions or methods change

k) the standard of performance set must be reasonably attainable by the average employee- it should be possible to demonstrate that this is so

l) the scheme should be simple, capable of being understood by the workers so that they can make their own calculations, and easy to operate with the minimum of clerical work

m) if the bonus calculations can be geared in with production control, and if the time allowances can work in with, or provide the basis for, a system of standard costing or budgetary control, so much the better

n) a properly prepared incentive scheme should assist supervision and help to reduce the cost of it

o) the scheme should be in conformity with any national, local, or trade agreements

p) there should be direct influence on the morale of workers, the scheme, if supported by employees, can do much to promote confidence.
PRINCIPLES OF INCENTIVES OTHER THAN DIRECT MONETARY INCENTIVES:

In the last decade considerable advance has been made in techniques of applying psychological incentives. This has arisen from the realization that full efficiency in an organisation cannot be obtained unless the background conditions and facilities are mutually satisfactory to the employee and employer. The belief that an employee is only interested in his wage packet may be only a half-truth, and incentives based on higher motives now have their place.

These incentives may be divided into two classes:

a) Other financial incentives— for e.g. Profit sharing, pensions, subsistence allowances and expenses, suggestion awards, long service awards, time-keeping bonuses.

b) Non-monetary incentives— for e.g. canteens, recreations and sports facilities, medical services, joint consultation, training.

All these non-monetary incentives have the aim of creating the right conditions under which direct incentives can have the best chance of realization.
STAFF INCENTIVES:

The creation of direct incentives for staff is nearly always a most difficult task since it is rarely possible to measure output positively enough. Consequently, staff incentives are usually of the indirect type and the principles and aims of non-monetary incentives apply equally to staff workers.

The main considerations in relation to this class of worker appears to be to provide and inducement to the employee not to change his job. This is achieved by:-

a) providing an opportunity for promotion and for increasing salary;

b) providing merit or regular increases during the retention of the same job

c) providing the training schemes or education facilities so as to make promotion and salary increase possible

d) providing staff pension schemes
Wage and Salary Class of Persons in the Banking Industry:
[The Hierarchy and Organizational setup of the bank]

Salary Class of Persons: Officers and above, as shown below

Chairman/Board of Directors/General Manager (Grade-VII)
Zonal Managers/Deputy General Manager / (Grade-VI)
Assistant General Manager (Grade-V)
Chief Manager (Grade-IV)
Senior Manager (Grade-III)
Manager/Sub-Manager (Grade-II)
Officer (Grade-I)

Wage Class of Persons: Clerks and Sub-Staff
[Known as Award Staff]

Vertical Movement[Promotions] of Personnel in Banks: [Chart-II.2]

<table>
<thead>
<tr>
<th>Scale/ Grade</th>
<th>Management Level</th>
<th>Min. Years of Experience Before promotion to the next Grade.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clerks</td>
<td>--</td>
<td>2-3 years</td>
</tr>
<tr>
<td>I</td>
<td>Junior Management</td>
<td>7 years</td>
</tr>
<tr>
<td>II</td>
<td>Middle Management</td>
<td>5 years</td>
</tr>
<tr>
<td>III</td>
<td>Middle Management</td>
<td>5 years</td>
</tr>
<tr>
<td>IV</td>
<td>Senior Management</td>
<td>3 years</td>
</tr>
<tr>
<td>V</td>
<td>Senior Management</td>
<td>2 years</td>
</tr>
<tr>
<td>VI</td>
<td>Top Management</td>
<td>2 years</td>
</tr>
<tr>
<td>VII</td>
<td>Top Management</td>
<td>2 years</td>
</tr>
</tbody>
</table>

Note: The two major entry points in commercial banks are at [i] Clerical [75-100 per cent] and [ii] Junior Management Level [20-25 per cent]. The higher management levels are filled in by promotion except in exceptional cases.20

The normal structure of wages/salaries in India includes the following compositions. They are,

[1] **Basic Wage/Salary** - Fixed as per the grade or at the time of appointment increases with years of service and increments or promotions earned by the individual, which the employer should pay to all workmen belonging to all categories. It is fixed minimum wage whereas other components like Dearness Allowance, Bonus etc., changes according to the cost of living indices and the performance of the Industry.

[2] **Dearness Allowance** - It is an additional amount paid by the employer to his employees to compensate them to a certain extent for the rise in the cost of living. In the opinion of National Commission on Labour it is paid to the employees mainly to stabilize their expenditures in the events of increase of prices and that facilitates buying the same amount of goods of basic necessity as before. During world War II first time it was introduced in the cotton Textile Industry in Bombay, Ahmedabad called as 'dear food allowance'. It is given mainly to compensate the gaps between the 'money wage' and 'real wage'. The system and rates varies from industry to industry according to the agreements or the policies of the industry.

[3] **Annual Statutory Bonus** - it is unique component of Industrial Wage system in India. It is extra payment in terms of cash or its equivalent beyond normal wage not necessarily covered by the agreement but implied,
to be given for accomplishment of certain tasks or achievements of the employees. It is treated as an incentive for regular attendance, as encouragement for good work, or for some additional or special service. The bonus has the following concepts of interpretation-

[a] Bonus is a deferred wage which aims at bridging the gap between actual wage and need based wage.

[b] Bonus is the share of workers in the prosperity of an organisation.

c] Bonus is primarily a share in the surplus as per the payment of Bonus Act and is profit based or productivity based calculated on short term basis surplus viz. current year profits only. In case of banks the payment of this is regulated i.e. upto maximum of Rs.2500/- having upto Rs.3500/- basic salary holders only. Otherwise the minimum rate of Bonus is 8.33% of the wages or salaries irrespective of profit or loss by the industries covered under the Act. In case of ability to pay more than this by an employer it is restricted upto maximum of 20% ceiling in any particular year.

[4] Fringe Benefits- It includes various monetary non-monetary benefits given by the employer to the employees connected with employment but not based on the employees contributions. It is to promote and maintain sound industrial relations, to boost employees morale, to provide security to employees in social risks like old age pensions, gratuity, provident funds,
Maternity benefits, safety devices against accidents in service, compensations, housing, medical, health and hygiene, canteen & stores, educational, recreation facilities, financial services, counselling etc., which creates a sense of belongingness amongst the employees and makes them to remain loyal to the organisation. Therefore these are described as “Golden Hand-Cuffs”.

**Incentives**- these are the facilities which incites or induces the employees to put forth their best in the maximizations of the productions or profits of an undertaking. It is given as encouragement for showing exemplary performance, achievements; as such there is no connection directly to the profit or production of the organisation. Such payments will increase the earnings of the workers and improves their efficiency thereby their loyalty to the master is increased. This is familiarly known as ‘tips system’ in the employment. Presently certain private and private limited companies pay in the name of ‘pay packets’ to their employees which is often not taken into account as part of the wages. This system cannot be found in any of the public sector or Government undertakings.

Under the existing conditions there are two classes of employees in the PSCBs who are as follows:

1. **Workmen**- Who include ‘Wage’ Category of personnel in the Banks. These category of persons are also called as ‘Award Staff’ since their scales and
fixation of wages takes place as per the earlier awards of the Commission
appointed for this purpose they are 'Desai Award', and 'Shastry Awards'.

a. Clerical staff and
b. Sub Staff (Menial Staff)

2. Officers- ‘Salary’ Category of Personnel in the Banks

Who include the Salary scales of Grade-I to Grade-VII

As per the prevailing concepts wage categories of persons are those who
render their labour in the work and salary categories of persons are those
who render their white-collar services. Wage earners are directly
attributable to the main cost of Production as their contribution is directly
identifiable whereas salary earners is indirect and have managerial
responsibilities. However, it makes no such difference in the Banking
system and means both one and the same, as payment for their monthly
services. Another glaring distinction found is wage earners have access
under the Industrial disputes Act'1948 for any of their grievances related to
wages & disputes and officers not. The components of Wage/Salary can be
known from the actual Settlements and Pay slips of a Metropolitan area
Bank: [The name of the Bank and employee is not disclosed for the purpose of secrecy]

**Basic Pay Scales:** as per negotiations in VII Bi-partite settlements Dt.27-3-
2000. [Merger at 1684 Points. in Rupees]²¹

[A] WORKMEN: [Chart #3]

Clerks: 3020-135/3-3425-225/3-4100-320/4-5380-340/3-6400-380/4-7920-680/1-8600-380/1-8980 [with stagnation increments.5-once in 3 years]

Sub-Staff: 2750-55/2-2860-75/2-3010-90/2-3190-110/3-3520-130/4-4040-150/3-4490-170/3-5000. [With stagnation increments.5-once in 2 years]

-Dearness Allowance: 13.80 @ 0.12 February’ 2000 at average Index 2144 Points.

-House Rent Allowance: 12 lacs above 8.5%, 2-12 lacs 7.5% and 2 lacs below 6.5% for both category of staff.

-City Compensatory Allowance: Higher Centres at 4% Rs.125Min. Rs. 250Max for Clerks and Rs.175 for Sub-staff; while at 3% Rs.100Min. Rs. 200Max for Clerks and Rs.125 for Sub-staff.

-Provident Fund: @ 10% of 85% of pay pension.

-Transport Allowance Rs.65.00 PM
-Transport Allowance Rs.50.00 PM

-Medical Aid Rs.1000 & 1200 p.a. Hospitalisation and all Others Hill and Fuel Allowance, Halting Allowance (from 27-3-2000)

-W.E.F. 1-4-2000. Split Duty Allowance Rs.75.00 and Rs.60.00 PM

-Cycle Allowance Rs.45.00 and Rs.35.00 PM
- Graduation Pay/Professional Qualifications Pay is varying depending on the date of Graduation or professional/Technical Qualification they acquire while being in service.

- Leave Fare Concession for actual travel  
  Clerical: A/c 2 Tier  
  Sub-staff: Sleeper Class  

At 2 or 4 Years Block this facility can be utilised. With distance limit of 1700 K M for 2 years Block and 3400 K M for 4 Years Block

- Project Area Compensatory Allowance.
- Split Duty Allowance
- Compensation for breakages during transfer.
- Sick Leave Benefits
- Paradip Port Town Allowances
- Watch and Ward Staff Allowance. Etc.

**[B] OFFICERS: [Chart]**

as per negotiations in VII Bi-partite settlements Govt. approval Dt.07-2-2000  
Scale

<table>
<thead>
<tr>
<th>Scale</th>
<th>Basic Scales of Pay: [in Rupees]</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>7100-340/16-12540</td>
</tr>
<tr>
<td>II</td>
<td>9820-340/11-13560</td>
</tr>
<tr>
<td>III</td>
<td>12540-340/5-14240-380/2-15000</td>
</tr>
<tr>
<td>IV</td>
<td>13900-340/1-14240-380/5-16140</td>
</tr>
<tr>
<td>V</td>
<td>16140-380/4-17660</td>
</tr>
<tr>
<td>VI</td>
<td>17660-420/4-19340</td>
</tr>
<tr>
<td>VII</td>
<td>19340-420/2-20180-520/1-20700-600/1-21300</td>
</tr>
</tbody>
</table>

[For 21 stages same Rs. 340/- for next 9 stages Rs.380/-]
-Dearness Allowance: for every rise or fall of 4 points over 1684 points
   There are different slabs of D.A. as

24% pay upto Rs.7100/- Plus
20% pay above Rs.7100/- upto Rs.11300/- Plus
12% pay above Rs.11300/- upto Rs.12025/- Plus
06% for pay above Rs. 12025/- Plus

-HRA Major A Class cities 9% of Pay
   Other places in Area-I 8% of Pay
   All other places 7% of Pay

-CCA Places in Area-I 4% of pay with Maximum of Rs.375/-
   places with population over 5 lacs 3% of pay with Maximum of Rs.250/-

-Medical Aid : Officers in JMG & MMG Rs.2225/- PM
   : Officers in SMG & TMG Rs.3000/- PM

-P F 10% of Pay

-Other allowances as applicable according to the cadre and place of working.

-The various Allowances and Benefits are given on the basis of actual place of working as classified on the basis of the population and the civic status of the place of working as follows:

1. **Special Places**: Bombay, Delhi, Calcutta and Madras.

2. **Semi special Places**: Ahmedabad, Bangalore, Hyderabad, Kanpur, Pune and Nagpur.

3. Places with **more than 12 lakhs** population: other than Special and Semi Special Places.

4. Places with population of **5 lakhs and over**:

5. Places with population of **more than 2 lakhs but less than 5 lakhs**:

6. Places with population of **more than 1 lakhs but less than 2 lakhs**:
### Special Pay (Clerical)

Table II.1 Allowances Details

<table>
<thead>
<tr>
<th>No</th>
<th>Post Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Telephone operator</td>
<td>108</td>
</tr>
<tr>
<td>2</td>
<td>Relieving Tel Operator</td>
<td>56</td>
</tr>
<tr>
<td>3</td>
<td>Audit Clerk Category A</td>
<td>182</td>
</tr>
<tr>
<td>4</td>
<td>Audit Clerk Category B</td>
<td>343</td>
</tr>
<tr>
<td>5</td>
<td>Comptist</td>
<td>213</td>
</tr>
<tr>
<td>6</td>
<td>Telex Operator</td>
<td>269</td>
</tr>
<tr>
<td>7</td>
<td>Teller Category A</td>
<td>351</td>
</tr>
<tr>
<td>8</td>
<td>Teller Category B</td>
<td>587</td>
</tr>
<tr>
<td>9</td>
<td>Punch and Operator</td>
<td>298</td>
</tr>
<tr>
<td>10</td>
<td>Accounting Machine Operator</td>
<td>460</td>
</tr>
<tr>
<td>11</td>
<td>IBM/ICT Machine Operator</td>
<td>522</td>
</tr>
<tr>
<td>12</td>
<td>Stenographer</td>
<td>522</td>
</tr>
<tr>
<td>13</td>
<td>Head Clerk</td>
<td>522</td>
</tr>
<tr>
<td>14</td>
<td>Assistant Head Cashier</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>&quot;Units of 5 clerks/ above</td>
<td>331</td>
</tr>
<tr>
<td>16</td>
<td>Cashier Incharge of Cash in Pay Office or Branch</td>
<td>351</td>
</tr>
<tr>
<td>17</td>
<td>&quot;Units of 5 clerks/ above</td>
<td>460</td>
</tr>
<tr>
<td>18</td>
<td>&quot;Units of 4 clerks/ below</td>
<td>351</td>
</tr>
<tr>
<td>19</td>
<td>Head Cashier Category A</td>
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</tr>
<tr>
<td>20</td>
<td>&quot;Units of 5 clerks/ above</td>
<td>522</td>
</tr>
<tr>
<td>21</td>
<td>Head Cashier Category C</td>
<td>585</td>
</tr>
<tr>
<td>22</td>
<td>Head Cashier Category D</td>
<td>648</td>
</tr>
<tr>
<td>23</td>
<td>Head Cashier Category E</td>
<td>906</td>
</tr>
<tr>
<td>24</td>
<td>Special Assistant</td>
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</tr>
<tr>
<td>25</td>
<td>Agricultural Assistant</td>
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</tr>
<tr>
<td>26</td>
<td>ALPM Operator</td>
<td>540</td>
</tr>
<tr>
<td>27</td>
<td>Encoder Operator</td>
<td>378</td>
</tr>
<tr>
<td>28</td>
<td>Computer Operator</td>
<td>633</td>
</tr>
<tr>
<td>29</td>
<td>Data Entry Operator</td>
<td>440</td>
</tr>
<tr>
<td>30</td>
<td>AEAM Operator</td>
<td>540</td>
</tr>
</tbody>
</table>

### Fixed Personal Pay (Clerical)

<table>
<thead>
<tr>
<th>Area of Population</th>
<th>Provided</th>
<th>Not Provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 lacs above</td>
<td>396</td>
<td>429</td>
</tr>
<tr>
<td>2 to 12 lacs</td>
<td>396</td>
<td>425</td>
</tr>
<tr>
<td>Above 10,000</td>
<td>396</td>
<td>421</td>
</tr>
<tr>
<td>Below 10,000</td>
<td>396</td>
<td>421</td>
</tr>
</tbody>
</table>

#### For Sub-Staff

<table>
<thead>
<tr>
<th>Area of Population</th>
<th>Provided</th>
<th>Not Provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 lacs above</td>
<td>179</td>
<td>194</td>
</tr>
<tr>
<td>2 to 12 lacs</td>
<td>179</td>
<td>192</td>
</tr>
<tr>
<td>Above 10,000</td>
<td>179</td>
<td>190</td>
</tr>
<tr>
<td>Below 10,000</td>
<td>179</td>
<td>190</td>
</tr>
</tbody>
</table>

#### For Sub-Staff

<table>
<thead>
<tr>
<th>Area of Population</th>
<th>Provided</th>
<th>Not Provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 lacs above</td>
<td>145</td>
<td></td>
</tr>
<tr>
<td>2 to 12 lacs</td>
<td>178</td>
<td></td>
</tr>
<tr>
<td>Above 10,000</td>
<td>178</td>
<td></td>
</tr>
<tr>
<td>Below 10,000</td>
<td>178</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Area of Population</th>
<th>Provided</th>
<th>Not Provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 Armed Guard</td>
<td>300</td>
<td></td>
</tr>
<tr>
<td>7 Bill Collector</td>
<td>300</td>
<td></td>
</tr>
<tr>
<td>8 Daftary</td>
<td>352</td>
<td></td>
</tr>
<tr>
<td>9 Head Peon</td>
<td>406</td>
<td></td>
</tr>
<tr>
<td>10 A.C.Plant Helper</td>
<td>816</td>
<td></td>
</tr>
<tr>
<td>11 Electrician</td>
<td>816</td>
<td></td>
</tr>
<tr>
<td>12 Driver</td>
<td>923</td>
<td></td>
</tr>
<tr>
<td>13 Head Messenger in IOB</td>
<td>690</td>
<td></td>
</tr>
</tbody>
</table>
Actual Pay Slips of persons working in Metropolitan area of PSCB:
[The name of the Bank and employee is not disclosed for the purpose of secrecy]

**OFFICERS:** [for the month of February’ 2001] Table-II.2

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Br Mngr MMGS-II Scale</th>
<th>Asst Mngr JMG-1 Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Pay</td>
<td>12880.00</td>
<td>11520.00</td>
</tr>
<tr>
<td>Dearness Allowance</td>
<td>3513.81</td>
<td>3367.22</td>
</tr>
<tr>
<td>Provident Fund</td>
<td>1288.00</td>
<td>1152.00</td>
</tr>
<tr>
<td>City Compensatory Allowance</td>
<td>375.00</td>
<td>375.00</td>
</tr>
<tr>
<td><strong>Gross Salary</strong></td>
<td><strong>18056.81</strong></td>
<td><strong>16414.22</strong></td>
</tr>
<tr>
<td>Different Loan Instalments</td>
<td>3297.00</td>
<td>3600.00</td>
</tr>
<tr>
<td>Provident Fund</td>
<td>2576.00</td>
<td>2304.00</td>
</tr>
<tr>
<td>Income Tax</td>
<td>1500.00</td>
<td></td>
</tr>
<tr>
<td>Fur. Deduction</td>
<td>35.50</td>
<td>35.50</td>
</tr>
<tr>
<td>STD RENT</td>
<td>157.00</td>
<td>113.00</td>
</tr>
<tr>
<td>Others Prof Tax/ASSN/Staff</td>
<td>230.00</td>
<td>180.00</td>
</tr>
<tr>
<td><strong>Total Deductions</strong></td>
<td><strong>7795.50</strong></td>
<td><strong>6232.50</strong></td>
</tr>
<tr>
<td><strong>Net Salary/Take Home</strong></td>
<td><strong>10261.31</strong></td>
<td><strong>10181.72</strong></td>
</tr>
<tr>
<td>Take Home % to Gross Salary</td>
<td>56.83%</td>
<td>62.03%</td>
</tr>
</tbody>
</table>

Source: Survey Data Provided by Concerned Bank on Request

**CLERICAL STAFF:** [for the month of February’ 2001] Table-II.3

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Head</th>
<th>Cashier</th>
<th>Cashier/Teller</th>
<th>Clerk-Typist</th>
<th>Cashier/Clerk</th>
<th>ClerkGen.</th>
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</thead>
<tbody>
<tr>
<td>Basic Pay</td>
<td>8980.00</td>
<td>7920.00</td>
<td>6780.00</td>
<td>6780.00</td>
<td>6780.00</td>
<td>5380.00</td>
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<tr>
<td>Dm. Allow</td>
<td>2993.87</td>
<td>2447.08</td>
<td>2131.63</td>
<td>2131.63</td>
<td>1691.47</td>
<td></td>
</tr>
<tr>
<td>Prov. Fund</td>
<td>1039.00</td>
<td>792.00</td>
<td>678.00</td>
<td>678.00</td>
<td>538.00</td>
<td></td>
</tr>
<tr>
<td>H R A</td>
<td>850.59</td>
<td>673.20</td>
<td>576.30</td>
<td>576.30</td>
<td>457.30</td>
<td></td>
</tr>
<tr>
<td>C C A</td>
<td>250.00</td>
<td>250.00</td>
<td>250.00</td>
<td>250.00</td>
<td>215.20</td>
<td></td>
</tr>
<tr>
<td>Spl Allow</td>
<td>906.00</td>
<td>65.00</td>
<td>65.00</td>
<td>65.00</td>
<td>65.00</td>
<td></td>
</tr>
<tr>
<td>Qual Allow</td>
<td>121.00</td>
<td>--------</td>
<td>--------------</td>
<td>--------------</td>
<td>--------------</td>
<td></td>
</tr>
<tr>
<td>F P Allow</td>
<td>429.00</td>
<td>--------</td>
<td>--------------</td>
<td>--------------</td>
<td>--------------</td>
<td></td>
</tr>
<tr>
<td>C N Allow</td>
<td>65.00</td>
<td>--------</td>
<td>--------------</td>
<td>--------------</td>
<td>--------------</td>
<td></td>
</tr>
<tr>
<td><strong>Gross Salary</strong></td>
<td><strong>15634.46</strong></td>
<td><strong>12147.28</strong></td>
<td><strong>10480.93</strong></td>
<td><strong>10480.93</strong></td>
<td><strong>8346.97</strong></td>
<td></td>
</tr>
<tr>
<td>Diff Loans/ Ddn</td>
<td>5001.00</td>
<td>3785.00</td>
<td>800.00</td>
<td>1150.00</td>
<td>700.00</td>
<td></td>
</tr>
<tr>
<td>Prov Fund</td>
<td>2078.00</td>
<td>1584.00</td>
<td>1356.00</td>
<td>1356.00</td>
<td>1076.00</td>
<td></td>
</tr>
<tr>
<td>V P F /LIC</td>
<td>200.00</td>
<td>493.60</td>
<td>156.80</td>
<td>--------------</td>
<td>158.00</td>
<td></td>
</tr>
<tr>
<td>Ors/PTx/ASSN</td>
<td>160.00</td>
<td>160.00</td>
<td>135.00</td>
<td>135.00</td>
<td>135.00</td>
<td></td>
</tr>
<tr>
<td>Total Ddn</td>
<td>7439.00</td>
<td>6022.60</td>
<td>2447.80</td>
<td>2641.00</td>
<td>2069.00</td>
<td></td>
</tr>
<tr>
<td><strong>Net Salary/TH</strong></td>
<td><strong>8195.46</strong></td>
<td><strong>6124.68</strong></td>
<td><strong>8033.13</strong></td>
<td><strong>7839.93</strong></td>
<td><strong>6277.97</strong></td>
<td></td>
</tr>
<tr>
<td>Take Home % of Gross Salary</td>
<td>52.42%</td>
<td>50.42%</td>
<td>76.64%</td>
<td>74.80%</td>
<td>75.21%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data Provided by Concerned Bank on Request
## SUBORDINATE STAFF: [for the month of February' 2001](Table-II.4)

<table>
<thead>
<tr>
<th>Particulars/components</th>
<th>Peon-Watchman</th>
<th>Part-time Sweeper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Pay</td>
<td>3650.00</td>
<td>1260.00</td>
</tr>
<tr>
<td>Dearness Allowance</td>
<td>1241.88</td>
<td>396.14</td>
</tr>
<tr>
<td>Provident Fund</td>
<td>395.00</td>
<td>126.00</td>
</tr>
<tr>
<td>H R A</td>
<td>335.75</td>
<td>107.10</td>
</tr>
<tr>
<td>C C A</td>
<td>146.00</td>
<td>50.40</td>
</tr>
<tr>
<td>Spl Allow</td>
<td>300.00</td>
<td>21.67</td>
</tr>
<tr>
<td>Qual Allow</td>
<td>65.00</td>
<td>5.00</td>
</tr>
<tr>
<td>F P Allow</td>
<td>50.00</td>
<td>5.00</td>
</tr>
<tr>
<td><strong>Gross Salary</strong></td>
<td>6183.63</td>
<td>2011.31</td>
</tr>
<tr>
<td>Diff LoansDdn</td>
<td>1836.00</td>
<td>245.00</td>
</tr>
<tr>
<td>Prov Fund</td>
<td>790.00</td>
<td>252.00</td>
</tr>
<tr>
<td>V P F / L I C</td>
<td>50.00</td>
<td>436.00</td>
</tr>
<tr>
<td>Ors/PTx/ASSN</td>
<td>50.00</td>
<td>50.00</td>
</tr>
<tr>
<td><strong>Total Ddn</strong></td>
<td>2726.00</td>
<td>983.00</td>
</tr>
<tr>
<td><strong>Net Salary/TH</strong></td>
<td>3457.63</td>
<td>1028.31</td>
</tr>
<tr>
<td><strong>Take Home %</strong></td>
<td>44.08%</td>
<td>51.12%</td>
</tr>
</tbody>
</table>

Source: Survey Data Provided by Concerned Bank on Request

### Take Home Salary to the Gross Salary Percentage [of Persons as above]

<table>
<thead>
<tr>
<th>Category</th>
<th>Officers</th>
<th>Clerical Staff</th>
<th>Subordinate Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>56.83%</td>
<td>52.42%</td>
<td>44.08%</td>
</tr>
<tr>
<td></td>
<td>62.03%</td>
<td>50.42%</td>
<td>51.12%</td>
</tr>
<tr>
<td></td>
<td>76.64%</td>
<td>76.42%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>74.80%</td>
<td>74.80%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>75.21%</td>
<td>75.21%</td>
<td></td>
</tr>
</tbody>
</table>

A promotion takes place from lower cadre to upper cadre, i.e. Sub-Staff to Clerk to Officer to Officers Cadres of Salary -I to VII Scales after screening and interviews by the Board of Managements in the normal course of service period of an employee.

The **Wage Bill Profile** of the Banking Sector is given for the general information of the readers:
### Table-II.5
Ownership Profile, Net Profit, Business and Wage Bill of Banking Industry at Glance
As on MARCH '2000 (Amount in Crores/lakhs)

<table>
<thead>
<tr>
<th>Banks</th>
<th>Share as % of the total Assets of Banking Industry</th>
<th>Percentage of the total Assets</th>
<th>Wage Bill In Crores</th>
<th>Net profit In lakhs</th>
<th>Net profit Per Employee</th>
<th>Business Per Employee In lakhs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationalised Banks(19)</td>
<td>50%</td>
<td>1.88</td>
<td>10435.18</td>
<td>2437.00</td>
<td>0.59lac</td>
<td>126.80</td>
</tr>
<tr>
<td>State Bank Group(8)</td>
<td>30%</td>
<td>1.76</td>
<td>5926.39</td>
<td>2676.87</td>
<td>1.17lac</td>
<td>105.63</td>
</tr>
<tr>
<td>Public Sector Banks(27)</td>
<td>80%</td>
<td>1.84</td>
<td>16361.57</td>
<td>5113.87</td>
<td>1.76lac</td>
<td>120.53</td>
</tr>
<tr>
<td>OldPvt.SectorBanks(24)</td>
<td>7%</td>
<td>1.39</td>
<td>1080.26</td>
<td>655.09</td>
<td>1.36lac</td>
<td>178.91</td>
</tr>
<tr>
<td>NewPvt.SectorBanks(8)</td>
<td>5%</td>
<td>0.28</td>
<td>163.18</td>
<td>569.41</td>
<td>9.49lac</td>
<td>996.56</td>
</tr>
<tr>
<td>Foreign Banks(42)</td>
<td>8%</td>
<td>1.04</td>
<td>862.37</td>
<td>967.99</td>
<td>1.77lac</td>
<td>599.25</td>
</tr>
</tbody>
</table>

Source: Annual Report AIBEA 2000-2001

### Table-II.6
All India Staff profile, Branches and Establishment Expenditure of Banking Industry as on March'1999

<table>
<thead>
<tr>
<th>All Branches</th>
<th>Total Emp</th>
<th>Female Emp</th>
<th>Branches</th>
<th>Estt. Exps.in crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI and associate Banks</td>
<td>3,07,862</td>
<td>37,586</td>
<td>9,043</td>
<td>4,478</td>
</tr>
<tr>
<td>Nationalised Banks</td>
<td>5,64,190</td>
<td>82,389</td>
<td>32,803</td>
<td>1,449</td>
</tr>
<tr>
<td>Foreign Banks</td>
<td>15,505</td>
<td>4,589</td>
<td>178</td>
<td>862</td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td>67,089</td>
<td>2,786</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Banks</td>
<td>62,844</td>
<td>10,537</td>
<td>5077</td>
<td>1,243</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10,17,490</td>
<td>1,37,887</td>
<td>51,540</td>
<td>18,467</td>
</tr>
</tbody>
</table>

Source: Annual Report AIBEA 2000-2001

### Age wise break up of employees in Banks:

<table>
<thead>
<tr>
<th>Age Groups</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-35</td>
<td>12%</td>
</tr>
<tr>
<td>36-45</td>
<td>45%</td>
</tr>
<tr>
<td>46-50</td>
<td>25%</td>
</tr>
<tr>
<td>51-55</td>
<td>12%</td>
</tr>
<tr>
<td>56-60</td>
<td>6%</td>
</tr>
</tbody>
</table>

Classification of Banks:
[ for the purpose of payment of Salary and related incentives & benefits etc.]

As per Desai Award para.4-128 & 4-129 and Clause 2.2 of I BPS Dated 19-10-1966 and Clause 2 of II BPS Dated 12-10-1970.
‘A’ Class Banks with working funds Rs.85 crores & above and all Foreign Banks.
‘B’ Class Banks with working funds below Rs.85 crores
Similarly based on strength of population, Deposits and turn over the banks are Classified into Area I, II, & III and into A, B and C Class branches etc.. Since the study is aimed to ascertain the inter bank differences but not the one based on such differences based on Class, Area, Turn over etc., are not considered here. No matter how much and why they are paid, but if one person of the same grade and length of service is given; the similar benefit is in all the other banks or not is examined under the study. Therefore, the following types of allowances are considered for reference and comparative study only.

Different Types of Incentives, Benefits provision in the Banks:
As per Various other provisions and procedures under the service Rules and Regulations these following types of incentives and benefits are given, which includes, payment of Dearness Allowance [DA], Increments, Fixed

WELFARE ACTIVITIES WITHIN AND OUTSIDE BANKS:

Banking industry is an organised industry in India. The branches of the banks are spread in Rural, Semi-Urban, Urban and Metropolitan areas. Suitable to particular area of operation of Bank, the employees are provided with the welfare facilities, to boost the morale of employees and support
their requirements which in return helps in creating the new energy and working ability amongst them, of course not by all the banks, they are:

<table>
<thead>
<tr>
<th>Welfare measures within Bank</th>
<th>Welfare measures outside Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Scheme for appointment of dependents of deceased employee</td>
<td>1. Leave Fare Concession</td>
</tr>
<tr>
<td>2. Schedule Caste/Schedule Tribe Cells</td>
<td>2. Medical facilities/reimbursements</td>
</tr>
<tr>
<td>3. Interest free loans to employees affected by floods and droughts.</td>
<td>3. Banks car for personal use</td>
</tr>
<tr>
<td>4. Loan for purchase of food grains.</td>
<td>4. Residential Accommodations, leased quarters facility</td>
</tr>
<tr>
<td>5. Library and reading room facility</td>
<td>5. Leased furniture facility</td>
</tr>
<tr>
<td>6. Festival Advances</td>
<td>6. Holiday home facility</td>
</tr>
<tr>
<td>7. Loans to meet Marriage Expenses</td>
<td>7. Bachelor Accommodations</td>
</tr>
<tr>
<td>10. Club facility</td>
<td>10. servants allowance etc.,</td>
</tr>
<tr>
<td>11. Canteen facility</td>
<td></td>
</tr>
<tr>
<td>12. Creche facility</td>
<td></td>
</tr>
<tr>
<td>13. Hostel facility/reimbursements of expenses</td>
<td></td>
</tr>
<tr>
<td>14. Games and Sports activities</td>
<td></td>
</tr>
<tr>
<td>15. Cultural Activities</td>
<td></td>
</tr>
<tr>
<td>16. House Loan facility</td>
<td></td>
</tr>
<tr>
<td>17. Servants facility as per grade</td>
<td></td>
</tr>
</tbody>
</table>

The study on Human Resource Development in Banks:

With reference to the State Bank of India and its Associate Banks was made by Prof. B. Niyogi and following were the main suggestions made during 1980 are still worth referring to this context:

A. recommended for co-ordinating of recruitment activity in keeping with requirements of manpower.

B. having of Performance Appraisal System.

The main objectives of the Performance Appraisal System are:

i. Generation of significant, relevant, open and valid information about employees

ii. Adequate feedback and guidance from immediate boss or reporting officer to the employee

iii. Removal of weaknesses and improvements of strengths of the employee to enable him to improve his performance and that of the Branch/Region/Circle.

iv. Identification of employees for the purpose of motivating, training, and developing them

v. Contribution to the growth and development of the employees by realistic goal setting

vi. Providing inputs to the system of rewards comprising appreciation, additional responsibilities, quicker promotion and preferred postings

vii. Creating an achievement oriented culture and tradition in the organisation at all levels.

C. assessment of resources and needs of Bank.

D. placement and rotation. There is considerable grievance among employees that only a handful are given the opportunity to work in
prestigious desks, front line staff placement etc. This aspect of grievance is still dominant in almost all PSCBs even after 30 years after this study was made.

E. There is need for uniformity in personnel policies, procedures and implementation. There is a common complaint from the managers is that they hardly get any guidance from the immediate boss at zonal level. This is due to the fact that at the zonal level there are doubts on the problems and hence references are made to the corporate office. All these pinpoint to the need for a uniform policies, procedures and implementations, especially in the field of personnel. Simply training up the managers would not be enough, because in a really large organisation problems are many and there might not be time to refer all matters to the zonal office. This problem identified 30 years ago still holds good.

F. Policy of transfers to difficult areas. Employees asked to take up challenging assignments may often construe it as punitive in the absence of supportive communications. It would be better to call the officer concerned and confide with him in confidence about the organisational concerns before transfers are implemented. Monetary incentives or administrative ones have to be provided in areas where the basic amenities are lacking. Even these may not be enough and it would be appropriate to identify persons with the proper orientation. In such cases the creation of a particular cadre would prove to be useful. For these people, a **special career path** needs to be evolved.
G. need for integrating the personnel management function with operations management.

H. Training in Industrial relations to operating managers so as to equip them with provisions of the Award/Agreements defining the relationship of the staff with the institution and fully familiarize themselves with the covenants of service of the officers, since the Banking today is highly unionized industry where the work force is a strong and cohesive body. Apart from this, they must inculcate proficiency in negotiations and holding dialogues on matters pertaining to staff interests, which very often give rise to disputes. Some sort of role-playing through interface with real life functionaries and extensive exposure to the provisions of law etc., in these matters can help managers to develop skill, although as in all other matters, the major part of person's skill in industrial relations would be innate human character.

I. Budgetary performance of the operating unit to be linked with the Performance Appraisal System (PAS). PAS does not necessarily imply fulfillment of targets only, but the achievement of the budgetary targets has to be one important parameter. Thus,

\[ \text{PAS} = F \text{ (is a function of) Business targets, identification of Key Performance Areas (KPAs) breaking down the KPAs into objectives, self assessment, performance analysis, performance review, identification of training and development needs etc.)} \]
The identification of Key Performance Areas for various jobs is very much necessary apart from business targets in quantitative terms. These are required to get a better perception of the job being carried out, i.e. where to muster the efforts, where to plug the loopholes, etc., In other words, KPAs must be broken down into different objectives. These, however, must be outside the settled budgets.

In fact, there might be a need for some behavioral science inputs in respect of the following dimensions in any organisation. These include:

i. Initiative displayed by the employee showing creativity.

ii. Contribution to collaboration and team spirit.

iii. Contribution to the development of employees working under each manager.

iv. Other significant behavior, which may be observed by the reporting officer.

A suitable scale could be introduced giving higher weightage to the performance on the job and smaller weightage on the behavioral dimensions. This implies that there should be some potential appraisal different from performance appraisal. This would mean that promotions/career advancement should not be based entirely on the basis of confidential reports as is in vogue today in the Banks. However, the introduction of Performance Appraisal System without proper comprehensive planning and preparation could be a mere waste. That is why, all the different stages in appraisal process like self-assessment,
performance analysis, performance review and counselling need to be introduced simultaneously in the Banks. While assessment would help individuals develop the capacity to set realistic goals and utilise their strength effectively, performance analysis and review would help analyse the factors responsible for achievement/non-achievement of objectives. The feedback and counselling from seniors are necessary to overcome the inhibitions identified.

J. There should be mutual trust and openness between officers and workmen - one cannot be sure as to how openly and freely juniors could express disagreements with the views of superiors, i.e. communication is one way down-the-line' and most often very formal. This implies weak linkage and increased workload need to be removed. The first step in this direction would be to introduce performance appraisal system, which would help create an enabling culture in the organisation. Thus, for example, information relating to promotion/transfer etc., may be given to officials only by immediate superiors and this is expected to help open up the culture of the organisation.

K. Role of Zonal/Circle office in Industrial relations negotiations issues and employees - Zonal offices have to bear the brunt of all industrial relations problems because the lower level offices are ill equipped to handle such problems, whereas at the corporate level, specific problems are not discussed.
**MOTIVATION A GENERAL CONCEPT:**

Human behavior is the outcome of the operation of internal and external factors or forces at a given time. It is outcome of motives of two types—innate or biogenic and acquired or social needs. Human action of 'force' is based on deficiency of requirement while 'motive' is based on internal conditions that tend to initiate activity.

Another behavior refers to human needs or social needs and ways and means to satisfy these needs. Motivation function in organisation relates to managing of these tendencies of the human at work.

Conceptual model of Mehta [1978] refers, Work motivation as a function of life satisfaction, work satisfaction and organisation climate which together determine the extent of work motivation\(^{23}\).

**Theories of Motivation:**

1. **Maslow's need Hierarchy Theory[1943]:** As per which man has five need categories to fulfill, physiological needs are at the bottom and self-actualization at the top i.e. in the order of sequence they are to be satisfied before going to the next. 1. Physiological needs 2. Safety needs 3. Social needs 4. Esteem needs 5. Need for self-actualization

---

2. Herzberg's Motivation-Hygiene Theory[1969]: It is also called as Critical Incident Method. It is content analysis of two situations/incidents one, listing of factors for which one feels better [named as Herzberg's motivating factors] and another listing of factors for which one feels unpleasant as [Hygiene factors] which are also known as intrinsic or job content variables. Motivators and Hygiene factors are two different and independent, the absence of one does not mean presence of the other. In pleasant situations motivators appear more frequently than hygiene factors while their predominance is reversed in unpleasant situations.

3. McClelland's Achievement Motivation[1961]: as per his theory people are classified in to two groups as one small and other large group. Small group people are challenged by the show of maximum possible facilities and opportunities while large group have less need of achievement and are not so challenged by opportunities.

4. McGregor's Theory X and Theory Y[1960]: It represents two set of assumptions which reflects the basic contradictions of human nature[as X & Y] and requires managerial actions to motivate their employees. Theory X suggests role of manager to attain organizational objectives and Theory Y indicates the goals of the organisation that could be achieved if it provides opportunities for self actualization.
**Theory X**

1. Work is inherently distasteful to most people.
2. Most people are not ambitious, have little desire for responsibility, and prefer to be directed.
3. Most people have little creativity in solving organizational problems.
4. Motivation occurs only at the physiological and safety levels.
5. Most people have to be closely controlled and often coerced to achieve organizational goals.

**Theory Y**

1. Work is as natural as play, if the conditions are favourable.
2. Self control is often indispensable in achieving organizational goals.
3. The capacity for creativity in solving organizational problems is widely distributed among people.
4. Motivation occurs at the social, esteem and self-actualization levels as well as physiological and security levels.
5. People can be self-directed and creative at work if properly motivated.

**'MOTIVATION OF BANK EMPLOYEES:'**

(With theories of Motivation at work in the organisation study' 1967)
By Baldev. R. Sharma. NIBM Pune.

This study paper is aimed to examine the role of (a) work technology and (b) supervisory policies and practices in relation to job satisfaction, employer and employee relations, in the banking industry. The target group included officers and clerks drawn from six leading Banks, who receive good salaries, enjoyed high degree of job security, perform their job activities in reasonably good working conditions. Despite these favourable “hygiene"
factors, however, the banking industry is known to face the problems in terms of employee motivation. (Period July' 1967 to August' 1969)\textsuperscript{24}

It was recognized that there is need for improvement of motivation of bank employees, the bank managements seem to have done very little to bring about a change in the situation. Criticizing and blaming employees for their lack of dedication to work cannot by itself produce dedicated behavior. The Bank Managements need to look deeper into the causes of lack of motivation and then take concrete steps to remedy the situation. Improvement in work technology and the style of managements reflected in its policies and practices followed by supervisors, managers and subordinate employees functional relationships are essential for the effective motivation in the banking industry\textsuperscript{25}.

One of the greatest challenges facing today's organisation is to motivate their members to work for the overall objectives of the organisation. The traditional approach for tackling this problem emphasized authority and

\textsuperscript{25} Dayal, Ishwar and Sharma, Baldev.R. " the Meaning of work to Bank Employees, Implications for Supervisory Behavior", Management and Labour Studies 1, No2 1975.p.121-127.)
economic rewards, that is, people were made to work by threats of dismissal or of cuts in their economic rewards if they didn’t work. This style of management is based on the assumption that people work only to earn money or when they are driven to it by fear of losing their jobs.

With the introduction of labour legislation in India, growth of unions, rising standard of living, increase in level of education, and changing patterns of discipline at home and in schools, the traditional, authoritarian approach is becoming increasingly less effective. Consequently, several attempts have been made during the last 50 years to evolve alternative and more efficient and effective approaches to management of work motivation.

According to J. Douglas Brown¹,(p 82 McGregor, Douglas. ‘Leadership and motivation’. Cambridge, Mass M.I.T.Press 1966 II quote) one of the oldest drives to joint action is fear of adversity, imminent or distant. It ranges from the use of whip in building the pyramids to reprimand or discharge in a modern factory. Though apparently effective, both are said to be crude stimuli as they seek motivation through emotions rather than through self initiated, rational determinations. Also, to make people work through fear alone requires that the pressure of fear must be sustained, which is an impossible thing to do under today’s changed conditions.

The style of man management based on the traditional approach mentioned above has been conceptualized by Douglas Mc Gregor as “Theory X” this
style of management is inherent in some of the less sophisticated versions of scientific management and is also related to what has been called the "commodity" or "contractual" theory of labour, which holds that labour can be bought and sold just like material supplies- and can be treated in the same way. The implications for actions arising from this philosophy of management are relatively simple; introduce monetary incentive plans, ensure job security, and provide good working conditions. Under the proposed conditions of work, it is argued, morale would be high and maximum productivity would result.

Partly as a reaction to some of the excesses of the traditional approach, a new philosophy of management was developed in the thirties, which later came to be known as the human relations Approach. According to Raymond Miles, the main features of this approach were to treat people as human beings instead of machines in the productive process and to acknowledge their needs to belong and to feel important. 26

Under these conditions, it was believed, morale would improve and workers would co operate with the management in achieving good production. The human relations movement slowly began to undermine the assumptions of the traditional theory (Theory X) style of management.

One of the outcomes of the Howthrone experiments, which gave birth to the human relations approach, was to highlight the impact of climate of supervision on organisational behavior. Mc Gregor subsequently took up this particular theme for more intensive study, as a result of which he proposed "Theory Y" in contrast to the traditional theory(Theory X) system or management. Mc Gregor described the role of “Theory Y” management in terms of creating opportunities, releasing potential, removing obstacles, encouraging growth and providing guidance. Both Theory Y and human relations approach have made significant additions to our understanding of the complex problem of work motivation. And yet neither of them is comprehensive enough to give adequate emphasis to all relevant dimensions of the problem. Instead, each in its own way appears to give an exaggerated importance to the interpersonal dimensions of employer-employee relations and advocates the adoption of a particular style of leadership for bringing about the desired motivational climate.

Like Mc Gregor, Rensis Likert too is concerned with comparing and contrasting different styles of management. On the basis of a large number of studies conducted at University of Michigan, Likert identified the following four types of management systems27

System 1: Exploitative-Authoritative  
System 2: Benevolent-Authoritative  
System 3: Consultative  
System 4: Participative

Of all the attempts made so far, those of A.H. Maslow and Frederick Herzberg et al. seem to be most comprehensive. Maslow suggests that man's basic needs are arranged in a hierarchy of prepotency - from physiological and safety needs at the bottom, through social and ego needs, to self-fulfillment needs at the top28.

The prepotent needs are more urgent and insistent than the others under equal deprivation, and until the prepotent ones are satisfied the others do not emerge as consistent motivators of behavior. According to this theory, a man who is unsatisfied in all his needs will be concerned with only the first-physiological needs. When this is satisfied, he will go for higher and still higher needs. Maslow's theory is based on the following propositions:

(a.) No need can ever be completely satisfied; hence only partial fulfillment is required before another need appears.

(b.) Needs are constantly changing within an individual and the individual may or may not be aware of it.

(c.) The needs are interdependent and overlapping.

Long before Maslow himself applied his hierarchy of needs theory to analyse the problem of work motivation, many other psychologists (including McGregor) had taken it up for further study or application. In

fact, most of the psychological theories and researches on work motivation launched during the fifties and sixties derive their inspiration in varying degrees from Maslow's conceptualization. One such attempt is the two-factor theory proposed by Herzberg and his associates. Herzberg has proposed the motivation-hygiene concept, which distinguishes two classes of factors affecting employee attitudes towards work:

(a) **Motivating Factors**: work itself, task achievement, recognition, responsibility, and advancement—factors that are inherent in performing the job itself and that yield satisfaction.

(b) **Hygiene factors**: Pay, working conditions, company policies, supervision, and interpersonal relations—factors that are extrinsic to performing the job but that form the environment within which work is done and are sources of dissatisfaction.

According to the two-factor theory of Herzberg, hygiene factors help only to avoid unpleasantness, whereas it is the motivators that make people happy with their jobs by satisfying their need for psychological growth. For Herzberg, therefore, the key to work motivation is the enrichment of jobs,

so that the work itself can better elicit a committed and enthusiastic performance. The fact that many people do not seem willing to put forth more than minimum effort is explained by Herzberg as a natural human response to the impact of work is impoverished of producing feeling of achievement and responsibility.

In an interesting comparative analysis, Keith Davis links Herzberg's motivation-hygiene theory with Maslow's concept of need hierarchy. Davis contends that work itself, achievement, recognition, responsibility, and advancement all contribute to meeting needs for self-realization and fulfillment and for esteem and status. On the other hand, pay, working conditions, company policies, supervision, and interpersonal relations contribute to meeting social safety, and physiological needs. The twin theories of Maslow and Herzberg have had a tremendous impact on the modern management approach to motivation.

In an organisation, employee motivation is closely related to the types of rewards offered and their method of disbursement. There is little doubt that inadequate pay can have a very negative impact on both individual and organisational performance. Also employee earnings have been found to be a very important factor affecting job satisfaction. The studies of Haire,

Ghisell and porter(1963) have established beyond doubt that employee earnings are a very important if not the most important factor governing the job satisfaction. The level of employee earnings is positively related to satisfaction with earnings [Heneman and Schwab, 1975; Lawler, 1971; Schwab and Wallace, 1974; Berger and Schwab, 1980].

The following persons have described the remuneration as,

- "A conditioned reinforcer"- by Holland and Skinner (1961)
- "Incentive is a greatest conditioner of all other considerations"- Dollard and Miller (1950)
- "It is a great anxiety reducer"- Brown. 1961
- "It is the strongest Motivator"- Atkinson and Charles 1973.
- "It is spring of Motivator"- Haire, Ghisell and Porter. 1963.

"Money is the ultimate reward for continuing in the employment"-Robert Dubin.1958

**Factors in Managerial Remuneration**

Economists are not the only ones who have struggled to establish a theory of managers’ remuneration. Behavioral scientists, and managerial specialists have not been far behind. Their efforts have brought to light

31. Arun Divecha “Remuneration of a Manager” sterling publishers 1990.p-119)
varieties of factors as causative to or for their link in executive remuneration. From Psycho-Sociological angle, they could be summerised as follows:-

1. Incentive or motivation
2. Anxiety reducer
3. Hierarchy of needs
4. Balance of monetary vis-à-vis non-monetary needs
5. Felt pay syndrome
6. Sense of equity
7. Executive career cycle relativity
8. Hygiene Factor "...improvements in salary may only remove impediments to job satisfaction but do not actually generate job satisfaction".
9. Expectancy of Instrumentality-valance balancing. "...Interaction between (i) balance perceived to be associated with the outcome of behavior and (ii) subjective estimate of probability that behavior will result in outcome..."

Organisation management experts in their search for reasoning and correlation of managers' remuneration and corporate activity have brought varied factors encompassing:-

1. Time Span related responsibility of work
2. Nature of Industry dictated cycle time of decision-making
Managers remuneration, unlike market theories of capital, goods and wages, it deals with the most complex of the human phenomena; the manager, in shifting socio-economic scene and as yet itself an unarticulated entity.

'Salary Administration' is the fundamental assumption in market value theory, is that there is no absolute scale of values, only a constantly changing set of relationships. The current pattern of differentials is no indicator of future patterns, except that vertical, hierarchical relationships within job families (such as production engineering or cost accounting) appear fundamental and subject only to variation in width of differentials. “The market produces, not a precise value, but usually an 'area of money' within which agreements between employer and employee may be reached. It covers specifically remuneration, but assumes certain standards of related benefits, variance from which may affect the financial value.”

H.R.M. and IMPORTANCE OF REWARDS:

Harnessing of human energy is essential to shape the organizational destiny. Apart from pay and rewards an organisation must emphasise on knowledge sharing and employee feedback as this atmosphere gives everyone a voice in creating the type of corporate culture in which they would like to work.

Human Resource Management point of view and a performance management point of view, the ultimate objective is to create a work place environment that is filled with both natural work reinforcers [intrinsic] and external rewards and recognition, all directed to those behaviors necessary to achieve results that make a difference. Reward systems need to focus efforts on serving the customer and reward systems need to enhance collaboration within the workplace.

Effective reward systems are specific as they focus on the desired behaviors and provide the performer with clear 'line of sight' between action and the business results. The value of the reward is 'worth the effort' to both performer and organization.

Motivating and paying the employees is based on their contributions, seniority and job responsibilities. It does not mean that paying everyone the same payment. It is based on the internal comparison of the responsibilities
or a common set of job evaluation factors. However, basic pay should reflect the values of organization, recognize the specific role of each individual [as such it is paying for the persons talents not the job] retains the market competitiveness and relate to competencies. A third way to reward employees is by verbal, visible and non-verbal feedback. Thus, it can be presented with the following formula-

"Basic payment + Incentives + Rewards Verbal [visible and non visible] = Employee Motivation = Organization objectives".

In present days not just high salary and a wealth of perks is enough to retain or motivate employees, they demand more intangible benefits, which stimulates to work, flexible career options and above all a corporate culture which values their work. It is a commitment and is reflected in the nature of pact between the individual and the organisation. Which are as follows-

Thus, the closer study of the organization reveals that under the loyalty pact, the organisation may be inward looking and resistant to change while the primary leadership function may be that of maintenance. Under the bargain pact, the individual will be aggressive, counter dependent and self absorbed while the organisation will be opportunistic and unstable. Under the stability pact, the employee can be classified as duty conscious and role bound and the organisation systematic. Under the growth pact, the

employee will be ambitious and proactive while the organisation will be meritocratic. Under the *affiliative pact*, the individual will be sensitive and empathic while the organisation will be collegiate and under the last - *holistic pact*, the employee will ideally be willing to deal with dualities and the organisation would be value based.

These days, it is becoming increasingly important for HRD's in the organizations to retain the key employees as the competitors temptingly offer greener pastures to force them to go out, which will result into personnel gaps and add to the further more costs. Therefore, organizations must keep employees happy and also show their retention rates as high. Banking organizations, whether private or public or foreign, are no way exceptions to such an atmosphere of current requirements.

**The Voluntary Retirement Scheme' 2000:**
It is alternatively known as “Golden Handshake” for the Employees of the Public Sector Enterprises in India, which is closed for the option after 31-3-2001. Banks are also brought under the scheme. It is intended to achieve the cutting of the extra staff strength in the Public/Government Sector Enterprises in the wake of Narasimham Committee Recommendations for the total revival of the Banking Industry and to reduce the administrative expenses on the Account Head ‘Salaries’. Earlier this scheme was proposed to be implemented as “Duty Leave” or as “Sabbatical Leave” for the
aspiring employees but without salary for 3 to 5 years [further extendable by another 5 Years] and after that they could rejoin or could have found some better alternative job in any private sector. This leave period was provided solely for searching of some other job and also in case they did not get one they could rejoin the Bank with the scale of salary at which scale they had left to go on 'LEAVE'. This shows that the Managements of the Banks were very keen and fully in favour of cutting down the strength of employees by one or the other way, which was a point of remark for the Union leaders as a "Compulsory Retirement Scheme" and a measure to destabilise the solidarity of their union. Any such move was anti labour welfare policy on the part of Management and certainly will be not endorsed by any union.

It is move of the Apex Banking Body's (RBI) strategy to infuse young blood and professionalism in the Banking Sector in the country. The average age profile of the employees in the Banking Sector in the country is between 46 and 47 years and the report is said that it is aimed at proper manpower planning in Banks.

It was thought as wise decision on the part of the Government, but it is still to be waited to see the actual results of the decision, whether banks continue to work effectively as was done before or not and do they ensure the same service to the public? Are yet to be experienced. At the same time there are scores public complaints appearing on the daily newspapers of delay in service, lack of attention, come tomorrow replies for heavy loan
applicants etc. for which Managements and Government are keeping tight
lipped.

However, the scheme is widely accepted by the Employees of all Banks
under the Scheme.

There are total of 8,83,169 employees in the PSCBs as on 31-3-1999. The
policy was to cover only 10% of the total strength but 25% to 35% of the
employees in almost all the 26 Banks have applied under the scheme
except one i.e. Corporation Bank which has not implemented the scheme
on the grounds that they have no surplus staff even after 80%
computerisation, the productivity is 2 crores and profitability of 2.67 lakhs
per employee while Industry average is 1.1 crores and 75 lakhs, it is 4
crores and 9.37 lakh in Private and Foreign Banks respectively. Among the
Foreign Banks Bank of America, Citi Bank, HSBC, StanChart Bank,
Grindlays have come with the scheme

**Application of the Scheme:**

The scheme was open to employees who have either completed 15 years of
service or attained the age of 40 years. Compensation has been fixed at
either 60 days salary for each completed year of service or salary for the
number of months of service left, whichever is less. Salary will consist of
pay and dearness allowance and the employee will be eligible for pension
and gratuity. Some banks have given one time cash settlement, while others offer different packages. Incidentally, the overwhelming response has been from the senior management and capable bank men.

It was one time opportunity for the employees to get rid of the service headache for remaining period of their career and getting of heavy compensation offer. Besides huge pay packet they were given 8-30 lakh Rupees depending on their grade and seniority, and years of service left. This opportunity helped them to get rid of nation wide transfers every three years. There is increase of work pressure on the remaining staff and losing of experienced staff for the bank service at the time where already there is staff deficit, are commonly heard complaints.

The following is the list of number of applicants and their cadres:

<table>
<thead>
<tr>
<th>Applicants category</th>
<th>Total Staff</th>
<th>VRS Applicants</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officers</td>
<td>2,38,116</td>
<td>64,327</td>
<td>27%</td>
</tr>
<tr>
<td>Clerks</td>
<td>4,33,666</td>
<td>49,010</td>
<td>11%</td>
</tr>
<tr>
<td>Sub-Staff</td>
<td>1,91,335</td>
<td>12,945</td>
<td>7%</td>
</tr>
<tr>
<td></td>
<td>8,63,117</td>
<td>1,26,282</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: Prabhat Herald May' 2001
**COST OF V R S:** According to compilation made by the Ministry of Finance, Government of India, it works out to be 7490/- Crores, in various P S C Bs and the scheme is already closed on 31-3-2001 is as follows:-

Total Cost of VRS Scheme Table-II.8

<table>
<thead>
<tr>
<th>SI. No.</th>
<th>Name of Bank</th>
<th>Amount in crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Allahabad Bank</td>
<td>104</td>
</tr>
<tr>
<td>2</td>
<td>Andhra Bank</td>
<td>106</td>
</tr>
<tr>
<td>3</td>
<td>Bank of Baroda</td>
<td>493</td>
</tr>
<tr>
<td>4</td>
<td>Bank of India</td>
<td>465</td>
</tr>
<tr>
<td>5</td>
<td>Bank of Maharashtra</td>
<td>180</td>
</tr>
<tr>
<td>6</td>
<td>Canara Bank</td>
<td>1000</td>
</tr>
<tr>
<td>7</td>
<td>Central Bank of India</td>
<td>546</td>
</tr>
<tr>
<td>8</td>
<td>Corporation Bank</td>
<td>Not implemented</td>
</tr>
<tr>
<td>9</td>
<td>Dena Bank</td>
<td>240</td>
</tr>
<tr>
<td>10</td>
<td>Indian Bank</td>
<td>309</td>
</tr>
<tr>
<td>11</td>
<td>Indian Overseas Bank</td>
<td>270</td>
</tr>
<tr>
<td>12</td>
<td>Oriental Bank of Commerce</td>
<td>47</td>
</tr>
<tr>
<td>13</td>
<td>Punjab National Bank</td>
<td>417</td>
</tr>
<tr>
<td>14</td>
<td>Punjab and Sindh Bank</td>
<td>130</td>
</tr>
<tr>
<td>15</td>
<td>Syndicate Bank</td>
<td>554</td>
</tr>
<tr>
<td>16</td>
<td>United Commercial Bank</td>
<td>360</td>
</tr>
<tr>
<td>17</td>
<td>Union Bank of India</td>
<td>292</td>
</tr>
<tr>
<td>18</td>
<td>United Bank of India</td>
<td>150</td>
</tr>
<tr>
<td>19</td>
<td>Vijaya Bank</td>
<td>288</td>
</tr>
<tr>
<td>20</td>
<td>State Bank of India</td>
<td>1500</td>
</tr>
<tr>
<td>21</td>
<td>State Bank of Bikaner and Jaipur</td>
<td>110</td>
</tr>
<tr>
<td>22</td>
<td>State Bank of Hyderabad</td>
<td>130</td>
</tr>
<tr>
<td>23</td>
<td>State Bank of Indore</td>
<td>50</td>
</tr>
<tr>
<td>24</td>
<td>State Bank of Mysore</td>
<td>130</td>
</tr>
<tr>
<td>25</td>
<td>State Bank of Patiala</td>
<td>70</td>
</tr>
<tr>
<td>26</td>
<td>State Bank of Saurashtra</td>
<td>70</td>
</tr>
<tr>
<td>27</td>
<td>State Bank of Travancore</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>7490</strong></td>
</tr>
</tbody>
</table>

Total Number of Banks covered: 26 for implementing VRS.

Total Number of Bank Staff: 8,63,117

Total Bank Staff VRS percentage: 15%

Total Cost for 18 Banks: 5373 crores and Average per head Cost 6.70 lakhs
For State Bank Group-8: 2117 crores and Average per head Cost 6.52 lakhs
For State Bank Associates Rs.5.72 lakhs per head.

**Post VRS situation:**

The banks have made arrangements to overcome such a deficit staff situation by measures like, introducing of computers, networking of branches, introduction of telebanking, installations of ATMs, Any Where and Any Time Banking Service, etc. The State Bank of India has already opened new line of business in the Insurance Sector jointly with ‘Cardiff SA’ French Insurance Company and Online Banking services through its PBB (Personal Banking Branch)-like getting Demand Draft, request for Cheque Book, Checking Account Balance, Transfer of Funds, Opening of new Deposit Accounts, Stop payment requests through internet, etc. which made remark over VRS and anticipated of nearly 25,000 officers shortage. Any such measure will help in urban banking but not in rural banking which are badly affected by power supply on which these electronic gadgets work, added by customers ignorance to such advanced systems the services may not remain the same. They still depend on manual banking to a great extent.
The large numbers who have sought VRS are in the age group of fifties. It has brought quick promotion opportunities for the young staff remaining in the service. It benefits only those, provided, they have found better alternative for investment of retirement benefits to bring regular and steady income or another job which keeps them engaged for remaining period of their serviceable life of 60 years. However few have opted to stay with their son or daughter who are in IT industry in India or abroad. Some have opened their own ventures individually and through association of their own retirees. Some have settled their long-term debts raised for Marriage, Education, of their children and some have expanded the existing business of their wives, donated for charities and so on and are living peacefully after VRS. They have found a way out in different manners of their own. The VRS people below 40 years of age are opting absorption in the private sector in different positions and some have been already absorbed. There are also private counsellors who offer their expert suggestion for their rehabilitation and investment of their funds more effectively.

The scheme has become boon to employees having one or the other health problem for which reason there was dissatisfaction of continuing in the job and women employees, who could now devote more time to their household cores and their social activities. The strange thing is that the all-8 Unions, which opposed the scheme and tried to convince its fellowmen not to opt for the scheme, have ignored the whip of the leaders, and have made it successful for the management's objectives of the 'Golden Handshake.
Scheme'. The unions termed it as introduction of Privatisation in phased manner by considerable reduction in the staff. INTUC [Indian National Trade Union Congress]. only opposed the VRS on pension grounds. The AIBEA, NCBE, AIBOA and BEFI also changed their stand and welcomed the scheme and few other unions have joined the stream later to praise the benefits of the scheme.

Commentary:
Any change in the policy or working needs some time of its own for its general acceptance, the change is the law of nature, as such change in one or the other form is essential, it is for better particularly in the PSCBs as they had complaint that they were far behind in customer service comparing to private sector Banks. Also it cannot be denied that these were the tools in the hands of the politicians after nationalisation for liberal lending and for which reason today PSCBs have unrecoverable Bad Debts of 70,000 to 80,000 crores of Rupees. In nutshell it cannot be denied that it was a popular scheme of the 21st century in the Banking Industry on the part of Employees.