CHAPTER 9

COMPENSATION

One of the most difficult functions of personnel management is that of determining rates of monetary compensation. Not only is it one of the most complex duties, but it is also one of the most significant to both the organisation and the employee.

The compensation function contributes to organisational effectiveness in four basic ways. First, compensation can serve to attract qualified applicants to the organisation. Second, compensation helps to retain competent employees in the organisation. Third, compensation serves as incentive to motivate employees to put forth their best efforts. Finally, minimising the costs of compensation can also contribute to organisational effectiveness since compensation is a significant cost for most employers.¹

9.1 DEFINITION

Compensation is any form of payment given to employees in exchange for work they provide their employer. It generally comprises cash payments, which in addition to wages includes pensions, bonus for good work and shared profits.² Financial payment made at or near the time work is performed is called direct compensation.³

In addition to paying the employees for services rendered, employers also compensate them with a variety of benefits. Some benefits are required by law; others are offered at an employer's discretion. Employees are also compensated for time not worked -
holidays, leave days and rest periods. Many employers also provide employee service benefits such as food services, educational opportunities and subsidies, and social and recreational activities.

9.2 THE CONCEPT OF 'WAGES'

The meaning of the word 'wage' or 'wages' is plain enough. It means periodical remuneration for work done for the employer.

The first question that naturally confronts an organisation earnestly desiring to solve its wage payment problem is "what constitutes a fair or a just wage?" A fair day's wage is one thing in one organisation and an entirely different thing in another. The terms which have acquired currency in discussing wage problems are (i) living wage (ii) bare minimum wage (iii) statutory minimum wage (iv) need based minimum wage and (v) fair wage. They are defined below:

Need based minimum wages ensure the satisfaction of the minimum human needs including (i) food requirements, (ii) clothing requirements, (iii) housing and (iv) fuel, lighting and other miscellaneous items of expenditure. The Second Plan laid down that for the purpose of calculating need based minimum wage, the standard working-class family should be taken to comprise three consumption units for one earner; the earnings of women, children and adolescents being left out of account.

The actual level of 'fair wage' at any given time will depend upon (i) the productivity of labour (ii) the prevailing rates of wage in the same or similar industries in the same or neighbouring localities (iii) the level of national income and its distribution
(iv) the place of the industry in the economy of the country and
(v) the present economic position of the industry and its pros-
pects in the next future.7

A living wage is one which enables the worker to provide
for himself and his family not merely the bare essentials of food,
clothing and shelter, but also a measure of frugal comfort which
includes education for his children, protection against ill health,
requirements of essential social needs and a measure of insurance
against old age and misfortunes which may be fall on him.

Though the living wage is the target, the level of national
income of a country may be so low that the country cannot afford
to prescribe by law a minimum wage which would correspond to the
concept of living wage. At the same time "the minimum wage" sta-
tutorily fixed should not be so low as to be on the level of bare
subsistence i.e. wage which is sufficient to provide only the bare
physical needs of a worker and his family for food, shelter and
clothing. The statutory minimum wage must provide not merely for
the bare subsistence of life, but also provide for some measure
of education, medical requirements and other amenities. A dist-
inction thus exists between bare minimum wage and a statutory
minimum wage. The former is so low as to cover only the bare phy-
sical needs of a worker and his family.

9.3 SIGNIFICANT FACTORS AFFECTING COMPENSATION

There is no definite, exact, and completely accurate means of
determining the correct wage, though some practical and systematic
approaches have been developed and applied, such as job evaluation.
Yet, despite the lack of objective and accurate means of wage determination, every employer must establish a wage or salary for each employee. The reality is that one does not know exactly how much pay is the scientifically correct amount that any person should receive.8

Pricing jobs is difficult because there are many factors to be taken into consideration. The American Compensation Association says: "The resulting pay structure should reflect the organization's objectives, the market place, internal job values, the mix of pay and benefits, its philosophy on how it wishes to pay versus the market, compensation policies, practices and procedures, the entity's approach to organizational structure, and the economic ability of the organization to pay at a given level".9 There is a tendency for persons who are not familiar with the cold facts of economic life or those persons who shrink from the rigid discipline of facing the facts to think of wages as coming from a pool unrelated to production.10

It would be appropriate here to examine the observations of a few authors regarding the factors that would/should influence the compensation programme of an organization:

1. Though considerable amount of guess work and negotiation are involved in salary determination, certain factors have been extracted as having an important bearing upon the final decision. Among these factors are the following: (a) supply and demand for employee skills, (b) labour organizations, (c) the firm's ability to pay, (d) the productivity of the firm and the economy, (e) cost of living, and (f) government.11

2. A large number of factors enter into the determination of the levels of wages and salaries. More important among them
are: (a) wages and salaries paid by other companies, (b) firm's ability to pay, (c) cost of living, (d) conditions in the labour market and (e) union pressure.\textsuperscript{12}

3. In any organisation, the wage and salary levels are dependent on four major factors. They are: (a) wage enactments of the governments, (b) wage rates in the community and in similar industries, (c) the influence of the workers' union on the wage rates, (d) corporate philosophy on wages.\textsuperscript{13}

4. Lanham's five criteria have a bearing on the formulation of a firm's internal wage structure: (a) cost of living, (b) productivity, (c) prevailing wage rates, (d) ability to pay, (e) attraction and retention of employees.\textsuperscript{14}

5. A sound compensation package should encompass factors like adequacy of wages, social balance, supply and demand, fair comparison, equal pay for equal work, and work measurement. The concept of adequacy has two components, the internal and the external. The internal component has a link with the fair wages concept. The external adequacy would be in relation to comparable jobs in other industries with similar background requirements.\textsuperscript{15}

6. The determination of wages implies evolving and sustaining a wage structure which (a) permits a fair remuneration to labour, (b) permits a fair return to capital and (c) strengthens incentives to efficiency.\textsuperscript{16}

7. Not only the demands of social justice but also the claims of national economy require that attempts should be made to secure to workers a fair share of the national income which they help to
produce. On the other hand care has to be taken that the attempt at a fair distribution does not tend to dry up the source of national income itself.\textsuperscript{17}

8. The wage rates established for various categories of jobs should be internally consistent, as perceived inequities in wage rates have a demoralizing effect on the employees.\textsuperscript{18}

9. The UN publication, Handbook of Civil Service Law and Practices, 1966 mentioned three major requirements of a sound pay structure. They are: inclusiveness (i.e. an inherent balance in relation to the pay structures prevailing in other sectors of the economy); comprehensibility (giving an easy quick picture of gross emoluments on the basis of the pay scale), and adequacy (to attract the right type of persons and to retain them).\textsuperscript{19} The Pillai Committee endorsing the above requirements preferred to add two more; viz. rationality (i.e. close relation with the functions and responsibilities of posts) and career planning (i.e. a programme of career development based on the discovery and development of talent).\textsuperscript{20} The Committee also felt that the pay structure has to be tailored not only to the individual needs, but also to the needs of the organisation.\textsuperscript{21}

In any economy sectoral productivities are bound to differ due to differences in skills, technology and capital, and hence wage differentials are not only inevitable but based on sound grounds. It is of course necessary that the extremes which reflect imperfections of the market and inadequacies of measurement should be avoided.\textsuperscript{22} A policy dealing with the crucial problem of determination of wage rates cannot be simply economic as it has to
reckon with the realities of multi-dimensional social phenomena,
in which, besides the worker and management, the consumer and the
society at large, and in consequence the State, are all vitally
interested.23

The Royal Commission on Labour suggested in its report in
1931: "Indian industry is not a world in itself; it is an element,
and by no means the most important element, in the economic life
of the community. Care must be taken, therefore, to ensure that,
in adopting measures for the betterment of industry or of industri­
rial workers, the interests of the community as a whole are not
overlooked".24 The learned Judge observed in Crown Aluminium Works V
Their Workmen: "if an industry cannot pay even the bare subsistence
wage, it has no right to exist".25

The personnel viewpoint is that the employee is paid for
quantity and quality of production (i.e. for results), but in
practice the criterion that most often determines the proper amount
to pay is simply the going market rate for the activity involved,
not the results achieved. Most studies show that people are paid
chiefly for the length of service and not for the quantity or
quality of their performance.26 A sound salary planning system
should be so designed as to reward an employee on the basis of
his skill and ability. The aim is to ensure that individuals are
correctly placed in their salary range in relation to their per­
formance and that they move through and between salary grades at
a rate appropriate to their progress and potential.27

The modern concept is that the ultimate gains of a unit must
be shared not only by the capitalists but also by the labour or
employees. Besides, where there is an increase in productivity, there should be some method whereby the worker also gets a fair share in the gains generated by such increased productivity. This thus raises the question of profit sharing, payment of bonus and sharing the gains in productivity.28

The Fair Wages Committee Report summarises the main principles of compensation system in the following terms: "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. This will depend not only on the present economic position of the industry, but on its future prospects. Between these two limits the actual wages will depend on a consideration of the following factors:—

(i) Productivity of labour
(ii) The prevailing rates of wages in the same or similar occupations in the same or neighbouring localities.
(iii) The level of the national income and its distribution and
(iv) The place of the industry in the economy of the country".

9.4 JOB EVALUATION

As a first step in the pursuit of equity in the wage system, there should be established a consistent and systematic relationship among compensation rates for all jobs within the organisation. The process of such establishment is termed "job evaluation". Job evaluation is a systematic method of appraising the value of each job in relation to other jobs in the organisation.30
In job evaluation, one attempts to consider and measure the inputs required of employees (skill, effort, responsibility etc.) for job performance, and to translate such measures into specific monetary returns. The immediate objective of the job evaluation process is to obtain an internal consistency in wages and salaries. It provides a rationale for paying one job in an organisation more or less than the other.

9.5 WAGE DETERMINATION IN INDIAN BANKING

Before 1949, banking was a State subject and banks having branches at different places in India became subject to the provisions of different awards in different places as regards salaries and other service conditions. In 1949, the Central Government took over exclusive jurisdiction in the matter of settlement of disputes of banking and insurance companies having branches or establishments in more than one State. The first All India Industrial Tribunal was the Sen Tribunal constituted in 1949. However, the award of the Sen Tribunal was declared by the Supreme Court as void altogether for the reason that constitution of the tribunal offended against the provisions of the Industrial Disputes Act, 1947. Though another tribunal was formed in July 1951 with Mr. Justice H.V. Divatia as chairman, the chairman and the members resigned soon afterwards, and the adjudication work could not be taken up. Thereafter in 1952 the Sastry Tribunal was constituted. A large number of the employees and some of the banks concerned in the dispute felt aggrieved by the provisions contained in the Sastry Award and preferred appeals therefrom before the Labour Appellate Tribunal.
On 28th April, 1954, the Labour Appellate Tribunal gave its decision in the matter giving larger benefits to the employees of the banks. However, as the Central Government felt that, it would be inexpedient on public grounds to give effect to the whole of the decision of the Labour Appellate Tribunal, it by an order modified the decision in certain respects. The interference of the Government with the Labour Appellate Tribunal Decision raised a wave of discontent amongst the bank employees. Ultimately, the Government appointed a one-man Commission (popularly called Bank Award Commission) to enquire into the whole affairs. The recommendations of the Commission were embodied in the Industrial Disputes (Banking Companies) Decision Act 1955. On the basis of the recommendation of the Bank Award Commission, the Travancore-Cochin Banking Inquiry Commission was appointed to study the problem of the banking system in the Travancore-Cochin State comprehensively denovo. The recommendations of the Commission were incorporated in the Industrial Disputes (Banking Companies) Decision Amendment Act 1957. Later, in 1960, the Central Government, by a notification, amended the provision relating to the calculation of dearness allowance.

In 1960, the National Industrial Tribunal (Bank Disputes) was appointed with Shri Justice Kantilal T. Desai as presiding officer. The award of this tribunal (popularly referred to as Desai Award) was published in 1962. This award was not disputed either by the banks or by the employees and the Desai Award continued till 30th June, 1969.

Subsequently, the Central Government thought it best to bring the parties together and to let them arrive at a settlement, and a
settlement was signed in 1966 between the representatives of the Indian Banks' Association and the employees unions. Subsequent to this First Bipartite Settlement, the parties also entered into the Second Bipartite Settlement (1970), the Third Bipartite Settlement (1979), and the Fourth Bipartite Settlement (1984). The latest of the settlements in this series is the Fifth Bipartite Settlement signed on 23rd February, 1989. The revised salary scales as per this settlement are to be effective for five years from 1st November, 1987. The provisions of the awards and bipartite settlements regulated the salary and other service conditions of only the non-officer staff, usually referred to as "award staff".

Though the negotiations for bipartite settlements are initiated by the Indian Banks' Association, the provisions of the settlements are binding on only those banks which specifically join as parties to the settlement. The actual practice almost all the banks became parties to the settlement, and even those banks which were not parties, adopted the same or similar conditions for their workmen. It would be appropriate to examine the principles and other factors that influenced the various tribunals/commissions/committees in passing awards/making recommendations, regarding the salary and other service conditions of employees. The wage policy followed by Sastry Award (1953) aimed at weeding out unsuitable employees on the one hand and unsound banks on the other. Certain other factors that were taken into account by the Tribunal are stated below:

(a) 'The financial condition of the institution, the size of its aggregate resources and its capacity to bear the burden of the
demands are important considerations in fixing the salaries and allowances for the employees'. (Paragraph 54)

(b) 'The cost of living varies in different areas of this subcontinent. It would not be right to have the same scale of emoluments for the employees in all these places'. (Par. 73)

(c) 'There is no exact standard for measuring the productivity of labour in connection with banking work....As regards the place of the industry in the economy of the country, it is undoubtedly whose existence and sound working are vital for developing the country's trade and commerce, for the agricultural and industrial advancement of the country....This industry cannot therefore be allowed to languish or to suffer from heavy financial responsibilities....It must also be on a decent scale as to attract trained and efficient personnel at all levels for carrying on its work'. (Par. 111)

(d) 'While the lower limit of the fair wage must be secured by prescribing a minimum, the upper limit can only be determined with reference to the capacity of the undertaking to pay'. (Par. 268)

(e) 'We are of the opinion that the best method is to have one uniform basic scale for all employees of each group of banks, but with reference to the different areas, to provide for higher initial starts in the same scale to be supplemented by a further house rent allowance in certain important cities where housing accommodation may be difficult and more expensive than usual'. (Par. 94)

Some extracts from the Labour Appellate Tribunal Decision are given below:

(a) 'We have no doubt that no bank clerk should receive less
then a wage which would not only provide him with the bare necessi-
ties of life but also give him at least a small measure of comfort.
We have then note of the argument advanced by banks that if a wage
beyond a particular figure was given, it would either curtail a
bank's activities, or that it will affect its distributable profits.
It is however a basic principle well established that fair wages
must have priority over profits. (Paragraph 31)
(b) 'It is not contended that bank clerks are in a class by
themselves; on the other hand it is the contention of Labour that
bank clerks should not be treated for the purpose of wages on any
basis lower or higher than the clerks of a commercial concern.' (Par. 37)
(e) 'A young son of India starting his career as a clerk has
to shoulder the obligations imposed on him by the social structure
of which he is a part; it may be the demands of the Joint Hindu
Family System or other claims of kith and kin, it may not be wife
or child at the commencement of his employment, but it can be a
father or mother or both, or a sister or a young brother, and to
ignore such members of the family as not being the worker's early
responsibilities in the context of our social and economic condi-
tions is to be just unrealistic'. (Par. 64)
(d)'It would be more realistic to take the view that in the
fixation of wages of bank clerks we must take into account the pay
not only of government servants, insurance companies, transport
companies, but also of the major and lesser commercial concerns,
so that the bank employees of the larger and smaller banks in the
more expensive areas and less expensive areas may be fitted into a
suitable pattern of wage scales in this all India adjudication'.
The Tribunal also felt that the differences and similarities re-
garding clerical jobs suggested a far closer comparison between
bank clerks and commercial clerks than between bank clerks and
Government clerks. (Paragraph 70)

(e) 'It may possibly be, and we shall never know for certain,
that the Sastry Tribunal adopted for the highest class bank in
Class I area the basic wages of the oil companies and then cut down
the total emoluments by a method of reducing the Dearness Allowance;
but this is speculation, and does not help'. (Par. 71)

(f) 'A fair wage must have priority over net profits, and if
that be so these banks cannot contend that a justifiable increase
in the wage bill affects their soundness or stability or otherwise
stultifies them'. (Par. 89)

(g) 'The problem now before us is to assess the reasonable
wage level of a bank clerk having regard on the one hand to the
actual cost of living with adequate neutralisation, and on the
other hand to the necessity of keeping wages in line with wages
of comparable concerns... A clerk is no less a clerk whether he
is in an industrial concern or in a bank, his duties are in the
main clerical even though the nature of such clerical duties may
very from concern to concern'. (Par. 102)

The Dasai Award desired that the pay packet of workers should
not fluctuate too often, and accordingly directed quarterly adjust-
ment of dearness allowance linked to the All India Working Class
Consumer Price Index (General), giving 100 percent neutralisation
for subordinate staff and 75 percent neutralisation for clerical
staff.33
A study conducted by the National Council of Applied Economic Research in 1969 found that among the principles considered for wage fixation in Indian banking a comparison of wage of similar occupations in other industries or organisations is generally given an important place.  

All the salary revisions of non officer staff, after that by the Desai Award were decided through bilateral negotiations held between the Indian Banks' Association and the employees' unions. The settlements signed between the parties contain only the terms, and not the guiding principles.

At the time of inauguration of the Banking Commission the then Deputy Prime Minister, inter alia, emphasised the need for canalsising a good part of annual available surplus of banks for adequate developmental purposes as 'it would really be unfortunate if improvement in methods and procedures resulted in the reduction of costs, and the surplus was appropriated between capital and labour without leaving any thing for the future growth of the industry.  

Even while the salary scales of award staff were standardised, the service conditions of officers showed much variation between different banks. Efforts towards standardisation were initiated after the nationalisation of fourteen major commercial banks in 1969. The first step in this direction was the appointment of a Committee for Standardisation of Pay Scales, Allowances and Perquisites of Officers in the Nationalised Banks (Popularly referred to as the Pillai Committee). The report of the Committee was published in 1974, and their recommendations were accepted and imple-
mented by the Government of India with certain modifications.
The terms of reference to the Committee included enquiring into,
and making recommendations to the Government on the principles
that should govern the structure of pay scales of officers of
nationalised banks and to suggest such changes in the existing
structure as may be necessary to bring about standardisation of
scales of pay, taking into consideration the terms and conditions
of the Chairmen and Managing Directors of nationalised banks.

The Committee present in their report an evaluation of the then
existing system, and the factors taken by them into consideration
in recommending the new pay structure. Some extracts from the
report are given below:

(a) 'The salary structure now obtaining in the State Bank of
India and the Reserve Bank for officers at comparable levels is
higher than that obtaining in several of the nationalised banks....
The demand for uniformity in remuneration for officers of equal
arduousness or responsibility cannot be lightly brushed aside' (par. 4-9)

(b) 'In the absence of a clear-cut policy formulation at the
Government level in respect of a national wage structure and a
co-ordinating agency for regulating wages at the national level,
it would be difficult to disturb existing relativities in respect
of one category alone'. (Par. 4-10)

(c) 'The differentiation of functions and responsibilities,
between officers at different levels is not always associated with
differentiation in emoluments' (at the time of the study by the
Committee). (Par. 4-16)

(d) 'There is much force in the demand of the officers'
associations that the pay structure should ensure equality of
remuneration for equal work in all the 14 nationalised banks.
Theoretically such a pay structure for the officers can be devised only after a scientific job evaluation. This is a time-consuming process, which this committee cannot undertake within the time span allotted to it. We have, therefore, to adopt a pragmatic approach to the problem'. (Paragraph 4-24)

(e) 'The bipartite settlements regarding non-officer staff have tended to set the floor for determining officers' salaries while the salary of the Chairman and Managing Director as fixed by Government, acts as a ceiling for all practical purposes'.

(f) 'We think that equal pay for equal work should be a guiding principle in the banking industry. As this would militate against any differentiation in pay scales between banks according to their size or resources, we have opted for the principles of uniform pay scales for all banks irrespective of their financial position or organisational structure'. (Par. 5-2,v)

(g) 'In view of the importance of a national approach to wage problems, we consider it necessary to make the pay structure in nationalised banks broadly similar to that obtaining in the State Bank Group, in the Central Government, and in public sector undertakings'. (Par. 5-2,vii)

(h) 'If the objective of attracting the best talent in the country is to be achieved, the pay of bank officers at the entry level should not be anything less than that obtaining in Class I services and public sector industries'. (Par. 5-10)

The implementation of the recommendations of the Pillai Committee
led to standardisation of pay scales of officers of nationalised banks. Even after this, there was no uniformity or even similarity in the emoluments or conditions of service among the private sector banks. The Indian Banks' Association on the request of some of the member banks undertook an exercise to standardise some of the main items of emoluments of private banks and appointed a committee for the purpose. On the Committee's report, the divergence of views among the banks was so much that no standardisation as much was found possible. However, after a series of discussions, the Indian Banks' Association issued certain guidelines in regard to the scales of pay, dearness allowance etc. leaving it to the member banks to adopt them in the manner found appropriate with reference to the conditions obtaining in individual institutions.

However, the efforts towards standardisation continued, and in 1986 the Indian Banks' Association, by negotiation and understanding with the officers' associations suggested standardised pay scales for the officers in the first three grades. Regarding officers of the higher grades the decision was left to individual banks. The pay scale I suggested by the Indian Banks' Association for officers of the lowest cadre in 'A' class banks was the same as in nationalised banks, but the highest stage in Scale II is lower by one stage, and that in Scale III by two stages. The scales suggested for 'B' class banks were further lower by two stages at minimum and maximum.

The Indian Banks' Association does not favour the member banks extending any benefit to the employees, in addition to those contemplated in the standardised service conditions.
It would be interesting to examine a few writings highlighting the salient features of the past and present compensation practices of Indian Banks:

(a) Before the constitution of national tribunals, the awards of adjudicators which varied from State to State created serious administrative problems in the process of implementation.39

(b) In many of the non-award banks, there were no specific pay-scales into which employees were fitted and hence there were no regular increments. But now, salaries, allowances, working conditions etc. are taken care of at the industry level with the help of collective bargaining.40

(c) A study conducted in 1969 by the National Council of Applied Economic Research reports that the index of real earnings of a bank clerk in the scheduled banks in India had grown from 100 in 1957 to 133.89 in 1965. The corresponding growth in cash earnings was from 100 to 200.23.41

(d) The aforesaid report reveals that during the 15 years prior to the study the wage level of bank employees increased substantially, that the increase in the wage level has not only kept pace with the rising cost of living but has also resulted in a substantial increase in real earnings and that the bank employees were unquestionably among the best paid white collar employees in the country.42

(e) The National Commission on Labour (1969) observed in their report: Bank employees, among the 'white collar' workers, secured better scales in the latter part of the period covered by our enquiry.43
(f) A study by Ishwar Deyal and Baldev Sharma in early seventies showed that in State Bank of India the rate of increase in salaries of the clerical staff was substantially higher than that for supervisory staff. 44

In 1983 the All India Confederation of Bank Officers' Organisations requested the Indian Banks' Association to revise the salary structure of officers on the basis of the following principles: (i) Equal pay for equal work, (ii) Internal relativity vis-a-vis workmen, (iii) External relativity and fair comparison vis-a-vis other financial institutions like the Reserve Bank.

9.6 WAGE DETERMINATION IN KERALA BANKS

The wage scales recommended by the Sastry Award and Desai Award were binding on only the banks with places of business in more than one State. The Bank Award Commission appointed by the Government of India in 1954 observed in its report that as the banks incorporated in the Travancore-Cochin State presented some special features closely linked up with the economy of the State, their position should be separately investigated in a comprehensive manner. 45 In pursuance of the above recommendation the Government of India appointed The Travancore-Cochin Banking Enquiry Commission. The Commission submitted its report in 1955.

The Commission describes the position of early fifties as follows: There are regular pay scales for clerical staff in only 35 banks and for subordinate staff in only 34 banks. Many of the banks have no leave rules. The total working hours of clerical staff exceed 40 per week in the case of 26 banks and those of
subordinate staff exceed 45 per week in the case of 18 banks
(The total number of banks in the area in 1954 was 153).

The Commission recommended a minimum pay of Rs. 45/- with a
dearness allowance of Rs. 20/- for clerical staff, and a basic pay
of Rs. 25/- and dearness allowance of Rs. 10/- for subordinate staff
of non-award banks. The Government issued an appeal to all non-award
banks in the State and the banks implemented this pay scale with
effect from 1-4-1957 onwards. The Tripartite Committee (1958)
observer in its report: "The calculation of minimum wages by the
Commission, it will be recalled, was based on the level of sub­
sistence expenses of the labourers in the coir industry at Alleppey
in 1952. The Commission laid down the precept that banks which
have a better paying capacity should pay according to their indi­
vidual capacity higher wages to their workmen. But this was not
heeded. Even the biggest of non-award banks felt themselves ob­
liged to introduce only the minimum wages suggested by the Commi­
sion thus making that minimum the maximum in effect while a good
number of banks did not care to implement even that minimum".

The Committee continues its report as follows: "It will also
be recalled that the Travancore-Cochin Banking Inquiry Commission
did not draw up a scale of pay based on the minimum recommended by
it. This, it may be pointed out was against the very principles
of wage fixation". In a memorandum submitted by the All Kerala
Bank Employees' Union to the Government of Kerala in 1958, they say,
"any way since the minimum wages recommended by the Commission was
an apparent improvement on the miserably low existing wages we had
accepted them as an interim measure. 50

A non-statutory committee was appointed by the Government of Kerala in 1953 to go into the question of fixation of salaries and allowances of employees of the non-award banks in the State, consisting of four representatives of the Bankers' Association and four representatives of the Kerala Employees' Union, under the Chairmanship of Shri. K.T. Ninan Koshi. This Committee made certain recommendations about the salaries and other allowances of employees in the non-award banks. 51 The decision of the Government and the report of the Committee with its recommendations were released by the Government in 1953. All the banks implemented this.

On 8th September, 1967 a local settlement was reached between the Kerala Banks' Association representing the banks which were not parties to the first national settlement of 1966 (except The Catholic Syrian Bank Ltd.) and the All Kerala Bank Employees' Federation. A similar agreement was also signed on 11th June, 1970. According to this agreement the members of non-officer staff were awarded about 22 percent increase in remuneration.53

With the commencement of the era of bipartite settlement by the signing of the first settlement in 1966, the distinction into award and non-award banks disappeared. Even the banks which were not parties to the settlements also started adopting the same or similar service conditions for their workmen. All the Kerala-based scheduled commercial banks except The Dhanalekshmi Bank Ltd. are parties to the latest settlement i.e. the Fourth Bipartite Settlement signed in 1984/1985.

The service conditions of officers in the different private
sector banks were widely different till the end of seventies. The salary revisions implemented by most of the banks by late seventies in tune with the guidelines issued by the Indian Banks' Association, narrowed down the gap. With the implementation of the pay scales recommended by Indian Banks' Association in 1986 the salary structure of officers also has now become standardised.

9.7 WAGE-DETERMINATION PRACTICE IN THE SAMPLE BANKS

The practices and methods followed by the sample banks to determine the salary scales and other service conditions of employees are described below:

FBL: During the period of the two awards (Sastry Award and Desai Award), the activities of the bank were confined to the State of domicile, and hence it was not bound by these awards. As a non-award bank it had implemented the pay scales recommended by the Travancore-Cochin Banking Inquiry Commission and also the recommendations of the Tripartite Committee for Non-award Banks. In 1964, the salary scales existing in the bank were raised by an agreement with the employees' union. The bank was a party to the settlement signed in 1967 between the Kerala Banks' Association and the All Kerala Bank Employees' Federation. The bank was also a party to the State level agreement signed on 11th June, 1970. As regards the settlements at national level, the bank is a party since the Third Tripartite Settlement, 1979.

Regarding the employees in officer cadre, the bank had its own pay structure and salary scales as decided by the management
from time to time till 1981. During this period, the bank had only three salary scales for officers. The highest salary scale was that for Senior Branch Manager cadre. Incumbents of higher posts were paid an additional fixed allowance entitled 'post allowance'. In 1981 a new salary structure following the guidelines issued by Indian Banks' Association was introduced and new grades with appropriate pay scales were created for the posts above 'branch manager'. Later, in 1986, the standardised pay scales recommended by Indian Banks' Association were also implemented by the bank.

Even while the bank had its own pay structure for officer staff, it used to pay them dearness allowance following the formula applicable to the award staff. As a result, the senior officers of the bank were drawing a higher remuneration compared to their counterparts in many other banks including nationalised banks. As such, the adoption of the Indian Banks' Association guidelines, and the implementation of the Indian Banks' Association-recommended standardised pay scales adversely affected the officers of this bank. Hence, the fall in pay was protected by giving additional increments, and as personal pay adjustable against future increments.

Regarding award staff, this bank was bound by both the awards and was also party to all the national settlements.

In this bank also, for officers there was a separate pay structure till 1979, when a new pay structure following the Indian Banks' Association guidelines was introduced. During this period, the salary scales were determined by the management unilaterally or by negotiation with officers' association, depending upon the attitude and policy of the top management at the time. Generally, the
Pay scales of officers also were revised each time that of award staff were raised. Now, the officers of the first three grades in officer cadre are paid under the standardised pay scales recommended by the Indian Banks' Association. For the higher grades in officer cadre also it has adapted the pay scales prevailing in nationalised banks, by lowering them by two stages, following the general principle followed by the Indian Banks' Association regarding the lower scales.

Prior to introduction of the pay structure following the Indian Banks' Association guidelines, the bank used to pay officers also, dearness allowance at the rates for award staff. On introduction of the new structure effective from 1979, in order to protect the total pay that the officers would have drawn under the old pay structure, the bank elongated the new pay scales upwards from what the Indian Banks' Association suggested. As the Indian Banks' Association directed against such modifications on the unified pay scales, the reduction in pay consequent to implementation of standardised pay scales in 1986 was protected as personal pay adjustable against future increments. Still, officers at the last stages in the old scales had to face reduction in their pay.

CSP: This bank was bound by both Sastry Award and Desai Award. It is also a party to all the settlements from the Third Bipartite Settlement. Though the bank was not a party to the First and Second Bipartite Settlements, it also had adopted the terms of these settlements.

Before 1967, the bank had only one pay scale for officers; and
two pay scales since 1967 till 1981. Higher posts were not considered promotion posts, but only attracted a special allowance for the period the incumbent held the post. In 1981, with the assistance and guidance of the National Institute of Bank Management (NIBM) the bank introduced the present system of gradation of posts in officer cadre. This resulted in an organisation structure with an officer cadre of seven grades, each with appropriate pay scales. The bank made use of the assistance of the National Institute of Bank Management so that the gradation of posts and determination of pay structure could be 'by the application of modern job evaluation techniques'. The present pay scales for officers of the lower grades in the bank are the standardised pay scales recommended by Indian Banks' Association.

This bank was not bound by Sastry Award. But it was bound by Desai Award and was a party to all the national bipartite settlements. Even much before the era of awards and settlements, this bank had introduced for the employees graded scales of pay with periodical increments. The Directors' Report for the year 1914 contains a reference regarding this.

Till 1980, the bank had only two grades in officer cadre - Accountants and Agents. For holding of higher posts the incumbent was paid 'charge allowance'. In 1980 three more higher grades were created raising the total number of pay scales in officer cadre, to five. Before the introduction of the pay scales as per Indian Banks' Association guidelines, the pay scales for officers in this bank were decided by the bank mostly through negotiations with the employees' unions. The benefits to the award staff as per the
preceding bipartite settlement usually formed the basic formula for such pay revisions. As a result, prior to the implementation of the Indian Banks' Association guidelines in 1980, the officers of the bank enjoyed better service conditions compared to the officers of other banks of similar size. The Indian Banks' Association-recommended pay scale was implemented by the bank under a fitment formula adopted through a joint negotiation among the management, the Indian Banks' Association and the Officers' Association. The bank was not bound by any of the awards. It was also not a party to the First and Second Bipartite Settlements. But it is a party to all the subsequent bipartite settlements. As a non-award bank, it also implemented the recommendations/settlements made at State-level regarding such banks. As a party to the last three national bipartite settlements, it is now governed by all the service conditions determined at national level as regards award staff.

For officers, the bank had its own pay structure till introduction of the pay scales according to Indian Banks' Association-guidelines. The pay scales for officers were fixed by the bank during this period taking into account the pay scales in other banks of its class and size. At present the officers are paid under the Indian Banks' Association-recommended salary scales.

3.8 SUPPLEMENTARY COMPENSATION

Supplementary compensation made in addition to wages to stimulate the interest of the workers and to make the job more attractive and
conducive, is referred to as 'Fringe Benefits'. They are sometimes called "indirect benefits". Most of the types of benefit programmes in existence today were originated by employers and usually for sound business reasons - to reduce the costs of turnover and absenteeism, to reward effort and improve efficiency, to take advantage of tax savings and to aid in the recruitment or workers.54

In the beginning, they included items aimed at relieving distress caused by physical abilities, sickness and insecurity on retirement. Thereafter, the items in the fringe benefits increased and even the question of profit-sharing came into the picture. In India also, fringe benefits started with gratuitous payments, made by social minded employers until the Factories Act of 1881 and subsequent legislations provided for compulsory benefits.55

The compensation scheme of the sample banks includes in addition to basic salary and dearness allowance:

(a) Special allowance payable (i) for discharging duties and functions requiring special skill or responsibility and (ii) for specified qualifications like graduation and CAIIB.

(b) Overtime allowance for work above normal working hours.

(c) Leave including privilege leave, casual leave, sick leave, extraordinary leave, maternity leave, special leave (for trade union functionaries) and quarantine leave. There are also provisions for conversion of unavailed casual leave into sick leave and for encashment of privilege leave.

(d) House rent allowance

(e) Leave fare concession for the employee and the dependent family members.
(f) City compensatory allowance
(g) Hill station allowance
(h) Fuel allowance
(i) Water scarcity allowance
(j) Washing allowance (for subordinate staff)
(k) Cycle allowance (for subordinate staff)
(l) Reimbursement of medical expenses
(m) Higher rate of interest on deposits
(n) Loans and advances at concessional rates of interest
(o) Project area compensatory allowance
(p) Split duty allowance
(q) Contributory provident fund
(r) Gratuity
(s) Closing allowance
(t) Entertainment allowance (for officers)
(u) Reimbursement of club membership fees (for officers)
(v) Mid-academic year transfer allowance
(w) Stagnation increments
(x) Bonus

The first step in building effective reward practices is for the company to make sure that the rewards it is providing are the ones which are widely desired. This is a seemingly simple point that is often neglected. In day-to-day operations, we frequently forget that, regardless of the value the giver or observer places on a reward, its motivational influence comes about only as a result of the value the receiver places on it. In effect, rewards that the company considers highly positive inducements may not be
so regarded by many of the persons receiving them. With respect
to 'fringe benefits' a cafeteria arrangement would be desirable
where the employee can periodically choose what particular benefits
he or she desires while remaining within an overall cost limit.

9.9 INCENTIVE COMPENSATION

Employee compensation can be used for two basic purposes:

(1) to attract and retain qualified personnel in the organisation, and

(2) to motivate these personnel to higher levels of performance.

Eventhough we disclaim the existence of the purely economic
person, it cannot be denied that money constitutes a powerful motivation for many people.

Man does not live by bread alone is as true today as it was
when it was written in the Sacred Literature nearly 2000 years ago.
Man is as much a social creature as he is an economic man. It is
not unusual for a company to pay its employees well yet suffer from
widely prevalent discontent and inefficiency. The perplexity of
its management is easy to understand. The phenomenon is not diffi-
cult to explain. A company which depends solely or largely on the
financial factor to get the most highly talented people and to get
the best out of them is sure to be disillusioned. And persons who
given the choice choose their occupations and careers on monetary
considerations alone will equally surely be disenchanted. There is
a limit to which money can be a substitute for other satisfactions.
Nevertheless, it is important to recognise the fact that good people
cannot be attracted nor will they give their best unless they are
well-paid. A sound programme certainly requires an atmosphere in which efficiency and accomplishment are encouraged and rewarded, employee self development is emphasised, and employee obligations as well as rights and privileges are recognized.

Money should take a high position in any list of motivational tools. People are motivated by money for many different reasons. The need to provide the basic necessities of life motivates most people. Some people view money as instrumental in satisfying non-economic needs, such as status, power, and affiliation with desired groups. Money is often viewed as a symbol of personal success and achievement.

In using pay to motivate employees, employees must feel that the additional pay offered is worth any extra effort they will have to expend to get it. To be effective, a wage incentive programme must be -

1. Based on sound, clearly defined principles and objectives
2. Based on sound work-measurement principles
3. Thoroughly understood by the supervisory personnel
4. Administered firmly and fairly, and
5. Maintained to accurately reflect existing job conditions.

None of the sample banks has any scheme of incentive payment, linked to the quantity or quality of the work turned out by the employee. The Indian Banks' Association also discourages the member banks from extending to the employees any benefits or additional payments - whether linked to productivity or otherwise - beyond those contemplated and provided for in the awards or bipartite settlements.
9.10 FINDINGS

1. Wage determination in banks has ceased to be a function of personnel management in individual banks. The salary scales and other service conditions of employees are determined at industry level and individual banks have no direct participation in the determination of wage rates.

2. Wage scales and other service conditions of employees are being determined through negotiations and settlements between associations of banks and employees. Job analysis and job evaluation techniques are not applied for the purpose.

3. Salary scales of award staff and officers of the first three grades are standardised. For this purpose banks are grouped into two classes on the basis of working funds. In the banks with higher working funds, pay scales are higher and vice versa. Only the salary scales of a very few officers at higher grades are determined by the individual banks.

9.11 SUGGESTIONS

1. A compensation structure based on job evaluation is widely considered as ensuring equity as well as internal and external consistency in wages and salaries. Under such a system, the employees also would perceive the fairness and equity of the compensation system. Even when salary scales are determined through negotiations, such negotiations could be on the basis of scientifically developed job related data. Negotiations not based on such data are likely to lead to final settlements reflecting only the relative strength
of the bargaining parties. Hence, it is desirable that the Indian Banks' Association take up a comprehensive job evaluation exercise with the active involvement of individual banks and the employees' associations as the preliminary step towards wage determination.

2. The increased resort to collective bargaining and bilateral negotiations as tools of wage determination needs a rethinking. The very fact that some increase in emoluments or some additional benefits have been extended as a result of collective bargaining gives the impression that the employees "made the management come through". This impression cuts at the very root of the motivational value of compensation. It is imperative that the managements accept and follow a philosophy of granting what is due to the employees even without any external pressure and never succumbing to pressures to grant something which is not deserved.

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15. Ibid pp.200-201.
17. Indian Chamber of Commerce op cit p.40.
20. Pillai Committee op cit pars.4-16, 17.
21. Ibid par.5-4.
25. Indian Chamber of Commerce op cit p.28.
29. Quoted in the Award of the All India Industrial Tribunal (Bank Disputes) Bombay on the Industrial Disputes Between Certain Banking Companies and Their Workmen, 1953 (Sastry Award), par.109.

31. Flippo op cit p.300.

32. Award of the National Industrial Tribunal (Bank Disputes), 1962 (Desai Award), pars. 2-6 to 2-8.

33. Sastry Award op cit par.251.

34. Labour Appellate Tribunal Decision on the Appeals against the Award of the All India Tribunal (Bank Disputes), 1954.

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38. Pillai Committee op cit p.3.


41. Shah op cit p.156.

42. Bipartite Settlement signed on 1st August, 1979.


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