Staff Welfare Measures in Public Sector Banks
Warrants Review?

Background:

In a welfare society, Organisations are expected to take care of the employees including former employees by providing benefits, facilities and services as a part of an ongoing process as human assets are playing significant role in enhancing the value of the stakeholders. The need and importance of the employee welfare is being increasingly appreciated throughout the civilized world including India. The concept of welfare is a dynamic one and has different connotations.

Employee Welfare means whatever benefits being extended by the Employer for the comfort and improvement of the well-being of the employees/family members, over and above the statutory payments viz., Salary, Pension/NPS.

The welfare of the employees can be affected by varied factors, both in and outside the workplace viz., Physical, Emotional and Psychological. These issues have direct bearing on the efficiency of the employees as well as reputation/brand value of the organisation. The important welfare measures include housing, health care, holiday homes, reimbursement of medical insurance premia and hospitalisation bills for treatment of major ailments (over and above insurance claim), financial assistance to bereaved families etc. It may be a little additional cost to the organisation but a win-win situation for both Employer and Employee and also beneficial to the society at large. These activities are expected to be undertaken by the organizations to ensure that the workforce and their families, lead a comfortable life.

It is a fact that the performance of an employee not only depends on present emoluments but also post-retirement benefits/facilities. When the management is taking care of the present and future requirements of its human assets, it creates an impact on the employee for more commitment and loyalty to the organisation.

The welfare measures are broadly classified as Statutory and Voluntary. It is mandatory on the part of the organisations to pay the salaries/wages to its employees as per extant laws of the land with regard to Shops & Establishment Act, minimum wages Act, Gratuity Act, Provident Fund Act, Pension Regulations wherever applicable etc. The later part deals with the benefits which are not compulsory but organisations are willing to extend some additional facilities to their employees.

Welfare Measures - Retired Central Govt Employees:

Government of India has taken up various initiatives/measures facilitating the promotion of welfare by providing relief for mitigating the hardships of the former employees which includes:

- Providing health care facilities to former employees/spouse and dependent children through CGHS at identified locations at nominal cost.

- Setting-up of a Standing Committee of Voluntary Agencies to help mobilize voluntary efforts to supplement the Government action as well as to serve as a useful forum for providing feedback for the policy initiatives and implementation of welfare programmes for pensioners.

- Establishment of an Information and Facilitation Counter for the pensioners, to provide information about the pension-related services/schemes and procedures. The single-window approach facilitates resolution of grievances in a timebound manner.

- Constitution of a Compassionate Fund for providing relief to the families of Government servants left in indigent circumstances and who do not receive any other form of death benefits such as Contributory Provident Fund, Gratuity or Family Pension.

Indian Banking Industry has been showing steady growth over the years and the total business (Deposits & Advances) stood at Rs.323 lakh crore and earned a profit of Rs.2.22 lakh crore as on 31st March 2023. This was made possible on account of active involvement of 15.75 lakh workforce (**PSBs 7.76 lakh** & Private Banks 7.99 lakh) across the banks. The role of Human Assets has attained utmost importance in Banks as this sector is service sensitive where frontline staff play a significant role in attending the customer needs and achieving the targets set by the Banks.

Public Sector Banks (PSBs) & Staff Welfare Measures:

The PSBs are contributing 60% of total banking business (Rs.187 lakh crore) and around 7.76 lakh employees are working across the country. PSBs are extending welfare schemes to their employees like Health check-up, Canteen subsidy, Holiday Homes, Subsidy on health insurance premium, Funeral expenses etc. Though, the concept of "Staff Welfare" is in practice in PSBs since long, Banks are earmarking little funds for this purpose say 3% of Net Profit with a ceiling of **Rs.15 crore** irrespective of bank-size. Further, there is no uniformity in implementation of the schemes across the Banks. While few Banks are extending benefits to the existing staff but the former employees found back seat in many PSBs.

Khandelwal Committee:

In the above backdrop, Govt of India constituted a committee in the year 2009 to look in to HR issues of PSBs under the chairmanship of Shri A N Khadelwal and the committee submitted report in June 2010. The views/recommendations of the committee on Staff Welfare measures are as under

- Recognized the importance of Staff Welfare measures and suggested to extend non-statutory facilities to keep the employee motivation high.

- Allocate 3% of Net Profit to Staff Welfare Fund every year based on the business volume and employee strength. However, the allocation is subject to Rs.150 crore for SBI; Rs.40 crore for Large Banks; Rs.20 crore for Medium Banks and Rs.15 crore for Small Banks.

- The committee observed that the number of retired and retiring employees was increasing year after year. Thus, it is fair on the part of banks to allocate a due share of welfare funds to retired employees in view of their long service and contribution to the growth of the respective banks.

- Earmarking **one-fourth** of staff welfare funds to retired staff/spouses to meet the health care facilities.

- **Two Retired Senior Executives** should be nominated by each bank on its Staff Welfare Committee.

Based on the committee report, Government of India issued broad guidelines on the usage of the funds vide DFS lr.no.14/7/92-IR dated 14.02.2012. As per the extant guidelines, it is mandatory on the part of the banks to earmark 3% of Net profit to the credit of the Staff Welfare fund every year with a cap of Rs.100 crore for SBI; Large Banks Rs.25 crore; Medium Banks Rs.20 crore and Small Banks Rs.15 crore. While communicating the above limits, DFS further suggested that "Banks may consider the option of **Group Insurance Policies** for both serving and **Retired employees.**"

Banks & Staff Welfare Funds:

PSBs have started allocating funds to Staff Welfare since 2012 based on the business volume and staff strength ranging from Rs.15 crore to Rs.100 crore every year. Unfortunately, majority PSBs have stopped the funding to staff welfare fund due to reported losses in the years 2017 to 2020. Consequently, many banks have withdrawn ongoing welfare schemes especially meant for retired staff. Though, the banks started showing improved profit figures from the year 2020, ironically the allocations to the welfare fund are falling in the post-merger scenario due to cap on contributions on merged entity and the details are as under.

PSBs - Net Profit Vs Staff Welfare Funds as on 31.03.2023 (Rs. Crore)

No	Bank	Net Profit	Eligible @ 3% Net Profit	Bank's Contribution Pre-merger*	Bank's Contribution Post-Merger
1	State Bank of India	50232	1507	220	100
2	Canara Bank	10604	318	50	25
3	Bank of Baroda	14110	423	70	25
4	Union Bank of India	8433	253	70	25
5	Punjab National Bank	2507	75	70	25
6	Indian Bank	5282	158	50	25
7	Bank of India	4023	121	25	25
8	Indian Overseas Bank	2099	63	20	20
9	Central Bank of India	1582	47	25	25
10	Bank of Maharastra	2602	78	15	15
11	UCO Bank	1862	56	20	20
12	Punjab & Sind Bank	1313	39	15	15
	Total	**104649**	**3139**	**650**	**345**
* Merged Banks figures included					

- All PSBs have been showing increased profit figures since 2020 and the Net Profit of the banks stood at **Rs.1.05 lakh crore** for FY 2022-23.

- In all genuineness, Staff Welfare Funds of PSBs to receive **Rs.3139 crore** (3% Net Profit without cap).

- As per the extant DFS guidelines, the expected amount to be transferred to Staff welfare Fund should be **Rs.650 crore** taking the merged bank business and staff strength in to account.

- In the light of improved profit figures of the banks, staff were expecting substantial flows to Staff Welfare Fund, whereas PSBs have received **Rs.345 crore** only, a pittance (mere **0.33%** of Net Profit) compared to earnings of the banks and the extant eligibility criteria.

- Today, the total beneficiaries of Staff Welfare Fund are around **15 lakh** (existing staff 7.76 lakh & Retired staff 7.24 lakh) and the numbers likely to increase further in the ensuing years on account of recruitments / retirements.

- The per employee profit is around Rs.13.49 lakh where as per employee welfare fund works out to Rs.4450 only.

We understand that banks like SBI, BOI, PNB and UBI have provided little additional funds for welfare activities in the recent years but quite inadequate in the light of increased staff strength and retired staff. In the above backdrop, many banks are not continuing the desired staff welfare measures especially meant for retired staff on the pretext that the staff welfare fund is insufficient. Thus, it is the time to take up the following pertinent points with DFS and IBA to strengthen the fund position and also ensure that the former employees get their due share.

- Presently, the banks are allocating 3% of Net profit to Staff Welfare Fund with a ceiling of **Rs.25 crore** for PSBs which is quite insufficient in the light of increased staff strength/retired employees on account of Mega-Mergers in 2020. The allocated amount to Staff Welfare Fund is paltry and unable to meet even a part of the welfare activities. Thus, there is an urgent necessity to **revise the limits upward without any cap** to undertake various welfare measures on an ongoing basis.

- The need of the hour is to revisit the present methodology of earmarking funds to staff welfare activities as Bank Net profits are under severe stress due to increased provisioning to meet the credit, operational and market risks. It is fair to allocate welfare funds based on **Operating Profits** instead of Net Profits on priority.

- Banks to ensure adequate funds are allocated and the retirees should receive their due share every year.

- In order to protect the interest of retirees, there is an urgent need to have proper representation of retiree representatives in the Staff Welfare Committee of the banks.

Bank Retirees – Health Insurance:

Life is full of uncertainties, but "Ageing" is certain. Consequently, the age-related ailments will be the order of the day. It is a naked fact that most of the retirees are living independently with little or no support from their children/family members. Thus, this segment is opting for Health Insurance Schemes to meet their present and future medical needs to lead their lives independently and peacefully.

Hitherto, PSBs were extending Hospitalisation scheme to the retired staff as part of welfare measures but the scheme was withdrawn abruptly in the year 2015 and introduced IBA Medical Insurance Scheme where the retirees are compelled to bear the insurance premium. The premium for Rs.4 lakh base policy was increased to multi-fold from Rs.7700/- to **Rs.68200/-** during the last seven years and now it is unaffordable to many retirees. The increased premium rates especially in higher age group retirees, forces them to choose exit route exposing to vulnerable situations.

Across the organisations, it is observed that employers are showing increased interest in staff welfare measures in order to provide additional security to their employees and their families in different forms viz., health, education of children, recreation besides extending financial support to the bereaved families. Majority of the said measures pertaining to existing staff members only. Presently, the welfare measures to retired employees is limited to holiday homes and paltry reimbursement of health insurance premium that too in few PSBs only.

Way forward:

Ageing and *Ailments* are always move together and it is more so with Retired employees. It is not out of place to mention that the retirees are spending substantial portion of their limited income/savings towards payment of health insurance premium and other associated expenses for self/family members. Thus, there is an urgent need to address this issue by the employers (PSBs) either covering all retired staff under Group Medical Scheme at banks' cost or extending at least 50% subsidy every year on health insurance premium paid. It is possible only when the PSBs earmark 3% of Operating Profit to Staff Welfare Fund without any cap.

Further, the retired staff of PSBs deserve allocation of minimum **50%** of staff welfare fund as the number of retirees (7.30 lakh) are almost equal to serving staff (7.76 lakh) at present and it is likely to surpass present workforce shortly. The changed scenario warrants the banks to allocate additional funds, over and above statutory prescription to take care of the genuine health related costs of the former employees of the banks and their family members. Further, bankers expect that PSBs should extend financial relief to the bereaved families and also one-time exgratia to Super Senior retirees as a proactive gesture.

Banks being service organisations where the role of employee is significant, it is the responsibility of the respective bank managements to extend statutory and non-statutory benefits/facilities to the existing as well as retired staff on an ongoing basis. Thus, it is the time to revisit the entire gamut of Staff Welfare Schemes of PSBs including allocation of funds and its utilisation.

The former employees of PSBs have contributed a lot for the development of their respective banks by their hard work, sacrifices, devotion and dedication. Further, the bankers are the most law-abiding lot and have been genuinely paying taxes all through the years for nation building. In the process, they have exhausted all their energies and resources and are left with little income to lead their second innings independently. Thus, the retired bankers are forced to look up to the Government, the Regulator and former Employers for health coverage at affordable cost. This can be done by allocating adequate funds to Group Health Insurance schemes meant for retired employees.

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