

THE FEDERATION OF BANK OF INDIA OFFICERS' ASSOCIATIONS

(REGD.No.7364)

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Circular No. 2014/42

Date: 27/06/2014

Dear Comrades,

TEXT OF MEMORANDUM SUBMITTED TO SHRI ARUN JAITLEY, HON'BLE MINISTER OF FINANCE, GOVERNMENT OF INDIA

We reproduce hereunder the contents of AIBOC Circular No. 2014/46 of date on the captioned subject issued by Com. Harvinder Singh, General Secretary, AIBOC for your information & circulation.

QUOTE: "It was decided, as informed earlier, that the UFBU will meet the Finance Minister in a delegation to apprise him of our issues and demands. Accordingly, the delegation of UFBU met Shri Arun Jaitley, Hon'ble Minister of Finance, today in New Delhi and submitted a Memorandum on wage revision. The Finance Minister assured that he would call for the particulars and details from the Finance Ministry and look into the matter. We reproduce hereunder the text of Memorandum submitted to the Finance Minister, for information of members.

Sd/-
(Convenor)

"Respected Sir,

We submit, for your kind perusal and information, the present position with regard to the negotiations between the Indian Banks' Association (IBA) and United Forum of Bank Unions (UFBU) on the revision of wages and service conditions of Bank employees/officers.

United Forum of Bank Unions (UFBU) is the umbrella forum of 5 workmen unions and 4 officers' associations in the Banking Industry covering 1 million workmen and officers and is currently on wage negotiations with Indian Banks' Association (IBA). The wages and service conditions in the Banking Sector are governed by the Industry-level Bipartite Settlements signed between the IBA and the Negotiating Unions/Associations of Bank employees/ officers. The term of the last settlement (9th bipartite agreement) came to an end on 31.10.2012 and the revision of wages and other service conditions has become due since 01.11.2012.

UFBU has submitted its Charter of Demands to IBA on 30.10.2012 before expiry of the previous Bipartite Settlement and requested IBA to adopt a time-bound programme to hold the negotiations on the demands and to expedite the settlement as early as possible. More than 10 rounds of discussions have taken place between IBA and UFBU so far on the issue but IBA is delaying the settlement. Despite a lapse of 20 months since starting of negotiations, no significant improvement is made towards expeditious conclusion of settlement. Moreover, IBA is offering the least increase quoting non-affordability of banks in paying higher wages partly because of increase in Non-Performing Assets (NPAs).

We furnish hereunder our view-points in support of our just demands for a respectable wage revision to all employees/officers in the banking industry:

a. PERFORMANCE OF PUBLIC SECTOR BANKS:

In Public Sector Banks, the profitability, Business per employee and Profit per employee are on the increasing trend only, which is also the basic yardstick for measuring the affordability of banks for increase in wages. The data relating to public sector banks as on March 2012 vis-à-vis the position as on March 2007 is furnished below for your kind reference:

PERFORMANCE OF PUBLIC SECTOR BANKS

| S.No. | Particulars | As on March 2007 | As on March 2012 |
|-------|-----------------------|------------------|------------------|
| 01 | Number of Branches | 49,573 | 67,930 |
| 02 | Total Business | Rs.33 lac Crs. | Rs.85 lac Crs. |
| 03 | Operating Profit | Rs.42,655 Crs. | Rs.1,16,335 Crs. |
| 04 | Business per Employee | Rs.7.55 Crs. | Rs.15.01 Crs. |
| 05 | Profit per Employee | Rs.4.57 Crs. | Rs.8.42 Crs. |

It is evident from the above statistical data that the performance of Public Sector Banks is impressive and continuously on the increase. Whereas the bank employees are not compensated with adequate remuneration in relation to the types of jobs performed and the risks involved thereat.

Our demand for respectable revision of wages considering the due share in the prosperity of the banks on account of increasing profits is just and reasonable. The erosion in profits is mainly due to apportioning of huge amount of profits towards provisions and write-offs of bad loans, which cannot be attributed as a reason for denying our just legitimate demand. The brief details of such provisions and write-offs of bad loans in the last years are furnished hereunder:

(Rs. in Crores)

| Year | Gross Operating Profits (Rs.) | Provisions made for Bad Loans (Rs.) | Bad Loans Written-off (Rs.) | Net Profit (Rs.) |
|---------|-------------------------------|-------------------------------------|-----------------------------|------------------|
| 2008-09 | 66,972 | 11,121 | 6,966 | 34,392 |
| 2009-10 | 76,861 | 18,036 | 11,185 | 39,257 |
| 2010-11 | 99,981 | 29,830 | 17,794 | 44,901 |
| 2011-12 | 1,16,335 | 38,177 | 15,551 | 49,514 |
| 2012-13 | 1,21,943 | 43,102 | 27,013 | 50,583 |

b. OTHER FACTORS JUSTIFYING OUR DEMAND FOR INCREASED WAGES:

- ❖ The spiraling rate of inflation has made the life of bank employees miserable and also eroded the value of their earnings;
- ❖ The wages should go well with the present standard of living, which has undergone a remarkable change with increase in basic requirements;
- ❖ Due to the increase in attrition rate, more number of employees needs to be recruited and reasonable wages need to be offered to retain them inasmuch as, the other comparable sectors offer more to their employees. This would not only encourage and motivate the employees but also would ensure perfect growth of the institution.

c. WAGES IN OTHER COMPARABLE SECTORS:

The wages of employees settled recently in other comparable public sector organisations and Government are indicated hereunder:

| | | |
|----|---|---|
| 01 | Coal India Ltd. | 25% increase in Gross Wages |
| 02 | Steel Authority of India Ltd. (SAIL) | 16% increase in basic and D.A Plus 6% increase in Perks |
| 03 | Indication by the previous Government to 7 th Pay Commission | 30 – 35% salary hike |
| 04 | Interim Relief | The interim relief provided by various State Governments and other public bodies ranges between 25% and 30% |

It may not be out of place to mention here the observations of the Tribunal headed by Shri Panchapagesa Sastry, popularly known as 'Sastry Award' that the Bank employees and officers deal with huge amount of public money, hence it is all the more necessary to compensate them with adequate salary and allowances so that they are contented and do not succumb to the temptations that often come in their way, oftener than in most other industries. Historically, bank employees and officers were paid higher salary than the

Government employees and officers of comparable levels due to various factors like accountability, transferability, responsibility and role-sensitivity. However, subsequent Pay Commissions have given a go by to the concept of pay parity and the salary of bank employees and officers has come down substantially when compared to their peers in the country particularly after implementation of Sixth Pay Commission and consequent salary revisions in other public sector undertakings. Presently, the bank employees and officers are far below their peers in respect of Salary and Allowances.

The percentage increase in the last wage revision, i.e., 9th Bipartite Settlement, for bank employees/officers was capped at 17.5% on total cost, though the revision in other public sector undertakings was in the range of 23-25%, because of additional cost on account of one more option to pension. The spiraling cost of living and the high rate of inflation in the last years made the life of common man miserable. As against the reasonable demand of 25% increase in the pay slip components, the IBA has offered a very meager 11% increase in pay slip components.

Banks also have affordability for a respectable wage revision due to the increasing trend in the profitability of all banks and also considering the fact that the cost of wage bill would slide down due to reduction of staff strength on account of huge retirements. The scheduled retirements of around 15% of employees during the 5-year settlement period would automatically reduce the wage bill expenses even if replaced by recruitment.

Perquisite Tax:

We also bring to your kind notice another issue confronting the bank employees and officers i.e., Tax on Perquisites. The concessionary rate of interest loans, which are available to bank employees and officers, such as Housing Loans, Car Loans, Two Wheeler Loans, etc., and the facilities provided viz., housing accommodation, furniture & fixtures, reimbursement of expenses incurred on conveyance and maintenance, etc. come under the purview of Perquisite Tax and the employees in the Bank are taxed accordingly, whereas the employees and officers in Government Departments do not come under the purview of Perquisite Tax and this anomaly needs to be redressed.

With due consideration of merits on our submission as above, we humbly seek your kind intervention in the matter so that IBA can be suitably advised to ensure respectable revision of wages to all bank employees and officers by also considering the risk and responsibilities and also stress involved in their functioning in the highly competitive environment, which is prevalent now.

We profusely thank you for providing us this opportunity to interact with your goodself and enabling us to submit our view points. We trust that our just demands will merit due consideration and we hope that the bank employees and officers would achieve respectable wage revision with your kind intervention.

The other issues confronting the bank employees and officers include the recent retrograde recommendations of P J Nayak Committee championing the cause of private players, wiping out the public sector character of the nationalized banks in the Country, the financial reform measures that are detrimental to the interests of the general public and the Nation on the whole. We shall be highly obliged if we are permitted to present our views on these issues separately with due consideration before contemplating any change.

Thanking you in anticipation,

With best regards.”

Yours sincerely,

Sd/-
(K.K.NAIR)
INBOC (CHAIRMAN, UFBU)

Sd/-
(M.V.MURALI)
NCBE (CONVENOR, UFBU)

Sd/-
(C.H.VENKATACHALAM)
AIBEA

Sd/-
(HARVINDER SINGH)
AIBOC

Sd/-
(S.NAGARAJAN)
AIBOA

Sd/-
(PRADEEP BISWAS)
BEFI

Sd/-
(SUBHASH SAWANT)
INBEF

Sd/-
(MOHAN KUMTAKAR)
NOBW

Sd/-
(S.DESHPANDE)
NOBO

UNQUOTE

The undersigned took an opportunity to submit another letter, which was sent earlier, by the Confederation, requesting the Hon'ble Finance Minister to remove anomaly in treating the valuation of perquisites for the purpose of income tax for Govt. Servants and employees of Public Sector Banks. His intervention was sought in removing the discriminatory provisions of Income Tax Act on perquisites by treating the employees of Public Sector Banks at par with the Government employees. The contents of the letter is appended here below:

"Shri. Arun Jaitley,
Hon'ble Minister of Finance,
Government of India,
New Delhi

Respected Sir,

RE: Budget Proposals 2014-2015
Valuation of Perquisites on Leased Accommodation /
Tax Exemption on Leave Encashment on superannuation

Hearty congratulations on behalf of the entire banking fraternity on your assuming charges as Hon'ble Finance Minister of India. We are confident that India is poised to take unfaltering giant strides forward with a person of your caliber at the helm of affairs. We look up to you to give our Economy the fillip that will make us a force to reckon with. As a banker community, we feel spontaneously at ease in approaching you with issues that are anomalous and need to be addressed in the ensuing Budget Exercise.

Sec. 17(2) of Income Tax Act, 1961 defines Perquisites and Rule 3 provides for the mechanism of taxation. According to the rules in force, **the valuation of perquisite is different for the Government servants and employees of Public Sector Banks.**

One such issue that is engaging our mind is **"the Valuation of Perquisites"** for the purpose of income tax on leased accommodation provided to the assessee by his employer. As employees of Public Sector Banks, we seek parity with the Government servants particularly with regard to the Valuation of Perquisites of accommodation provided by the Employer or where the accommodation is taken on lease/rent by the employer.

Another issue where we seek parity is on Taxability of Leave Salary Under Sec.10(10AA) of Income Tax Act, 1961. **It may be mentioned here that for Government servants , the leave encashment at the time of retirement is fully exempted from Income Tax. For non government servants, it is taxable beyond Rs.3.00 lacs subject to the conditions stipulated in Sec. 10(10AA).**

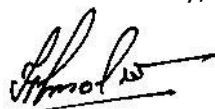
Yet another issue is of Motor cars provided to the branch for business development and other official purposes to the executives at branches and administrative offices. Wherever personal use of such official car is involved, the specified sum is recovered from the salary of the branch head / executive. **But the perquisite value is computed for the provision of car as if it was provided for personal use and not for business development / official purposes. In as much as the perquisite towards car cannot be directly attributed to the employee, it should fall under the category of Fringe Benefit Tax and not to be taxed as perquisite.**

Having regard for you as a practical and pragmatic person with a balanced overview of issues, we seek your intervention in removing the discriminatory provisions of Income Tax Act by treating the employees of Public Sector Banks at par with the Government employees. Such a kind act on your part will uphold the principles of equity and remove our heartburns.

Thanking you,

Yours faithfully,
Sd/-
(HARVINDER SINGH)
GENERAL SECRETARY"

With comradely greetings,

Yours comradely,

(HARVINDER SINGH)
GENERAL SECRETARY