

Indian Banks' Association and Employee Unions Ink Historic Pact - A Comprehensive Overview

written by King Stubb & Kasiva | March 28, 2024



On 8th March 2024, a landmark settlement was formalized between the Indian Banks' Association ("IBA") and workmen unions. This accord, known as the 12th Bipartite Settlement, stands as a testament to the collaborative efforts undertaken to address the pressing concerns of the workforce in the public sector banking domain.[\[1\]](#) The significance of this agreement reverberates throughout the Public Sector Bank ("PSU") landscape, heralding positive transformations for the multitude of employees within this sector. The agreement carries the promise of fostering enhanced well-being, professional growth, and financial security for the workforce associated with PSU banks. It can foster an environment of mutual respect and prosperity for both employers and employees alike. The implications of this agreement extend beyond mere economic considerations and hold the potential to reshape the dynamics of the banking industry.

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Key Highlights

The IBA and various bank employee unions reached consensus, finalizing a significant annual wage increase of 17%. Concurrently, an agreement was reached to formally recognize all Saturdays as holidays, contingent upon government notification. The landmark development was announced via an announcement on X (formerly Twitter) by Sunil Mehta, the CEO of IBA. [\[2\]](#)

This decision is anticipated to result in an estimated additional annual expenditure of approximately INR 8,284 crore for public sector banks. The salary increment, effective from November 2022, is expected to benefit around 8 lakh bank employees. The revised working hours will come into effect following notification by the government, as communicated by the All-India Bank Officers' Confederation ("AIBOC") [\[3\]](#)

Key highlights for PSU bank employees include:

- A 17% salary hike, effective from November 1, 2022, with officers completing CAIIB (CAIIB Part-II) eligible for two additional increments.
- The new pay scales, post IBA and bank employee's union pact, include the merger of Dearness Allowance corresponding to 8088 points. The joint declaration states that, *"with the applicable load of 3.22%, the effective load on the basic pay post-merger of dearness allowance @30.38% is 4.2%."*
- Female employees are entitled to one sick leave day per month without a medical certificate under the revised wage settlement.
- Accumulated privilege leave can be encashed up to 255 days upon retirement or in the event of an employee's death while in service.
- Retired employees, eligible to draw pension on or before October 31, 2022, including those who retired on that date, will receive a monthly ex-gratia amount in addition to the pension or family pension provided by Public Sector Banks, including SBI.

Potential Impact Analysis

Positive Impacts

- **Employee Morale and Retention:** Increased wages and improved benefits can boost employee morale, potentially leading to higher job satisfaction and reduced turnover.
- **Improved Work-Life Balance:** A shorter workweek allows employees more time for personal and family life, potentially contributing to a healthier and happier workforce.
- **Increased Productivity:** Studies suggest that well-rested and content employees might exhibit greater productivity during working hours.

- **Attracting Talent:** Competitive salaries and benefits may make public sector banks more attractive to potential employees, aiding in recruitment efforts.

Negative Impacts

- **Financial Strain on Banks:** The significant increase in wage expenditure (INR 8,284 crore annually) could put a financial strain on public sector banks, potentially impacting profitability.
- **Operational Challenges:** Restructuring work schedules due to a shorter workweek might require adjustments in staffing and branch operations, leading to initial logistical hurdles.
- **Potential for Inflation:** Increased operational costs for banks could translate to higher service charges or loan interest rates, impacting consumers.
- **Comparison with Private Sector:** The wage hike and benefits might widen the gap between public and private sector bank employee compensation, potentially leading to further discrepancies.

Additional Considerations

- **Impact on Customer Service:** The potential reduction in working hours could lead to longer wait times or reduced access to banking services, requiring efficient workforce management to mitigate any inconvenience.
- **Long-Term Sustainability:** The long-term financial viability of these changes requires careful monitoring and adjustments to ensure the ongoing health of the banking sector.

Overall, the agreement presents a mixed bag of potential consequences. While it offers significant benefits to employees, the financial implications and operational challenges demand strategic mitigation measures to ensure the long-term sustainability of the banking sector and minimize negative impacts on both institutions and customers.

Conclusion

This agreement marks a pivotal moment for the public sector banking domain. This landmark pact, highlighted by a 17% annual salary increase and recognition of Saturdays as holidays, signifies a collaborative effort to address workforce concerns. While it promises enhanced well-being and professional growth for bank employees, the agreement poses potential positive impacts such as improved morale and work-life balance, as well as negative impacts like financial strain on banks and operational challenges. Strategic measures are crucial to ensure the long-term sustainability of the banking sector and mitigate any adverse effects on institutions and

customers.

[1] <http://aipnbsf.org/files/12th%20BPS.pdf>.

[2] <https://twitter.com/ChiefIba/status/1766063815630959086>.

[3] <https://www.hindustantimes.com/business/banks-association-employee-unions-sign-pact-for-saturday-as-public-holiday-101709962100314.html>.

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