

Workforce related Productivity in Public Sector Banks

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1. Work force Productivity
2. Work force efficiency
3. HR interventions

Abstract

Financial sector reform which was initiated almost two decades back has brought sea changes in Public Sector Banks. Fierce competition and market driven environment as induced by the reform is compelling Public Sector Banks to reposition in HR management. The paper delineated the business growth, branch expansion, and technological interventions to state the progresses in workforce productivity and efficiencies. It was observed that a range of interventions in information technology and BPR initiatives had helped the Public Sector Banks to increase immensely the workforce productivity and efficiencies. This paper advocated augmenting few critical HR interventions to further enhance the productivity and efficiencies of workforce in Public Sector Banks.

INTRODUCTION

In this paper, it is attempted to discuss various issues assigned with productivity of workforce in banks. These will need to be analyzed carefully considering emerging new type of banking, besides expanding existing ones. It is high time to suggest strategies to raise staff productivity based on the analysis of secondary data. In Section I, emerging challenges are discussed. Section II deals with HR and Business linkages. In Section III, research findings on staff productivity are shared. Section IV analyses staff productivity and in the last section, suggestions relating to productivity of staff are offered.

Emerging Challenges for Public Sector Banks

New entrants, host of products, quality services and innovative channels for delivery of banking services are deemed to be major characteristics of the emerging financial market in India. These are leading to stiff competition among private sector banks (both old and new), foreign banks, urban cooperative banks, and NBFCs along with public sector banks (PSBs) in the market. In particular, PSBs will have to face major challenges. To elaborate, in future, the financial market is no longer a sellers' market. The competition will transform the financial

market into the buyer's market. Customers decide to opt for banks and their products and services. Therefore, customer service will become a pivot point for growth of business in banks. The market driven environment will be the deciding factor for customer satisfaction and customer relationship management to acquire new customers and also to retain existing customers. Third, the competition and market driven environment are instigating the banks to offer high deposit interest rates but to charge less lending rates. Thus, the net interest margin (NIM) will be under the severe strain which will be decided from that study of return on assets (ROA), return on equity (ROE), net non performing assets (Net NPA), leverage ratio, capital adequacy ratio, intermediation cost, costs to income ratio, productivity ratio, and profitability ratio etc. However, attaining higher level of efficiency is a never ending exercise for any bank.

Along with the efficiency, banks can take the path of growth by two ways: 1. organic growth and 2. Inorganic growth. Organic growth of a bank is contingent on product innovation, business diversification and geographical expansion. But inorganic growth deals with merger and acquisition (consolidation). Further, PSBs successfully implant the Basel I with stipulated capital adequacy ratio of 9 per cent. Subsequently, these banks adopted the Basel II norms in 2009. They have now to migrate to Basel III standards. Fifth, with the advent of technology, after the Narshiman Committee recommendations, the banking industry has witnessed sea-changes. Massive induction of technology, specifically in PSBs, can be seen as inflection

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point. Technology is playing a crucial role for business development in these banks which is acting as necessary means to create synergy in banking business processes. In the banking industry, technology gives an upper hand to reduce the transaction cost and provide reliable and efficient services to customers. ATM, core banking solutions (CBS), real time gross settlement (RTGS), national electronic fund transfer (NEFT), credit card, debit card, smart card, D-mat a/c, OLTAS, internet banking, mobile banking etc. are prominent technology driven banking products, processes, and services.

Sixth, the PSBs have to start the second phase of reach out to unbanked people through financial inclusion. In India, still, 54 per cent of population has no access to financial services. If India has to take a leap in economic growth, PSBs have to work out how to reach out these less literate/illiterate and low income group people. They have also to work-out a low cost model for financial inclusion. Seventh, the infrastructure development assumes a significant role to facilitate India to grow with double digit figure for which a massive investment in infrastructure development is called for. Hence, PSBs need to be equipped with skills for project finance and infrastructure finance. Lastly, the financial sector reform, which was initiated almost two decades back, has brought sea changes in PSBs. The reform process has driven the globalization, which integrates the Indian financial market with rest of world economy. To meet the challenges of globalization, the RBI de-regulated the banking system as a part of the reform process. The salient features of this process include de-regulation of interest rates, liberal branch licensing policy, managerial autonomy etc. Since then, the reform has led to introduce a wide range of changes in the industry. Only change has become constant with these reforms. There is a need for proactive responses for efficient management of the changes. These factors provide the context, which is propelling profound transformation in the banking industry and shaping the productivity and human resources management practices.

STRATEGIC HUMAN MANAGEMENT

Linking HR to Business

Banks grow in size to perform in the financial sector. Expanding the business to increase pie of market share is one of the vital components of bank performance. Effective performance occurs when along with growth of business, the efficiency and productivity of banks also show an upward trend. There is immense contribution of quality of human resource in these efficiency and productivity ratios. The seminal research had been done by practitioners and

academicians to assign a strategic role for human resources management (Guest, 1987; Miller, 1987; Armstrong, 1992). The assigning critical role to human resources management is based on assumption that employees and the way they are managed, is important to the success of organization and can be a source of sustainable competitive advantage to organizations (Wright et al., 1994; Kamoche, 1996; Barney and Wright, 1998). A bank performs better with high quality (skills and efforts) of human resources in comparison to bank with low quality. Pfeffer (1994) opined that having good HRM was likely to generate much loyalty, commitment or willingness of people to expend extra effort for the organization's objectives. Hence, effectiveness of a bank is critically contingent on efficient use of human resources. Sharma and Mehlawal (2011) conducted a study to see the impact of human resource management and business strategies on banks' performance. They included the public sector and private sector banks in the study concludes that banks, which promoted the human resource management strategies and business strategies in the field of promotion, training, reward system, productivity, job security and placement, were performing better. The study also found that those banks did not adopt any human resource management strategies and business strategies, their performance was not in better condition.

HR as Competitive Advantage for Banks

In the above backdrop, the financial organizations, the world over, are realizing the significance of people in managing performance. Today, human resource has acquired even more central role in building sustainable competitive advantages for banks. A sustainable competitive advantage gives stability for banks to perform better over the period of time. Further, the sustainable competitive advantage is the competitive advantage of a bank which cannot be taken over by peer banks. A sustainable competitive advantage, by and large, is acquired through quality of human resources (knowledge, skills, and attitudes). It is the quality of workforce which differentiates banks on high and low performance. These knowledge, skill, and attitudes factors of workforce of a bank cannot be copied overnight by other banks. Therefore, in this process, workforce becomes a key factor of sustainable competitive advantages. Hence, management scholars and practitioners alike have become increasingly interested in learning more about HR practices to enhance employee and organization performance (Ferris et al., 1991; Guest, 1997; Huselid, 1995; Pfeffer, 1994).

HR Analytics and Human Resource Management

The quality of human resources provides a bank an edge to



outdo the competition. Leading-edge organizations are increasingly adopting sophisticated methods of analyzing employee data to enhance their competitive advantage. These organizations are beginning to understand exactly how to ensure the highest productivity, engagement, and retention of workforce. Analyzing workforce starts with the delivery of historical facts ("What happened?") and ends with real-time deployment of workforce based on rapidly changing needs. Analytics for managing workforce are human capital facts and analytical HR (Davenport, Harris, and Shapiro, 2010). Human capital facts are the key indicators (like productivity, profitability, establishment expenditure etc.) of health of HR practices or organization's overall health. An analytical HR collects or segments HR data to gain insights into specific departments or functions. For example, a HR manager through analytical HR data may be able to see that intervention is much more needed in Treasury or IT department to reduce or stop attrition of human talent in banks.

Workforce Performance and HR Systems

Performance of organizations is inextricably linked to the capabilities and motivations of workforce. Organizations that have used data to gain human capital insights already have a hard-to replicate competitive advantage. A mature decision science of HR clearly articulates the difference between workforces that provide high average value and those workforces that provide high marginal value (Boudreau & Ramstad, 2007). Boudreau and Ramstad used the term "pivotal" to describe the marginal effect of workforce. Pivotal captures the idea of lever: where a small change at the fulcrum causes very large changes on the other end. The highly pivotal areas are those where a small change makes a big difference to strategy and value of organization. The workforce can be highly valuable and important, even if it is not pivotal. Some workforces are pivotal (small changes make a big difference). Hence, a matured HR Manager asks question: "Do we know who our pivotal workforce are?" We can ask HR heads of banks to indicate who are your pivotal workforces in bank? What is the process of identifying pivotal workforce in bank? Larry Bossidy and Ram Charan (2002) opined that workforce differentiation is the mother milk of performance. If we need high performance in PSBs, should we start differentiating (High, Average, and Low performers) workforce of banks? What kind of HR interventions we can give to these differentiated workforces. Consider the organization that an individual work for today is designed to fit individual, rather than demanding that individual to fit into it. Can organization enable people to design a career customized to their innate strengths and interest? An

organization would no longer treat its workforce as a single homogenous entity, but rather each and every employee as a workforce of one with unique needs, aspirations and preferences that vary over time. Cantrell and Smith (2010) state about workforce management that tailors people practices and policies to individuals and groups of employees throughout the organization with the goal of improving individual and organizational effectiveness.

Human Capital and Bank Productivity

Berg et al. (1992) examined the change in productivity in the banking industry in Norway. The research was conducted for the period covering 1980- 89 by taking a sample of 346 banks in Norway. They found that the productivity declined before deregulation but the same increased after deregulation. Satyanarayana (1996) presented a model for measuring the productivity of banks in India. He opined that efficiency measures should be based on the "market-share concept." The banking industry as a whole could be taken as a market. According to his model, the market share should be taken in percentage instead of absolute value so that comparison of one bank to the other bank could be done easily. The model was applied to compare the efficiency of various groups of banks from 1969 to 1994. Ramamoorthy (1997) measured the productivity of commercial banks for the period 1991 to 1996 using business per employee as the measure of the productivity. He concluded that business per employee as a measure did not truly represent the productivity of banks. Therefore, the researchers should evaluate productivity on various other parameters. Mukherjee et.al. (2002) examined the relative productivity of 68 major Indian commercial banks for the year 1999 by DEA (Data Envelopment Analysis). The five inputs and five outputs variables are selected to employ CCR output. The output variables were: deposits, net profits, advances, non-interest income and spread. The five input variables chosen are: net worth, borrowing, operating expenses, number of employees, and number of branches. The results showed that 16 banks were CCR efficient (efficiency= 1). The average efficiency figure for the banks came out to be 0.9. The efficiency ratings of 45 banks were greater than .9 and out of these 50 per cent were private banks.

Efficiency measures a bank's performance being relative to a benchmark at a given point in time. Productivity measures a bank/s performance over time. In this sense, measuring HR efficiency or productivity using quantities may enable us to understand what exactly underlies difference in workforce performance. The technical efficiency of human resources deals with the maximum people output that can be realized from a given people input. At the same time, the



allocative HR efficiency reflects the ability of the bank to use human resources inputs in optimal proportions. A well-functioning HR system facilitates efficient performance of the bank. The more efficient HR system is in resource generation and in its allocation, the greater is its contribution to bank's efficiency and productivity. Efficiency and productivity measures related to HR system could act as leading indicators for evolving strengths or weaknesses of the HR system and could enable pre-emptive steps by the management when necessary. It has been empirically found that banks receiving high HR efficiency scores are much more likely to be high in performance than those which have relatively low scores. It validates the relevance of regular screening of HR efficiency and productivity for early warning signals of performance problems in commercial banks. The assessment of HR efficiency and productivity of banks, thus assumes high importance (Khera, 2010).

Data Envelopment Analysis: Productivity and Efficiency of Banks

Productivity is construed as the ability and willingness of an economic unit to produce maximum possible output with given inputs and technology (Kalirajan and Chand, 1994). Higher the output per unit of input, better is the productivity. Efficiency, on the other hand, measures performance of the bank in a normative sense by comparing it with the industry leader. Though, in general, it is expected that there would be a co-movement in productivity and efficiency, score of a bank in terms of these two measures may actually diverge. While, a bank may improve in terms of productivity over a period, its efficiency score may decline if the rate of rise in its productivity is slower than that of the industry's best performer.

The standard measures of productivity involve calculation of output per unit change in a single input assuming that other variable factors, technology and institutions remain unchanged. Business per employee, profit per employee, ratio of operating costs to average assets or ratio of operating income to staff expenses are often used as traditional measures of productivity in the banking sector. Under these standard concepts of productivity change, the fine distinction between efficiency and productivity is blurred. However, the development of aggregate measures of productivity such as total factor productivity (TFP) enabled dis-aggregation of output change into two major components, namely, output change due to change in efficiency and output change attributable to change in technology. While a change in efficiency measures the increment in output without a rise in input or the amount by which inputs may be reduced without reducing the output,

a change in technology represents the change in output that may be attributed to innovations (technology progress), shocks (financial crisis), changes in market structure (high concentration due to merger and acquisitions) and regulatory policies (financial deregulation). More specifically, a change in efficiency is a movement along the production function (catching up or falling behind), while a change in technology is a shift in the production function (Oster and Antioch, 1995).

Though several attempts were made in the past to measure the productivity of workforce in different ways, but in terms of emerging developments in banking in the next decade the role of workforce will undergo a major change. In particular, the workforce in banks needs to be adequately equipped to show better operational performance. In this context, there is a need to relook into various dimensions of productivity and efficiency of workforce in banks by undertaking a study.

METHODOLOGY

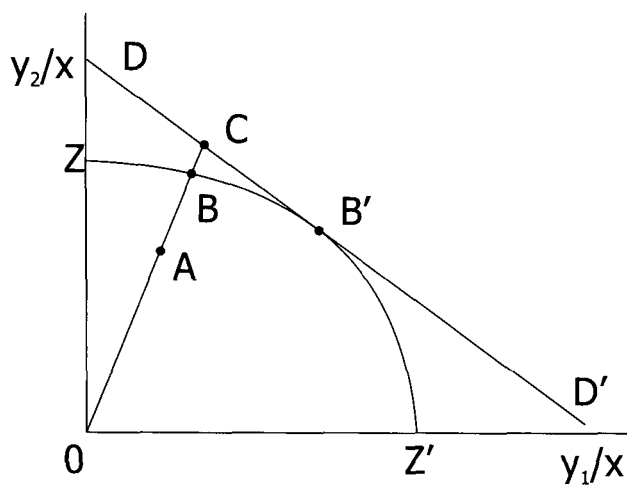
The objective of the study is to assess the productivity and efficiency of workforce in PSBs. The focus of the study is to see whether there is any significant difference in efficiency among the PSBs, and if so, to what extent. Comparisons were made across the PSBs sector and within the banks comparisons over the period of time were also made to assess the productivity and efficiency. In the present study, 25 PSBs were considered. Data on various parameters were collected as on March 06 to March 10. These secondary data were collected from sources like RBI and IBA publications etc. The efficiency and productivity were assessed by using Data Envelopment Analysis (DEA). Under the DEA approach, the best practice frontier which represents optimal utilization level of resources is prepared and efficiency of the bank is measured relative to the best frontier (benchmark). It is referred to as an efficient bank if the same lies on the frontier, otherwise, it is termed as less efficient. The more distant the bank is from the best frontier, the lower is its efficiency level. DEA is a non-parametric method of measuring efficiency of a Decision Making Unit (DMU) such as bank. DEA employs mathematical programming to construct the best practice frontier from the observed data and to measure efficiency relative to the constructed frontier. To study productivity and efficiency through DEA, three variables viz., total business, net profit, and number of employees were taken into the consideration. To estimate the best frontier banks, some variables have been treated as input whereas some others as output variables. In the present study, total business and net profit are output variables and number of employees is output variable.

The DEA is performed by output oriented technical efficiency based on CRS scale assumption. Slacks were calculated using multi-stage method. The output oriented technical efficiency measure addresses the question: "By how much can output quantities be proportionally expanded without altering the input quantities used?" Output-oriented measures where production involves two outputs (Y_1 and Y_2) and a single input (X_1). If we assume constant returns to scale, it represents the technology by a unit production possibility curve in two dimensions.

The line ZZ' is the unit production possibility curve and the point A corresponds to an inefficient firm. Inefficient point, A , lies below the curve because ZZ' representing the upper bound of production possibilities. The distance AB represents technical efficiency i.e. the amount by which output could be increased without requiring extra inputs. Hence, a measure of output-oriented technical efficiency is the ratio:

$$TE = OA/OB$$

Figure 1: Technical Efficiencies from an Output Orientation



DATA ANALYSIS

Table 1 shows the total business which includes deposits and advances of PSBs. The table shows that State Bank of India, Punjab National Bank, Bank of Baroda, Bank of India and Canara Bank emerged as large banks category with total business more than Rs. 3 lakh crores. Allahabad Bank, Central Bank of India, Corporation Bank, Indian Bank, Indian Overseas Bank, Oriental Bank of Commerce, Syndicate Bank, UCO Bank, and Union Bank of India grew to mid-sized banks category by 2009- 10. Other PSBs remained as smaller banks category (total business below

Rs. 1.5 lakh cores). Andhra bank, Corporation Bank, and Canara Bank grew up with respectively 29.2 per cent, 27.3 per cent, and 24.3 percent in 2009- 10. Punjab & Sind Bank also remarkably added 38 per cent in business growth during the period. Banks witnessing lowest growth rate were Syndicate Bank, State Bank of Patiala, and Indian Overseas Bank respectively 5.1 per cent, 7 per cent, and 8.5 per cent in 2009- 10. The range of growth rate was 15 per cent to 24 per cent for other PSBs. At the same, Corporation Bank added more than 25 per cent business every year in last four years (during 2006- 07 to 2009- 10). The business growth of the Corporation Bank was 27 per cent (2006- 07), 31 per cent (2007- 08), 29 per cent (2008- 09), and 27.3 per cent (2009- 10).

Table 2 reflects growth in number of employees of the PSBs from financial year 2005 -06 to 2007- 08. The Banks showed positive growth in number of employees in 2008- 09 (2.69 per cent) and 2009- 10 (0.42 per cent). Table 3 shows that PSBs (excluding IDBI Bank) added average 136.27 per cent growth in total business during 2005- 06 to 2009- 10. The PSBs (excluding IDBI Bank) also added 22.48 per cent branches during the period. The table also indicates that during the period, growth in number of employees was 0.23 per cent for the PSBs (excluding IDBI Bank).

Table 4 shows that PSBs which have highest profitability (profit in lakh per employee) are Corporation Bank (9.52 lakh), IDBI Bank (8.44 lakh), Indian Bank (7.92 lakh), and Union Bank of India (7.47 lakh). The PSBs which have the lowest profit per employee are United Bank of India (2.11 lakh), Syndicate Bank (3.18 lakh), and Bank of Maharashtra (3.21 lakh) during 2009- 10. Profitability, like the productivity, also increased many fold for PSBs during financial year 2005- 06 to 2009- 10. Profitability of PSBs increased from Rs. 2.22 lakh in 2005- 06 to Rs. 5.34 lakh in 2009- 10. It suggested the increase of 140.54 per cent during 2005- 06 to 2009- 10.

Table 5 indicates the comparative technical efficiency of PSBs. The table suggests that Oriental Bank of Commerce was the most efficient bank during 2005- 06 and 2006- 07 in comparison to other PSBs. For financial year 2007- 08 to 2009- 10, Oriental Bank of Commerce and Corporation Banks were emerged as the best frontier banks with efficiency score of 1 in comparison to other PSBs. Bank of Baroda and Indian Bank had made good progress on efficiency and productivity parameters from 2006 to 2010. At the same, efficiency of Vijaya Bank had been deteriorating in the same period.

Table 1: Total Business of Public Sector Banks

Bank	Total Business (Rs. In Cr.) March end,				
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
Allahabad Bank	177660.62	143773.55	121336.85	100833.69	77647.47
Andhra Bank	133801.72	103529.28	83674.94	69343.09	56022.84
Bank of Baroda	416079.55	336382.85	258735.45	208536.85	153573.77
Bank of India	398252.65	332617.85	263488.31	204817.63	159105.77
Bank of Maharashtra	103608.77	86545.69	71044.14	56838.72	43375.92
Canara Bank	403986.07	325111.91	261310.46	240887.14	196228.93
Central Bank of India	267490.96	216755.05	183317.1	134571.75	103966.13
Corporation Bank	155936.23	122496.07	94609.99	72306.54	56838.96
Dena Bank	86806.72	71928.57	56967.16	45993.3	37854.3
Indian Bank	150373.79	124047.11	100884.66	76149.01	63290.16
Indian Overseas Bank	189798.64	175001.16	144749.42	115800.7	85285.52
Oriental Bank of Commerce	203746.89	166869.22	132422.53	108123.44	83774.7
Punjab and Sind Bank	81794.2	59291	43174.71	31056.27	26032.05
Punjab National Bank	435931.01	364463.49	285958.82	36456.19	194312.29
Syndicate Bank	207432.15	197417.41	159221.81	130304.01	90090.62
United Commercial Bank	204920.08	169025.43	134990.83	111848.91	91921.31
Union Bank of India	289355.04	235237.06	178206.94	147566.65	127474.26
United Bank of India	110510.36	89929.45	74828.83	59322.98	44772.08
Vijaya Bank	103453.47	90003.53	79641.23	61828.05	44373.3
State Bank of India	1436030.38	1284576.33	954172.14	772857.58	641850
State Bank of Bikaner & Jaipur	81281.39	69075.13	59184.37	49006.71	37589.41
State Bank of Hyderabad	126010.79	106128.08	85957.05	69611.93	54887.62
State Bank of Mysore	68415.86	58531.82	48489.55	38487.89	28122.91
State Bank of Patiala	110899.17	103640.3	84970.58	67953.38	55957.93
State Bank of Travancore	89344.65	74752.85	63490.51	55770.29	44862.91
IDBI Bank	305869.28	215829.35	155210.67	105824.86	78739.99

Source: Performance Highlights of PSBs, IBA

Human resource management interventions to increase productivity

As we have seen that total business (deposit and advances) of PSBs increased by 136.27 per cent during 2005- 06 to 2009- 10. The banks added 22.47 per cent branches. There was massive increase of profitability of PSBs during this period. At the same, the workforce increased only by 0.23 per cent during the period. Even though there was negative growth in number of employees in some of the banks (Bank of India, Bank of Maharashtra, Central Bank of India, Punjab & Sind Bank, Punjab National Bank and United Bank of India), how did these PSBs manage impressive growth of business? Is the workforce contributed to the business growth? There is no unanimity that, in 2009- 10 with the same number of workforce (even with the lesser employees

with the majority of banks) the banks managed to do more than double business in comparison to financial year 2005-06. Towards this end, efforts of people could not be undermined to support the business growth of bank. At the same, PSBs did introduce information technology on a large scale. PSBs are also incrementally adding on the on-site and off-site ATMs. These are very significantly reducing the customer footfalls in the branches and reducing workloads of branches.

Now, all the branches of PSBs are under CBS. Implementation of Core Banking Solutions has very drastically reduced the workload of workforce at branches. The CBS has automated the entries and house-keeping as with one click all accounts are tallied at day end in branches. Earlier, a sufficient manpower was required for



Table 2: No. of Employees of Public Sector Banks

Bank	Number Of Employees March end,				
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
Allahabad Bank	20959	20457	20079	20379	19134
Andhra Bank	14292	14255	13387	13831	14028
Bank of Baroda	38960	36838	37496	38086	38774
Bank of India	39202	40155	40616	41511	42206
Bank of Maharashtra	13673	13631	13590	13893	14052
Canara Bank	43380	44090	45260	46359	46893
Central Bank of India	32140	35543	37488	39055	40124
Corporation Bank	13143	12465	12011	11880	11325
Dena Bank	10525	9883	9957	10120	10156
Indian Bank	19641	19993	20548	20892	21394
Indian Overseas Bank	26892	25512	24764	23861	24178
Oriental Bank of Commerce	15358	14656	14804	14730	14962
Punjab & Sind Bank	8259	8700	9013	9325	9542
Punjab National Bank	53417	54780	56025	57316	58047
Syndicate Bank	25569	25068	24656	24360	24624
UCO Bank	23370	23736	23828	24773	24510
Union Bank of India	29419	29014	27168	27536	26983
United Bank of India	15285	15111	16009	16793	17319
Vijaya Bank	11565	11975	11439	10765	10926
State Bank of India	200299	205896	179205	185388	198774
State Bank of Bikaner & Jaipur	12356	11439	11421	11752	12089
State Bank of Hyderabad	13597	12577	12813	12880	13108
State Bank of Mysore	10111	9671	9720	9604	9741
State Bank of Patiala	12409	11365	11175	11329	11350
State Bank of Travancore	12192	11365	10840	11607	11624
IDBI Bank	12213	10201	8230	7482	4548

reconciliation, tallying and maintaining books. Now these aspects of house-keeping are automated through Core Banking Solutions. At the same time NEFT, RTGS, Credit Cards, Debit Cards, Internet Banking, Mobile Banking are immensely contributing to business growth. A range of process improvements like service branch, retail hub, SME hub, asset recovery management branches etc. are also contributing to business growth without much induction of workforce. Therefore, the introduction of business process engineering and advent of information technology have played very pivotal role to increase productivity and efficiency of banks. It helped the banks to sustain the business growth without hardly much increase in the workforce during financial 2005-06 to 2009-10.

MEASURES FOR IMPROVING EFFICIENCY OF WORKFORCE

HRM Approaches

Banks' productivity and efficiency can also further be improved through more productive and efficient human

resource management in PSBs by adopting the following steps

SUCCESSION PLANNING

Succession planning is a major challenge for PSBs which are losing the experienced employees through mass superannuation. By estimation, 50 per cent of officers and award staffs will be retiring by 2020. At the same time, with the recommendation of Pillai Committee, the PSBs almost stopped recruitment of officers and award staff after 1985 onwards. Therefore, the retirement is going to create a huge vacuum of experience in PSBs. Filling up the experience vacuum through succession planning is a major challenge to PSBs.

BALANCING OLD AND NEW EMPLOYEES

The present age gap between old employees and generation Y is a hindrance to high performance work culture to PSBs. The age gap between old employees and young employees is an issue which needs to be considered to increase workforce productivity. The majority of



Table 3: Percentage of Growth in Business, Branches, and Employees

Bank	Percentage of Growth during 2005- 06 to 2009- 10		
	Business	Branches	Employees
Allahabad Bank	128.80	18.35	9.54
Andhra Bank	138.83	35.63	1.88
Bank of Baroda	170.93	17.16	0.48
Bank of India	150.31	26.26	(7.12)
Bank of Maharashtra	138.86	12.90	(2.70)
Canara Bank	105.87	19.40	(7.49)
Central Bank of India	157.29	13.81	(19.90)
Corporation Bank	174.35	45.47	16.05
Dena Bank	129.32	17.71	3.63
Indian Bank	137.59	26.02	(8.19)
Indian Overseas Bank	122.54	31.85	11.23
Oriental Bank of Commerce	143.21	29.89	2.65
Punjab & Sind Bank	214.21	17.69	(13.65)
Punjab National Bank	124.35	24.18	(7.98)
Syndicate Bank	130.25	21.67	3.84
UCO Bank	122.93	23.04	(4.65)
Union Bank of India	126.99	33.89	9.03
United Bank of India	146.83	16.57	(11.74)
Vijaya Bank	133.14	25.32	5.85
State Bank of India	123.73	38.23	0.77
State Bank of Bikaner & Jaipur	116.23	5.51	2.21
State Bank of Hyderabad	129.58	27.42	3.73
State Bank of Mysore	143.27	8.68	3.80
State Bank of Patiala	98.18	17.66	9.33
State Bank of Travancore	99.15	7.78	4.89
IDBI Bank	288.45	309.83	168.54
Public Sector Banks (excluding IDBI Bank)	136.27	22.48	0.23

Source: Performance Highlights of PSBs, IBA employees' average age is more than 50 years in PSBs. These employees have decision making capacity in functional areas like credit, forex, treasury, branch operations, recovery etc. with their superior knowledge. Old employees have superior work experience but are resistance to PSBs' initiatives to business processing re-engineering (BPR). Ironically, generation Y employees who are very technology savvy but they have very less exposure to banking operations. These two sets of workforce which differ in terms of knowledge, skills, and attitude are often in conflict which very severely hampers the performance of banks. Hence, banks have to explore the innovative ways to create a balance between these two diverse groups of people to create synergetic effects of cohesive team to improve workforce productivity.

MANPOWER PLANNING

Manpower planning has direct bearing on efficiency and

productivity of banks. Manpower planning has to carry out considering current business expansion, branch expansion, manpower ratio, attrition rate, wastages, and technology and process improvements. Ratio of officers to clerks varies from 6.7 to 0.7 in PSBs during 2009-10. When compared with the new age private sector banks, this stood at 0.37 for PSBs as against 0.85 for the private banks in 2008-09. Nearly 90 per cent of the staff in PSBs is deployed in branches and the rest in administrative offices. Over 65 per cent of the time of branch staff is spent on non-customer facing roles and less than 10 per cent staff is devoted to proactive sales. In view of impending nature of new sales and service roles, the disproportionate allocation of roles on routine activities is dysfunctional to productivity enhancement. Implementation of CBS has implications on manpower planning. According to estimate with implementation of BPR, branches have 25 per cent excess staff. At one end, in PSBs, the establishment expenditure to

Table 4: Profitability (Net Profit per employee) of Public Sector Banks

Bank	Profitability (Rs. In Lac)				
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
Allahabad Bank	5.76	3.75	4.85	3.68	3.69
Andhra Bank	7.32	4.58	4.3	4.14	3.69
Bank of Baroda	8.00	6.05	3.94	2.73	2.13
Bank of India	4.39	7.49	4.95	2.71	1.66
Bank of Maharashtra	3.21	2.76	2.39	1.95	0.36
Canara Bank	7.35	4.97	3.65	3.24	3.02
Central Bank of India	3.3	1.71	1.56	1.35	0.68
Corporation Bank	9.52	7.64	6.52	4.79	4.13
Dena Bank	4.86	4.28	3.61	1.99	0.72
Indian Bank	7.92	6.23	4.91	3.64	2.36
Indian Overseas Bank	2.63	5.2	4.82	4.04	3.22
Oriental Bank of Commerce	7.39	6.18	5.84	5.61	5.37
Punjab & Sind Bank	6.00	5.03	4.24	2.34	1.14
Punjab National Bank	7.31	5.64	3.66	2.68	2.48
Syndicate Bank	3.18	3.64	3.18	2.76	2.05
UCO Bank	4.43	2.4	1.76	1.3	0.82
Union Bank of India	7.47	6.28	5.39	3.25	2.66
United Bank of India	2.11	1.22	1.99	1.59	1.18
Vijaya Bank	4.50	2.34	3.32	3.04	1.16
State Bank of India	4.46	4.74	3.73	2.37	2.17
State Bank of Bikaner & Jaipur	3.96	3.55	2.73	2.57	1.2
State Bank of Hyderabad	5.58	5.58	4.35	3.92	3.26
State Bank of Mysore	4.41	4.41	3.28	2.6	2.22
State Bank of Patiala	4.45	4.45	3.7	3.24	2.66
State Bank of Travancore	6.00	5.00	3.4	2.96	2.34
IDBI Bank	8.44	8.42	8.86	8.44	12.45
Public Sector Banks	5.34	4.70	3.75	2.76	2.22

Source: Trends and Progress of Banking in India, RBI, for different years.

total expenditure is at 8 per cent and at the other, it as high as 16 per cent. To further increase productivity, PSBs can leverage the outsourcing activities. But due diligence in awarding contracts should be observed. Banks can focus on core business through core competence. The non-core activities can be outsourced to outside agencies.

MAKING WORKFORCE TECH SAVVY

Technology is playing an important role in fiercely competitive environment for business growth to capture market share. Subsequently, the PSBs are becoming more technology oriented to compete with new age private sector and foreign banks. Therefore, these are introducing more technology based systems and products. To fully utilize the technology, banks need to have tech savvy people. But staffs of PSBs are averse to the technology. Consequently, they have a problem to bring its customers to technology platform. Seemingly, PSBs are losing business of High end customers to the new age private sector banks

and foreign banks. Therefore, HR department has to work-out some strategies to make employee more and more tech-savvy.

RETAINING YOUNG TALENT

Public Sector Banks are losing pivotal talent to competitors. Though, attrition rate of PSBs is much less than new age private sector banks and foreign banks, but the attrition rate is very high among new recruits who are joining PSBs. Major reasons of loss of talent of PSBs are related to compensation, choice of posting, and accelerated carrier path, and on-boarding training.

COMPENSATION STRATEGIES

Researches carried out in the related areas suggest that compensation strategy is a major driver of employee performance. To acquire and retain human capital, PSBs need to be competitive in compensation within and between the industries. As far as compensation is



Table 5: DEA of Human Resource Management of PSBs

Banks	Technical Efficiency of Human Resource Management				
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
Allahabad Bank	0.677	0.617	0.754	0.674	0.725
Andra Banks	0.782	0.676	0.718	0.738	0.713
Bank of Baroda	0.879	0.867	0.771	0.746	0.707
Bank of India	0.766	0.98	0.787	0.672	0.673
Bank of Maharashtra	0.571	0.558	0.584	0.557	0.551
Canara Bank	0.78	0.705	0.645	0.708	0.747
Central Bank of India	0.627	0.536	0.547	0.469	0.463
Corporation Bank	1	1	1	0.854	0.896
Dena Bank	0.631	0.659	0.64	0.619	0.666
Indian Bank	0.832	0.815	0.753	0.649	0.528
Indian Overseas Bank	0.532	0.69	0.74	0.72	0.63
Oriental Bank of Commerce	1	1	1	1	1
Punjab & Sind Bank	0.764	0.678	0.65	0.454	0.487
Punjab National Bank	0.768	0.738	0.599	0.562	0.598
Syndicate Bank	0.612	0.692	0.722	0.729	0.653
UCO Bank	0.661	0.625	0.6330	.615	0.67
Union Bank of India	0.814	0.824	0.829	0.73	0.844
United Bank of India	0.545	0.523	0.523	0.481	0.462
Vijaya Bank	0.674	0.66	0.778	0.782	0.725
State Bank of India	0.557	0.628	0.617	0.568	0.577
State Bank of Bikaner & Jaipur	0.507	0.547	0.579	0.568	0.555
State Bank of Hyderabad	0.714	0.8	0.75	0.736	0.748
State Bank of Mysore	0.533	0.598	0.56	0.546	0.516
State Bank of Patiala	0.674	0.801	0.85	0.817	0.881
State Bank of Travancore	0.63	0.663	0.655	0.655	0.689

concerned, PSBs are under bi-partite wage negotiation at industry level. But strong banks may pay higher compensation. Industry-wise negotiation is compelling strong banks to pay equal to those which are not very impressive on profitability and productivity counts. Bank-wise compensation is also a need of the hour as different PSBs have different work culture to influence profitability position. Thus, industry-wise wage negotiation can be assumed as road-block to create best practices in compensation in PSBs. Therefore, to be competitive in paying, the compensation strategy needs to be fine-tuned and re-aligned for PSBs.

WORKFORCE DIFFERENTIATION

Differentiating workforce among high, average, and low performing is essence of high people performance at work

places. Larry Bossidy and Ram Charan (2002) opined that workforce differentiation is the mother milk of performance. An employee needs to be recognized as a high performer if he is good in performance in the bank. At the same, a low performer shall be given feedback about his performance so that he can improve upon his performance. PSBs are drastically lagging behind to differentiate workforce to differentiate workforce in comparison to high performance organizations. As a consequence of equal treatment policy to high and low performer, a high performer retreats back to average performance. A branch head observes that through he had maintained 100 per cent growth in total business but he is treated as same as the other branch head who has not achieved his target in this regard. This observation works as de-motivation to the earlier. To differentiate workforce, it



Table 6: Rank Order of PSBs on Technical Efficiency of Workforce Management

Banks	Rank Order of PSBs on Technical Efficiency of Workforce Management				
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
Allahabad Bank	12	20	8	12	7
Andhra Bank	6	14	13	6	9
Bank of Baroda	3	4	7	5	10
Bank of India	9	3	5	13	12
Bank of Maharashtra	20	22	21	21	20
Canara Bank	7	10	16	11	6
Central Bank of India	18	24	24	24	24
Corporation Bank	1	1	1	2	2
Dena Bank	16	17	17	16	14
Indian Bank	4	6	9	15	21
Indian Overseas Bank	24	12	11	10	16
Oriental Bank of Commerce	1	1	1	1	1
Punjab & Sind Bank	10	13	15	25	23
Punjab National Bank	8	9	20	20	17
Syndicate Bank	19	11	12	9	15
UCO Bank	15	19	18	17	13
Union Bank of India	5	5	4	8	4
United Bank of India	22	25	25	23	25
Vijaya Bank	13	16	6	4	7
State Bank of India	21	18	19	18	18
State Bank of Bikaner & Jaipur	25	23	22	18	19
State Bank of Hyderabad	11	8	10	7	5
State Bank of Mysore	23	21	23	22	22
State Bank of Patiala	13	7	3	3	3
State Bank of Travancore	17	15	14	14	11

requires an effective performance management system in PSBs. After performance planning (goal setting) of employees, their performance should be grilled thoroughly to differentiate high, average, and low performance employees. Subsequently, the high performer must be developed and compensated differentially. The workforce differentiation will help the PSBs to increase workforce productivity and efficiency.

REWARD MECHANISM

After differentiating workforce, the next stage is to the reward to high performers, provoke average performance to move up and put the low performers in developmental plan. After grilling the performance of employees through performance appraisal and identifying the high performer, it

is essential to reward the high performer to sustain the performance over the period of time. The reward system shall aim at increasing workforce productivity and efficiency to enhance bank performance. Presently, without effective merit based incentive, the banks follow the policy of equal investment on all employees. PSBs may gain for differential treatment by investing more on high performance employee. As PSBs are heavily protected by officers association and trade union interventions, when we say low means, stick to the level of compensation as covered under bi-partite agreement. In the absence of any reward system there will be no functional utility for employees for high performance. In this situation, there are chances to negative growth in performance of employees. To make the

reward system effective, banks need to make performance management system very effective. As each bank has devised its own reward system, HR Committee report (2010) has made recommendation that total amount of incentive to be paid by a bank should be 2 per cent of its average net profit earned over the previous two years. The Committee has also recommended that the reward system should be limited to 25 per cent of top performers who are covered under performance management system. The Committee further recommends that following the market trend, PSBs may consider offering Employee Stock Option Plan (ESOP). This is to be limited to 15 per cent top performers in the executive cadre including CMDs and EDs.

TRAINING AND DEVELOPMENT

Training and development assumes significant importance and, skill upgradation of people is of paramount utility to give response to changing business models of banks. Alvin Toffler opined that literate of 21st century are not those who can read or write but are those who can learn, unlearn, and relearn. The learning, unlearning, and relearning are utmost priority to remain the workforce productive in rapidly changing environment. Many of the traditional skills of employees have to be replaced with emerging new set of skills through training and development. Linkage between training and operations needs to be improved by proper training-need analysis and its evaluation. Skills of workforces calls for immediate improvement through training and development in operations such as credit, forex, treasury, information technology, marketing, project finance, infrastructure finance, etc. To provide mass training and also to remain cost effective, e-learning, and other alternate training delivery channels for learning to be extensively used for staff training centres.

CONCLUSIONS

PSBs have been contributing significantly for the last several decades to the economic development of the country and are expected to play a key role in financial markets. At the same time, if banks have to sustain profitable growth despite persisting uncertainties in the global economic order and increasing competitiveness of the domestic economy, they will have to make substantial departure from the legacy driven HRM policies and practices to reposition HR management as development function and firmly move ahead to leveraging their human capital to convert emerging challenges into opportunities.

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