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Market Watch

# Pitch ready for performance-linked incentives in public sector banks

BY [ATMADIP RAY](#), ET BUREAU | UPDATED: NOV 19, 2019, 06.18 AM IST

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Performance-linked [incentives](#) (PLI) is set to become the buzzword for about eight lakh public sector bank employees which they may receive from the next fiscal over and above of their revised salary which is under negotiation at present.

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This is a major shift from managements' insistence on variable pay, or performance-linked pay, which was earlier proposed as part of wage increase. [Variable pay](#) is well-accepted across industries including private banks, but not in public sector banks.

The Indian Banks' Association's (IBA) wage negotiation committee has come up with this proposal last Friday and leading bank unions negotiating wage revision have readily accepted it in-principle, according to three people familiar with the development. The wage negotiation committee is headed by Union Bank of India managing director Rajkiran Rai.

PLI may be computed annually after declaration of banks' annual results while bipartite wage settlement takes place every five years. The 11th bipartite settlement for which negotiation is currently on is due from November 1, 2017.

"There has been a definite shift in the stance on the sensitive issue of performance linked pay. IBA has clarified that PLI would not be part of the pay component. It is over and above the quantum of the wage hike to be agreed under bipartite settlement," said Soumya Datta, general secretary of All India Bank Officers' Confederation (AIBOC).

IBA has raised its wage hike offer to 12% while unions are insisting on a minimum 15% like last time.

Many government banks including State Bank of India already offer rewards and incentives for individual employees based on their performance on certain business parameters. But the new structure would be different as it would be based on performance of banks and not on individual employees.

"United Forum of Bank Unions has in-principle agreed to PLI as this will make a uniform incentive structure across public sector banks. But the modalities need to be worked out," said Rajen Nagar, president at All India Bank Employees Association. UFBU is the umbrella organisation for nine major bank unions including AIBOC and AIBEA.

IBA had earlier proposed operating profit and return on assets (RoA) as key metrics for defining organisational performance. But bank unions did not agree to RoA as a parameter because they say that ROA depends on the quantum of provisions and can turn negative even after making operating profit.

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