

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:194
ANSWERED ON:06.08.2010
PERFORMANCE BASED SALARY IN PSBS
Tarai Shri Bibhu Prasad

Will the Minister of FINANCE be pleased to state:

- (a) whether the Khandelwal Committee on human resource issues in the public sector banks has recommended to link salary of their employees with performance;
- (b) if so, the details thereof and the reasons therefor alongwith the other main recommendations made by the Committee; and
- (c) the action taken/being taken by the Government in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PRANAB MUKHERJEE)

(a), (b) & (c): A statement is laid on the Table of the House.

STATEMENT REFERRED TO PARTS (A) TO (C) OF LOK SABHA STARRED QUESTION NO. 194 FOR ANSWER ON 06TH AUGUST, 2010 REGARDING PERFORMANCE BASED SALARY IN PSBs TABLED BY SHRI BIBHU PRASAD TARAI. M.P. (STATE: ORISSA PARTY: COMMUNIST PARTY OF INDIA JCPttt.

(a) & (b): The Khandelwal Committee in its report has, inter-alia, observed that if Public Sector Banks (PSBs) have to truly operate in a competitive environment, wages need to have some co-relation with the performance of staff and profitability of banks. The Committee has therefore recommended that PSBs may have freedom to negotiate wages and service conditions to create a better fit between compensation and performance. The Boards of PSBs may be authorised to decide bank-specific wage and compensation structure in relation to capacity to pay, profitability and productivity etc. and strictly within the overall guidelines of the Government in this regard. The Committee has also recommended that the bank may also consider variable pay as a major component of wages and may have the discretion to adopt cost to company (CTC) concept.

The other recommendations of the Committee are related on the following aspects :

- (i) Manpower and recruitment planning
 - (ii) Training and skill development
 - (iii) Career planning
 - (iv) Performance management
 - (v) Reward management
 - (vi) Succession planning and leadership development
 - (vii) Employee engagement and motivation
 - (viii) Professionalization of HR
 - (ix) Wages, service conditions and welfare
 - (x) Corporate Governance
 - (xi) `Navratna` Status for some PSBs
 - (xii) Risk culture
 - (xiii) Industrial relations.
- (c) The Report is engaging the attention of the Government.

