

## NOTE OPPOSING COST TO COMPANY

### CONCEPT OF CTC - GENERAL :

**Cost to Company is the amount that the Company (Employer) spends on their Employees.** In other words, the amount the Company spends either directly or indirectly for employing a person.

For the purpose of clarity, CTC may be defined as **“the aggregate sum which an Employer spends on an Employee and conveyed by way of offer letter but the salary disbursed will be much lesser than the offer”**.

**CTC – Cost to Company is a deceptive package** wherein the Employer shows that they are paying a big salary but unfortunately it is otherwise. **They overload total expenses of human resources on salary but actually disburse less resulting in - SHOW MORE PAY LESS - concept.** The facilities extended by the employer have added to the cost which means that **we pay from salary for getting those facilities which some times we may not use / require .**

On account of the above , if we calculate the gross pay per month as per the offer letter it will be much higher than the take home pay the employee will actually receive as salary on monthly basis.

### COMPONENTS OF CTC SALARY :

Different Companies pick up different sets of components to constitute their own “CTC” from the following :

<b>OUR IN - HAND SALARY</b>	<b>OTHER COMPONENTS</b>
Basic Pay	PF Contribution
Dearness Allowance	Various allowances reimbursed (which are bank specific)
House Rent Allowance	a) Conveyance
City Compensatory Allowance	b) News Paper
PPA & PQA	c) Mobile/Telephone
	d) Entertainment Expenses
	e) Medical Expenses
	f) LTC
	g) Bank specific benefits incidental to employment.
	h) Loans given at concessional rate of interest.
	i) Canteen Subsidy
	j) Superannuation cost –

	* Pension * Gratuity
	k) Leave encashment
	l) Provision of Car/Driver at different level
	m) Bonus/Performance linked incentive.
	n) <b>Variable pay component which constitute 60% of total pay per month.</b>

## **COST TO COMPANY FOR BANKS :**

Government / IBA advocating CTC in the wage revision talks expose their ignorance. **CTC includes not only the salary that reaches the hands of the employee but also includes many other benefits that are statutory like PF and others like Quarters rent, Medical Insurance, LTC etc.** Some companies may even include proportionate rent of office cubicle given to an employee. While the nature and quantum of benefits vary from company to company, the benefits that are included in CTC also vary from company to company. **It is strange of Government / IBA talking of CTC when benefits vary from bank to bank, like quarters rent, conveyance allowance etc and more so SBI having different pay package on account of Pension as third benefit and also additional pay and additional DA drawn by SBI employees conventionally / for historical reasons.** The Pay and Allowances also vary depending on the place of posting.

**Hence it is not possible to have a uniform industry-level CTC for banks.**

- 1) **CTC to bank may not have constitutional validity because of the following :**
  - i) **CTC will have a fixed pay and variable pay where the latter is linked to performance parameters.** Since we are not going to have uniform variable pay **and it will be against the principle of “equal pay equal work’, a constitutionally guaranteed fundamental right to equality.**
  - ii) Only on this fundamental right to equality, Regional Rural Banks won a tribunal award for pay parity with sponsor banks. We can not cause breach of this fundamental right to equality by going to have differential variable pay.

- iii) If there is going to be uniform variable pay, **how are we going to have a uniform industry level performance parameters, when it is almost impossible to have uniform performance parameters even within a bank?**
  - iv) Also, Variable pay can not be left to different banks' perception to quantify Vis-à-vis attainment of set goals with different benchmarks in different banks.
- 2) **CTC is conceptually incompatible with industry level wage fixation because-**
- i) **CTC is company specific but every bank is having its own set of benefits. The benefits which are available in each bank are due to historical reasons and settlements and hence the same to be continued in the individual banks.**
  - ii) **CTC is negotiated with individual employee and not a collective bargain through negotiated settlement.**
- 3) **CTC is difficult of implementation in Banks because -**
- i) **variable pay requires measurement of performance which is possible only in case of quantifiable output.**
  - ii) Duties of most functionaries **except those of a branch manager will not have quantifiable output.**
  - iii) Performance measurement will be more subjective due to lack of objective parameters for most functionaries/employees.
  - iv) **The duties even among managers in all centres are not homogenous to have a fool-proof objective parameters of performance.**
  - v) No level playing field can be ensured as one branch may have better location, efficient staff and good clientele.
  - vi) Performance outcomes in banks often depend on uncertainties of not only domestic markets but also the global financial markets which are significantly integrated to Banking Sector in our country.
  - vii) Banks in Public Sector are not allowed to function on pure commercial considerations as the Government utilizes the banks as vehicles of social upliftment. It is difficult to measure the performance of employees doing mass banking where the profitability is given less importance.

**4) CTC is inimical to the interest of the bank because-**

- i) Unlike other industry, Risk management plays a vital part in banking. Banks work on thin spread which can be completely eaten away if a small portion of its assets become contaminated.
- ii) Aggressive banking is anathema to risk management whereas the incentive based variable pay would only be a breeding ground for adventurous banking.
- iii) **The banking crisis of the USA & Europe was mainly due to this incentive based pay to their employees / executives.**
- iv) Everybody's **variable pay depends on performance** that will be more subjective in banks. **Hence, the subordinates have to please their superiors who in pursuit of aggressive targets will bend rules with no checks and subordinates will be blind to the dangers of such aggressive banking.**
- v) There is often sector-specific political interference in bank lending – a la – Civil Aviation in recent times, food credit etc., which affect the paying capacity of the banks concerned.
- vi) **CTC in short will compromise every bank's interest across the board.**

**CTC is against constitutional validity, conceptually incompatible, strategically inimical to the interest of the bank and difficult for implementation.**

**In view of the above, we must wholesale reject Cost to Company proposed by the Government / IBA .**

Pillai Committee established parity of pay between Public Sector Bank Officers and the Group "A" officers of the Government of India. V and VI Pay Commissions have caused distortions, to the detriment of Bank officers. We demand restoration of Pay Parity with Group "A" Officers of the Government of India. The parity should include similar pension with the provision of up-dation and up-gradation. **The Public Sector Banks being vital instrumentalities of the Government, should be brought under the ambit of Central Pay Commission for the purposes of Pay and Allowances.**

**By**

**Com. K. ANANDAKUMAR  
GENERAL SECRETARY, IOB OFFICERS' ASSOCIATION**