

**Note:**

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**Instructions**

- **Section 1 is compulsory. (20 marks)**
  - **In Section 2, Write any 3 questions from 6 questions (carrying 10 marks each)**
  - **One can make use of examples and diagrams to support the answers.**
  - **Use of calculators, laptops, pen drives and/or any other hard/soft copy documents NOT PERMITTED. If found any such unfair means, the student will be marked zero for this paper**
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**Section I**

**State Bank of India - The VRS Story**

The Indian banking industry was overstaffed by 35%. In order to trim the workforce and reduce staff cost, the Government announced that it would be reducing its manpower from SBI. The unions argued that the VRS might force the closure of rural branches due to acute manpower shortage. This was expected to affect SBI's aim to improve economic conditions by providing necessary financial assistance to rural areas. The unions also alleged that the VRS decision was taken without proper manpower planning.

In February 2001, the SBI issued a directive altering the eligibility criteria for VRS for the officers by stating that only those officers who had crossed the age of 55 would be granted VRS. Consequently, applications of around 12,000 officers were rejected. The officers who were denied the chance to opt for the VRS formed an association – SBIVRS optee Officers' Association to oppose this SBI directive. The association claimed that the management was adopting discriminatory policies in granting the VRS. The average estimated cost per head for implementation of VRS for SBI and its seven associated banks worked out to Rs 0.65 million and Rs 0.57 million respectively. Because of the VRS, SBI's net profit decreased from Rs 25 billion in 1999-00 to Rs 16 billion in 2000-01. The VRS package offered 60 days' salary for every year of service or the salary to be drawn by the employee for the remaining period of service, whichever was less. While 50% of the payment was to be paid immediately, the rest could be paid in cash or bonds. An employee could avail the pension or provident fund as per the option exercised by the employee. The package was offered to the permanent staff who had put in 15 years of service or were 40 years old as of March 31, 2000,

The SBI was shocked to see the unprecedented outcry against the VRS from its employees. The unions claimed that the move would lead to acute shortage of manpower in the bank and that the bank's decision was taken in haste with no proper manpower planning undertaken. In 2000, SBI had undertaken a large-scale clientele membership drive in some states to attract more customers. The unions opined that the VRS could prove to be counterproductive as the increased business might not be handled properly. However, despite all the protests, SBI received around 35,000 applications for the VRS. Analysts pointed out that many bank employees opted for the VRS due to the better employment prospects with the NPBs. SBI had not anticipated such a huge response to the scheme. While the VRS was mainly aimed at reducing the clerical staff and sub-staff, the maximum number of optees turned out to be from the officer cadre. The clerical staff was reluctant to go for the VRS due

to the low employment opportunities for them in the NPBs. Per reports, 33 per cent of the total officers in the bank had sought VRS. Following huge response to the VRS from officer cadre, SBI issued a circular stating that the management would relieve only those officer cadre applicants who had crossed the age of 55 years. The bank also issued a circular barring treasury managers, forex dealers and a host of other specialized personnel, from seeking VRS. Employees who had not served rural terms were also barred from opting for the scheme. The VRS was also not open to employees who were doctorates, MBA's, Chartered Accountants, Cost & Works accountants, postgraduates in computer applications. In another circular, SBI mentioned that any break in service (i.e. leaves availed on a loss of pay basis) would not be taken while calculating the service period. The bank also restricted the loan facilities to the personnel who had opted for the VRS. If an employee wished to continue a housing loan after accepting VRS, he was asked to pay interest at the market rate. After these restrictions were introduced, only 13.4% of the officers were left eligible for VRS instead of the earlier 33%. Officers who could not meet the prescribed criteria alleged that the bank was practicing discrimination in implementation of the scheme and that no other banks had implemented such policies and denied the opportunity of VRS to officers who were willing to avail the scheme. The officers who were denied the VRS formed an action group in March 2001. They claimed that SBI had violated the guidelines of the Government and the Indian Banks Association. Per the members of the group, any shortfall in the number of officers could easily be met by promoting suitable clerks.

According to reports, SBI's total staff strength was expected to come down to around 2,00,000 by March 2001 from the pre-VRS level of 2,33,000. With an average of 5000 employees retiring each year, analysts regarded VRS as an unwise move. By June 2001, SBI had relieved over 21,000 employees through the VRS. It was reported that another 8,000 employees were to be relieved after they attained the retirement age by the end of 2001. Analysts felt that this would lead to a tremendous increase in the workload on the existing workforce. According to industry watchers, by 2010, the entire SBI staff recruited between mid 1960 and 1980 would retire. As a result, SBI would not have sufficient manpower to manage over 9000 of its branches. Another major hurdle was the Government's proposal to scrap the Banking Service Recruitment Board (BSRB) as the bank lacked expertise in recruitment procedures.

In the post-VRS scenario, SBI planned to merge 440 loss-making branches and announced redeploy additional administrative manpower (resulting from the merger of loss-making branches) to frontline banking jobs. SBI also planned to reduce its regional offices from 10 to 1 or 2 in each circle. In August 2001, it was reported that a single officer had to take charge of 3 or 4 branches as the daily concurrent audit got affected. Departments like internal audit, concurrent audit, monitoring, inspection of borrowings had hardly any staff, according to reports. It was reported that employees working in branches that had a high workload went on work-to-rule agitation, blaming the VRS for their problems. Analysts felt that SBI would have to take serious steps to reorient its HRD policy to restore employee confidence and retain its talented personnel. SBI had many strong organizational strengths and an excellent training system, but due to weak HR policies, it had lost its experts to its competitors. The employees of almost all the new generation private sector banks were former employees of SBI. The bank's well-defined promotion policy was systematically flouted by the framers themselves and, as a result, employees with good track records were frequently sidelined. Many analysts felt that SBI was not able to realize the critical importance of recognizing inherent merit and rewarding the performers. The above factors were cited as the major reasons for the success of VRS in the officer cadres, who were reported to be demoralized and de-motivated. The arbitrariness and insensitivity at the corporate level had dealt a severe blow to the employees of the organization. What remained to be seen was whether SBI would be able to reorganize its HRD policy and retain its talented personnel.

## **QUESTIONS**

1. The results of the SBI VRS were not in line with the management's expectations. Comment on the above statement and discuss the effects of the VRS on SBI.
2. In most of the VRS implementation exercises in Indian PSUs, the largest number of applicants has been from the officer cadre. Was SBI wrong in not anticipating this for its VRS? Also comment whether SBI was justified in altering the eligibility criteria for the officer cadre to restrict their outflow.
3. The outcome of the SBI VRS has highlighted the need for proper manpower planning and HRD policies in Indian public sector banks.
4. Discuss the various steps to be taken by the SBI in the post VRS scenario?

## **Section II**

- 1) What is the difference between recruitment and selection, write any 2 of the following? (5 Marks each)
  - a) Different types of interviews.
  - b) Internal and external sources of recruitment.
  - c) Employee separation.
- 2) What is Training need identification, which are the different levels at which TNI is required to be done. what are different methods of training, Explain any one method of training? (10 Marks)
- 3) What is performance management cycle, list down different methods of appraisals, explain any one method, write down the names of various errors in performance review. (10 Marks)
- 4) Define compensation, classify compensation in intrinsic and extrinsic rewards. What is the context of variable pay in today's business context (10 Marks)
- 5) Though it essential for a manager to be effective in his domain and financial numbers, it's very critical for him to master human relations, explain the advantages of being master of people management with current business scenarios? (10 Marks)
- 6) Write short notes on any 2 of the following. (5 Marks each)
  - a) Induction, orientation and socialization.
  - b) Job Analysis.
  - c) Succession planning and career development.

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