

# ALL INDIA INSURANCE EMPLOYEES' ASSOCIATION

LIC BUILDING SECRETARIAT ROAD HYDERABAD 500 063

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To all the Zonal/Divisional/State/Regional Units:

Dear Comrades,

## MOCKERY OF COLLECTIVE BARGAINING

The gross interference and arbitrariness of the government has reduced the entire process of negotiations on wage revision in insurance and banking sector to a mockery of collective bargaining. It was not that this interference was absent in the past, but this time around it is direct and arrogant. This situation is neither good for the industrial relations nor for responsive and accountable management practices. Therefore, this interference has to be protested and resisted by all those who believe in industrial democracy.

It is close to two years since the wage revision in public sector insurance industry and the banks fell due. No worthwhile efforts are made to seriously engage the unions in negotiations to settle the genuine demands of the employees and officers. The public sector insurance industry grew by leaps and bounds since the last wage revision. In LIC at the time of last wage revision, the wage cost accounted for 6.02 percent of the total premium income. This cost declined to 3.19 percent by the time the present wage revision fell due. This indicates a brilliant all round performance of the institution with unstinted support and devotion of all sections of the work force. During this period the public sector general insurance companies recorded a very impressive performance in terms of underwriting gross direct premium income and increased productivity of the employees. Similarly in the banking industry both the deposits and advances grew impressively and the non-performing assets showed a decline. It was in this background that the Unions placed a demand for wage revision commensurate with the growth of the institutions. The managements have found it very difficult to find fault with the demands placed by the unions in the context of the increased productivity and growth of the institutions.

In the information sharing session held on 16<sup>th</sup> June, the LIC management offered a wage increase of 15 percent. The offer stands at 12 percent wage hike in public sector general insurance. The managements are unable to justify these offers except to take up the position that this is what the government asked them to do. Something strange happened in the banking industry. The IBA had offered to the unions in banks a wage increase of 16 to 17%. But on 17<sup>th</sup> June 2009 the IBA informed the unions that they are withdrawing this offer and were prepared for only 15% increase. This was done evidently under pressure from the government. This is atrocious. When the IBA had earlier made an offer of 17% it must have surely been aware of the implications. Though the offer of the 17 percent was not acceptable to the unions and they were demanding improvements, the direct interference by the government is an attack on the very concept of collective bargaining and places the managements in a vulnerable and weak position.

The UPA government has been propagating that it is committed to industrial democracy. The government announced that it is committed to delegation of functional autonomy to the managements of the profit making public sector enterprises. The government also says that the wages in the public sector can be determined on the basis of the profitability of the

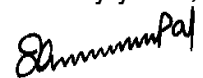
enterprise as long as it is not required to share the cost from the public exchequer. The former Finance Minister Shri P.Chidambaram informed AIIEA delegation on 31<sup>st</sup> March 2005 (during the last wage revision) that the issue of wage revision is a matter of bilateral discussion between the management and the unions and that the government's role was to notify the final recommendations of the LIC management.

But the way negotiations are being conducted in insurance and banking industry clearly indicate that there is interference from the government in the entire process. Not only the government is dictating what should be the level of wages but it is also insisting on the managements to attach certain conditionalities to the wage revision. This cannot be acceptable. The insurance and banking industries have played an important role in the development of the national economy. The contribution of LIC to the nation building activity is unquestionable. These institutions have not only been fulfilling the social obligations but have also been working as truly business organisations expanding profits and dividends. The managements of such vital organisations successfully running their businesses have to be trusted with certain decision making including on the issue of wage revision. Therefore, these managements do not require the bureaucratic guidance from the government as to the level of wages in these institutions.

The wage revision in the financial sector is already delayed. More delay is surely going to result in industrial unrest, which is not in the interest of anybody. The government must refrain from this kind of interference and allow the managements to conduct negotiations and settle the issue on the basis of the growth and paying capacity of the industry. In fact the government while accepting the recommendations of Justice Rao Committee on wages for the public sector executives has accepted the principle that freedom should be given to the public sector enterprises to decide the wage levels depending upon the profits. The public sector financial institutions today are in serious competition with the private sector. In this context it is necessary not just to retain the talent with comparable wage levels but also to motivate the entire work force to meet the present day challenges. The demands of the unions in the financial sector for a good wage revision are totally justified. These demands have to be met without further loss of time. It is also time for the managements of the public sector to assert their right to run the institutions and settle the demands keeping the interests of both the employees and the institutions in view.

But knowing the character of this government, this process is not going to be easy. Therefore, a struggle would be required to achieve our demands. Today, the issue is not just wage revision but it is also linked to wider trade union rights as collective bargaining. The struggle is also to secure functional autonomy to the managements and make them accountable to the interest of the employees. The AIIEA will campaign on these issues and mobilise the support of other unions in the insurance industry for an industrial action to secure a satisfactory wage revision as early as possible. Towards this end, let us advance.

Comradely yours,



General Secretary.