

**Summary**  
**FNV Company Monitor**

# ABN Amro – India

2007

**Summary based on the research done by:**

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# Contents

- 1. **Introduction** ..... 4
- 2. **General characteristics of ABN AMRO in India** ..... 4
  - Business description ..... 4
  - Employment and trends in employment ..... 5
  - Outsourcing ..... 5
  - Company management and relations with the corporation ..... 5
  - Relevant aspects of Corporate Social Responsibility ..... 5
- 3. **Labour relations** ..... 6
  - Freedom of Association ..... 6
  - Collective bargaining ..... 7
  - Labour Conflicts ..... 7
  - Access to information ..... 8
- 4. **Labour conditions** ..... 8
  - Child labour ..... 8
  - Forced labour ..... 8
  - Discrimination ..... 9
  - Wages and bonuses ..... 9
  - Working hours ..... 10
  - Health and safety ..... 10
- 5. **Outsourcing and Reorganisation** ..... 11
- 6. **Conditions in the supply chain** ..... 11
- 7. **Conclusions** ..... 11

# 1. Introduction

This report aims to describe the labour practices of ABN AMRO bank in India (hereafter ABN AMRO unless otherwise specified) and to assess them in relation to a set of criteria that are part of the company's Corporate Social Responsibility (CSR) policy. The study period covers the situation over the previous five years (2001-2006), and the information collected is used to carry out a descriptive analysis of aspects such as the management influence, union situation, labour relations, and CSR policies.

In-depth interviews were conducted with ABN AMRO managers and directors, trade union representatives, and five employees in Mumbai (Bombay) and Kolkata (Calcutta). The employees included members as well as non-members of the unions and were interviewed outside the ABN AMRO offices. CSM would have wished to interview more employees, but access proved difficult. As a result, it must be noted that opinions of respondents are indicative only not fully representative of the entire group of ABN AMRO employees. Information was also obtained from various media and secondary sources on ABN AMRO's general characteristics, economic and financial data, historical background and any record of labour shortcomings has been consulted.

ABN AMRO management's cooperation did not come through easily. The management was not forthcoming apparently on the grounds lack of clarity on the purpose of the study. The management was apprehensive of the consequences of the study such that it would lead to unnecessary demands from the union members and other employees in the organisation. As a result, the project moved slowly for about three months. The management agreed to cooperate following more information and clarification from FNV and SOMO and provided comments on the draft report.

## 2. General characteristics of ABN AMRO in India

### **Business description**

ABN AMRO has had a long-standing presence in India since 1920, in Kolkata and Mumbai. At present, the bank has a presence of 28 branches across 21 cities offering a comprehensive range of financial products and services. In comparison, Citibank has 44 branches, HSBC 39, and StanChart has 84 branches in India. Presently, the Bank is expanding retail business through opening of more branches in the country and focussed on the consumer and commercial mid-segment.

ABN AMRO Bank in India is composed of the following entities:

- ACES (ABN AMRO Central Enterprise Services)
- ABN AMRO Equities (India) Ltd

- ABN AMRO Securities (India) Ltd
- ABN AMRO Asset Management (P) Ltd
- ABN AMRO Corporate Finance

ACES provides Business Process Outsourcing (BPO) services and functions as a distribution network. Investment banking services are delivered through ABN AMRO (India) Corporate Finance and the Global Financial Market Teams. The Banks also runs a microfinance program, aimed at delivering credit to the poor women of India, especially in the rural areas, through Microfinance Institutions (MFIs).

Between 2005 and 2006 ABN AMRO's increased its total income by at least 48 percent. The Indian operations also increased their bet profit by about 24 percent in the period 2005-2006, which had stagnated at Rs. 195 crores (€ 34 million) in the period 2004-05.<sup>1</sup>

### **Employment and trends in employment**

ABN AMRO employment has grown rapidly from about 2001 in 2003 to over 6000 employees in 2006. ABN AMRO India's employment comprises of about 25 percent women.

### **Outsourcing**

The decisions on outsourcing are taken both at global and country levels depending on whether the nature of activity is to affect global operations or only specific country operations. The Bank has and is increasingly outsourcing permanent back-office jobs (see below).

### **Company management and relations with the corporation**

The corporate management has a strong influence on the national/local management. India strategies and policies implemented in India are in line with strategic guidelines defined by the board in the Netherlands and materialised through annual agreements. While business strategies are outlined and related decisions taken at the India corporate level, decisions about labour relations are taken at the national as well as local levels, depending on branch-level conditions.

### **Relevant aspects of Corporate Social Responsibility**

ABN AMRO participates in various sustainability organizations and has led initiatives that promote a sustainable approach to business. Many of these initiatives are led globally and have a trickle down effect on what the Bank does in India. ABN AMRO is a signatory to or member of the World Business Council for Sustainable Development (WBCSD), Equator Principles, the International Chamber of Commerce (ICC) business charter for sustainable development, Wolfsberg Principles, Carbon Disclosure Project (CDP), and the Climate Leadership Index (CLI).

ABN AMRO has developed a definition of sustainable development linked directly to its Values and Business Principles: 'To live our Values and Business Principles and to meet the needs of the organisation and our stakeholders, thus protecting, sustaining and enhancing human, natural and financial capital needed in the future.'

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<sup>1</sup> 10 lacs = 1 million, 10 million = 1 crore; current exchange rate 1 Euro = Rs 58 (approx).

The Bank’s internal governance is founded on a robust set of policies and instructions contained in the ABN AMRO Instruction Manual (AIM). This manual is not a public document but is made available to staff via Intranet. It sets out a global approach to areas such as human resources, labour policies, risk management and communication.

### 3. Labour relations

#### Freedom of Association

- ❑ ILO Convention 87 (protection of unions) not ratified
- ❑ ILO Convention 98 (right to organise) not ratified

*National legislation: The Industrial Relations Division (Policy Legal) within the Ministry of Labour deals with the following main labour legislations/schemes applicable to all organisations in India: The Workmen’s Compensation Act 1923; The Minimum Wages Act 1948; The Payment of Wages Act 1936; The Industrial Disputes Act 1947; The Employees Provident Fund and Miscellaneous Provisions Act 1952; The Payment of Bonus Act 1965; The Payment of Gratuity Act 1972; The Maternity Benefit Act 1961; The Industrial Employment (Standing orders) Act 1946; The Trade Unions Act; The Equal Remuneration Act; The Employees State Insurance Act; The Factories Act; The Child Labour Act; The Contract Labour Act*

The trade union at ABN AMRO India is called the 'General Bank of the Netherlands' Employees Union'. The Union is affiliated to 'Maharashtra State Bank Employees' Federation' (MSBEF) at the State level and 'All India Bank Employees' Association' (AIBEA) at the National level. Only Mumbai (corporate office) and Kolkata (regional office) have unions. Kolkata union is called the ABN Amro Bank Employees Union.

Except for Mumbai and Kolkata, there is no staff union in any other branche in India. Membership is only very limited with 125 and a miniscule five members in Mumbai and Kolkota, respectively. A number of reasons have been presented for the low unionisation level of the Bank. First, according to the union members, the Bank discourages union membership informally by telling the new recruits not to join the Union and by differential treatment. The latter is done through various means including promotions and differential salary structures. Union membership is not 'permitted' for officer and senior management cadres, which is not according to the Indian labour laws. Hence, the moment employees are promoted from the clerical level to officer cadre, the union membership 'automatically' gets terminated.

Second, ABN AMRO in India has resorted to retrenchment through Voluntary Retirement Schemes (VRS) that affected union membership. The union feels this was mainly done to reduce their membership. VRS was exercised in the years 1997, 2002, 2005, wherein the compensation package was discussed with the union.

Third, numerical strength of the unionised staff was negatively affected by the increasing trend towards outsourcing.

Fourth, the union members cannot operate without restrictions – access to the workplace for union activities and the freedom to distribute information is restricted – and union staff feels it is subjected to step-motherly treatment.

Finally, young, often well-educated people have a negative image of unions because they perceive them as old fashioned and are therefore no longer willing to join a union. In addition, there is less need for them to unionize because of rapid economic growth, they have ample opportunity to find a good job with a high salary.

### **Collective bargaining**

Due to reduction in numbers, the Union's bargaining power has also suffered. However its relation with the management has always remained cordial.

Collective Bargaining for union members is in place. This is according to the agreement between the Union and the Management and is applicable to union members only. Pay-scales of other employees at the Bank and ACES are directed by corporate structures as decided by the Human Resource team in consultation with senior management and keeping in mind industry trends. The pay-scales of the union members are governed as per the settlements signed with Government/Bankers by AIBEA for bank employees all over the country. However, they do get additional monetary benefits for which the union has signed various internal settlements with ABN AMRO management.

Two critical changes in collective bargaining are the expansion of coverage and scope of long-term agreements. Competitive market pressures, especially since the beginning of economic reforms, have forced bargaining outcomes to be decided at the local level.

While other employees are on various committees, there is no union representation on any committees that look at employee training and welfare. Moreover, the committees are taken to be superficial. While the employees outside the union are mostly satisfied with the management, there are some concerns on how policies are prepared without active participation of employees.

Nonetheless, the management maintains a culture of openness. Every Business Unit and branch has both informal and formal procedures for dealing with complaints and grievances. Informal approaches include an "open door" policy and an internal ombudsman. More formal approaches include peer reviews or forming a management committee to handle specific cases.

### **Labour Conflicts**

ABN AMRO has not witnessed any strike in the last two decades. Both the union and the management believe in talking and negotiating to arrive at an amicable solution to demands and grievances.

**Access to information**

Union members rely solely on themselves to have access to company information in addition to what is already in the public domain. ABN AMRO is an unlisted company in India and therefore, is not mandated to disclose annual financial reports. However, the banking regulation requires them to submit their annual reports to the Reserve Bank of India (India’s Central Bank). Information not in the public domain is hard to obtain. Union members also do not have access to many parts of the intranet. The inaccessible areas include employee activities and human resource policies applicable to non-unionised employees, among others. All other employees have full access to the intranet.

According to the management, the Bank shares a lot of information through in-house magazines and intranet, and any other medium as and when necessary depending on the nature of information. Any employee is free to access any other information provided by the managers upon request, though at the sole discretion of the superiors. Seeking information is tougher for union members as compared to the non-members. Despite repeated requests and continuous dialogue, the bank refuses to share these information media with the Union.

## 4. Labour conditions

**Child labour**

- ILO Convention 138 (minimum age) not ratified
- ILO Convention 182 (worst forms of child labour) not ratified

*Although India has not ratified the ILO conventions addressing Child Labour, the country has legislation banning child labour and declaring employment of child labour as a punishable offence by law. With regard to a general minimum age for admission of children to the labour market, India has no such minimum age. Instead this area is governed by a variety of different acts pertaining to hazardous work such as in mines, factories, etc.*

No issues on child labour were reported with respect to ABN AMRO.

**Forced labour**

- ILO Convention 29 (forced labour) ratified
- ILO Convention 105 (forced labour) ratified
- ILO Convention 100 (equal remuneration) ratified
- ILO Convention 111 (discrimination) ratified

No issues on forced labour were reported with respect to ABN AMRO.

## **Discrimination**

Workers or trade unionists do not perceive that there is discrimination on the basis of sex, ethnicity, religion, social origin, or political opinion. ABN AMRO also offers equal pay for work of equal value, regardless of sex, ethnicity, religion, social origin, or political opinion. The Bank, like most of the Indian private sector, does not have any reservations for scheduled castes and/or scheduled tribes. It also does not make conscious attempts to identify the background of candidates or employees on the basis on caste religion or ethnic origin.

Union members do not have equal opportunities for training and promotion. Promotion is restricted as union membership is 'not allowed' as soon as an employee is promoted from clerical level to managerial cadre.

There are strict policies and monitoring mechanisms in place regarding sexual harassment. There are no cases of sexual harassment in the workplace.

India does not have any legislation on affirmative action in the private sector. The present coalition government has initiated broad stakeholder discussions on workplace reservations for disadvantaged classes in the Indian private sector. The private sector has vehemently opposed any mandatory reservation on grounds of losing competitiveness. However, the private sector has suggested voluntary affirmative action as a solution to address socio-economic challenges of India at the same time retaining competitiveness. The debate is still on and far from any implementation.

ABN AMRO India does not have any affirmative action in place. However, it claims of being an equal opportunity employer and does not discriminate on the basis of socio-economic status of any candidate seeking employment. The Bank recruits purely on merit. According to the management, the Bank has the best employee referral policy in the industry, a view which is supported by some of the employees interviewed.

## **Wages and bonuses**

On the basis of the interviews with the management and unionised and non-unionised employees, it can be concluded that the wages at ABN AMRO India are fairly competitive. The management indicates that there have been growing wage increases due to a short-fall in desired talent. Like its competitors and peers, the Bank has to offer attractive pay packets to retain good employees.

For unionized staff, the wages are paid as per agreements at the Bank level or National level. For non-members of the union, the management has set salary brackets and relevant perks. Every employee is subject to periodic evaluations, a set career plan and salary scale, as well as a mentor to guide on career advancements within the organisation. All these decide annual promotions or salary increments. While some of these processes are apparently transparent, employees remain unsure of how exactly the amount of increment is decided. Complaints of employee/employer bias are not unusual. Although employees can go to any related superior in the hierarchy, it is most often not done. There is no employee and union participation in deciding

wage and promotion policies/ practices. There are discrepancies such as employees in the same function with different pays. In the interim, increase in responsibilities is not accompanied by a corresponding pay hike.

### **Working hours and holidays**

*In practice the Indian workweek is six days of eight hours with every second Saturday a day off. By law the Indian workweek of employees is defined to 48 hours. Employees should be granted a three weeks holiday every year. Overtime work should be communicated in advance and should be paid double if the hours exceed more than 9 hours a day and 48 hours a week. A minimum wage system is applied in India and the actual wage scale may vary from state to state. These labour conditions are laid down in various Indian labour laws and in general apply to the organised sector.*

The normal working hours at ABN AMRO are six-and-a-half hours per day for clerical staff and seven hours per day for sub-ordinate. There are no fixed overtime schedules. Most of the employees outside the union tend to work slightly beyond office hours to complete necessary work and meet deadlines. These times are not fixed and vary depending on the work load. No extra wage is paid for such overtime. However, employees at ABN AMRO India are less pressurised on work as compared to other foreign banks operating in India. This was mentioned by the management, union leaders, as well as interviewed employees.

The employees also mentioned that it was the nature of work that required working for some time beyond office hours on a regular basis. It was also perceived as 'working hard' and 'being committed', which makes a difference in performance appraisal and impacts their growth within the organisation. However, they also mentioned that refusing to work overtime was an exception. The concerned superiors generally expect employees to complete the assigned task(s) before ending the work day. This many times led to stress amongst employees and complaints about work-private balance.

The leaves and holidays are provided in accordance with statutory requirements. All employees are provided with 12 days of Casual Leave, 30 days of Paid Leave (upto 240 days for the whole service, eligible to en-cash on retirement), and Medical Leave upto nine months in the whole service period.

### **Health and safety**

ABN AMRO employees pointed out that work pressure is often beyond limits, deadlines tight, and targets are high, resulting into stress, tension and body aches, strain injuries, gastritis, hypertension, and work-life imbalance. In contrast, ABN AMRO's management maintained it provides a less stressful and not a very demanding workplace and work culture. It also pointed out that medical services and benefits are provided to its employees. A doctor at every branch and office, insurance covers and medical reimbursements subject to terms and conditions, and employee-friendly activities that entail spouse/ family participation were some of the touted initiatives.

## **5. Outsourcing and reorganisation**

As has been mentioned above, ABN AMRO is increasingly outsourcing its activities. Affecting its global employment, in the beginning of September 2005, ABN AMRO Bank announced the lay off of another 1,500 staff, due to the outsourcing of IT operations worldwide. A majority of the transferred staff moved to IBM. The bank consulted employee representatives around the world about the outsourcing deals, and obtained regulatory approval before the transfers could go ahead. The outsourcing resulted in a few exits and mainly relocation of employees. The numbers are unknown.

In India, the Bank started ACES as an in-house outsourcing unit that caters not only to Indian business but also global business. ACES was set up with a view to consolidate ABN AMRO's back-office operations. India was an attractive destination given the low labour cost, advantage of English language, and a large pool of qualified professionals. Setting up of ACES generated new employment opportunities at ABN AMRO, at the same time some employees were relocated from the Bank to ACES. While the numbers are not known, the reorganisation happened across the country. It is reported that the management did engage employees through the relocation. However, the union was not engaged in the process. Labour conditions at ACES are similar to those at other parts of ABN AMRO in India.

## **6. Conditions in the supply chain**

There are no unions in the supply chain. Outsourcing service providers, including ABN AMRO's ACES are considered to be part of the supply chain. ACES and large service providers such as Tata Consultancy Services and Infosys do not have unions at their workplaces. Absence of unions in the Indian IT sector is an industry trend, though some unionisation has materialised in the recent past with the efforts of the Union of ITES Professionals (UNITES).

## **7. Conclusions**

ABN AMRO has a reputation of being one of the best foreign banks in India and a respectable place to work. It maintains an image of being a socially responsible bank by being one of the first movers in microfinance and project financing based on socio-economic assessments. Also much of its positive image is caused by a culture of openness and engagement and the inclusion of employee viewpoint on diverse issues.

Although overall the working conditions at ABN AMRO are regarded as good, there may be some reasons for concern, in particular in the area of freedom of association. The union has the perception that ABN AMRO's management is consciously attempting to marginalise the existing

union by discouraging non-members and newcomers from unionising or associating in any form. Union respondents complained about differential treatment of union members through a non-inclusive approach. They added that the management not only limits the information flow to union members, but also between employees and union members.

To some extent the union's critique with respect to freedom of association maybe valid, but the limited number of union workers has also been caused by broader economic and cultural factors. One main reason is the attitude of young workers who perceive unionisation as being 'old-fashioned' and therefore are not willing to become a members. Other causes are voluntary retirement schemes and an increasing trend towards outsourcing.

Concluding the limited power of the union at ABN AMRO India must be set in a broader context of the state of the union movement in India. While the broad aims of unions and workers movements remain relevant, it seems that their strategies do no longer fit the present economic and social conditions. In a competitive environment such as banking in India, firms and employees have embraced the individual bargaining model and trade unions are regarded by many as outdated, politicised and irrelevant. Today's confident young professionals are saying they can strike their own deals with management without the need for intermediaries such as trade unions. This loss of confidence in unions is most damaging for those least able to assert their rights and organise effectively. If unions are to have a future in the increasingly more liberalised Indian market, it is imperative they respond to these trends and changed environment and strategise accordingly.