



EWC case studies

HSBC

Company profile

The EWC

Outcomes and impacts

Issues and future prospects

EWC case studies are available in electronic format only.

Company profile

The HSBC group, which has its headquarters in the UK, is one of the largest banking and financial services organisations in the world, with more than 8,000 offices in 80 different countries. The group provides a full range of financial services: personal, commercial, corporate and investment banking; insurance and personal financial services; trade services; cash management; treasury and capital markets services; pension and investment fund management; trustee services; securities and custody services. At 31 December 1999 total assets amounted to £352 billion.

Total employment is 210,000 with around 75,000 in the EU (Table 1). The group has grown by acquisition, notably in recent years with the UK Midland Bank (1987–92) and *Crédit Commercial de France* (now CCF Group) in 2000. The UK and France are the main centres of HSBC retail banking operations in Europe. There is also a limited retail presence in Greece, Spain, Belgium, and Luxembourg. In Italy the group operates only private banking and in Germany private and corporate.

Table 1: *HSBC employment in the EU (as at 30 June 2003)*

Country	Number employed
UK	60,000
France	12,100
Germany	1,550
Greece	750
Italy	250
Belgium	250
Spain	200
Luxembourg	150
Ireland	50
Netherlands	58*
Sweden	50*

Source: *Senior manager, employee relations, Europe and negotiations*

Note: * since reduced to less than 50 employees

The group holding company, HSBC Holdings plc, was formed in 1991, but many of the principal constituent companies have operated for well over a century. The group first pursued a vigorous acquisition strategy under Michael Turner's leadership between 1953 and 1962, in order to diversify after the war. This strategy was renewed with the opening of world financial markets in the 1980s and 1990s, and the group has built a reputation for buying and turning round troubled banks. Most recently the group has continued to expand throughout Europe. It has opened new subsidiaries such as in those in Armenia (1996) and the Czech Republic (1997), and has made additional acquisitions such as the one in Malta (1999).

The formation of HSBC Holdings plc, creating a holding company for the entire group with its shares quoted in London and Hong Kong, demonstrated that the group viewed Europe, and the London market in particular, as a vital part of its future development. This strategy was made clear when HSBC Holdings announced its offer for the Midland Bank in the UK. The acquisition of the Midland Bank was initiated in 1987, when a 14.9% stake was bought. (HSBC had planned to acquire the Royal Bank of Scotland in 1981, countering a bid from Standard Chartered Bank, but both were ruled out by the Monopolies and Mergers Commission.)

The acquisition, one of the largest in banking history, was completed in 1992. In the meantime a cooperation agreement allowed the two banks to consolidate and rationalise their international activities by reciprocal transfers of business (e.g. the transfer of Midland Bank Canada to Hong Kong Bank of Canada in 1988). The final offer valued Midland at STG £9 billion, persuading Lloyds to drop its own interest in the Midland, and the purchase lifted the group's total assets from STG £86 billion in 1991 to over STG £170 billion in 1992. Midland was renamed HSBC Bank in 1999 as part of the adoption of the HSBC brand throughout the group.

The acquisition of Midland created one of the largest financial organisations of its kind in the world. Attention immediately turned to integrating and consolidating the business of the enlarged group. In 1992 treasury operations were integrated in London, New York and Tokyo, with common standards in technology. In the same year HSBC Investment Banking was formed to coordinate the merchant banking, securities and asset management activities of the group. Similar efforts at coordination of activities, technology and training were made in private banking (1993) and the securities custody business (1994). In 1999 a joint venture was established with Merrill Lynch to create the first global online banking and wealth management company. There was no similar integrative plan for the banking subsidiaries in the different countries, partly because they were regulated by different national authorities, and partly because of the group's traditional concern for rapid decision making and local accountability. However, group level functions remain for strategic planning, HRM, legal and company secretarial, and financial planning and control.

HSBC announced an offer of US\$11 billion for Crédit Commercial de France in April 2000 in order to strengthen its presence in the eurozone, and as part of its long-term strategy of establishing a strong presence in the major financial centres of the world. CCF has 650 branches in France and is a major player in personal, corporate, investment and private banking. There has been some reorganisation of reporting lines after the acquisition of CCF. The International Division that looked after the group's European interests lost some responsibilities to Paris under CCF control, which now returns information to HSBC Bank plc in London. The two companies are increasingly integrated, and there is one member of each company on the other's board. However, the future structure remains uncertain given the UK position on the euro. Depending on any further acquisitions it would not be too surprising if reporting lines were one day reversed.

The group has a set of core 'business principles and values'. The second item states that 'we believe in maintaining effective employee relations, and we are willing to work with and through recognised staff representative bodies'. In terms of HRM policy, it first emphasises equality of opportunity. The chief executive of HSBC Bank plc has a high-profile commitment to a diversity strategy, including partnerships with organisations such as Opportunity 2000, Opportunity Now, Race for Opportunity, the Employers' Forum on Disability, and the Employers' Forum on Age.

The EWC

The EWC was established as the HSBC European Council in September 1996 under Article 13 of the EU Directive, operating under English law. It was subsequently revised in November 2001. There have been two meetings a year (usually around March and October), with steering group meetings in between, since 2001. The main features of the original document were:

- Purpose: set out as 'communicating transnational information about the HSBC group and for sharing views and consulting with Employee Representatives'. Agenda items should concern operations in at least two EU Member States.
- Composition: a maximum of 20 employee representatives (ERs), with at least one from each qualifying country (defined as an EU Member States in which HSBC has 150 or more employees). Those countries with fewer employees could raise any issues through the 'designated' ER (DER) nominated by the ERs as a whole. A country gets an additional ER for between 250 and 1499 employees, and where there are more than 1500, one for every further 5,000

subject to a maximum of six. Each ER was to nominate a deputy who could attend in their absence due to illness or other unavoidable circumstance. The agreement also allowed for one technical expert and one 'other expert' per meeting and pre-meeting of employee representatives. The 'other expert' was to be the relevant full-time official of BIFU.

- Selection: to use established structures (e.g. works councils) where appropriate, or secret ballot where none exist. The elected term was three years.
- Scheduling: two meetings a year, following publication of the annual and half-year financial results of the bank. Meetings to last one day, with a half-day ER pre-meeting without a management presence. In addition ERs may meet, with translation facilities provided, for one hour following the full meeting, if necessary, to discuss any matters arising. Extraordinary meetings may only be accommodated at the discretion of the chair, in liaison with the DER.
- Agenda: items must be submitted by council members at least three weeks in advance and finalised by the chairman in consultation with the DER.

The following changes were introduced into the revised agreement in 2001:

- The maximum composition was increased to 30 ERs with a maximum 10 from any single country. The minimum employee threshold was reduced to 50, with an additional ER allowed when the following employee numbers are reached: 500; 2,500; 7,500; 12,500; 20,000; 27,500; 35,000; 45,000; 55,000. In addition, where HSBC operates in a country that has completed the formalities required to join the EU, arrangements will be made for observers (according to the same employee threshold and scale) to attend any full council meetings held in the twelve months before accession.
- A steering group (SG) was formed 'for discussions relating to issues affecting the council, between the normal council meetings of all delegates'. This was to comprise the chair; head of Employee Relations, HBEU; and one other person nominated by management; also the DER and two ERs elected annually at a council pre-meeting. SG meetings were normally to be held between each full council meeting, and might be convened in person or through audio/visual conferencing facilities. Agenda setting was to remain the responsibility of the chair in consultation with the DER.
- The post-meeting opportunity for ERs, with interpretation facilities, was extended to half a day.
- The nominated deputies were to be the runner-up where a ballot had been held. Any decisions to de-select, made by the chair and DER, were now to be ratified by the full council, who might also hear any appeals.
- A confidentiality clause was added which extends beyond the term of office, applying to any information and deliberation on issues designated as confidential by management. Facilities for ERs were specified, to include email, a confidential telephone and access to all places of work within their constituency, subject to assurances over security.

Representation

The EWC does not reflect any pre-existing structural reality within HSBC. The standing representatives from the management side come from both business and HR functions.

- The chair is the group general manager of HR.
- Business representation consists of the group chief finance officer; the head of international business; and the head of corporate banking, CCF.
- HR representation consists of the head of HR, HBEU; group head of ER; the senior manager, employee relations, Europe and negotiations; the head of HR HSBC Bank/HBEU; the head of HR CCF France; and the HR manager international businesses.

- In addition, other senior managers may be present as speakers or observers. For example, also present at the March 2002 meeting in Paris, were: the group executive vice-president, CCF; the head of employee relations, CCF; and, as speakers, the counsellor du président, CCF and the group general manager and global head of CIB.

The full council has 24 employee representatives (18 males, six females) as in Table 2. In addition, Malta had two observers pending EU accession.

Table 2: *EWC representation by country, 2001*

Country	Delegates	Country	Delegates
UK	10	Belgium	1
France	5	Ireland	1
Germany	2	Italy	1
Greece	2	Luxembourg	1
Spain	1		

Source: *Senior manager, employee relations, Europe and negotiations*; HSBC European council delegates report March 2002

The composition of the EWC was to undergo further change because of EU enlargement (adding Poland, the Czech Republic and Hungary) and the acquisition of the US firm Household, which has around 4,000 employees in the UK.

Meetings

Management essentially maintains control of the agenda and structure of the meetings. The formation of the SG has introduced a greater input for the ERs, though the basic agenda remains fairly standard. In short, it is framed by management, but bilaterally discussed through the SG. The core parts of a typical EWC meeting consist of a report on financial results; business updates on operations within different regions and countries; a presentation on a topic of interest; and a question and answer session. A specimen agenda is reproduced in Table 3.

Table 3: *Agenda, HSBC European Council, 16 October 2002*

Welcome, introduction and administrative arrangements	Connal Rankin (Chair)	9.30
Minutes of the 13 March meeting	Connal Rankin	9.35
Matters arising not covered by the agenda		9.40
Financial results of the group	Russell Picot (Group Chief Finance Officer)	9.45
Coffee break		10.30
Business update	Yves Meynial (Head of Corporate Banking, HSBC CCF), Shaun Wallis (Head of International Business)	10.45
Corporate Social Responsibility	Alistair Riley (Senior Manager, In the Community)	11.15
Questions and answers	All	12.00
Any other business	All	13.00
Date and venue of next meeting	Connal Rankin	Close

Presentation topics so far have included: corporate social responsibility; lifelong learning; the transition to the euro; the European strategy of corporate and investment banking (CIB); and 'globalisation' (the transfer of back-office work to Asia). According to management it is not always easy to identify transnational issues for discussion. However, apart from globalisation, there is a feeling by the UK ER in particular that topics selected are generally 'lighter' and do not always significantly add to what is already known. Other complaints include a failure to circulate presentation notes or slides in advance so questions can be prepared. However, the presentations are seen as a useful opportunity to put questions directly to the senior management that has direct responsibilities for the topic under discussion. The accounts presentation tends to be less highly valued and is seen as accessible elsewhere.

ERs would reportedly prefer more time devoted to questions and answers or debate. (Questions for the Q&A session are generally submitted four weeks in advance. The questions and answers are all read out at the meeting, seemingly without prioritisation. Questions asked on the day will be addressed through the minutes if an immediate answer cannot be provided.) They would also like greater influence over agenda setting, including issues common to different countries such as flexible working or the proposed 'group capabilities' system designed to assess the competencies and deployment of staff. Though ERs acknowledge that it is not always easy to identify transnational issues, there is a suspicion that management favour a 'minimalist' approach that involves avoiding potentially difficult issues.

For their part, senior management concede that the EWC was originally set up as a legal minimal requirement. But they emphasise that they are trying to develop a more meaningful role for it in terms of employee communication, not least because of the effort and cost of organising it. Attendance of the bank chairman at the October 2001 pre-Council dinner was widely seen as a stamp of recognition and endorsement of the work of the EWC.

Outcomes and impacts

a) Management

The experience of the EWC is shared through various management networks, including the Confederation of British Industry (CBI), especially in the context of the current review of the EWC Directive by the European Commission.

b) Employee representatives

For the UK delegates the information received through the EWC is said to be not much different nor an improvement on what is normally obtained through established domestic channels. The EWC would be more of a learning experience for the other countries involved, however. In terms of international trade union links, these were well established through UNI beforehand, and by fraternal delegates at conferences in countries like Malta and Germany. Contact with the Maltese has become closer because of a five-year encompassing agreement to assimilate work, disciplinary procedures and job evaluation etc. to HSBC standards.

The biggest difference, since the establishment of the EWC, has been closer contact with the French delegates. However, the UK ER respondent said that the French representatives were reluctant to ask Unifi for advice or information concerning their experiences since the HSBC take-over of Midland in the UK. This was partly put down to political divisions and a resentment of the dominant status of the UK union, and partly because of the peculiarities of French labour law, which they felt would insulate them from UK-style changes in work organisation or industrial relations.

Issues and future prospects

The EWC was established with reluctance by HSBC. The bank is trying to find a meaningful role for it but is constrained by the national and business segmentation of its operations. Both management and trade unions so far see the main advantage achieved as being the fairly abstract one of cross-cultural sharing of experiences rather than any real practical significance. As participants gain more experience of the EWC, there may be a continued shift towards more general discussion but for the foreseeable future the agenda remains dominated by financial and business reports and discussions of 'soft' mutual and cross-national interest topics such as training or CSR. The EWC has been endorsed by the appearance of the very top levels of senior management, though its status among wider management, trade union representatives and employees is uncertain to say the least.

July 2003