UK National Contact Point for the OECD
Guidelines for Multinational Enterprises
Department for Business, Innovation and
Skills (BIS)
3rd Floor - Victoria Zone 3
1 Victoria Street
London SW1H OET
United Kingdom

Sent by email: uk.ncp@bis.gsi.gov.uk

Nyon, July 28, 2011

Re: Standard Chartered Bank

Dear Madam/Sir,

This letter is submitted on behalf of UNI Global Union, and the Korean Finance Industry Union (KFIU), to allege that Standard Chartered Plc ("SC"), headquartered in the UK, has breached the OECD Guidelines for Multinational Enterprises ("Guidelines") through the treatment of employees by its subsidiary in Korea, Standard Chartered First Bank.

This complaint is being filed jointly with the UK NCP as the home state of the enterprise and with the South Korean NCP as the host state of the enterprise in this specific instance.

The parties

UNI Global Union is the global union for workers in the services industries, representing 20 million workers and 900 unions. Its Finance Global Union brings together more than 230 unions in the financial services industry with 3 million members.

The KFIU is the Korean federation of bank unions, which includes the SC First Bank Labor Union, the union which directly represents the employees of SC First Bank. The KFIU is a member of UNI Global Union.

Standard Chartered is a multinational bank which operates in more than 70 countries and with an income of $16 billion in 2010. It purchased Korea First Bank in 2005, renaming this subsidiary Standard Chartered First Bank. SC and SC First Bank are part of the same enterprise for the purposes of the Guidelines.

The Relevant Guideline

Clause 4(a) of Chapter IV of the Guidelines requires that enterprises should:

> "Observe standards of employment and industrial relations not less favourable than those observed by comparable employers in the host country" (Chapter IV, 4(a)).

UNI and KFIU submit that SC First Bank is seeking to impose a series of changes into the workplace that will reduce employment standards. No comparable employer in the Korean banking sector has introduced, or is seeking to introduce, such changes. Therefore SC and its Korean subsidiary, SC First Bank are directly breaching clause 4(a) of Chapter IV.

The Facts

SC entered the Korean market just over five years ago when it purchased a bank with a long history in the market and well established union and employee relationships. It signalled early on that it intended to challenge and change local workplace practices and culture.

Normally bank workers in Korea receive an annual pay increase determined for the entire industry and a second pay increase, also applied equally to all employees, based on negotiations with the individual bank. This underpins a system of team working and collaboration across the sector that has delivered reliable profits, relatively stable industrial relations, loyal staff, and high levels of customer satisfaction – all key to a sustainable business.

In 2008 and 2009 the employees of Standard Chartered did not receive a pay increase, owing to the financial crisis. When it came time to negotiate the 2010 increase, SC refused to negotiate an increase unless the union agreed to a series of changes that would lower employment standards. The three key changes are as follows:

Firstly SC First Bank sought to impose a system of pay increases based on individual performance, eliminating the Korean pay system described above. This would undermine any system of collaborative working that has driven innovation. It would also place higher pressure on employees to sell financial products to consumers.

Secondly, those not meeting individual performance targets will receive less pay and can be demoted under the proposed system – a substantial reduction in terms and conditions of work. Under the existing system, performance deficiencies are dealt with through feedback, support and where necessary, disciplinary measures, but not through the reduction of pay or demotion.

Thirdly, SC First Bank has also sought to abolish the option to take early retirement as a part of workplace retrenchment processes, as another pre-condition for any wage increases. The existing policy has a strong record in allowing management and employees to better manage change within the enterprise. Its proposed abolition will put this at risk.

SC is the only bank to have attempted to introduce such profound changes among commercial banks in Korea. All others, including a number of multinationals, continue to respect the Korean system of pay incentives which is based upon team work and collaboration, accompanied by regular pay increases extended to all employees in a fair and equitable manner.

The union and its members opposed the company's proposals, because they will lower working conditions, and undermine the stable industrial relations and a management system based upon teamwork and customer confidence.

Bargaining between the parties has continued for many months with no progress. Efforts in Korea to arbitrate a settlement through the National Labor Relations Commission were not successful and were followed by short strike on May 30. Still without progress, 3000 SC employees began a strike on June 27. The strike continues today. It is the longest general strike in the history of the Korean banking industry. This is a very strong indication of just how extreme SC First Bank's proposals are compared to the rest of the South Korean banking industry.

Conclusion

As a multinational enterprise operating in Korea, SC has insisted upon changes which reduce working conditions for SC employees. SC has refused to negotiate any pay increase unless the union agrees to a system based upon performance pressure and reduced wages if the employee does not meet sales goals. Other comparable employers in the banking industry have not adopted this approach to compensation and have retained the traditional Korean model. This is therefore a breach of Clause 4(a) of Chapter IV 4(a) of the Guidelines.

It is difficult to capture the full scope of the workers' emotional response to the ultimatum issued by Standard Chartered. More than a change in the manner of compensation, the employees feel that it threatens their relationship with the employer, their colleagues and the bank's customers. Employees in Korea have a tradition of loyalty to the bank as a lifetime employer. The aggressive implementation of reduction in working standards is not acceptable to them, nor in conformity with the standards across the Korean Banking sector and therefore in breach of the Guidelines.

UNI and the KFIU respectfully request that the NCP use its good offices to persuade SC to meet with the union and negotiate a fair compensation scheme which respects the traditional style of workplace relationships in Korea. We believe that an independent mediator could be especially helpful in securing such an agreement and in doing so, concluding what has already become the longest strike in the history of the Korean banking industry.

Respectfully submitted,

Christy Hoffman

Christy Hoffman,
Deputy General Secretary
UNI Global Union

Jang Jang-Hwan
Vice President, KFIU

Cc: National Contact Point for the OECD Guidelines, Republic of Korea