Thousands of jobs to go in European banking

Peter Reydt
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ABN Amro, the Netherlands' biggest bank holding, could close 150 of its 900 branches and axe 2,500 jobs. Announcing its five-year business plan “Focus 2005” last week, the initiative foresees a 10 percent cut in its workforce. At the same time it plans to more than double its current retail customers to 10 million, by creating a European division and heavily investing in new cost-cutting technologies, like Internet banking and call centres.

Rijkman Groenink, chairman designate and head of ABN Amro's European division, said the streamlining was intended to produce net annual savings of 160 million euros ($162 million) within five years. "The Internet and e-commerce are creating a more severe competitive world," he said, adding that the bank aimed to "maintain our domestic position and expand it". The job cuts will be mainly among cash desk assistants in administrative and support departments. The company is able to close branches because of a declining proportion of business conducted through such outlets. In ABN Amro's case this has now fallen to below 40 percent of its retail banking activities, and for cash transactions to about 13 percent.

The branch reorganisation will involve substantial investment in new technology. Branches employing large numbers of staff will be replaced by fully automatic branches, unmanned advice and sales branches, known as retail centres, and multi-functional Automated Teller Machines (ATMs). The bank will also introduce a new ABN Amro Internet site for the Dutch market in the third quarter of this year.

“The Internet site will offer all the basic products like a brokerage site, mortgages, current and savings accounts, credit offerings, payments, etc.," said Dolf Collee, business development manager for the European Division. "All those distribution channels will be connected in the back office. That's the secret—not many banks have that."

The ABN Amro announcement mirrors cuts announced earlier this month by Germany's Deutsche Bank. It has launched a DM500 mark ($260 million) shake-up of its retail and online banking unit, involving the loss of 1,200 jobs and the closure of 250 branches. Deutsche Bank 24, set up four months ago to modernise retail banking, said it would merge several small branches and set up 50 business advice centres. This would reduce the total number of branches to 1,300 and the number of staff to 18,000 over the next 18 months. The move would allow Deutsche Bank 24 to strengthen its online banking and e-commerce operations, the bank said. "We are doing this now because we believe the market is going strongly in this direction."

These developments indicate that large European retail banks are acting to meet the challenge of low-cost competition produced by the boom in telephone and electronic banking, and the reduction in cash transactions—partly due to the introduction of the euro in 11 European Union countries. ABN Amro executives pointed to cheap share dealing services being offered in the Netherlands by companies such as Charles Schwab of the US and a move by Royal Bank of Scotland into the Dutch mortgage market.

The ABN Amro Netherlands division has been subsumed into the European division. It previously made up 37 percent of total group profit in 1998 but had a cost-income ratio of 65 percent compared to a 47 percent ratio at British bank Lloyds TSB. The Dutch-Belgian financial group Fortis, a key competitor, aims to get its cost-income ratio down to 55 percent in 2003/2004. Deutsche Bank's target is to reduce its cost-income ratio from 83 percent to 61 percent by next year. Such moves herald the destruction of thousands more jobs in European banking.

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