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Preface

Workers in many countries are unable to access formal financial services. In recent years, trade unions have shown an increasing interest in facilitating access to finance for their members. Unions typically have two main motivations to promote financial services. First, unions can play a role to fill a gap in the financial markets by leveraging their bargaining power. This is particularly relevant as many workers are overlooked by banks and insurance companies, which are unfamiliar their specific financial service requirements. Second, by offering these services, unions can enhance their relevance for members, which in turn improves their chances of attracting and retaining members. Benefits that accrue to the unions might also include commissions or fees, which strengthen the union's financial position.

Unions that contemplate facilitating access to financial services realize, or are learning from experience, that banking and insurance require more specialization and expertise than other support services they may offer. They need help to be able to provide financial services professionally, so the take-up by members is high enough to sustain the services without draining the union's main resources and reserves.

On several occasions, unions have approached the ILO's Social Finance Programme (SFP) for assistance. We have responded to these requests, in line with the mandate by the ILO's Governing Body to enhance the capacity of workers' and employers' organizations to support financial inclusion, by documenting and sharing experiences about how unions respond to their members' financial service needs.

In 2013, the Bureau for Workers' Activities (ACTRAV), together with SFP, conducted a survey with 166 unions from 109 countries representing 441.6 million workers that showed that 60 per cent provide their members with some financial services, and an even bigger percentage, 68 per cent would be interested to offer or improve such services in the future. This survey was also the basis for documenting the experiences of unions facilitating access to financial services, and engaging in a dialogue with unions on their recommendations for like-minded organizations.

This Working Paper tries to capture these experiences and to extract lessons on the actions that unions can take to improve financial inclusion of their members. We hope that this paper will inspire others to think through the diverse ways in which they can meet their members' financial service needs.

Many thanks to the authors for their inspiring insights on this issue. I also greatly value the contributions from the unions and key informants that provided their views and experiences – the list is in the Annex. Lastly, thanks also to colleagues from SFP as well as from the Bureau for Workers' Activities for their support.

Craig Churchill
Chief
Social Finance Programme

Executive Summary

This paper examines the successes, challenges and modalities of the provision of financial services by trade unions. It is structured in two parts. The first examines the existing literature on the financial service experiences of unions through various institutional arrangements. The second part is a broad view of union-led financial service provision based on a survey of 166 unions representing 441.6 million workers worldwide, along with eight case studies that serve to illustrate the contextual factors influencing financial service provision by trade unions.

The findings demonstrate that trade unions offer a range of financial services including loans, savings, insurance and retirement schemes through diverse modes of implementation. Mutuals and cooperative structures are popular models for union-led financial service provision. Others have sought for more knowledge and capital-intensive institutional models, such as setting up brokerage agencies or establishing banks.

The case studies highlighted the main benefits for workers, including access to more affordable, less bureaucratic financial services, which are member-oriented. Furthermore, many financial services are structured to accommodate the particular characteristics of union members, such as supporting striking workers.

The unions recognise that their own organisations benefit along with their members. The findings show anecdotally that union-led financial services can be instrumental in boosting union membership numbers, strengthening union-member ties and improving workers' economic and social well-being. Although the reasons that motivate unions to provide financial services are diverse, some recurrent motivations and trends can be observed in the case studies. Most unions studied cite the improvement of workers' well-being and the fulfilment of their core mandate as the driving motivation behind the financial service activities. Member demand served as a catalyst to the provision of such services.

For unions venturing into this area, a key success factor is starting with a deep knowledge and understanding of one's own circumstances: conducting a situation analysis that looks into what members need and want, what they are willing to buy and at which cost, and what resources and capacity the trade union has and can acquire to meet this demand.

But this is certainly a responsibility not to take lightly. Late repayments and over-indebtedness are a reality of financial service provision for many unions. They are faced with financial and human resource constraints, and an absence of adequate expertise. The obstacles highlight the necessity to assess the appropriateness of the service in each context and to identify the suitable implementation models to ensure sustainability and beneficial effects of such initiatives. Successful examples show that unions can play an influential role in expanding financial inclusion, consumer protection and socially responsible management to ensure that members' well-being is kept as a central motivation for their actions.

The vast experience of some trade unions and the aspirations of others underscore opportunities for knowledge-sharing initiatives and potential partnerships among unions, financial institutions and members to build and advance appropriate service models in order to mitigate risks and improve chances of success.

Acknowledgement

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Thanks also to Mr. Craig Churchill and Mr. Gustavo Prepelitchi of the ILO Social Finance (SFP) who guided and revised components of this paper. Additional thanks to Mr. Santo Milasi from the INSTITUTE, who supported the statistical processing of quantitative data.

And last but not least, a special thank-you to Mrs. Severine Deboos (SFP) and Mr. Pierre Laliberte (ACTRAV) who conceptualized, supervised and contributed to the research at all stages.

List of Acronyms

ABNY	Amalgamated Bank New York (US)
AFL-CIO	American Federation of Labour - Congress of Industrial Organisations (US)
ACTRAV	Bureau for Workers Activities (ILO)
AMUSSOL	Asociación Mutual de Servicios Solidarios (Dominican Republic)
ATM	Automated Teller Machine
CAPOCOOP	Caja Popular Cooperativa (Dominican Republic)
CASC	Confederación Autónoma Sindical Clasista (Dominican Republic)
CAT	Caja de Ahorro de los Telefonistas (Mexico)
FFW	Federation of Free Workers (Philippines)
KPRC	Kaduna Refinery and Petrochemical Company (Nigeria)
MENA	Middle East and North Africa
NBFI	Non-Bank Financial Institution
NEHAWU	National Education, Health and Allied Workers Union (South Africa)
NFS	NUMSA Financial Services (South Africa)
NIC	NUMSA Investment Company (South Africa)
NTUC	National Trade Union Congress (Singapore)
NUMSA	National Union of Metalworkers South Africa
PPP	Public-Private Partnership
SACCO	Savings and Credit Co-operative
SBEU	Sarawak Banking Employees Union (Malaysia)
SFP	Social Finance
SENJOUSMEL	Syndicat des Enseignants, Services Médicaux, librairie ainsi que d'organisations du Secteur privé (Rwanda)
SITRAMEDHYS	Sindicato de Trabajadores de la medicina, hospitales y similares (Honduras)
SITRAPEQUIA	Sindicato de Trabajadores Petroleros Químicos y Afines (Costa Rica)
STRM	Sindicato de Telefonistas de la República Mexicana (Mexico)
UNITE	Union of Needle Traders, Industrial and Textile Employees (US)
RECOPE	Refinadora Costarricense de Petróleo (Costa Rica)

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1. Introduction

A trade union is "an organization of employees usually associated beyond the confines of one enterprise, established for protecting or improving through collective action, the economic and social status of its members." Historically and ideologically, the role of a trade union has been to "further and defend the interests of workers," negotiating fair terms and conditions of work on their behalf, securing benefits, networking and, when necessary, mobilizing them.[1]

While striving to enhance the social and economic well-being of their members, many unions in developing countries have gone beyond the core collective bargaining role to engage in lobbying and campaigning for legislative and political changes. The priority areas include public health, productivity improvement and poverty alleviation, and, more recently, sustainable development, climate change and protection of the environment.

In addition to this upstream work to influence public policy, many unions have also expanded their role to provide additional services their members may need and want – services that reinforce unions' core strength and value while benefiting both the union and worker. These secondary and complementary services may be non-financial, such as recreational facilities, or financial, particularly where access to affordable savings and credit is lacking.

According to the G20, more than two billion adults cannot access formal financial services. They are the financially excluded in a world where access to financial services can mean the difference between surviving and thriving.[2] A first step to address this challenge is to recognise that financially excluded persons need a range of financial services to build assets, increase their incomes, and become more resilient to shocks. Yet the traditional institutional arrangements for providing savings, credit, insurance and payment systems have not been effective in serving this target group, necessitating alternative models and approaches.

This paper explores the intersection of these two agendas. On the one hand, many unions are looking to offer their members valuable services that will improve their welfare, while perhaps enhancing the relevance of the union. At the same time, policymakers in many countries are searching for alternative institutional models to help solve imperfections in the financial market that exclude the majority of the population. A review of the financial services provided by unions around the world indicates that they may be an important part of the solution that policymakers seek. The objective of this paper is to provide insights into the roles that unions can play to promote the social economy and financial inclusion, and show some examples of approaches that have been successful.

The paper begins by recapping recent literature about unions that provide or facilitate access to financial services for their members, and describing the types of financial services they offer and the institutional arrangements for providing them. Section 3 summarizes the key findings from a global survey about union services in general, including financial services. It also introduces lessons from eight case studies, presented in full in the annexes, which illustrate that there is a growing trend among unions to ensure that their members have more relevant and accessible

[1] Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87).

[2] G20 Financial Inclusion Experts Group—ATISG Report, 2010.

financial services. The paper concludes with key observations about the challenges and opportunities for union involvement in financial inclusion.

2. Trade unions and financial services

In most developing and even middle-income countries there is a significant informal and underdeveloped financial system coexisting with a formal and sophisticated financial sector. Informal practices and services have emerged to fill the gap of exclusion from mainstream banking and insurance services. A sizeable percentage of most trade union members are among the excluded. Increasingly, trade unions have been rising to the challenge of helping their members gain access to financial services they need to improve their lives.

Evidence on the role that labour unions play in facilitating access to finance for their members is however scarce. Based on a review of the literature on this subject, this chapter presents a brief overview of the financial services available via unions, and the institutional arrangements for providing them.

2.1. Literature Review

Financial inclusion is recognised as a means to foster economic growth, and decrease income inequalities and poverty rates through access to appropriate financial services.[3] The importance of access to finance was emphasized in the 2013 G20 Summit in Saint Petersburg where Labour, Employment and Finance Ministers from across the globe expressed their support for "advancing financial inclusion" and promoting the "more holistic set of G20 Financial Inclusion Indicators."[4] It reinforced the November 2005 ILO Governing Body resolution to adopt a policy on microfinance for decent work. "The policy calls on the ILO to optimize its effects of opening up the access to the financial market in terms of job creation, risk management and empowerment."[5]

The G20 Financial Inclusion Indicators[6] support countries in achieving their financial inclusion goals by providing tools to measure three dimensions of financial inclusion: access to, use and quality of financial services. Trade unions are certainly well-placed to address and advance the three measures for their countries. Their members often lack affordable access to, not to mention use of, financial services. And as a well-organized group with a powerful voice, members can readily show their preferences for the services on offer, helping the union improve the quality of product features.

Perhaps more importantly, financial inclusion features prominently in the United Nations' Sustainable Development Goals, as an important contributor to reducing poverty and promoting equitable growth. Not only is financial inclusion featured a key indicator on its own, but it is also regularly included as a critical input to other goals, including ending hunger, achieving gender equality, and promoting decent work.

3 The evidence strongly indicates that, when effectively regulated and supervised, financial development spurs economic growth, reduces income inequality, and helps lift households out of poverty. CGAP, 2012.

4 G20 Leader's Declaration on Financial Inclusion, Financial Education, Consumer Protection, 2013. p. 19.

5 GB.294/ESP/3; ILO policy statement: Microfinance for decent work, 2005.

6 At the G20 Los Cabos Summit in June 2012, G20 Leaders endorsed the G20 Basic Set of Financial Inclusion Indicators ("the Basic Set"). Developed by the GPFI's Data and Measurement Subgroup and its Implementing Partners AFI, CGAP, IFC and the World Bank, the Basic Set integrates existing robust global data efforts to track financial inclusion progress.

Evidence on the role of unions in financial inclusion is however rather limited, and has been mainly highlighted by the ILO, since 2006, through a number of publications. This growing body of literature highlights the potential role of trade unions in facilitating financial inclusion under their mandate to further and advance the "social and economic well-being of workers." Financial services enable members to better manage their income and protect themselves from shocks.

Two papers explore the role of unions in preventing or handling cases of over-indebtedness of their members in France and Germany, Gloukoviezoff (2006) and Haas (2006), respectively. Both papers highlight the detrimental role of over-indebtedness, identifying the causes and the potential actions to counteract this fast spreading social phenomenon. They highlight the 'consumer protection role' that unions can play in helping their member to avoid or get out of debt spirals.

Exploring further the role that unions can play in the provision of financial services to their members, Koven (2012) reviews the long-standing history of United States labour unions in the provision of financial services for workers, including health and pension plans. It addresses the successes and challenges faced by unions in realizing such endeavours and varying degrees of union involvement and expertise required by different service models. The four key contributions that this research illustrates are: (1) the importance of the context in the development of financial services, (2) the effect of the regulatory framework on the success of such services, (3) the critical influence of social dialogue to the effective management of benefit programs and finally, and (4) the rare instance of direct union ownership of financial institutions. On this last point, the paper explores in detail the experiences of the Amalgamated Bank of New York, from which it distils three key factors of the union ownership model that influenced the bank's success: firstly, diversified sources of revenues which went beyond the union membership base; secondly, the employment of qualified professionals in the sector to ensure 'good governance'; and finally, the importance of 'staying close to the mission and roots of the trade union movement'.

Ikezaki (2011) analyses in depth the role of one specific union-led financial institution, Rokin Bank in Japan, and the role it played during the 2008 financial and economic crisis. The paper gives a thorough description of the evolution of this cooperative bank and the underlying mechanisms that triggered its creation, its practices and the factors which led to its success even during economic downturn. This paper draws attention to the social and economic role that unions can play for the protection of workers against external shocks, thereby becoming an influential actor in safeguarding their livelihoods. It demonstrates how unions can implement financial services in a democratic and socially responsible manner, which counters the traditional "capital-maximizing" philosophy commonly associated with the banking sector. In this respect, the support that Rokin Bank provided to union members during the financial crisis by restructuring their loans was particularly important.

The potential benefits that unions can gain from being more active in the financial sector has also been explored by labour union academics. In *Trade Union Services and Benefits in Africa*, Kalusopa *et al* (2012) contextualizes the changing economic and political forces that have affected the African labour market and labour unions. This research underscores the shift from formal employment towards more precarious and informal forms of work, characterized by low level of union representation as a direct consequence of neo-liberal policy shifts. The overall decline in union membership strips unions of their core collective strength. To combat this, the book emphasizes the growing need for unions to adapt to this changing world to regain 'relevance' by expanding their membership base through tangible benefit-related services.

Lastly, two publications analysed the role that South African unions have played in shaping the financial sector in their country and their unique role in promoting financial inclusion.

Ludwig (2008) gives an historical overview of the role of unions since the mid-90s when apartheid ended. Collectively they sought and pursued broader changes through their apex bodies. Ludwig thus concludes that: "Having successfully and effectively…defend(ed) their interests, trade unions have managed to raise awareness in the banking industry on the importance of an efficient financial system that is accessible to all". The key initiative, the "Financial Sector Charter" of 2003, boosted the development of the financial system with a number of initiatives[7] that made significant contributions to financial inclusion. The financial system in South Africa has significantly improved in subsequent years, and unions deserve credit for their contributions and active participation in shaping effective public policy.

Some trade unions in South Africa had been facilitating financial services for their members for decades. The recent research study, undertaken for the ILO by Chamberlain *et al* (2014), investigates the role of labour unions in financial inclusion in South Africa. The paper addresses the historical and socio-economic context of South African workers and unions to explain the motivations to engage in financial service provision, as well as examining the regulatory framework which enabled such activities. By way of case studies, the paper highlights the costs and benefits of such services for unions and workers. Another major contribution of this paper is the financial service value chain scheme, defining the roles which unions can take on to facilitate access to financial products, as discussed in more detail below.

From the literature, it appears that initiatives to upgrade their countries' financial inclusion standing have a number of direct and indirect rewards for unions themselves. Financial services are a potential source of additional revenue, which can be deployed to bolster the union's core functions. They attract non-member workers, boosting membership and dues. And they strengthen member relations, cementing loyalty. In the long run, the most rewarding benefit may be an indirect one: the union's contribution toward achieving the national financial inclusion goals, noted in government and political circles, sharpens its image and elevates its institutional status, thereby increasing its influence as well as bargaining power.

2.2 Financial services and models

The literature illustrates the various roles that labour unions can play in promoting financial inclusion of their members, from consumer protection to financial sector policy-making. The actual provision of financial services is just one of the means of engagement. When unions do provide or facilitate access to finance, there are a range of services that they could offer, through a variety of different institutional arrangements.

2.2.1 Types of financial services

Financial services enable low-income households to take advantage of economic opportunities, build assets, make investments, manage risks and reduce their vulnerability to external shocks that can adversely affect their living standards. Workers need access to financial services like

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7 Examples of such initiatives are the Mzansi accounts, bank accounts for low-income individuals with very low transaction costs, and the promotion of SACCOs, which has contributed to outreach to unbanked persons.

any other individuals, but they might also have some specific financial service needs, such as loans and payment services linked to their wages, remittance services or repatriation insurance for migrant workers (see Box 1). This section summarizes the main financial services offered by unions.

Box 1. Barnawa Microfinance Bank - How to offer what workers need?

The Kaduna Refinery and Petrochemical Company (KPRC) Workers Union is one of many trade unions in the Nigerian oil and gas sector. Access to financial services was a major challenge faced by union members, as commercial banks were only interested in handling salary payments. To overcome this, a workers' cooperative was created in partnership with the Barnawa Community Bank.

A major challenge that faced the bank during its evolution was the design of worker-friendly products alongside general products for other customers. The management was able to overcome this challenge by appointing consultants to conduct a rapid market appraisal with the workers and other customers. The consultants used a number of tools including focus group discussion to refocus the operations and design appropriate products. The growth of the client base and the increased profits, together with an increased level of clients' confidence, are clear signs of success.

Source: Adapted from ILO 2011

Saving and investing

A sum of money other than what is needed day to day is not safe at home. People need a secure, suitable and accessible place to keep and save money and, when needed, use it to make a payment or transfer, or withdraw it to have cash in hand. The starting point for workers should be a saving or transaction account into which their salary can be paid. They can then use that account, or additional savings accounts, to accumulate assets. For long-term savings needs, such as retirement or children's education, one might also need an investment plan, as well as guidance on how to invest wisely.

Box 2 provides an example of how a Costa Rican union has used savings accounts as the foundation on which other financial services could be offered.

Box 2. Savings as a starting point in Costa Rica: The case of SITRAPEQUIA

SITRAPEQUIA (Union of Oil, Chemicals and Related Workers) was formed in 1969 and represents 1,600 workers of Costa Rica's state-run oil refining company Recope (Refinadora Costarricense de Petróleo). It has facilitated financial services since 1978 when, in collaboration with Recope, it set up a Savings Fund for the company's workers. This agreement made a savings account compulsory for new members and required that they and the company both contribute a percentage of their monthly salaries into the accounts.

The Savings Fund initially started as a members' initiative led by SITRAPEQUIA. Soon after, Recope proposed to join the initiative and include all workers of the company in the fund. A research study commissioned concluded that Recope's workers lacked adequate access to low-interest credit to meet their basic needs. Commercial banks had high interest rates and required collateral that many workers could not provide. When in need, most members had to approach private lenders, friends and family. In the compulsory savings account workers are required to save 5% of their monthly salary, with the employer depositing 10% of the salary into the personal account of each worker. Members can apply for loans against their savings. The Savings Fund then broadened its portfolio, increasing its capacity and tailoring its products to the changing needs of workers. It now offers a variety of credit products, including housing, emergency, educational, fiduciary and recreational loans.

Borrowing

The first financial service people typically consider, taking a loan, is perhaps the riskiest. Workers are often vulnerable to over-indebtedness, especially if they aspire to live beyond their means, or if are prey to persuasive sales tactics. Yet credit can play many absolutely critical roles, helping people to cope with unexpected emergencies and tiding one over during a layoff (see Box 3). Indeed, besides helping smooth their consumption in between periods of irregular income, a credit facility can also help support critical investments, in housing and education for example. But the most powerful role of credit is when it enables one to avail of a business opportunity because it is through investments, perhaps in high risk-high return endeavours, that one can make important contributions to boosting incomes.

Box 3. Credit for the unemployed: Rokin's Bank Employment Security Fund Loan Programme

Rokin Banks (Labour Banks) are financial institutions created by workers. They are organized as cooperatives, and are not managed for profit-making purposes. Labour Banks' financial operations differ little from those of ordinary financial institutions: taking deposits, offering loans, and providing various services. However, they differ completely in terms of fund management. Funds deposited by working people are used to support fellow workers and their families as valuable joint assets. They are used to finance homes, cars, education, and child care. Another distinguishing feature of Rokin Banks is their close collaboration with labour unions in responding to workers' financial needs throughout their lives.

The "Employment Security Fund Loan Program" was an initiative proposed in 2008 by the Japanese government as a safety-net for job seekers who lost their homes as a consequence of being laid off. Numerous Rokin Banks were requested by the government to support this programme offering low-interest loans to the unemployed who had no home. Bearing in mind their philosophy and conscious of their roles as social finance institutions, Rokin Banks chose to take on the programme despite the risk of a rise in loan defaults. Although Rokin Banks were compensated by the government with subsidies in the case of default, they demonstrated their remarkable operational capacity in providing social safety nets. The outstanding balance of loans under this programme (for those who lost their jobs together with their homes) amounted to ¥9,476 million (approximately $112 million) for 11,822 cases at the end of September 2010, and ¥3,873 million ($46 million) for 15,731 cases for the "Training and Life Support Fund Loan" programme which continues to support job seekers today during vocational training.

Source: Ikezaki (2011)

Payment services

Another financial service commonly required by workers is to transfer funds, perhaps to parents or other relatives, to friends, clients or business associates. In the case of migrant workers, these payment services are often used to send money home, perhaps to rural areas or even to other countries. Increased use of technology, with mobile payment and electronic-based services, are making payment services more secure, affordable and accessible, which are important characteristics for low-wage workers.

Box 4. Remittances and trade unions in the US

The Amalgamated Bank of New York (ABNY) is the oldest and most successful labour-owned bank in the United States. It was created in 1923 by Amalgamated Clothing Workers of America and is well-known for its professional management and its commitment to trade union roots. To fulfil its mission and to facilitate low-income workers' access to financial services, Amalgamated Bank has low consumer rates, free checking accounts and no minimum deposit requirements. An important product offered by the bank is a foreign funds transfer system to help immigrants send money home to their families. They offer an international (and national) domestic wire transfer service in which their clients can safely and quickly receive or transfer funds to any institution inside or outside the US.

Source: Adapted from Koven, 2012

Insurance

Workers also need insurance, to protect their health, their incomes, and their homes and others assets. While banking helps meet present-day needs, a related financial service can secure the future. Coupled with savings and loans, for example, insurance can protect the amount saved in an account and guarantee a loan or mortgage payment in the event of a job loss, disability or death.

"To insure" means to protect against the effects of loss or harm. If only one person guarantees to protect another against this risk, the risk simply moves from one to the other. But if many persons undertake to provide that protection, the loss is divided and becomes manageable. Hence the social solidarity common among union members is a natural advantage for the provision of insurance, as illustrated in Box 5. Depending on the country context and the specific type of risk, risk can be pooled a national level through social security schemes, at a sector or workplace level through benefits negotiated in collective bargaining agreements, and through private risk pools created by insurance companies and their agents – often one would find examples of all three levels of risk pooling.

Box 5. Singapore unions and their insurance company

NTUC Income is an insurance company, part of NTUC Enterprise, a holding entity created to provide memebrs of the National Trade Union Congress (NTUC) in Singapore with access to a number of services through varios social enterprises. These enterprises, which exist to benefit the workers and their families by fulfilling a genuine social need, also include a chain of grocery stores, a loyalty programme, pre-schools and wellness centres.

NTUC Income was actually created in 1970 as the first cooperative of what then became a holding company, to make insurance affordable and accessible to workers, based on cooperative principles. The decision to create the insurance company was taken based on the conviction, by NTUC leadership, that to get out of the rut, the labour movement must modernise itself. And a modernised labour movement must be more than a bargaining institution. It must be a significant social institution providing the working population with a variety of services, including cooperatives. The insurnac company was the first pillar, as insurance was not available for low-income workers at the time, and it would as well provide a financial basis for further re-investements into other policies, and has also specialized in providing insurance products to disadvantaged groups, such as parents with children with special needs.

Source: Adapted from Lee 2001: NTUC Annual Report, 2013

Spreading of risk is long recognised as the best way of providing security for the future. In simpler times and places, where life revolves around an extended family, the risk of loss is spread among family members. In small communities and villages, a group of families or farmers or traders may practice mutual aid by pledging to bear losses jointly. In industrialized and commercial communities, the needs of families and groups become more complex and so does the spreading of risk. Insurance becomes a system to protect property and life against loss or harm in specified events, such as a fire or accident. The protection is given in return for a payment – or premium – proportionate to the risk involved.

2.2.2 Guiding principles for financial service provision

Whether banking or insurance, starting a financial service, like any other product or service, involves three essential elements. They are among the 5 Ps of marketing: product, place and people (the other two, price and promotion, come into play as a marketing strategy is contemplated). Labour unions that contemplate providing access to financial services to their members should take into consideration these guiding principles and their capacity to respond to the corresponding requirements.

Product refers to the features, advantages and benefits that a provider can offer and that customers can have from buying and using it. In a financial service, the organization providing it must have the capacity to carry the risk the product in use poses to the provider. Both banking and insurance call for adequate capital and reserves to meet obligations to holders of accounts or policies, and to offset shortfall from delinquency or lapses.

Place involves making the product available to the customer, where it is made and sold. A financial service requires an office or branch or ATM where it may be accessed, or a back office to process mobile transactions. The organization providing the financial service must have the facility to operate and administer it.

People refers to human resources and skills required, in particular, to distribute and service the product. For a financial service provider it would entail the wherewithal and expertise needed to serve as a distribution channel.

An additional dimension is the need to ensure that workers are using financial services effectively (see Box 6). Through **financial education**[8], unions can provide guidance to their members even if the union itself is not providing financial services. Particular areas of concern include understanding interest rates and fees, exploring the concepts of risks and returns, and preventing over-indebtedness, especially where the repayments are automatically deducted from the workers' wages.

Box 5. NUMSA's financial education programme in South Africa

Following a workshop that took place in August 2013 with South African trade unions on their potential role in financial inclusion, NIC (NUMSA Investment Company) approached the ILO with a request to train trainers affiliated to NUMSA in the field of financial education. This request was formulated in the context of a project that NUMSA was implementing targeting retrenched workers, and providing them with support for their reintegration in the labour market. More specifically, the project assisted retrenched workers to establish producers' cooperatives, and hence the cooperative members could benefit from improved financial literacy.

NUMSA highlighted the importance of financial education because many workers were confronted with (over-) indebtedness. Beyond this specific objective related to the services to retrenched workers, NUMSA was also interested in considering more broadly how to include financial education as a service to its members.

8 For more information regarding financial education and workers, please see the training programme "Inclusive Finance for Workers" developed by the ILO: http://www.ilo.org/empent/areas/social-finance/WCMS_206150/lang--en/index.htm

2.2.3 Institutional options for financial service provision

Besides considering the various financial services that their members need, unions also need to decide how to organize the provision of such service and what legal form it should take. Financial services can be provided by banks, insurance companies and investment firms. But basic banking services of interest to workers can also be provided by a savings and credit cooperative, credit union, or microfinance institution set up by, or in partnership with, a trade union. These financial institutions can also offer insurance services of interest to workers, such as credit insurance and funeral insurance, in partnership with a licensed insurer.

There are three main institutional structures to consider: the partner-agent model, the cooperative or mutual model, and the risk-bearer model. Depending on its individual capacity, circumstances, resources and local regulations, a trade union will need to decide which of these approaches makes the most sense.

The partner-agent model

In the partner-agent model, the union acts as an intermediary or agent and enters into a contractual relationship with a financial service provider, and administers and distributes financial service(s) to its membership. This model also comes into play in a public-private partnership (PPP) where the union may serve as a delivery channel for a social protection scheme or other government benefit. The partner-agent model is a low-risk, simple and quick way of adding a service. It can also be cost-effective as the union can earn a commission for the business it generates. A trade union can have an in-house financial services broker, or use an external broker with no ownership ties, to acquire the product from a financial services provider and distribute it to members.

As illustrated in Box 7, this partner-agent model is considered a win-win-win arrangement for the financial service provider, the union and its members. The provider has ready access to a target group and the union has bargaining power to negotiate good terms for its members. It generates income for both the provider and intermediary while optimizing benefits for members. And it requires union-member contact and interface, strengthening the relationship.

Box 6. AFL-CIO's Union Privilege Scheme

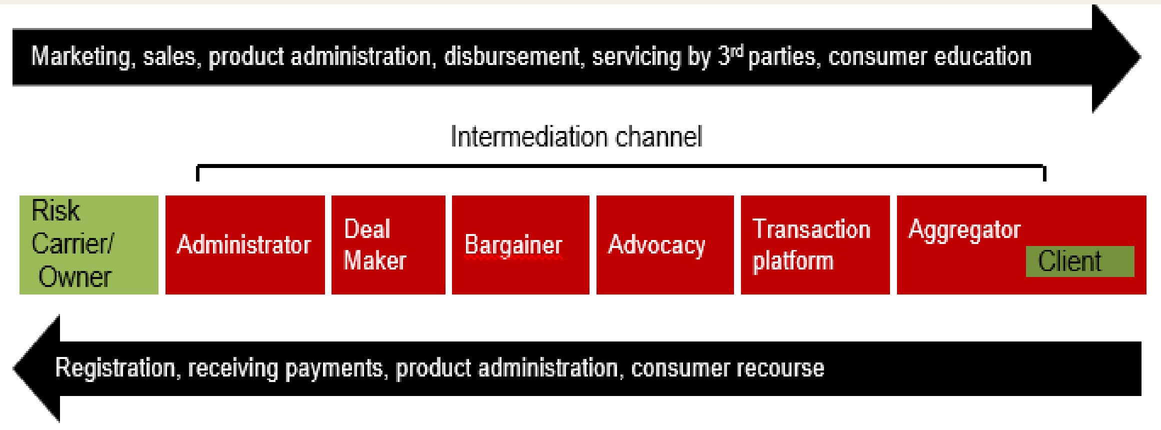
From 1986, "Union Privilege" has used the AFL-CIO's vast membership to negotiate discounts on a range of products and services, including a variety of financial products including credit cards, and home and auto loans. It positions these products as having unique union benefits, including "safety net features such as job loss grants, disability grants and other options that help relieve financial stress during prolonged strikes and layoffs."

Union Privilege's insurance scheme promises to ensure the quality of insurance provision through careful selection of partner insurance companies and regular monitoring. It has also used its bargaining power to get additional riders to make the policies more attractive to members. For example, for one life insurance product, workers on union-sanctioned strikes, lockouts or involuntary lay-offs that last for more than 30 consecutive days do not have to pay premiums for 3 months during the industrial action. For the accidental death and disability product, policyholders do not need to pay accident insurance premiums for the period of a union-sanctioned strike or lockout, up to a maximum of one year. This gives value to the members it serves (they buy insurance at a cheaper price), it strengthens the unions by providing an additional reason for members to join, and it provides a new stream of income to participating unions – commission income.

Source: Adapted from Koven, 2012

Even within this partner-agent model, there are a number of variations. Another way of conceptualizing the roles and responsibilities is to consider the financial service value chain, illustrated in Figure . It has three main links, with the client and provider at either end, and a distributor or intermediary in the middle. If a union chooses to be or own a risk-bearing entity or form a cooperative, it would be expected to fulfil most of the roles itself, including taking the risk. But if it opts for the partner-agent model, according to Chamberlain et al (2014), the middle link of intermediation can include various dimensions:

Figure 1. Financial service value chain



Source: Adapted from Chamberlain et al., 2014

Administrator – conducts various administration tasks including sales, marketing, product information processing and management of payments. Fulfilling this role successfully requires technical expertise and the necessary administrative systems. Trade unions are in an advantageous position to perform this role, given the proximity to members and the informational advantages that derive from it. Unions can be administrator of a service without owning the service provider. This role depends on the individual arrangement.

Dealmaker/bargainer — negotiates the terms and conditions with a financial service provider, or collective agreements with an employer that include financial services schemes for employees. This requires sufficient technical expertise to research, negotiate and identify customer recourse channels in order to ensure the most beneficial service deal for members. Unions can also play the role of dealmaker in the framework of inter-union agreements, by facilitating the negotiation of terms and conditions between unions and workers-led financial institutions for the facilitation of financial services. Unions can serve as guarantor on the basis of peer agreements between unions.

Advocate — contributes to advance financial inclusion by advocating for the development of an enabling environment for better access to financial services for workers through policy reform. Unions could utilise their bargaining power to lobby for financially inclusive policies that improve the welfare of their members and the broader population. For example, trade unions can promote the issue of financial inclusion to the national policy agenda and advocate for social responsibility in the financial sector.

Transaction platform – facilitates the inflow and outflow of finances between the union members and the financial service provider through union channels. For example, facilitating premium payment or other payments linked to that particular product or service via union structures.

Aggregator – providing access to union members either on an individual or group basis concerning compulsory products or on an individual basis concerning voluntary products. This role does not require large investments from union, as they are simply providing access to their members through marketing, communication functions and organizational functions of the union.

Each of these roles of intermediation requires, as the study puts it, "a calibrated mix of capital and human resources," but for labour unions the partner-agent model is still much less resource-intensive than owning or serving as a formal financial service provider.

However, the price of the service set to produce a good profit for the provider and for the intermediary may not be quite as good for the individual member. Aside from the union's own participatory channels to address and redress members' dissatisfaction with services, the partner-agent model does not provide a voice to the client and monitor acceptance of the added service.

The cooperative or mutual model

In this model, the union forms a cooperative financial entity owned and controlled by its members who are also users of the service. The entity may be a regulated savings and credit cooperative (SACCO), credit union or, perhaps a more informal savings or credit fund – essentially pooling members' savings to give loans to those who need them or to help each member accumulate funds for later use. Or the entity could be a community- or affinity-based mutual insurer, bringing together member-owners for a common purpose – a form often used for affordable access to health care.

Mutual associations are "voluntary groups of persons (natural or legal) whose purpose is primarily to meet the needs of their members rather than achieve a return on investment." Based on the principle of cooperation, a mutual raises operational capital from its membership to provide common services that benefit members and affiliates. In most cases, it is managed by the members themselves, and does not comprise external shareholders to whom they must allocate profits or dividends. This legal form exists to serve the interest of its members, re-investing any profits into the organization to sustain activities and expand operations.[9]

Involvement of members, as owners as well as users of the service, is a hallmark of this institutional option. The organizational structure based on cooperative principles offers them a real opportunity for direct control over decision-making - as well as an opportunity to contribute their time and skills to help run and govern their cooperative, gaining business management experience in the process, as illustrated in the example in Box 8.

Members opting for this model also help their unions by reducing the burden of new financial services. Their cooperative or mutual itself is expected to carry the risk and meet start-up and operating costs – with minimal assistance from the union, which is usually provided in kind and through the supply of office space and furniture.

Any operating profit and surplus, over and above needed to support growth, is meant to be distributed to members as a patronage dividend. Fraud and moral hazard are minimized as members are interested in protecting not only their own welfare but also the cooperative's assets they jointly own. However, staff and managers of a cooperative or mutual society are usually selected from the rank and file, and the lack of professional management could be an issue in cooperatives and mutuals – often jeopardizing their survival. In cases of a well-managed cooperative's success, achieving scale and enlarging the membership base may mean an increasing loss of focus on effective member participation and control. Another disadvantage is that the union might not benefit directly from this arrangement unless it arranges to earn fees or have an ownership stake in the cooperative as well.

[9] Archambault, 2008.

Box 7. The NEHAWU SACCO in South Africa

Unions in South Africa have been vocal critics of the banking sector that has not catered for the millions of ''unbanked'' South Africans. Among reasons for the prevalence of ''unbanked'' millions are the high costs of holding a bank account, high unemployment and the few banking institutions in rural areas and townships.

To respond to the conservative nature of banks and the expensive financial products in the marketplace, thus filling a gap in the market, the National Education, Health and Allied Workers Union (NEHAWU) established a savings and credit cooperative (SACCO) in 2006, which is now among the largest SACCOs in South Africa. NEHAWU SACCO introduced to its members a new savings and credit vehicle which was collectively owned by the NEHAWU SACCO members acting in their own interest.

To counter the over-indebtedness problem in the country, the NEHAWU SACCO requires that a member must have accumulated savings in the SACCO before being eligible for a loan, an approach that seeks to instil a culture of savings. Membership is linked exclusively for NEHAWU membership and the common bond is also linked to NEHAWU membership. From an initial 300 members in November 2007, the SACCO has managed to grow to serve more than 4200 members by October 2011.

Source: Adapted from Henama, 2012.

The risk-bearer model

In the third option, the union chooses to serve as or own a risk-carrying financial service provider. This would involve registering the provider as a bank, a non-bank financial institution (NBFI)[10], or incorporating a licensed, regulated financial service company to carry and underwrite the risk in providing a range of products. While minimum capital and qualified-staff requirements for an NBFI may be manageable, they are considerably higher for a bank or insurer. In addition, a risk-bearing entity is required to maintain operations in compliance with various laws governing financial services. Owning a financial institution is a highly resource-intensive role that requires a high level of capital, talented, experienced, professional human resources and significant regulatory compliance efforts.

This option carries advantages and disadvantages of sole ownership: there is no one else to share the risk, resources and rewards. One can design the product members need, complementing existing benefits, and distribute it cost-effectively. With growth over time comes the ability to expand the business beyond the membership to other sectors, as illustrated in Box 9.

10 Non-banks generally are institutions, retailers and auto-makers providing leasing, credit card and other lending services, but in some jurisdictions, such as Zambia, MFIs are also included in this category.

Box 8. Amalgamated Bank

The Amalgamated Bank is well-known for its professional management and its commitment to trade union roots. The bank is union-owned, but customers include unions, their members and the general public. Today, the bank is owned by UNITE HERE, a union that is the result of a merger between the Union of Needle Traders, Industrial and Textile Employees (UNITE!) and the Hotel Employees and Restaurant Employees International Union (HERE). The bank's mission is "to bring affordable banking and investment services to working men and women and to serve as a strong ally to all unions".

To fulfil its mission and to facilitate low-income workers' access to financial services, Amalgamated Bank has low consumer rates, free checking accounts and no minimum deposit requirements. The Bank's range of financial services reflects Amalgamated Bank's strong commitment to the development of the communities it serves. For this purpose the bank established the "Community Development Group", which works in cooperation with the union, not-for-profit and government partners to provide innovative services and financial solutions suited to low and moderate-income individuals and the community as a whole. In addition to offering worker-friendly financial products, Amalgamated Banks' Community Development Team offers non-financial services to financially include low-income workers and to enhance the positive impact of access to financial services by educating workers how to make best use of them.

There are a number of reasons that can explain the success of the bank. First, Amalgamated Bank has always hired professional bankers and has allowed them to run the bank independently from the union. Second, to ensure financial success and sustainability, the bank has had a diversified business model, including diverse financial products, customers and markets. Furthermore, the offer on non-financial services to workers contributes to the financial well-being of the average income earner through successful utilization of financial products as well as long-term financial planning. Following this holistic approach, the bank has ensured workers' and trade union members' financial health. At the same time, the approach is enhancing the sustainability of its operations. In this way, the Bank has become a strategic asset of the union and has been a good investment, because it can earn greater returns than other assets through leverage.

Source: Adapted from Koven, 2012

But being a provider calls for a deep capacity: financial and technical resources. A financial service provider remains under watchful supervision of the regulator and has to comply with prescribed standards. The union may not have any stringent regulatory hurdles to prevent entry into a financial service, and it may have the required capital and qualified staff to get the venture off the ground. It is in continuing the business where the burden may prove too much to carry. Financial institutions owned by unions also face a concentration risk if they do not open up their services to the general public.

For example Ubank in South Africa, formerly Teba Bank, is jointly owned by the National Union of Mineworkers (NUM) and the Chamber of Mines. The U in the Ubank logo represents a thumb, because it uses biometric fingerprints to allow illiterate clients to identify themselves. The bank suffered significant loan losses during platinum mining strike in 2014. Approximately 80% of its loan portfolio was with mineworkers who had no income for two months, so they were unable to repay their loans. After the strike concluded, the bank sought to reschedule the miners' outstanding loans to help them get back on track, but this led to regulatory challenges.[11]

[11] "South Africa's Ubank Pulls Plug on Mineworker Loans," Thekiso Anthony Lefifi, *Business Day*, April 21, 2014; Aftershocks of mine stayaway hamper Ubank, Dineo Faku, *Business News*, 8 July 2014; "Ubank on it: The ongoing spiral of debt in mining communities, BC Simelane & Greg Nicolson, *Daily Maverick*, 20 Jan 2015.

Institutional evolution

The pros and cons of the three institutional options are summarized in Table 1. It is useful to recognise, however, that institutional arrangements are not static. In fact, they can be seen as potential stepping stones, for example beginning with the partner-agent model or an informal savings fund to develop expertise and build up capital, and then creating a credit union, bank or insurance company, as illustrated in Box 10. Consequently, it is important to consider what institutional model might make sense in 10 or 20 years, and then set in place a development process for achieving that objective by building the relevant capacity and expertise.

Box 9. Institutional evolution of Barnawa Community Bank

The Kaduna Refinery and Petrochemical Company (KPRC) Workers Union decided to tackle the financial exclusion challenge faced by its members. The solution to this challenge, however, evolved over time.

During the first stage, in 1998, the union established a cooperative society to enable workers to save, and provide a means to manage financial stress and challenges. In a few years, this informal arrangement was no longer sufficient, so in 2006 the union approached the Barnawa Community Bank to offer special products for the workers and establish a branch within the refinery complex. The union chose Barnawa Community Bank because it felt more comfortable collaborating with a small local bank than big corporate banks with distant headquarters.

In 2007, however, the Central Bank in Nigeria raised the capital requirements and the community bank had difficulty raising the funds. The union and its members decided to buy a majority share of the Barnawa Community Bank, as most of their savings where already 'trapped' in it. The trade union put new bank management in place, yet these managers were professionals, coming from outside the union. Under this new management, the focus was more on providing appropriate services for workers than on generating profit for shareholders. From the acquisition point, the bank set out to serve the entire Barnawa community and not only the workers. The Community Bank was now transformed into a Microfinance Bank that provided a suite of products and services to meet the workers' needs, including different credit and savings products. The new approach attracted more people, with the client base increasing from 2,000 to over 7,000, putting the bank in a healthier financial position, which directly benefits its main shareholder, the union.

Source: Adapted from ILO, 2011

Table 1. Pros and cons of the institutional delivery models

Institutional model	Advantages	Disadvantages
Partner-agent	Unions • No capital requirements or professional capacity for compliance as a provider • Bargaining power to negotiate good terms • Income from commissions • Builds member relations Members • Ready access to needed product and service • Union support in dealing with issues and claims	Unions • No voice or direct access to the provider for individual clients Members • No individual choice of product
Cooperative/ mutual	Unions • Start-up and operating costs borne by cooperative/mutual, with minimal needed assistance from union • Involvement of members as owners and users of service, coupled with their sharing of risk at arm's length • Minimal moral hazard and fraud, as members are protective of assets they jointly own Members • Direct control over decision-making, economic and institutional • Surplus, over and above supporting growth, distributed as patronage dividend • Opportunity to contribute time to help run and govern the cooperative, gaining business management experience	Unions • Lack of professional management, as staff and managers are selected from rank and file • Potential of growth limited as it can only come from increase in membership • Enlarging membership base to achieve scale may weaken focus on member involvement and participation
Risk-bearer	Unions • Sole ownership means 100% gain of rewards • Ability to complement design and delivery of existing benefit plans • Option to expand business beyond membership to other sectors Members • Direct provider link and access	Unions • Requires deep financial and technical capacity • Regulatory hurdles may prevent entry • Stringent ongoing compliance requirements • Concentration risk

Source : Authors' analysis

3. The survey, case studies and key findings

To collect further evidence on the role of unions in financial service provision, and to apply the analytical framework outlined in the previous chapter, the ILO undertook a global survey of trade unions to:

- identify what is their experience and interest in financial service provision; and
- explore in depth a number of cases of unions' involvement in promoting financial inclusion of their members.

This research entailed both quantitative and qualitative data collection. The quantitative aspect was a survey with representatives from 166 labour organizations representing 109 countries (see Annex B). The qualitative data collection, to draft in-depth case studies, was done through phone or face-to-face meetings with key informants selected based on the results of the survey and support by trade union representatives.

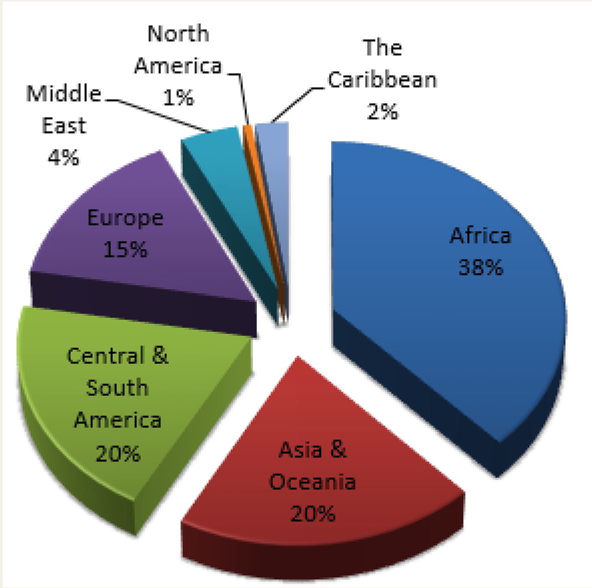
The limitations of this research are linked to the mixed methodology of data collection and data analysis. The survey data was often provided by confederation or union leaders, some of whom had limited knowledge of the service functions of the affiliated unions and the precise details of the services. The data analysis limitations generally relate to the fact that the size of the sample was eventually rather small and the scope for identifying general trends was limited by context-specific factors. Furthermore, although the case studies provide interesting insights from the unions, this subset is not a representative sample from the larger survey, so it is difficult to draw generalizable conclusions.

This section presents the main findings from the survey and from the case studies.

3.1 General findings of the survey

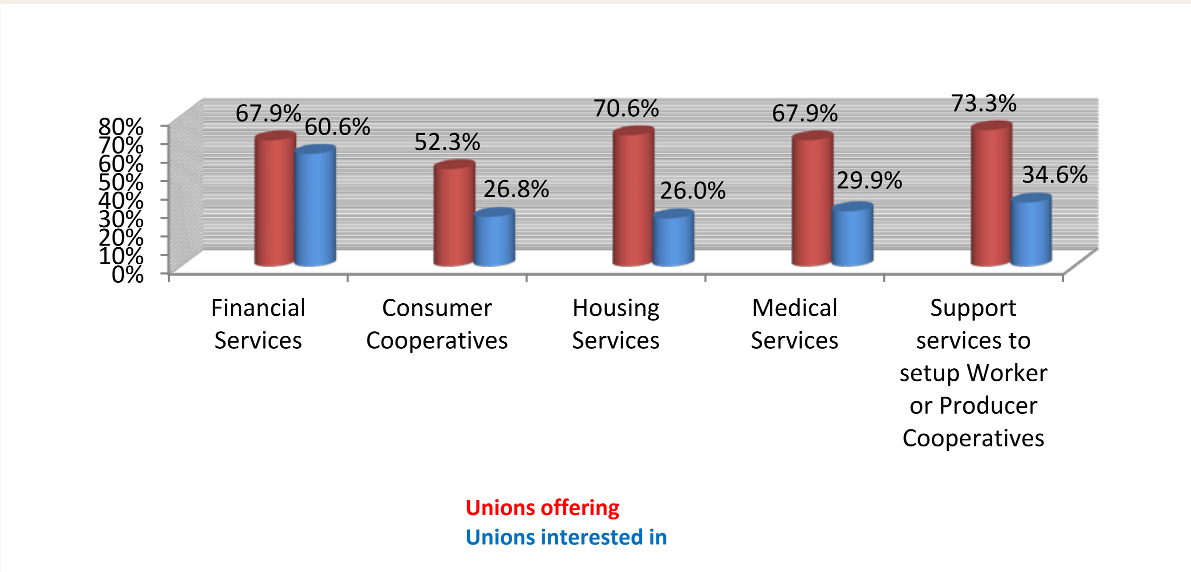
In terms of regional coverage, the study focuses on four key regions: a) Central and South America, b) Asia and Oceania, c) Europe and d) Africa (including MENA). The responses collected from these regions make-up nearly 95% of the total survey sample of 166 respondents, as illustrated in Figure . African respondents were the largest proportion of the survey sample with 38%, while Central and South America and Asia and Oceania encompass around 20% respectively. Western and Eastern Europe were combined for representative purposes to enable a comparison between the 3 target regions, which are predominantly composed of low to middle income countries, against a region with higher income countries. Given the limited sample sizes of Middle East, the Caribbean and North America, these samples are not analysed by region.

Figure 2. Regional distribution of the respondents of the survey



The survey explored a range of services that unions might offer outside of their collective bargaining role, including housing, medical, consumer cooperatives and financial services. As illustrated in Figure 3, the per cent of unions offering these various services ranged from 52% to 73%. The survey also asked if unions were interested in introducing or expanding a particular service. For most of the services, between a quarter and third of the unions expressed an interest, but over 60% of the respondents wanted to introduce or expand their financial service offering. This finding suggests that union leaders believe that their members are not able to access a full menu of affordable financial services to meet their needs, and the leaders believe that the unions could play a more effective role in promoting financial inclusion.

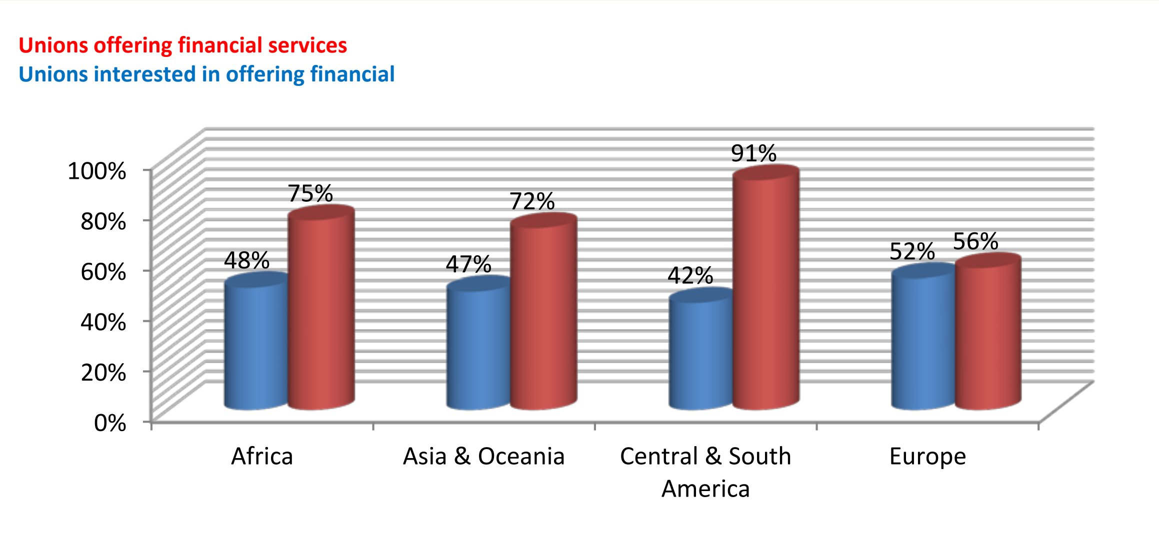
Figure 3. Unions interested in /and offering additional services



As shown in Figure 4, there is variation across regions in terms of unions offering financial services and those interested in providing them. While provision of financial services is fairly consistent in Africa (48%), Asia and Oceania (47%) and Central and South America (42%), the interest in such services shows greater diversity. Europe has the highest percentage of trade unions offering financial services (52%).

In addition to expressing in introducing or improving their services, respondents were also asked to rank their priorities. Close to 70% of the African unions list financial services as a priority among their future service activities. In Asia and Oceania that figure is 55%, despite very strong interest. In Central and South America 63% listed it as a priority, while in Europe it was identified by 54% of the respondents.

Figure 4. Financial service offer and interest by region



For those unions that are already providing or facilitating financial services, some interesting results emerge from the data. The provision of financial service in Africa is in many cases accompanied by other services such as educational or housing assistance. In Central and South America financial services are provided by trade unions commonly through cooperatives and mutual schemes. While savings-led SACCOs are the most common model, the agent and risk-bearing model are also prevalent, especially in Asia.

3.2 General findings from the case studies

In the qualitative research, the financial inclusion experiences of eight unions were studied in depth. These cases summarized in Table 3, which provides an overview of the types of financial services and non-financial services provided by these unions, as well as the institutional model. For further details on each of the case study, see Annex C.

Table 2: Overview of the case studies

Case studies			Services					
Country	Labour Organization	Legal Form	Loans	Savings	Insurance	Retirement Schemes	Other financial services	Non-Financial Services
Costa Rica	SITRAPEQUIA	Savings Fund	Emergency, consumption	Savings				Recreational service, financial and legal counsel
Dominican Republic	CASC	SACCO, Mutual	Consumption:	Savings	Funeral insurance			Health, Legal & Educational Services
Honduras	SITRAMEDHYS	SACCO, Mutual	Emergency, consumption	Savings	Death, disability insurance	Retirement scheme		Not specified
Malaysia	SBEU	Broker			Life, health, auto, general insurance	Pension fund	Credit cards	Financial literacy Training
Mexico	STRM	SACCO	Emergency, consumption, medical expenses	Savings	Loan insurance			Educational & legal services
Philippines	FFW	Credit Fund	Productive(for cooperatives)					Vocational training, administrative support
Rwanda	SENJOUSMEL	Mutual	Emergency, production, consumption					
South Africa	NUMSA	Broker	Consumption		Funeral, household, auto and medical insurance			Education bursary, medical aid, housing project

The case studies show that service provision is not explicitly linked to a particular level within the labour organisation. For instance, confederations as well as primary unions facilitate such schemes. In general, most of the financial services to members are facilitated at the union level. However, there is no clear indication whether one or the other is better suited to engage in such activities. Consequently, the appropriateness of the union level and service provision seems to be dictated by the circumstance rather than the overall union size.

Despite the limited formal data collection practices by unions providing financial services, the cases suggests that unions actively respond to members' financial needs through informal research, regular meetings and interactions with members. Unions explain that this contact enables them to have a clear understanding of the needs and problems of workers on a daily basis, and it provides them sufficient evidence to support the refinement of financial service schemes. On occasions where unions have conducted formal market research, this has been useful to craft targeted financial services for their members. It is noted that larger trade unions are the ones that have undertaken formal market research practices, looking in particular into the issue of financial feasibility.

On the whole, many of these services appear to be sustainable in the long term, providing a useful means to enable union members to access finance. Some of the successes have been attributed to professional management of the services through the use of external staff members. The National Union of Metalworkers (NUMSA), in particular, highlighted the importance of qualified staff with the appropriate knowledge base to negotiate the best deals for members, to conduct professional operations, and to improve the services' sustainability. Other factors that have contributed to viability in the long run include extending services to non-members, therefore expanding the client base.

The examples demonstrate that a variety of financial services are facilitated by trade unions: loans, savings, insurance and retirement schemes are being delivered through diverse modes of implementation. Mutuals and cooperative structures are popular models for union-led financial service provision. This may be due to regulatory restrictions, but also because unions and cooperatives share common principles and values, including solidarity, democracy and equality.

Although the reasons that motivate unions to provide financial services are diverse and context-specific, some recurrent motivations and trends can be observed in the case studies. Seven of the eight unions studied cite the improvement of workers' well-being and the fulfilment of their core mandate as the driving motivation behind the financial services activities. In seven cases, member demand served as a catalyst to the provision of such services.

The case studies highlighted the main benefits for workers, including:

1. Access to more affordable, less bureaucratic financial services
2. Access to finance for informal and formal workers
3. Member-oriented services
4. Facilitating factor for the improvement of general employment conditions (e.g. supporting striking workers)

The unions recognise that their own organisations benefit along with their members. In all eight case studies, three key union benefits were identified as a result of providing financial services:

1. Better fulfilling their mandate to empower workers and safeguarding their social and economic well-being
2. Increasing membership
3. Building longer and stronger union-member relations as a result of increased contact with members

In addition, "improved image of the union" and stronger links with external partners' featured in six out of eight case studies. Furthermore, long-term financial services, such as life insurance, were ways of retaining long-term relationships with members.

Overall, more benefits were identified than challenges. Nevertheless, each union listed a series of obstacles to the successful service delivery and the continuity of the service. The three main challenges for both unions and workers were:

1. Lack of expertise and human resources
2. Lack of financial resources to setup and sustain financial activities, particularly due to loan delinquency problems
3. Getting workers' support to set up and use the financial services

Worker support was mentioned in relation to the lack of understanding of the services initiative, suggesting the need to also provide financial education. In addition, some workers doubted the union's motivations for offering financial services, while some union members in South Africa and Malaysia did not welcome the "capitalist philosophy" associated with running such services.

Most trade unions in this sample actively practice a “consumer protection” function when serving their members, but not within a legal capacity. They simply take steps to ensure that their services respond to the needs of their members in a manner that is beneficial to them in the long run. This is exemplified by the lenient loan default procedures of the Federation of Free Workers (FFW), the product negotiations undertaken by NUMSA, or the customer representation efforts of Sarawak Banking Employees Union (SBEU). In the SBEU case, the union uses its collective strength and expertise to defend each claimant in insurance claims, thereby improving the claimants’ chances of receiving their benefits.

Are there any critical success factors setting an example for other trade unions to follow? The studies reveal that there is not one approach or institutional model that works better than any other. The key success factor is more about starting with a deep knowledge and understanding of one’s own circumstances: conducting a situation analysis that looks into what members need and want, and what they are willing to buy and at which cost; and what resources and capacity the trade union has and can acquire to meet this demand. Such analysis is key to deciding on the best institutional model that responds to the needs and capacities of the members and of the union.

4. Conclusion: Opportunities and challenges

Based on the evidence collected through the literature review, and getting a deeper knowledge through the quantitative and qualitative research, it is evident that unions have been active in various parts of the world in the provision of a large number of financial services, although they are not recognised as key players in the financial services industry.

In many countries, unions are affiliated to networks of people-oriented institutions (such as SACCOs, cooperatives and mutuals) and jointly sponsor financial services providers. In fact, the survey shows that in Asia, Africa and Latin America, financial services are the most offered and desired of all the additional services provided by unions.

As promoters of financial inclusion, unions can harness significant opportunities to promote access to financial services, as summarized in

Table 3. Depending on the country, unions can have significant coverage and large membership bases, which makes them an effective aggregator – the larger the organization, the more effective it can be to negotiate better products and lower fees for its member if using the partner-agent model; and for financial cooperatives and the risk-bearer models, large numbers means economies of scale, which should result in greater efficiencies. Better products and greater efficiencies should in turn attract additional members and/or customers, creating a virtuous cycle of growth.

Table 3. Opportunities arising from labour-union-facilitated financial inclusion

Opportunities	Suggested means of harnessing opportunities
• Bargaining power and influence • Government interference • Regulatory limitations	• Collective bargaining for electronic payment of wages • Lobbyfor financiallly inclusive policies that improve member welfare • Advocare for regulations that accommodate financial coopertives and other institutional models that are conducive to financial inclusion • Negotiate for services that provide the best value • Ïmprove consumer protection mechanisms • Work with employers to provide on-site financial education initiatives
• Substantial footprint and access • Increasing membership base	• Use union branch network to facilitate provision of financial services • Provide appropraite products that offer client value • Negotiate better rates for members, possible due to scale of participation in financial services
• Member's trust • Social agenda	• Use the union brand to overcome market distrust and improve member use of appropriate financial services • Leverage the union's social agenda to create a new approach to meeting the financial service needs of workers

Source: Authors' analysis

Another huge asset of the unions is the trust that members have in the organization, which they are unlikely to have for banks or insurance companies. Unions can therefore leverage that trust relationship to bring more excluded populations into the formal financial system, ideally with a heavy dose of financial education to enable them to use the services effectively. The close relationship with its members can also be leveraged to influence the design and delivery of financial services to better meet member needs.

Furthermore, unions are also well positioned to provide a voice for the working poor to include financial sector policies that promote inclusion, such as the promotion of financial cooperatives and effective consumer protection systems. Indeed, the union's social agenda has the potential to change how financial markets operate to create more equitable outcomes.

However, unions that want to play such a role face some challenges. The most common challenges, highlighted in Table 4, have to do with lack of financial service expertise and low levels of financial literacy among members, and late loan repayments. Addressing these challenges requires capacity-building of union staff and leaders, coupled with financial education campaigns for low-income, low-literacy consumers. The financially excluded in many markets are becoming increasingly aware of getting left behind, while financial service providers, having saturated their current target markets, are looking for unserved prospects. Trade unions might be in the right place at the right time to reach out to their members with financial services that are accessible and affordable.

Table 4. Challenges arising from labour-union-facilitated financial inclusion

Opportunities	Suggested means of harnessing opportunities
• Capacity: Specialist financial service/produce understanding and technology required to intermediate financial services • Lack of expertise/human resources • Quality of services	• Build the capacity of union leaders to enhance their basic understanding of financial inclusion for workers • Acquire or outsource necessary skills and funcations • Carefully assess prospective providers prior to partner selection • Establish effective governance mechanisms to appoint, monitor and evaluate providers
• Lack of financial resources to sustain the union's financial services initiative	• Increasing sales and reducing expenses • Reviewing processes and systems to improve productivity • Revisiting the factors considered in making the institutions choice and financial resources required
• Value: Providing appropriate products that meet member needs and deliver value • Delinquency	• Conduct additional research investigating the needs and profiles of union members to ensure products provided meet needs of members and provide best value • Perform due diligence on providers prior to selection • Establish transparent procurement procedures to appoint most appropriate provider • Evaluate whether products meet needs through periodic evaluations reported to governance bodies
• Education: Financial illiteracy of members	• Research member needs in financial education • Provide, or partner with organisations to provide, appropriate financial education initiatives to members
• Consumer protection: Improviding effective consumer protection	• Ensure that sufficient product information is available when registering members for compulsory products • Ensure presence and functioning of a dedicated consumer recourse channel

Soure: Authors' analysis

Financial services are the most popular ancillary services for the trade unions. Evidence reveals a significant interest in financial service provision, particularly among unions in emerging markets. Naturally, the interest to offer financial services is higher in countries where financial exclusion is the greatest, where unions can play important roles.

But the engagement by unions in the provision or facilitation of financial services comes with some tensions. Three main trade-offs emerge from the survey and case studies:

1. Remain rooted to the core union role v. Expand the service offering

   Even though the majority of the unions surveyed provide additional services, and most of those unions provide financial services in some way, a minority of unions that do not engage in financial services and are not interested to do so. Three main factors appear to be limiting their engagement. The first is regulation – in some countries, the stringent restrictions on what organizations can be involved in the financial sector deters union involvement. Second, many unions lack the capacity to fulfil their core roles effectively, much less assume ancillary responsibilities. And third, there are some philosophical differences that prevent unions from engaging in the capitalist realm of financial services.

2. Benefit the members v. Benefit the union

   For those that do enter the financial service realm, they are regularly challenged with the potential trade-off of benefits to the members versus the union. One reason why unions get involved is to generate an additional source of revenue, but it is the members that ultimately have to pay that revenue. Ideally unions can generate win-win scenarios where both benefit, but if the financial market is already competitive, then margins are thinner and there is less opportunity to find win-win solutions. This trade-off is particularly stark if the union choses the cooperative model, which is owned by the members and does not provide the union itself with any direct benefits.

3. Be exclusive v. Be inclusive

   As the financial service offering of unions develops, it encounters key decision points. One of the more interesting decisions is whether or not to open up the financial services to non-members and the general public. The advantage of doing so is that it enables the financial services to benefit more people, and greater scale should result in greater efficiencies and better services. It also reduces the potential concentration risk. But there is a strong tendency among unions to focus on serving members and their families only, and to ensure that the products and services are particularly relevant for them. If they expanded to serve non-members it would require greater capacity, vastly different marketing and distribution approaches, and perhaps differentiated pricing.

Overall, there is a clear interest by unions across regions to expand their financial service offering in the future. In many cases, financial service provision is listed as a priority for future benefit-schemes. The vast experience of some trade unions and the aspirations of others underscore opportunities for knowledge-sharing initiatives and potential partnerships between unions, financial institutions and members to build and advance appropriate services models in order to mitigate risks and improve chances of success.

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Annex B. List of individuals interviewed

Name of the Organization	Country	Contact Name
All China Federation of Trade Unions (ACFTU)	China	Jiang Guangping
Agriculture & Farmers Federation of Myanmar (AFFM)	Myanmar	Dr. Sai Khang Myo Tun (Advisor)
All Pakistan Federation of United Trade Unions (APFUTU)	Pakistan	Ali Pirzada Syed Imtiaz
Australian Council of Trade Unions (ACTU)	Australia	Ben Davison
AVVS de Moederbond	Suriname	Edam Imrick
Bangladesh Labour Federation (Blf)	Bangladesh	Khan, Md. Delwar Hossain
Bangladesh Mukto Sramik Federation (Amsf)	Bangladesh	Md. Mojibur Rahman Bhuiyan
Bharatiya Mazdoor Sangh (Bms)	India	RAI Baij Nath Mr.
Blocul National Sindical (Bns)	Romania	Kniesner, Mariana
Botswana Federation of Trade Unions (BFTU)	Botswana	Mr Ghadzani Mhotsha
C.D.S.T	Gabon	Nyngone Solange Léontine
Central de Trabajadores de Cuba (CTC)	Cuba	Raymundo Navarro Fernandez
Central de Trabajadores de La Argentina (CTA)	Argentina	Daniel Jorajuria Kahrs
Central del Movimiento de Trabajadores Costarricences (CMTC)	Costa Rica	Olman Chinchilla Hernandez
Central General de Trabajadores (CGT) Honduras	Honduras	Jose Humberto Lara Enamorado
Central Obrera Boliviana	Bolivia	Delgado Ramirez, Jose Luis
Central Organisation of Trade Unions (Cotu)	Kenya	Basara Adams (SG Asssistant)
Central Única dos Trabalhadores (CUT)	Brazil	Antonio de Lisboa, Amancio Vale
Central Union of Palestinian Workers (CUPW)	Palestine	Hussein Karabsa
Central Unitaria de Trabajadores (CUT)	Chile	Barbara Figueroa Sandoval
Central Unitaria de Trabajadores (CUT)	Colombia	Tovar Arrieta Domingo
Centrale Syndicale des Travailleurs (CST)	Gabon	Mr. Augustin Engone
Ceylon Workers Congress	Sri Lanka	K. Marimuttu
CLC	Cambodia	Mr. Ath Thorn
Cns Cartel Alfa	Romania	Hossu, Bogden Julia (Mr)
Conato - Cntp	Panamá	Elberto Luis Cobos
Confédération des Travailleurs Unions du Cameroun (CTUC)	Cameroon	Essindi Minkoulou Pierre
Confederación Autónoma Sindical Clasista (Casc)	Dominican Republic	Luciano Robles
Confederación de Trabajadores de Venezuela (CTV)	Venezuela	José Elias Torres / Director de Organizacón
Confederación Ecuatoriana de Organizaciones Sindicales Libres (CEOSL)	Ecuador	Pablo Anibal Serrano Cepeda
Confederación General de Sindicatos (CGS)	El Salvador	Jose Irael Huiza Quintero
Confederación General del Trabajo (CGT)	Argentina	Marita Gonzalez
Confederación General del Trabajo (CGT)	Colombia	Triana Albis Myriam Luz
Confederación General del Trabajo (CGT)	Venezuela	Juana Maria Chireno
Confederación Gremial de Trabajadores (CGT)	Panamá	Jose Angel Pedroza R.
Confederación Intersindical Galega (Cig)	Spain	Gonzalez Boan, Ramon
Confederación Nacional de Trabjajadores (CNT)	Colombia	Henry Cabrera Meneses
Confederación Nacional de Unidad Sindical Ind. (CONUSI)	Panamá	Genero Lopez (Secretario General)

Confederacion Rerum Novarum (Ctrn)	Costa Rica	Rojas Vilchez, Mario
Confederacion Revolucionaria de Obreros Y Campensinos (CROC)	Mexico	Eugenio del Valle Rivas
Confederación Sindical del Ecuador (CSE)	Ecuador	Jaime Oswaldo Arciniega/ Presidente
Confederationchretienne des Syndicats Malagaches "SEKRIMA"	Madagascar	BOTOUDI REMI HENRI
Confédération Démocratique des Travaillleurs Gabonais (CDT)	Gabon	Foina Soungue Beuno
Confédération Démocratique du Niger	Niger	Mr Idrissa Djibrilla (SG adjoint)
Confederation des Syndicats Autonomes (CSA)	Senegal	Diouf Mamadou
Confédération des Syndicats Autonomes du Bénin (CSA-BENIN)	Benin	LOKOSSOU Dieudonné
Confederationdes Syndicat du Burundi (COSYBU-FNTT)	Burundi	Jean Ntungunburanye
Confédération des Travailleurs de Comores (CTC)	Comoros	Mlle. Fatima Said Mahazi
Confédération des Travailleurs des Secteurs Public & Privé (CTPP)	Haiti	M. Jean Fatal
Confédération Française des Travailleurs Chrétiens (CFTC)	France	Coulon, Pierre Jean
Confédération Générale des Syndicats Libres du Niger (CGSL-Niger)	Niger	Bagina Soumaila
Confédération Générale des Travailleurs de Mauritanie (CGTM)	Mauritania	Mamadou Niang
Confédération Guinée des Syndicats Libres (CGSL)	Guinea	Pascal Tazi Haba
Confédération Independent des Syndicats du Tchad (CIST)	Chad	M. Mahamat Nassaradine (Vice president)
Confederation Libre des Travailleurs du Tchad	Chad	BRAHIM BEN SAID
Confederation Nationale des Travailleurs de Guinee (Cntg)	Guinea	Ahmadou Diallo
Confédération Nigérienne du Travail (CNT)	Niger	MAMADOU SAKO
Confederation of Ethiopian Trade Unions (Cetu)	Ethiopia	1. Mr. Follo Kassahun 2. Biyadigiling Fisihatsiyon
Confederation of Free Trade Unions of India	India	Shraddha Yashaswini
Confederation of Mongolian Trade Union	Mongolia	Mr. Amarsanaa Enebish (Head of Foreign Relations)
Confederation of Trade Unions of The Slovak Republic (KOZ-SR)	Slovakia	Macak, Erik
Confédération Syndical des Travailleurs du Tchad (CSTT)	Chad	Moud Ouye Hououlou
Confédération Syndicale des Travailleurs du Togo (CSTT)	Togo	TEVI Ayikoué
Confederation Syndicale du Congo (CSC)	Democratic Republic of Congo	Ndambo Mandjuandju Fortunat
Confederçao de Sindicatos de Timor Leste (KSTL)	Timor Leste	José da Coneiçao da Costa
Congrès des Agents Publics, Parapubliqics Et Privés et de L'état (CAPP)	Gabon	M. Emmanuel Mve Mba
Congress of Independent Trade Unions (CITU)	Mauritius	Suraj Ray

Congress of Unions Employeees In The Pulbic And Civil Services (CEUPACS)	Malaysia	Ms. Nazeema Mohammed (secretary) / Mr. Osman (President)
Central de Trabajadores de La Argentina (CTA)	Argentina	PEDRO ANDRÉS WASIEJKO
Deutscher Gewerkschaftsbund (Dgb)	Germany	Zach, Frank
Estonian Trade Union Confederation	Estonia	Toomsalu, Kaja
Federación de Trabajadores del Atlantico	Colombia	Carmen Padilla
Federación Nacional de Trabajadoras Asalariadas del Hogar de Bolivia (FENATRAHOB)	Bolivia	Ocsa Prima, Secretaria Ejecutiva de la FENATRAHOB
Federación Obrera Sindicalista	Mexico, D.F	Sylvia Mendoza Pantoja Secretaria General
Fédération Générale du Travail de Belgique (FGTB)	Belgium	Geybel René
Federation of Free Workers (FFW)	Philippines	Ms. Isabel Pango and Rodrigo Catindig
Federation of Trade Unions of Ukraine	Ukraine	Osovyi Grigiry
Federation of Trade Unions of Belarus	Belarus	Mankevitch Elena
Fedusa	South Africa	Gretchen Humphries
Fiji Trade Union Congress	Fiji	Felix Anthony
Fivondronamebn'ny Mpiasa Malagasy (F.M.M.)	Madagascar	RAMANARIVO Jeannot Pierre
Forca Sindical	Brazil	Raimundo Gomes
Free Trade Union Confederation of Latvia (LBAS)	Latvia	Natalja Mickevica
General Federtaion of Oman Trade Unions	Oman	Mr. Saud Ali Abdullah Al-Jabri
Union Générale des Travailleurs du Maroc (UGTM)	Morocco	Dr. Fatiha ESSERHIR
Ghana Federation of Labour (GFL)	Ghana	ABRAHAM KOOMSON
Hind Mazdoor Sabha (Hms)	India	Mr. A. D. Nagpal
Indian National Trade Union Congress (Intuc)	India	Mr. R. Chandrasekharan
Inter Company Employees Union (Icea)	Sri Lanka	Janaka Adikari
Kiribati Trade Union Congress (KTUC) - Kiribati Union of Teachers	Kiribati	Kirion Bakoauea
Konfederasi Serikat Buruh Sejahtera Indonesia (Ksbsi)	Indonesia	Sulistri
Korean Confederation of Trade Unions	South Korea	Mikyung Ryu
Kurdistan Workers Syndicate Union (Kwsu)	Iraq	Dr, Rahel F. Abdulwahid
Lao Federation of Trade Unions (LFTU)	Lao P.D.R.	Vila Vangkhaseum
Lesotho Labour Council (Llc)	Lesotho	Billy Macaefa
Liberia Labour Congress	Liberia	Mr. Baryou Wallace & Ms. Theresa
Libya Workers' Union	Libya	Nermin Naji Al Sharif
The Danish Confederation of Trade Unions (LO)	Denmark	
Malawi Congress of Trade Unions	Malawi	Kalichero Pontius
Malaysian Trade Union Congress	Malaysia	Karuppiah Somasundram
Mandate Trade Union	Ireland	Douglas, John
Moscow City Organisation of the Education and Science Employees' Union of Russia	Russia	Ivanova Marina
Murmansk Region Organisation of the Moscow City Organisation of the Education and Science Employees' Union of Russia	Russia	Merkulova Elena
National Federation of Workers' Council (Munkastanacsok Orszagos Szoevetsege-Mosz)	Hungary	Mrs. Judit Czuglerne Ivany
National Organization Trade Unions (NOTU)	Uganda	Peter Weikhe

National Trade Union Centre of Trinidad and Tobago	Trinidad and Tobago	Mr. Micheal Annisette & Mr. Roland Sutherland
National Trade Union Confederation (NTUC)	Mauritius	Benydin Toolsyraj
National Trade Union Federation / Lanka Jathika Estate Workers Union	Sri Lanka	K. Velayudam
National Union Bank Employees	Malaysia	Chee Yeen Leeu
National Union of Afghanistan Workers And Employees	Afghanistan	Ahmad Fawad Farzad
National Union of Public Workers	Barbados	Walter, L Maloney
National Union of Teachers (NUT)	United Kingdom	Brown, Amanda
NCTL (National Congress of Thai Labour)	Thailand	Mr. Panos Thailuan
Nepal Trade Union Congress (NTUC)	Nepal	Mr. Laxman Basnet (President)
New Zealand Council of Trade Unions	New Zealand	Kelly Helen
Nigeria Labour Congress (NIC)	Nigeria	Uyot
Norwegian Confederation of Trade Unions	Norway	Katherine Fauske
Onslg- Guinée	Guinea	Yamodou Toure
Organização dos Trabalhadores de Moçambique(OTM-CS)	República de Moçambique	Damião Ezequias Simango, Sec Relações Internacionais
Pakistan Workers Federation (PWF)	Pakistan	Awan Zahoor
Pancyprian Federation of Labour	Cyprus	Grigoriou Nikos
Pit-Cnt	Uruguay	Mario Pomatta
Samoa Public Service Association	Samoa	
Seychelles Federation of Workers Unions (SFWU)	Seychelles	Antoine Roland Robinson
Sinatifbanc Instituciones Financieras (CTM)	Mexico, D.F	Villasenor, Leopoldo
Sindeofinorts	Colombia	Arenas Rangel Julio Cesar
Sindicato de Trabajadores de La Educacion	Guatemala	Acevedo Joviel
Sindicato de Trabajadores de La Medicina, Hospitales Y Similares	Honduras	Mejia Maldonado Miguel Angel
Solidarumas	Lithuania	Aldona Jasinskiene
South Sudan Workers' Trade Union	South Sudan	(Aleu) Aurelio Anyuc Deng
Sri Lank Nidamas Sewaka Sangamaya	Sri Lanka	Devendra Leslie
State Entreprise Workers' Relation Confederation	Thailand	Mr. Sawit Kaewvarn (SG)
Swedish Trade Union Confederation	Sweden	Hansson, Lise-lott
Syndicat Autonome Pour Le Rassemblment des Travailleurs Malagasy	Madagascar	RAKOTOARIMANGA Olga Vololona
Syndicat des Enseignant, Services Médicaux, Librairie Ainsi Que D'organisation du Secteur Privé (SENJOUSMEL)	Rwanda	Mkotanyi Abdon Faustin (SG) & Mutsindashyaka Andre
Syndicat des Services Publics (SSP-VPOD)	Switzerland	Monsieur Romain Felli
Syndicat of Trade Union of Egypt	Eygpt	Youssra Boumy
Syndicats des Professionnels du Gouvernement du Québec	Canada	Perron, Richard
Syntragavo	Togo	Obiia Ama Kafui
Tema Oil Refinery	Ghana	Fugah, Daniel
The Cyprus Workers' Confederation- Sek	Cyprus	Matsas Andreas
The General Federation of Workers' Trade Union- Yemen (YWGFTU)	Yemen	Ms. Redha A. Garhash
The Swedish Trade Union Confederation	Sweden	Hansson, Lise-lott
Trade Union Confederation of Turkey (TURK-IS)	Turkey	Ekmekçioglu, Burak
Trade Union Congress of Namibia (TUCNA)	Namibia	Mahongora Kavihuha
Trade Union Congress of Nigeria	Nigeria	
Trade Union Congress of Tanzania	Tanzania	MGAYA NERNEST NICHOLAS

Trade Union Congress (TUC)	Ghana	Mr. Kwabena Nyarko OOTO
Trade Union of Workers Railways	Eygpt	Mohamed Abdul Satter Wahed
Trade Union Organisation of the Republic of North Ossetia–Alania	Russia	Kasaev Taymuraz
TUC	United Kingdom	Robertson Hugh
Uniao Geral dos Traba Ihadones (Ugt)	Brasil	wagner
Union des Syndicats des Travailleurs du Niger (Ustn)	Niger	Amadou Arouna Maiga +227-96966956/ 2074 29
Union des Syndicats Libres du Cameroun (Uslc)	Cameroon	GONGUE, SG USLC
Union des Travailleurs du Gabon (UTG)	Gabon	Mme Mendene, Emilienne
Union Générale des Travailleurs Algeriens (UGTA)	Algeria	Monsieur Mohammed Tayeb Hamarnia & Mme Kaddous (FO)
Union Générale des Travailleurs du Cameroun (UGTC)	Cameroon	Mr. Isaac Bissala
Union Générale Tunisienne de Travail (UGTT)	Tunisia	Kacem Afaya
Unión Nacional de Trabajadores de Mexico (UNT)	Mexico, D.F	Hector Barba Garcia/ Asesor juridico de la UNT
Union National des Syndicats Autonome du Senègal (UNSAS)	Senegal	Mme Madjiguene Françoise Medor
Union National des Syndicats des Travailleurs du Bénin (UNSTB)	Benin	ZOUNON Emmanuel
Union Nationale des Travailleurs de Côte d'Ivoire	Cote D'Ivoire	M. Kodibo Yves (SG) & M. Affo E. Emmanuel
Union Nationale des Travailleurs de Mali (SG-UNTM)	Mali	M. Moussa Kanoute/ M. Siaka Diakite
Union Nationale des Travailleurs du Congo (Untc)	Democratic Republic of Congo	BOMPUKU ESINGA Désiré
Union Nationale des Travailleurs du Congo (UNTC)	Democratic Republic of Congo	Mr. Amédée Ndongala (President)
Unta - Cs	Angola	Carvalho Francisco, Maria Fernanda
Zambia Congress of Trade Unions	Zambia	Hikaumba Leonard
Zanzibar Trade Union Congress	Tanzania	MOHAMMED, KHAMIS MWINYI
ZENROREN - National Confederation of Trade Unions, Japan	Japan	Odagawa, Yoshikazu
Zimbabwe Congress of Trade Unions (ZCTU)	Zimbabwe	Moyo Japhet

Annex C. Financial services by trade unions: Eight case studies

1. Dominican Republic

Trade union	Confederación Autónoma Sindical Clasista (CASC)
Financial services offered	• Loans (consumption, recreational) and savings accounts • Funeral insurance
Entities formed [institutional model]	• Caja Popular Cooperativa (CAPOCOOP) [cooperative/mutual] • Asociacion Mutual de Servicios Solidarios (AMUSSOL) [set up as a cooperative/mutual to serve as an insurance agent]

1.1 Context and regulations

CASC, established in 1962 to “defend, study, promote and represent the interests” of workers in the public, private and informal sectors, now has 200,000 members and is the largest of the five confederations in Dominican Republic. It has 2,635 affiliated unions. As much as 56% of Dominican Republic’s workforce is in the informal sector, and CASC represents more than 15,000 informal and 10,000 migrant workers. Over the years the union has been instrumental in creating institutions addressing key public concerns, such as social security (Instituto Dominicano de Seguros Sociales - IDSS) and professional and technical training (Instituto de Formación Técnico Profesional – INFOTEP).

Beyond its core organizing and collective bargaining activities CASC has provided educational and health services and support to worker and producer cooperatives. It decided to engage in financial services to fulfil its mission of improving the lives of its members, and to retain their trust in the capacity of the union to resolve their problems. Most of them were finding it difficult to access services from formal financial institutions because of high costs, lack of the collateral required and absence of service outlets in their communities.

The country’s Labour Act provides that a “union is …organized to improve and defend the common interests of its members” in a “not for profit” capacity - meaning that all union initiatives must keep member benefits at the forefront. The regulation prevents unions from having revenue sources apart from membership fees, but allows them to facilitate financial services through two institutional forms: mutual aid fund, and cooperative. These are the two models CASC has used to meet its members’ financial needs.

1.2 Financial services

CASC entered into facilitating access to financial services more than 40 years ago when, in 1973, it helped affiliates set up a savings and credit cooperative called **Caja Popular Cooperativa (CAPOCOOP)** to provide services exclusively to members of the confederation and employees of the cooperative “at low costs and interest rates enabling a better quality of life for workers.” The cooperative started with 32 members; it has 576 members now. Services include:

Savings accounts. These hold mandatory monthly savings of 100 Dominican pesos (US$ 2.5) for affiliates. Members who are in good standing can borrow against their savings. They are required to pay a one-month instalment in advance as the only collateral for the loans.

Consumption loans. Consumer loans are granted without restriction on the use of funds. Members must agree to repay the loan amount in a fixed period of time, calculated on the basis of their ability to pay.

Recreational loans. Available individually for the amount agreed with the affiliate, these loans are linked to leisure activities organized by the cooperative - which offers preferential rates and is the intermediary dealing with travel agencies.

2.3 Institutional framework

CAPOCOOP is a democratic institution, administered and self-supervised by members, ensuring transparency and creating a sense of belonging to the union as well as the cooperative. However, the union is closely involved in the operational management of the cooperative, whose board of management is confirmed exclusively by union members. CASC supported the set-up of the cooperative and, with a high level of synergy and communication, strives to keep the union roots in the institution so it is presented as a benefit scheme for union members. In addition, as a confederation working closely with affiliated unions, it encourages them to act as marketing agents for the services offered by the cooperative. The information is distributed nationally through trade unions and various channels of communication, such as letters, posters and meetings. This mechanism reinforces the strong links among the confederation, its affiliated unions and the cooperative.

In 2006 CASC created **Asociación Mutual de Servicios Solidarios (AMUSSOL)** as a not-for-profit mutual entity to promote, organize and offer social services for unionized workers in the country (members and non-members of CASC). AMUSSOL serves as a “virtual employer” and intermediary for informal and migrant workers, representing them in the national social security scheme SDSS (Sistema Dominicano de Seguridad Social).

Box 10. Benefits for CASC and its members from financial service provision

Carring CASC’s mission beyond its core political mandate has required internal reform, and has meant an opportunity to influence other aspects that affect workers.

Providing financial services has strengthened linkages not only with members but with affiliated unions, promoting a sense loyalty and belonging to the confederation.

AMUSSOL’s work as a benchmark for social services to the vulnerable has improved CASC’s image among governing bodies and workers, and increased its political leverage and bargaining power. As a result, CASC has attracted more workers to unionize in recent years.

Low-income workers, CASC members or not, have gained access to AMUSSOL’s funeral insurance at a preferential rate, with immediate payment of claims, minimum essential documentation and additional support ensuring that services are provided by third parties.

CAPOCOOP’s lending scheme has facilitated members’ access to goods and services, including recreational activities. Besides lower interest rates, the cooperative gives them patronage dividends annually.

In 2010 AMUSSOL started an insurance scheme in response to the needs of low-income workers and their families for accessing funeral services. To cope with the costs of funerals they borrowed money from friends, family or informal lenders, leading to indebtedness. AMUSSOL offered a voluntary funeral insurance plan called "Vive Tranquilo," with a cash payout of up to DOP 100,000 (USD 2,300) to individual policyholders for a monthly premium of DOP 100 (USD 2.30), and a family plan for a monthly premium of DOP 400 (USD 9,3).

The funeral insurance is open to any worker in the country, with greater emphasis on informal and migrant workers, given their particular vulnerability. In the enrolment offer the union makes a point of convincing workers to unionize as a way to access other benefits. Workers who wish to take the funeral plan must pay a premium in addition to membership fees according to the plan and age. They are not required to be contributing to the social system through AMUSSOL to access this service.

Box 11. Challenges for CASC in financial service provision

Lack of financial literacy in the vulnerable groups, who focus on day-to-day needs rather than planning and saving for the future.

Delinquency is a constant threat, though there are no major cases. The one-month prepayment condition helps control risk by serving as a red flag for impending default.

2. Mexico

Trade union	Sindicato de Telefonistas de la República Mexicana (STRM)
Financial services offered	• Loans (consumption, emergencies, medical, car, housing) • Savings (loan-tied, children's and fixed-term investments)
Entities formed [institutional model]	Caja de Ahorro de los Telefonistas (CAT) [cooperative/mutual]

2.1 Context and regulations

STRM was created in 1950 when two existing unions of telephone workers merged. It represents employees and freelance workers of five of Mexico's most important telecommunications companies, and it is affiliated to one of the largest trade union federations in the country, Unión Nacional de los Trabajadores de México (UNT), established in 1997.

STRM has a history of activism and bargaining in defence of the workers' rights, given the strategic importance and trend towards privatization of the telecommunications sector. Additional benefits provided to members include educational services and legal assistance.

Until the mid-1990s STRM members had limited access to finance. Only some had access to housing loans in low amounts, and a small number of others could qualify for other services of banks. Most had to rely on loans from informal lenders or *agiotistas* (loan sharks) at high interest rates. Responding to the need and demand of members for savings and loan services, STRM decided to support the creation of a savings and credit cooperative and drew on the experience of the Mondragon model[12] of cooperatives based in the Basque region of Spain.

The labour law in Mexico, while prohibiting unions from undertaking any commercial activity that does not benefit their members, allows them to engage in financial services through cooperatives. There is no restriction in both the labour legislation and the financial services regulation, which may prevent unions from partnering with financial services providers or owning financial institutions on the condition that the initiative correspond to the cooperative model and that members derive benefits from it.

The two laws governing cooperatives were reformed in January 2013 as part of a campaign to strengthen the regulatory framework. The intent was to more closely monitor the performance of microfinance providers, set up as cooperatives, reaching a growing number of clients in remote areas of the country and to prevent them from risking their depositors' money.

2.2 Financial services

CAT (Caja de Ahorro de los Telefonistas) was formed in 1995 to provide financial services exclusively to members of STRM, its employees and employees of CAT. However, in recent years it has signed agreements with unions of the airline pilots ASPA (Asociación Sindical de Pilotos Aviadores) and workers of the Petroleum Institute SNTIMP (Sindicato Nacional de Trabajadores del Instituto Mexicano Del Petróleo) for the provision of financial services to their members. The inter-union agreements brought in about 10,000 new members, bringing the total membership of CAT to 54,000 in 2013. With a national network of 18 branches and 56 assistance and service centres, CAT has grown to become a key competitor for commercial banks. Its services include:

12 The Mondragon Corporation is a corporation and federation of worker cooperatives based in the Basque region of Spain. It was founded in the town of Mondragón in 1956 by graduates of a local technical college. Its first product was paraffin heaters. It is the tenth-largest Spanish company in terms of asset turnover and the leading business group in the Basque Country. At the end of 2014, it employed 74,117 people in 257 companies and organizations in four areas of activity: finance, industry, retail and knowledge.

Box 12. Benefits for STRM and its members from financial service provision

STRM's role in supporting and facilitating the formation and maintenance of a savings and credit cooperative has improved the union's image, serving as an incentive for more workers to unionize.

STRM's interaction and coordination with CAT as an overseer of the financial cooperative have helped maintain and reinforce trust of all workers in the two organizations.

Since introducing financial services the union reports to have achieved a more stable environment to develop better its political mandate and activities.

In the framework of inter-union agreements for the provision of financial services, the union has created stronger ties, not only internally with its members and CAT staff but also externally with other unions.

By facilitating transition of workers (its members and non-members) from financial exclusion and use of informal lenders to formal inclusion, the union has enabled them to better plan for the future as well as meeting their families' current needs for education, health and recreation.

CAT members have access to savings and credit with higher benefits and lower collateral than banks, including additional services on the basis of mutual aid and solidarity – such as scholarships for family members, assistance in case of natural disasters, and support for funeral expenses in case of death.

STRM's entry into financial services has promoted a savings culture among workers who previously focused on day-to-day needs.

Savings/loan account. This account opens automatically when the affiliate joins CAT and pays the membership fee. No minimum amount is required. Members have immediate availability of money and can manage loans, payment orders and investments directly from the account.

Children's savings account. Designed for children under 18, it gives members the option to authorize a payroll deduction of MXP 50 (US$ 3.8) per week or MXP 100 (US$ 7.6) biweekly. It pays a variable interest rate and once a year CAT returns 100% of the interest accumulated only if the affiliate has not used the capital during this period.

Fixed-term investments. The minimum amount to open an investment account is USD 1,000. The fixed terms are of 7, 14, 28, 63, 91 and 182 days and the account involves an automatic renewal. It pays interest at maturity, ranging currently between 4% and 7.5%. This is one of CAT's most popular services, with 70% of members using it.

Box 13. Challenges for CAT in financial service provision

Consolidating the trust-based relations between STRM and CAT is a constant concern. With good communication and coordination, there has been comprehensive and timely compliance to all regulations, including a scheme of external supervision. Yet the focus is on good governance at all levels, to avoid some problems that in the past arose out of disagreements between the boards of the trade union and the cooperative.

An ongoing priority is to have up-to-date technologies to enhance operational performance. CAT aims to develop its own computer systems to ensure service quality and productivity.

CAT plans to continue expanding the services portfolio and its membership size. It aims to extend services to the family members of current affiliates.
The design of a financial education programme is underway.

Consumption loans *Credifacil*. These short-term loans are awarded without collateral. Workers must have 10% of the amount requested in savings to apply for a loan. The maximum loan amount is MXP 24,000 (US$ 1,827). Interest rates range from 12% to 17%, depending on the credit modality. This is CAT's most popular service, with an 80% usage.

Emergency loans. These short-term loans with a maximum payment term of 12 months provide up to MXP 10,000 (US$ 761) to cover emergencies. The amount varies according to the member's payment capacity. Members must have 10% of the amount requested in savings to apply for this personal loan.

Loans for medical expenses. These cover medical costs of up to MXP 15,000 (US$ 1,142) and have to be paid back within 12 months.

Car loans *Crediauto*. A loan to purchase a car must be paid back within three years. The current interest rate is 12.5%. The loan amount is based on the member's payment capacity, and requires a car purchase bill and proof of insurance.

Housing loans. A housing loan, too, is variable and based on the member's capacity to pay. The payment term can be up to 20 years, and the interest rate currently is 9.5%. Members must sign a mortgage contract as collateral. Mortgage loans are backed by insurance: home, life and disability.

2.3 Institutional framework

Since its formation in 1995 as a savings and credit cooperative owned and controlled by members, CAT has been financially and administratively independent of STRM. Today, with 54,000 members, it has become an important financial institution in Mexico and a model of a solid and successful workers-led financial institution.

STRM provided the initial support in CAT's setup, design and promotion. It dealt with government entities to obtain the required authorization and participated in the development of a comprehensive business plan that included a clear equilibrium of its financial standards and social mission.

Since then STRM has been close to CAT as a way to support its activities and monitor that the activities reflect and adhere to the principles of a cooperative. STRM has also continued to promote CAT's services among its members in a marketing role, in particular through websites and publications, to expand the cooperative's clientele. The STRM-CAT interaction, communication and coordination are at the institutional level. On the front line, CAT has the sole responsibility for client interaction and its affiliates do not deal with STRM on issues related to services it provides.

3. Costa Rica

Trade union	Sindicato de Trabajadores Petroleros Quimicos y Afines (SITRAPEQUIA)
Financial services offered	• Savings (compulsory account) • Loans (short-, medium- and long-term)
Entities formed [institutional model]	Fondo de Ahorro, Préstamo, Vivienda, Recreación y Granatia de los Trabajadores de Recope (Savings, Loans and Recreation Fund of Recope's Workers [cooperative/mutual]

3.1 Context and regulations

SITRAPEQUIA (Union of Oil, Chemicals and Related Workers), formed in 1969, represents 1,600 workers of Costa Rica's state-run oil refining company Recope (Refinadora Costarricense de Petróleo). It has facilitated financial services since 1978 when, in collaboration with Recope, it set up the Savings, Loans, Housing, Recreation and Guarantee Fund (Savings Fund, for short) for the company's workers under a bipartite schedule of contributions negotiated in the collective labour agreement of July 1978, ratified again in 2011.

The agreement of 1978 made a savings account compulsory for members upon joining and required that they and the company both contribute a percentage of their monthly salaries in the accounts. The union has renegotiated the terms of the agreement, including percentages, 15 times over the years. They now provide that each employee (belonging to the union or not) of the company and the Savings Fund deposit 5% of the monthly salary in the account through payroll deduction, while the employer (Recope or the Savings Fund) contributes 10% of the employee's salary in the account on his or her behalf. The Fund now serves all 2,000 of Recope's workers and 57 staff of the Fund. Employer contributions are vested in the employees, as they are in pension plans.

The Labour Code in Costa Rica defines unions as social organizations of workers, constituted exclusively for the study, improvement and protection of their common economic and social interests. Unions are permitted to create, manage or subsidize institutions, establishments or social work of public utility, such as cooperatives, sports organizations, cultural, educational, and welfare assistance. They can own or be a partner in an entity for the provision of these services provided members derive a benefit.

The legislation also provides that under a collective labour agreement, a union serves as the legal representative of workers, has responsibility for obligations incurred for each of its members and may, with their express consent, also exercise the rights and actions which are incumbent upon them individually.

3.2 Financial services

The Savings Fund initially started as a members' initiative led by SITRAPEQUIA. Soon after, Recope proposed to join the initiative and include all workers of the company in the fund. A research study commissioned concluded that Recope's workers lacked adequate access to low-interest credit to meet their basic needs. Commercial banks had high interest rates and required collateral that not many could provide. When in need, most workers had to approach private lenders, friends and family. The Savings Fund then broadened its portfolio, increasing its capacity and tailoring its products to the changing needs of workers. It now offers a variety of credit products.

Box 14. Benefits for SITRAPEQUIA and its members from financial service provision

While performing its primary role to protect workers' rights and interests through collective bargaining, SITRAPEQUIA planned to introduce financial services to significantly change and influence other aspects that affect workers' lives, such as access to goods and services for a better quality of life.

The union has bolstered its strategic positioning and political leverage through the addition of financial services. The initiative has improved the union's image, increased its membership base and with that its bargaining power. It has encouraged more workers to unionize, so that 95% of Recope's employees are now members of SITRAPEQUIA.

The union-employer collaboration in providing social guarantees has increased worker loyalty to recope and consolidated SITRAPEQUIA's structure and future.

The Fund constantly monitors interest rates to ensure that its 3,000 members receive the lowest interest rates in Costa Rica. Recope's contribution increases their lending capacity, and helps the Fund offer manageable payment terms.

In line with cooperative principles, once a year the Fund distributes patronage dividends among members, allocating them as debt payment.

Workers have access to additional services they previously could not afford, for example recreational services.

The mandatory savings system has promoted a culture of savings among workers, helping prevent cases of delinquency.

Savings/loan account. In this compulsory account workers are required to save 5% of their monthly salary, with the employer depositing 10% of the salary into the personal account of each worker. Members can apply for loans against their savings.

Housing loan. This is long-term loan (up to 25 years) of a maximum US$180,000 granted for the purchase, construction or improvement of a house. Of the amount borrowed, US$ 100,000 is at an interest rate of 9%, and the remainder at 12%. The Fund requires the signing of a mortgage as collateral for the loan. Workers must complete 36 months on the job to be considered for such a loan. If the worker or his/her family has the payment capacity, the amount borrowed can be higher than the limit. There is no minimum amount required to qualify for a housing loan. The purpose is to offer lower-income workers the opportunity to obtain at least a house of social interest – that is, partly subsidized by the state. In Costa Rica, a social interest house is worth US$105,000.

Box 15. Challenges for SITRAPEQIA in provision of financial services

A generational change in Recope (more than 600 workers have retired in the last four years) poses a challenge for the Fund to keep services to new employees financially sustainable - in particular the two most in greatest demand: mortgage and fiduciary loans.

To ensure that the Fund operates and adapts in response to workers' changing needs, SITRAPEQUIA has to watch their lifestyles and working environments closely and be ready to engage Recope in another round of collective bargaining.

Emergency loan. This loan of up US$5,000 at a 10% interest rate for 5 years is meant to cover emergencies including medical expenses, funeral services and damage to housing caused by natural disasters. It is granted against the member's savings and the Fund requires a promissory note as the only collateral.

Educational loan. This product is available to all workers and their families, and is intended to finance educational programs. This medium-term loan (for 5 years) is offered for a maximum US$3,600 at an interest rate of 12%.

Fiduciary loan. This line of credit is offered to cover necessities not included in any of the other credit products. The Fund would lend up to the total amount of a member's savings at 14% for 8 years. Fiduciary loans are loans granted without security beyond the word or honour of the borrower.

Recreational loan. Such a loan is made to finance recreational activities and the amount is calculated based on the total savings of the worker. The Fund decided to launch this service given the limited access to recreational services for workers. It operates two recreation centres with multiple facilities funded with annual profits. Use of the centres is free for workers and their families.

3.3 Institutional framework

Although by virtue of the collective bargaining agreement (1978) SITRAPEQUIA and Recope are creators of the Savings Fund, neither owns it. The entity is self-governed and has its own legal form as a non-profit social organization – a variation of the financial cooperative model. It has 57 staff members on whose behalf the Fund contributes 10% of the salary to their savings accounts every month as an employer – on the same basis as Recope for its 2,000 employees.

Recope supports the Fund financially in two ways. In 1996 SITRAPEQUIA bargained with Recope to cover 75% of the salary and benefits expenses for the Fund's staff (administrative, accounting and legal). In addition Recope covers 100% of expenses by the Fund for group life insurance premiums paid to an insurer to cover outstanding balances on loans upon the death of an employee.

SITRAPEQUIA's institutional support to the Fund is non-financial but has been critical in obtaining and sustaining financial benefits for workers and strengthening the Fund over the years through 15 collective bargaining agreements. The union brings to bear an important influence in maintaining conditions to facilitate access to financial services for workers (members and non-members alike) since it succeeded in establishing the bipartite system of contributions.

4. Honduras

Trade union	Sindicato de Trabajadores de la Medicina, Hospitales y Similares (SITRAMEDHYS)
Financial services offered	• Savings (loan-tied compulsory contribution account) • Loans (personal, educational, housing and fiduciary) • Insurance (life and disability) • Retirement scheme
Entities formed [institutional model]	• Regional Cooperative Plans of Multiple Services [cooperative/mutual] • Mutual Aid Plan [cooperative/mutual] • Retirement Scheme [risk-bearer]

4.1 Context and regulations

SITRAMEDHYS, the Union of Workers in Medicine, Hospitals and Related fields throughout Honduras, was founded in July 1965 in the city of San Pedro Sula and is affiliated with the Confederación de Trabajadores de Honduras (CTH), the largest union apex of the country. Its membership numbers approximately 9,500, encompassing health workers of every sector. Women represent 64.4% of its membership base. The union is divided among 53 regional locals (*seccíónales*). The union's national executive board, Junta Directiva Central, is elected in a congress held every two years.

SITRAMEDHYS recognises as part of its main objectives i) the creation and development of cooperative plans, savings and credit funds and mutual aid groups, ii) service as an intermediary in the acquisition and distribution among affiliates of consumer and production goods at cost, and iii) provision of relief to affiliates in case of sickness or calamity. SITRAMEDHYS facilitates financial services in the pursuit of improving members' lives and thus accomplishing its objectives as their organization. It is currently doing so through three different schemes: credit and savings services are provided by its Regional Cooperative Plans of Multiple Services; a disability and death insurance is facilitated through a mutual aid plan; and a retirement scheme is administered by the Central Board of the union.

SITRAMEDHYS integrates financial and non-financial services into its core union activities as a means of improving members' lives and developing its organizational capacity. Membership is compulsory in the mutual aid plan as well as the cooperative plan. Workers joining the union automatically become members of a regional cooperative plan, which opens a mandatory saving/contribution account for them.

Box 16. Benefits for SITRAMEDHYS and its members in financial service provision

SITRAMEDHYS has strengthened politically and financially through its role as a financial services provider. By improving the quality of life of workers and solving their urgent problems, the union has not only fulfilled its political mandate, it has attracted more workers to join the union – contributing to the financial sustainability of the union and its projects, and increasing its political influence to deal with external threats.

By providing financial services through an extensive network of 16 regional branches around Honduras that not only cover the principal cities but more remote areas, SITRAMEDHYS has positioned itself as a promoter of financial inclusion. The proximity and convenience of banking for members, and the personal assistance and support provided at the regional branches to disadvantaged communities are serving as a model for other development initiatives.

SITRAMEDHYS' financial services have not only contributed to stronger ties among union members through values such as solidarity and mutual aid but also help spread solidarity among unions in the Confederation of Workers of Honduras (CUTH).

The union is seen as having substantially improved the quality of life for workers who now have better economic and social conditions. They have access to 5 types of loans at a low interest rate (2%) and minimum collateral. The loan system based on savings and contributions through salary deduction has helped promote a savings culture among members. The annual dividend payment has also served as an incentive to save through the cooperative.

Retired workers, too, have a better quality of life. The immediate availability of funds is of much value. Members have a flow of income to support them when they can no longer work or while they wait for their pension - eliminating the dependency of retirees on cash loans. This service has served to keep members and supporters of the union motivated, while it has helped to improve the union's image.

Life and disability insurance from a mutual scheme has given workers a sense of security, belonging and emotional well-being.

Through payroll deduction, 1.5% of a member's salary each month is deposited into that account – plus 3.5% of each wage increase (but no more than three per year). Out of these mandatory contributions a monthly premium is deducted for the life and disability insurance of the mutual plan. The retirement scheme is voluntary.

In Honduras, the Labour Code defines unions as any permanent association of workers formed exclusively for the study, improvement and protection of their common economic and social interests. Unions cannot engage in business or for-profit activities, but they are free to promote the creation and management of cooperatives, savings, loans and mutual aid funds. They are also permitted to own or be a partner in an entity to provide these services and to acquire consumer goods, raw materials, work items, property and furniture required for the exercise of these activities. The regulatory framework prevents unions from paying dividends or profits to members or allow periodic settlements to spread the union's assets or provide loans from funds, unless they are made through cooperatives or special funds organized to that effect.

4.2 Financial services

The union created the Regional Cooperative Plans of Multiple Services in 1982 to help improve the economic and social situation of its members through better access to financial services. The Mutual Aid Plan, offering life and disability insurance, was created in 1989 to fill a gap in social protection: the Honduran state still does not provide any insurance of this type to citizens. The Retirement Plan was launched later in 2008 to offer members a saving vehicle which would generate a regular income after they leave their job – upon retirement, dismissal or death.

The Regional Cooperative Plans of Multiple Services, serving as branches linked to the union federally in its 16 regions, maintain the members' mandatory saving/contribution accounts and offer five types of loans on a voluntary basis (automatic, educational, emergency, housing and fiduciary). For all loans, except ones for an emergency, the maximum amounts borrowed can be three times the members' savings – with a payment term of 12, 24 or 36 months and an interest rate of 2% per month. In emergency loans members can borrow 80% of their savings (not tied to any other loans) to cover costs related to accidents, illnesses, natural disasters and family calamities. In this case, the remaining 20% of savings are taken as collateral. Once a year, the union allocates a proportional distribution of resources among the 16 Regional Plans. Each plan pays an annual dividend to its members.

The Mutual Aid Plan provides insurance to safeguard workers and their families from shocks such as disability and death. The mutual insurance offers a cash pay-out of HNL (Honduran lempira) 180,000 (US$8,620) for a monthly premium of HNL 60 (US$2.80), deducted from members' mandatory contributions. As a mutual, the plan is owned by its policyholders. The union, as service manager, looks after the claims process and flow of payments, and interacts directly with members on an individual basis - from the initial application to the claims process and through to the payment of funds to claimants. The expertise and skills required to effectively run these services are sourced from within the union organization. Participation in the plan is binding for active members and voluntary for passive members. Active members are those normally working in the public health system; passive members are ones who have retired from the public system, but do not want to lose the benefit and keep contributing to the plan.

Box 17. Challenges for SITRAMEDHYS in financial service provision

The current government's imposition of a wage freeze is affecting the union's ability to sustain financial services, and testing its strength to keep providing the services without government interference.

An ageing membership is prompting the union to spread the risk more evenly by recruiting more young workers.

There is a demand for new services with a community approach such as consumer shops, Christmas savings and scholarships, and a housing project which will enable the cooperative to acquire development lots and allow workers to purchase them individually.

The Retirement Plan offers members the opportunity to save for the future and ensure an income immediately after voluntary retirement, dismissal or death. The union believes that with this help, workers and their families would no longer depend on loans to meet their expenses. The retirement plan is offered on a voluntary basis to all members of the union, provided they are up to date on all obligations. The plan requires a monthly contribution by payroll deduction of HNL 200 (US$9.30). Members or their beneficiaries receive a cash pay-out of HNL 100,000 (US$4,789) upon their retirement, dismissal or death. The benefit has improved over the years, given a biennial review of the plan's features. Considering the time and paperwork required in processing a pension, the immediate availability of funds is an added value of the plan.

4.3 Institutional framework

At SITRAMEDHYS, financial services seem to be so well woven into its mainstream that, for all intents and purposes, they are its core activities. Yet the three entities – the cooperative network, mutual insurance and the retirement scheme – are managed and governed separately.

The cooperative network comprises a chain of administratively autonomous regional cooperatives. The union itself exercises federal control and allocates resources annually to the regional plans. As member-owners those belonging to the regional cooperatives receive an annual dividend.

The mutual insurance plan, like the cooperatives, is "a democratic institution administered and self-supervised by union members." The union acts as service manager of the plan which is regarded as a direct benefit for members and an indirect benefit to their families.

The retirement scheme appears to have no member involvement in running and governing it. The plan is overseen by the union's Central Board of Directors. It is designed as a long-term savings product. No insurer is involved; the union holds the savings and carries the risk. With biennial reviews of the plan, the union aims to conduct actuarial studies and increase the benefit.

5. South Africa

Trade union	National Union of Metalworkers of South Africa (NUMSA)
Financial services offered	• Loans (mortgages for housing with optional workplace banking, credit for furniture, laptops, cell phones) • Insurance (funeral with optional upgrade, medical, legal, household, motor vehicle)
Entities formed [institutional model]	NUMSA Financial Services (a subsidiary of NUMSA Investment Company owned by NUMSA) [partner-agent]

5.1 Context and regulations

The National Union of Metalworkers of South Africa (NUMSA) was formed in 1987 when it merged five different unions. The union has over 340,000 members from the engineering, motor, auto/tyre and electronics sectors, making it one of the largest single unions in Africa. It is an active affiliate of the biggest trade union federation in the country, the Congress of South African Trade Unions (COSATU).

NUMSA has been building up its member benefits through a range of innovative services since 1997 when it set up the NUMSA Investment Company (NIC) "to create wealth and improve the lives of members and their families." NIC's shareholders include some 290,000 NUMSA members who hold their interest in it through the National Manufacturing Investment Trust. Among NIC's functions was to be the union's designated agent for all member benefit schemes. These benefits, enhanced over the years, include tertiary education scholarships for the members' and employees' children as well as preferential purchasing terms on essential products and services, provided by firms which NIC partners with or owns.

In 2008 NIC nearly went bankrupt because of mismanagement - a crisis leaders quickly rectified by replacing top management. This was a turning point in NIC's evolution as it led to the creation of a subsidiary entity, NUMSA Financial Services (NFS), in 2010 to exclusively focus on members' financial needs. NFS began with a selective process to recruit staff well-equipped with the knowledge and experience required of a company accredited by the South African Financial Services Board. When NFS took over, the financial products on offer grew and diversified from funeral insurance services to include a variety of insurance schemes and credit facilities.

South African trade unions enjoy considerable regulatory freedom vis-à-vis financial service provision. This is exemplified by NUMSA's range of institutional arrangements that cater to its financial service provision. The South African Labour Act and Guidelines stipulates that a union cannot be "for gain" and all additional income from financial activities must benefit its members. Beyond this condition, there are no regulatory barriers for trade unions wishing to provide financial services, nor is there a ruling which limits the amount of income which a union can earn from its service activities. The type of partnerships between financial institutions and trade unions are not dictated under the general institutional or the financial services regulations.

The main regulatory disincentive for trade unions to facilitate financial services directly is the cumbersome financial compliance procedures concerning the nature of systems, governance and level of required capital, etc. Often these compliance burdens can be off-loaded onto partnering institutions of the union. Such was the case with NUMSA Financial Services – although, as a separate entity, NFS did hire trained professionals with relevant experience to handle financial compliance issues as required by law.

5.2 Financial services

NIC CEO Reggie Nxumalo says the demand on trade unions in South Africa is shifting from the purely political representation to include member benefit-related s that are meaningful and tangible. "This has been confirmed on different occasions where NUMSA lost union members because they were offered more competitive benefits. There is definitely a need for more than just negotiating a wage increase every so often. You need to be intimately involved with your members in order to retain them…[that way] it becomes harder for members to leave because they see value."

Box 18. Benefits for NUMSA and its members from financial service provision

There was initial resistance within the union to the establishment of NFS. Workers felt they were buying into a capitalist notion in owning a financial institution. This worry dissipated over time as NFS introduced measures in response to workers' practical needs – such as funeral insurance - and demonstrated how it was run for their own benefit and under their control.

In line with the regulation, the revenue from NUMSA Financial Services is fed back into the system to support core union activities: e.g., salary of an economist who supports negotiations and dispute resolutions, local training activities, and costs of office equipment, transport and technology requirements of local and regional staff. Any surpluses are contributed to the trust fund overseeing the NIC.

As financial services earn revenue which increases the union's capacity to serve its members and fulfil its mission, they facilitate members' access to professional services.

The targeted financial service approach of NFS ensures that it seeks out new and innovative products meeting the demands of members – such as the new housing credit initiative.

Mr Nxumalo adds that a union's strength and political leverage comes from the size of its membership, and retaining and expanding the membership is a priority. NIC keeps track of members' changing needs by way of formally commissioned research to establish where they are spending most of their money, and then targets the areas to provide cost-effective services. These formal measures are supplemented by informal research during union congresses or at quarterly regional meetings, where NUMSA members point out the financial services they need and the difficulties they have in accessing the services at an affordable cost. NIC and NFS take into account these reports when considering the introduction of new financial products.

Currently NFS provides loans for housing, furniture, laptops and cell-phones as well as insurance products for funerals, households, vehicles and medical costs through a number of owned or partner firms at preferential rates. The discounts negotiated by NFS have turned out to be an important way to respond to the acute problem of affordable access for NUMSA members.

Funeral insurance provided to NUMSA members is underwritten by Union Life and administered by Doves – two companies that NFS owns. The product provides ZAR 2,000 (US$186) for the funeral of a worker and ZAR 500 (US$46.5) for a family member, and it has a voluntary and compulsory components. For compulsory funeral insurance, which covers union members and their immediate families, the premium is automatically deducted from membership fees. The voluntary product is a top-up cover for members' extended families.

The case of Mercedes Benz workers shows how this service benefits the union and its members. The NFS funeral scheme was offered to them in 2010 and it gave them up to 50% savings on their existing funeral insurance schemes. In some cases the savings equated to a 10% increase in their income. This led a majority of the Mercedes Benz factory workers to sign up for membership. The cost reduction on an essential service gave greater material benefits to workers, and NUMSA increased membership for greater political leverage.

Box 19. Challenges for NUMSA in financial service provision

NFS' lack of capacity to serve different regions throughout South Africa is becoming less acute as it earns enough to hire staff for the outlying regions.

Some 70% of NUMSA workers are heavily indebted to micro-lenders charging 30 to 60 per cent interest rates. Some members have sought to cash in their pension fund to service these loans. To help over-indebted workers, NFS is working with ABSA Bank to offer a debt consolidation service.

NIC is starting a financial literacy training program for union members in order to empower them to manage their finances in a sustainable manner.

NFS then went on to add health, household and motor vehicle insurance, partnering with firms in which it held no stakes, such as ABSA and Guard Risk. In 2013 NFS setup a housing credit scheme with ABSA Bank to create tailored mortgage offers for metalworkers that are in the so-called gap market: earning too much to access state-funded housing but too little to afford decent housing. This mortgage scheme enables NUMSA members to buy a house at preferential rates, with the option of a workplace banking account. This initiative has been coupled by a joint construction project between ABSA and NFS to build houses in the Eastern Cape.

Partners of NFS include two other firms in which it owns a stake and which provide preferential credit to NUMSA members for furniture purchase (Anchor Alliance) and cell-phone and laptop contracts (Autopage).

5.3 Institutional framework

NUMSA's institutional choice is sole ownership. It established NUMSA Investment Company (NIC) in 1997 as a diversified investment house focusing on high-return and market-leading companies. It has since acquired nine such companies. Initially responsible for NUMSA's member-benefit schemes, NIC in 2010 set up a subsidiary (NFS) to look after financial services for NUMSA members. NIC now owns 100% shares in NFS, which in turn owns 100% shares in the funeral insurance underwriter Union Life, undertaker Doves, and cremator ICSA. Credit services for members are provided by other acquisitions or partners, notably Anchor Alliance, Autopage, and ABSA.

NUMSA's strategy upon acquiring entities appears to be to enable them to focus expertise where it can best deliver the assigned service. In the process the union also assigns risk where it can best be assumed and borne. Contrary to what its name might imply, NFS does not appear to be a financial institution with a highly resource-intensive role requiring a high level of capital. Rather it serves as a well-placed agent for partners bearing the risk to deliver the financial services NUMSA members need. Such a partner-agent approach also helps make regulatory compliance less cumbersome for NFS.

6. Rwanda

Trade union	Syndicat des Enseignants, Services Médicaux, librairie ainsi que d'organisation du Secteur privé (SENJOUSMEL)
Financial services offered	• Savings (short- and medium-term) • Loans (short- and medium-term), • Negotiation for private health insurance (bargained with employers individually)
Entities formed [institutional model]	Credit cooperatives (*caisses mutuelles*) [cooperative/mutual]

6.1 Context and regulations

SENJOUSMEL, the trade union of teachers, and medical and bookstore workers of the private sector in Rwanda, was registered in 2004 after completing a merger of three unions. The new union restructured the mode of worker representation from a top-down to bottom-up approach by organizing units at the enterprise level and later creating a regional and national network to strengthen worker voice in the political echelons of society. This restructuring also reshaped the manner in which financial services were facilitated for members.

SENJOUSMEL is an active affiliate of the *Centrale des Syndicats des Travailleurs du Rwanda* (CESTRAR). This confederation had set up a workers fund through which members received their salaries, credit services and special discount offers on construction and consumption materials. Formal financial services were relatively inaccessible to workers, and the workers fund served as a tool of inclusion. But members complained of poor service and had to wait too long to get a loan. When the fund stopped operations in 2006 because of mismanagement, SENJOUSMEL started its own financial service initiative, recruiting members to form independently run *caisses mutuelles*. These credit cooperatives would service union members at their place of work.

About 30% of the 13,900 union members are utilizing the credit cooperative services existing in all 30 districts of Rwanda. The union views the provision of these services as part of its core mission to “defend workers’ rights and improve the economic and social situation of its members.”

SENJOUSMEL provided support to set up each mutual in three key ways: educating the new members in the management of credit cooperatives and accounting, acting as a guarantor for the mutual to open a bank account to facilitate its daily operations, and organizing a physical location for its business operations in each enterprise.

This objective is supported under the Rwandan Labour Law which asserts that trade unions are permitted to be involved in socially beneficial activities for their members, specifically in the case of cooperatives or mutuals. SENJOUSMEL has classified its financial service activities as a social initiative for its members, thereby legitimizing them in the legal framework. None of the credit cooperatives is officially registered under the cooperative or financial services legislations of Rwanda, and is not formally bound to any regulatory provision on cooperative funds. SENJOUSMEL plans to change this to professionalize the service, and has begun talks with the *Agence Rwandaise de Développement des Coopératives* to learn how to formalize the *caisses mutuelles* structures.

6.2 Financial services

Workers joining the local cooperative pay a membership fee and open a savings account. Members are required to contribute savings to their account for a period of six months before being able to access any loans.

The cooperative's funds are bolstered by SENJOUSMEL to provide loans for consumption, emergency and productive purposes. Amounts are made available within two days of applying for the loan.

SENJOUSMEL also supports workers in negotiating terms and conditions of private health insurance schemes paid for by the employers. These negotiations facilitate access to better-quality health care than the national system in place.

6.3 Institutional framework

The local *Caisses mutuelles* set up by SENJOUSMEL are in effect savings and credit cooperatives. Through this institutional approach the union has outsourced much of the capital and resources required for financial services to members in different regions. The *caisses* are regarded as independent but they do depend to a degree on the union which, acting as a credit union central, provides financial and technical back-up and support.

Box 20. Benefits for SENJOUSMEL and members from financial service provision

SENJOUSMEL regards financial services as an enabling support service which helps the union fulfil its core mandate of defending the rights of workers by reducing their vulnerability in the face of external shocks, particularly strikes.

In Rwanda's underdeveloped financial sector, exclusion was particularly acute for those in lower-income brackets – including most SENJOUSMEL members who welcomed access through the *caisses*.

A worker cannot use services of the *caisse* without being a member of SENJOUSMEL. This condition has triggered an increase in union membership.

SENJOUSMEL notes that working with credit cooperatives increases members' awareness of the role and function of the union. During general assemblies of their cooperative, members have more exposure to the union's current themes and challenges.

Intimate knowledge of workers within the cooperative has helped shorten processing times for loans and reduce the bureaucracy required to assess a worker's repayment capacity. A worker would normally have to wait up to one month to receive a loan from a formal bank, whereas in the cooperative a member can have the amount in two working days, effectively responding to any emergency.

The model works well for both the union and members. It responds to the basic financial needs of workers while taking into account the resource constraints of the union. In pooling together the union-fed "external" financial capital with members' savings and the union's professional oversight with human capital of members' involvement, the cooperative network model made it possible for SENJOUSMEL to set up its financial-service-providing entities at relatively little cost to the union. The proximity of the cooperatives' services and the direct participation of members in the service provision, addressed the shortcomings of the centralized confederation fund.

The steering committee of the cooperative is elected by members of the cooperative. To ensure that the knowledge is not lost with the election of new committee members, two members are elected to continue their mandate and two new recruits are voted in. The experienced members train new committee leaders and ensure that they go to SENJOUSMEL's quarterly training on management and accountancy. Such a setup ensures that committee members learn new skills, and the democratic process enables workers to monitor and guide the operational management of the cooperative.

Box 21. Challenges for SENJOUSMEL in financial service provision

Some conditions have made it difficult to find qualified people to run a cooperative: committee members elected must be permanent staff, and cannot be paid for their work for the cooperative.

Loans are in such demand that the cooperative's accumulated savings have an ongoing shortfall to satisfy it. SENJOUSMEL, too, lacks financial resources, limiting the amount of support it can provide to cooperatives.

SENJOUSMEL is researching ways to formalize the network of cooperatives to become professional, legal entities in their own right.

Each cooperative is managed by four workers of the enterprise who take on the roles of president, vice-president, treasurer and secretary. These individuals jointly decide on whether a member will receive a loan or not. They base their decision on their personal knowledge of the workers' income, savings and the type of employment contract held. Besides, each credit cooperative is located at the workplace. Each cooperative committee member is also a worker. Both aspects generate an intimate knowledge of every worker seeking a loan, enabling committee members to better assess the risk of lending to certain workers.

7. Malaysia

Trade union	Sarawak Bank Employees Union (SBEU)
Financial services offered	• Insurance (life, health, general) • Retirement fund
Entities formed [institutional model]	Insurance agency (GELA) [partner-agent]

7.1 Context and regulations

Sarawak Bank Employees Union (SBEU) was formed in 1966 as an offshoot of the Kuching Bank Employees Union. With over 3,000 members, SBEU represents around 99% of employees of all the banks in the Sarawak region and is an active affiliate of the Malaysian Trade Union Congress.

The union began facilitating financial services in 1986 as a way of strengthening member relationships and supplementing revenue to decrease its dependency on membership dues. The services include general, life and health insurance and, until they were suspended recently, credit card products - each provided through partnerships with different financial institutions.

Box 22. Benefits for SBEU and its members from financial service provision

SBEU earns 5-16% commission on insurance products sold to members. This income has reduced its dependency on membership fees. Regulation does not make it obligatory for employers to collect or transfer wage deductions for union dues, giving them a bargaining chip. With revenue from financial services SBEU has improved its bargaining position in disputes with employers.

A long-term financial service such as life insurance builds relationships with members even after they retire or leave, and coverage is extended to workers' families. It has helped SBEU acquire and retain members.

Handling customer recourse, the agency contacts the insurer to negotiate and guide the claims process – thereby using its member base to bargain for each individual case. This has proved to be one of the strongest selling points of the insurance service.

SBEU's first step toward financial services involved setting up an insurance agency as a joint venture with PS Maniam Agency, which provided technical, sales and marketing expertise for operations. Soon, having gained the necessary technical knowledge to run the business independently, SBEU set up an entity of its own, GELA Agency, named after an early partner, Great Eastern Life Assurance. Other insurance partnerships added over the years included ING, AIA, Etika and MCIS Zurich. Other than insurance, the union set up a compulsory retirement fund for members.

The agency executes all service functions for the insurance products it sells to SBEU members, including administration, premium collection, claims reporting and customer recourse – enabling the union to be the first and only point of contact for members wishing to use its financial services. SBEU runs the agency as a third entity in order to comply with regulatory restrictions.

The provision of financial services by trade unions is subject to two key regulations: the 2013 Financial Services Act and the 1959 Malaysian Trade Union Regulation. They contain a precise set of rules dictating how a union may spend its funds, and financial service provision does not feature in the list of "application of funds." But the regulations make no mention of the type of partnerships that a trade union can have or the amount of income it can generate from alternative activities. As a result, SBEU sought partners to lawfully provide insurance services, circumventing the restriction on the application of funds.

7.2 Financial services

SBEU's insurance services for members are limited to three main lines, offered by its GELA Agency.

Life insurance. On offer three policies of Great Eastern Life Assurance, and two of ING including an educational plan for children.

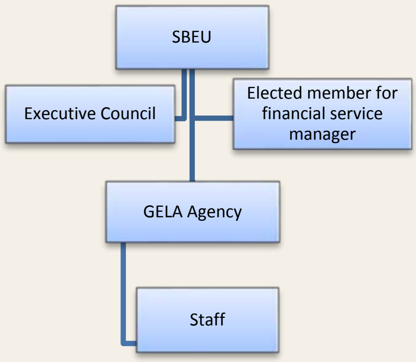
Health insurance. An ING Medical Card is issued to access care, plus a *takaful* plan is available from Etika Insurance.

General insurance. Motor, home and other personal insurance policies are underwritten by MCIS Zurich and Lonpac Insurance.

The agency handles premium collection (through employer payroll) as well as sales and promotion for each of the three lines. Claims on life insurance are routed to the insurers through the agency. Health insurance claims are reported to the insurer's call centre or panel hospital. And general insurance claims are made directly to the insurers.

SBEU Benevolent Fund. Members contribute USD 30 monthly into this self-managed investment fund to generate income to pay dividends and return capital when they retire.

7.3 Institutional framework



SBEU chose to use the partner-agent model for insurance services. Its wholly owned agency allows the union to negotiate, monitor and control the quality and costs of coverage provided by partner insurers, while earning commissions as their agent.

A key advantage of this institutional approach also is that reinsurance, capital, retained earnings, solvency and other compliance requirements are off-loaded to the risk-bearers. The union for its part has to ensure that the agency is run by staff with the necessary skill-sets and technical knowledge. Additionally, SBEU has put in place a governance structure allowing member participation and voice. There is an executive council whose 11 members are elected by the union members. The council then appoints one of its 11 members to be responsible for running the agency. This official searches for and conducts an appraisal of new financial products, a selection of which are presented to the council members who subsequently decide whether to include the service within the SBEU service portfolio. This process ensures that an appropriate product is chosen for members and that benefits are monitored and supported through the union-controlled delivery.

Box 23. Challenges for SBEU in financial service provision

SBEU members are in the banking field, but many are not well-versed in finance. To deal with this lack of expertise, the union has partnered with banks to provide financial literacy training.

Occasionally SBEU receives reports that agency staff have made false claims while trying to sell the insurance products. Preventing mis-selling and miscommunication remains a challenge.

Another ongoing challenge is members' buy-in: convincing them that insurance services are not provided to exploit them but to earn funds to finance union activities.

Now and then there are complaints about service, but SBEU views them as part of running a business.
SBEU is looking to establish a savings and credit cooperative. The union still has some reservations about risks associated with lending practices, but seeks to identify good practices in order to avoid repayment problems. This project will be part of its target to earn 50% of its revenue from sources other than membership fees.

The process also helps ensure the services' competitiveness. SBEU encourages members to take on a quality control function by reporting to the council any better deals on the market. If a better deal comes to light, the agency will formally seek to renegotiate the current terms to match the product sighted by the union member. This is how GELA Agency succeeded in extending the life insurance cover by an additional five years and adding 18 more critical illnesses to the health insurance scheme. MCIS Zurich car insurance, too, was extended beyond 10 years without an additional charge to existing union customers.

The participatory management and governance processes are largely credited with the use of SBEU insurance services by 80% of members.

8. The Philippines

Trade union	Federation of Free Workers (FFW)
Financial services offered	Loans to affiliated cooperatives and individual members
Entities formed [institutional model]	Social Credit Fund [cooperative/mutual]

8.1 Context and regulations

Founded in 1950, the Federation of Free Workers (FFW) is known as the oldest "trade union-social movement" in the Philippines. Today it represents some 100 different workers' organizations with over 400,000 individual workers in the public sector and a broad range of businesses in both formal and informal sectors. FFW coordinates a range of benefit-related s, including financial literacy and entrepreneurship training, supporting worker cooperatives and social enterprises as well as facilitating access to financial services. These are driven in particular by two of its objectives:

- "through free, responsible and effective collective bargaining and joint decision-making at all levels, to enhance employment and income security, to secure the family living wage and to broaden workers' participation in economic decisions and undertakings"; and

- "through cooperatives and similar institutions, to improve labour's socio-economic well-being."

A notable program enabling FFW to broaden financial inclusion is its Social Credit Fund, defined as "a socialized credit facility available to legitimate (affiliated) organizations … for the acquisition of assets and as working capital for their socio-economic projects."

The Social Credit Fund was established in 2002 as a collaborative initiative between FFW and Nagkasama, a multi-purpose cooperative of small-holder farmers. Aimed at fostering the "individual and collective capabilities" of "self-reliant and self-sustaining farmers' cooperatives," the Social Credit Fund initially provided them with the necessary capital to maintain and boost their and their individual member farmers' agricultural productivity. Many of these cooperatives' members were landless farmers – among workers in the informal sector that both the founding organizations of the Fund were interested in assisting.

In later years, the Fund expanded its service provision to trade unions working with cooperatives and their members in a variety of service sectors. By 2013, over 50 cooperatives and other social organizations have benefitted from the Fund. It has helped both formal and informal workers to bolster their income collectively through supplementary activities supported by the FFW Fund.

As the Fund evolved it continued to foster workers' ability to engage in self-sustaining initiatives which empower them to improve their social and economic situation. One such initiative was the Workers Fund which came into effect in 1990. It is a collaborative initiative between three trade union centres in the Philippines and is financed by government seed-capital to help facilitate social and cooperative enterprises, capacity development initiatives and access to amenities such as housing, and workers' education.

The Labour Code of the Philippines dictates that a labour organization can only provide financial services if it is stated in the union's constitution and by-laws or if ratified by the union members to create and maintain such a service. In order to ensure that all beneficiaries of its Social Credit Fund are legally recognised and regulated, FFW requires a prescribed set of documents from each loan applicant. These include the business plan, a copy of their legal registration as a cooperative entity, a copy of the constitution, names and addresses of the organizations' officers and by-laws and recent financial audit statements. And in response to a recent regulation of the Bureau of Internal Revenues which seeks to tax cooperatives based on the "applied capitalization and gross income," FFW is lobbying for an exemption for cooperatives.

8.2 Financial services

The Fund provides loans to organizations that are members of FFW, up to date on dues, are a legal entity and have existed for at least one year. Those that have existed for less than a year can still benefit if they have two co-signers.

The maximum loan amount is PHP 50,000 (US$1,140). A subsequent loan of the same amount may be granted to an affiliate that has a track record and has amortized at least 75% of its initial loan. Amortization periods for amounts from PHP 10,000 to PHP 50,000 (US$ 228 to 1,140) range from 12 to 24 months.

The current interest rate is 9%. A one-time service fee of 3% of the loan is deducted on release of the amount. And a 3% per month surcharge is imposed on a delinquent borrower. There is a provision for a mutual loan guarantee fund. A one-time fee of 5% of the loan is deducted and retained for this reserve fund, 3% of which is refunded or credited to the borrower on full payment of the loan.

8.3 Institutional framework

The Social Credit Fund's design is rooted in the FFW's vision of broadening workers' participation in economic decisions and undertakings.

Box 24: Benefits for FFW and its members from financial service provision

Providing a much-needed financial service has enabled FFW to actively pursue and fulfil its mandate in a growing number of local communities: building a society characterized by PEACE (**p**rosperous and democratic economy, **e**quality and equity, **a**ctive participation of all sectors in the governance of society, **c**ulture of freedom, justice and solidarity, and **e**mpowered workers).

Union leaders attribute a 10-15% growth in membership and dues to the provision of the credit service.

By providing a financial service to groups in the informal agricultural economy the union has demonstrated its capacity to support the government's agrarian policy in a meaningful way.

The Fund has provided over 400,000 workers with access to low-cost credit through their cooperatives without collateral requirements. Two of the greatest challenges for cooperatives in accessing finance are insufficient collateral and an interest rate as high as 24-36%, and the 9% loan service provided by the Fund has proven to be realistic and affordable.

The Fund as a dedicated financial institution shares characteristics with the cooperative enterprises it is meant to build. Its main difference from a financial cooperative such as a credit union is that the eligibility for loans is not tied to a savings account but to union membership dues and particular institutional criteria.

The Fund came into being in a joint effort by FFW and Nagkasama to assist workers in the informal sector, particularly landless farmers. The National Federation of Christian Trade Unions in the Netherlands (Christelijk Nationaal Vakverbond) offered to partly finance the endeavour and provide technical expertise. A mechanism for collaborative credit management was set up involving various farmer cooperatives, and each partner took a key role. The farmer cooperatives came up with projects to be supported and coordinated technical assistance with the Fund secretariat and helped monitor loan repayment and any signs of delinquency. Nagkasama assessed loan applicants, guided them during the application process and served as guarantor. FFW's role was primarily one of monitoring and guiding operations, ensuring that they were in keeping with objectives of the Fund.

The partners formed a Social Credit Committee which approved loan applications and budget plans, and formulated lending policies as well as appointing personnel. Qualified external staff is hired for the posts of operations manager, finance officer and project development officers of each initiative.

Box 25. Challenges for FFW in financial service provision

A major difficulty has been accessing sufficient funds to maintain operations. Large-scale layoffs in many industries have affected borrowers' repayment capacity, and the Fund tends to be lenient with delinquents on account of its social mission and does not take legal action. Outstanding loans as a result of a low repayment rate of 60-70% have led the Fund to suspend some of its lending activities. Some change in operational policies may be required- though the fund is increasing collection efforts particularly in the rural areas.

The collaborative structure has spread ownership of the service provision to all parties involved in order to enhance collective commitment and internal control. The governance structure builds on supportive interpersonal relations using the advantage of the partners' knowledge of the cooperatives and their members to the Fund's advantage in assessing the lending risks. These ties are also beneficial to provide the necessary support structure to deal with any delinquencies.

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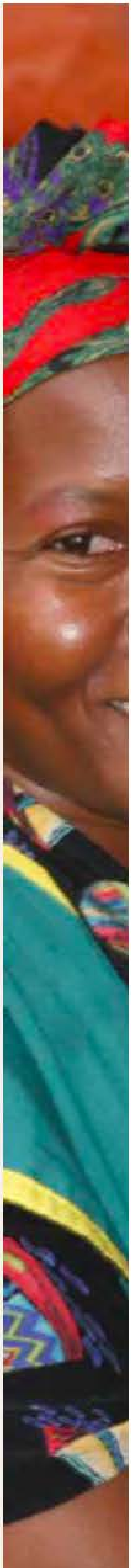

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