Samwu hits out at **micro lenders**

Micro lenders have seen the benefit of infiltrating unions to access huge numbers of workers to provide micro loans at high rates. This has led to corruption and the payment of bribes to shopstewards and union officials. Samwu reveals how it dealt with this issue in its own ranks.

As mentioned in the previous *Labour Bulletin*, 26 (2), micro lenders and the insurance industry began moving aggressively into the market of the so-called blue-collar workers from 1994 onwards. This forced unions to begin exploring the notion of facilitating the provision of a range of financial services to their members. Some unions such as the NUM, through their investment company, set up a separate financial services division to provide such services to mineworkers.

Samwu, one of the few unions that has resisted setting up an investment company, was eventually forced to intervene to regulate the number of micro lenders providing services to workers in local authorities. Samwu general secretary Roger Ronnie explains that the union had to intervene in order to lessen the burden of unscrupulous loan sharks on their members. It was eventually agreed that there had to be some sort of consolidation and regulation of micro lenders in the sector. Initially a central agreement, to offer micro loans to workers in local authorities, was entered into with Unibank. However, a number of problems emerged and the union decided to secure a new service provider. In the interim however, a number of companies attempted to enter through the 'back door' to provide loans to workers.

The union discovered that certain companies have used rather 'aggressive' means to market their services to shopstewards and union officials. Various measures were employed such as providing financial incentives, cellular phones and holidays to officials to secure the business. The union has subsequently instituted disciplinary proceedings against a number of these officials, some of whom are still suspended pending an inquiry. It was important, Ronnie said, for the union to be seen to take action against these individuals as it showed that the union would not tolerate corruption within its ranks.

Following this incident, the union went out to tender for the provision of micro loans. This process culminated in the contract being awarded to FNB. The agreement reached will apply to workers across the majority of local authorities and could affect an estimated 120 000 workers. The agreement stipulates the interest rate that the bank can charge as well as the limit for monthly repayments. The SA Local Government Bargaining Council has agreed to grant FNB stop order facilities so that deductions can be made for repayments of loans. Repayments cannot amount to more than 25% of take-home pay. At the time the agreement was reached the interest charged was calculated at prime plus 7%. (At the time, prime was between 11% and 12% but has now increased to 15%.)

Ronnie adds that the union did not want to intervene in this issue as it is in principle opposed to the use of micro lenders. However, it was forced to do so as a result of the dynamics and corruption that emerged. As part of its own initiative, the union has started its first national savings and credit cooperative. It has a membership of 1 000 workers. The aim of the cooperative is to encourage a culture of savings amongst workers. If after a period of time workers need to access loans then they can do so.

'The union is aware of the potential pitfalls of members being caught in a debt spiral,' Ronnie says. Unions are increasingly realising the potential effect of this on their ability to bring members out on strike. Samwu will face this test if the dispute in the bargaining council is not resolved. He concludes: 'We will begin to see the impact of debt on our members when we begin to ballot in June.' This is a critical lesson for unions as rising debt amongst members has the potential to affect union militancy. LB