Small is Beautiful? Exploring the Challenges Faced by Trade Union Supported Credit Unions

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The consequences of the financial crisis and successive UK governments' austerity programmes include the growth of precarious employment, in-work poverty, and financial exclusion. Credit unions have been identified as a solution to the problem of accessible and affordable credit and increasingly trade unions have adopted policies to support their development. This paper explores the structure, regulation, and competence of credit unions and also examines the problems trade unions face in promoting credit unions to their membership. Based upon exploratory research into three distinctive types of credit union, it is argued there are significant barriers to providing accessible and affordable credit, reflecting the small scale and limited resources of credit unions. Trade unions' relationships with credit unions also need consideration, since differences in union strategies, structures, and membership composition affect the demand for credit union services and the scope for trade union involvement. A final question raised by the research is the extent to which trade unions are capable of operating credit unions, particularly in relation to conducting enforcement actions against members over non-payment. It is proposed that further research into credit unions and their relationship with trade unions is required, if substantive steps toward financial inclusion are to be achieved.

Introduction

The restrictions placed on access to affordable credit in the UK in the aftermath of the 2007-08 global financial crisis, coupled with the extensive austerity policies that have been pursued by the Coalition government of 2010-15 and subsequent Conservative governments, have placed many UK households under severe financial pressure. While household debt as a proportion of income has fallen from a peak of 163% in 2008 to 'only' 143% by the last quarter of 2016 and the cost of servicing that debt has fallen due to low interest rates (Harari, 2017), for those households where access to traditional forms of credit remains restricted, there are two worrying developments in terms of financial health.

The first is the growth of short-term payday loan companies and weekly payment shops that offer credit to sub-prime households, but at excessively high rates of interest. As Insley (2011) reported:

> Payday loans incur enormous rates of interest — Ferratum charges a typical APR of 3,113% while Wonga, the highest profile payday lender in the UK, charges 4,214% ... At PerfectHome, for example, the label on a Hotpoint fridge-freezer says the cost would be £579.99 at 29.69% APR, and the customer could buy this over 156 weeks at £5.34 a week — a cost of £833.04. The "optional" Coverplus policy costs a further £984.75, taking the weekly cost to £9.06 or £1,413.36 over the three-year repayment period.

There have been moves to regulate these practices. Since January 2015, interest and fees on all high-cost short-term credit loans are capped at 0.8% per day of the amount borrowed; default charges cannot exceed £15; and the total cost (fees, interest etc.) must be capped at 100% of the original sum, so that no borrower will ever pay back more than twice what they borrowed. However, as Jones (2015) noted:

> early indications are that many of the sector's bigger players will be charging the maximum amount allowed under the new regime, rather taking the opportunity to set their fees below the cap.

This position has been exacerbated by labour market developments under the austerity policies pursued since 2010. The most important developments are falling real earnings and

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the increasingly precarious nature of employment. According to Romei (2017), Britain's GDP returned to pre-financial crisis levels in 2013 and GDP is currently almost 10% larger than in the second quarter of 2008. In 2014, however, wages were almost 10% lower than seven years before. The value of earnings has been undermined not just by private sector wage policies and successive governments' 1% public sector pay cap, but also by relatively high and rising levels of inflation (which, in turn, is exacerbated by the falling value of sterling post the EU referendum outcome). At the same time, despite the labour market recovering since the financial crises, with record levels of employment participation, there have been significant increases in insecure work. Booth (2016) reported over one fifth of the UK workforce (over seven million people) faced precarious employment conditions, defined as being in jobs where they could lose their work suddenly. This number was up from 5.3 million in 2006 and was characterised by employment in low paid work, earning less than two-thirds of the median earnings. The increasing precarious nature of work is epitomised by the large-scale use of zero-hours contracts, estimated to be 1.4 million by the Office for National Statistics in 2014, and the creation of a gig economy, driven by firms such as Deliveroo and Uber, using (bogus) self-employment status to exclude "service providers" from the legal and financial entitlements associated with the contractual status of a worker. Consequently, there has been a substantial rise of in-work poverty. As Wills and Linneker (2014, p. 182) observe:

> We are increasingly likely to live in societies where large parts of the population fail to earn the income required to sustain a decent standard of living. In the UK as many as 1 in 5 workers or 5 million people earn less than the living wage and these rates rise to over a quarter of women workers, 42 per cent of part-timers and more than half of all those without qualifications.

The problems facing households struggling with debt and access to affordable credit, has seen a renewed interest in offering alternative cheaper and responsible lending to those with low earnings and poor credit ratings, notably through credit unions (JRF, 2016). This interest in credit unions has also grown among trade unions, particularly as a consequence of falling earnings, precarious employment status and in-work poverty, as they seek to find ways both to support existing members and to attract new ones.

This paper attempts to examine these developments through an exploratory piece of research into three different types of credit unions: a local, independent, geographically organised credit union; a local, urban credit union supported indirectly by trade unions; and a credit union established by a trade union. In particular, it seeks to explore some of the tensions in the traditional forms of running credit unions, the competition with payday loan providers, the difficulties of engaging and recruiting trade union members into credit unions, as well as the wider question of the sustainability.

To address these issues, the paper is structured as follows. The first section outlines the limited development of credit unions in the UK[1] and focuses upon the legal requirements and traditional practices that shape their operation, notably in relation to the requirement to save before gaining access to credit, and the common bond that regulates membership. The second section then looks at trade unions' interest in credit unions, highlighting the tensions that engagement with credit unions expose in terms of union purpose and principles, as well as changing trade union structures. The third section then provides an overview of the research undertaken in the three case study credit unions and a discussion of the central findings that focuses on membership development, loan provision and relationships with trade unions. In conclusion, it is argued that while trade unions have clearly embraced credit unions as alternative financial organisations in order to provide access to credit for members and working people who suffer from financial exclusion, the limited scale and size of the credit unions examined highlights the limitations of developing credit unions. These are the problems of recruiting membership and building savings, operating at a scale to effectively compete with payday loan providers, and, from a trade union perspective the quandary of operating as an established financial institution and enforcing repayments.

Credit Unions in Britain: Small is Not Always Beautiful?

Credit unions are financial co-operatives, owned and democratically controlled by their members (Balkenhol, 1999). They offer savings and loans facilities based on the principles of equity, equality and mutual self-help, within a common bond that can be either geographic or based on association. Credit unions are an international success story. The World Council of Credit Unions (WOCCU, 2015) estimates there are over 60,500 credit unions in 109 countries catering to almost 223 million members, representing a penetration rate of 8.3%, calculated as the percentage of credit union members in the economically active population (aged 15-64). As Ferguson and McKillop (2000) argue, credit unions are not just financial institutions; they also have a "strong social purpose" (p. 115) and are often considered part of an alternative financial model (Cutcher, 2009; Mangan, 2009; Myers, Cato, & Jones, 2012). This is because they do not treat members solely as customers and are not just guided by profit. Instead, they focus on mutual self-help and the wider community in which members are located (Cutcher 2008b, Mangan 2009). Credit unions often serve neglected members of the community (Cutcher, 2008b) and can inspire strong loyalty; members often choose co-operatives over cheaper alternatives, because they have a sense of connection with the co-operative (Power, O'Connor, McCarthy, & Ward, 2014). This can be a mutually beneficial arrangement, as research suggests that credit unions that abandon their strong community bonds often suffer in a deregulated market (Cutcher, 2008a).

Since the 1980s, there has been frequent discussion about the role of credit unions as a solution to financial exclusion and austerity in Great Britain (McKillop, Ward, & Wilson, 2007; Drakeford, & Gregory, 2008; Hadjimichael, & McLean, 2017; Ryder, 2002; Jones, 2008; Lee, & Brierley, 2017). Although credit unions have been in existence in Great Britain since the 1960s, they have not achieved widespread recognition and popularity (Ryder, 2002) and are often colloquially referred to as a "poor man's bank". Indeed, the most recent WOCCU (2015) statistics suggest that there are only 342 credit unions across Great Britain with under 1.3 million members. This is a penetration rate of 3.1%, well below the worldwide average of 8.3%. In what follows we review the literature on credit union development in Britain, highlighting some of the difficulties experienced in establishing and maintaining credit unions.

Ferguson and McKillop's (2000) typology of credit union development classifies them by mature, transition and nascent industry types as a way of understanding the specific problems which credit unions face. As they point out, there is not a uniform pattern of development in credit unions worldwide, despite the historically strong links between the European and North American credit unions. In mature credit unions, the definition of the common bond is generally less restrictive and de-regulation allows for the introduction of more complex financial products such as mortgages. Equally, they require greater financial management and provision for bad debts. Transition refers to the development of a more business-oriented approach to running the credit union. Nascent credit unions typically have a small asset size, are highly regulated, have a tight common bond, strong emphasis on voluntarism and serve weak sections of society with single savings and loans products. They require sponsorship to take root and have a high commitment to traditional self-help ideals.

While there is some debate as to whether British credit unions are in a nascent or transitional phase, there is general agreement that their development has been stymied by a range of factors. For example, Ryder (2005) developed a typology of factors that assist credit union development. These include the emergence of co-operatives as a response to economic hardship; the influence of early pioneers; the development of the co-operative movement; and finally, enacting appropriate credit union legislation. Based on this typology, Ryder argues that credit union development in Great Britain has been held back by a restrictive legal framework, the creation of inappropriate development models which have left credit unions too small to grow, over-reliance on state funding, organisational immaturity and the lack of a single umbrella group. Similarly, Davis and Brockie (2000) state that size, scope and reach have long been an issue in British credit unions. They argue that financial support from local authorities, coupled with general political interest, has meant that individual credit unions have struggled to establish a strong local identity and are overly dependent on external bodies. If credit unions are to become a solution to financial exclusion in Britain, they need to be firmly established in the community and self-sustaining rather than relying on perpetual grants from government (Thomas, Cryer, & Reed, 2008; Jones, 2008). As it is, many of them are facing operational and liquidity problems (Myers et al., 2012).

British credit unions also face a range of operational difficulties, some caused by lack of scale and others as a result of government policy. Experience in the US and Australia suggests that merging credit unions to get economies of scale will not necessarily result in greater success. Ralston, Wright, and Garden's (2001) study suggests that rather than competing with larger banks via mergers, credit unions should focus on aligning with smaller institutions, outsourcing non-essential services and bulk purchasing services from umbrella organisations. There are also limitations to the common bond. As Fuller (1998) notes, the nature of the common bond can cause financial exclusion depending on how the common attributions (area or employment) are defined. He argues that if it is defined too broadly, then potential members might decide that the credit union does not refer to them. This is echoed by Emmons and Schmid (1999) who suggest operating with multiple common bonds rather than one large common bond is one way of increasing participation rates in the credit union. Finally, Lee and Brierley (2017) explore the operational difficulties caused by government policies around payday loan companies; many credit unions have found it difficult to offer these kinds of payday loans within the tight regulatory framework. Moreover, they argue that offering loans to non-savers risks undermining the tradition of thrift and financial education in credit unions as well as causing a rift between members and customers that is alien to traditional credit union values of mutual self-help.

Trade Unions and Credit Unions: Issues Arising from Trade Union Purpose and Structure

As ABCUL (2013) have noted, trade unions' involvement in credit unions can be traced back to the 1990s, notably the involvement of the Transport and General Workers' Union (a predecessor union of Unite) in the establishment of the employee Voyager Credit Union in Greater Manchester and the Bakers, Food and Allied Workers Union (BFAWU) establishing its own credit union in 1998. However, trade union support for credit unions has gathered momentum since the financial crisis. In 2012, the General Council of the Trades Union Congress (TUC), the confederation representing the vast majority of union members in the UK, put a statement to congress with proposals to reform the banking system post-financial crisis, in which it supported "the establishment of more credit unions" and believed "wider action is also needed to address the disadvantages that mutuals face when seeking to establish banking services" (TUC, 2012). This has been echoed by affiliate unions, such as the Transport Salaried Staffs' Association (TSSA), whose 2013 Annual Conference passed a motion that noted:

> co-operative credit unions have a proven record of lending money at a fair rate of interest which has assisted working people and their families considerably

and instructed the Executive Committee "to do whatever they can to promote the use of co-operative credit unions" (TSSA, 2014). However, while in terms of policy, trade unions appear to be actively embracing credit unions, there are both principled and organisational issues that may hinder policy implementation.

Trade unions' interest in credit unions reflects a broad affinity with the latter's strong social purpose and resonates with the historical provision of services to trade unions members. This can be traced back to the influence of friendly societies (Gosden, 1961) and the method of "mutual assurance" (Webb, & Webb, 1897) developed by the early unions to recruit and support their members in relation to unemployment benefit, sickness benefit, old-age benefit, accident benefit, funeral benefit and a weekly wage (Boyer, 1988). The interests of contemporary trade unions in credit unions can, therefore, be viewed as part of a "servicing" agenda that has gained increasing salience amongst unions since they have experienced declining membership and influence since 1979. A central element of the model was to promote union membership through the provision of individual services and benefits (Hyman, 1996). Evidence for the link between servicing and credit unions can be found in the way that the largest UK union, Unite, has expressed its support for credit unions:

> It is a sad fact that although many Unite members have access to the full range of financial products including credit cards and loans, a large number are financially disenfranchised. They may have been refused loans from high street banks and have been declined for credit cards so they often need to borrow small amounts to buy household appliances or just to cover essential living expenses. Having being refused credit by mainline financial institutions, these members can fall victim to loan sharks and pay day lenders charging exorbitant rates of interest. Thus, those with the lowest incomes have to pay the highest interest charge. As a result, Unite has set up a Credit Union service which aims to provide members and their families with access to affordable finance and competitive savings products (Unite, undated).

However, there are potential problems with such an approach. Underpinning the servicing model of trade unionism is a re-conception of the relationship between full-time officials and union members, characterised by a “passive and disengaged membership relying upon a bureaucratic union officialdom to remedy workplace problems as they arise” (Cooper, 2001, p. 435), in effect accepting that the reduced bargaining power of unions, their loss of workplace organisation and waning political influence needs to be replaced by individualised forms of support, which frequently focus on non-work related services and benefits.

While debates over the strategic orientation of trade unions, historically referred to as union purpose, lie beyond the scope of this paper, the implications for credit unions are threefold. Firstly, to what extent should trade unions, facing membership decline and reduced income, devote money and resources to extra-workplace activities? Secondly, while services provided by unions to members are usually through relations with established financial service providers and solicitors, to what extent are trade unions prepared to run a financial organisation and deal with issues such as non-payment and loan defaults from within its own membership? And finally, to what extent can an approach focused on providing individualised services engage sufficient members in credit unions as essentially collective organisations involved, to a degree, in (temporary) income redistribution? In addition to the tension created by concepts of union purpose and principles, in more practical terms, trades unions’ engagement with credit unions will also be influenced by a range of organisational factors, which will shape how they respond to the demand for credit union services and the regulation of credit unions, notably in the form of the common bond.

One consequence of the declining union membership and the occupational changes that have shaped the UK labour market has been an intense process of trade union mergers and amalgamations (Undy, 2008). While some mergers and amalgamations reflect industrial logic, bringing similar occupations together, many have been driven rather by the need to secure economies of scale. The result has been an overall reduction of unions and the creation of large conglomerate style (general) unions which cross sectors and occupations as well as the vertical integration of trade unionism, whereby previous demarcations based upon different grades between or within trade unions are dissolved. It can be argued that both these developments have the propensity to make the establishment of credit unions problematic.

In the case of ‘vertical trade unions’, a significant proportion of members may be relatively well paid, notwithstanding austerity, and have relatively good access to credit (at better rates then would be offered by a credit union). In such cases, a trade union trying to establish a credit union may find it difficult to recruit members because there are insufficient numbers joining the credit union to establish the loan book and facilitate lending. In the case of large, occupationally and industrially diverse trade unions, it may also prove problematic to establish an effective occupational common bond to establish a credit union, especially where competing occupational or geographical credit unions exist.

Indeed, trade unions' organisational remit and structure do appear to influence their relationship to credit unions. A number of occupational or sectoral unions have established their own credit unions. These include BFAWU, the National Union of Rail Maritime, and Transport Workers (RMT) and the Public and Commercial Services Union (PCS). By contrast, the largest, occupationally and sectorally diverse unions, Unite and Unison indirectly support a range of local credit unions (under the geographical common bond). It should also be noted that a number of professional, occupational unions, with members in higher paid positions, do not have links with credit unions, notably the National Union of Teachers (NUT) and professional and managerial specialist union, Prospect. However, while the different types of trade union engagement with credit unions appear to relate to the issues of occupation, pay and geographical reach outlined above, it should also be noted that the General, Municipal and Boilermakers Union (GMB), a large general union covering many diverse occupations and sectors, has established its own credit union.

In summary, while trade unions have strengthened their support for credit unions in the aftermath of the financial crisis and austerity in *policy* terms, it is argued that active involvement in credit unions could be constrained by limited union resources, individualised approaches to promoting credit unions to members, principled issues in relation to running credit unions and issues arising from their distinctive organisational remit and structures. The potential impact of these organisational issues, which are reinforced by the general problems experienced by British credit unions, form the basis for this paper's exploratory research.

Background and Methodology

This paper reports on the findings of a study into the links between trade unions and credit unions. Our interest in these links is part of a wider study into working poverty and responses to austerity. The background to the case stems from increased awareness of working poverty among trade union members and ongoing debate about how best to address the issue. Our specific interest for this study was to investigate the links between trade unions and credit unions in urban settings. This is exploratory research that examines the strategic and operational challenges that hinder the development of these credit unions. As this was a pilot study rather than in-depth longitudinal research, for the initial study we focused on credit unions that represented a specific 'type' rather than aiming for wide-ranging depth of coverage. In so doing, we wanted to develop a broad understanding of the field so that we could ascertain (a) whether the links between trade unions and credit unions are worth exploring and (b) if there are specific or additional challenges faced by trade union associated credit unions.

We studied three credit unions in total, based in the north of England. Two have close ties with trade unions, while the third credit union did not have union links and was chosen as a point of comparison with the first two. We interviewed a range of board members, managers and staff in the credit unions. The interviews were semi-structured and covered a broad range of topics including: the impetus behind setting up the credit union, services offered to members, daily operations (including any operational challenges they were experiencing) and strategic direction (including responses to working poverty). We also discussed the ethos of the credit union and, where appropriate, how this fitted into the trade union's vision of how to offer services to members. Interviews lasted between one and three hours.

The first credit union (CU1) is sponsored by a trade union. It has a national common bond of association, based on membership of the trade union. Retired or associate members, as well as family and partners of members are also eligible to join the credit union. The credit union is newly established and offers standard services such as savings and loans. As well as standard and large loans to members, it offers an ethical alternative to payday loans. The second credit union (CU2) is a large credit union, based in an urban area of significant deprivation. It is well-established and membership is based on a geographic common bond rather than membership of a trade union. Although CU2 is a community credit union, it has close links to a trade union and several board members are also trade union officers. Like CU1, it offers a similar range of services to members including alternatives to payday loans. In addition, it runs an employer scheme whereby members can save using payroll deductions. The final credit union (CU3) is a small urban credit union that has no links to trade unions. Membership is based on a geographic common bond in a deprived urban area. Although it has been established for many years, it is struggling to expand. Unlike the other credit unions in the pilot study, CU3 offers traditional savings and loan services; new members can only apply for loans after saving for 12 weeks. The credit union does not offer alternatives to payday loans.

Case Study: Exploring the Relationship Between Trade Unions and Credit Unions

In this section, we discuss the strategic and operational concerns relating to the credit unions. These are discussed under the themes of membership, loans and the bigger picture of trade union involvement in credit unions.

Membership

Credit unions are run for and democratically controlled by their members, but although membership is at the heart of a credit union, finding the right membership mix can be problematic. Setting the size and scope of the common bond creates one set of issues. The common bond needs to be large enough to attract a wide variety of members from different income brackets, representing a sustainable balance of savers and loan applicants. If the bond is geographically dispersed, then potential members might feel excluded (Fuller, 1998) or they might associate the credit union with poverty (Ryder, 2002).

Membership is an issue for all three credit unions, both the well-established (CU2 and CU3) and the relatively new (CU1). In CU2, the common bond was seen as having a constraining effect on the credit union. The manager said:

> The common bond is limited. You need recruiters which is a distinct skill (CU2, manager).

His argument was that because CU2 has a relatively small common bond which operates in a deprived urban, the credit union does not have enough savings with which to balance the high demand for loans. His suggestion that recruiters are needed to increase membership is quite novel for credit unions who more often grow adult membership passively rather than through active campaigns. While CU2 had a lack of savers, CU3 had the opposite issue:

> We’ve too many well-off members who only want to save as a way of helping the credit union out. We need more members (CU3, board member).

Although CU3 is also located in a relatively deprived urban area, it has a larger common bond than CU2 and this bond includes some higher income postcodes. This has meant that many members make “sacrificial savings” with the credit union in the belief that they are investing in the wider community, whereas it would help the credit union even more if they also took out loans.

CU1 is based on a common bond of association (membership of a trade union) rather than a geographic common bond. It also had the benefit of being sponsored by the trade union from the outset. Thus, when the study group for CU1 was set up, a declaration of interest form was sent out to the trade union members in order to gauge the levels of interest in having a trade union credit union. One of the current directors, who was a member of the original study group, explained that enthusiasm for the credit union was high to begin with. Many trade union members returned the declaration of interest form and filled out the direct debate mandate so that they could begin saving with the credit union as soon as it was established. This had an unintended consequence, however, when the credit union opening date was delayed. As she explains:

> The original expression of interest meant people thought they'd joined the credit union, but the direct debit mandates ran out because the FCA threw up some problems (CU1, board member).

Thus, although there was initial goodwill and enthusiasm for setting up the trade union credit union, when they actually began trading, they did not attract as many members as had been anticipated:

> We got 2,000 expressions of interest, but 2,000 didn't join at the launch. There were only about 1,200 (CU1, board member B).

When they contacted the potential members again, many told them "I've already joined". These potential members had mistaken the declaration of interest for the application form. Moreover, in the intervening period, there had been much publicity about the role of credit unions as part of the Church of England's campaign against payday loan companies (Doward, 2014). Trade union members' opinion of credit unions shifted accordingly:

> It's perceived if you are in financial problems then go to the credit union and they're not popular for people who are doing well … We're trying to extend the common bond to any relative of a member (CU1, board member).

Associating credit unions with poverty is one of the dangers of making them a feature of financial inclusion policies (Ryder, 2002) because better-off members will assume that credit unions no longer meet their needs. Taken together, the interviews with all three credit unions highlight the difficulties of finding and maintaining the right balance of membership.

Loans

In terms of loans, the discussions centred around issues of financial inclusion, fairness and regulatory compliance. The last point was of particular concern to CU3, which had an imbalance of savers to lenders. As their treasurer explained:

> It's hard to stick to the approved savings to loans ratios when the local members are all savers (CU3, treasurer).

This credit union had previously come under scrutiny from the Financial Conduct Authority (FCA) for failing to meet the savings to loan ratios and they have been trying to discourage members from saving large amounts. This is an unusual scenario when compared with CU1 and CU2, both of which have the facility to offer emergency or same-day loans. CU2 in particular recognised the threat from payday loan companies in their area:

> You have got to be competitive but in your market. We are competing with BrightHouse and the illegal money lenders. It cost us £70,000 to get the credit committee tool to approve same day loans (CU2, board member).

Directors of this credit union favoured taking an aggressive stance against payday loans, hire purchase and moneylenders arguing that credit unions should be in direct competition with them. One suggestion was that credit unions should open up next door to companies like BrightHouse so that the public would know that there is an alternative way of financing purchases.

Location is not such an issue for CU1 as it has a nationwide presence due to its common bond of association among trade union members. Although CU1 offers emergency loans, the board are cautious about the need to balance members' needs against the broader concern for financial inclusion. Two board members argued:

> A: We will refer them to debt consolidation [if they don't pay].
>
> B: We are on the side of the individual but we have to think of other members as well.
>
> A: There is a difference between people who can't pay and those who won't pay (CU1, board members).

In this extract, the directors of CU1 articulated the difficulty of serving the credit union's general membership as well as offering alternatives to payday loan companies. Many of these emergency loans can be offered without the traditional period of 12 weeks of saving prior to the loan being made. This makes loan decisions more difficult for the credit committee and is a reason why CU2 spent £70,000 on the credit committee tool. Moreover, while an emergency loan covers a pressing need for finance, it is not conducive to a credit union's broader mission to educate members in financial literacy. Thus, the board members of CU1 were keenly aware that their credit union was not a charity, but was for mutual self-help of members ("We're not a charity; we're a co-operative", CU1, board member A).

The bigger picture: trade union credit unions

The final set of discussions can be categorised as generalised reflections on the credit union movement as a whole, with specific interest in the problems faced by credit unions set up for or sponsored by trade unions. As CU3 does not have a trade union connection, this section only reflects the discussions in CU1 and CU2. The general concerns include volunteering, government policy and the paradoxes of being a co-operative in a capitalist marketplace.

> CU2 is a well-established credit union with experienced trade unionists and members of an established unemployed workers' centre involved in the office. This meant getting expertise and full-time staff was less of an issue for CU2. Nevertheless, the extent to which unions directly supported the credit union, especially financially, were limited. By contrast CU1, which is recently set-up is struggling to establish itself. To begin with, staff were seconded from the trade union as part of the union time negotiated with the employers. Following recent restrictions on facilities time, however, volunteer officers were given less time to work on credit union duties: "One director had to step down because he was getting no time at all" (CU1, board member) to complete his board-level credit union duties. CU1 responded to the lack of office personnel by re-organising the board so that it comprised of three committees (credit committee, business development and recruitment). As this exchange suggests, the CU1 board members were keenly aware of the time constraints placed on union promotional activities:
>
> B: We tried to get around it by arming the region reps with an elevator pitch (it's a half hour training session). This has been adopted but they're short of reps.
>
> A: We were developing a marketing plan, but we're thinking about a recruitment plan instead because they don't have the office time.
>
> B: It's chicken and egg again.
>
> A: It's hard to sell the CU because it's associated with hardship.
>
> B: We need to set up advocacy — where people circulate information without being reps. People like me!

This exchange also encapsulates many of the problems faced by trade unions as well as credit unions and it reflects the difficulty in establishing alternative perspectives in a capitalist marketplace:

> There's a capitalist system in place, so what can you say? (CU1, board member).

This is a common problem for co-operatives, one which originates in the co-operative paradox of offering a democratically controlled alternative to market capitalism while simultaneously having to operate within the capitalist market (Bretos, & Errasti, 2016; Levi, & Davis, 2008; Meira, 2014; Sanders, & McClellan, 2014; Storey, Basterretxea, & Salaman, 2014).

The officers in CU2 also reflected on the paradoxes of running a credit union:

> Credit unions are full of paradoxes like teaching people to be thrifty but how do you make a profit? Holiday loans are the biggest earners, but some of the requests are crazy (CU2, board member).
>
> Our members can't get bank accounts, so they come to the credit union. It's very hard to make money (CU2, officer).

These comments point to the tensions experienced by trade unions involved in credit union work, particularly the difficulty in finding a balance between promoting financial inclusion for trade union members while safeguarding the interests of the credit union members (who form a subset of trade union membership). In the conclusion, we reflect on these issues more broadly as well as offering directions for future research.

Conclusions

This paper reports on exploratory research into the links between trade unions and credit unions, with emphasis on investigating the role of credit unions as a trade union response to financial exclusion and working poverty. The paper begins by outlining existing research on credit union development in Britain, highlighting the difficulties experienced in establishing and maintaining credit unions, particularly given the over-reliance on financial support from external bodies. Trade unions' interest in promoting credit unions has been as a response to austerity and working poverty. Although trade union support is relatively clear-cut in terms of policy, it is unclear how this would translate to practical support for credit unions. This question forms the basis of the pilot research reported on in this paper. The exploratory interviews with three credit unions raised questions of membership, loans and the wider involvement of trade unions with credit unions. The discussion highlighted the contradictions, paradoxes and tensions involved in finding a balance between the needs of the broader trade union membership and the sub-set of credit union members.

In conclusion, this exploratory piece of research has raised a number of important issues in relation to the extent to which credit unions can realistically address the problems of restricted and expensive access to credit amongst the poorest members of society, which increasingly includes those in work. Firstly, the small scale and limited resources of credit unions limit the extent to which they can offer an alternative to payday loans and weekly payment shops. To do so either requires an expansion of the membership and savings of credit unions, which staffing resources make highly problematic, or restricting activity to traditional savings and loan approaches, which reduce the ability to compete. Significantly, trade union supported credit unions do not appear to escape these problems. Secondly, trade union involvement in credit unions is uneven, and cannot be uniform, as it reflects the different strategies, membership composition and status of unions. Within this, it is apparent that unions will find it difficult to establish credit unions where membership is drawn across the occupational or pay levels, especially if it is only promoted as (or perceived to be) an individual service to a minority of financially excluded members. A final important finding is the extent to which active involvement in credit unions, as social organisations operating within capitalism, raises principled issues for trade unionists operating credit facilities as the requirements to balance books, generate profit and enforce non-payment can detrimentally affect their members. These themes, explored initially by this limited research may provide an important starting point for developing research, advice and guidance to unions when they seek to take forward policy on supporting credit unions.

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Note

1 Credit union development in Northern Ireland has been more successful, therefore for the purposes of this article, we are actually focusing on Great Britain rather than the United Kingdom.