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## **Labour unions and financial inclusion in South Africa**

**How labour unions facilitate the provision of  
financial services for their members**

Working Paper No. 61

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# Preface

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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. In 2013, the International Labour Organization (ILO) conducted a survey with 166 trade unions from 109 countries representing 441.6 million workers worldwide. Sixty 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.

Trade unions typically have two main motivations to promote financial services. First, they 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 often unfamiliar with 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.

Trade 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 to SFP 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.

This Working Paper contributes to this line of action. We hope that the experience of South African trade unions and their role in promoting financial inclusion will inspire other unions to think through the diverse ways in which they can meet their members' financial service needs.

We would like to thank Cenfri, and in particular the authors of this Paper - Doubell Chamberlain, Sandisiwe Ncube, Nokwanda Mahori and Mia Thom - for their inspiring insights on this issue. We also value the contributions from the unions and key informants that provided their views and experiences - the list is in the Annex. Last, we thank our colleague Judith van Doorn, our SFP team member in Pretoria, as well as colleagues from the Bureau for Workers' Activities - Insa Ben Said, Mohammed Mwamadzingo.

Craig Churchill  
Chief, Social Finance Programme

# Executive Summary

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**Labour unions well-positioned to facilitate access to financial services for members.** Labour unions play a critical role in improving the well-being of their members through promoting their rights in the workplace. Labour union members often fall in the lower income market which is stereotypically underserved by financial service providers. As an organising entity with bargaining power, access to a membership base, footprint and in some instances significant financial resources at their disposal, unions are well placed to facilitate access to financial services to their members.

**Member retention, skills, member welfare and enabling environment serve as key drivers.** Key drivers of union facilitated financial access to financial services include:

- **Member retention and acquisition**- labour unions operate within a competitive membership space and the provision of financial services serves as a key drawing card for both old and new members.
- **Skills and capacity** - labour unions with skilled personnel who have financial service expertise are better placed to facilitate the provision of financial services directly by the union or negotiate better deals with financial service providers.
- **Member welfare** - all unions surveyed in the study indicated that the welfare of members was often a key deciding factor which often prompted the provision of union facilitated access to financial services.
- **Enabling environment** - the study did not identify any significant regulatory barriers concerning union facilitated access to financial services. While financial service regulation presents significant compliance burden to financial service providers, unions are able to circumvent this through simply partnering with financial service providers.

**Key qualities and competencies that allow labour unions to facilitate access to financial services.** Labour unions have 4 key qualities that enable them to facilitate access to financial services:

- **Footprint** - Labour unions have a membership footprint that allows them to provide financial services at instant scale which can reduce cost of provision.
- **Access** - Labour unions can reach members during working hours and in remote areas (e.g. mining communities and on farms) thus promoting access and providing opportunities for financial education.

- **Member's trust** - Labour unions have members' trust which may assist financial service providers to overcome general distrust or fear of formal financial services.
- **Bargaining power** - Labour unions' bargaining power allows them to negotiate financial services and products that provide the best value to their members. Labour union bargaining power is also utilised to lobby for policies that promote financial inclusion.

**Understanding role that labour unions play in promoting financial inclusion for members.** This study sought to understand the landscape of union facilitated financial inclusion and the part that labour unions play and can play in providing access to financial services for their members. Findings are based on a survey of 16 unions and meetings with various stakeholders.

**South African labour unions as a test case for evaluating labour union facilitated financial inclusion.** South Africa serves as a good environment to understand how labour unions can facilitate financial inclusion given the labour union movement's influence in the country's socio-economic and political spheres and regulation that does not prohibit labour unions in facilitating access to financial services.

**Value proposition to financial service providers.** Financial services providers benefit from union facilitated financial products as they take advantage of labour union membership bases to access a client base that would normally be out of their reach (including from a geographic perspective). Labour unions operate as pseudo-branches of the financial services provider. Unions have a geographic reach beyond that of many financial services providers and are able to reach members in remote areas. However this can only be maximised if unions play roles such as providing a transactional platform within the financial services value chain.

**Some union products suffer the same ills as those offered on the market.** One of the main hypotheses surrounding union facilitated financial services is that such products would potentially provide better value to the union client. A comparison between union-facilitated and market products shows that union provision does not necessarily provide the members with better value. Union products suffer many of the same ills as those available in the market.

**Roles labour unions can play in financial inclusion.** There are a number of roles that labour unions can play in facilitating access to financial services, these include:

- **Consumer protection** - Across the product facilitation process, from market and needs research/assessment through to the actual provision of financial services, labour unions are able to utilise their bargaining power and influence to ensure that consumer protection is enforced in the provision of financial services to their members.

- **Access to financial education** - Unions often provide workplace training to members and the curriculum could also be expanded to include financial education. Further, unions themselves do not need to directly provide financial education and could require financial service providers to do so as part of their agreement.
- **Influencing policy** - Labour unions could utilise their bargaining power to lobby for financially inclusive policies that improve the welfare of both their members and the broader population. In South Africa, labour unions influence policy and lobby through the largest federation's alliance with the ruling party and institutionalised dialogue structure: the National Economic Development and Labour Council (NEDLAC, for more information, see Box.1).
- **Intermediation** - Labour unions intermediate the provision of financial services by playing various roles across the financial service value chain including sales, administration and consumer recourse.

All the unions included in this study play some type of role in intermediation of financial services. Policy is influenced through some labour union federations, but very few unions provided effective consumer protection or financial education.

Intermediation can be provided in different forms along the financial service value chain. Each of these roles requires a calibrated mix of financial and human resources. The roles played within the financial service value chain include:

- **Dealmaker** - Within this role, unions negotiate the terms and conditions with the financial service provider. All unions that participated in this study played this role. The main resource required to fulfil this, is technical skills.
- **Risk carrier/owner** - As a risk carrier/owner a union either owns or directly provides the financial product or service to their members. Fulfilling this role requires significant capital and human resources. This role was played by a minimum number of unions as it is the most resource-intensive role to fulfil and also has a high regulatory and compliance burden.
- **Transaction platform** - This role involves facilitating the financial service transaction through union systems and channels. One example of this is facilitating the payment of premiums or other payments linked to that particular product or service. Most unions fulfilled this role.
- **Administrator** - Within this role a union or a union entity conducts various administrative activities pertaining to the financial service or product including but not

limited to: product acquisition, marketing and managing union member information. Over half of the unions surveyed in this study played this role.

- **Aggregator** - This role involves providing access to union members either on an individual or group basis concerning compulsory products or on an individual basis concerning voluntary products. All unions served as aggregators.

The study found that most labour unions will partner with a financial service provider as the primary means of facilitating access to financial services<sup>1</sup>.

**Provision of financial services largely demand-driven, with funeral insurance being the most dominant.** Labour unions facilitate access to a full spectrum of financial services (insurance, savings and credit) with limited provision of savings products. Funeral insurance was offered by all labour unions surveyed in the study and this is largely due to the cultural significance attached to burials in South Africa. While unions cited over-indebtedness as a key concern, only one union facilitated access to a savings product - through a union owned savings cooperative.

**Challenges and opportunities concerning provision of financial services by labour unions.** Our review highlights a number of risks pertaining to the provision of financial services by labour unions. Members could suffer if union provided financial services do not offer value. Unions risk member backlash or even financial losses should something go wrong. Yet there are a number of opportunities that labour unions could harness including influencing policy and utilising qualities related to access and the trust of members to extend appropriate financial services. Facilitating appropriate financial services are dependent on union management having a clear strategy regarding financial service provision and union members being sufficiently financially literate to make informed decisions. Additional research into member needs, clear governance processes to select and monitor financial service providers and driving access to financial education would be key initiatives for responsible unions to adopt in an effort to better serve their members.

**Many opportunities and challenges in promoting financial inclusion faced by South African labour unions are shared by unions other countries.** Labour unions have played a substantial role in promoting access to financial services in South Africa. This is partly due to the unique regulatory and structural position of labour unions in South Africa; however, many challenges and opportunities faced by South African labour unions are shared with labour unions across the world. Labour unions that effectively deal with these challenges and harness these opportunities could play a significant role in improving financial inclusion.

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<sup>1</sup> Only two unions have an investment in the financial service provider or directly provide the financial service themselves.

## Acronyms

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ABSA	Amalgamated Banks of South Africa
ANC	African National Congress
AZACTU	Azanian Confederation of Trade Unions
BCAWU	Building, Construction and Allied Workers' Union
BEE	Black Economic Empowerment
CENFRI	Centre for Financial Inclusion and Regulation
CONSAWU	Confederation of South African Workers' Unions
COSATU	Congress of South African Trade Unions
CUSA	Council of Unions South Africa
FAIS	Financial Advisory and Intermediary Services
FSB	Financial Services Board
FEDSAL	Federation of South African Labour Unions
FEDUSA	The Federation of Unions of South Africa
FNB	First National Bank
FORCE	Federation of Organisations Representing Civil Employees
FSC	Financial Sector Charter
GPFI	Global Partnership for Financial Inclusion
HOSPERSA	Health and Other Service Personnel Trade Union of South Africa
MEWUSA	Metal and Electrical Workers' Union of South Africa
ILO	International Labour Organisation
IMATU	Independent Municipal and Allied Trade Union
LSM	Living Standards Measure
MFRC	Micro Finance Regulatory Council
MISA	Motor Industry Staff Association
NACTU	National Council of Trade Unions
NALEDI	National Labour and Economic Development Institute
NCR	National Credit Regulator

NEDLAC	National Economic Development and Labour Council
NEHAWU	National Education, Health and Allied Workers' Union
NUM	National Union of Mineworkers
NUMSA	National Union of Metal Workers in South Africa
NUPSAW	National Union of Public Service and Allied Workers
PEU	Professional Educator's Union
POPCRU	Police and Prisons Civil Rights Union
SACCO	Savings and credit co-operative
SACWU	South African Chemical Workers' Union
SACTWU	Southern African Clothing and Textiles Workers' Union
SADTU	South African Democratic Teachers Union
SASAWU	South African State and Allied Workers' Union
SATU	South African Typographical Union
UASA	United Association of South Africa
UNIPSAWU	United National Public Servants Association of South Africa and Allied Workers Union

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# 1. Introduction

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The South African labour union environment is unique in that its history and that of the South African political transition to a democratic state are intricately interwoven. Consequently, South African labour union federations continue to be dominant players within the country's socio-economic- and political domains. This is evidenced by a continued alliance between the country's largest union federation, the Congress of South African Trade Unions (COSATU) and the African National Congress (ANC) ruling political party; as well as the institutionalized social dialogue at NEDLAC.<sup>2</sup> Thus, a review of the current South African labour union environment is necessary to understand the role that labour unions in the country has played in the past and continues to play in facilitating access to financial services for both members and the general public.

The International Labour Organisations' (ILO) Social Finance Programme commissioned the Centre for Financial Regulation and Inclusion (CENFRI) in South Africa to investigate the role that labour unions play in South Africa to facilitate the extension of financial services to their members. In particular, the study seeks to identify potential lessons for labour unions in other countries on the role they could play in promoting and facilitating financial inclusion of their members. A broad set of roles of unions and financial products were considered in this review including their provision: whether directly (as product provider), as well as interventions to support financial literacy, consumer education and financial capability.

**Definition of “financial inclusion”.** The Global Partnership for Financial Inclusion (GPFI) definition of financial inclusion is used throughout this study; where financial inclusion is defined as: access to appropriate and affordable financial services. Financial inclusion is the delivery of appropriate and affordable financial services to all segments of society, including the frequently underserved low-income market. Financial inclusion contributes towards poverty alleviation as it assists the low-income market in building assets and protecting against risks among other positive externalities. Ultimately, financial inclusion supports economic growth and provides the low-income market with financial management tools (GPFI, 2013).

## 1.1. Methodology

### **Information collection through desktop review and in-person and telephone interviews.**

The information used in this analysis was collected through a process of desktop research and in-person and telephonic interviews with various labour unions and stakeholders. The stakeholders include individual labour unions, labour union federations, policy making and social dialogue institutions, financial service providers and brokers (see Appendix A for the

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<sup>2</sup> NEDLAC provides a forum for government, organised business, organised labour and organised community groupings on a national level to discuss and reach consensus on issues of social and economic policy. See Box 1 for more information. (NEDLAC, 2013).

list of unions interviewed). In-person interviews with various stakeholders were conducted in Johannesburg and Cape Town. These conversations were augmented with a number of telephone interviews, follow-up calls and additional desktop research. In total 16 unions were interviewed covering just under 50% of unionized workers in South Africa.

**Selection of labour unions considered for this study.** Labour unions interviewed for this study were selected based on the following considerations:

- **Size** - Are they a prominent union with a large membership base?
- **Innovative financial service offerings** - Does the union have an innovative approach to facilitating access to financial services for their members?
- **Ease of access and openness** - Was the union open to disclosing information concerning their financial service offerings to members? This is an important consideration given the sensitive nature of information required. A subsequent consideration was accessing and contacting the most relevant person within the union.
- **Geographic reach** - Field interviews were conducted in Johannesburg and Cape Town where the majority of labour union headquarters are located. The research was not an exhaustive analysis and thus the geographic reach was focused on these two cities. The ultimate goal of the research was to identify key trends and the selection of these two venues does not significantly skew the results.

**Challenges during information collection process.** A number of challenges were encountered during the research and information collection phase:

- **Gaining the trust of labour union administration** - Unions were initially hesitant to provide information and gaining their trust took time.
- **Contacting the most appropriate individuals** - Labour unions are often large organisations with complex administration networks. Identifying and contacting the most relevant and appropriate individuals was often a challenge.
- **Information opaqueness** - Linked to gaining the trust of unions, often it was difficult to obtain and verify detailed or specified information and data concerning the role unions played in the provision of financial services. Unions were often hesitant to provide additional information during follow-up or additional calls.

**Key results tested at stakeholder workshop with various unions.** Key findings from the study were presented at a stakeholder workshop. Please see Appendix C for the full list of workshop attendants.

## 1.2. Document structure

The rest of the document is structured as follows:

- Section 2 provides an overview of the labour union landscape as well as understanding the various roles that labour unions play in facilitating access to financial services.
- Section 3 discusses the intermediation role played by unions.
- Section 4 unpacks the opportunities and challenges concerning union facilitated financial services.
- Section 5 is the conclusion section of the study.

## 2. Understanding the role of labour unions

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**Provision of financial services tied to labour union primary role of improving well-being of members.** Labour unions' primary mandate is improving and supporting the well-being of workers and defending rights within the workplace. For the purposes of this research, labour unions' primary roles are tied with their traditional or original purpose that is, protecting workers' rights within the workplace. Activities encompassed within a labour union's primary role include collective bargaining; legal representation; and policy lobbying. Historically, labour unions were formed as a reaction to "mechanisms of pauperisation" namely low pay, long working hours and difficult working conditions (ILO, 2005). In fulfilling their primary role labour unions can contribute to improving the general well-being of their members even outside of the working place through activities such as improved access to financial services to manage the daily lives of workers.

**Provision of financial services also improves well-being of labour union members.** The provision of financial services falls within the unions' mandate of improving workers' well-being. As the provision of financial services is not directly related to the work place, this role can be seen as a secondary role which complements the activities encompassed within the primary role as shown in Figure 1 below.

**Figure 1. Primary and secondary role of labour unions as well as the related activities**



Source: Author's own and ILO, 2005

## 2.1. Labour unions are well placed to facilitate access to financial services

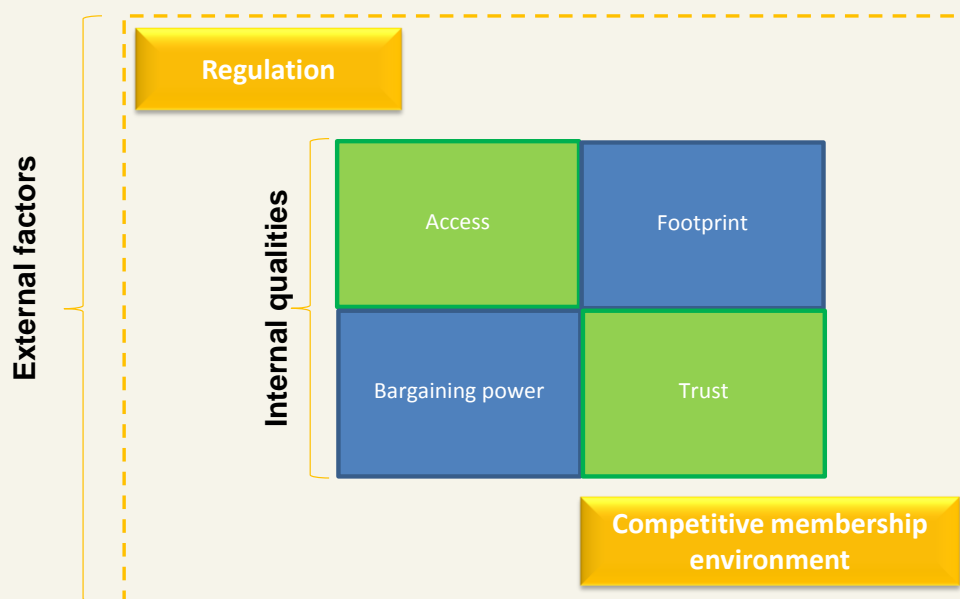
**Labour unions well positioned to facilitate access to financial services.** Labour unions are well positioned as catalysts of financial inclusion for union members for a number of reasons:

- **Labour union facilitation of financial services improves overall welfare for members** - Labour union facilitated access to appropriate financial services contributes to improving the overall well-being of members.
- **Access to financial education potentially improves member financial capability** - Facilitating access to financial education could improve union members' financial capability, that is, the ability to apply knowledge gained from financial education to make effective financial management decisions.
- **Membership base gives labour unions bargaining power** - Labour unions' membership base gives them bargaining power which they are able to leverage when facilitating access to financial services for their members that provide better value than those that members would source on their own. Unions are able to utilize their bargaining power to determine that products provide value to union members.

- **Labour unions membership database feeds into product design** - Labour unions have a membership database which allows financial service providers to design and price their products more closely in line with the profile of union members. Unions themselves do not have the resources to conduct research which assists them to better understand union members' profile and financial needs and thus use this to ensure the provision of the most appropriate financial products.
- **Bargaining power and influence allow unions to lobby for financially inclusive policy** - Labour unions usually have large portion of low-income members within their membership base who struggle to access formal financial services. Labour unions could utilize their bargaining power and influence to lobby government for financially inclusive economic policy and regulation that promotes access to financial services for both union members and the general population.
- **Labour unions provide access to members for the financial service providers** - Labour unions' footprint reaches individuals that would not otherwise have access to financial services. As shown in Figure 3 below there are 3.3 million labour union members, approximately 25% of all employed South Africans. Labour unions' footprint is often extensive and allows financial service providers to extend their reach to union members. Union branches and member networks' pervasiveness allows them to serve as pseudo financial service provider branches.
- **Trust in union name and brand** - Union members seem to place great trust in labour unions which could be leveraged by financial service providers to overcome people's distrust in financial services. One example of how this could be done is through co-branding various communication with financial service providers.

The labour union qualities discussed above may be summarized into: access, footprint, bargaining power and trust as shown in Figure 2 below. Ultimately, these are the key qualities that any labour union should possess should they seek to provide access to financial services for their members. These also serve as the union's value proposition to financial service providers.

**Figure 2. Necessary labour union qualities for facilitation of access to financial services**



Source: Author's own analysis

Internal union qualities combined with external factors create conducive conditions for labour union facilitated access to financial services. The four key internal union qualities shown in Figure 2 above combined with two external factors namely an enabling regulatory environment and a competitive membership create conducive conditions for labour union facilitated access to financial services.

## 2.2. Current South African labour union landscape

25% of national employed population are unionized. According to the South African Labour Force Survey<sup>3</sup> for the first quarter of 2012 there are approximately 18 million<sup>4</sup> adults who fall within the labour force. The survey also states that 75% (13.4 million adults) of the labour force is employed (13.4 million adults). Of those who are employed, 25% or 3.3 million are unionized.<sup>5</sup> Thus, labour unions have access to 3.3 million individuals. At this point it is important to state that the role of labour unions is not necessarily to facilitate financial inclusion, per se, but rather to ensure members have access to products that provide the best value for them.

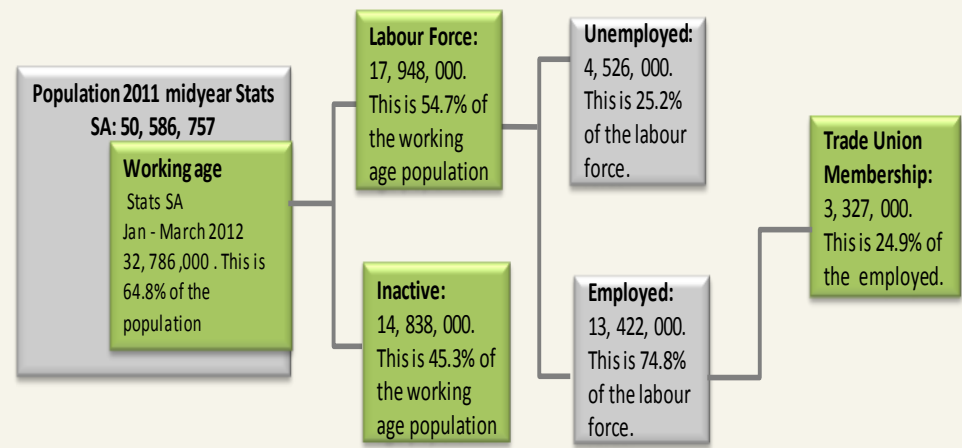
<sup>3</sup> Conducted by Statistics South Africa - the country's national statistics institute.

<sup>4</sup> Comprised of all persons aged between 15 - 64 years old.

<sup>5</sup> According to Statistics South Africa's, 2012 Quarter 1 Labour Force survey the official, or narrow definition of unemployment, the unemployed are individuals within the economically active population who did not work during the seven days prior to the interview; want to work and are available to start work within two weeks of the interview; and have taken active steps to look for work or to start some form of self-employment in the four weeks prior to the interview.

Permanently employed people are more likely to have access to financial services. 92% of unionized workers are employed on a permanent basis. Unions researched indicated that workers employed on a temporary basis are less likely to have access to formal financial services. Permanently employed individuals are more likely to have access to financial services and thus union facilitated financial services may result in over-inclusion - where an individual has too many financial services or products and may be paying for products that they do not need; often when credit is too easily extended or where compulsory products are offered. This may be a critical issue especially in South Africa where over-indebtedness is a concern. Should a union facilitate access to a credit product, this may result in access to a financial product that does not improve the well-being of members.

**Figure 3. South African employment statistics January 2012 to March 2012**

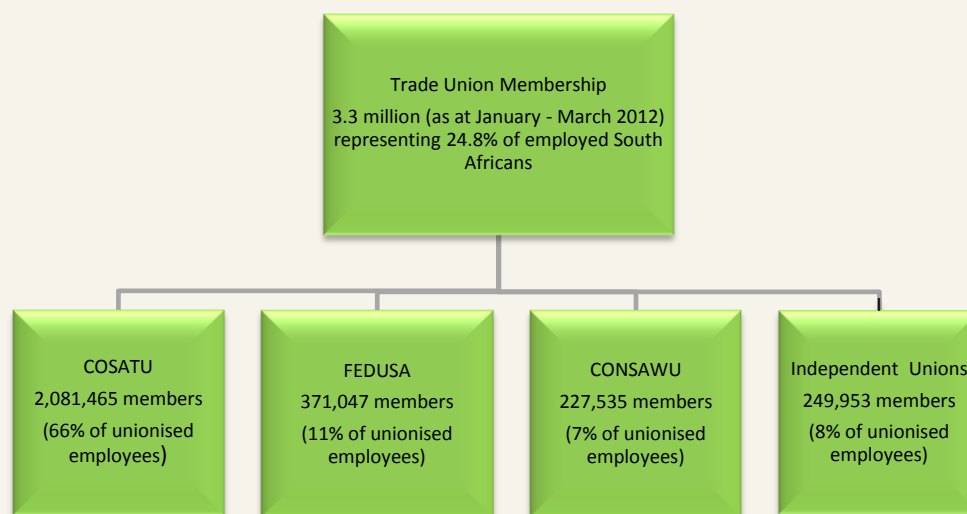


Source: Statistics South Africa, 2012

Four federations cover 98% of unionized workers. The current South African trade union landscape consists of four main federations which collectively represent 98% of unionized workers. These four federations are influential within the current South African socio-economic and political spheres.

Figure 4 below depicts the current trade union landscape in South Africa.

**Figure 4. Current South African labour union landscape**



Source: Interviews and author's own.

- **COSATU** was established in 1985 and currently has 19 affiliated unions. The largest include NUM (National Union of Mineworkers), NUMSA (National Union of Metalworkers of South Africa), NEHAWU (National Education, Health and Allied Workers' Union) and SADTU (South African Democratic Teachers' Union). COSATU's main strategic objectives include improving material conditions for its members and the nation as a whole (COSATU, 2012).
- **NACTU** (National Council of Trade Unions) was established in 1986 through a merger of the Council of Unions of South Africa (CUSA) and the Azanian Confederation of Labour unions (AZACTU). NACTU also has 19 affiliate unions with its largest affiliates being MEWUSA (Metal and Electrical Workers Union of South Africa) and BCAWU (Building Construction And Allied Workers Union).
- **FEDUSA** (Federation of Unions of South Africa) was created in 1997 through the merger of the Federation of South African Labour Unions (FEDSAL) and the Federation of Organisations Representing Civil Employees (FORCE). FEDUSA also has 19 affiliates with the largest ones being UASA (United Association of South Africa), IMATU (Independent Municipal and Allied Trade Union), HOSPERSA (Health and Other Service Personnel Trade Union of South Africa), and MISA (Motor Industry Staff Association), (FEDUSA, 26 September 2012).
- **CONSAWU** (Confederation of South African Workers' Unions) was established in late 2001 by labour unions not affiliated to other federations at the time. The largest affiliates within CONSAWU are SOLIDARITY, NUPSAW (National Union of Public Service and Allied Workers) and PEU (Professional Educator's Union). The federation has 17 affiliated unions.

- **Independent labour unions** - these are labour unions that are not affiliated to any of the major union federations and represent approximately 8% of all unionized workers.

Labour unions are able to maximize their bargaining power and lobby more effectively within labour union federations which pool various unions' bargaining power. Labour union federations are able to utilize pooled labour union bargaining power and influence to lobby effectively and engage with policymakers and government.

### 2.3. Understanding South African labour unions' influence

**Political history shaped current trade union landscape.** The South African labour union movement has grown in size and sophistication over a fairly short period of time. The modern day South African labour union movement was formed in the 1970's when labour unions for black workers were still illegal under the apartheid regime. Organized labour to promote worker's rights was part of the anti-apartheid struggle. Consequently, the histories of the South African labour union movement's struggles and the anti-apartheid struggle are closely intertwined. Black labour unions were one of the key proponents and organizers in the anti-apartheid struggle. Labour unions not only mobilized the black proletariat in pursuing equality, but also the black population more broadly.

**Right to organize preceded right to vote by more than a decade.** The 1970s were characterized by widespread labour unrest in South Africa. In 1976, the Wiehahn commission was appointed by the apartheid government to investigate the employment relations system in South Africa and to make recommendations on how to "stabilize" the labour environment. The report released in 1979 made a number of far-reaching recommendations, the most significant of which was that black workers be permitted to join registered labour unions. This meant that black workers had the right to organize themselves in labour unions more than a decade before they were given the right to vote in an election. The result was labour unions became one of the only legal channels black workers and the black population more broadly could engage with the apartheid government. During the 1980s labour unions campaigned for the rights of black workers and played a key political role as they put pressure on the government to make changes to its apartheid policies (Nyathi, 2010).

**Union engagement beyond primary mandate.** From the 1970's labour unions were already positioning themselves to provide services to members which were beyond their primary mandate as labour unions. This began with participation in political opposition and cultivated a labour union movement accustomed to taking on broader societal issues. As the focus of this document reflects, this approach has also spilled over into the financial inclusion space. Three key areas of impact have been achieved within the financial inclusion arena through NEDLAC (see Box 1), the Financial Sector Charter and the passing of the National Credit Act which sought to protect consumers from unscrupulous credit practices in the market.

Therefore South African unions are best positioned to influence financial inclusion in South Africa. In the remainder of this section we discuss the regulatory considerations and considerations pertaining to union facilitated access to financial services and the various roles that labour unions play in facilitating access to financial services including intermediation, provision of education and consumer protection.

## 2.4. Regulatory requirements and considerations

**Registration not mandatory but provides additional rights.** Labour unions in South Africa may choose to be registered with the Registrar of trade unions housed within the Department of Labour. While it is not mandatory for all unions to be registered, registration provides labour unions with additional rights that unregistered unions are not privy to, (South African Government Services, 2012). These additional rights include:

- Become a member of a bargaining or statutory council
- Conclude collective agreements
- Enter an employer's premises to recruit members
- Conduct elections or ballots among its members on various union matters

All labour unions (both registered and unregistered) in South Africa have the right to perform activities of a lawful nature, to form or affiliate with national or international trade union federations and to be funded by such federations (South Africa Department of Labour, 2012a).

**Labour union registration provides credibility.** Apart from the various rights cited above, labour union registration with the Registrar also provides the added benefit of credibility with both potential members and employers. The Registrar of trade unions stated that employers (and even members) are less likely to hand over membership subscriptions to unregistered labour unions (Crouse, 2012). This is an important consideration given membership fees are the main income stream and lifeline of trade unions.

**While labour unions not for gain, other sources of income and investments permitted.** In addition to the Labour Relations Act, labour unions must also comply with guidelines to labour unions issued by the Minister of Labour. These guidelines are applied by the Registrar of trade unions in determining whether an applicant is a genuine trade union, (South Africa Department of Labour, 2012b). Key elements of the guidelines applicable to labour unions that facilitate access to financial services (especially when partnering with financial service providers to do so) are set out below:

- The recognition that while the typical source of income for labour unions is subscriptions, labour unions may have other sources of income such as investments.
- The guidelines emphasize 95 (5) (a) of the Labour Relations Act - labour unions must explicitly state within their constitution that they are not for gain. "The purpose of

this requirement is to avoid unions from being used as vehicles for enriching individuals or as a cover for profit-making businesses” (South Africa Department of Labour, 2012b).

**Labour union regulator relies on auditor’s assessment to ascertain union investments benefit members.** Labour unions are permitted to have investments in subsidiaries and investment companies as long as these benefit members. The Registrar of trade unions reviews various union audited financial statements. The Registrar only does additional investigations should the auditor note that various activities (including returns on investments and profits) are not benefitting union members.

**While financial regulation limits the role unions play, financial service compliance burden can be passed on to financial service provider.** Financial service regulation such as the Financial Advisory and Intermediary Services Act<sup>6</sup> would be burdensome for any union to comply with. Labour unions who are involved in the direct provision of financial services would be required to have the necessary qualified personnel that have passed the relevant Financial Advisory and Intermediary Services (FAIS) examinations. Labour unions that want to provide intermediary services directly would also need to comply with other financial service legislation, including the system and capital related provisions. A union may avoid this compliance burden by partnering with a financial service provider, which already has the capacity, and experience with financial service regulation compliance.

**Labour unions structure themselves according to their needs and objectives.** The current regulatory framework has no bearing on the institutional structure of labour unions. Labour unions choose to utilize trusts and investment companies simply for the sake of separating business matters from those of the primary activities of the labour union, (Crouse, 2012).

**No major regulatory barriers to provision of financial services.** There are no major regulatory barriers to unions’ facilitating or providing financial services. Labour unions are permitted to:

- Adopt various institutional structures (including the ownership of trusts)
- Receive income from alternative sources and partner with financial services providers
- Partner with financial services providers
- Establish financial service providers

## 2.5. Role of trade unions in promoting financial inclusion

**Provision of financial services fits within the unions mandate to improve well-being of members.** A union’s ultimate value proposition concerning financial service provision is

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<sup>6</sup> Financial Advisory and Intermediary Services Act (FAIS) of 2005 stipulates the various competency levels required for selling and intermediating different types of financial products. FAIS also stipulates various other requirements which may require skilled financial service/product personnel. FAIS governs financial advice given during a financial transaction.

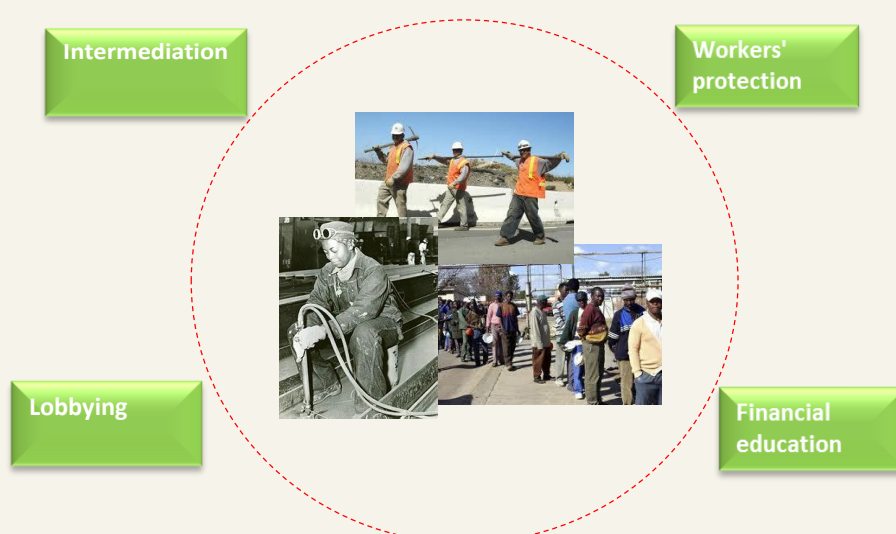
their ability to provide access to appropriate financial services and products. While the provision of financial services may be defined as a secondary role, it is still aligned with unions' mandate of improving the overall well-being of members.

**Key factors driving union facilitation of financial services.** Unions cited three primary drivers behind the promotion of access to financial services to their members:

- **Member acquisition and retention** - Unions surveyed in the study indicated that the South African union membership space is competitive and requires unions to provide various value added services in order to acquire and retain members. Facilitating access to financial services for labour union members is one such member retention strategy. Labour unions that do not provide access to financial services to their members are at risk of losing them to other unions that do so.
- **Member welfare** - The provision of financial services is in line with the union's mandate to improve the well-being of their members. Access to appropriate financial services ultimately assists members to better manage their finances and thereby improving their well-being.
- **Skills and capacity** - Financial service industry experience and skills serve as an enabler of union facilitated access to financial services and determine the extent of services that can be provided. Such skills are critical especially when unions negotiate the terms and conditions with financial service providers.

These drivers have also contributed to the type of financial services that unions have provided/facilitated for their members.

**Figure 5. Various roles played by labour unions in facilitating access to financial services**



Source: Author's own

**In fulfilling various roles, labour unions improve members' wellbeing.** As shown in figure 5 above labour unions play four key roles in facilitating access to financial services namely intermediation, worker's (consumer) protection, providing financial education and lobbying.

In the forthcoming sections we unpack the various roles played by labour unions in facilitating access to financial services for their members.

## 2.6. Influencing policy

**South African labour unions as a prominent feature in the country's history.** Labour union federations continue to play an influential role in post-apartheid South Africa through an existing political alliance (the Tripartite Alliance) with the ruling government and an institutionalized social dialogue structure, NEDLAC (for more information see Box 1 below).

### Box 1: NEDLAC

The National Economic Development and Labour Council (NEDLAC) was established through an Act of Parliament<sup>7</sup> as a “representative and consensus-seeking body” seeking to “reach consensus and conclude agreements pertaining to social and economic policy” (NEDLAC, 2011). NEDLAC has four constituencies namely Business, Labour, Government and Community. These constituencies interact through social dialogue structures in order to promote economic and social development in South Africa. The organised labour constituent is composed of the three labour union federation bodies COSATU, FEDUSA and NACTU. Amongst other objectives pursued, labour unions have utilized NEDLAC as a platform to negotiate and advise government in the creation and implementation of an all-inclusive financial system framework

**Labour unions consultation influenced the National Development Plan.** The National Development Plan sets out South Africa's strategy to achieve a broad range of development and growth targets by 2030, including financial services. Labour unions provided key inputs into this strategy document and continue to engage with government around the outcomes of the plan where they consider member interests are not being met (National Planning Commission, 2013).

**Labour unions shaped the Financial Sector Charter (FSC).** The Financial Sector Charter came into effect in 2004 as a voluntary agreement between the financial sector, labour, community and government towards the transformation of the financial sector through Black Economic Empowerment (BEE). The Charter aims to achieve improved provision of financial services to black low-income households, defined as falling within LSM<sup>8</sup> categories 1-5. Through the Charter the financial sector has defined key commitments to enable institutions to maximize their contribution towards economic growth and sector

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<sup>7</sup> The National Economic Development and Labour Council Act, Act 35 of 1994.

<sup>8</sup> The Living Standard Measure (LSM) is a tool used to segment the wider South African market according to individuals' living standards. It uses location (Urban vs Rural), ownership of household assets and access to services to group individuals into one of ten LSMs through calculation of a composite indicator (Eighty20, 2005). LSM 1 is the lowest LSM, containing the poorest individuals in terms of the composite indicator, while LSM 20 is the highest category and contains the wealthiest individuals if ranked according to the composite indicator (Genesis, 2006).

transformation (Financial Sector Charter Council, 2012). One of the targets that were set by the Charter was that 80% of the low-income population should be banked by 2008 (Ludwig, 2008). While this target was not met there has been a notable improvement in accessibility to financial services for South African poor and rural populations.

**Labour unions impacted the implementation of the National Credit Act.** COSATU was influential in the establishment of the Micro Finance Regulatory Council (MFRC) by the government as they initially advised government to reform the financial system through more efficient regulation and then demanded a limit to banks' charges and the implementation of a regulatory and monitoring body for the financial sector. One of the outcomes was the establishment of the MFRC (Ludwig, 2008). In 2006 MFRC was incorporated into a new institution, the National Credit Regulator (NCR), established under the National Credit Act (no. 34 of 2005), which was passed into law by parliament in 2006 (National Credit Regulator, 2012). COSATU's advocacy through numerous initiatives such as conferences, campaigns and social dialogues with business, labour and government were instrumental in the establishment and implementation of the National Credit Act. The Act regulates all institutions that provide consumer credit, including banks, furniture companies, clothing and other retailers, micro-lenders and pawnbrokers (National Credit Regulator, 2012). The main objectives of the act are to protect consumers entering into consumer credit transactions.

**Union policy and research units allow unions to give credible input into policy development process.** Major unions and/or union federations in South Africa like COSATU and NUM have policy units which provide research support to the policy lobbying and development process. COSATU has an in-house research institute, NALEDI (National Labour and Economic Development Institute) which provides union leadership with latest research concerning labour market and economic trends to ensure informed decisions are made concerning various NEDLAC and policy processes. Alternatively, unions outsource their research to external consultants and organisations (Phelan, 2007).

**Labour union engagement has contributed to vast improvement in financial inclusion.** Labour unions have used their significant influence to make key contributions to improving financial inclusion as demonstrated by these three initiatives highlighted in this section namely the Financial Sector Charter, MFRC and the National Credit Act. Labour unions have taken it a step further by directly providing or facilitating access to financial services for their members. This will be explained further in the remainder of this document.

## 2.7. Financial education

**Provision of education falls within union primary role.** Labour unions typically provide members with some form of education and training. Unions do this directly or indirectly through partnering with institutions and service providers or utilising their bargaining power to ensure employers provide access to education. Union members are typically educated through various formal and informal union education activities. Formal union education activities include union schools and workshops. Union members are also

educated through informal activities including strikes, lobbying campaigns among others. Union education is typically characterized as group oriented and is often based on the needs of workers, (ILO, 2007).

**Low levels of financial literacy in South Africa.** South Africa is cited as having low levels of financial literacy and that “financial participation [often] lacks depth due to gaps in financial knowledge” (Bouhail, 2012). Low levels of financial literacy are further exhibited by high levels of indebtedness and unsecured lending coupled with low savings rates. Labour unions could play a role in improving union members’ financial capability through facilitating access to financial education. Financial education will assist in facilitating informed use of appropriate financial services and possibly reduce the use of adversely selected financial products that do not provide the best client value to union members.

**Unions best positioned to facilitate consumer education given their access to members and influence.** Labour unions are best positioned to provide or facilitate access to consumer or financial education as they have their members’ trust. Union members are more likely to take-up financial education if recommended, facilitated or supported by the union. Labour unions also have a branch and contact footprint, which allows them to reach members that otherwise, would be inaccessible. Unions are also able to utilize their bargaining power to ensure employers provide financial education directly to workers. As a neutral body, labour unions could partner with a variety of entities from regulators to private sector providers to support consumer education initiatives. Unions also have the opportunity to shape and design consumer education to ensure it is appropriate to members’ needs.

**Research shows that financial education not directly provided by most unions.** The majority of the unions surveyed in the study indicated they facilitated access to some form of financial education to their members. Upon closer review, none of the unions, however, played a direct role in the design or delivery of such financial education and simply facilitated access to members. In most instances, financial education is typically offered by the financial services provider and is often not generic but focused on the product or service they are providing to union members. Such financial education is, therefore, closely tied to the marketing of specific products. One union, NUMSA, indicated that they are currently working in partnership with the Financial Services Board<sup>9</sup>, Consumer Education Division and the (NCR) National Credit Regulator to facilitate the provision of broader financial education to union members. Unions have the opportunity to enhance value addition by channelling some of the surpluses generated from the delivery of financial services into consumer education.

**Provision of financial education a by-product of provision of financial services.** Labour unions surveyed during this study indicated that they do not directly facilitate consumer or financial education programmes but rely on financial service providers to do so. Because of their bargaining power, labour unions are able to facilitate provision of financial education provided as part of their agreement with the financial service provider. Furthermore,

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<sup>9</sup> Financial Services Board (FSB) - the South African non-banking financial sector regulator

financial service providers provide financial education that is specific to the product they are providing. Financial education best practices recommend linking education to product provision as the most effective means of changing financial behaviour (Dror et al, 2010).

## 2.8. Consumer protection

**Various tiers of consumer protection.** Consumer protection may be defined as the enforcement of policies that protect customers from unfair treatment from product providers or suppliers. Ideally, consumer protection should occur at three levels:

- (1) **A the client level** - which involves the provision of financial education to empower individual clients,
- (2) **At the industry level** - which encompasses fields such as self-regulation and codes of conduct and
- (3) **Government or regulatory level** - where regulatory requirements pertaining to consumer protection and market conduct are promulgated and enforced, (McKee, 2010).

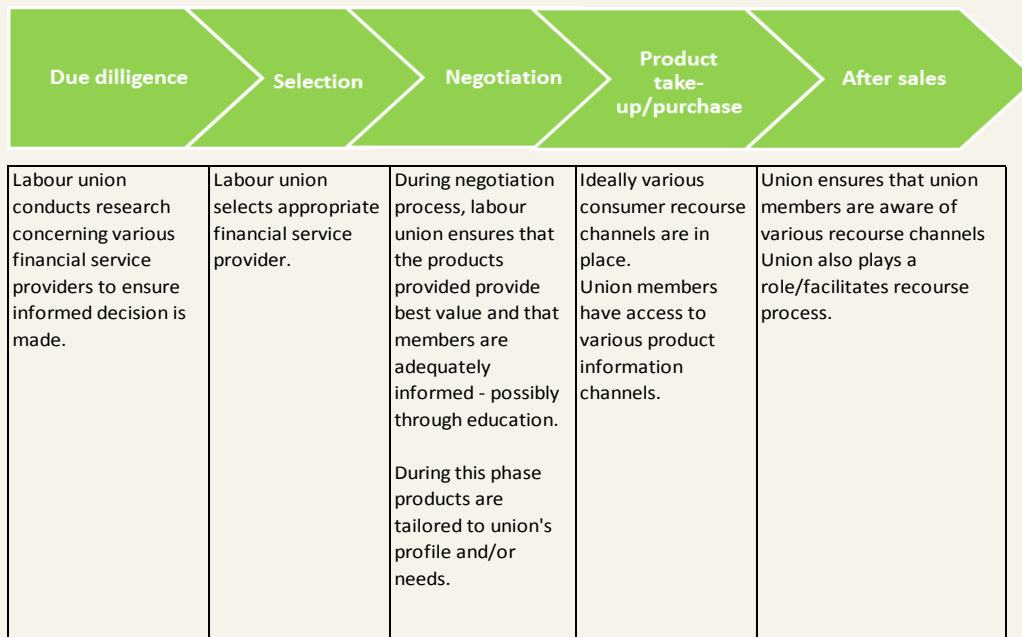
Unions could fulfil consumer protection role across all three levels in various roles. At a client or union member level unions could provide or facilitate access to financial education for their members. At an industry level, unions could lobby for an industry code of conduct among financial service providers, as well as a dedicated consumer recourse channel for union members. At a government or regulatory level, unions could influence the development of consumer protection and financial sector market conduct regulation.

**Union bargaining power allows it to fulfil consumer protection role for both their members.** Financial illiteracy and limited access to resources including information potentially leaves union members vulnerable to abuse by providers. They may be unaware of their rights and how to enforce them. Labour union's bargaining power and influence allow them to fulfil a consumer protection role firstly for members and secondly for wider society through policy lobbying. Where unions are involved in the intermediation of financial services their consumer protection role is critical throughout the phases of engaging with financial products. These roles range from due diligence on potential provider partners and their offerings through to after sales recourse by the member as shown in figure 6 below.

**Unions can enforce consumer protection across different stages.** Figure 6 below shows how unions can enforce or integrate consumer protection throughout the financial product or service facilitation process. Unions need to do due diligence concerning potential financial service providers to ensure products are offered on a sustainable basis that provides value to union members. Should unions fail to conduct their due diligence there is the risk of backlash from members should that particular product fail to deliver on members' expectations. This is an important consideration given the competitive nature of the union membership space in South Africa. Should a financial product fail to deliver, the union potentially loses members and thus suffers a blow to their reputation. In addition, should a

financial service or product fail, it will ultimately not improve the union members' well-being.

**Figure 6. Labour union financial product facilitation process**



Source: Author's own analysis

**Internal consumer recourse channel necessary.** In an ideal world, labour unions should have an easily identifiable and dedicated consumer recourse resource. This ideally could be a benefits coordinator who deals with the provision of all member benefits, including financial services. Benefits coordinators should be in touch with the financial service provider regularly enough to ensure they are able to facilitate consumer recourse or if necessary provide legal recourse in the instance of consumer abuse.

**Consumer recourse for financial services and products through the usual union channels.** None of the unions surveyed indicated they had developed a unique or specific consumer recourse channel or process for financial services provided. Should a member have a grievance or concern, they contact their shop steward, nearest local branch or any other union representative that is within close proximity. Union representatives then contact the financial service provider on behalf of the member and inform them of the grievance or complaint. Submission of financial service or product related complaints via the normal union grievance channels which are likely to prioritize labour related matters may not be the most efficient consumer recourse channel and could result in delayed responses to member grievances.

**Limited evidence of unions engaging in consumer recourse.** While the union plays an important role in facilitating the provision of financial services, it appears there is limited evidence of unions assisting union members with consumer recourse - or 'when something goes wrong.' Consumer recourse is potentially one of the most critical roles the union plays within the financial services value chain framework as this is where the union utilizes its bargaining power. A minimal number of unions have financial services provider

personnel housed within the union's offices that are dedicated to assisting members with the various processes and procedures (e.g. claims management and processing) including consumer recourse, but this is an exception. Unions potentially have an opportunity to enhance value addition by channelling surpluses towards supporting consumer recourse.

**Limited evidence of convenient after-sales servicing.** There is limited evidence of convenient access and after sales servicing as in most instances the union member has to engage directly with the financial services provider. While the union provides access to the financial service - they play a minimal role in maintaining the relationship between the financial services provider and the union member. There was also no evidence of any explicit after-sales servicing.

## 3. Intermediation

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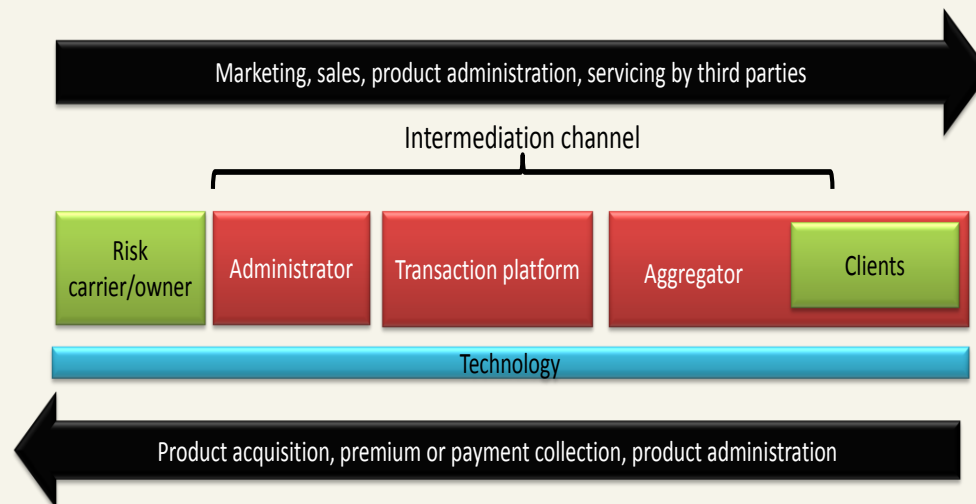
In previous sections various labour union roles in promoting access to financial services were discussed including lobbying, facilitating access to financial education and consumer protection. The unions surveyed in the study played these roles on a limited basis, however most unions acted as intermediaries of financial services to some extent. The role of intermediary also potentially encompasses the previously discussed roles. As an intermediary, labour unions can play or facilitate consumer protection, access to financial education and even lobbying.

**Unions as financial service intermediaries.** In facilitating access to financial services, the bulk of labour unions interviewed intermediate the provision of financial services versus serving as or owning the financial service provider. Financial service providers partner with labour unions and utilize them as a distribution channel to distribute their financial products or services. In one instance, the labour union intermediates the provision of financial services, and also owns the financial service provider or serves as the financial service providers themselves.

### 3.1. Union roles in intermediating financial services

In facilitating access to financial services, unions play a number of roles across the financial service value chain as shown in Figure 7 below.

**Figure 7. Financial service value chain**



Source: Leach, 2007






**Summary of roles played by labour unions across the value chain.** Labour unions play a variety of roles in facilitating access to financial services to members, discussed below.<sup>10</sup> In addition, Figure 7 above presents a summary of the observations concerning the roles played by various unions.

- **Dealmaker** - negotiating the terms and conditions with the financial service provider. As shown in figure 8 below, all unions surveyed in this study play this role.
- **Risk carrier/owner** - either owning or directly providing the financial product. Fulfilling this role requires significant capital resources. Only one union of all unions surveyed in this study serve the role of risk/owner or carrier.
- **Transaction platform** - facilitating the transaction through union systems and channels. For example, facilitating premium payment via union structures. A large majority of unions surveyed (88%) served as a transaction platform for the financial services they facilitated.
- **Administrator** - the union or union entity conducting various administrative activities pertaining to the financial service or product including product acquisition, managing payments and union member information. Over half the unions surveyed in the study (63%) indicated they played the role of administrator. Fulfilling this role successfully will require technical expertise and the necessary administrative systems.
- **Aggregator** - providing access to union members either on a group basis concerning compulsory products or on an individual basis concerning voluntary products. All unions (100%) played the role of aggregator. This role does not require any

<sup>10</sup> Table 16 provides a general overview and summation of trends observed pertaining to roles played by unions in facilitating access to financial services and in no way should it be taken as rigid statistical analysis

investment on the union's part as they are simply providing access to their members.

**Figure 8. Summary of union roles in providing access to financial services**

Role played and related activities	Deal maker	Risk taker/owner	Administrator	Transaction platform	Aggregator
	Negotiating terms and conditions with financial service provider	Carrying the risk through providing the product directly or owning a stake in financial service provider	Conducting various administration tasks including sales, marketing and product information processing	Facilitating the inflow and outflow of finances between the union member and the financial service provider	Providing access to their members
Indication of number of unions that fulfilled the role	 100%	 13%	 63%	 88%	 100%

Source: Author's own

**Counting the cost of each role.** As shown in figure 8 above, each role requires a calibrated mix of capital and human resources, including technical expertise in order for a union to successfully fulfil it. The role of risk taker/owner requires the most significant investment as a union will need to have a substantial capital base to invest in a financial service provider or either serve as one.

**Intermediation versus ownership.** A key question that arises concerning the role that labour unions can play in facilitating access to financial services is intermediation versus ownership or serving as the financial service provider. While labour unions may often have the financial resources to serve as financial service providers they may not have the technical expertise and may face regulatory and compliance burdens. Unions ultimately play various roles in facilitating access to financial services, as owners, or intermediaries doing a number of activities including conducting product administration, acquisition and serving as a transaction platform.

- **Dealmaker/aggregator** - Both the roles of dealmaker and aggregator require the same fusion of resources. These roles could be considered one of the least resource intensive roles as it they not have a significant regulatory burden and neither do they require unions to hold significant capital resources. Union leadership would need experience and technical know-how concerning the various financial services and products to ensure they negotiate the best deals for their members and maximize their role an aggregator. Appropriate due diligence should be performed on the potential providers and research should be done on member needs before

concluding deals. As the dealmaker, the union can negotiate for the provision of financial education and ensure the financial service provider incorporates a dedicated consumer recourse process within their financial service offering. While a union may choose to serve as a dealmaker only, they can still exercise influence during the negotiation process and ensure that they facilitate access to a financial service that provides value to the client.

- **Risk taker/owner** - this role is possibly the most resource-intensive as it requires significant capital and technical expertise, human resources coupled with a regulatory burden. In addition, this role will require the union to also be responsible for the provision of financial education, and ensure that there is a dedicated in-house consumer recourse process.
- **Administrator** - this role requires technical expertise and skills and a union seeking to fulfil this role will be required to acquire the necessary information or administrative systems to manage union members' information and privacy. Furthermore, depending on the activities encompassed within the particular unions role as an administrator, regulatory compliance will be an additional consideration especially where the union is involved in marketing or financial advice. As an administrator, the union may have to facilitate the provision of financial education and also manage the recourse process.
- **Transaction platform** - this will require unions to have the necessary technical expertise and information and some form of administrative or information system to facilitate or manage the flow of payments pertaining to that particular financial service.

Counting the cost as different roles require calibrated mix of various resources. In order to fulfil various roles, unions will be required to have the resources to ensure facilitation of access to financial services that meet union member needs on a sustainable basis. Some roles are more resource-intensive than others. Table 1 below shows the various resources required for the individual roles played by unions in facilitating access to financial services.

**Table 1. Labour union role resource matrix**

	Resource matrix			
Roles played	Technical expertise/human resources	Information/administrative systems	Regulatory compliance	Capital base
Dealmaker				
Aggregator				
Transaction platform				
Administrator				
Risk taker/owner				

Source: Author's own

**Compliance burden with financial services regulation reduces the incentive to provide direct services as owner.** Financial services regulation such as the FAIS Act, the Pension Funds Act and the various Insurance Acts are burdensome for a labour union to comply with, including skills, capacity and capital requirements. This regulation protects consumers, but also acts as disincentive for the labour union to provide these services directly or as owners. Partnerships with providers are therefore the preferred model.

**No clear pattern concerning nature of intermediation.** There was no clear pattern concerning the nature of intermediation as different unions engaged in different levels of intermediation. Regardless of size, a variety of unions utilized the services of a financial services broker ranging from South African State and Allied Workers' Union (SASAWU) with membership base of 7,000 to NUMSA with 290,000<sup>11</sup> members. In addition, there are varieties of financial services brokers utilized by unions - from those that are internal (union owned in house financial services brokers) to external financial services brokers (with no ownership ties to the union).

**Understanding how the various roles fit into the financial services provided.** Unions play various roles for the different products provided based on the nature and complexity of that particular product. The core focus of the study was to understand the landscape and role that labour unions play in facilitating access to financial services. Given the scope, the research does conduct an in-depth analysis of the role played by financial service providers but rather focusses on the relationship with the union. For all financial services and products surveyed in the study, unions played the role of aggregator and dealmaker. Only one union played the role of risk taker/owner for a funeral insurance product as they have a 100% investment in the service provider. Unions served as the transaction platform for most financial services and products provided. While there were varying degrees of administration, more than half of the unions served as the administrator for the financial services and products provided.

<sup>11</sup> Both these figures have been rounded up.

## 3.2. Products intermediated by unions

**Product offerings by various unions.** Figure 9 below illustrates the various products offered by all labour unions surveyed in this study. Funeral insurance is the most prevalent product which is offered by 94% (5) of the unions that were interviewed. Credit is the second most popular financial service offered with 63% of the unions surveyed offering this financial product to members. Professional indemnity, legal insurance, savings and short-term insurance products are the least popular with only 6% of the unions surveyed in this study providing such products.

**Full spectrum of financial services provided.** During the course of the research we met with 16 unions and came across various financial services typically offered through unions in South Africa. In Appendix D, we show summary tables of the various financial services and products that we came across during the course of the study. The products are usually tailored to the specific needs, profile and requirements of the individual labour unions. The main categories of financial services that were identified during the course of the study include:

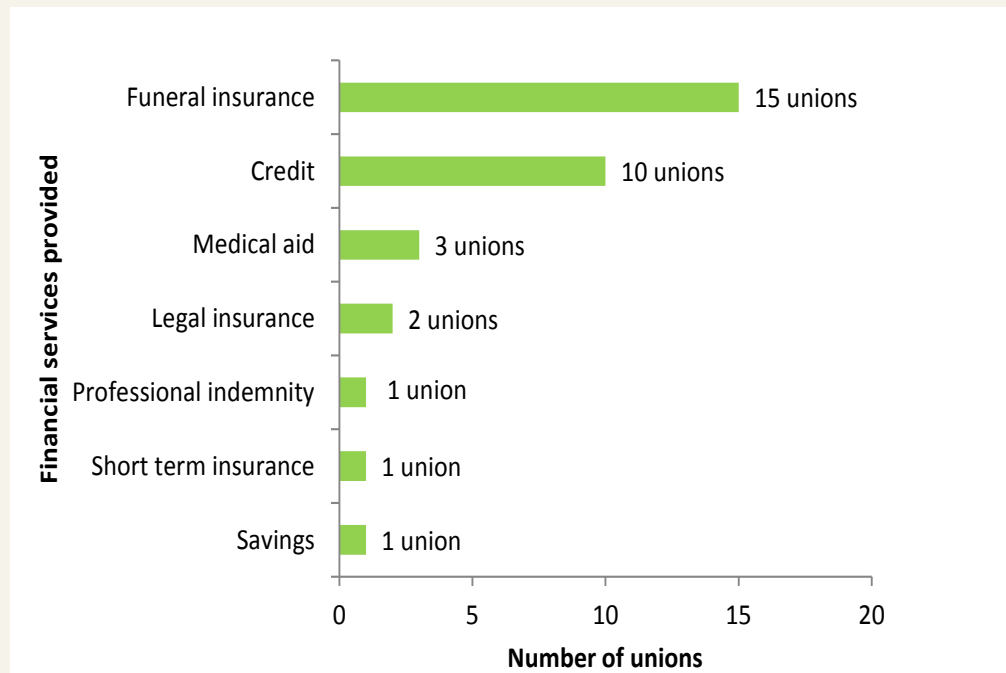
- **Funeral and other insurance.** The most prominent financial service or product offered was funeral insurance, which was provided by 15 of the 16 unions reviewed in this study. In some cases unions may also facilitate the provision of short-term (1 union), other life (which is often bundled with funeral) and health insurance (3 unions). These products are mostly underwritten by formal insurers but in a few cases it was found that unions have set up informal insurance schemes (mostly funeral funds) which are not underwritten by a formal insurance company. Informal funeral insurance schemes are where a portion of the member's subscription goes towards this fund. The fund typically pays out a predetermined sum of money in the event of the death of a union member or their dependants (see Appendix D for more details).
- **Credit.** Ten out of the 16 unions facilitated the provision of credit products. The predominant unions do this through a partnership with a bank (or another financial institution). The bank typically offers discounted rates<sup>12</sup> to members of the respective union and in most of the examples found the credit offered is secured by the member's retirement fund. In one case, a union facilitated the provision of credit through a savings and credit co-operative associated with the union which is strictly for members and employees of the union.
- **Savings products.** During the study we came across one union that facilitates the provision of savings products through a savings and credit co-operative (SACCO) associated with the union. Retirement fund products were generally provided by employers although in limited cases unions play the role of , particularly when it comes to providing pension backed housing finance. In one instance, a union

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<sup>12</sup> It is also important to note that individuals will have their respective risk profiles which cannot be discounted as these are dependent on the risk rating of the individual.

facilitated the development of a ‘bridging’ fund to cater for employees who were unable to join the employer’s traditional retirement fund.

**Figure 9. Summary of various financial products offered by unions**



Source: Interviews

The financial products identified are demand driven. Funeral insurance is typically in high demand given its cultural significance in South Africa, as a “dignified funeral is given high financial priority as part of the cultural belief in the importance of honouring ancestors” (Hougaard and Chamberlain, 2011). The majority of union members are permanently employed and already have access to primary or first level financial services and products such as bank accounts. Over-indebtedness<sup>13</sup> is a key consideration in South Africa as approximately 8 million South Africans are over-indebted (University of Pretoria, 2013). All unions interviewed indicated over-indebtedness was a key concern for their members and they had asked for credit products but unions were concerned about encouraging increased levels of debt.

<sup>13</sup> Over-indebtedness is when a household is unable to service or repay its debt over an extended period.

## Box 2. Definition of compulsory products provided by unions

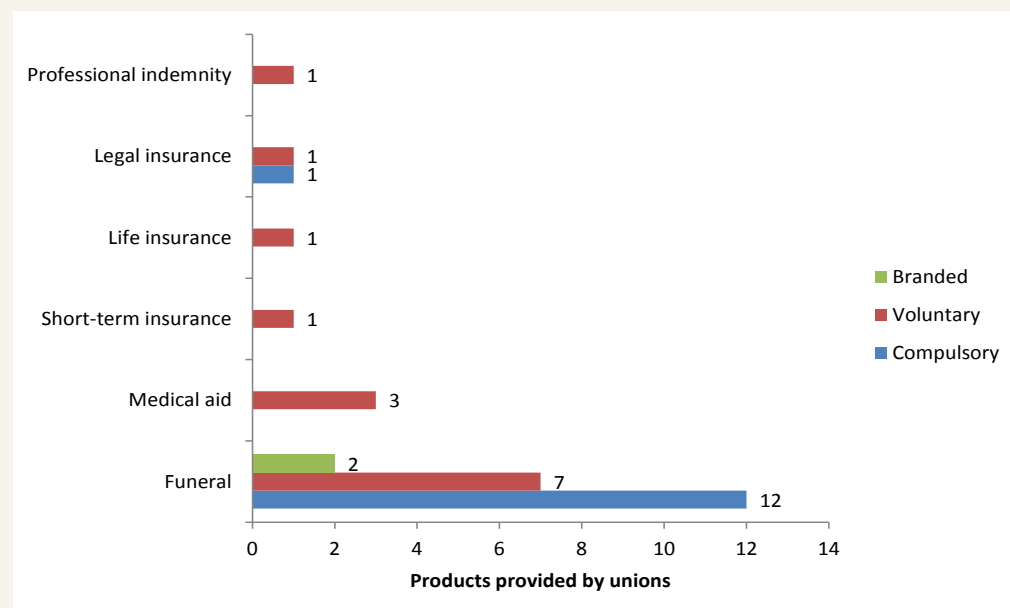
For the purposes of this study we refer to compulsory products in two instances:

- Those whose premium or payment for such financial services and products is seamlessly bundled with the membership or subscription fee. In most instances members pay a ‘whole’ membership or subscription fee and in turn they receive a financial service or product as membership benefit. On the labour union member’s end, payment for this product is often combined with the membership or subscription fee. On the administrative end - the union deducts a portion of the membership or subscription fee as payment for such financial services.
- Financial services and products where union members are required to pay an additional fee on top of the membership or subscription fee as a requisite of membership. In this instance, the payment for the financial service or product is not seamlessly integrated, as the member has to make an explicit payment.

Simply put compulsory products cover all members within the union and are either embedded within the membership fee or members are required to pay an additional fee (for example BCAWU, POPCRU).

**Large number of compulsory products, particularly in funeral insurance.** Figure 10 below shows a breakdown of union branded, compulsory and voluntary products across the various types of financial services and products provided. A large majority of the labour unions covered in the study facilitate the provision of compulsory (normally funeral insurance) products. While the union is facilitating access to a product that a union member may typically not have access to, additional analysis is needed to ascertain the true value proposition of union facilitated products versus those on the market. Value would also depend on the specific needs of union members. For a definition of compulsory products, please see Box 2 above. Interestingly only two products have union branding.

**Figure 10. Analysis of branded, compulsory and branded products provided**



Source: Interviews

**Duplication of funeral insurance cover could be inefficient.** Several of the unions covered in the study offer more than one funeral insurance product. Unions researched in the study typically have a compulsory funeral insurance product as well as one or more funeral insurance products further emphasising the importance of decent funeral cover. Voluntary funeral insurance products offer wider cover (including extended family) but ultimately result in duplicated funeral insurance cover as the immediate family members are also covered. Unions could consider providing members with one funeral insurance product providing the members with the option to extend the level of cover with the same compulsory product.

**Presence of self- insured funds where union acts as provider.** Unions may have the resources and ability to provide or underwrite financial services themselves exclusive of the support of a financial service provider. Typically this is an in-house financial service that does have the support of underwriting of a financial service provider. These are often funds that the union underwrites itself examples of such self-underwritten funds include the MISA and SACTWU (Southern African Clothing and Textiles Workers' Union) funeral funds. All of these are underwritten by the unions themselves without the support or underwriting of any financial service provider.

**Use of union branding on compulsory products.** Union branding is most present on compulsory funeral insurance products (as the most predominant financial service provided by unions). 14 out of the 16 unions interviewed indicated they had union branding on their product. Financial service providers leverage the brand of the union to gain trust from the union members. Unions indicated that their members identify with the brand of the union

and not the financial services provider. For example, even though the funeral insurance is underwritten by a formal underwriter - the members identify the product as the unions' own. Voluntary financial services and products predominantly have the branding of that particular financial services provider.

### 3.2.1. Evolution of products provided by unions

**Product offering also evolves with time.** The most popular and primary financial product offered by all unions is funeral insurance. Over time, labour unions begin to provide additional financial services and products with varying levels of complexity including home loans and housing loan products linked to retirement funds. Essentially, union offerings evolve over time. Unions like NUMSA, SACWU and BCAWU first offered members access to funeral insurance and then evolved their product offering to also include other financial services. The evolution of the product offering generally goes through two stages:

- **Stage one** - Labour union executive facilitates the provision of financial services for members. This is through negotiating the preferential rates or preferential terms and conditions of the financial service to be provided to members. In this stage, labour unions typically provide funeral insurance.
- **Stage two** - Labour unions provide additional services over and above funeral insurance, these could include credit, pension and provident funds amongst others.

**Taking advantage of missed opportunities.** Labour unions could broaden their roles across the financial services value chain. This is more applicable to those that are larger in size with the necessary resources, skills and capacity to do so.

**Changes in regulation present new opportunities for involvement in financial service provision.** The Cooperative Banking Act, proposed microinsurance regulation and related changes to FAIS legislation may open up space for unions to extend their financial service offerings to members and play a greater facilitation role.

### 3.2.2. Insurance

#### 3.2.2.1. Funeral insurance

**Funeral insurance is the dominant product offered.** The trade union landscape is a competitive environment. In order for a trade union to maintain its current members and enrol new members it needs a competitive advantage such as offering a financial service in high demand with its members. Previous studies have shown that funeral insurance is the most common type of microinsurance provided in South Africa (Hougaard et al, 2010). Survey respondents were providing life cover to 9.1 million low-income people found that 6.2 million had funeral cover (Hougaard et al, 2010). As shown in Figure 9 above, 15 of the 16 labour unions interviewed provide funeral insurance for their members. 50% of the unions interviewed provide compulsory funeral insurance for their members. In some

instance the insurance is embedded in the membership subscription fees. Labour unions know that members value funeral insurance.

**Compulsory products are often union branded.** It is interesting to note that all the compulsory insurance products covered in this study are union branded. The union usually plays a role in premium collection when the product is compulsory. But in all instances premium collection is done through a stop order or debit deduction. 12 of the 16 unions process member insurance claims. 53% of funeral insurance products are embedded within member premiums as shown in Table 8 in Appendix D.

**Insurers utilising unions as aggregators for clients.** The majority of labour unions providing funeral insurance have partnered with Safrican (Table 8 in Appendix D). Other underwriters and insurers that are utilising labour unions as client aggregators include, Prosperity, Assupol Life and Guardrisk. These products and services are currently not available on the market as they are often tailored for the members of a particular labour union. Unions utilize their bargain power to construct deals for their members which are better than those offered on the market.

**Members benefit from economies of scale.** In some cases members receive products at discounted prices in comparison with market rates. The union uses its bargaining power to negotiate benefits and premiums which are better than those offered on the market for their members. Table 2 below is an example of a voluntary funeral insurance product which NUMSA offers to its members. When NUMSA members purchase the product they receive it at a discounted rate (in comparison with the market rate) as shown. NUMSA members pay a monthly premium of South African Rand (R) 40 (US\$4.50) which is cheaper than the market premium of R75 (US\$8.50) per month the same levels of cover which are calculated on a sliding scale ranging from a maximum pay-out of R10,000 (US\$1,130) to a minimum of R1,500 (US\$169).

**Table 2. Doves funeral product**

NUMSA all nations (full family cover)	Plan A	Plan B
Member	R10 000 (US\$1 130)	R18 000 (US\$2 030)
Spouse	R10 000 (US\$1 130)	R18 000 (US\$2 030)
Child 14 - 21 years	R10 000 (US\$1 130)	R18 000 (US\$2 030)
Child 6 - 13 years	R5 000 (US\$570)	R9 000 (US\$1 000)
Child 0 - 5 years	R2 500 (US\$280)	R3 500 (US\$400)
Stillborn	R 1 500 (US\$170)	R1 500 (US\$170 )
Monthly premium for NUMSA members	R40 (US\$4.50)	R70 (US\$8)
Market monthly premiums	R75 (US\$8.40)	R125 (US\$14)

Source: Nxumalo, 2012

**Union roles in facilitating access to the various products and services.** Table 2 above shows a voluntary funeral product provided by NUMSA to members (via its financial services company NUMSA Financial Services). Union Life is the underwriter for products offered by Doves. Doves and Union Life are independent companies which are wholly **owned** by NUMSA through its investment company, NUMSA Investment Company. NUMSA is the **dealmaker** and as it negotiates the prices and packages for their members with the financial services providers. NUMSA also serves as an **aggregator** as it provides access to its membership base. Five of the 16 unions interviewed had ownership links with the financial services providers of the funeral insurance products. MISA and SACTWU are the owners of their funeral funds thus these products are self-insured. Both NUMSA and POPCRU (Police and Prisons Civil Rights Union) own the companies which provide the funeral products for their members. UASA owns a cell captive<sup>14</sup> in partnership with Guardrisk that provides access to funeral insurance for members. Ten of the 16 unions were involved in the administration of the product. The union is the **dealmaker** each time a product is sold to its members as it negotiates the terms and conditions, prices and product offerings. The union also serves as an **aggregator** as it provides the financial service providers with access to their members. Labour unions can advance their functions to the extent that they can be involved in the marketing of the product even if done indirectly. Unions can also

<sup>14</sup> A "cell captive" is an insurance vehicle created by an insurance company (referred to as the "cell provider" or "promoter") whereby its insurance license is extended for use by another organisation (referred to as the "cell owner") for the insurance of the organisation's own assets (in which case it is referred to as a "1st party cell") or the assets and/or lives of its customers or members (in which case it is referred to as a "3rd party cell"). (FinMark Trust, 2010). Online. (Available). [http://www.cenfri.org/documents/microinsurance/Alchemy\\_Cell%20captives\\_final%20draft30072010.pdf](http://www.cenfri.org/documents/microinsurance/Alchemy_Cell%20captives_final%20draft30072010.pdf) (Accessed September 2013).

facilitate the **transaction platform** with the financial service provider. This is prevalent especially where the product is compulsory, unions are often involved in facilitating payments from members to the financial service provider.

#### **3.2.2.2. Health insurance**

**Labour unions have limited involvement in the facilitation of medical schemes.** As shown in Table 9 in Appendix D, 3 out of the 16 unions are involved in the facilitation of health services by providing access to medical schemes. The facilitation of medical schemes as owner is limited by regulation. NUMSA, SACWU, and UASA merely recommend a reputable broker to their members who guide them with the selection of medical products appropriate for the specific member.

**One union is facilitating provision of ill health funds.** As illustrated in Table 9 (in Appendix D) one of the 16 unions provides sick funds. SACTWU provides these funds to members at no additional cost on virtue of them being members of the union. The sick fund is administered by the union itself and is not underwritten by any insurer. The sick fund complements the union's pension and retirement fund.

**Unions provide products which are in line with the profile of their members.** 6 of the 16 unions interviewed consist mainly of members whom are public servants. These unions are NEHAWU, NUPSAW, POPCRU, SADTU, SASAWU and UNIPSAWU. Labour unions in which civil servants are members do not offer health products as a financial service for their members. This is because civil servants have medical aids provided for them as a condition of their employment by the government. Hence such a service would be of little value to members.

**Provision of risk mitigating maternity benefits.** Two unions provided risk mitigating benefits to pregnant members namely maternity funds. These do not strictly qualify as insurance as no premiums are paid for the benefits received.

#### **3.2.2.3. Short-term insurance**

**NUMSA is the only union that provides short-term insurance to its members.** In August 2011 NUMSA entered into a strategic relationship with ABSA bank<sup>15</sup> for the provision of various financial services for its members at preferential rates. NUMSA and NUMSA Investment Company have moved all their banking to ABSA as part of the strategic relationship to benefit its members. ABSA and NUMSA have also packaged consumer financial planning and literacy programmes as part of this deal. ABSA markets various products offerings in the workstations where NUMSA members are based. Table 10 (Appendix D) shows the short-term insurance provided by ABSA to NUMSA members namely legal and household insurance.

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<sup>15</sup> ABSA is the largest commercial bank in South Africa by share of customers - 34.9% of all banked (Moneyweb, 2013)

#### **3.2.2.4. Legal insurance**

**Legal insurance beyond labour related disputes.** POPCRU, the Police and Prisons Union, has legal policy cover to represent members for labour disputes. POPCRU has contracted Grosskopf Attorneys to provide this service. This service is embedded in the membership subscription fees. The member has the option to extend this cover to disputes which are not labour related at an additional premium. Table 11 (Appendix D) describes further details on this product. NUMSA's financial services company (NUMSA Financial Services) facilitates access to legal insurance for NUMSA members. NFS has an agreement with ABSA for the provision of a variety of short-term insurance products (including legal insurance) to NUMSA members.

#### **3.2.2.5. Professional indemnity**

**Professional indemnity for nurses.** NUPSAW provides legal representation which is up to R10 million (US\$1,130,000) per member who is a nurse per incident in which the member is sued for negligence whilst performing his or her work in good faith. This product is embedded in the membership subscription fees. Lloyd's of London is the underwriter for this indemnity benefit.

#### **3.2.2.6. Credit and savings products**

**Capital lending versus consumption lending.** Table 13 in Appendix D shows the various credit products offered by unions surveyed in the study. Six out of the 16 unions offer credit products for members. The majority of labour unions stated that a large portion of their members are indebted and this has resulted in their reluctance to provide credit products for members. Labour unions interviewed stated they were concerned with their members' state of over-indebtedness. In addition, section 2.6 discusses COSATU's advocacy role in the development and implementation of the National Credit Act which discourages irresponsible lending by financial institutions. The main objective of this Act is to protect consumers from entering into unnecessary credit transactions and to protect them once they are in indebted. It is important to note that of the six unions providing credit facilities to their members, four of the unions provide pension-backed lending (capital lending). Unions encourage responsible lending and hence their facilitation of pension backed lending for members to acquire home loans. Unions interviewed in this study stated that it was imperative for their members to acquire loans for housing. Unions whose membership base is comprised of civil servants do not provide pension-backed lending as this is provided as a condition of employment by the government.

**NEHAWU the first and only union with a SACCO.** NEHAWU is the only union in South Africa that owns a Savings and Credit Co-Operative (SACCO). The SACCO was initiated in November 2006. The SACCO offers both a savings and loan products for NEHAWU members and NEHAWU employees. NEHAWU SACCO is registered with the Co-operative Banks Development Agency (With National Treasury) as a co-operative. The SACCO currently has approximately 6,000 members. The SACCO is owned and controlled by NEHAWU members.

**Understanding the limited supply of savings products and potential role of financial education.** The provision of financial services to union members is largely demand driven and unions indicated they provide products based on need, thus there was limited pressure for savings products given low levels of saving in South Africa. While there is at present limited demand from union members, it would likely benefit member welfare more to increase levels of savings rather than increase levels of debt given the extent of over indebtedness in South Africa. Consumer education could contribute to increasing the demand for savings products and subsequently their intermediation by labour unions. Consumer education could also play a key role in financial management (and related consumption of credit) to improve member welfare. Gross savings in South Africa accounts for 16% of GDP while it accounts for 30% of GDP for both India and Russia and 50% for China (Duncan, 2012).

## 4. Improving financial inclusion as a labour union

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In this section we consider the opportunities and challenges concerning the provision of financial service drawn from the key emerging themes and trends observed concerning the role of labour unions in facilitating access to financial services. Beyond this we also consider the implications are for labour unions facilitating financial inclusion going forward.

### 4.1. Risks and challenges concerning labour union facilitated access to financial services

**Risks concerning provision of financial services by labour unions.** Our review highlights a number of risks pertaining to the provision of financial services by labour unions. These are:

- **No governance framework or independent oversight to evaluate benefit to members.** Labour providing financial services should be required to disclose the terms of such activities to demonstrate that they benefit the union members and avoid conflict of interest. There is currently no governance framework in place to assess whether union members truly benefit from such business activities.
- **Registrar has limited oversight.** The Registrar of trade unions reviews the union constitution and guidelines to ascertain the benefit of union-financial service provider relationships to members. Subsequent to registration there is limited scope for further monitoring of activities to ensure benefit to members. Areas such as earning of commission by labour union leaders could result in conflicts of interest.
- **Limited financial services skills, capacity or 'know how'.** Labour unions are staffed by trade unionists whose primary goal is the protection of workers' rights.

Often, the union executive is comprised of individuals who have no training within the financial services sector. This may impact on their ability to select and negotiate the best deals for union members. Labour unions like NUMSA have benefitted from having union member financial services negotiated by skilled individuals.

- **Member backlash.** The risk of member backlash is significant should the products provided fail to deliver on their promise or provide poor value.
- **Additional research required to understand union members' needs.** While unions surveyed in this study had an indication of the profile of their members, none of the unions had conducted any research to understand the financial needs of their members. Such research could assist unions with providing the appropriate financial services and products for their members.

**Competitive nature of the union environment as a driver for financial service provision.** All labour unions surveyed in this study cited concern for the well-being of their members as the key driver for the provision of financial services to their members. However, upon closer examination, it is clear that the key determinant of provision of financial services is the competitive nature of the union membership environment. This has led to a plethora of funeral insurance products (as the most popular product) being provided while other financial services have been neglected due to 'lack of popularity' with union members. While less popular, financial services and products such as union facilitated savings products could ultimately provide more value to union members.

**Challenges relating to union provision of financial services.** Promoting access to financial services as a labour union is not always easy. Table 3 below shows the challenges arising from union facilitated access to financial products and services based on the research conducted as well as some ways in which these challenges can be addressed.

**Table 3. Challenges arising from labour union-facilitated financial inclusion**

Challenges	Suggested means of addressing challenges
Capacity: Specialist financial service/product understanding and technology required to intermediate financial services	<ul style="list-style-type: none"> <li>■ Conduct additional research to understand requirements</li> <li>■ Build the capacity of union leaders to enhance their basic understanding of financial inclusion for workers</li> <li>■ Acquire or outsource necessary skills and functions</li> <li>■ Perform due diligence on providers prior to selection</li> <li>■ Establish effective governance mechanisms to appoint, monitor and evaluate providers.</li> </ul>

Challenges	Suggested means of addressing challenges
<b>Value: Providing appropriate products that meet member needs and deliver value</b>	<ul style="list-style-type: none"> <li>■ Conduct additional research investigating the needs and profiles of union members to ensure products provided meet needs of members and provide best value.</li> <li>■ Perform due diligence on providers prior to selection</li> <li>■ Establish transparent procurement procedures to appoint most appropriate provider</li> <li>■ Evaluate whether products meet needs through periodic evaluations reported to governance bodies</li> </ul>
<b>Education: Financial illiteracy of members</b>	<ul style="list-style-type: none"> <li>■ Research member needs in financial education</li> <li>■ Partner with organisations to provide appropriate financial education initiatives to members</li> <li>■ Union leadership could also develop understanding of financial education curricula or programmes to ensure they select appropriate service provider and request an appropriate curriculum.</li> </ul>
<b>Consumer protection: Improving effective consumer protection</b>	<ul style="list-style-type: none"> <li>■ Ensure that sufficient product information is available when registering members for compulsory products</li> <li>■ Ensure presence and functioning of a dedicated consumer recourse channel.</li> <li>■ Track member complaints of financial products to evaluate financial service provider and internal union provision strategies.</li> <li>■ Ensure financial service provider incorporates effective, transparent consumer protection measures in financial service/product offering.</li> </ul>
<b>Compulsion: Over financial inclusion and member awareness</b>	<ul style="list-style-type: none"> <li>■ Conduct further research to ensure that financial products provide best value to clients.</li> <li>■ Avoid compulsory products where this results in over-inclusion<sup>16</sup></li> <li>■ Educate members of financial products held</li> </ul>

Source: Author's own

<sup>16</sup> Over-inclusion is when an individual has too many financial services and products and may be paying for products they do not need.

## 4.2. Opportunities of promoting access to financial services

Labour unions are well positioned to improve access to financial services if they harness opportunities effectively as set out in Table 4 below.

**Table 4. Opportunities arising from labour union facilitated financial inclusion**

Opportunities	Suggested means of harnessing opportunities
<b>Bargaining power and influence</b>	<ul style="list-style-type: none"><li>■ Lobby for financially inclusive policies that improve member welfare</li><li>■ Negotiate for products that provide the best value</li><li>■ Improve consumer protection mechanisms</li><li>■ Work with employers to provide on-site financial education initiatives</li></ul>
<b>Substantial footprint and access</b>	<p>Use union branch network to facilitate provision of financial services</p> <ul style="list-style-type: none"><li>■ Provide appropriate products that offer client value.</li><li>■ Negotiate better rates for members, possible due to scale of participation in financial service</li></ul>
<b>Member's trust</b>	<p>Use the union brand to overcome market distrust and improve member use of appropriate financial services</p>

Source: Author's own

## 5. Conclusion

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It is clear that South African labour unions have played a considerable role in promoting access to financial services for both their members and the broader population. This is partly due to the unique regulatory and structural position of labour unions in South Africa. At the same time, South African labour unions face many challenges and opportunities which are common to labour unions across the world. Labour unions that effectively deal with these challenges and harness these opportunities can play a significant role in improving financial inclusion.

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## Appendix A. Unions surveyed

In Section 1 (the introduction), we briefly discuss the labour unions that were interviewed for this study. Table 5 below provides more information concerning the various unions that were met including the number of members and the industries or sectors where members are employed. Please note in some instances, figures concerning the number of members have been rounded up.

**Table 5. Unions interviewed**

Desktop research and telephone conversations		
Union	Number of members	Industries/ sectors covered
NUPSAW	36,000	Public service sector.
SATU	11,000	Stationary outlets, book shops, publishing houses, advertising agencies, screen and sign display sectors, photocopy, printing suppliers.
UNIPSAW	2,000	Public service employees
POPCRU	150,000	South African police services, correctional services and traffic departments.
SACTWU	85,000	Clothing, textiles, wool, hides and skin, leather and footwear, tanning, wool pulling and fellmongering, canvas and rope working, laundry, dyeing and dry-cleaning, manufacturing, distribution and farming.
Unions interviewed in Johannesburg		
Union	Number of members	Industries/ sectors covered
NUMSA	291,000	Engineering sector, motor sector, auto/tyre sector, electronics sector.
SACWU	17,000	Chemical Workers
BCAWU	18,000	Building and construction, building materials, cement products, road making, ceramics, clay, stone crushing.
SASAWU	7,074	Government departments and parastatal bodies
NUM	310,000	Mine, construction and energy workers
MEWUSA	17,800	Metal and Electrical Workers
NEHAWU	265,440	Education, health, government and social welfare sectors.
MISA	30,039	Motor industry
UASA	74,002	Nuclear; labour recruitment; security; chemical; IT; transport/ logistics; finance and insurance; sugar; water, paper and pulp; motor manufacturing; diamonds and jewellery; aviation and aerospace; personal care; metal and engineering; minerals and general.
Unions interviewed in Cape Town		
Union	Number of members	Industries/ sectors covered
HOSPERSA	64,400	Health & other service personnel trade union of South Africa
SADTU	253,000	SADTU members are both public and private teachers

Source: Interviews and desktop research

## Appendix B. List of individuals interviewed

**Table 6. Individuals' interviewed**

Organisation	Name	Designation
<b>BCAWU</b>	Narius Moloto	General Secretary NACTU and BCAWU
<b>HOSPERSA</b>	Leon Livingburd	Provincial Secretary
<b>MEWUSA</b>	Edward Thobejane	General Secretary
<b>MISA</b>	Martle Keyter	National Legal Advisor Women's Forum National Co-ordinator
<b>NEHAWU</b>	Sibusiso Mbatha	
<b>NEHAWU (SACCO)</b>	Patiswa Kruca	Benefits Co-ordinator
<b>NUM</b>	Dusty Ngwane	Benefits Co-Ordinator
<b>NUMSA</b>	Reggie Nxumalo	NIC Executive Project Specialist
<b>NUPSAW</b>	Success Mataitsane	General Secretary
<b>POPCRU</b>	Pat Raolane	Western Cape Case Manager
<b>SACTWU</b>	Fachmy Abrahams	Co-ordinator
<b>SACWU</b>	Bosole Chidi	National Organiser and Acting General Secretary
<b>SADTU</b>	Mzwandile Sazona	Managing Director Shimba Financial Consulting
<b>SASAWU</b>	Priscilla Mehlomakhulu	Administrator and Benefits Co-ordinator
<b>SATU</b>	Martin Deyssel	General Secretary
<b>South African Department of Labour</b>	Johan Crouse	Registrar of trade unions
<b>UASA</b>	Jacques Hugo	Chief Corporate Officer
<b>UNIPSAWU</b>	Maggie Ndlovu	Benefits co-ordinator

## Appendix C. List of workshop attendees

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The table 7 below is a list of the individuals that attended the workshop on the 6<sup>th</sup> of August 2013 in Johannesburg where key findings from the research were presented.

**Table 7. Workshop attendees**

Name	Union
Mpheane Lepaku	COSATU
George Mahlangu	COSATU
B. Ntsholiz	COSATU
Patrick Phelane	COSATU
Kriste Janse Van Rensburg	FEDUSA
Inviolata Chiyangarara	ILO
Insa Dia	ILO
Judith Van Doorn	ILO
Mohammed Mwamadzingo	ILO
Collen Malulele	NACTU
Sam Buthelezi	NACTU
Themba Zulu	NACTU
Riphos Masele	NACTU
Tinotenda Hafumani	NACTU
Philisiwe Sithole	NACTU
Wiseman Dinwa	NACTU
Thuli Gama	NACTU
Vernom Zatshili	NACTU
Lukho Matanzima	NACTU
Emily Mashinini	NACTU
Reggie Nxumalo	NUMSA

## Appendix D. Product tables

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In this section we present tables showing the products offered by the different unions surveyed in this study. In this section we focus the following products offered by the various unions:

- Funeral insurance      Table 8
- Health insurance      Table 9
- Short-term insurance      Table 10
- Legal insurance      Table 11
- Professional indemnity      Table 12
- Credit products      Table 13
- Savings products      Table 14

**Table 8. Funeral insurance**

Summary of funeral products offered

Union	Insurer (Underwriter)	Compulsory/ Voluntary	Embedded	Union Branded	Cash Pay-out (Main member)	Premium	Are claims processed through the Union? (Y/N)	Are Premiums collected by the Union? (Y/N)	Are products sold through the union? (Y/N)
BCAWU	Yes - Guardrisk	Compulsory	No	Yes	R10 000	R15	Yes	Yes	Yes
HOSPERSA	Yes - Assupol Life	Voluntary	No	No	R12 500	R22.40	No	No	No Maxi Group
MEWUSA	Yes - Safrican	Voluntary	No	Yes	R8 000	R23.75	Yes	No	Yes
MISA	No - self-insured	Compulsory	Yes	Yes	Varying benefits from R7 000 - R25 000	Embedded in membership fee	Yes	Embedded	Yes
NEHAWU	Yes - Prosperity	Voluntary	No	Yes	Varying benefits from R11 000 - R13 000	Varying premium from R39.95 - R59.95	Both through the NEHAWU or Prosperity	No	Yes
NUM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NUMSA	Yes - Union Life	Compulsory	Yes	Yes	R2 000	Embedded	Yes	Embedded	Yes
	Yes - Union Life	Voluntary	No	Yes	Varying benefits from R10 000 - R18 000	Varying premium from R40 - R70	No	No	Yes
NUPSAW	Yes - Safrican	Compulsory	Yes	Yes	R6 500	Embedded	Yes	Embedded	Yes
	Yes - Assupol, Old Mutual, Prosperity and Metropolitan	Voluntary	No	No	Varies	Varies	No	No	No (OM, Prosperity and Metro)

Union	Insurer (Underwriter)	Compulsory/Voluntary	Embedded	Union Branded	Cash Pay-out (Main member)	Premium	Are claims processed through the Union? (Y/N)	Are Premiums collected by the Union? (Y/N)	Are products sold through the union? (Y/N)
POPCRU	Yes - Lesaka (administrator) POPCRU (underwriter)	Compulsory	No	Yes	Varying benefit from R5 000	Varying premium from R39.50	No	No	Yes
SACTWU	No - self-insured	Compulsory	No	Yes	Varies	Varies	Yes	Embedded	Yes
	No - self-insured (HIV/AIDS)	Compulsory	Yes	Yes	Varies	Varies	Yes	Yes	Yes
SACWU	Yes - Sanlam	Compulsory	Yes	Yes	R2 000	R39.50	Yes	Embedded	Yes
SADTU	Yes - Safrican	Compulsory	Yes	Yes	R7 500	Embedded	No - Safrican staff located at the union office	Embedded	Yes
	Yes - Old Mutual, Metropolitan and Prosperity	Voluntary	No	No	Varies	No	No	No	Yes, and through the insurance companies involved.
SASAWU	Yes - Safrican	Compulsory	Yes	Yes	R7 500 on a sliding scale	Embedded	Yes	Embedded	Yes
SATU	Yes - Metropolitan	Compulsory	No	Yes	R20 000 on a sliding scale	R63.70 per month	Yes	Yes	Yes
UASA	Yes - Guardrisk	Compulsory	Yes	Yes	R10 000 on a sliding scale	Embedded	Yes	Embedded	Yes
	Yes - Old Mutual	Voluntary	No	No	Varies	Varies	No	No	Yes and also through Old Mutual
UNIPSAW	Yes - Prosperity	Compulsory	No	Yes		R35 per month	Yes	No	Yes
	Yes - Prosperity	Voluntary	No	No	Varies	Varies	No	No	Yes

Source: Interviews and author's own

**Table 9. Health insurance**

Summary of health products from the surveyed unions

Health products									
Union	Does the union offer a health product?	Compulsory/Voluntary	Embedded	Union Branded?	Benefits	Premium	Are claims processed through the Union? (Y/N)	Are Premiums collected by the Union? (Y/N)	Are products sold through the union? (Y/N)
BCAWU	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
HOSPERSA	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes
MEWUSA	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
MISA	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NEHAWU	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NUM	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NUMSA	Yes	Voluntary	No	No	Varies	Varies	No	No	Yes
NUPSAW	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
POPCRU	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SACTWU	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes
SACWU	Yes	Voluntary	No	No	Varies	Varies	Internal	Yes	N/A
SADTU	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SASAWU	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SATU	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
UASA	Yes	Voluntary	No	No	Varies	Varies	Internal	Yes	Yes
UNIPSAW	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Interviews and author's own

**Table 10. Short-term insurance**

NUMSA Short-term insurance

Short-Term Insurance									
Name of product	Insurer (Underwriter)	Compulsory/ Voluntary	Embedded	Union Branded	Cash Pay-out	Premium	Are claims processed through the Union? (Y/N)	Are Premiums collected by the Union? (Y/N)	Are products sold through the union? (Y/N)
NUMSA short - term insurance	ABSA and Guardrisk	Voluntary	No	No	Varies	Varies	No	No	Yes

Source: Interviews and author's own

**Table 11. Legal insurance**

Legal insurance provided by NUMSA and POPCRU

Product type	Product description	Financial service provider	Administration	Client interaction (Sales & Marketing)	Transaction platform	Aggregator	
						Access to client (compulsory)	Access to group (voluntary)
Legal cover	NUMSA legal insurance	ABSA serves as the financial service provider	All the administration work is done by ABSA.	Members are informed through pamphlets, general meetings and the National Congress financial service providers are at times allowed to put up an exhibition stand. NUMSA strives to gain as much exposure as is possible during NUMSA events for union members to gain knowledge about products and services NUMSA has negotiated.	ABSA facilitates the stop order/ payroll deduction NUMSA is not involved at all.		This product is provided to members on a voluntary basis.
Legal Cover	POPCRU has a legal policy for labour disputes. This policy is embedded in the membership subscription fee. In order for a member to extend the cover to any disputes which are not labour related the member is required to pay an additional premium.	Owner  Johann Grosskopf Attorneys is a contracted service provider for Lesaka legal. Lesaka legal is a division of Lesaka.	Members have to go to Lesaka offices. POPCRU administers the product. POPCRU does not accept any paper work or documentation.  Lesaka has a client service department, and a claims department. The service department focuses on providing timeous pay-outs to members. Up to 1800 claims per month are processed by the claims department at Lesaka.	Meetings, magazines, website. POPCRU magazine comes out every 3 months. Shop Steward Council and National Executive Council have meetings and the leaders disperse. At provincial level POPCRU visits various institutions where union members are based to inform them about the product. Lesaka has agents who inform members about the product. The distribution of Lesaka's products takes place through a national network of 300 consumer advisors, 27 branches countrywide. Lesaka has a call centre where clients can call when they have queries.	POPCRU has an agreement with the various employers (Police Force, Traffic Department and Correctional Services Departments).  The POPCRU interface with the local government payroll totals close to one million deductions monthly. In conjunction to the government payroll interface POPCRU interfaces with over 400 private companies. POPCRU has the infrastructure which allows them to deduct through any interface- electronic, Internet etc. on a daily, weekly and monthly basis through a total of eight deduction mechanisms including ACB and Nupay.		The legal cover which extends beyond labour disputes is a voluntary product for which a premium is payable.

Source: Raolane, 2012 and Nxumalo, 2012

**Table 12. Professional indemnity**

Professional indemnity provided by NUPSAW

Product type	Product description	Financial service provider	Administration	Client interaction (Sales and Marketing)	Transaction platform	Aggregator	
						Access to client (compulsory)	Access to group (voluntary)
<b>Professional Indemnity</b>	The cover is for R10 million in aggregate per incident where a member is sued for negligence whilst performing his or her work in good faith.	<b>Dealmaker</b>  The underwriter for this product is Lords of London.	The member goes to the union and fills in the necessary documentation. The union assists the member with the case. The union will then correspond with the lawyers.	Presentations and pamphlets. The product is marketed as a benefit of being a member since it is compulsory product. It is marketed especially when the union is trying to convince members to join the scheme.	This product is embedded in the membership subscription of R45 or 1% of basic salary up to a maximum of R50 per month. The subscription fee is a stop order deduction.	Free to all nurses by NUPSAW. This is thus embedded in the membership subscription fees.	

Source: Mataitsane, 2012

**Table 13. Credit products**

Summary of credit products offered by unions interviewed

Credit products									
Union	Credit product	Compulsory / Voluntary	Embedded	Union Branded	Loan amount	Loan repayments	Are loans processed through the Union? (Y/N)	Loan repayments collected by the Union? (Y/N)	Are loan products sold through the union? (Y/N)
BCAWU	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
HOSPERSA	Yes - loan products with Capitec and Credit solutions.	Voluntary	No	No	Varies	Varies	No	No	No
MEWUSA	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
MISA	Yes - pension backed lending for housing from Standard bank.	Voluntary	No	No	Varies	Varies	No	No	No
NEHAWU	Yes - loan products from NEHAWU SACCO.	Voluntary	No	No	Varies	Varies	No	No	No
NUM	Yes - partnered with Ubank and ABSA for the provision of home loans backed by the Mineworkers' Provident Fund.	Voluntary	No	No	Varies	Varies	No	No	N/A
NUMSA	Yes - loan products from ABSA. Loans to acquire housing also available from ABSA.	Voluntary	No	No	Varies	Varies	No	No	No
NUPSAW	Yes - loan products from Khulani Financial Services (Pty) Ltd.	Voluntary	No	No	Varies	Varies	No	No	N/A

Credit products									
Union	Credit product	Compulsory / Voluntary	Embedded	Union Branded	Loan amount	Loan repayments	Are loans processed through the Union? (Y/N)	Loan repayments collected by the Union? (Y/N)	Are loan products sold through the union? (Y/N)
POPCRU	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SACTWU	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SACWU	Yes - partnered with Standard bank for the provision of provident fund backed home loans	Voluntary	No	No	Varies	Varies	No	No	N/A
SADTU	Yes - partnered with FNB through Shimba Financial Services for the provision of loans at a preferential rate	Voluntary	No	No	Varies	Varies	No	No	N/A
SASAWU	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SATU	Yes - pension backed lending for housing from ABSA.	Voluntary	No	No	Varies	Varies	No	No	No
UASA	Yes - loan products from ABSA. Loans to acquire housing also available from ABSA.	Voluntary	No	No	Varies	Varies	No	No	No
UNIPSAW	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Interviews and author's own

**Table 14. Savings products**

Savings products provided by NEHAWU SACCO

Product type	Description of product	Financial service provider	Administration	Client interaction (Sales and Marketing)	Transaction platform	Aggregator	
						Access to group (compulsory)	Access to client (voluntary)
<b>Savings</b>	Various savings account offered: 1. Special savings 2. Target savings 3. Deposit savings 4. Savings/loan account	NEHAWU SACCO	The administration work for the SACCO is done at any NEHAWU branch.	Marketing for the SACCO is done through meetings, emails, newsletters and the NEHAWU magazine.  In addition union members can approach the Credit Committee.	NEHAWU has dedicated employees who deal with receiving and the dispatching of funds.		Voluntary as members have the choice of joining.

Source: Interviews and author's own

**Table 15. Maternity/and ill health funds**

Summary of maternity and ill-health products from the unions surveyed

Union	Product type	Product description	Financial service provider	Administration	Client interaction (sales & Marketing )	Transaction platform	Aggregator	
							Access to client (compulsory)	Access to group (voluntary)
<b>MISA (30 039 members)</b>	<b>Maternity fund</b>	MISA has a maternity fund which pays out R1 500 per child	<b>Owner</b>  This product is underwritten and administered by MISA	The union has appointed dedicated staff members to carry out the administration duties.	Marketed on member recruitment website magazines (published twice a year) Women's forum booklet and benefits pamphlets	This is included in the members subscription fees of R65 (US\$7.83) per month.		Only applicable to female members
<b>UASA (74 002 members)</b>	<b>Self- insured fund maternity fund</b>	The UASA maternity fund is for female members who have been with the union for 12 months or more.	<b>Owner</b>  UASA and Fincents owns the maternity fund.	Claims are handled through the UASA office. Claims are managed electronically through a claims management system.	Members are informed about products through brochures, UASA website and meetings. There is a UASA newspaper titled Labour Dynamics which is issued every two months. There is an email notification programme titled snippets which gives out notifications to members every fort night. Financial services providers are invited to meetings to explain products and services to members. UASA has a call centre where union members are free to call if they have any queries or need assistance.	Premium embedded within membership fees of R73 (US\$8.80).		This is not applicable to all members and is for pregnant female members.

Union	Product type	Product description	Financial service provider	Administration	Client interaction (sales & Marketing )	Transaction platform	Aggregator	
							Access to client (compulsory)	Access to group (voluntary)
SACTWU (85 025 members)	Self-insured fund	Clothing industry sick fund	<b>Aggregator and dealmaker</b>  This fund is exclusive to clothing workers. The employee contributes to this fund. This is compulsory for all clothing workers.	SACTWU has internal dedicated staff members who are appointed to deal with customer recourse and the admiration of the claims. All the administration is done in-house. These products are all internal SACTWU products.	Members are informed about products through SACTWU meetings, and through shop stewards on the factory floors. Sometimes the union has pamphlets.	This product covers the immediate family of the members. Contributions from members range depending on the size of their immediate family. The contributions range from R 32 to R 76 per week.		
		Textiles industry sick fund	<b>Aggregator and dealmaker</b>  This fund is exclusive to textile workers and is a voluntary product. SACTWU negotiates with the bargaining council on behalf of its members. The employer and employee contribute to this fund.	SACTWU has internal dedicated staff members who are appointed to deal with customer recourse and the admiration of the claims. All the administration is done in-house. These products are all internal SACTWU products.	Members are informed about products through SACTWU meetings, and through shop stewards on the factory floors. Sometimes the union has pamphlets.			This product is optional for members and is thus a voluntary product.

Source: Interviews and author's own

## Appendix E. Summary of the roles played by unions in the provision of financial services to members

Table 16 below shows a summary of the roles played by unions in the provision of financial services to their members. We look at individual unions and the roles they play in the provision of the various financial services they offer to their members.

**Table 16. Summary of the roles played by the unions surveyed**

Union	Membersh ip base	Financial services and products offered	Financial Service provider		Administrator	Client interaction (sales and marketing)		Transaction platform	Aggregator
			Dealmaker	Owner		Union markets	Financial service provider markets		
BCAWU (Building Construction and Allied Workers Union)	18 000	1. Insurance - compulsory funeral and health insurance	Dealmaker		Administrator	Union markets		Union facilitates this process.	Aggregator
		2. Various provident funds (to be verified)					Financial service provider markets	FSP facilitates this. Union not involved.	
HOSPERSA (Health & Other Services Personnel Trade Union of South Africa)	64 400	1. Insurance - voluntary funeral	Dealmaker			Union markets	Financial service provider markets	FSP facilitates this. Union not involved.	Aggregator
		2. Credit - various loans						FSP facilitates this. Union not involved.	
MEWUSA (Metal and Electrical Workers Union of South Africa)	17 800	1. Insurance - voluntary funeral	Dealmaker		Administrator	Union markets		Union facilitates this process.	Aggregator
MISA (Motor Industry Staff Association)	30 000	1. Self-insured funds funeral, retirement	Dealmaker	Owner	Administrator	Union markets	N/A	Union facilitates this process.	Aggregator

Union	Membersh ip base	Financial services and products offered	Financial Service provider		Administrator	Client interaction (sales and marketing)		Transaction platform	Aggregator
			Dealmaker	Owner		Union markets	Financial service provider markets		
		2. Credit (provident fund backed)						FSP facilitates this. Union not involved.	
NEHAWU (National Education, Health and Allied Workers' Union)	265,000 (6,000 SACCO members)	1. SACCO - offering credit and savings products	Dealmaker		Administrator	Union markets	N/A	Union facilitates this process.	Aggregator
NUM (National Union of Mineworkers)	310 000	1. Credit (provident fund backed) - agreement with bank for home loans	Dealmaker			Union markets	Financial service provider markets	FSP facilitates this. Union not involved.	Aggregator
NUMSA (National Union of Metalworkers South Africa)	290 000	1. Credit - credit purchases on furniture, partnership with bank for housing loans.	Dealmaker	Owner	Administrator		Financial service provider markets	FSP facilitates this. Union not involved.	Aggregator
		2. Insurance - compulsory and voluntary funeral, short term - legal and motor				Union markets		The compulsory is embedded in the union fees. Union fees deducted as stop order. For the voluntary product union is not involved.	
NUPSAW (National Union of Public Service & Allied Workers)	36 000		Dealmaker		Administrator	Union markets		Union facilitates this process.	Aggregator
POPCRU (Police & Prisons Civil Rights Union)	149 339		Dealmaker	Owner		Union markets	Financial service provider markets	FSP facilitates this. Union not involved.	Aggregator
SACTWU (Southern African Clothing and	85 000	1. Self-insured funds funeral,	Dealmaker		Administrator	Union markets	N/A	Union facilitates this process.	Aggregator

Union	Membersh ip base	Financial services and products offered	Financial Service provider		Administrator	Client interaction (sales and marketing)		Transaction platform	Aggregator
			Dealmaker	Owner		Union markets	Financial service provider markets		
Textile Workers Union)		HIV/AIDS							
		2. Funeral and retirement benefit fund (self-insured)				Union markets	N/A		
SACWU (South African Chemical Workers' Union)	17 000	1. Insurance compulsory and voluntary funeral, life	Dealmaker		Administrator	Union markets		Union facilitates this process.	Aggregator
		2. Credit (provident fund backed) agreement with bank for various loans					Financial service provider markets	FSP facilitates this. Union not involved.	
		3. Union provident fund	Dealmaker					FSP facilitates this. Union not involved.	
SADTU (South African Democratic Teachers' Union)	253 000	1. Credit - agreement with FNB for preferential interest rates	Dealmaker			Union markets	Financial service provider markets	FSP facilitates this. Union not involved.	Aggregator
		2. Insurance compulsory and voluntary						The compulsory is embedded in the union fees. Union fees deducted as stop order. For the voluntary product union is not involved.	
SASAWU (South African State and Allied Workers Union)	7 000	1. Insurance compulsory funeral	Dealmaker			Union markets		Union facilitates this process.	Aggregator
SATU (South Africa Typographical Union)	11 000	1. Credit (pension fund backed)	Dealmaker			Union markets		Union facilitates this process.	Aggregator

Union	Membersh ip base	Financial services and products offered	Financial Service provider		Administrator	Client interaction (sales and marketing)		Transaction platform	Aggregator
			Dealmaker	Owner		Union markets	Financial service provider markets		
UASA (United Association of South Africa)	74 000	1. Insurance - compulsory and voluntary funeral (through cell captive)	Dealmaker	Owner	Administrator	Union markets		Union facilitates this process.	Aggregator
		2. Maternity fund					N/A		
UNIPSAWU (United National Public Servants Association of South Africa and Allied Workers Union)	2 000	1. Insurance compulsory funeral  2. Insurance voluntary funeral	Dealmaker		Administrator	Union markets		Union facilitates this process for the compulsory product	Aggregator

Source: Interviews and author's own

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