

Running a credit union

2. Running a Credit Union

This chapter looks at credit unions from the point of view of the people responsible for setting them up and managing them. Most of the material draws on the experience of the twelve unions chosen for more detailed study, and that of development workers employed by the national organisations or local authorities.

Getting started

Although various organisations are keen to promote new credit unions, it is recognised that the initiative should come from the grass roots. Most credit unions started with the perception of a need for financial services.

There was one particular shop that everybody (round here) had an account in and a collector called every week to collect your money. You bought your furniture, curtain material, your bedding, your clothes, your shoes, your nursery items from the one firm. And you were tied to that firm. You were committed to whatever prices they chose to charge. You didn't have the choice of being able to shop around or even buy from newspapers where people would be advertising used prams and things. You didn't have the ready money to answer an ad in the paper. It was easier to get a new thing than it was to be thrifty and buy second hand.

The level of poverty in the Borough is appalling ... Our money advice shops experience that. In an attempt to try and reduce the number of council employees making use of those shops, they felt that the credit union would be a very practical way of helping.

There's very little money in this community ... There's very few people with savings; there's quite a few loan sharks; there's quite a few people use the Provident. People who save with the credit

union, it brings some self respect back to them. They've got money that belongs to them.

Typically, one or two people who had heard about credit unions would suggest the idea to a small group who became the founder members. The founding group were often people who themselves were financially stable but who felt there was a need among the local population. Among those in the sample, five had first heard about credit unions through the Catholic church, three from people involved in other credit unions, one from a community worker and a further three from local government officials involved in people's financial problems.

A group of people got together and decided that they would start a credit union after listening to a talk by a priest. It was a time of high unemployment and they thought that the time was ripe to try and do something for one another.

My husband and another fellow just got together and invited their immediate neighbours in the street to join. It sort of snowballed from that. People probably who wouldn't actually need the credit union started it.

We got off the ground when the local church felt there was a need because of growth in the area with new housing estates. They asked certain people to join to start up a credit union. Eleven men got together and we had 15 in a short space of time. We spent about three months studying and saving. Then we held a public meeting and we enrolled about 130 people.

A usual first step was to ask one of the national organisations or a local credit union development worker for information and advice. Some embryo groups turned to generalist community or social workers for advice at this stage, but the credit union specialists were often unhappy about this. They felt that inexperienced advisers unthinkingly assumed that 'anyone can have a credit union', without appreciating the technical and legal problems. Their tendency to concentrate on group dynamics rather than book-keeping was said to have led some embryo groups into bad practices which were difficult to correct.

When the initial information had been provided, the group was asked to make contact again if they were still interested. The initiative was left to the enquirers, as a check on the strength of their motivation. There are many enquiries but few credit unions. If contact was renewed, most development workers would visit the group to present

a slide show or video. The worker would try to assess the group's potential. As one worker said, 'I try to put them off and I usually succeed'.

The next stage was usually the formation of a steering group to discuss the aims of a credit union, its powers and limits, administration, the legislation and rules, the role of the national organisations. Potential officers would be approached and support rustled up from personal contacts and local organisations: PTAs, mothers' and toddlers' groups, ethnic organisations, the church and so on.

The most important question facing a potential credit union was the nature and strength of the common bond. A bond could not be created; it had to exist. Credit unions might flourish in strong communities, but in many areas – perhaps especially in disadvantaged areas – 'the community' and 'poverty' were concepts too loose to provide any real links between the prospective members of a credit union. Many credit unions have been set up by local churches, but several of those in our sample suggested that their success had been based on the loyalty of existing church-goers rather than on recruitment among a wider public.

Credit unions must have 22 sponsors to sign the registration form and (more recently) to pledge two years' support to the group. The sponsors should include people capable of running the credit union, and in particular to keep the accounts: a treasurer, two assistants and a cashier, estimated at 30 hours of work per week between them. If no-one with experience of these activities was available, training of volunteers was essential right at the start.

You may not have anybody among a group of people who has any formal training in that sort of area. Whilst theoretically it's very straightforward, in practice it's not that easy. It's having someone with the necessary expertise who happens to be on the committee who can handle that sort of thing. If you don't then you need to train someone to do it, otherwise the whole thing falls down.

Most embryo credit unions worked out a business plan to establish policies on shares and loans, interest and dividend rates, entrance fees, insurance, reserves and credit control. An auditor had to be appointed.

The union could then request registration. Until recently, there were often administrative obstacles outside the control of the embryo union. Groups sponsored by ABCUL were having their application held up by short-staffing at headquarters. Further delays could follow

in negotiating with the Registry, so that it might take three or four months for queries to be raised and dealt with. Such delays, at a time when many groups were fully prepared with an expectant membership, could bring both officers and members 'off the boil' and undermine their morale. Both ABCUL and the Registry have, however, assured us that registrations can now be achieved much more rapidly.

It is not clear whether the law allows credit unions to pool the savings of members before they have been formally registered. ABCUL has adopted a cautious approach, but the National Federation promotes savings clubs as a stage in the development of credit unions. Without savings, it was difficult to find the registration fee and purchase equipment, unless a grant could be obtained. Pre-savings could also speed the build-up of capital to the point at which loans could be offered.

Development workers suggested that it might take between six months and three years to set up a credit union, depending on the characteristics of the group, the nature of the common bond, and the Registrar's initial response to the application. Occupational credit unions were often the quickest to get off the ground, because of the existing chain of command, the availability of administrative skills and, often, the support of the employer. With community based unions it was often difficult to build up a confident working group, especially if the members had low levels of education and lacked experience of administration and negotiation. An assumption that 'everything would be done for them' could hinder the acceptance of personal responsibility for the affairs of the credit union. Supporting the management group without taking over its duties could occupy much of a development worker's time, both before and after registration.

The leadership group

Credit unions belong to their members, and are administered by elected officers: the three-way structure of Board, Credit Committee and Supervisory Committee required by the Irish League and British Association, or the single Committee recommended by the National Federation. The credit unions examined in depth had elected between seven and fifteen volunteers to the Board or Management Committee, according to the overall size of their total membership.

Credit committees consisted of three to seven members, usually meeting weekly. Four credit unions had also authorised a loans officer to grant loans without reference to the committee, within certain limits. Supervisory committees had three members, meeting from time to time to carry out spot checks on operations and at collections.

As well as the normal range of officers, most unions had also selected one or two assistant treasurers, and in some cases specialist officers or committees to deal with particular aspects of the operation – education and membership officers, insurance officers, credit control officers. One credit union had a committee to oversee its premises. Sometimes an ad hoc committee would be asked to organise a social evening.

All but two of the credit unions under study called for volunteers from the general membership to help. In some cases volunteers were organised into a rota of collectors, tellers or cashiers. Ordinary members were also involved in making tea or food, and in explaining the ropes to new members. And several officers said they could draw on individual members' expertise on such subjects as law or accountancy.

The success of a credit union (like any voluntary group) depends on the services of a committed group of elected officers. Many of the leaders were motivated by a commitment to helping others and a belief in the philosophy of the credit union movement:

I don't think there's many officers who join the credit union because they can get a loan at a cheaper rate. There has to be a social conscience to become an officer. I think it's a social conscience that most people need to give up time. It's an opportunity for me to do something in the community where I live.

It does give you satisfaction especially when you get people coming in who are in trouble and you can help them. It's so easy to help them, there's nobody else to turn to, only the credit union. It's a last resort.

I got interested by the fact I was involved in trade unions, also in the labour movement which is a social movement. We made many demands for things and many services over the years which weren't met. When we learned about credit unions we realised what it could provide.

But there was also a combination of self-interested and altruistic motives:

You're helping yourself to help other people. With being a member yourself the money is there for you to borrow as well as for everybody else to borrow.

I feel that if I didn't do my bit to assist, the thing might just collapse and it would be of disbenefit to me, because I'm still keen on borrowing money cheaply.

The social contacts were also appreciated:

You get to know a lot of people. I didn't know anybody up here and I know a lot of people now. I'd been 16 years here and I didn't know ten people. But I really enjoy it.

My interest, it wasn't motivated by any high ideals at all. I was a young mother with a large family and a low income and very little social life, very little social contact outside my own home. It was a cheap way of socialising for me in the beginning. It went on from there. I got a taste for it.

There's a great social aspect to it right throughout the country for the whole spread of the movement, the credit union gospel. You meet people from all over the country where they're doing the very same thing that you're doing. It refuels you and gives you the heart to go on.

Many said that they got satisfaction out of knowing that the union was running well and out of the interest and challenge involved in the work.

I really got interested in it all right. I could see it was doing some good in the community. It was a challenge too, whatever ability you had. There's a certain amount of money there, and there's some people who want it. What did you know about them? What were the prospects of those people paying you back if you lent them a certain amount of money? It got very interesting and it was a great challenge.

The satisfaction was there when I did my first financial report and I managed it. For each financial report there is a small satisfaction. If we solve some delinquencies there is a big satisfaction there.

And people had gained personally from the experience of running the credit union, acquiring skills and broadening their outlook on life:

You learn a lot by the jobs you do. I have, through being Secretary. Things like how to write letters properly, even typing – I could never type like I do now ... Different things that I never thought I could do.

People have said when they've gone on from here to jobs they've applied for on the strength of their credit union experience and got them. We're always having to give references out.

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I think maybe particularly women would agree that we've all developed as individuals ... When you're raising a family you become very reticent and your conversation is in a very limited area because you're dealing with kids all the time. You lose confidence and everything else and I think every one of us has discovered that we've got talents that were there all the time but that weren't used before. We've got voices now that we would never have had. We would never have stood up in front of a crowd of people and spoken before. Now we do and it doesn't really bother us all that much. It develops your character as well and all the latent gifts come out of people.

But there was also a fear of failure:

The big disadvantage is taking on all this work and finding that it's failed. We're terrified of that I would say, all of us.

And, although there was a great deal to be gained from being a credit union officer, there were also sacrifices. Many felt the satisfactions outweighed the costs, but some pointed out the disadvantages. The time involved had had its effects on family life:

I've been asked by my husband time and time again, am I married to the credit union? But I suppose once you start giving up your time and you see and know the benefit of the credit union you never worry about it much.

The workload does put quite a few people off. The fewer you've got the more arduous it does obviously get. I've had quite a few people, who quite like the idea of a credit union, shy away from it because it sounds as if there's just too much work involved. I wish there was some way of lessening that.

There are times when you can't get far enough away from the credit union. When you come in, especially in the winter, just to sit down and have your tea and watch the television.

Although the majority of officers said that they had to spend no more than three hours per week on credit union business, others put in much more time – up to 20 hours each week. The most time-consuming roles were Treasurer and President. Those working hardest for the credit union were often the people who had heavy commitments elsewhere. As one long-serving officer remarked: 'It's the old adage, ask a person who's too busy to do anything and they'll do it.' For instance, eight of the ten officers who put in more than six hours a week for the credit union also had full-time jobs. Over half of those interviewed also spent time helping to organise other groups in the community: scouts or guides, church groups, trade unions, tenants'

associations, and various charitable organisations. Three were school governors and two sat on the local community council.

Of the 63 officers who provided details of their experience, 16 said they had not received any training for their position with the credit union. As one chairwoman said, 'You sort of educate yourself and you can pass these skills onto other people'. A further 35 said that they had been trained by other officers, but 12 had attended training sessions organised outside their own credit union, usually by the umbrella organisations or development workers. Most however agreed that, as well as the skills they had brought with them, most of what they knew they had learned through experience on the job.

The leadership group was not, of course, a straight cross-section of the membership. To a certain extent, committee members and other helpers tended to be the middle-aged, middle-class males who are so often found to have gravitated to positions of power and responsibility in all sorts of organisations. Analysis of the 'leaders' (committee members and other helpers) identified in our survey of members of seven credit unions showed that:

- 60 per cent of the leaders were between the ages of 40 and 65, compared with 33 per cent of the non-leaders;
- 40 per cent of the leaders were in the professional or managerial occupational group, compared with 14 per cent of the non-leaders;
- 67 per cent of the leaders were men, compared with 42 per cent of the non-leaders.

Thus the leadership's need for people with experience of administration and accountancy has led members of socially dominant groups into positions of influence within credit unions. Nevertheless (as some of the examples quoted in the last two pages illustrated) there were still opportunities and challenges for people, such as working class women, who were not 'typical' leaders. And it will be seen in the next chapter that most members felt content to save and borrow without any direct involvement in the affairs of the union.

It was striking that almost 60 per cent of the officers who filled out self-completion questionnaires had served for longer than four years. Indeed, a third had been involved in running the credit union for ten years or more; in one case for 25 years. As one officer said, 'It's just become a way of life; it's part of my life'.

The problem, in fact, lay in persuading new people to join the leadership. A credit union could become over-dependent on an established group of leaders, who might get stuck with their roles. The ideal was a combination of experienced members and new faces.

We need people who haven't become disillusioned with the movement to help (give it) a push. It's like having a blood transfusion. The existing members (of the Board) have been in, on and off, since 1971 and despite their initial drive, when you come up against problems like delinquency, it does tend to disillusion you. It's very difficult to get yourself up and say, 'Well let's try and do something about it'.

We do need new people coming in, but at the same time we need people with experience. I think right now we're getting somewhere. We've got experienced people who know what's been going on. We've got people with drive who feel that they've got something to add.

When you get a committee trained it's very difficult to consider chopping and changing them all at once. So we've always got to try and introduce a new person all the time. Some people pick it up quickly and others take a bit longer. It's fair to say that once you get on a committee it's difficult to walk away from it.

But finding people to take on responsibilities was not at all easy.

You find that a lot of members are not particularly interested, with them knowing you for so long and knowing that everything has been running smoothly. They don't want to rock the boat. They sort of say, 'I know my money is alright'. They won't come themselves.

It is difficult enough to get new blood in at this stage. I think that's probably a very natural progression. In the early days there had to be a pioneering spirit. Well the pioneering spirit has died in this organisation... It's not as exciting now as it was in the early stages.

As a result, there was general agreement that 'there's no such a thing as a true volunteer, we have to Shanghai them.'

At the annual meeting you don't have the election type situation where you've more standing ... than you need. You usually find that it's the same people are re-elected year after year after year, because no one wants to give up their time.

Usually what we do when we know somebody is leaving the committee, we make a shortlist of people we think would be suitable and might be likely to agree to coming on the committee. Then someone goes and sees them.

Some of the credit unions had active policies to involve the ordinary members in routine tasks, like collecting money, in order to create a pool of people who might later be candidates for more important posts.

We're getting young people involved here, who've been involved since twelve years of age. The young people you see here with the tea, eventually we hope we're building on solid ground with these young people. They're coming up with the modern technology and things like that that we can benefit from long term.

It's a long-term educational process, getting this thing working, bearing in mind the sort of area that we live in. I wouldn't say we were the most educated people. One thing we've got in our favour is that we're honourable people and we've got a lot of dignity.

Support from other organisations

The ILCU, ABCUL and NFCU all provide services to affiliated credit unions: they represent their membership, set operating standards, and offer field services in advice, training and development work.

All credit unions had at some stage in their history received help in the form of advice and training. ILCU members were happy with the support that had been given:

I believe strongly in the concept of the League. We set it up, the credit unions set it up and we use the field officer. He gives good advice which we listen to. We contact the insurance officer if we have any problems with insurance and the Chapter, as a wing of the League, we attend. I think if you are part of a movement, there must be a good relationship or else you're sitting in isolation and you become complacent.

We don't need a lot of help from the League, but it's there if we do need help. It's good, it always has been. We do what we're asked to do and we support the League whenever possible. We do tell them off when they need it.

Members of ABCUL were more varied in their responses. Some had found the advice and training valuable, although they would have liked more:

It's nice to know it's there. If problems did occur ... it is very comforting for me, not being a qualified accountant, to know that I just have to make a telephone call.

ABCUL's support has been essential. But it wasn't as good as it could have been in the early days. ABCUL themselves were a relatively new organisation and were not quite so able to provide sufficient resources for all the credit unions that were members of

it. They sent some of the people here on training courses, which were very good. An organisation like ABCUL are the only people who can provide it. They produce manuals and guides and help with some publicity. That's essential.

Others were more critical:

Where I feel a lack of any support or contact is through the ABCUL structure. As the President, and previously a member of the supervisory committee, nobody has offered me any training in either of those functions.

We've floundered on for periods of time with no officer assistance ... Just letters demanding various forms returned ... It's only in failing to make those returns that it produces any response ... more a slapped wrist rather than offers of help. We're expected to be self-sufficient with no training whatsoever. There should be more recognition of the fact that we're ... untrained, unpaid volunteers.

One credit union took a strong line against ABCUL's go-for-growth policy:

They are looking for growth ... to make the thing viable so (the Americans) can withdraw their support. The fear of course is that community credit unions will not get a great deal of attention. All the community credit unions together don't pay enough money to run the Association. Community credit unions may have to go to the bottom of the list... They want to expand to pay for bureaucracy. Our credit union can pay for itself. We don't need bureaucracy... All we need is someone to give us insurance. They want somebody with £25,000 a year and an office. To get that they must have large memberships.

Many credit unions commented favourably on the support received locally, either through regional organisations or Chapters, or just from neighbouring groups.

Small credit unions can help one another. We've helped quite a lot, helped them off the ground. They've come in here and we've showed them how the books are going. Basically I don't think that you need this hierarchy taking money out of the credit union.

We can borrow from other credit unions if there's a need. We do get assistance in many other ways by them sharing their experience with us at Chapter when all the credit unions meet together. There's a very definite bond with other credit unions. But I think we stand very much on our own. It's self-help, and by God we've had to do it ourselves.

The one credit union in our sample which had remained independent of all the national organisations had certainly found local help useful:

If everybody came down with 'flu in the one week you can always get help from one of the other credit unions. They will send members up to cover for you if you like. We all use the one system of book-keeping. The same is used throughout the three groups so they can step in at any time and take over from us or we can go to theirs and know their system.

Some officers were particularly keen on the insurance schemes run by the ILCU and ABCUL.

Loan protection and life savings are essential to both the members' peace of mind and the financial stability of the credit union. (It provides) in many cases the only form of insurance a member has, and (allows) small community credit unions to operate without the fear of major losses due to unpaid loans in the event of the death of the borrower.

Central government provides hardly any resources in direct support of credit unions. But a few local authorities, mostly in metropolitan areas, have tried to encourage them. Their most substantial contribution has been in funding development workers. Some have also given small grants to help new credit unions get off the ground. One of the credit unions in the sample had received £300 from the Priority Areas Team to cover registration fees and initial publicity costs. A second had attracted funding of £1,750 to purchase office equipment and a grant of £50 per year for three years to pay for stationery.

Another local authority initiative was a subsidy provided by the GLC to enable five credit unions to hire salaried managers. A few workplace credit unions have been set up among council employees, and some of these benefit from the support of the authority.

In Northern Ireland, credit unions have grown up with the support of the ILCU, without drawing on public funds. Such support might have been counter-productive, in any case.

It would probably have not been a good thing to have had support from local councils. It would have tended to have polarised the way we worked. It would have been split along the sectarian divide from the beginning. Whereas with us being away from that, it's possible to break it down.

There are now sixteen workplace based credit unions in Great Britain (and only one in Northern Ireland) in private companies and

in the public sector: transport workers, police forces, higher education institutions and council employees. Some have obtained full support from their employer in payroll deductions (for savings and loans), office space and equipment, time off work and subsidised administrators. Some had access to computer facilities or the internal post system. Two of the credit unions under study drew their members from among council employees. One had received a lot of support from the employer. The other had not. They were both asked to describe their relationship with the council:

The council's been very sympathetic towards us and extremely helpful in many many ways. They've encouraged us as much as they possibly can. There's traditionally a very close link politically between manual workers and the politicians (in the majority Labour group). Most of the membership of the credit union is in the manual work force. That is, I think, the reason why they've been reluctant, when we were at our worst, to pull the plug and close us down. It was the effect it would have on a large number of manual workers. I think they will continue to give us support and they will be grateful when we can increase our membership to become self-sufficient. I think we will get that support until that happens.

Our Director (of our department) ... saw it as a good thing and therefore something to be encouraged. As far as anybody in senior management outside our own department is concerned, those that do know anything about it seem to view it with great suspicion. The vast majority don't seem to know anything about it at all. That's partly due to the fact that we haven't publicised it and partly due to the fact that they aren't interested. As a rule we have no link or relationship with the council per se. We've never approached them on formal issues.

Some employers view a credit union as a fringe benefit which may add to the attractions of the employment package they can offer, and improve management-staff relations. Other employers have found it necessary to counsel staff in financial difficulties; indeed some employers, for example the police, have a statutory duty to provide this kind of support. A credit union has offered one way of tackling the problem.

The Catholic Church has played an important role, not only in initiating the development of credit unions, but also in providing premises and other services to aid their operation. Patronage by the church at a parish level can greatly enhance a credit union's image and

assist it to retain the confidence of the general membership. Loyalty to the church can provide a strong common bond. For the church itself, credit union objectives of co-operation and combatting usury are in harmony with Christian principles. A church-based credit union might also help to revive a flagging congregation. On the other hand, a church-based union can project a denominational image, implying that credit unions are only for Catholics. It is notable that the success of credit unions in Northern Ireland is almost entirely confined to the Catholic population.

Many of the credit unions we visited had received some support from other groups or institutions in their local community. Some had the use of a community centre free or at a nominal rent, together with office equipment and storage space. Links had also been forged with local schools, voluntary organisations and retailers. One credit union reported substantial moral support from local retailers who found that customers were no longer running up debts on their accounts.

Premises and staff

All except one of the twelve credit unions studied in detail had some kind of premises from which to conduct their business. Three of the larger unions, in Northern Ireland, had bought their own offices. Three unions used the church hall, and two a local community centre. One credit union based on a housing estate had campaigned for use of the lock-ups below the blocks of flats and had managed to convert them into adequate business premises. One of the work-based groups had its own office and part-time manager heavily subsidised by the employer. The other operated from the desks of its elected officers and three regular collection points in different office buildings. In the credit union with no premises, all business was conducted from the homes of committee members or collectors.

The availability of premises could have an important influence on the structure of a credit union. There was a limit on the scale of operation that could be maintained from premises hired for the evening. On the other hand, a very large membership would be required to sustain a permanent office.

Not having your own premises plays a big part in keeping your membership down. You don't have the facilities for storage to begin with, for keeping all your stationery and account books. The amount of work we're doing now is enough to keep us going at the

rate we're going now. If you did have premises of your own you would have to have a larger membership to pay for the premises.

Unions with their own premises had acquired the full range of office furnishings: desks, typewriters, telephones, photocopiers, computing facilities, storage and filing systems; the workplace credit unions had access to most of these things at work. Some other credit unions had bought one or more items of equipment, or used facilities available at their meeting place. But many relied on resources available to individual committee members – their home telephone or the photocopier available at their place of work. For two credit unions storage was a particular problem. The membership and accounting records had to be carried to and from collections in suitcases.

Business hours fell into one of two types of arrangement. The work-based groups and those with permanent premises and/or paid staff could offer a service more like a bank. Members could pay in their savings, or go to negotiate a loan, during regular weekday opening hours, and often with the added advantage of a Saturday morning session. The smaller community based unions, though, were open for business only at specific times – usually Friday evenings. All members were expected to pay in their savings at this time, and the social aspect of the session was felt to stimulate group loyalty. One union supplemented the Friday session with a collection on Sunday morning and Monday evening as well.

Although responsibility for the management of credit unions invariably rests with a board or committee of members, both the legislation and the model rules of the umbrella organisations allow staff to be employed.

The decision whether to hire staff will usually be dictated by the size of the union. A group with a few hundred members would neither need paid assistance nor be able to afford it; one with thousands of members would have sufficient resources to cover the costs, and could not be administered without staff. It is, however, an oversimplification to think in terms of a single point of decision – while there will be a level of assets below which it would be unthinkable to employ someone, and another level above which it would be unavoidable, there will be a range within which the decision will depend on the policy and circumstances of the management group.

ILCU reports that there are 800 paid staff working for credit unions in Ireland, north and south of the border. Our own figures are based

on expenditure on salaries rather than on a direct head-count, but it can be seen that employment of staff was normal in Northern Ireland, and rare in Great Britain. The difference is partly explained by the relative numbers of large and small unions on each side of the water, but credit unions of a given size were still more likely to hire workers in Northern Ireland than in Great Britain.

Table 2.1 Proportion of unions reporting any expenditure on salaries, by number of members

Number of members	Percentages					
	Total	Up to 149	150 to 499	500 to 999	1000 to 1999	2000 or more
Great Britain	15	3	19	45	33	na
Northern Ireland	80	na	38	86	95	100

One set of questions about the hiring of staff was purely practical. The total amount of work that could be achieved by volunteers on their own was limited. Paid assistance therefore enabled a union run on a larger scale than would otherwise have been possible. The additional labour could also be used to promote the union within the community defined by the common bond, and this might increase the membership. The disadvantage of paying staff, of course, was the cost; money spent on salaries would raise operating expenses and therefore reduce the surplus available for dividends and reserves. If, on the other hand, the staff's additional work enabled the union to gain or retain a larger membership than volunteers could service, the salaries would be self-financing: more members meant more income-generating assets.

But many of the leaders who had considered the possibility of taking on paid assistance were concerned more with the style and image of the credit union than with immediately practical matters. One question, which will be discussed in more detail in the next section, was about the size of the group; those who preferred a small, tightly-knit union preferred not to hire staff because that would have increased the pressure for growth. But paid workers might also have an effect of their own on the relationship between the members, committee members and the institution. The argument is typical of

wider debates about the relative merits of voluntarism and professionalism.

Some people felt that credit unions with staff were efficient, businesslike, serving the community as a whole, competing, perhaps, with bigger institutions like banks and building societies. These attributes were admired by many of the people we spoke to. Paid staff freed volunteers from the routine operations of the credit union, allowing them to concentrate on higher order tasks such as planning and policy-making. The reduction in the amount of time required of elected members might also increase the number of talented people who would be prepared to come forward.

But others disagreed: they felt that staff could undermine the elected leaders' involvement in running the union, to the extent that they would spend more time worrying about the staff than about policy. A professional management might set its own interests above the welfare of individual members. It was also felt that the instinctive loyalty of grass-roots members would be diminished if they dealt with employees rather than with volunteers drawn from among their own ranks. If this affected members' savings and repayment habits, the cost might be high.

We would feel as if we would lose the whole environment of our own credit union, where it's all voluntary. We enjoy the idea of it all being voluntary and us giving up our time to run the credit union. The main thing in credit unions is the personal touch. You have voluntary staff who are there because they want to be there and therefore they are going to give more to the community. I think we would lose out because the volunteers would back out if someone was getting paid to do it.

From the committee members' personal point of view, the trade-off was between a heavy burden of unpaid work on the one hand, and a loss of direct involvement in the affairs of the union on the other. A particular problem for many of the groups lay in their own inexperience of recruiting and supervising subordinates. There was a risk of hiring an unsuitable person, or of officers' delegating too much or too little of their work. Indeed, even among committee members who had debated the possibility of hiring staff, few appeared to have thought clearly about the role that they would assign to an employee – whether clerical assistance under the direct supervision of officers who would retain day to day control, or managerial responsibility reporting to the committee at intervals.

Much of the discussion of the possibilities and potential difficulties of hiring staff came from the leaders of unions which were not really in a position to do so. Among the twelve unions studied in detail, the largest, with many thousands of members, employed a manager who led a substantial team of full and part time staff. As would be expected, this manager was given a fairly free hand to run things as he saw fit and to refer problems back to the Board.

A management committee has to stand back and let the manager do the managing. It would be very unfair of us to come and dictate to the manager all the time exactly what should be happening with his staff. The manager is running the place according to the way the Board wants it run.

Although, as some elected officers said:

It's not as exciting now as it was in the early stages. It's very mundane.

Another credit union, based in the workplace, had taken on a part-time administrator paid for by the employer. The administrator arrived at a time when the credit union was close to collapse, and the volunteers were unable to cope with the demands being placed upon them. For the elected officers, the administrator had now become essential:

You'd need a small committee of five or six people to even half way get to grips with the work that Sue does. It would be practically impossible. It would be every lunch hour. Without Sue the credit union would have been defunct a long time ago. If you haven't got the skills I think it's perfectly in order to buy those skills in. At the moment we can't afford Sue's skills. We've offered to make a contribution, and if we increase our membership we can buy them.

But the administrator felt that her presence had led to a lack of commitment from volunteers and that they were now much less willing to put in the time necessary to help manage the credit union.

Two other members of the sample had previous experience of subsidised staff. One had benefitted from a GLC programme which provided managers for five credit unions to help build up membership and resources to the point at which the unions could pay the manager's salary themselves. The 95% initial subsidy was phased out completely over three years. The scheme is said to have been successful in two cases, both of which had common bonds based on a previously existing association; but it was not a success among the other three, community-based, credit unions. This might mean that the outsider

had prevented the development of group loyalty through participation which is thought to be so crucial to the success of a small union. The officers of the one in our sample said that there had been some practical advantages:

The credit union premises could be opened during the day ... We were doing a publicity drive and he dropped a lot of leaflets in doors ... He used to help with the monthly statements. His main job was that everything should be prepared. When we came at nights all we would have to do is to sign up and agree and see that everything is done.

But it did not work out, perhaps because the committee were put under pressure to take decisions in time for a deadline:

We had no experience, we had never before done that, hired somebody. We didn't really know what the job involved. We didn't have a clear idea of what we wanted. The candidates we managed to get, it was difficult to really size them up and feel if they were going to help or in which way they would help.

The person they chose had no previous experience of credit unions and no commitment to them. The officers, inexperienced though they were, had to train him. In the end:

The subsidy ... was another trap, because we got used to him on a subsidised basis. The moment we had to start paying some of his salary, we found it was really difficult and we had to stop. It was a disservice as it turned out.

Another credit union had employed an MSC worker for one year. Again, it did not work out:

I think she was grossly underused for her skills because the Treasurer kept her on a very tight rein. The Treasurer we had at that time was not willing to let her into it and she became very disillusioned.

These examples suggest that small credit unions should approach the possibility of hired help with caution, even if the initial costs would be borne by someone else. Well-trained and well-managed employees might provide continuity and technical skills, improving the quality of service and stimulating growth. In some situations it may be essential – the credit union currently being set up for employees of Birmingham Council has 1,200 members waiting to join, and a full-time manager will be necessary from day one. But a paid manager does not appear to be an automatic solution, and a badly planned move could prove disastrous.

The question of growth

It has already been reported that the two organisations which represent credit unions in Great Britain differ in their views about the ideal size of a credit union and the strategy for expansion. The Association of British Credit Unions emphasises financial objectives, and aims for fewer, larger and more business-like unions. The National Federation emphasises objectives such as self-help and community development, and aims for a large number of unions, each of them confined to a few hundred members.

A parallel but not identical set of questions faced the leaders of individual credit unions once they had established themselves: should they aim to grow, or stay small? There were advantages and problems associated with each option.

Staying small

People had different ideas about the dividing line between large and small unions. But many felt that they should not exceed 800 members – about the number at which it became necessary to consider employing staff. Some preferred to remain smaller than that, putting the optimum size around the 200 mark. The advantages of smallness lay in the personal contact among members and officers, which was said to strengthen group loyalty. There were practical advantages if this loyalty stimulated regular savings patterns and a low level of bad debt. But the proponents of smallness appeared to value the group ethic for its own sake, at least as much as for any effect on the finances of the union. The fact that members were helping themselves and each other by their own will and out of their own resources was ‘the whole point’ of having a credit union; it would be lost if members no longer felt actively involved in its management.

Other leaders took the opposite view. But those who preferred to remain small faced some problems. First, the policy was at odds with the desire of all credit union advocates to spread the benefits of membership to as many people as possible. It was hard to turn people away, or even to go slow on promoting the union. The alternative was to start another union, but this was never easy, especially if the new union was intended to recruit within the same common bond. So far as is known, unions have never tried the growth-of-cell strategy of growing to a certain size and then splitting into two.

Staying at a preferred size might also lead to a series of problems associated with stagnation. There were practical difficulties involved in trying to retain a fixed number of members: the block on recruitment would lead to an 'aging' and inward-looking membership, into which it could be difficult to draft new people to replace those who left. The union affairs might be left more and more to a small group of people, again with difficulties if some of the leading members tried to 'retire'. And it might be difficult to maintain a healthy financial structure without resort to artificial means – requesting members to save or to borrow more or less, not for their own benefit but simply in support of the union. These are not inevitable consequences of a decision to remain small, but they are risks which must become more serious as time goes by.

A small union would have a small financial base and low reserves. On the other hand, the strong group loyalty and the lack of fixed operating costs might enable it to respond flexibly to a crisis, as long as it did not offer any large loans. It is not clear, therefore, whether a stable small group would face higher or lower financial risks than a large one.

Trying to grow

Whatever the arguments for or against large credit unions, a second set of problems was associated with the attempt to make the transition from small to large. First, there was a general difficulty in recruiting more people to join a group which was not widely known or understood. While the first few hundred members might be contacted by word of mouth along existing grapevines, later stages of expansion might require different methods. But, as some officers pointed out, publicity on a wider scale could lead to creating the impression that credit unions could provide instant access to cheap credit for the public at large without the necessary preliminaries of membership and regular savings. And the group identity that had been so helpful in the initial stages might limit the scope for recruitment later on.

Even when you push them personally, as soon as you say a loan, they say 'I won't get into debt'. You really need a friend, people that you know, and explain to them. Even then it's hard. We've had it announced from the pulpit. We've had it in the bulletin. We had an article for the newspaper, and we had two requests to buy cars overnight, which we turned down. It's very difficult to get

through what it's really about. They don't really believe what you're saying in the leaflets and so on. It doesn't really get across.

A second hindrance to growth was the increasing amount of work which had to be done by the leadership group, not only to recruit new members, but also to service their savings and loans. Over-rapid expansion had caused one union serious problems:

The trouble was we were rushed off our feet because we found there was an almost instant demand for the services we were providing and we hadn't got ourselves geared up to deal with it adequately. The people trying to run it lacked skills and the credit union came close to collapse ... Our membership was falling because we weren't able to offer the service that the members wanted. It developed a poor reputation so it made it very difficult to gain new members. It's not that anything dishonest ever took place, it was just an inability of some people involved to cope with the demands.

But several others had developed a policy for controlled expansion:

We have never gone out and had a publicity campaign to get people in because we could get them in. The question you then have to ask is, if you get them in, can you service them? The chances are if you get a hundred members, there's a hundred people who have a need and you're getting that need right away. So we feel we have to let the growth come naturally, so we can control it and ... service it.

As the membership and the workload grew, the limitations of voluntary workers operating in hired premises became more serious.

Not having your own premises plays a big part in keeping your membership down ... You don't have the facilities for storage to begin with ... If you did have premises of your own you would have to have a larger membership to pay for the premises.

The only advantage of growing for me is that you're giving the benefit of the service to more people. Obviously the more people you have, the more time it takes to administer and it puts greater strains on the people who are doing it, who are basically doing it voluntarily anyway. There is a point you must reach where you get to that size where you're actually talking about having professional people doing it on a full-time basis.

Although one of the unions in the sample was successfully servicing over 1,000 members on an entirely voluntary basis, it will be seen that there is a natural hump in the growing process, at the point where the volunteers and the premises cannot cope with any further

increase. At this point the union probably cannot support permanent premises and/or full-time staff, but these services would repay their cost if they enabled the union to grow further.

While few British credit unions have managed to pass this hump, most of those in Northern Ireland have done so, to stabilise with thousands of members and substantial assets. None of them has reached anything like the scale of some of the huge American credit unions, or of the British building societies, though that may simply reflect the small population of the Province. Both of those examples lead to the possibility that a further stage in credit union development might be a series of mergers into larger, more efficiently administered, but inevitably more impersonal institutions.

The leaders of those unions which had expanded were conscious of the reduction in personal contact between members that this had involved. But, though they regretted that there was no longer so much fun to be had, they did not think that it undermined the service that was being provided to their members. Nevertheless, people were worried about the effects of getting larger. No-one wanted to become just another commercial organisation:

The credit unions in Australia and Canada work a cheque system just like any other financial institution. You can go to them and they have an auto-teller out in the street. Now that's how they envisage us being eventually. That's not a vision I have of it. It's a vision that some directors do have of it, but then I don't think we're any better than the financial institutions that are causing mayhem with the plastic card. I don't want a credit union with a plastic card because I think that's not any different from having a TSB plastic card. They think this is the way to go, but for me it's not the way to go.