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A Values Perspective of the Irish Credit Union Movement

Olive McCarthy

It is important for all co-operatives, including credit unions to continue to energise and re-energise their core values, particularly in the context of a rapidly changing environment. This article firstly identifies briefly the values inherent in co-operatives such as credit unions and then explores how some of these operate in practice, drawing mainly on co-operative theory and on the author's experience as a practitioner within the Irish credit union movement. Some lessons are then drawn up that might be learned by credit unions in the UK and elsewhere from the successes and difficulties of the Irish credit union movement[1].

What are the core values of credit unions?

We all possess values. Put simply, values correspond to influences on 'the orientation of human action ... An attitude to what is good and desirable or ideal.'[2] In other words, the values individuals or organisations hold influence what is done and what is thought. They are fundamental beliefs that influence our behaviour. For co-operatives, values provide the basis on which the co-operative principles operate. Co-operatives such as credit unions are based on a set of distinguishing values. The International Co-operative Alliance Statement on Co-operative Identity states that all co-operatives including credit unions are based on the following values:

- self-help
- self-responsibility
- democracy
- equality
- equity
- solidarity

Self-help and self-responsibility

Self-help and self-responsibility assert that people can be *origins of action*[3] and have innate abilities to shape and control their own destiny and to meet their own needs. Through *mutual* self-help

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people can achieve more than through self-help alone, especially by using their collective influence in the marketplace and before governments. By being involved in co-operatives, people develop various skills and gain insights about society. In this way, co-operatives foster the education and development of those involved.

Democracy and equality

Co-operatives operate on the basis of the equality of all members. No member has rights which exceed any other. All members have the equal right to participate in the activities of the co-operative and to make decisions about it and to be enabled to do so. This includes treating all members in the same way. All members have the same voting power, the same opportunities to participate in running their organisation. All members can access the training and education they need to participate. Equal levels of information are made available to members. All members have the same right be heard.

Equity

This refers to the way in which members are treated within a co-operative and particularly how they are rewarded, for example, in terms of dividends and patronage refunds. This includes treating all members fairly.

Solidarity

While a co-operative always has a responsibility for the collective interests of its members, the more general interests of their communities and society are always kept in mind. Co-operators and co-operatives, despite different aims, unite as a movement in the face of the public and government.

Co-operatives also have a number of values which are considered to be *ethical* values:

- Honesty
- Openness
- Social responsibility
- Caring for others

Honesty

This involves honest dealings between co-operatives and their

members and non-members, including honest pricing, honest payment of dividends and so on. It also includes honest dealings with employees in terms of paying a fair wage and with suppliers in terms of paying for supplies in full and on time.

Openness

Co-operatives are open organisations, and regularly report to their members, to the public and to the government about their activities. This involves, for example, making meaningful and truthful reports to members, auditing accounts, and making timely and accurate returns according to regulatory requirements.

Social responsibility and caring for others

Co-operatives have a commitment to helping people to help themselves and are concerned about the well-being of members of the community. They make contributions of human and financial resources to their community and enable the development of co-operatives in the developing world.

How do these values translate into practice?

For the purposes of this article, discussion is confined to three of these values in the context of the Irish credit union movement, focusing on how the Irish credit union movement demonstrates or fails to demonstrate a commitment to these values. The article then concludes by drawing up a list of lessons that could be learned from the Irish credit union movement by other co-operative and credit union movements. The three values chosen for discussion are:

- democracy
- solidarity
- social responsibility

Democracy

The value of democracy is displayed to varying degrees at national[4] and local level in the Irish credit union movement.

At national level, the voting power of credit unions is evenly distributed, each affiliated credit union having two votes at annual/special/extraordinary general meetings. Credit unions are fairly well represented at general meetings of the Irish League of Credit Unions (ILCU) with about 80 per cent of credit unions attending.

However, with a meeting of this size, not everyone's opinion can be heard and discussion is usually dominated by about twenty to fifty, very well informed people. An initiative recommended by an AGM Review Committee was tested in 1999 whereby the larger meeting was broken up into smaller workshop groups. This gave more of those attending the opportunity to participate in a more meaningful way at the meeting. This initiative is to be applauded as a practical and effective way of engendering greater participation at general meetings. Although this initiative was discontinued the following year it is one which may be adopted more fully for the future.

Competition for elections to the ILCU board seems healthy at face value as there are always far more candidates for election than there are vacancies. The age and gender profiles at ILCU board and sub-committee level have improved over the past few years but men still make up over 60 per cent of the ILCU board and the average age, although falling is still quite high. However, the basis on which voting decisions are taken by credit unions is questionable. Credit unions are inclined to vote for one or two candidates from their region, if available, or to vote for the popular candidates rather than weighing up the skills and abilities of the various candidates going forward. However, candidates do not have a special forum to make their agendas known, therefore credit unions cannot be well informed in making their choices. There is also a general feeling within the movement that there may be a number of excellent ILCU board candidates 'out there' in the movement who have not come forward for election because of the time commitment required to serve. In 2000, the ILCU board met 29 times for full weekends (not counting regional Chapter meetings, delegations to government and other meetings requiring attendance by ILCU board members)[5]. This surely would dampen the enthusiasm of even the most committed credit union practitioner.

While the Irish movement at a national level no doubt embraces core democratic values, certain areas of practice can be improved. An independent Review Commission has recently completed a full report to the movement on the future structure and direction of the ILCU and has highlighted some of the above issues. A number of radical changes to the way the ILCU operates have now been agreed by the movement and are currently being implemented. These include[6]:

- that AGM be replaced with by a biennial delegate conference where clear lines of policy for ILCU board and staff will be set
- that a two day consultative conference should take place

in the intervening years to give an account of performance and to deal with non-core business issues and intensive education

- a reduced size ILCU board (from 16 to 13) to aid greater effectiveness in decision-making
- a limit to the number of ILCU board meetings of 9-10 per year as well as one special week-end 'think-in' session
- the election of board members by postal ballot and for a period of office of 2 years, up to a limit of 10 years in aggregate
- the positions of President, Vice-President and Treasurer to be elected by popular ballot by the member credit unions, and not by ILCU board as in the past.

It is too early to say yet whether these changes will re-energise the value of democracy within the Irish credit union movement but they are certainly a good beginning.

From an individual credit union point of view, the value of democracy presents its own challenges. The greatest difficulty facing many credit unions is in seeking members sufficiently interested to lend time to the credit union, particularly on a voluntary basis. The situation is no different for Irish credit unions.

AGMs are often poorly attended[7,8] and are dominated by those at the 'top table' and by a few vocal members. Large turnouts of members at AGMs usually indicate that there have been problems in the credit union during the year. Even if a large number of members were to attend the AGM, it has not proved a suitable vehicle for member feedback and decision-making. Many AGMs simply 'go through the motions' and gallop towards the finish for a free cup of tea. How healthy an exercise in democracy is this? As they stand, AGMs do little to inspire members to attend or to participate. Often, there are scarcely enough members to fill vacancies on boards and sub-committees. The vast majority of sub-committees are dominated by board members. The gender profile is not particularly healthy, with men being more likely to hold the officerships than women[9]. Furthermore, many boards are dominated by professionals, raising the question of how representative the boards are of general membership and leading one to wonder why the board is not more representative. Potential for further research lies in explorations of these issues.

Previous research has shown the age profile of boards and sub-committees to be quite high[10]. However, interesting initiatives are underway to try to encourage more of the younger members to get more actively involved in their credit unions. The ILCU established a

Youth Policy Task Force in 1997 to research and develop a youth policy for the Irish credit union movement. This policy served to highlight awareness among credit unions of youth issues and the need to secure the next generation of credit union activists. One of the recommendations of the task force was the employment of a youth development officer at ILCU level and the appointment at regional Chapter and credit union level of a voluntary youth development officer. The youth development officer is responsible for developing credit union youth initiatives, liasing with schools and generally promoting the credit union idea to young people with a view to securing their commitment and involvement. Every region now has its own youth development officer and a large number of credit unions have followed suit. Various initiatives are underway, including an educational pack for schools. The credit union youth officers in my local area meet once every two months to discuss their activities and to support each other. These credit unions, showing a commitment to democracy through youth, are to be commended.

Some of the lessons:

There are some clear lessons for credit unions from the experiences of the Irish credit union movement regarding the value of democracy:

At a national level, key lessons emerge:

a) If the value of democracy is important to credit unions at a national level, the challenge presented by the issue of representation must be addressed. Mechanisms must be in place to enable a broader representation by men and women of all ages. Credit unions from different geographical areas, of different sizes and of different types of common bond must feel their views and concerns are represented. And credit unions must be equipped with the information they need to make suitable choices at election time.
b) Credit union delegates at general meetings need to be heard. Large meetings are not conducive to hearing the views of a majority of delegates. Finding new structures to enable delegates to be heard is important to ensure that democracy at a national level remains healthy.

At a local level, some of the lessons that emerge include the following:

a) Valuing democracy in credit unions means finding and nurturing a cross-section of members as volunteers who are broadly representative of the membership[11]. This is not always easy.
b) The next generation of credit union activists must and can be secured. The initiatives underway in the Irish movement have built up a strong network of young active credit union members, a network which has already secured the future of the movement.
c) The AGM must be re-invigorated as this is the primary means by which members exercise their democratic rights. If credit unions value democracy, they need to think about new ways to involve the members in the AGM or in some alternative to AGM.

Solidarity

The ILCU is representative of the majority of credit unions on the island of Ireland. There is also a number of credit unions who are affiliated elsewhere, primarily in Northern Ireland.

It has been a particular strength of the movement that there has been such sustained unity between credit unions through the ILCU. There is also a network of 25 Chapters, or regional associations, which group credit unions together on a geographical basis. These facilitate meetings, discussions and problem-solving between credit unions on a regional basis.

There are a number of recent examples where the solidarity of the movement has played a valuable role in securing important progress for the movement. The first of these is the legislation campaign which demonstrated the value of pooling the human resources and talents of credit unions throughout the country to reach a common goal. The Credit Union Bill was issued by the government in 1996 in response to intense lobbying by credit union officials over an extended time span. Previous credit union legislation dated back to 1966. A co-ordinated effort between all credit unions affiliated to the ILCU and by the Chapters was made to lobby the government for amendments to the Bill. Each Chapter appointed a constituency co-ordinator to lobby local politicians. Through the cohesiveness of this approach, every politician in the country was contacted about the Credit Union Bill. The end result was over 100 material amendments to the Bill, demonstrating the power of a united approach. Similarly, government proposals to tax credit union members' dividends at source were successfully challenged through a movement-wide campaign, again involving the constituency co-ordinators.

More recently, however, greater fragmentation has become evident in the movement. There is some divergence between credit unions – between big and small, between industrial and community, between North and South. Some of the larger credit unions have started to make noises about the extent to which they are represented at ILCU level. Arguments have been put forward that a credit union with 20,000 members should have more voting power than a credit union with 2,000 members. There are also arguments put forward that credit unions in Northern Ireland should be the only credit unions allowed to vote on issues relating strictly to them at general meetings as these credit unions can feel disenfranchised by a majority of Republic of Ireland credit unions in attendance.

This divergence was all too evident in recent attempts to introduce a central IT system for all affiliated credit unions. Although 75 per cent of credit unions subscribed to the system proposals, many of the smaller credit unions could not afford to commit funds. Furthermore, a number of the larger credit unions expressed great dissatisfaction with the proposals and decided not to subscribe any funds. Somewhat understandably, the ILCU decided to go ahead with the plans regardless. When the development finally collapsed it was recognised that a more cohesive approach was necessary to include the interests of all credit unions and to enable credit unions to buy into some or all of the system as their requirements would dictate. More regular and open communication was necessary.

Greater opportunities exist for movement solidarity at a Chapter level. A Chapter in the south of the country, comprising about 35 credit unions, has given good example to other Chapters by pooling resources to engage in a credit union advertising campaign in the south of the country. This Chapter identified an opportunity to use its collective muscle to communicate the credit union message and set up its own committee to deal with the issue. All but two of the credit unions in that Chapter give funds voluntarily, based on the number of members they have, to form a central fund to finance the cost of advertising local credit unions and their services in the region. Difficulties in terms of differing levels of service and differing loan interest and dividend rates were overcome by engaging in generic advertising. Broad coverage on local television, radio and newspapers has been made possible by this collaboration between the credit unions. This level of coverage certainly would not have been feasible for a credit union financing such an initiative on its own. Measurements of the impact of the initiative are crude but give overall indications of success. All credit unions were asked for information relating to the number and amount of loans granted in the month immediately after a particular advertisement for loans

was launched. An overall increase in lending across the Chapter was reported. The credit unions that have not subscribed to the initiative are yet to be convinced that the advertising reaches their members. However, these credit unions are not excluded from the advertising even though they have not paid their share of the bill.

Other Chapters may wish to follow suit. Displaying a true sense of the co-operative value of solidarity, this Chapter is willing to share its ideas and expertise with other Chapters, credit unions, and indeed, credit union and co-operative movements.

Another issue worthy of consideration in discussing the value of solidarity is the limited contact of the Irish credit union movement with the rest of the co-operative movement in Ireland. It has worked completely separately from the co-operative movement on issues such as legislation and taxation. For example, co-operative legislation in Ireland dates back to the 1890s whereas credit unions have their legislation right up to date.

It is arguable whether credit unions are seen as part of the wider co-operative movement in Ireland. Most credit union members are not aware that they are members of co-operatives, seeing co-operatives as the preserve of agriculture. There have been a small number of initiatives whereby credit unions fund co-operative activity in their communities but these have made little impact on the co-operative movement as a whole. There are still many opportunities for the credit union movement to be seen as part of the wider co-operative movement in Ireland. Credit unions could provide much needed investment or expertise in government lobbying. The movement as a whole might consider acting in solidarity in educating the general public about co-operatives. Synergies exist and are not being exploited.

Some of the lessons:

Clear lessons emerge from the Irish credit union movement's experiences of the value of solidarity:

a) Acting together to lobby the government is essential to success in securing favourable conditions. The united muscle of the credit union movement during the drafting of legislation and taxation rules was invaluable.
b) The value of solidarity through the local Chapter should be more fully recognised and acted upon. This has paid dividends to credit unions in Ireland in organising and mobilising local credit unions.
c) Credit unions are but one arm of the co-operative movement.

Synergies should be found and nurtured with other arms of the co-operative movement.

d) Solidarity must be worked on and fostered. Open and honest communication between all credit unions is vital. Past success through solidarity of the movement should never be taken blindly as a guarantee of future solidarity. This is clear from the failure of the movement to listen to credit unions which refused to subscribe to the IT proposals.

Social responsibility

Irish credit unions make a substantial contribution to the social fabric of their local communities. They make generous contributions of funding to local charities, sports organisations, community associations and various community services. Some credit unions make facilities such as premises, photocopying and telephone available free of charge to local groups while others donate their organisational expertise and personal skills.

As an example[12], a number of credit unions became involved in local job creation initiatives during the early 1990s when unemployment had grown considerably in Ireland. Not all of these initiatives required large financial outlays. Most required drive and imagination. Credit unions fortunate to be able to afford costly initiatives were involved in setting up enterprise centres to encourage their members to set up their own businesses. One such credit union stipulated that it would only house start-up businesses that provided a *new* service to the community. Most of these initiatives were funded by the members, who decided collectively to forego a proportion of their dividend for a number of years. Credit unions that were not willing or able to commit funding to such initiatives engaged in more affordable projects. A number of credit unions ran competitions among their members, with a small prize fund, to produce new business ideas. This was aimed at encouraging greater entrepreneurialism within the community. Another credit union compiled a directory of home improvement services provided by members. This proved beneficial to the credit union also in that it also promoted lending for home improvements from the credit union.

There is now a housing crisis in Ireland, where the cost of buying domestic property is the second highest in the EU. A small number of credit unions have recognised their potential to work with housing co-operatives and other local initiatives to find affordable housing for their members. Some credit unions facilitate the payment of rent by

members directly to the housing co-operative's account in the credit union. Other credit unions have provided low cost loans or large donations towards the work of various community based housing initiatives although the extent and effects of this activity requires further research.

There are areas where Irish credit unions could be more socially responsible. The vast majority of credit unions are severely under-lent. Excess funds of about €2 billion in total are invested in banks and in secured stocks rather than re-invested back into local communities. Investment in ethical funds is not a priority. Credit unions that are serious about their social responsibility to the community need to find ways to re-invest these funds in a way that benefits the members and the wider community other than merely through the investment income earned. There are many community projects crying out for funds and credit unions might be able to help. There may also be possibilities for credit unions to lend to other co-operatives, or indeed, to credit unions in other movements.

Support has already been forthcoming in terms of donations to credit unions in developing countries, although this is somewhat limited. About €600,000 is donated each year by Irish credit unions to credit union projects in The Gambia, Albania, Russia and South Africa. There is scope for much more.

Not many credit unions have considered their responsibility to the environment in which their members live. The choice of the location, size and appearance of premises all impact on the local environment and are limited only by planning laws rather than any ambitions by credit unions to be environmentally friendly. The level of recycling and waste disposal, particularly of paper and computer disposables, is not monitored to any great extent.

Irish credit unions that are serious about the value of social responsibility will also do more to spread the message of credit unions throughout their community, encouraging thrift and co-operative effort and showing how credit unions differ to conventional institutions. Credit unions have shown commitment to educating their volunteers and employees but have shown little interest in educating the general public. Too often, the general public, and even at times, local and national governments view credit unions as 'just another financial institution' without seeing the differences clearly. This weakens the position of credit unions in facing regulators and legislators both within Ireland and in the wider EU context. For example, the Irish credit union movement has been taken to the European Courts on a number of occasions by the Irish banks on grounds of unfair competition as a result of perceived

favourable taxation on credit union income and dividends. This leads me to wonder had credit unions been more proactive in educating the general public about the differences of credit unions, would these challenges have arisen?

Some of the lessons:

a) Being social responsibility does not have to be expensive. Credit unions can be involved in community initiatives without having to commit to large financial outlays.
b) Communicating a credit union's commitment to social responsibility may be a valuable educational and promotional tool.

Conclusion

This paper has examined what co-operative and credit union values are, and has explored three of these values in some further detail. It is aimed to generate discussion and exploration of ways to re-energise these values in the context of co-operatives, including credit unions and is based on the lessons that can be learned from the Irish credit union movement's successes and difficulties.

Olive McCarthy is a researcher with the Centre for Co-operative Studies and a lecturer with the Department of Food Business and Development, University College Cork, Ireland. An earlier version of this article was presented to the Society for Co-operative Studies (UK) Annual Conference and AGM, Leicester, 7-8 September 2002.

Notes

1. The Irish credit union movement is now forty three years old and is considered one of the 'success stories' of the Irish co-operative movement. In 2001, it had 2.5 million members, representing about one half of the entire population of Ireland, with €7 billion in savings and €4.3 billion in loan disbursements, and comprising of 535 credit unions. There are another 60 or so credit unions in Ireland not affiliated to the Irish League of Credit Unions (ILCU) but all figures presented here represent those affiliated to the ILCU only.
2. Laurinkari J, quoted by Craig J, *Co-operatives and Basic Value Sets,* Journal of Rural Co-operation, XVIII/1, 1990, pp67-77

View publication stats

3. A term coined by Briscoe et al, *The Co-operative Idea*, Centre for Co-operative Studies, UCC, Cork, 1982
4. By 'national' I refer to those credit unions affiliated to the Irish League of Credit Unions (ILCU).
5. Irish League of Credit Unions, Annual Report, 2001
6. *Time for Change*, Report of the Review Commission, April 2002
7. For further discussion of these issues, see Ward M, *"The spirit of credit union in Ireland"*, in Briscoe R & M Ward, *The Co-operatives of Ireland*, Centre for Co-operative Studies, UCC, 2000
8. See McKillop D, O McCarthy, M Ward, R Briscoe & C Ferguson, *Women in the Irish Credit Union Movement: North and South,* Oak Tree Press, Cork, forthcoming 2002 for more detail.
9. Ibid.
10. McCarthy O, R Briscoe and M Ward, *An Analysis of Youth Involvement in the Irish Credit Union Movement*, Centre for Co-operative Studies, UCC, Cork, 1999
11. For further discussion of these issues, see Ward M, *"The spirit of credit union in Ireland"*, in Briscoe R & M Ward, *The Co-operatives of Ireland*, Centre for Co-operative Studies, UCC, 2000
12. See McCarthy O, R Briscoe & M Ward, *Job Creation and Credit Unions*, Centre for Co-operative Studies, UCC, 1999 for further information and discussion on this example.