

Talk on ILO Working paper on Rokin Banks

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To the Rokin Association & Kinki Rokin

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Dear ROKIN members,

It is my pleasure and honour to be with you today.

I am very happy this meeting is taking place given what you represent, and our longstanding cooperation.

It was, indeed, a few years ago that the ILO and Rokin came to learn from each other, in the difficult context of the financial crisis. The ILO was then looking for examples of good practices of what financial institutions could do to protect workers, and the role of trade unions in that context. And of course Rokin Bank had some very interesting experiences to offer. That paved the way for the elaboration of a Working Paper which we published this year.

I would like to talk to you about two issues: why we looked at Rokin Bank as an interesting experience in terms of outreach services to workers in the context of the crisis; and what are the lessons we have learnt from your experience, and how the ILO has taken them on board.

First: why did we see your Rokin Bank an interesting experience?

First of all, because Rokin Banks are “Workers banks”. As you know, what makes Rokin banks so unique and distinguishable from commercial banks is their organizational structure established under the governance of trade unions. The strong relationship between Rokin banks and trade unions enable them to respond effectively to the financial needs of workers.

As we looked into your business model we understood that trade unions act as intermediaries, expressing the needs and interests of workers and at the same time act as agents for Rokin banks. The Rokin banks can therefore provide the kind of financial services that are the most relevant for union members, such as

housing loans. You also provide advice on key issues such as over-indebtedness and the special employment related schemes such as the Employment Security Fund Loan Program offered by the Government.

This union between a bank and trade union has been mutually beneficial, as the trade union can sell relevant services to its members – and potential members – while the financial institutions can rely on a large membership basis and the outreach capacity of the union.

This kind of partnership is for the ILO exemplary, and represents a success story that we are interested in promoting.

I will come back to this later.

Secondly, the ILO's interest comes also from the legal status of the Rokin Banks as financial cooperatives. The ILO has historically been very close to the cooperative philosophy and movement.

The values and principles of the cooperative movement –self-help, democracy, equality, equity, solidarity, honesty, openness, social responsibility and the principle of caring for their members and their communities- are fully in line with the values and principles of the ILO and of the Decent Work Agenda. As ethical organizations and with these values, cooperatives contribute to promoting rights at work, to promote social justice, employment and broader social and economic advancement, strengthening individuals, their families and communities.

One of the key strategic objectives of the ILO is to promote employment, and central to this is the promotion of enterprises. In this we consider the role and contribution of all size and types of enterprises: From multinational corporations to micro, small and medium size ones, and also the role of cooperatives and the social economy.

In particular, the cooperative model enables people with skills but little or no capital to pool resources to create employment and contribute to economic development.

Third, the ILO has given special attention to the role of cooperatives in the context of the crisis, whether provoked by natural disasters or the financial and economic crisis.

Today, as the world looks for more stable and sustainable business models, and more responsible and principled governance than the irresponsible capitalism often seen and that contributed to the financial crisis, interest in cooperatives, employee owned business, mutual organizations and other diverse forms of ownership is growing.

Thus, in an upcoming publication commissioned by the Cooperative branch of the ILO, Professor Johnston Birchall, of Stirling University (United Kingdom), shows that the financial cooperatives, as an “alternative banking system”, have been more stable and more efficient than many economists had predicted. The financial cooperatives kept credit flowing during the crisis, especially to small-and-medium-sized enterprises (SMEs), and remained stable across regions of the world.

Rokin banks have proven their stability during the crisis and are thus one more testimony of this global conclusion on financial cooperatives.

When the global financial crisis unfolded in 2008, Rokin responded to a government request to set up a programme to support workers struggling to repay their loans. They were given financial advice and, in some cases, a reduction of instalment amounts and an extension of the repayment period. Rokin banks have also offered low-interest loans to people who lost their homes after being laid-off as a result of the crisis. And Rokin also has a loan programme to assist community-based, non-profit and social welfare organizations. Your members also appreciate the low-interest, emergency financing your banks extend to workers and their families when disaster – such as an earthquake or a typhoon – strikes.

Thus for us at the ILO, the role that the Rokin Banks have played for your members is unique and deserves due recognition. And the paper we commissioned is being used to explain and disseminate your business model and methods of work.

Now, let me come to the second issue: **What are the lessons learnt from your experience and how the ILO has taken them on board?**

The first lesson is that if indeed it has been a challenge for the Rokin banks to adapt and promote “banking with a social conscience”, one can certainly say today that it has paid off.

Today, commercial banks are becoming more aggressive in targeting individual customers for loan lending, especially on housing, since banks can anticipate a stable source of profits from the borrower's repayment and collateral.

As we well know, commercial banks mainly deal with wealthy clients and focus on profit-making from individual investment funds and insurance products. Easy consumer credit and aggressive marketing strategies have become usual practice. It would, of course, be ideal if workers and their families were more careful to avoid the easy quick-cash and credit card schemes with high interest rates. However, people who are on the verge of their own personal financial crisis often either do not have the financial education or do not see other options and to offer embark in financial commitments they cannot meet, resulting in over-indebtedness and delinquencies.

The decision by Rokin banks to stay away from these aggressive marketing practices and avoid offering products that might lead to over-indebtedness - has certainly been a hard one in terms of limiting its financial performance. There is no scarcity of examples of Labour banks that failed because of this tendency to become too commercial.

This commitment fully justifies and explains that the Rokin banks are now regarded as the "double bottom line" institutions – or even triple bottom line, with social and financial goals, as well as environmental. This is fully in line with the global drive for more responsible finance.

The ILO has been engaged in the G20 Global Partnership for Financial Inclusion since 2008 and worked on social performance monitoring in the financial sector. For example, we helped to develop a methodology to track the social impact of financial and linked-non financial services. This project, called Microfinance for Decent Work, shows that financial institutions have the power to make a difference in the well-being of their clients.

This methodology is applied in both developing countries in partnership with microfinance institutions, and in industrialized countries such as France, where the ILO works with public authorities and social economy organizations to track the quality and quantity of jobs created through access to finance.

The ILO is also promoting the development of social auditing of investments, by piloting methodologies for assessment. This is currently being done for investment funds in rural Africa.

Because of all these effort, the ILO more than welcomes the example of the Rokin banks, which promote “banking with a social conscience”.

A second lesson, that we are also taking on board and sharing globally, is the role of the Unions towards financial inclusion of workers.

Throughout their history, the Rokin banks have shown how Trade Unions might be involved in facilitating access to financial services. By diversifying their services to members, Rokin banks have allowed the Unions to better respond to the needs of workers and attract new members.

The ILO has documented a number of such cases over the years, from the Amalgamated Bank in the US to the role of Unions in preventing over-indebtedness of workers. And we are using the case of the Rokin Banks to build the capacity of unions towards financial inclusion of workers.

Indeed, access to a bank account, does not mean a worker has access to the full range of financial services he or she might need, and under conditions that suit his or her needs. Trade unions can contribute to increase financial inclusion and to address existing bottlenecks in the demand and supply of financial services. Labour unions may, for example, do this lobbying for a conducive regulatory environment – as is happening in South Africa, for example – or by creating partnerships with financial institutions or by establishing an in-house financial service provider (for example the Rokin Banks).

They may also build the capacity of their members to take well-informed financial decisions by offering training in financial literacy and by lobbying for better protection of workers as clients of financial services.

The ILO has developed over the past year a training programme, called “Inclusive Finance for Workers”. The objective is to strengthen the role of trade unions in facilitating access to finance for their members, taking on board all these experiences, and to build the capacity of labour unions in this regard. The Rokin Bank is one of the case studies used in this training programme, so far mainly used in Africa.

We look forward the promotion of such approach beyond the African continent – right here in Asia is a next step. The experience of the Rokin Banks will be a showcase in our activities in Asia and beyond and we would very much

welcome a further partnership with the Rokin Banks in these capacity building activities.

To conclude, I would like to express my recognition for the success of the Rokin bank model. It has been exemplary in terms of its longevity and in innovating with flexible, accessible and responsive services enabling low income households to save and obtain modest loans for everyday life uses.

In a world where financial institutions are, quite rightly, under heavy pressure to take on more social responsibilities, the Rokin banks with their 60 years of experience, should serve as inspiration to institutionalize social finance for workers.

I thank you for your kind attention.