

Feeling the crunch?

It all began in the USA. When property was booming, US banks gave mortgages to lots of people with poor credit histories (or subprime credit risks). Wall Street bought up these loans as investments and sold them on to financial institutions around the world. However as the US housing market slowed and interest rates rose, many borrowers started defaulting on their loans, so that these once valued investments have become 'bad debts'. And, as a result, banks don't want to lend money to each other or us at the moment - so literally 'credit has been crushed'.

There is a raging debate about whether blame lies with consumers like us for overspending and putting too much on credit, or whether the banks are culprits for irresponsible high-risk lending. Whatever the answer, the days of 'spend now think later' are gone.

The effects for people like us are that good value mortgages and loans are difficult to find, people are losing out on ISAs

We've heard of little else but the credit crunch recently - but what is it, why did it happen and what does it mean for members like you?

and pensions as stock markets plummet, and the cost of everyday necessities such as food, petrol and fuel has risen. The credit crunch is also having a marked effect on industry and job opportunities, including those in the sectors where our members work. Here members of the Cook family from Middlesbrough, tell us how the credit crunch has affected them.

Adrian Cook, 53, (pictured below right) lives in Middlesbrough and is a battery operator at Corus' Redcar coke ovens, which employs 200-plus staff. 'They've cut production by 10 per cent here and while we've had no job cuts so far, it's happening elsewhere.' Community's national officer Roy Rickhuss says the credit crunch's impact on the steel industry is mixed. 'While it has meant production cuts and pauses for some suppliers to the construction and automotive industries, niche product suppliers, such as rail and pipes, are holding up at the moment.'

In terms of the credit crunch, Adrian, a widower with grown-up children, considers himself lucky. 'My mortgage is low and I've

been prudent as I've went through hard times during Thatcher's 80s. I've been using the car less and my kitchen cupboards are a bit barer. At my plant, most people are over 30 so it's important we keep the place open to secure jobs for younger people and Community has a role to play in that.'

While Adrian is a few years shy of his pension, his dad Tony, 76, a former ISTC executive council member and fuel technician at the Redcar works, is enjoying his retirement. 'I was one of the lucky ones with a decent pension, and Community's pension battle has ensured that other members have a more secure future too. Even so the credit crunch has meant we are economising where we can, like switching fuel providers for a better deal. I've been through some tough times but the union is always there to back you up.'

Unusually for a primary school teacher, Tony's daughter Shelagh, 51 is a Community member. She originally joined a teaching union but after lack of support over chronic illness

and threatened redundancy, she came over to Community eight years ago. She says that the credit crunch has encouraged husband Paul to carshare with a work colleague to cut petrol costs and that she is cutting back a bit at Christmas. 'My daughter Caitlin and her partner have also been trying to buy a house,' she adds, 'but it's been difficult to get a decent mortgage offer and a lot of local properties are being bought up for rental by developers.'

Other family members are feeling the pinch too. Sister Siobhan works for the NSPCC - a sector where Community is recruiting new members. Another sister Gillian is a funeral arranger for the Co-operative Funeral Care in Port Glasgow and Shelagh's son Alex is a librarian at Sheffield's Broomhill Library. All are Community members showing just how diverse our membership is and how word about the care and support Community offers its members is spreading.

How is the credit crunch affecting some other sectors?

In the betting industry the major bookmakers remain on target despite the downturn. They are resisting recessionary pressures. There is some concern in William Hill however about its £1 billion debt incurred while expanding.

Textiles have been hit by continuing high energy costs and slow sales.

The carpet industry's order book has dropped off but there might be help in the likely decrease in the domestic price of wool.

Domestic appliance workers are feeling the effects of contraction.

Those in the voluntary sector have seen investment income take a big hit.

And members working in supported factories are seeing construction industry orders falling.

'Unfortunately the credit crunch looks like it is here to stay and it's in downturns like this that being a union member is even more important to safeguard your position,' explains General Secretary Michael Leahy. 'Community will be working with management to retain productivity and jobs where possible. Where it isn't, members can access the union's legal expertise as well as training opportunities through Communitas to help them find new employment. We will also continue to talk to the Government about how the credit crunch is affecting the sectors you work in and your daily life. As a member of our union, you may be crushed but never crushed.'



Tips for beating the crunch

- Identify all non-essential outlays by keeping a spending diary for a week - then cut them out.
- Ensure you're getting the best rates on savings, credit cards, mortgages and utility bills.
- Compare prices at online shopping sites for essential purchases.
- Only borrow money if absolutely necessary and avoid bank charges by making credit card payments on time or staying within your overdraft limit.
- Think seriously before cancelling insurance and protection policies.

