

DEALING WITH EMPLOYEE INDEBTEDNESS

LONMIN

In the wake of the Marikana tragedy, Lonmin stepped up efforts to tackle the issue of employee indebtedness. In 2013 the company – in partnership with Summit Financial Services – introduced a financial wellbeing programme aimed at improving the quality of employees' lives.



REAL DEBT SOLUTIONS

As with many other South African households, on-site research revealed that a high percentage of employees were chronically indebted, with debt levels equal to or exceeding 75% of their net income.

In this situation, it is impractical to talk of savings so the focus in the last two years has been on debt-reduction – assisting employees by creating space in their monthly cash flow to be able to survive

while taking care of debt repayments. By increasing an employee's take home salary, we reduce stress levels at work and at home and provide a roadmap that will allow employees to begin their journey to financial wellness. In the absence of such a programme, employees tend to resort to more drastic measures, such as accessing retirement funds or simply absconding to get away from garnishee deductions and collectors. The programme also serves to create an environment where consumer protection and credit laws are enforced. In our experience, unscrupulous lenders and collectors have tended to fall in line or move on.

WHAT WE DO

FINANCIAL BUDDY

- Know your spend
- Reduce expenses (Budget Buddy tools and Best practice comparison)
- Financial Journeys
- Knowledge and Goal Setting
- Behavioural change
- Mentoring

FINANCIAL BUDDY

- Audit debt or garnishee validity/accuracy
- Debt rescheduling
- Extended terms and reduce interest rates
- Debt counselling
- Rescind judgements
- Consumer protection

	BEFORE	AFTER
Income	10 000	10 000
Expenses	4 000	3 500
Disposable income	6 000	6 500
Debt installments	7 500	4 500
Surplus/shortage	-1 500	2 000



CREDIT RECORD



STRESS LEVELS



CREDIT RECORD



STRESS LEVELS

Accessible via 6cents.co.za; on site; multi lingual call centre, mobile and email

DEALING WITH EMPLOYEE INDEBTEDNESS continued

LONMIN

LONMIN'S FINANCIAL WELLNESS PROGRAMME CONSISTS OF TWO COMPONENTS:

1

FINANCIAL LITERACY



A Financial Fitness training module included in the Induction Programme. Since every employee is required to go through induction on their return from annual leave, employees have been through this training at least twice in the last 24 months. This training provides guidance on the do's and don'ts of unsecured lending; the basics of budgeting; how to recognise unscrupulous lenders and emphasises their rights as consumers.

2

FINANCIAL WELLBEING SUPPORT



Having identified that there is a problem, the aim is to provide real debt solutions that will put additional money back into family coffers and prevent foreclosures and repossessions. Summit Financial Services was given an on-site office where employees can make private appointments to seek assistance in drawing up debt-relief packages, get help with budgeting and seek legal advice on the validity of emolument attachment and garnishee orders. Summit estimates that it has saved Lonmin employees some R4 million by successfully challenging these orders.

Lonmin also mandated Summit to assist employees to complete tax returns and to consult on the drawing up of wills and estate planning – at no additional cost to the employee.

50% decrease in interest rates: **from 19% to 8%**

Annual disposable income increased by **R2.5 million for affected employees**

R210 000 reduced debt instalments per month.

R6.5 million total savings

DEALING WITH UNSCRUPULOUS LENDERS

Apart from the education and awareness component of the campaign aimed at changing attitudes and behaviour over time, the biggest and perhaps the least quantifiable aspect has been the changes that have occurred to the local lending landscape. Through its involvement with Lonmin employees, Summit has identified a number of debt collectors, credit providers and attorney firms in the North West Province who were following irregular lending and collecting practices. By correcting this

behaviour through legal challenges and action, we have enforced principle decisions which guide future lending and collection behaviour in the area.

In addition to Summit's specialised financial services offerings, all Lonmin employees have access to Careways, an employee wellness service that provides free, confidential professional counsellors and therapists on all matters of emotional, physical and financial distress. In a case where financial matters are contributing greatly to stress levels, referrals will be made to Summit Financial Services, with the permission of the employee.