



International
Labour
Organization

Yusra HAMED Social Finance Programme

ILO Seminar on Social Performance
Jakarta, Indonesia
December 14, 2016





International
Labour
Organization

Social performance and Decent Work

Putting the worker/
enterepreneur at
the center

Yousra HAMED

Social Finance Programme

ILO Seminar on Social Performance

Jakarta, Indonesia

December 14, 2016

for Social Justice



Decent Work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and



Social performance management (SPM)

is the process of managing an organization to achieve a social mission.

It is a management style that puts customers at the center of all strategic and operational decisions



Innovative Finance for Social Justice
Social performance management

(SPM) and Decent Work

is the process of managing an organization to achieve a social mission

linked to decent work of its clients

It is a management style that puts

Workers and entrepreneurs

at the center of all strategic and operational decisions

Decent Work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and



Microfinance for Decent Work in a nutshell...

- ✓ Action Research Programme
- ✓ Timeframe: 2008-12
- ✓ 16 partner-MFIs worldwide

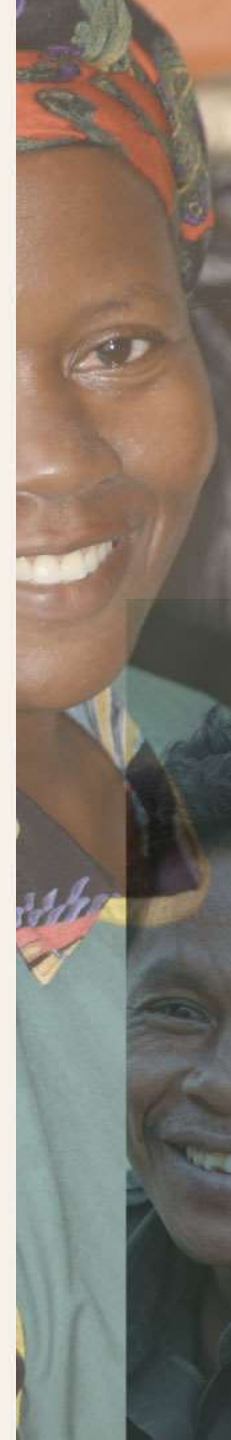
GOALS:

Measure the **impact** of decent work innovations on the welfare of microfinance **clients** and,
Prove the **business case** for the **financial institution**



Why would an MFI get involved?

- **Enhances social performance of MFIs**
- **Reduces credit risk**
 - Formalization
 - Safety at work and productivity
- **Improves the MFI's business**
 - Demand for services (loan for work improvements)
 - Client retention
- **Avoids negative publicity e.g. child labour**
- **Attracts social investors**



Microfinance for Decent Work Partners



Research Questions

- **What is the most pressing Decent Work challenge for clients of a MFI?**
- **Can the issue be addressed through microfinance?**
- **Does it require a modification in service delivery?**
- **Would the MFI also benefit from the innovation financially?**



Experimental Research Design

“...is used for the controlled testing of causal processes.”

Main idea: Experiment in which all observed variables are held constant for a selected population over time - except for one (=innovation). Changes in the population can then be attributed to the innovation.

- Control and Target groups
 - Only target group has access to the innovation.
- Client selection (random sample / stratification / matching)
 - Research sample stratified to match the general portfolio of each MFI
 - In some cases, a specific type of client was necessary => matching by characteristics of “sub-sample”.
- Panel Data Sets
 - Baseline survey before implementation of innovation
 - One to four follow-up surveys



What did we do: steps completed

Phase I: Selection and diagnosis

- Identification of partner-MFIs worldwide
- Identification of decent work challenges among MFI clients

Phase II: Implementation and testing

- Developed strategy and innovations
- Sampling of target and control group
- Baseline survey
- Implementation of innovations
- Follow-up surveys every 6 months

Phase III: Analysis, documentation & dissemination

- Preliminary analysis (descriptive statistics)
- Impact analysis for each innovation
(econometric analysis, difference-in-difference method)



What innovations were implemented?

Formalization	<ul style="list-style-type: none">• Awareness raising and client sensitisation to benefits• Business development services
Occupational Safety and Health	<ul style="list-style-type: none">• Client training on good working conditions and agreement on improvement plan• Specific loan product for work improvements
Job Creation/ Women Empowerment	<ul style="list-style-type: none">• Organisational restructuring: new SME lending window• Client training on women's empowerment
Risk Management/ Overindebtedness	<ul style="list-style-type: none">• Insurance products: multi-risk for business loan clients, health, credit life• Leasing product• Financial education• Client risk management training
Child Labour	<ul style="list-style-type: none">• Awareness campaign• Client training to increase production productivity



Some remarkable results

- Child labour:

The coverage of the entire family by a microinsurance product decreased child labour incidence for boys and girls by almost **7 per cent** and lowered the risk of hazardous occupations by **5 to 6 per cent** in Pakistan

- Formalisation:

Interventions increased the awareness about formalisation by **93 per cent** and formalisation itself by roughly **70 per cent** for clients in India.

- Vulnerability:

Emergency savings reduced taking a loan to repay another loan by **22 per cent**, plus resulted in a **7 per cent** drop in repayment difficulties and a generally lower level of indebtedness of clients in the Philippines.



Some remarkable results

- Business Performance:

The package of women entrepreneurship training and start-up loans resulted in increased self-employment and business expansion for female microentrepreneurs in Tajikistan.

In India, training on productivity and occupational safety and health resulted in an **11 per cent** reduction of work related injuries and enhanced productivity leading to an increase in monthly net income of **USD 37**.



NRSP: the business case

Cost considerations



Cost breakdown	Control (Rs.)	Treatment (Rs.)	Control (amount%)	Treatment (amount %)
Training (CL and MI) and excluding the research part	34,965	59,400	12%	5%
Marketing new product communication (courier, fax, phone etc.)	11,655	77,895	4%	6%
Documentation	9,660	31,483	3%	3%
MIS entry	13,174	44,042	5%	4%
Cost of ID card for non-client HH members	17,395	56,905	6%	5%
Support services case processing	0	35,616	0%	3%
Monthly follow ups	0	0	0%	0%
Cost of Transportation, documentation, follow up at hospital	8,547	324,634	3%	26%
Cost of Reimbursements (death cases)	27,216	81,280	9%	7%
Medical claims reimbursed to clients (Hospitalization)	0	106,676	0%	9%
Cost of services provided by NRSP doctor	146,262	371,973	51%	30%
Total	287,774	1,243,904		

NRSP: the business case

Revenues generated

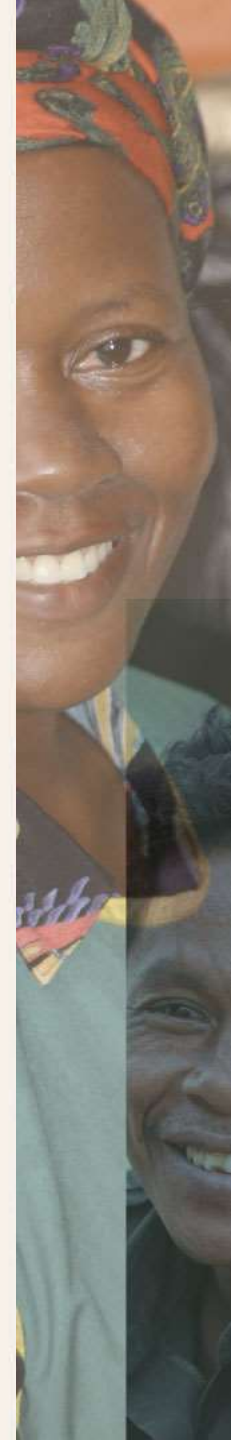
Revenue related to insurance	Control (Rs.)	Treatment (Rs.)	Control (amount%)	Treatment (amount%)
Amount of premium (Rs.100) collected over the period	158,100	418,800	100%	65%
Number of additional new clients with coverage from innovation	0	943	0%	0%
Amount of additional new client premiums from innovation	0	228,300	0%	35%
Any other collected revenues resulting from the innovation	0	0	0%	0%
Total Revenue Generated	158,100	647,100		
Non-insurance revenue				
Processing fee (@ Rs. 400 that includes loan and insurance processing)	632,400	1,139,200	17%	17%
Service Charge collected - against credit amount	3,033,583	5,271,307	80%	77%
Total Revenue Generated	3,791,183	6,856,650		

Taking this forward

➤ Scale-up

- **Dissemination** of lessons learnt and keys results
- **Promotion** of effective strategies
- **Capacity building** of MF stakeholders

➤ Additional research



More information...

- www.ilo.org/socialfinance and www.ilo.org/jakarta
- MF4DW report : <http://tinyurl.com/hje3tj2>



Thank you!

Terima kasih