Microfinance institutions: an innovative promoter for productivity and work place improvements

Lessons learnt from the ”Microfinance for Decent work” Action research

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How did the action research come about?

Clients of microfinance institutions must cope with serious work challenges

- Child Labour
- Occupational Safety and Health
- Informality

... and

- vulnerability to income shocks
- overindebtedness
- isolation, no voice
Why would an MFI engage in Decent Work?

• **Enhances social performance of MFI, e.g.:**
  – Achieve social mission (create more and better jobs)
  – Treat clients responsibly and understand their needs

• **Improves the MFI’s business**
  – Demand for services (loan for work improvements)
  – Client retention

• **Reduces credit risk**
  – Formalization
  – Safety at work and productivity

• **Avoids negative publicity** e.g. child labour

• **Attracts social investors**
What were the action research’s objectives?

IMMEDIATE GOAL:

To **measure the impact** of decent work innovations on the welfare of microfinance clients

- Action Research Programme
- Timeframe: 2008-12
- 16 partner-MFIs worldwide
What were the results of the diagnostic phase for the OSH cluster?

The sample (few characteristics)
- 4750 clients from 22 different MFIs
- Average loan size: 1195 USD
- Half of all interviewed clients employ at least one person in their micro or small enterprise, and some, more than forty

Few results on productivity and OSH questions
- 11% of the sample reported that they, or one of their employees, had been injured in the preceding 12 months.
- Cuts and hand injuries, broken arms or legs, burns with fire or acid and armed robbery were the most widely signalled safety hazards.
- When serious accidents happen, it can require surgery or the amputation of fingers, leading to an interruption of income generation of up to one year (4 MFIs) or even the incapacity to get back to work (1 MFI).
What were the innovations?

BASIX - India: Introduction of Participatory Safety Education (WIND) to increase productivity and workplace safety of clients and community in the rural areas.

Tamweelcom Jordan:

- Awareness raising
- Training and capacity building of staff
- Clients training WISE
- Result’s based incentive system for staff and clients
What are the research questions?

- Can Productivity and OSH be addressed through microfinance?
- Does it require a change in service delivery?
- Would the MFI also benefit from the innovation financially? Would it be sustainable?
How did we try to answer: 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
  - Two follow-up surveys
BASIX (India) results

Innovation: Introduction of Participatory Safety Education (WIND) to increase productivity and workplace safety of clients and community in the rural areas.

Strongest results:

More clients having a first aid box

More short breaks taken at work
Increase in the adoption of new technologies and practises

And also:
- Decreased work place illnesses and injuries
- Increased safe work place habits
- More clients able to save
How do we want to take this forward?

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

- **Additional research**

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