Microfinance for Decent Work: Action Research 2008-2012

International Labour Office Geneva

Overview

Microfinance for Decent Work (MF4DW) is action research that aims to build knowledge on the effects of innovations on microfinance clients' livelihoods. Launched by the ILO Social Finance Programme in 2008, the MF4DW action research began by identifying specific work-related challenges among microfinance clients and, to address them, implemented tailor-made innovations with microfinance institutions around the world. The MF4DW action research applied an experimental research design in order to measure the impact of these innovations overtime.

At the outset of the MF4DW, each participating MFI conducted a diagnostic survey among 200 of its clients to determine their most pressing work-related challenge. The analysis was guided by **ILO's vision of decent work for all** and its goal to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity. Within this framework, the diagnostic determined **child labour**, working conditions, formalisation, job creation and productive employment, risk management/ over-indebtedness, and women's empowerment, as key challenges keeping microfinance clients from obtaining decent work.

Each MFI then selected a key decent work challenge and implemented an innovation to address it. Changes at the client level were captured through a series of client surveys. The ILO, along with research partners, established impact through a mix of econometric methods.

MFI Profile:

NRSP Microfinance Bank Limited
این آر ایس پی مائیکرو فنانس بینک

MFI Partner: NRSP Microfinance Bank Limited

Country of Operation: Pakistan

Organizational Mission: The mission of NRSP Microfinance Bank is to reduce the effects of poverty by giving timely access to commercially viable financial products and services to the poor masses of Pakistan.

Current Legal Status: Microfinance Bank

Types of Products offered: Loans, Micro-Insurance, Savings

Total Number of Borrowers: 1,188,189 million (22% women)

Number of Active Borrowers: 417,506 (52% women)

Total Number of Active Savers: 1.46 million (37% women)

Number of Insured Persons: 1.3 million (32% women)

Number of Active Insurance Clients: 896,000 (34% women)

Number of Branches: 563

Geographical Dispersion: 54 districts in 4 Provinces and Azad Jammu & Kashmir

**2011*

NRSP's Innovation

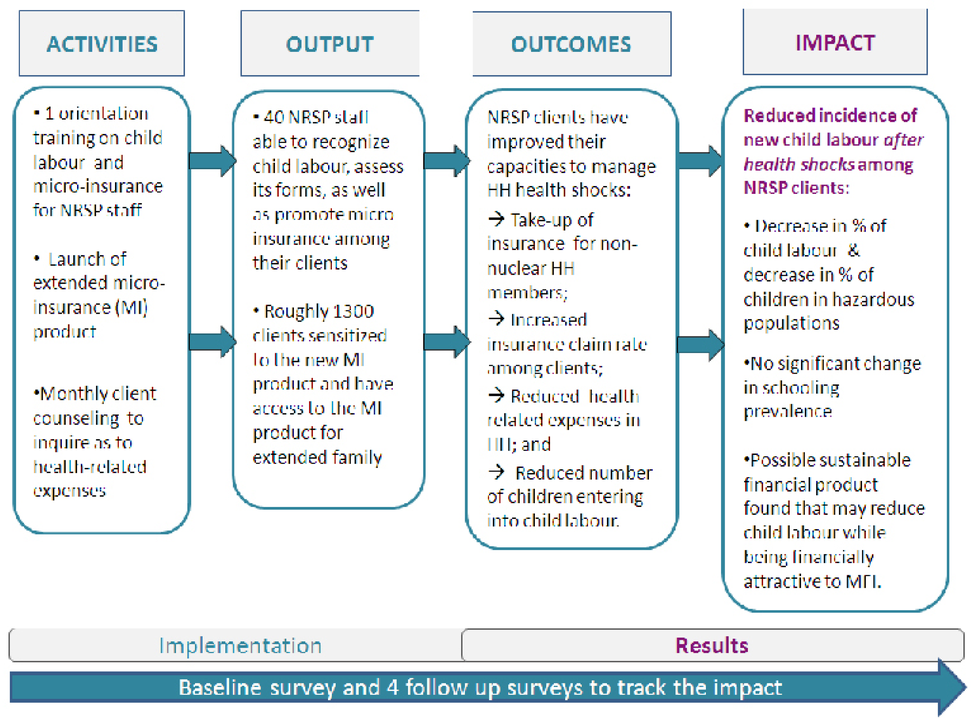
Extension of Micro-insurance coverage to Extra-Nuclear Household Members an Effort to Mitigate Increases in Child Labour among NRSP Clients

Innovation Details

NRSP addressed child labour indirectly through the provision of micro-insurance (health & accidental death) to extra-nuclear family members of a client's household between the ages of 18 & 65 (i.e. aunts, cousins, parents, etc). Additionally, loan officers in target areas assisted clients in familiarization with the insurance process during monthly loan repayment visits. NRSP hoped that extending the coverage to additional uninsured household members would cushion health-related income shocks so that children would not be used to replace ill or deceased household member.

NRSP tracked changes at the household level, particularly child work/school status, health of household members, and fluctuations in poverty levels. To test the impact of the innovation, NRSP conducted five surveys over the span of 2.5 years with 2,097 clients and their household members—all located in the urban centre of Hyderabad. NRSP continually re-trained over 30 staff members, from loan officers to managers on child labour and micro-insurance as part of the action research.

Result's Chain for NRSP



NRSP's Results

The impact assessment compared results gathered from two client groups: those that had access to the innovation and those that did not. It shows that there is a clear difference for certain outcomes between the groups, such as:

-incidence of **child labour decreased**;

-**insurance coverage** and **usage both increased**; and

-additionally, **insurance pay-outs and reimbursements were found to be related to lower child labour incidence** and **lower hospital expenses; and**

-no significant change occured surrounding child schooling (hours and days/week) and household welfare indicators (PPI).

Therefore it is reasonable to conclude that the impact on child labour can be attributed to the micro-insurance innovation.

Based on the overall research process and conclusions, the ILO would like to make the following **recommendations** to NRSP regarding the future of the micro-insurance innovation:

1) **Continue awareness raising** around micro-insurance: product & usage;
2) **Negotiate with insurance service provider** to ensure that the product can be supplied in a financially sustainable manner that is still affordable to NRSP clients;
3) NRSP **continue to track its progress** in reducing child labour among clients as part of its social performance agenda;
4) NRSP **continue to study child labour** among clients when implementing similar expanded micro-insurance packages outside of Hyderabad; and
5) **Share their tools methodologies, experiences, and findings** through national and international networks of microfinance institutions in order to encourage similar work in the fight against child labour and the campaign for Decent Work around the world.

For more information:

ILO MF4DW Action Research
www.ilo.org/socialfinance

NRSP Microfinance Bank Limited
www.NRSPbank.com

Federal Ministry of Labour and Social Affairs
Funded by the Federal Ministry of Labour and Social Affairs (Germany)