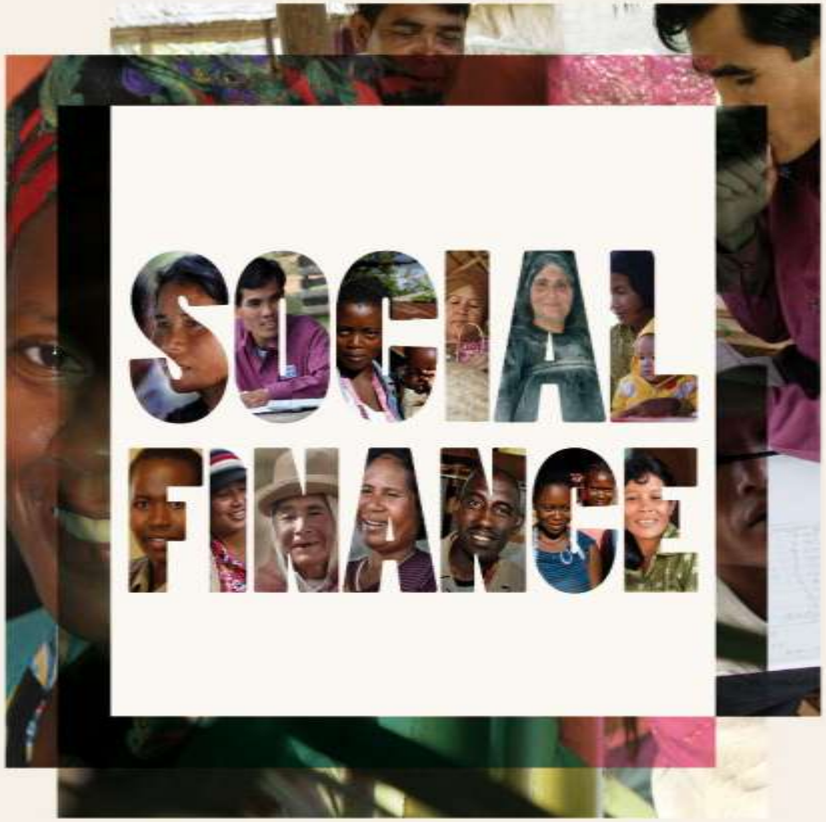
The ILO role and experiences in Financial Inclusion

International
Labour
Organization

Global research results on how MFIs can improve their clients‘ livelihoods:

Microfinance for Decent Work



Jakarta, Indonesia
May 6, 2013

Innovative Finance for Social Justice

Microfinance for Decent Work in a nutshell...

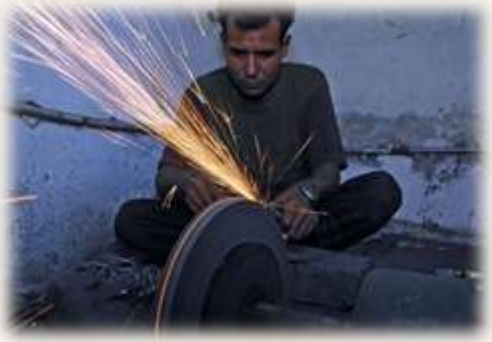
- ✓Action Research Programme
- ✓Timeframe: 2008-12
- ✓16 partner-MFIs worldwide

GOAL: to increase the impact of financial service providers to enhance decent work among workers in the informal economy

Why does ILO engage?

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**

Findings from the Diagnostic Phase of MF4DW

- 90% self-employed, average 2 jobs created
- Child labour (5-14 years) constituted 5% of total employment created
- 11% reported dangerous working conditions or injuries
- 54% of client's business activities informal, 41% paid taxes
- 8% reported cross-borrowing and 14% had repayment issues
- 43% reported large unforeseen expense in preceding year (main reason: accident, illness)
- Only 2-3% used a form of insurance to cover unforeseen expenses

(N= 4748)

Microfinance for Decent Work Innovations

Formalization	•Awareness raising and client sensitisation to benefits •Business development services
Occupational Safety and Health	•Client training on good working conditions and agreement on improvement plan •Specific loan product for work improvements
Job Creation/ Women Empowerment	•Organisational restructuring: new SME lending window •Client training on women‘s empowerment
Risk Management	•Entrepreneurship training for clients •Insurance products: multi-risk for business loan clients, health, credit life •Individual emergency fund •Leasing product
Child Labour	•Awareness campaign •Client training to increase production productivity •Modification of existing health-insurance product

Results: Formalization

<u>Innovation</u>: **Sensitization to benefits of formalization, combined with training on enterprise management and incentives to formalize**

<u>Results</u>:

- Increased **registration** of professional activities of clients;
- Increased number of clients separating their **business accounts** from their personal accounts; and
- Increased awareness on the importance of **social protection**.

Results: Child Labour

Innovation: **Extended microinsurance coverage to HH members**

- Upgrade of health and accident insurance product available to all non-nuclear family members between 18 and 65 in the client HH
- Increased awareness of loan officers on microinsurance product and informal coaching of clients on its use.

Results:

- Increased coverage at individual level and increase usage
- 7% **decrease in child labour**
- 5-6% lower risk of children involved in **hazardous occupations**
- No effect on child **schooling**

Results: Occupational Safety and Health

Innovation: **Introduction of Participatory Safety Education to increase productivity and workplace safety of clients and community**

Results:

- Decreased **work place illnesses** and **injuries**
- Increased **safe work place habits**
- **New technologies and practices** adopted
- More clients are able to **save**

Current Status and Next Steps

- **Scale-up**

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

- **Additional research**

Microfinance for Decent Work Partners

NRSP BANK NRSP Microfinance Bank Limited

BASIX Equity for Equity

NWTF

FINANCIERA CONFIANZA Vamos, a crecer.

AMK

PRIDE MICROFINANCE

ESAF Creating Opportunities

R.C.P.B

IMON

tamweelcom Jordan Micro Credit Company

LAPO ...improving lives

BANCO POPULAR

TYM

BAI TUSHUM & PARTNERS MICROFINANCE COMPANY

NYESIGISO

VisionFund CAMBODIA

UNIVERSITÄT MANNHEIM

Federal Ministry of Labour and Social Affairs

More information…

www.ilo.org/socialfinance

Innovate. Investigate. Impact.
MF4DW

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Thank you!

Terima kasih