



## Reducing Incidence of Child Labor and Harmful Conditions of Work in Economic Strengthening Initiatives (RICHES)

Global Pre-Situational Analysis Research Brief

September 2020

Few would expect that investments in women's enterprises are increasing the risk or incidence of child labor or poor working conditions. However, a Pre-Situational Analysis (PSA) conducted by the RICHES initiative unveiled that as women entrepreneurs struggle to manage the labor burdens of their businesses with household tasks and unpaid care work, many are turning to those closest in reach for help – their children. As a result, the RICHES project proposes key policy and strategy recommendations that women's economic empowerment (WEE) actors, such as financial service providers and women's business support organizations, can implement at the organizational- and client-level. These recommendations include, but are not limited to, raising awareness of the risks of child labor and poor working conditions among both WEE actors and their clients, developing and providing a comprehensive set of financial services that help women entrepreneurs manage risk as well as start and grow their enterprises, facilitating intra-household dialogues that promote positive household decision-making and planning, and linking clients to social protection services to meet their comprehensive needs.



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## BACKGROUND

The RICHES initiative aims to integrate the issues of child labor alleviation and acceptable conditions of work<sup>1</sup> into women's economic empowerment (WEE)<sup>2</sup> initiatives through the development of a toolkit for policymakers, microfinance institutions (MFIs) and other financial service providers (FSPs), and others whose work supports women entrepreneurs.

The Pre-Situational Analysis (PSA) assessed the intersection of child labor, working conditions in women's enterprises, and WEE initiatives at a global level, and will inform the development of the RICHES toolkit. Two pilot countries, El Salvador and the Philippines, were chosen for an in-depth study and for testing the tools to evaluate their global applicability.

The PSA relied on an extensive literature review as well as key informant interviews and focus group discussions in El Salvador, the Philippines and beyond, among policymakers, WEE actors, field staff, and potential beneficiaries and their children.

## KEY FINDINGS & INSIGHTS

### Child Labor, Unacceptable Conditions of Work (UACW),<sup>3</sup> and their Intersection with WEE

- **Child labor and UACW are global problems that also occur within women's enterprises, especially when they are nascent and growing.** In traditional cultures, girls support women's micro and small enterprises with their labor more than boys. However, there is a lack of current, reliable information on the incidence of child labor and UACW in WEE.
- **There is a lack of a common understanding of child labor and UACW, most notably at the community level and among women's entrepreneurs.** MFIs and their associated networks often also lack awareness of child labor and UACW.
- **Poverty is the key driver of child labor and UACW, including in women's enterprises.** However, many other factors, such as barriers to quality education, parental preferences for children to acquire work experience, a preference for reliable, trustworthy, or no- or low- cost labor, and inflexible loan terms contribute to these problems as well.
- **Women face major barriers to entrepreneurship, which can create or exacerbate child labor and UACW situations.** The barriers include, but are not limited to:
  - inconsistent or non-existent application of laws and regulations at the local level due to social norms and prominence of customary laws;
  - lack of access to collateral or guarantors for credit, social protections, and technical support services needed to sustain and grow their enterprises;
  - lack of training and resources to build and diversify their income sources;
  - gaps in microfinance services for women;

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<sup>1</sup> Acceptable conditions of work are considered to be positive conditions of work in terms of wages, hours of work, and occupational health and safety.

<sup>2</sup> WEE is defined by the Women and Girls Empowered ([WAGE](#)) Consortium as, “A process by which women increase their power to succeed as equal and active participants in the economy. This includes women’s enhanced access to and control of human, economic, and social resources (**power over**); individual agency to make independent decisions that benefit themselves, their families, communities, and nations (**power to**); personal assets, including knowledge, skills, self-confidence, resilience, and ability to take and manage risk (**power within**); and collective assets, such as support services and networks (**power with**). Women’s economic empowerment is critical to achieving gender equality, poverty reduction, economic growth, and other sustainable development goals”.

<sup>3</sup> Unacceptable conditions of work are considered to be negative conditions related to wages, hours of work, and occupational health and safety.

- lack of flexibility in microfinance products and policies; and
- aggressive loan terms and recovery policies and processes of MFIs.
- **Microcredit can help improve a household's income, but can also have the reverse effect of increasing child labor and UACW.** One key to addressing child labor is to reduce a household's vulnerability to shocks and risks. One intervention that has shown positive results is microinsurance.
- **Many women entrepreneurs, particularly those living in developing countries, are overworked and overextended, and do not get adequate rest.** Additional pressures of working outside the home and responsibilities within the home can take a toll on their physical and mental well-being, particularly for women in rural areas, who tend to work longer hours.

Gaps and lack of flexibility in microfinance products and services for women as well as aggressive loan terms and recovery policies and processes of MFIs can create or exacerbate child labor and UACW situations.

## Efforts and Gaps to Address Child Labor and UACW

- While there have been significant efforts from governments, non-governmental organizations, and private sector actors to address child labor, UACW, and WEE as individual issues, there is little evidence of specific efforts to address the intersection of these issues.

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- Three types of interventions – transfers, health insurance, and increased access to schooling – have shown effectiveness in addressing child labor and UACW, particularly when bundled together or accompanied by other interventions, such as business or social support services.
- There is limited information available regarding the effectiveness of interventions such as awareness raising and advocacy, labor cooperatives, and savings groups in addressing child labor and UACW generally, or within WEE. Awareness raising may be less effective when it focuses solely on compliance with labor laws, rather than on taking into account families' concerns about their children, or considering their abilities to assess risks for their children and find their own solutions to complex problems.

- **Child labor elimination projects are usually successful in assisting a select group of beneficiaries during a specified time period.**

However, there is limited information indicating these projects have had a broad or sustained impact on preventing or eliminating these problems. This may be due to the fact that many efforts were short in duration, limited in scope, narrow in approach, relied on “one-size-fits-all” or punitive strategies, were insufficiently funded or too dependent on outside resources to create long-lasting changes in communities, or did not address root causes of child labor.

- **A number of specific interventions, conducted either together or alone, show promise in making women's enterprises more successful, which could in turn reduce the risk of child labor and UACW.** These include:

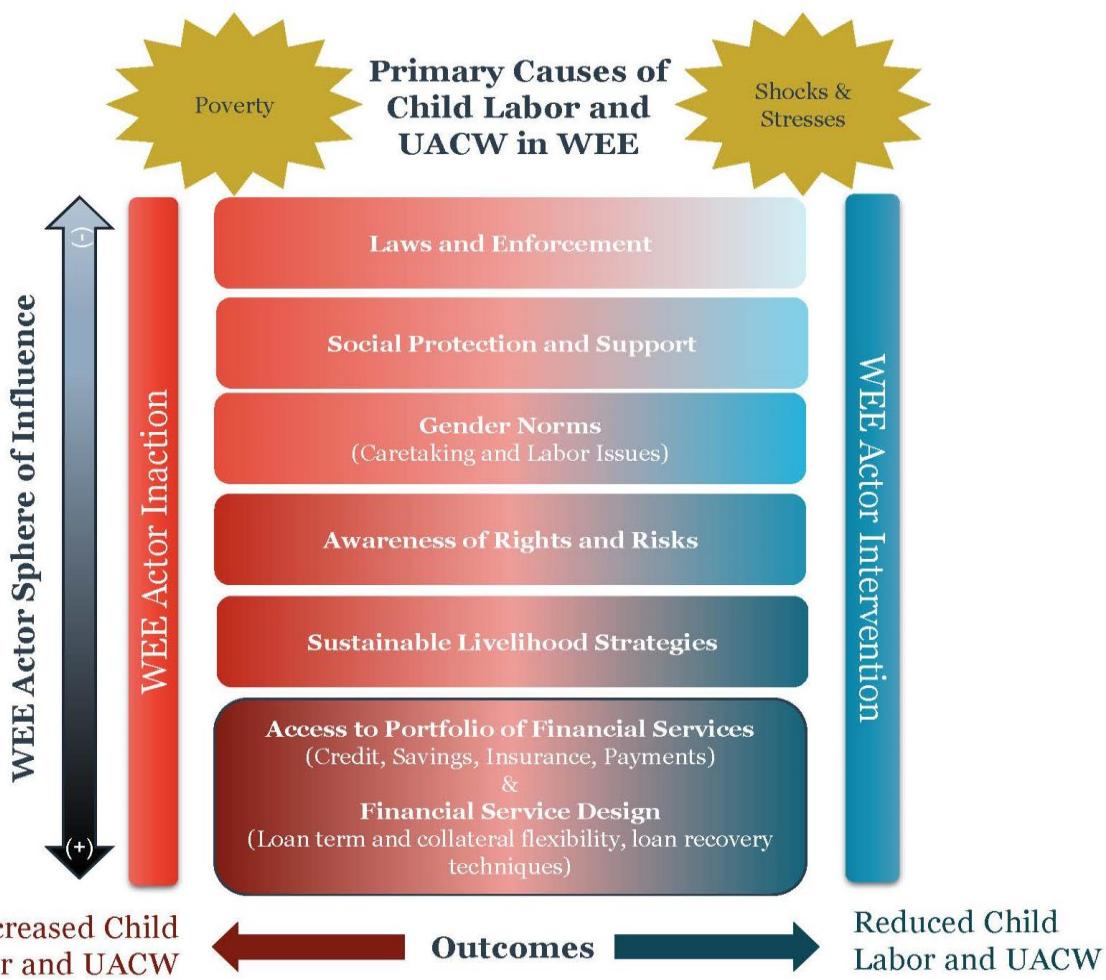
- business coaching, mentoring, and business networks;
- financial and business education;
- skills training;
- access to capital, savings, conditional cash transfers;

Interventions that show promise in strengthening women's businesses are

- Business coaching, mentoring, and business networks
- Financial and business education
- Skills training
- Access to capital, savings, conditional cash transfers
- Subsidized and affordable childcare
- Rural electrification

- subsidized and affordable childcare for wage and salaried workers; and
- rural electrification.
- **WEE actors have taken few measures specifically aimed at preventing or eliminating child labor and UACW in women's enterprises.** However, there are early signs that investors are incorporating child labor and UACW in their investment due diligence which could have important impacts on WEE providers down the line.

The graphic below depicts some of the primary factors that contribute to the incidence of child labor and UACW in women's enterprises. It also highlights the potential for WEE actors to affect these issues, whether positively through their interventions, or negatively due to a failure to act. As the spectrum suggests, there are some leverage points where WEE actors, particularly FSPs, can have the most impact. FSPs influence women entrepreneurs' access to financial services but most importantly, they influence the design of the products that have been shown to potentially exacerbate child labor and UACW, due to features such as aggressive loan terms and recovery policies.



## KEY RECOMMENDATIONS

### Organization-Level Recommendations

The following are recommendations that WEE actors can implement within their organizations to increase awareness as well as improve internal policies and practices, and provide better-quality products and

services to their clients:

- Raise awareness of child labor and UACW among WEE actors to increase their understanding of the issues and inspire them to action. This includes engaging investors, networks, and associations to influence practice of WEE actors through their investments and technical assistance.
- Establish “Do No Harm” policies that guide internal practices, such as monitoring program outcomes to ensure no adverse impacts. Conduct risk assessments that help WEE actors understand the risk of child labor and UACW among their clients’ businesses as a whole and train staff to better understand, identify and monitor for child labor and UACW within individual client businesses.
- Offer financial products that take into account the specific needs of women entrepreneurs and the risks of child labor and UACW. For example, FSPs can improve access to emergency loans or health financing products, education loans, or commitments savings products that help women cover their children’s education expenses, and digital financial services that help overcome women’s limited mobility and need for timely transactions. They should also develop more flexible recuperation processes that put less stress and pressure on women entrepreneurs, and decrease the likelihood that they resort to child labor.
- Explore ways of supporting 15- to 18-year-olds (where local regulations allow institutions to provide services to minors) to have their own businesses as well as financial services that help respond to children’s educational needs, so that they have the flexibility to combine work and schooling in a safe, productive, and legal way.
- Increase social protection for women entrepreneurs and their families. For example, explore providing private microinsurance options beyond credit life insurance such as health and accident insurance, and establish linkages to external services to meet clients’ needs that fall outside the core services provided by WEE actors, such as those that address education, government-support and child labor remediation programs.
- Ensure that interventions developed by WEE actors aim to address child labor and UACW and are:
  - holistic and participatory;
  - locally-owned and context-appropriate; and
  - considerate of the actual causes of child labor and UACW.

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## Client-Level Recommendations

The following are key strategies that WEE actors can pursue with their clients to increase awareness of child labor and UACW, increase risk management practices, and improve household decision-making:

- Increase awareness of child labor and UACW among clients with particular emphasis on how to make workplaces safer and healthier for women entrepreneurs and others who work in the business. Awareness raising on child labor should focus on improving knowledge and understanding of child labor and relevant laws from the point of view of child protection and well-being, rather than compliance with labor laws. Approaches should also acknowledge the balancing act that women entrepreneurs face in their own household and business responsibilities.
- Offer business development and support services to clients, such as personal and business financial management and planning, and crisis management and planning. In this regard, support women entrepreneurs to identify their particular household and

Awareness raising on child labor should focus on improving knowledge and understanding this concept and relevant laws from the point of view of child protection and well-being, rather than compliance with labor laws.

business risks of child labor and unsafe working conditions for themselves, their employees, and their children through the introduction of simple risk assessment tools and rules-of-thumb approaches that can facilitate women's behavior change.

- Foster intra-household and gender dialogues so families have tools to talk about the pressures they are facing economically, and in their businesses, as they navigate complex decision-making and trade-offs.

## THE RICHES TOOLKIT

The PSA research validates the need for a collection of tools that can be used to address the root causes of child labor and UACW in women's enterprises. The following theory of change for the RICHES toolkit hypothesizes that *IF* there is increased collaboration between WEE and child labor and UACW actors, and *IF* WEE actors have increased awareness of child labor and UACW risks among their clients and are able to offer a comprehensive set of services that are sensitive to child labor or UACW, *THEN* women entrepreneurs will have improved awareness of child labor and UACW and access to improved livelihood and resilience strategies *RESULTING* in women's enterprises improving lives responsibly without resorting to child labor and UACW.

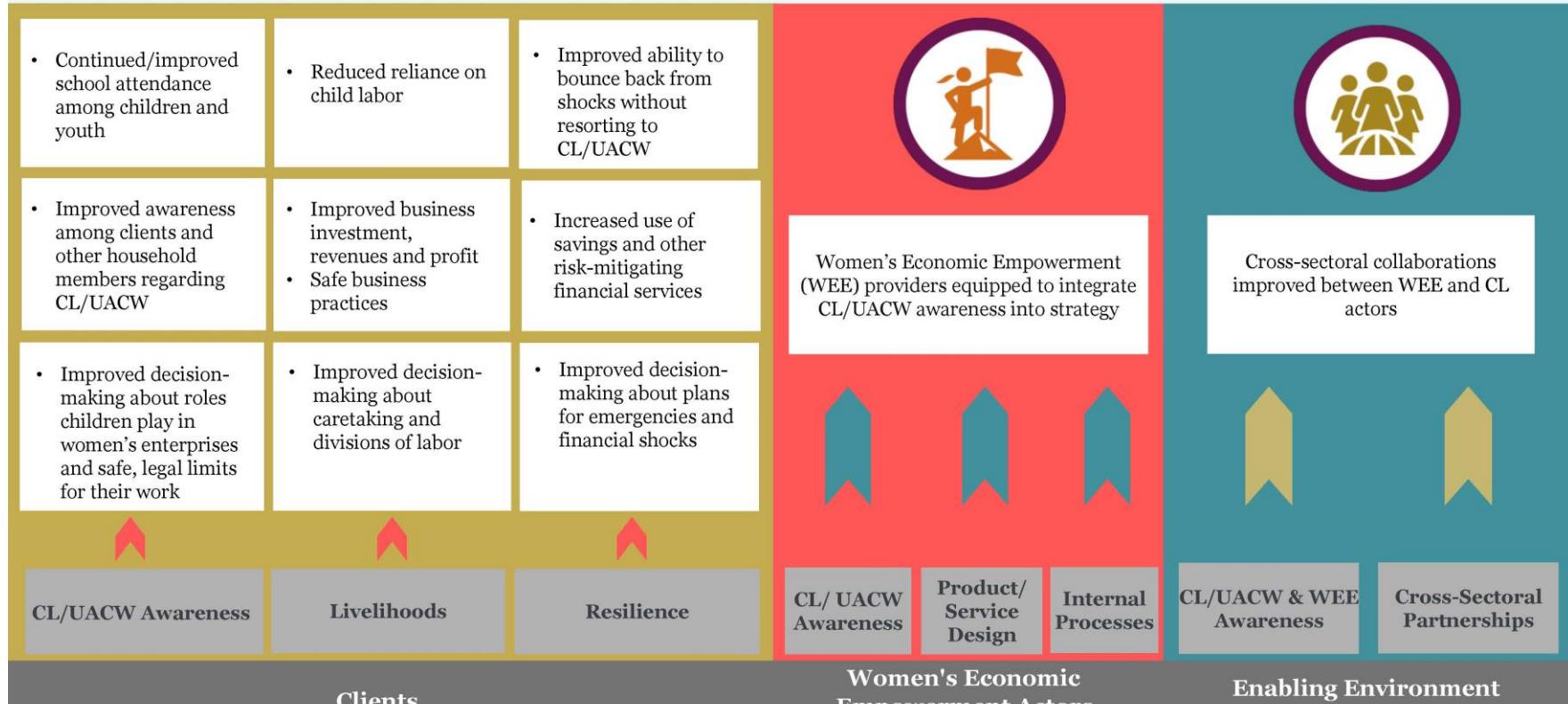
To achieve the short-term outcomes and the long-term goal, the RICHES project will develop tools that fill gaps in existing WEE and child labor/UACW approaches which:

- Address gaps in awareness and understanding of child labor and unsafe working conditions for a wide-range of WEE actors including FSPs, investors and clients;
- Help FSPs fill the need for tailored financial products and services for women, including stronger use of risk management products such as insurance and savings and including better financial and business education;
- Help WEE actors and clients to assess risks related to child labor and unsafe working conditions and monitor their progress toward addressing them within their portfolios and businesses, where relevant;
- Support positive household decision-making and planning for household risk management and child welfare decisions; and
- Link FSP clients to government or other community social protection services such as ultra-poor, after-school, cash transfer and education programs, etc.

## CONCLUSION

Child labor and UACW in WEE initiatives are complex problems that occur throughout the world, and particularly in developing countries, though the nature and incidence can vary widely based on the context. Despite extensive efforts to prevent and eliminate child labor and UACW, and to support women's entrepreneurship (as separate issues), little attention has been focused on the intersection of these phenomena. The RICHES initiative aims to address this gap by increasing the availability, applicability, adaptability, and adoptability of tools that integrate awareness of child labor and acceptable conditions of work into WEE initiatives. The research suggests that there is interest and potential on the part of WEE actors to take action in order to bring about positive change for the women they serve and their children.

## Women-led Enterprises Improving Lives Responsibly without Child Labor (CL) and Unacceptable Conditions of Work (UACW)



### RICHES Theory of Change

To access the full PSA Report and references, please see: Camillo, C., Ramesh, D., Cornet, N., Kuklewicz, A., Gray, B., Portillo Cienfuegos, V., Escoton, V., & Brul, B. (2019). Reducing Incidence of Child labor and Harmful Conditions of Work in Economic Strengthening Initiatives: Pre-Situational Analysis Report. Washington, D.C.: ABA-ROLI and Grameen Foundation. <https://grameenfoundation.org/documents/RICHES-PSA-Report-FINAL.pdf>

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