



Beyond A Working Wage: Financial Inclusion for Factory and Farm Workers

Moving from symptoms to root causes

The big brands, from clothing retailers and supermarkets to the IT giants, spend hundreds of millions of dollars every year monitoring and trying to maintain minimum labor and environmental standards in their global supply chains. In the factories and farms that they contract with globally they monitor wages, working hours and health and safety, among other basic human and labor rights. While they have achieved some successes, notably in health and safety, these audits have arguably reached the limit of their utility.

The problem is that factory and farm owners see this “policing” of their production sites as a cost with negligible benefits and many have become expert in obfuscation and double-book keeping. Not only is the industry rife with fraud and corruption, it is unsustainable. An audit shows only a snapshot of conditions on the day(s) of the audit, the auditors cannot be everywhere at once and the whole approach is set up to identify symptoms rather than root causes of issues.

Many of the more farsighted brands are now engaging in a more sustainable “Beyond Compliance” approach that aims to tackle the root causes of problems identified in audits. Root causes such as weak factory management systems, poor worker health, lack of empowerment, poverty and poor financial access. Rather than simply monitor wages, some are working with their suppliers to raise productivity or yields in order, in part, to support wage increases. A handful of brands are going further, working with suppliers and NGOs to provide financial access for workers to extend their wage packets, stabilize household income and tie this to positive health, poverty and empowerment outcomes.

What does financial inclusion in supply chains look like?

Levi Strauss is one of a couple of brands taking the most ambitious approach by looking holistically at worker wellbeing, including financial access. Levi's kicked off its [new approach](#) to supply chain management last year, addressing broader issues like economic empowerment, maternal health, and gender equality. In Colombia and Mexico Levi

works with [Appleseed](#) to provide financial training to factory workers, committing to match any money that workers manage to save. Employees also receive training on setting up a micro enterprise and creating a basic business plan. Levi intends to extend its work on financial inclusion to the provision of financial services.

UK retailers Marks and Spencer's, Asda (owned by Wal-Mart), [Primark](#), and [New Look](#) have partnered with Hyderabad-based Geosansar to deliver banking, education and electronic payroll services at their garment supplier factories. Geosansar, a pioneer, set up in India in 2010 to provide bank account and remittance services, savings and insurance products to workers in factories. It does this via small branches close to factories making them easily accessible. Since 2010 Geosansar has established more than 700 kiosks, opened over 800,000 new bank accounts and is handling more than \$1m in cash a day. Its model is based on the importance of tying financial education directly to access of banking and financial products.

Other initiatives focus solely on the financial education component. Mothercare, the clothing and accessories retailer, partnered with [A+B=3](#) to train its in-house social compliance team to run workshops in factories in China, focusing on migrant workers who are seen as particularly vulnerable. The World Bank also focused its efforts in Indonesia on migrant workers and found [incremental gains](#) from educating family members in addition to the migrant, as the decision maker on household expenditures is often not the wage earner.

Business for Social Responsibility (BSR), the US-based corporate advisory practice, this year set up [HERFinance](#), replicating its successful [HERHealth](#) factory-based peer education model. In addition to delivering a well-crafted financial education curriculum, BSR aims to increase the awareness of factory workers to the existing financial service and product options available to them in the market. Disney, Ann Inc., Timberland, Levi Strauss, Talbots, Li & Fung, and Primark are already signed up.

In the agricultural context, support is typically a blend of business and personal finance. For example, Starbucks' work with Conservation International in Mexico and 4 other countries to provide loans and savings vehicles, training in business planning and cash flow projection to coffee farmers. [Coca Cola](#) provides business training and access to loans for fruit farmers in Kenya and Uganda.

The Business Case

The benefits of financial access to the individual are well documented. But what's in it for the purchasing brand or the factory owner? For the brand, while undoubtedly enhancing their corporate responsibility reputation, it also offers the opportunity to improve supplier relationships as they work together to improve worker well-being and by extension factory profitability. Over the longer term the hope is that increased financial access, among other well-being initiatives, contribute to a process of worker empowerment, supporting workers to monitor and improve their own working conditions and raise grievances through the appropriate channels. An approach which would be more sustainable, and potentially considerably cheaper, than the current social compliance system. Electronic payments to individual accounts also offer a level of assurance that cash does not. E-payments are reliable and traceable, allowing brands to verify that workers are paid the correct amount on time.

Direct debits have also been found to bring business benefits to employers. Geosansar found that total wage bills went down for some factories as wages were correctly processed; and direct bank deposits meant more efficient payroll management. Absenteeism, presenteeism and turnover may also be reduced through better financial access. Research by BSR, Geosansar and a number of brands shows that workers take days off to manage often excessive debts and conduct transactions such as remitting money to their families. The introduction of fast, secure and reasonably priced financial services offers huge potential gains. The link between finance-related stress and the inability to focus at work and low productivity is also [well established](#). While there are not yet empirical studies from emerging markets, anecdotal evidence suggests the same link is present. Similarly in agriculture, the business case for financial access comes down to sustainability; the attempt to increase yields by better cash flow management and access to finance. Over the longer term this improves the security of supply for the purchasing brands.

Conclusion

The opportunities presented by financial access via the workplace are extensive. The factory and farm workers almost all have their own, or access to, a mobile phone. The banks are queuing up to partner with brands to test their new mbanking solutions in the controlled environment of a factory. Moreover, the employment relationship offers the ability to counter some of the obstacles, such as physical access or ID requirements, that often prohibit financial inclusion. Services are offered at times and in ways that suit the worker and factory ID cards are sufficient, in some cases, to open an account.

One of the main barriers to growth is good quality impact assessment. In order to mainstream and extend these nascent activities in supply chains, the business benefits of providing financial access via the workplace or working relationship, need to be properly measured. This will cost money. But the future promise of a more empowered workforce, better performing businesses, and being able to assess supplier performance by the sorts of meaningful workplace wellbeing programs they offer, rather than counting first aid boxes, is too good not to invest some time and money exploring.