

Have your say: European Pillar of Social Rights 27 November 2020

The European Microfinance Network and Microfinance Centre strongly support the implementation of the Pillar.

Currently microfinance is considered as part of principle 20 (access to essential services, including access to finance). However, we strongly insist that microfinance is about more than financial inclusion, and microfinance should be considered a transversal tool that contributes directly or indirectly to almost all other pillar principles.

1. Education, training and life-long learning: Microfinance is offered with business development services, mentorship and coaching to ensure vulnerable entrepreneurs have the financial literacy and business skills to succeed. This type of adult education is crucial for inclusive skills development.

2. Gender equality: Initiatives promoting inclusive entrepreneurship systematically will provide opportunities for female entrepreneurship. Given that entrepreneurs are currently predominantly male, we believe more can be done here. Microfinance sector has long term experience in improving gender equality which can be useful experience for other sectors as well.

3. Equal opportunities: Many microfinance institutions specifically target excluded minorities or excluded segments of population, offering them a road to entrepreneurship that would otherwise be inaccessible. We observe that particularly migrant communities are benefiting from this focus.

4. Active support to employment: Microfinance practitioners build their whole mission around providing active support to employment. This is more powerful in partnership with public support. We recommend that more incentive is given to European Social Fund Managing Authorities to set up inclusive entrepreneurship partnerships with microfinance institutions. Credit partnered with educational services serves these policy objectives.

5. Secure and adaptable employment: The Pillar encourages entrepreneurship and self-employment. This also means lowering the barrier to entry for such paths. This means helping potentially excluded and vulnerable people acquire the skills necessary (business development skills, mentorship, coaching), and the financial means (affordable credit and grants). Microfinance institutions do this every day, and can be leveraged to achieve this.

Principles 6-16 relate mostly to social rights for all citizens or for salaried workers. However, it raises the point that the self-employed and entrepreneurs should benefit from equal social protections to salaried workers and the unemployed. Many microfinance clients are vulnerable and live economically precarious lives. The risks that self-employment poses are an existential threat to them, and there should be considerable social security available in the case of duress or failure. This has always been the case, and the Covid-19 pandemic has made this crystal clear. Any self-employed person is taking a big personal risk in order to contribute to the economy, and this should be rewarded and supported to the greatest extent possible.

To help achieve this supportive environment, the road to becoming self-employed should be a smooth ramp out of unemployment, so benefits are not automatically lost, and in the case of failure, the right to unemployment benefits should still be available. Good practices already exist in this regard across Europe, so it suffices to encourage member states to converge upwards on this.

17. Inclusion of people with disabilities: Including those in vulnerable positions is core to the microfinance mission, especially if those people risk being excluded by the formal financial system. A great amount of talent is being missed due to the lack of opportunities available for some demographics, including people with disabilities.

Principles 18-19 relate to long-term care and housing assistance, important topic areas microfinance touches on less.

20. Access to essential services: This is the principle where microfinance is currently finding its strong institutional ally in the European Commission, with the cooperation of DG Employment, Social Affairs & Inclusion. However, we want to encourage the European Commission to be more ambitious in its support for inclusive entrepreneurship, and to put microfinance at the heart of its Social Economy Action Plan.

Recommendations:

- Organise an Inclusive Entrepreneurship Policy Dialogue amongst member states. Allow member states to learn best practices with regards to removing barriers to entrepreneurship.
- Increase the ambition of EU centralised financial instruments for the microfinance sector. No successor programme to the EaSI financial instruments has been announced yet, but at the same time a European Commission study has identified an annual EUR 12,9 billion financing gap for the sector.
- Incentivise ESF Managing Authorities across Europe to set up partnerships with local microfinance practitioners, to achieve all the objectives above at a larger scale.