

## Seeing Real Impact

# The 6<sup>th</sup> Impact Report

In our last impact report, entitled “Next Generation Impact Report,” I wrote about the important change Fair Trade Outsourcing was making in how it measures its impact - from the individual to the household. Specifically, I wrote:

*“But what is possibly the most important part of this change is that we now have a sufficient baseline to measure ourselves directly against the economic measurements of the societies in which we operate, specifically proving how a fair trade outsourcing job lifts people out of poverty.”*

While the majority of the fair trade policies we employ provide for Agents’ basic needs with a living wage, optimized transportation, and health care, we are now impacting the *consumption* side of the picture with our impact programs, thus going deeper to alleviate poverty.

Crucially, we’re now seeing direct linkage between the impact programs we implement, and consumption increases by our agents. This 6th report has given us a report card, and the early results are good:

1. Most importantly, we can report that there is no Household in FTO that is living in poverty, vs. 18% for the Philippines in total.
2. Through our “Win-a-fridge” program, Household cash flow increased by more than 17% for low income families, because of the decrease in food costs when they go from not owning a fridge to owning one.
3. Our zero-interest microloans for private transportation is showing some correlation, as the total % age households with access to private transportation went up by ~10% in the quarter.

We did a lot of hiring in the 4th quarter, and with this new survey, we know that more low-income households came into the company - that’s a good thing - because we know that an FTO job can really attack the base of the pyramid. It’s also these families for whom our impact programs can make the largest economic progress.

Overall, it was a good quarter in terms of driving true anti-poverty results, being able to measure them, and understand where next to go!

Thank you for joining us on this journey!

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Founder and CEO  
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# Household Profile

Majority of our Agents come from low-income and lower middle-income clusters. A result that mirrors the economic stratification of Philippine society in the PIDS study.

Nearly 60% of our Agents are the breadwinners of their families. Most of them come from the low income cluster. On average, 5 people depend on each Agent for their daily needs. These dependents include both children and adults who may be ill or elderly and cannot contribute to the household's finances.

Many household members per income cluster are in their late twenties. In comparison to PIDS data, our Agents' households that belong to middle middle-income and upper middle-income have many members younger than 32 years old.

People Impacted  
since 2016

5,642

Agents

919

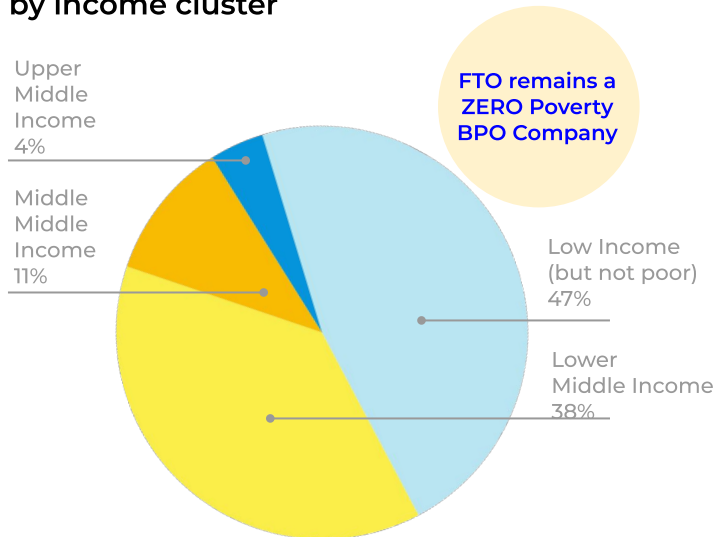
Dependents

4,583

Students

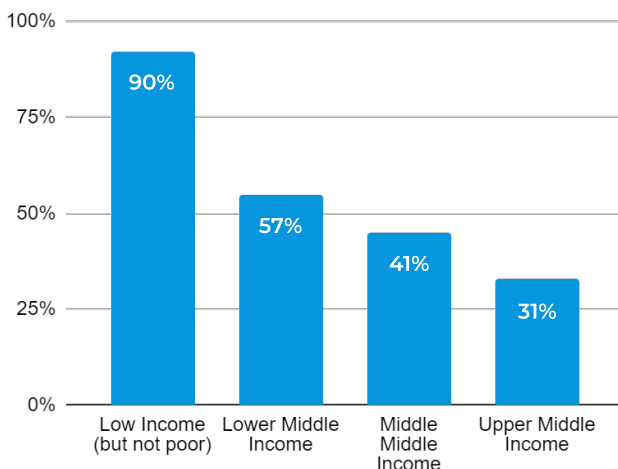
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**Figure 1: FTO household distribution, by income cluster**

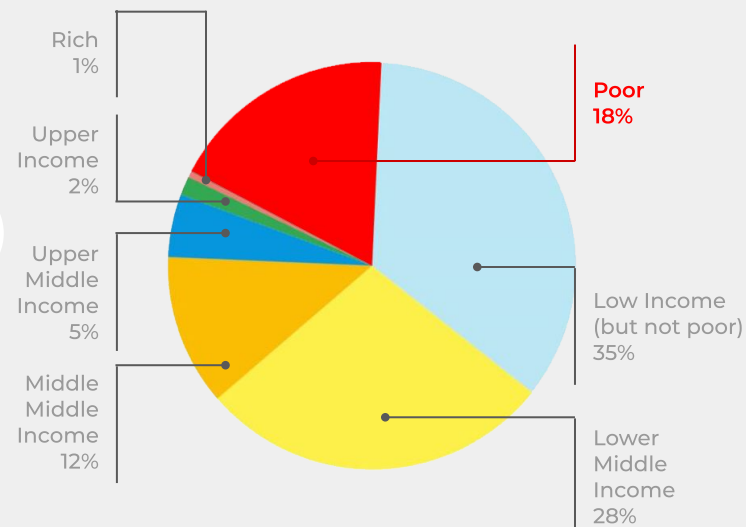


Because we pay living wages to our employees, even those in lower income clusters are able to live above the poverty line.

**Figure 3: Average of FTO employee's contribution to their monthly household income, by income cluster**



**Figure 2: Philippine household distribution, by income cluster\***



\*Source: Jose Ramon G. Albert, et al, PIDS Discussion Paper 2018

Average  
Dependence Ratio

1:5

% of Employees  
who are Primary Breadwinners

57%

**Table 1: Median Age of Household Members, by Income Cluster**

	Low Income (but not poor)	Lower Middle Income	Middle Middle Income	Upper Middle Income
FTO	26	28	27	29
Philippines*	23	28	32	35

\*Source: Jose Ramon G. Albert, et al, PIDS Discussion Paper 2018



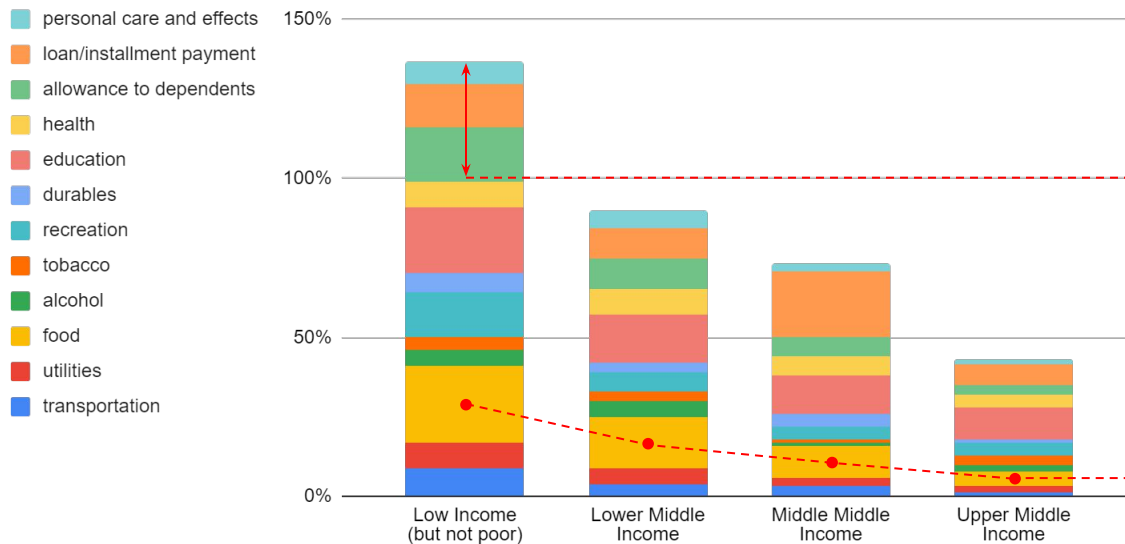
# Household Consumption

In our previous report, most families from the low income and lower middle-income clusters normally spend more than what their household earns monthly. Because of the 13th month pay and bonus paid to employees in December, lower middle-income families are now able to reduce their monthly spending. We see the same thing happen in families in the middle and upper middle-income clusters.

Every household, no matter their income potential, spends a lot on food. This result mirrors the PIDS study, which shows that food expenses gradually decreases for families who earn more. This can be explained by Engel's Law, which states that "as income rises, the proportion of income spent on food falls."

However, families in the low income cluster continue to spend more than they are earning monthly. While most of their expenses revolve around food, education, and allowance to their dependents, a significant amount goes to recreation and payments for loans and installments. Low-income households also spend more on transportation. Whether it's public or private is unclear, but what's clear is that nearly 50% of the employees live in the rural area. A most probable explanation is that agents who belong to low-income families have to travel a long distance from their home to their place of work.

**Figure 4: Share of expenditures to total monthly expenses of FTO households, by income cluster**



\*Low Income HH spending remains greater than their total HH income, they continue to live on a debt cycle. However, year-end bonuses positively impacted Middle Income HH cash flows.

The results for both studies are consistent with Engel's Law, which states that the proportion of the income spent on food falls as the household income rises. It can be a good measure of a household's standard of living.

We want to free our agents from predatory money lenders and show them a path towards economic security.  
#EthicalLending

Agent Households who received a FREE refrigerator from this program **SAVED 17%** (on avg.) in Household Food Expenses. From 53% down to 32%. #WinAFridge

To help our agents better manage personal and household cash flow, we are conducting regular Personal Finance and Debt Management Training. #CashFlowTraining



We're freeing our agents from economic disempowerment because of circumstances they cannot control.  
#CatastropheFund



# Durable Ownership vs. Food Budget and School Attendance of Children (aged 5-14)

The PIDS study highlighted this economic behavior as definitive of a middle-class household. Families tend to prioritize spending for household appliances and electronic gadgets. Delaying these purchases doesn't seem to be an option.

Many low-income families would rather buy a TV than a fridge. A fridge would have been useful in storing leftover food and ingredients for cooking. Home-cooked meals can be scaled up to feed the whole family.

When compared to the previous report, each income cluster's current food expenses seem to be reduced. The difference isn't that huge for low-income families, but households within the middle-income clusters seem to be spending less on their food consumption.

Low-income families with children aged 5 to 14 spend, on average, P2,731 on each child's education. Meanwhile, middle middle-income families spend nearly three times the amount on their children's education compared to families in lower and upper middle-income clusters.

Figure 5: Proportion of FTO households that own durables, by income cluster

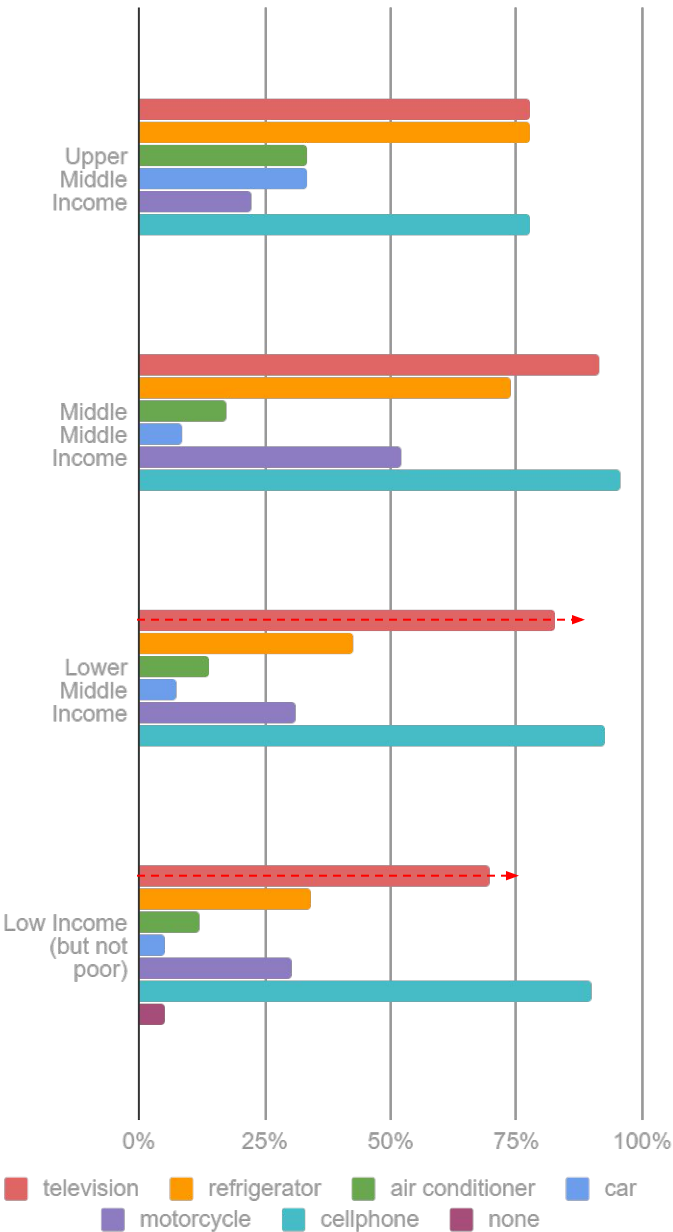


Figure 6: Average expenditure for education (per child) of children (aged 5-14) by FTO households, by income cluster

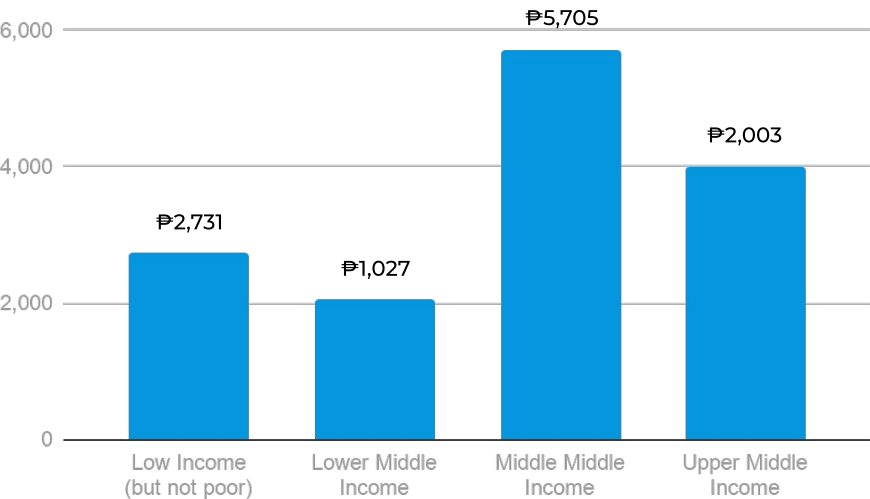


Table 2: Share of expenditures on food to total monthly expenses of FTO households, by income cluster

	Low Income (but not poor)	Lower Middle Income	Middle Middle Income	Upper Middle Income
FTO	24%	16%	10%	5%
Philippines*	54%	44%	35%	28%

\*Source: Jose Ramon G. Albert, et al, PIDS Discussion Paper 2018

The lower income clusters tend to prioritize durables that provide entertainment and a way to communicate, such as TVs and cellphones. Filipinos depend on their phones to keep in touch with their families. Similarly, they like to watch TV together and share a meal as a family.

Food is a central element in any Filipino household. Filipinos like to celebrate birthdays, fiestas & other special occasions.



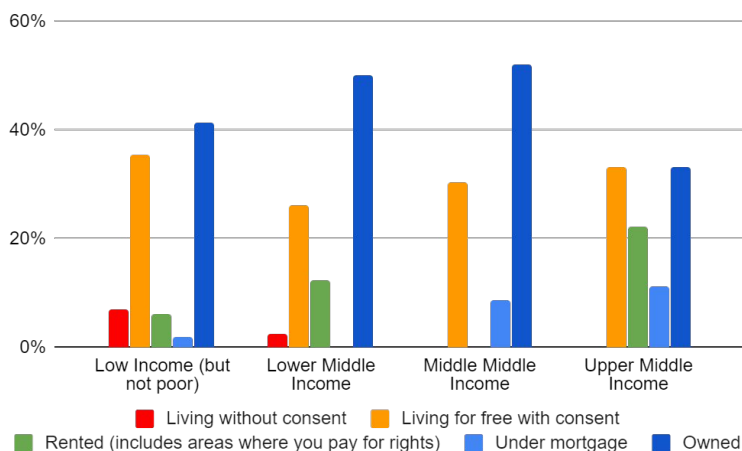
# Housing Profile

In every cluster, there are families who live in rented properties or reside for free with consent. However, the number of families living in houses without consent from landowners remain in low income and lower middle-income clusters. The sudden drop to zero and an increase in mortgaged homes within the middle middle-income cluster shows there's a change in living conditions with relevance to earning capacity.

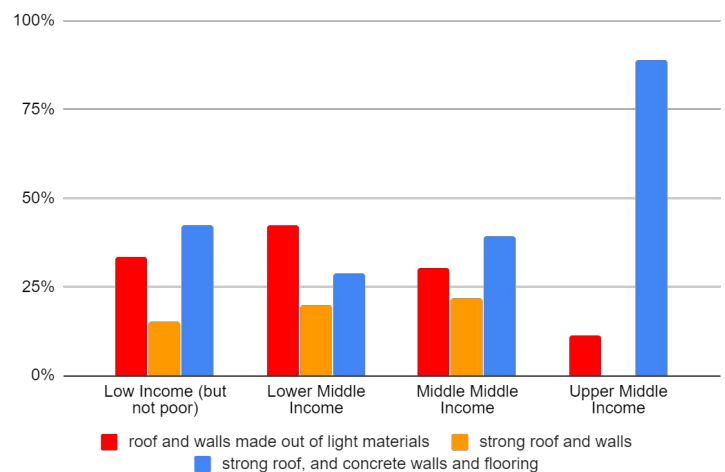
According to the PIDS study, a middle-income status means that the family now lives in a house made of durable materials with strong roof and walls. The FTO study, however, reveals that even though their household income is higher than most, many agents still live in houses made of light materials.

It's a surprise that 4% of the Agents still live in homes with no access to electricity -- up from 1% in the previous report. There's also an increase in the number of Agents that still live without access to clean water. Their families have to rely on peddlers and other impermanent sources for their water needs.

**Figure 7: Housing tenure of FTO households, by income cluster**



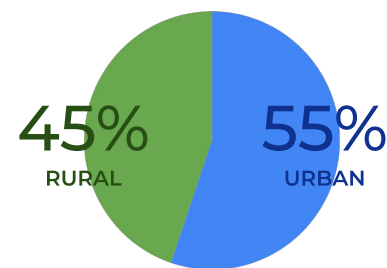
**Figure 8: Housing material of FTO households, by income cluster**



As the household income rises, ownership of capital, such as real property, gradually materializes. However, not all families choose to invest in a home they can own and made with strong roof and walls.

This inability to invest in real property may be influenced by a standard of living that revolves around consumption. Nearly 50% of upper middle-income households still do not own the house or lot they live in.

**Figure 9: Housing distribution of FTO households**



**4%**

of FTO households

DO NOT have access to distributed power source.

**6%**

of FTO households

of Households rely on peddlers and other means to access water (since there is NO WATER SOURCE in the premises)

The previous report showed that more than half of our Agents live in the rural area. This time we have more employees living within the city.

Instead of buses, they now have the option to pay for taxi. In addition, urban dwellers have greater mobility than rural residents. They can go out and travel anytime compared to rural dwellers who usually set a time and day for going to the city.

# Capacity Building Drives Capital Ownership and Investment in Private Transportation

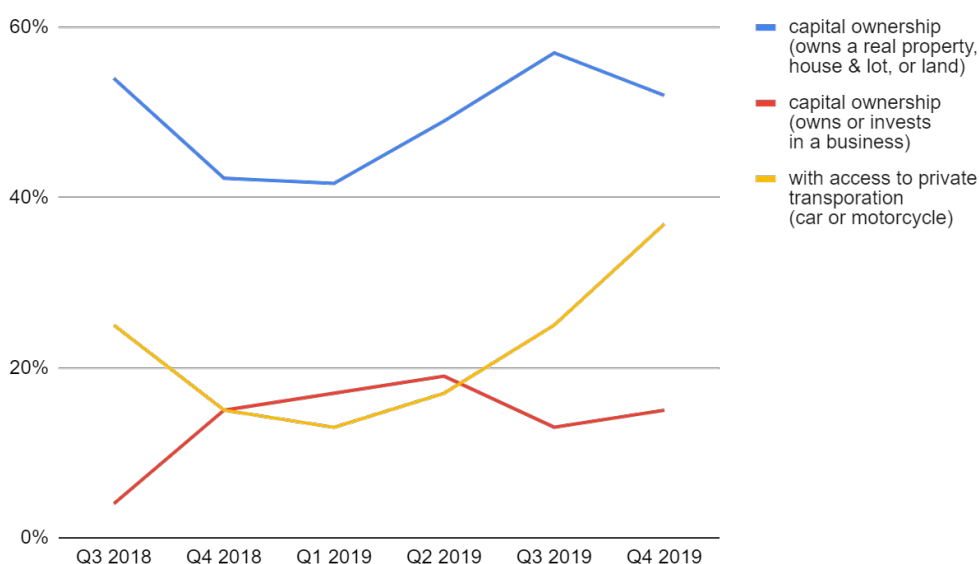
Capital ownership not only refers to owning a business. It also means owning real property, whether residential or commercial, and owning private transportation, such as a car or motorcycle.

While investments in real property have gone down, more Agents are now investing in a small business. By the end of 2019, the trendline for entrepreneurship was going upward. There's also a steep increase in ownership of a vehicle, whether it's a motorcycle or a car.

Our Learning and Development programs have been steadily producing Agents who have upleveled and increased their basic pay. New offerings like the Leadership and Mentoring Program has also produced several team leaders and managers.

A higher disposable income and a boost in morale combine to raise confidence among Agents, which encourages them to invest their earnings into a private vehicle or small business.

**Figure 10: FTO household's capital ownership and access to private transportation, per quarter**



As of January 2020, 6 batches of Agents have completed their Directed Training in English Proficiency Uplevelling. More than 54% have already received increases in basic pay. **#EnglishProficiencyTraining**

The Leadership and Mentoring Program continues to produce certified leaders. The current batch has 7 enrollees and continue to engage with their mentors. **#LeadershipMentoringProgram**

Owning a motorcycle gives Agents the freedom to travel wherever and whenever they want. Private transportation shortens their travel time to and from work, which allows them to pursue opportunities to build their capacity and earn more.

**#PrivateTransportation**

**#MotorsForProgress**

**#ZeroInterestMicroloanForMotorcycle**



A microloan for business allows our Agents to generate more income for their families. This gives them the boost to pull themselves and their families out of poverty and into the middle class successfully.

**#ZeroInterestMicroloanForBusiness**

**#CapitalOwnership**





# Proof: Jestony's story



Before Jestony joined Fair Trade Outsourcing in 2017, he was already working at another BPO company and earning minimum wage. His brother and his family were living with them and this pushed their household into a middle middle-income status.

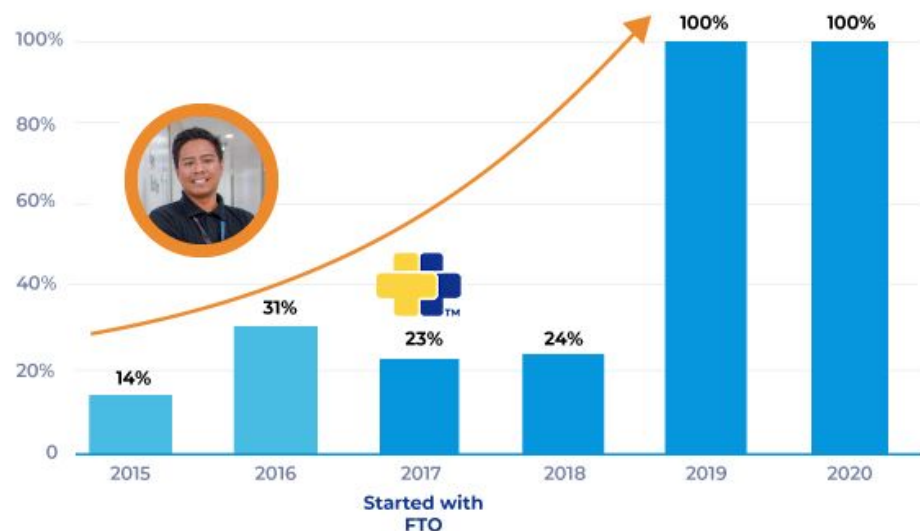
However, his brother left the company in 2016 and Jestony followed a year after. Sadly, their father -- who was a jeepney driver -- became ill in 2016 and had to work part-time. This reduced their household income by half.

In 2017, Jestony was earning P10,500 and his brother (who was also in FTO at that time) was earning almost 2x more. While their household income went back to middle-class status, the family had to deal with the patriarch's illness.

Jestony applied for the FTO Catastrophe Fund, which reduced his family's burden. It's not a loan, but a refund for medical expenses incurred during his father's hospital stay.

When his brother and their family moved in 2019, Jestony became the sole breadwinner and had to find another source of income. In 2020, he was approved a Microloan for a Small Business, that will generate additional income for his family.

## Portion of Jestony's Contribution to His Household



### Aleamar Farm to Office Table

- Started in a data entry account and promoted to team leader
- From a nipa hut to a concrete house
- Microcredit business, Aleamar lends to farmers
- Private transportation with a motorcycle



### Karen Wage Earner to PisoNetpreneur

- Availed a Zero Interest Microloan for Business
- Solely owns and operates a PisoNet Computer and Internet Shop.



### Nica Wonder Woman

- Started in a proctoring account, then moved to an appraisal writing account and promoted to Team Leader
- Certified as a leader through the FTO Leadership Mentoring Program
- Now promoted to Operations Manager



### Juhnly Go-getter Power Agent

- Started in a data entry account
- Availed a Zero Interest Microloan for Motorcycle
- Uplevelled by 1 notch in English Proficiency through the directed Training Program
- Now in a customer service account



### Cathy QA Specialist Internetpreneur

- Started in a customer service account
- Promoted to Quality Assurance Specialist for FTO
- An online entrepreneur

