

ASIA MICRO-INSURANCE NETWORK

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FOUNDING VISION:

JOINING HANDS: FROM LOCAL INITIATIVES TOWARDS NATIONAL SOLIDARITY SYSTEMS...

Everyone needs to be protected against the various livelihood risks. Workers need protection against the risk of loss of income because incapacity for work. This may be for short periods of unemployment, sickness or maternity or for a longer time due to invalidity or employment injury. Women need special care and support when giving birth. Children need financial support from society to help their families to cope with the cost of education and health care. Older people need income security for a satisfactory and fulfilling retirement. Dependents need to be protected in case of death of the breadwinner and anyone needs to have access to quality health care services without suffering the burden of unexpected high costs.

The need for social security goes far beyond individual aspirations. Employers and enterprises also need social security in order to benefit from a productive workforce. Social security is also essential for the well-being of society as a whole. It has a significant impact on the labour market and has already demonstrated to contribute to economic growth by raising labour productivity, enhancing social justice and social stability, and reducing poverty and social exclusion. As such, social security can play a significant role in achieving the Millennium Development Goals. It can contribute to halving the proportion of people below the poverty line, to reducing child mortality and in improving maternal health. It can also contribute to fighting the spread and socio-economic impact of HIV/AIDS.

Social security is a fundamental human right. According to the universal Declaration of Human Rights (1948), in its Article 22, "everyone as a member of a society has the right to social security". As a result, this right was embedded in most countries' constitutions and governments took the pledge to extend social security benefits to all citizens. Accordingly, new regulations were issued, specialised public departments or agencies were set up everywhere and operational systems and mechanisms were designed to contribute to the achievement of this goal. However, and up to this day, most countries still have to work towards the gradual development of social security. The promise of providing social security to all has not been fulfilled, and in many developing countries, where a growing portion of the labour force is obliged to rely on employment in the informal economy, the opposite is even true: social exclusion is on the rise.

It is estimated today that only 20 % of the population worldwide enjoys adequate social security while more than 60 % of the population remains excluded from any kind of social security benefits. The situation is even worse when looking at some developing countries in Asia, such as India, Bangladesh and Nepal where most of the population (90 to 95 %), remains excluded from existing social security mechanisms. Contrary to expectations, the importance of the informal economy in these countries, which accounts for 90 % or more of the total labour force has been constantly growing over the last decades. This increase is the result both of casualisation of work affecting more and more workers of the formal sector and the general

lack of new employment opportunities. On account of their unorganised nature, these informal economy workers today generally do not get adequate labour protection in terms of job security, income security, working conditions, social security and welfare. Recognising that they do not, and by far, represent a homogenous category of workers made somewhat difficult to get them covered by ways of extending the existing social security systems that were originally designed to address the needs of formal economy workers.

Paradoxically, it is in the informal economy that the conditions of workers and their families are typically more precarious and where risk exposure reaches its peak. So far, the excluded groups remain exposed to the multiple risks affecting their daily lives and inhibiting their development initiatives. Amongst them, the most disadvantaged groups remain caught in a continuing cycle of poverty and vulnerability. In practical terms, this means that only a tiny segment of the population can rely on a system that will help them cover for instance, the cost of medical care. Without such protection mechanism, many individuals delay seeking health care or may not seek it at all. When they do, they may need to sell assets or fall into the debt trap in order to cover these expenses. Indeed, social security has a key role to play in enabling the informal economy workers to retain their income – however small it is – so as not to fall into severe debt or destitution in case of simple emergency.

Human dignity requires a minimum security for all. The minimum, which may vary according to national capacities, might range from basic health services and food, education and shelter in the poorest countries to more elaborate income security schemes in the industrialised world. Equity and social justice imply that “everyone of working age has the responsibility to the social and economic progress of the community or country he or she lives in and should be given an opportunity to do so. In exchange, all have the right to a fair share of the country’s or community’s income and wealth”. These principles imply that systems of social security need to be based on solidarity and need to ensure an appropriate degree of redistribution whereby the well off live up to their responsibility towards those in greater need. To this day, and although contributing in most cases to a major fraction of GDP, informal economy workers still cannot benefit from a fair redistribution of the wealth generated by their efforts, through existing social security mechanisms.

For many years, the International Labour Organization proposed the following comprehensive definition of social security “the protection which society provides for its members, through a series of public measures: I) to offset the absence or substantial reduction of income resulting from sickness, maternity, employment injury, invalidity, old age and death of the family breadwinner, ii) to provide people with health care, and iii) to provide benefits for families and children. Recognizing the new huge challenges that have emerged, this definition needed to be broadened to cover new concerns and also to be better adapted to the particular needs of the developing countries. The new broader social protection concept adopted by ILO includes not only public social security schemes but also private or non-statutory schemes with a similar objective. Included under social protection are all sorts of schemes, formal or informal, provided that the contributions are not wholly determined by market forces. Thus, it was recognised that a wide diversity of new institutions could also pay an active role in the extension of social protection.

Consistent with this new approach, the International Labour Conference in its 2001 89th Session identified the following main strategic ways to extend social protection: I) extending social insurance (i.e, contributing schemes), ii) introducing universal benefits or services financed from general revenues, iii) establishing or extending means-tested benefits or services (social assistance) also financed from general state revenues, and iv) encouraging micro-insurance. The constituents emphasised that “none of these approaches should be excluded a priori”, the appropriate mix of different mechanisms will depend on the national context and the national strategies adopted. Careful thought should be given to their respective role and to the linkages between them”.

As a major outcome of this new consensus, ILO launched in June 2003 a global campaign on “social security and coverage for all”. In the light of the importance of the exclusion phenomenon affecting the informal economy workers and their families in many developing countries, this event also reiterated that different strategies and instruments could be used to extend social protection, and among them, the development of innovative decentralised social protection schemes relying on solidarity principles and insurance mechanisms. At the same time, it emphasised the need for all actors willing to contribute to the extension of social protection, to work together within the context of a national policy framework, allowing for a broader and sustainable impact of all interventions. In the wake of this global campaign, several countries have already taken a further step in launching national campaigns in order to enhance and better coordinate all interventions aiming to reach the goal of social protection for all.

As an integral part of ILO Social Protection Sector, the ILO/STEP worldwide programme identifies, promotes and supports innovative strategies and mechanisms – including micro-insurance – that can contribute to the extension of social protection. As such, it has been actively involved in the preparation and the organisation of these national campaigns as well as of other regional and international initiatives. The STEP programme’s main objective being the extension of social protection to the excluded groups, it also puts a strong emphasis on health, since access to quality healthcare services is the first social protection priority for workers in the informal economy. Using a multi-partnership approach, the programme is simultaneously involved in technical cooperation programmes, research work, knowledge development, capacity-building and advocacy activities.

In the context of Asian developing countries, it is clear that many other actors than the State have a role to play and evidence already suggests that new forms of collective promotion of interest such as micro-insurance schemes addressing the priority needs of their members may be the first and necessary step for the design and implementation of efficient nation-wide systems of social protection. Facing the huge gap of social protection a wide diversity of civil society actors (cooperatives, women’s groups, trade unions, micro-finance institutions, NGOs, micro-entrepreneurs associations, etc.) have already begun to experiment with innovative solutions to meet their needs.

Various micro-insurance schemes that were tailor made to answer the needs of their members are found to be proliferating in all countries. The developmental characteristics of these schemes is of central importance in the context of the fight against poverty and social exclusion. Indeed, these schemes have already demonstrated an increasing ability to empower members to undertake new collective action and to enable the organisation to have a stronger voice and representing capacity in their negotiation with service providers as well as in their advocacy activities towards policy-makers.

Some of these schemes have already succeeded in linking up with insurance companies, banking institutions, health providers and even pharmaceutical companies. In some Asian countries such as India where there is now a critical mass of membership-based schemes and where these have started to organise into networks, it is already apparent that micro-insurance has already increased the voice of the excluded groups and is beginning to influence the policy and legal context that governs social protection.

However, and although having already successfully demonstrated their positive effect at the local level, these multiple micro-insurance schemes remain often isolated and insufficiently documented, resulting in the fact that they are still not taken into account into national policies, strategies and programmes that could achieve a widespread positive impact on the excluded groups. Another related concern, is that being not linked with national systems of social protection, these schemes still cannot rely on effective national solidarity redistribution mechanisms. Hence, the social protection challenge that remains to be taken up in Asia: “from local schemes towards national solidarity systems”.

Micro-insurance schemes serve one of the crucial needs of the community. Far more than a simple financial arrangement, they have to be seen as an efficient empowerment instrument and as a social inclusion mechanism. Micro-insurance schemes have the potential to ensure that equity-based, gender-sensitive, comprehensive, affordable and viable social protection services can reach out to the various excluded groups and most disadvantaged groups of the population. For them to effectively contribute to the ambitious role of providing social protection to all, they now must join hands in undertaking a new regional initiative that could enhance all actor's technical capacities while helping them to come up more efficiently with the issue of extension of social protection at the policy level in each concerned country.