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INTERNATIONAL SOCIAL SECURITY ASSOCIATION

Technical Report 27

The state of development of private non-profit social protection organizations

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Technical Commission on Medical Care and Sickness Insurance and Technical Commission on Mutual Benefit Societies 28th ISSA General Assembly, Beijing, 12-18 September 2004

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Introduction

We have the impression, occasionally put into words, that voluntary non-profit social protection organizations, also known as mutual benefit societies, are ancient, archaic, old-fashioned social organizations. Where they have survived, mutual benefit societies are seen as groups which have been cut off from their roots and certain of their basic values, and integrated into the machinery of the welfare state. They administer various forms of compulsory and supplementary insurance but no longer generate enthusiasm among militants; people join mutual benefit societies by chance. Mutual benefit societies are considered to have played a major role in the past, as precursors of modern social security, but their mode of functioning is not always clearly understood and they are often seen as no more than an organism for the payment of benefits.

However, probably because solidarity is the only means to combat individualism and exclusion while at the same time improving access to social protection, this model is again arousing interest. As in the past, mutual benefit societies continue, in day-to-day combat, to defend solidarity as a universal value, and access to health as a right for the development of the individual. Mutual benefit is above all a state of mind which leads to the introduction of self-help models; as a result there is always room for mutualist activities whatever the level of development of social legislation in a democratic country.

In many parts of the world, their evolution remains at a fairly modest, or almost experimental stage of development. Even grouped together, they are certainly insufficient to guarantee the smooth development of entirely appropriate and effective community responses to the main challenges involved in access to health. However, these initiatives have secondary virtues: they lead to better collaboration between actors who were previously indifferent to each other or even hostile. Through them, people can learn to talk to each other, to debate, to implement community responses and mobilize on behalf of a joint project; in this sense, they can be useful precursors for more important and ambitious schemes.

These are the considerations which led the Bureau of the Technical Commission on Mutual Benefit Societies of the International Social Security Association (ISSA), in collaboration with the STEP programme (Strategies and techniques to fight social exclusion and poverty) of the International Labour Office (ILO) and the International Association of Mutual Benefit Societies (*Association internationale de la mutualité* (AIM)) to decide to carry out a survey on private non-profit social protection organizations.

The aim of this survey was to analyze the role and activities of non-profit groups whose objective is to reduce the impact of various social risks which affect members and their families: sickness, work incapacity following illness or accident, disability, old age, death etc. In many countries, this description applies to the organizations known as "mutual benefit societies". These organizations combine two basic principles: insurance and solidarity.

The analysis covered industrialized countries and those in transition as well as developing countries. The questionnaire was designed for a network of specialists working in the field of private non-profit social protection organizations or with special knowledge of the latter's activities in their respective countries.

In order to carry out the survey, a working group prepared a two-part questionnaire (see annex):

- The first section provided a clearer picture of the role and mission of private non-profit social protection organizations.
- The second section provided information on the activities described, wherever such information was available.

The data was collected in close collaboration with the AIM as regards information on European countries, and with the ILO/STEP programme for West Africa, based on the census carried out by the Consultation, and for Asia.

1. Section I

1.1. Theoretical approach

The situations described in the various parts of the world, led us to undertake analysis based on private non-profit organizations¹ in order to bring together under the same heading, a large number of systems which provide individuals with voluntary protection mechanisms.

The question of definition has always raised many problems; without going into them while defining the field of survey we will consider non-profit making, voluntary associations of individuals, functioning on the basis of solidarity between members, financed by members' contributions in accordance with decisions taken by the members or their administrative body in order to promote insurance activities, self-help and solidarity in the face of social risks affecting the members.

Wherever such organizations exist throughout the world and whatever their size, they are characterized by certain universal principles in common which permit their identification.

¹ Depending on the region, these systems of organization are known as *Mutualités*, friendly societies, *Krankenkasse*, Mutual Health Organizations, *micro-assurance santé*, *système de santé à base communautaire*, etc.

1.2. Basic principles

1.2.1. Solidarity

Their primary aim is to respond to individual expectations through community action and the pooling of resources and/or activities to satisfy the needs of everybody.

Individuals contribute according to their financial capacity and receive benefits according to their needs, based on a policy of non-exclusion and non-selection, regardless of age, sex, state of health, level of income or any other social, professional, religious or ethnic consideration.

1.2.2. Absence of shareholding and profit

These organizations do not have shareholders or options which could provide profit for their owners. They operate using their own funds made up mainly of members' contributions, which are collective and indivisible. The absence of remuneration for shareholders means that all financial surpluses can be used to meet the objectives of the enterprise and reinvested in the constant improvement of the services provided for members.

Their main characteristic is that they are associations of people rather than capital.

Their main distinction compared with capital-based companies is that their aim is the satisfaction of their members rather than profit, so surpluses are not used to provide interest on capital. This does not mean that they should not make a profit, but that in order to remain viable and ensure their long-term survival, these organizations must balance their accounts.

Their non-commercial approach is, therefore, a characteristic of these organizations.

1.2.3. Freedom of adhesion, democratic and participatory management

These organizations are accessible to all those who meet the conditions laid down in their statutes and who adhere to their principles. There is no form of discrimination as regards membership. Similarly, members are free to withdraw at any time.

They constitute democratic groups where everyone is free to express himself. The decision-making process, in the form of a representative democracy, implies that executive boards will be elected by the members, meeting in general assembly, based on the "one man one vote" principle. Membership status and participation in the decision-making process do not depend in any way on the amount of capital held by a "shareholder".

This participation has a number of implications for members:

- they bear the operational risks of the insurance system and the consequences of its management;
- they must agree on the benefits to be provided based on insurance needs;
- they themselves define the statutes and the rules of procedure upon which their organizations are based;
- they keep their institutional autonomy as regards the care provisions which they can offer.

1.2.4 Autonomous management

As regards their management autonomy, mutual benefit societies are private enterprises with their own legal identity, as distinct from government bodies and organizations directly dependent on the public authorities with their own decision-making organs. As independent organizations, they do not depend on government funding. However, they must respect the national legislation and therefore operate under the supervision of these authorities.

1.3. Historical overview

Mutual benefit societies have been in existence in Europe since the Middle Ages; their basic principles were either religious (brotherhoods), economic (guilds, corporations), or social (trade guilds). However, organizations of this kind, based on social solidarity, have existed in China, India, Indonesia and Chile, etc, as well as throughout Europe, at various times.

The concept of mutual insurance really took off in Europe during the industrial revolution of the nineteenth century. Social changes gave birth to new forms of solidarity and various forms of social insurance saw the light of day.

Mutual benefit societies grew from the desire of certain individuals to group together and to pool their resources and activities in order to meet the needs of the community which was thus constituted. In this way, they laid the foundations for their own development.

Members were a prey to the social insecurity inherent in large-scale industrialization – employment accidents, loss of earnings due to illness, etc. For the most part, their early intentions were extremely down to earth in terms of motivation and pragmatic in content. They were basically a revolt against the harsh conditions of everyday life and a demand for a minimum of protection. Later, the host of local initiatives and voluntary solidarity funds which had developed, showed a tendency to group together under wider structures, which progressively became an inspiration for legislators themselves. This reference to the pragmatic nature of the roots is a useful reminder that the starting point was not a utopia, and that the concept of collective solidarity is better seen as an objective.

Non-profit organizations lie behind the public social protection systems based on redistribution, in most European countries. They enable workers who are victims of a social risk to be protected within the framework of social insurance. The role of the mutual benefit societies changed after 1945, with the creation of the major social protection schemes, depending on the options chosen by the governments.

Where governments chose to provide social protection (sickness, pensions) through a public service run either by the government itself or by the regions, mutual benefit societies played an alternative role and developed complementary sickness or other insurance activities, self-help, medical or social assistance, etc. Elsewhere, they directly administer the compulsory sickness insurance system.

With the exception of Europe and a few countries in Latin America, (Argentina, Uruguay), the emergence of these organizations is a relatively recent phenomenon in the countries of Africa and Asia. Several private initiatives were born in the eighties, but the real turning point came in 1987, with the World Health Organization (WHO) Regional Assembly known as the Bamako Initiative; this led to a change in the approach to funding for health systems and the implementation of concepts based on the recovery or sharing of costs and community participation in the management of care.

1.4. Civic enterprise and social change

Mutual benefit societies, because of the way in which they are integrated into local structures, can provide a real training ground for responsible participation and citizenship for various reasons:

- they are usually on a modest and human scale (even if, in several European countries, these organizations have grown to impressive proportions, with several million members in certain cases);
- they often rely on strong local, regional or socio-professional support;
- they seek or rely on partners who are active among associations, trade unions, community groups, etc.
- they actively involve their members in the life of the organization through general assemblies and the election of representatives. they also encourage the development of an organizational culture among groups which in other circumstances would have no more than a passing knowledge of the functioning of an enterprise;
- they help to stimulate social change through their effects on the structuring and organization of local populations.

Based on the information they have at their disposal, they can respond appropriately to the needs and expectations of their members and may even take action to modify high-risk behaviours and living habits. There are many examples of activities they have undertaken in

the fields of prevention and information for their members in particular or the population in general: information campaigns against tobacco consumption, alcoholism or education on AIDS, the proper use of medication, infectious diseases, chronic illnesses, etc.

These organizations have the necessary legitimacy to intervene on two levels:

- with public authorities, as mediators and spokesmen on behalf of members and citizens;
- with care providers, because of their independence as regards the public authorities (in some cases via official organs set up by the authorities themselves), where they have the potential to contribute towards improvements in access to health care and in the quality of care.

1.5. Added value

Because of their methods, mutual benefit societies are often better equipped than others to respond to certain needs of the population. Depending on the context, they may intervene to compensate for the absence or inadequacy of available health care or to improve the quality of the services provided. They may also fill gaps in state administration by acting instead of and on behalf of the public authorities or through the delegation of responsibilities.

The principles they follow provide easier access to essential services such as health care, particularly for populations with insufficient income to meet their needs elsewhere.

Their activities are not restricted solely to risk coverage but may also include areas such as health education, prevention, or the running of health centres. This holistic approach to health on the part of the mutual benefit societies is in line with WHO's Alma Ata Declaration, which emphasizes individual well-being as the central concern.

In the fields of activity where they operate, as soon as they are big enough and provided the economic context permits, these organizations have proved their worth as profitable, productive and competitive enterprises, capable of adapting to the needs of the population.

At the present time, these organizations play a preponderant role in the field of complementary health insurance. They help to combat exclusion and encourage social development in the face of increasingly expensive health services and reductions in the proportion of the cost covered by compulsory health insurance schemes in the developed countries, or by contributing to the implementation of supplementary protection in developing countries. They can play a major role by acting independently and developing original products, at low prices, which are accessible to the majority of the population and adapted to the needs of beneficiaries.

1.6. Social inclusion

Taken in its broadest sense, insurance consists of pooling the consequences of the realization of risks and sharing the costs of the care which will enable the individual to return to a state of good health. Social justice demands that the same quality of health care be available to all under the same conditions; if that principle is accepted, then solidarity mechanisms must necessarily be reinforced. An approach based on solidarity enables individuals to contribute according to their means even if their resources are reduced, and to benefit according to their needs.

In this way, non-profit organizations contribute to the fight against exclusion. Poor health makes productive activity, and thus a source of income, impossible; it requires resources which may lead households into debt and thus drag them into the vicious circle of poverty and exclusion. By reducing the components of health risk through information, education, and prevention and by facilitating access to health care, they help to fight against poverty.

However, in order to further reinforce the social principles which lie behind the functioning of these organizations and to preserve the accessibility of health services without taking into account the state of health of individuals or their financial position, the prohibition of insurance practices such as risk selection and exclusion, is becoming indispensable.

1.7. Social responsibility and sustainable development

These organizations, which reject a commercial vision of society, can emphasize their social responsibility, i.e. remain centred on the concerns of their beneficiaries. Furthermore, their view of the enterprise as an original style of organization capable of integrating democratic principles and ability to create products and services based on local realities allows them to generate wealth for reinvestment in development.

In spite of its relatively recent development in certain countries, the absence of profit is a source of stability which enables services to be adapted and developed according to the contributory capacities of the members while attempting to achieve the widest possible access to health structures. Mutual benefit funds are thus in a position to act as a force of social cohesion for a society wherever they are able to sustain and develop a lasting relationship with their members.

In certain European countries, they have been among the first enterprises to experiment with the introduction of the "social report" a voluntary tool which provides a global vision of the life of the enterprise, its effects on the environment and its social involvement.

Because of their guiding principles and their policy of keeping their tariffs at levels which are accessible for populations with low or precarious incomes, they have a social and moral

responsibility to aim for more effective allocation and utilization of available resources. At the same time, the absence of remunerated shareholders means that all or part of the profits can be devoted to the development of long-term activities and the survival of the enterprise. Without listed shares, the mutual benefit funds cannot be bought out. In periods of economic crisis, falling share prices can have conflicting effects on the financial structure; the destabilizing effects of fluctuations on the stock exchange have little effect on them, but the fragile economic status of the population may lead to difficulties in the payment of contributions.

This voluntary approach is based on a vision of the organization as a component of our social and cultural environment. They can thus reverse the concept of a hierarchical society in which social development can only be conceived as linear, as a possible consequence of economic development, although by their very nature, economic and social development should be mutually reinforcing.

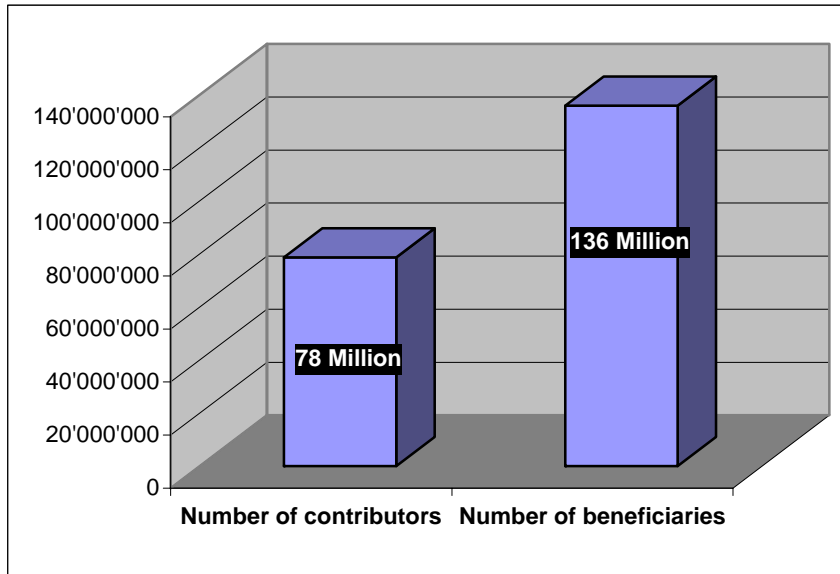
Although they are also part of competitive markets, mutual benefit funds always try to reconcile their social aims with the need for profitability and economic efficacy and thus contribute to economic and social progress. They may be highly effective tools for the modernization of sickness insurance systems by enabling as large a population as possible to have access to protection against social risks.

2. Section II

2.1. The role of non-profit organizations in the field of social protection

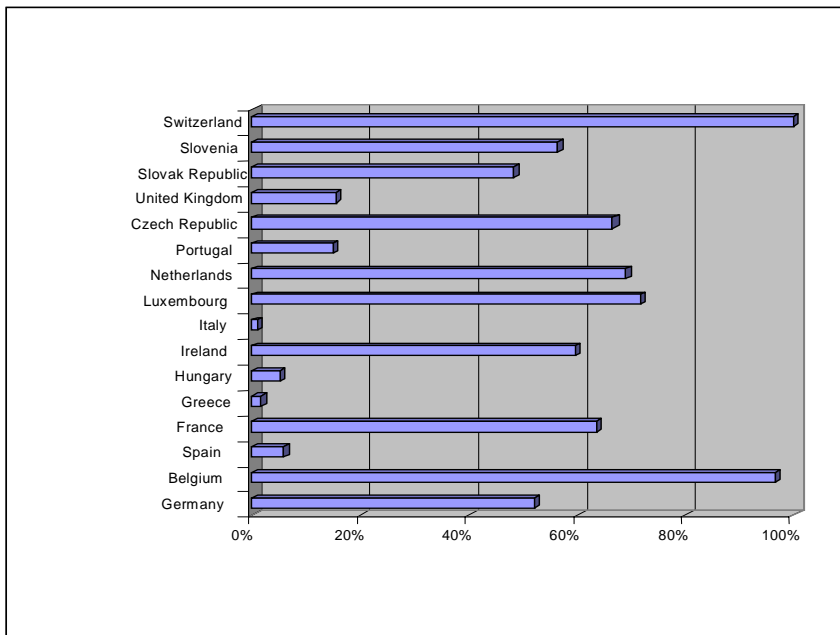
Organizations of this type are still largely ignored by many governments. In practice, they are still greeted with a certain mistrust, often based on ignorance of their potential or "fear" of their democratic functioning. Their situations vary enormously as a result. However, recent assessments clearly indicate that these organizations are growing in importance and are no longer confined to a European model.

Diagram 1. Number of contributors and beneficiaries of mutual benefit funds in Europe

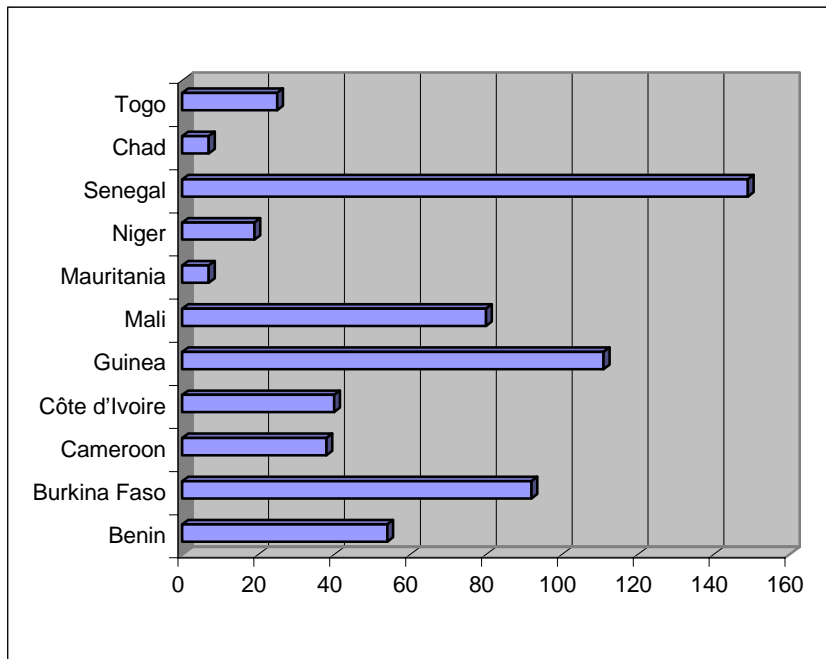


Source: AIM (concerns only AIM members).

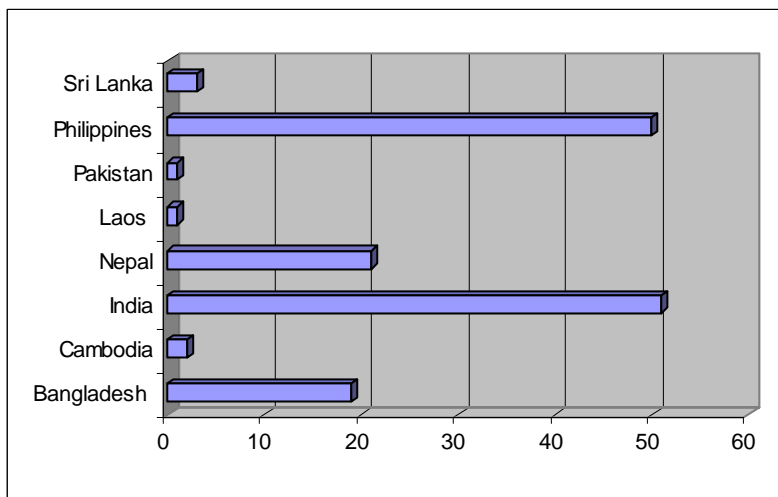
Diagram 2. Percentage of the European population covered by a mutual benefit fund, by country



Source: AIM (concerns only AIM members).

Diagram 3. Number of organizations registered in West Africa

Source: ILO/STEP. Interim results of the census carried out by the Dakar West African Coordination Network. Final results to be presented at the Coordination Network Forum, Mali in November 2004.

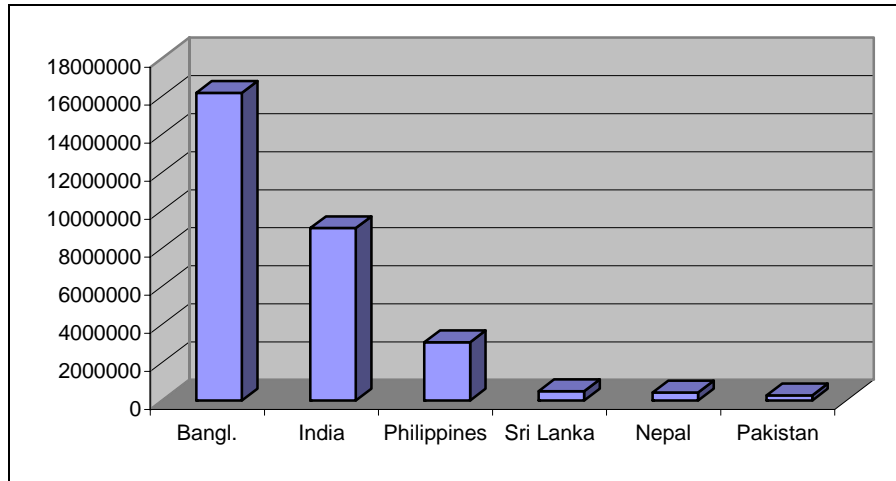
Diagram 4. Number of organizations (micro-insurance) registered in Asia

Source: ILO/STEP. Results of the list of micro-insurance systems operating in Asia, March 2004.

Several governments, mainly in European countries, have clearly defined the activities which may be undertaken by mutual benefit funds under current legislation. However, Europe is not an exception; countries such as Argentina, Uruguay, Colombia, Chile, Mali, Morocco, Tunisia, Algeria etc. have legislation which allows these organizations to undertake activities

in the social and health fields. National legislation often reflects extremely diverse national traditions as regards the development and promotion of this type of organization.

Diagram 5. Total population covered by (micro-insurance) organizations in Asia

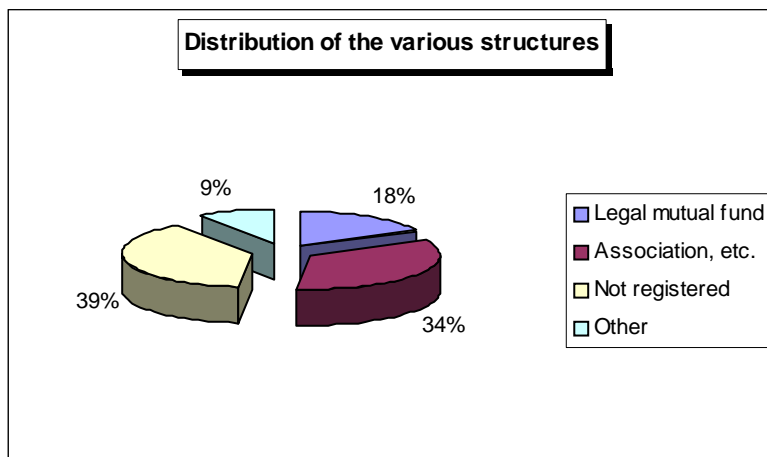


Source: ILO/STEP. Results of the list of micro-insurance systems operating in Asia, March 2004.

In the absence of a suitable legislative framework, these organizations will be covered or assimilated under other types of legislation, such as cooperatives or associations. Only too often, a specific and modern statutory framework remains the exception rather than the rule.

However, most of the countries where the question was posed, recognized that regulatory measures could encourage the development of non-profit organizations in the field of social protection. In many instances, current legislation is not appropriate for the objectives of the "friendly societies" which thus appear to be outdated in certain countries and in need of modernization.

These different situations are reflected in the role and degree of importance of these organizations in the field of social protection, which varies from negligible to marginal and from preponderant to vital.

Diagram 6. Type of structure found in West Africa

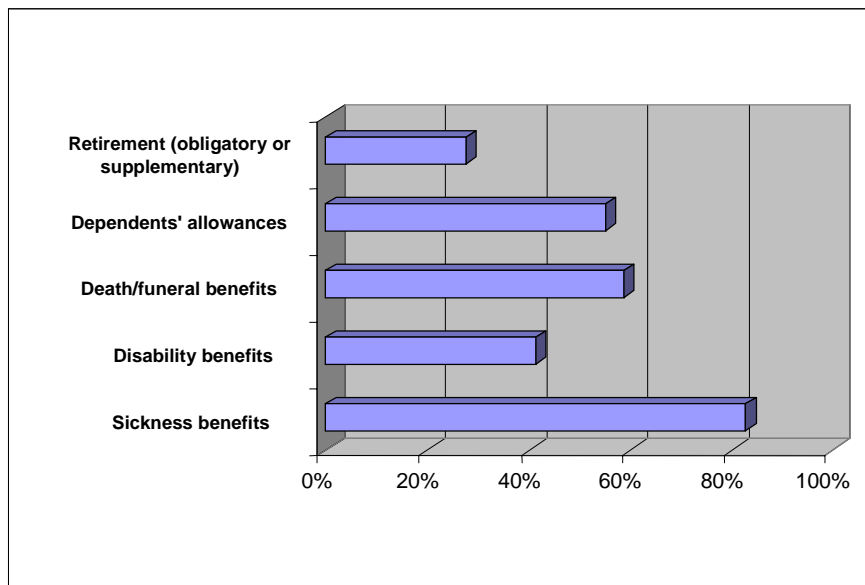
Source: ILO/STEP. Interim results of the census carried out by the Dakar West African Coordination Network. Final results to be presented at the Coordination Network Forum, Mali in November 2004.

2.2. Role of non-profit organizations

These organizations provide a wide range of services, most of which fall under the headings of curative and preventive medicine. They are not always confined to health, however, but also deal with sectors as diverse as the disabled and the elderly; they may also provide benefits in the event of death or work incapacity.

The difficulties which have arisen in countries where compulsory sickness insurance is one hundred percent in the hands of the public sector, are making such countries consider the new role which could be played by non-profit organizations which fall between the public and the private commercial sectors. Under various external pressures, for example the international organizations with programmes such as STEP, these organizations are developing rapidly and becoming more conscious of their ability to take an active part in the field of social protection. Certain organizations are developing in a more spontaneous way as a result of changes in the needs of the population and of the community. Education and computer technology, for example, play an important part in the activities undertaken.

In countries where these organizations have developed only one type of activity, they have become "mono" specialists in, for example, funeral benefits. Those which are active in the health field, on the other hand, propose activities ranging from the reimbursement of treatment for beneficiaries, to the payment of benefits and the provision of services through health centres.

Diagram 7. Distribution of benefits paid in Europe (death and retirement benefits)

Source: AIM (concerns only AIM member organizations).

In most countries of Europe and the Maghreb and certain countries in Latin America, non-profit organizations are involved in providing supplementary or substitute sickness insurance and thus complement the statutory insurance system. Elsewhere, these organizations clearly do not complement the compulsory system, either because there is none, or because they act autonomously to provide an independent alternative to the system. However, there is not necessarily a direct link between the lack of insurance cover and the insurance provisions offered by these organizations.

As regards competition, there seem to be two tendencies: in the Western countries, these organizations face increasingly strong competition from the private sector; in the developing countries, on the other hand, competition is almost non-existent either because they provide totally different products and services (old age, disability, maternity) to those of the commercial insurance companies or because the latter consider that market potential is insufficient to create sufficient demand.

2.3. The debate on social protection

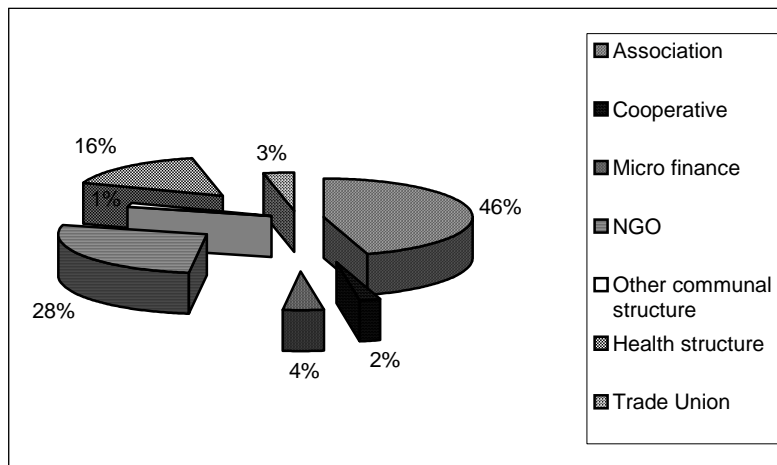
In most countries the privatization of social protection is a major issue of current debate, even if this is not the case for a small number of them. Discussions focus on the failures of the public sector and its difficulties in acting or reacting effectively to meet the needs of the population; they also concern the role that the private commercial sector and the non-profit organizations could play.

Non-profit organizations can provide a credible alternative both for populations which are not covered and for those already covered by state insurance. However, they are not always

able to do so either because of a prior need to modernize an inappropriate statutory framework, or because they lack the necessary infrastructure and financial backing to take on new tasks or to extend their field of activity.

It is noteworthy that in certain regions, particularly in Africa, these organizations are making efforts to synergize or integrate with other forms of organization or enterprise.

Diagram 8. Integration with organizations of broader scope



Source: ILO/STEP. Interim results of the census carried out by the Dakar West African Coordination Network. Final results to be presented at the Coordination Network Forum, Mali in November 2004.

2.4. The evolution of non-profit organizations

Generally speaking the public authorities pay insufficient attention to these organizations in developing countries, for a variety of reasons:

- the government is not called upon to intervene in the development of these organizations, since they are the result of private enterprise;
- a national programme exists but cannot be implemented for lack of finance;
- a lack of experience in collaborating with community social organizations on the part of the public authorities;
- conflict as regards the authority which should bear the responsibility for these organizations (ministry of labour, of health, of social affairs, etc.);
- considerations which make them the political adversaries of the existing authorities.

In countries which have a strong tradition of social insurance, the public authorities support the development of mutual benefit funds. Furthermore, as a result of the problems affecting the viability of all types of sickness insurance systems, there is government support for the development of voluntary sickness insurance; the mutual benefit funds naturally play a major role in the latter, in competition with commercial insurance companies.

In spite of these paradoxes, there is general agreement on the numerous threats which face everybody:

- liberalization and deregulation, as a result of world-wide economic integration, which creates legal insecurity;
- a polarized and materialist consumer society;
- "structural adjustment" policies which pressurize policy-makers into taking steps to contain public spending;
- linear increase in the cost of health care; emergence of problems connected with the ageing of the population;

These threats come on top of the other difficulties facing organizations which lack:

- specific welfare programmes;
- qualified staff;
- adequate financial resources;
- specific legislation;
- rigorous supervision of this type of organization by the public authorities;
- a coherent sickness insurance policy.

Throughout the world, these difficulties combine to threaten equal rights to care in one way or another, and to maintain constant pressure on access to care; at the same time, they encourage mutual benefit funds to react, either to correct deviations or to introduce the measures required to solve the problems facing them.

2.5. Collaboration between non-profit organizations and the public authorities

The organizations involved in compulsory sickness insurance (*assurance maladie obligatoire* (AMO)) usually work in close collaboration with the public authorities. They are included in all the negotiations between the government, employers and beneficiaries in deciding contribution and reimbursement rates etc. and are, therefore, in frequent contact. Organizations which provide complementary insurance are usually consulted or involved in discussions concerning reforms of the health system.

In developing countries, there is a very noticeable current trend in favour of support for training programmes and seminars on the part of the responsible ministries. Similarly, consultations and meetings are held more regularly with the ministries in order to reach a better understanding of the role that could be played by these organizations and the manner in which they function. However, these contacts still lead only too rarely to strategic plans for support and collaboration between public health policy and access to care. Collaboration is at its most effective between these organizations and regional and local health authorities. At this

level, the most effective collaboration takes the form of agreements between the mutual benefit funds and the local health authorities. Examples of such agreements include collaboration between health workers, access to essential drugs, methods of transport, and prevention and information campaigns, etc.

Conclusion

This review clearly indicates that mutual benefit funds are not without importance and should not be ignored. Their structure, operating methods and objectives are completely different to those of commercial enterprises. Their market sector is by far one of the most specific and difficult to control, to administer and to understand because of the way in which its component parts affect both individual and collective well-being.

From a historical point of view, how many enterprises currently in existence can lay claim to activities which go back a hundred or a hundred and fifty years and even more in certain cases? How many enterprises can boast about the pioneering role they have played in a sector as essential and universally accepted as social security, and to have thus helped to lay the foundation for social cohesion in a country?

Given recent history, how can the renewed interest of international organizations in mutual benefit funds be explained, unless they are accepted as a credible alternative with genuine potential in the face of when seen in the light of the problems of a liberal approach which produces selection and exclusion of health risks, or the constraints arising from "structural adjustment" policies which sometimes reduce the budgets devoted by certain governments to the health of their populations, to an absolute minimum.

However, let's not be too presumptuous, the dangers are many. It would be unrealistic to believe that these organizations can provide an answer to all the problems which exist in connection with access to health services, thus shifting the responsibility away from the public authorities in an area where government intervention and surveillance is a necessity. There's no point in believing that this type of organization can be established through legislation, either; it relies on a multi-partite democratic process which involves the population in a move towards the acceptance of certain principles and adhesion to them. Finally, it would be a mistake to think that although mutual benefit funds are autonomous, they can manage without government financial assistance, in particular because the populations covered do not always have sufficient income or because their income depends on economic fluctuations. The viability and durability of these processes as a whole can only be envisaged in the long term.

An enormous range of organizational structures can be grouped under one heading; the European mutual benefit societies do not have the monopoly of a model which can be exported as is, but only a "savoir-faire" based on successful experiments and also on failures. If

these organizations can today provide a frame of reference and a source of knowledge, it is because they have been able to develop over time and adapt to innumerable social changes. The international social and multi-partite organizations are also responsible not only for improving the organization and co-ordination of existing networks but also for new initiatives particularly those based on consultation. There is an enormous amount which remains to be done; the task began a long time ago for many of these organizations, while it is beginning only now, for others. It is up to us to meet the challenge.

Websites which can be consulted for additional information

Developments of the ILO/STEP programme. All the relevant information and publications can be downloaded from: *www.ilo.org/step*

The West African Coordination network: *www.concertation.org*

The ISSA Website provides links with the ISSA member organizations which have their own Website: *www.issa.int*