

Learning from experience:
A gendered approach
to social protection for workers
in the informal economy

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Learning *from* experience:

A gendered approach
to social protection for workers
in the informal economy

By Frances Lund and Smita Srinivas

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Strategies and Tools against
Social Exclusion and Poverty
Social Security Department
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WIEGO
Women in
Informal Employment:
Globalizing and Organizing

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STEP

Strategies and Tools against Social Exclusion and Poverty An ILO Global Programme

In the spirit of ILO's concrete contributions to the World Summit for Social Development (1995) and to its follow up through "Geneva 2000", STEP is an operational tool to promote the extension of social protection for men and women workers in the informal economy. STEP aims to bolster the confidence of the excluded so that they realize that not only do they have the right to seek basic human security and universal and equitable access to social protection services, but that they also have the ability.

One major area of concentration for all STEP's activities is in its efforts to make women more visible in their social and economic roles, and to conduct all activities with careful gender considerations. This effort also contributes to ILO's overall preparations for the follow up to the Fourth World Conference on Women in Beijing (1995) through the "Beijing plus 5" in 2000.

Through a participatory approach, STEP works, among other things, in the field of microinsurance as a means for the excluded to claim their basic human security, such as equitable access to health care and other social protection services. The STEP strategies include the implementation of development projects, action research, advocacy and policy dialogue. STEP works in partnership with governments, workers' and employers' organizations, international development organizations, research centres, group-based organizations (social economy) and selected NGOs.

WIEGO

Women in Informal Employment: Globalizing and Organizing

Women in Informal Employment: Globalizing and Organizing (WIEGO) is a worldwide coalition of individuals from grassroots organizations, academic institutions, and international development agencies concerned with improving the conditions and advancing the status of women in the informal economy, through better statistics, research, programmes, and policies. Through a consultative planning process, WIEGO has identified five major programme themes for its work: social protection for the informal workforce; urban policies, particularly as they affect street vendors; global markets (i.e. trade and investment patterns), particularly as they affect home-based workers; the organization of women who work in the informal sector and their representation in relevant policy-making bodies at local, national, and international levels; and statistics on the size and contribution of the informal economy. Project activities under each of these themes are undertaken by interested individuals and institutions around the world.

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PREFACE

There is a growing concern, worldwide, about inadequate social protection for workers in the informal economy. A significant percentage of the population in the developing world — particularly those who work in the informal sector — is not covered by any type of social protection. This is because relatively few developing countries have publicly-supported pension schemes, or other social security schemes. Where they exist, they tend to benefit formal sector workers. On average, high-income countries spend 20-25 per cent of their GDP on social protection whereas low income countries spend 1-5 per cent of their GDP on social protection (more in Asia than in Africa).

Income insecurity is higher in the informal sector than in the formal sector. This is partly because the absence of labour protection compounds on the absence of social protection. A large majority of the workforce in low-income countries is outside the formal wage sector, and they are not protected, by either social or labour protection. There is evidence to suggest that global competition is leading to increased income insecurity as well as decreased social spending.

In the absence of formal systems of social security, or when existing systems do not cover them, the working poor rely on informal systems of social protection (e.g. support from friends and relatives, social or kinship networks, goodwill of employers and rotating savings-and-credit societies) as well as their own resources (e.g. use of savings, sale of assets, sending children to work). But the benefits from such informal sources are seldom adequate and often uncertain, especially during widespread economic crisis.

Social protection is currently at the core of the international development debate. Traditionally, the focus of this debate was primarily on formal sector workers in industrialized, transition and developing countries. Presently, however, there is an increased focus on the specific risks of the informal sector, particularly women workers.

To help expand the focus of the debate to include the informal sector, particularly women workers, the ILO global programme STEP, “Strategies and Tools against Social Exclusion and Poverty” and the global network called Women in Informal Employment: Globalizing and Organizing (WIEGO) co-organized, in December 1999 in Geneva, Switzerland, a workshop entitled “Social Protection for Women in the Informal Sector”. More than 80 practitioners, researchers, and policy-makers exchanged practical experiences and research findings on this topic.

The purpose of the workshop was to highlight the need for social protection of women workers in the informal sector, to exchange experience on what is currently being done to develop alternative approaches and to extend mainstream approaches to social protection; and to identify gaps and priorities for future research, development programmes and policy.

This Paper — which provides a framework of analysis and an overview of current practice — was commissioned by WIEGO and ILO-STEP to serve as background reading — and a common point of reference — for discussions at the workshop. The opinions expressed in the paper are those of the authors and are not necessarily endorsed by the ILO and WIEGO. The Background Paper was co-funded with the World Bank.

STEP

Strategies and Tools against Social
Exclusion and Poverty

WIEGO

Women in Informal Employment:
Globalizing and Organizing

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ACRONYMS

ACDECO	Angono Credit and Development Co-operative
AFDC	Aid to families with dependent children
AIDS	Acquired Immuno-deficiency Syndrome
AMUANDES	Asociación Mutual “Los Andes”, Colombia
CBO	Community-based organization
CEEC	Central and East European Country
CLIMBS	Coop-Life Mutual Benefit Services Association Inc., Philippines
COZCOS	Confederation of Zimbabwe Omnibus Services
ETI	Ethical trading initiative
EPZ	Export processing zone
FD	Fixed deposit
GB	Grameen Bank, Bangladesh
GDP	Gross Domestic Product
GIC	General Insurance Company, India
GTZ	German Agency for Technical Cooperation (<i>Deutsche Gesellschaft für Technische Zusammenarbeit</i>)
ILO	International Labour Organization
IPTK	Seguro Universal de Salud del Instituto Politécnico Tomás Katari, Bolivia
IRDA	Insurance Regulatory and Development Bill
LIC	Life Insurance Corporation, India
MFI	Microfinance institution
NGO	Non-governmental organization
PHC	Primary health centre
RPH	Rural Health Programme
ROSCA	Rotating Savings and Credit Association
SA-OAP	South African Old Age Pension
SEWA	Self-Employed Women’s Association, India
SHG	Self-help group
SHINE	Social Health Insurance/Networking and Empowerment, Philippines

STEP	Strategies and Tools against social Exclusion and Poverty
UIIC	United India Insurance Company
WIEGO	Women in Informal Employment: Globalizing and Organizing
WHO	World Health Organization
ZETA	Zimbabwe Emergency Taxi Association

Section 1

WOMEN IN THE INFORMAL ECONOMY

In the last half of the twentieth century there have been fundamental shifts in the world economy and in the structure of societies. The growth in size and proportion of the informal economy has been one part of the overall change in the nature of work that has accompanied globalization. Women are disproportionately represented in the informal economy all over the world, and their work is more insecure than that of men. Workers in the informal economy are vulnerable in all countries, and certain segments may be especially vulnerable to the changes brought on by globalization. There is an increasing acknowledgement of the need for social protection for *all* workers.

Fragmented service and commodity chains in the “developing” world have long been described; globalization has enhanced the need to understand this fragmentation and informalization in “developed” countries as well. There is also an increasing acceptance of the view that the “dual economy” too is becoming difficult to define, and that the informal economy is not a transitional phenomenon, but is here to stay: it will not disappear “naturally” as part of the development process. Thus, addressing the dearth of social protection systems for workers in the informal economy cannot be postponed.

This paper attempts to provide an overview of the need for systems of social protection to reach people in all groups in society. We recognize different types of work — in the informal or formal economy, and including subsistence and reproductive work. We recognize also the overlaps between the different types of work. In this paper we focus particularly, though, on people in the informal economy, and especially on poorer women. We look at the changing world of work, and the position of women therein, and then identify some of the stresses that exist in formal and informal systems of protection. We suggest that globalization has been accompanied by structural changes which mean that the lines dividing “First” and “Third” (or developed and developing) Worlds, and the lines dividing “formal” and “informal” economies, have become blurred.

We suggest that one way to help with the extension of systems of social protection to poorer women is to develop a new conceptual approach, based on an analysis of institutions, and grounded *inter alia* in sub-sectors, on typologies of risk associated with different sub-sectors, and with different types of employment status, and different stages in the life cycle. We work with this core question in mind:

Under what conditions can what kinds of workers in the informal economy (and especially poorer women) get access to what core measures of provision, which can be incrementally improved upon in the future?

Thereafter, we turn to a selection of case studies of schemes of social protection in the informal economy from which important lessons can be learned. Only a few have been selected from the many which exist, and the selection has been purposive in the sense that we have tried to include a variety of institutional arrangements. We conclude the paper with an attempt to provide a framework for a further programme of research and action.

The limitations of this paper will be clear. It is a fairly ambitious attempt to synthesize material and ideas from discrete though overlapping bodies of work, in all of which debates are hotly contested. We are confident, though, that the intent of the paper will be clear to readers: it is inclusive and integrative, trying to construct a framework for approaching social protection for women in the informal economy so that they are dealt with in the first instance as workers, active in a permanent and growing part of the global economy, and not as a vulnerable group, “out there”, with primarily welfare needs.

1.1 THE CHANGING WORLD OF WORK, AND WOMEN WORKING IN A CHANGING WORLD

The convergence in thinking about the need for social protection for all workers has happened somewhat later than, and probably partially in response to, the convergence in international economic policy which is commonly dubbed “the neo-liberal consensus”. This refers to the remarkable consensus among the professional economists concerned with development as to the appropriate elements of an economic strategy:

... fiscal rectitude, competitive exchange rates, free trade, privatization, undistorted market prices, and limited state intervention (save for encouraging exports, education, and infrastructure). (Rodrik, 1996: 9)

The resulting trade liberalization has had different effects on different sectors of the economy, on different industries, and on the workers within these. Fewer people are in the formal workforce, for shorter periods of time; formal business contracts out more of the work; there is a greater distance between the owners of capital and producers, through chains of sub-contractors. The definition of self-employed, casualized, contracted and part-time work as “atypical” has become out of date, in that it is now “typical” for increasing numbers of people.

With regard to women, there have been divergent trends. The position of women has changed. More women are in both formal and informal employment. A small elite has achieved leadership positions in traditionally non-female niches. For the majority of working women, the new participation in the labour market has accompanied structural shifts between sectors — the growth of the services sector, for example, and of textiles. There are more women in manufacturing — women comprise more than a third of the labour force in manufacturing in some countries, and almost one half in some Asian countries (Mehra and Gamage, 1999: 540). There are signs of the possible defeminization of manufacture, and also possibly in the informal garment sector (Standing, 1999). There has been an increase in the numbers of women in wage work in agriculture in some developing countries, though at least to some extent this is likely to be a function of statistical systems noticing them more.

Tzannatos (1999) holds that gender differentials in pay between men and women have been narrowing; Elson (1999) suggests that this might be a result of wages harmonizing downwards, rather than upwards. On the whole, women tend to be in the lower waged positions in the formal economy, and at the lower end of the informal economy as well.

Globalization has presented new opportunities for women, as well as creating worse working conditions for many. The role of women in many East Asian economies, for example, has been critically important in the “high growth sectors”, yet they may have been among the least protected workers. There, as elsewhere, more women are working in less regulated work-places. The regulation of social relationships at home, as well as in the reproductive sphere, remain governed by norms and values of patriarchy, which has historically placed women in a subordinate position. The twentieth century process of “development” has entrenched and confirmed this subordinate role. And now women have become centrally important in responding to the adjustment process that occurs in ensuring that the household survives (Nojonen, 1992).

Women play a key role in ensuring household security. The work of women in the informal economy is commonly viewed as marginal, temporary, and supplemental — whereas it is a source of security, combined with other

non-monetary strategies used by women to cope. Millions of women, worldwide, are working in that part of the economy where the distinction between work and unpaid labour in the home becomes blurred; where productive and reproductive tasks take place simultaneously at home; where it is difficult indeed to define “work”. While many women are trapped in a combination of burdensome productive and reproductive roles, many men are in long-term structural unemployment. There is some evidence of domestic compromises being struck, with men taking over aspects of the reproductive work, assisted by good policies on, for example, parental leave and part-time work. But in terms of such exchanges being made in the vast majority of households in poorer countries, this is not typical, nor widespread.

Thus women are vulnerable both at home and in the market — and globalization must look and feel very different from the perspective of poorer women. Two widely cited characteristics of globalization are the mobility of capital and of labour, and the influence of new technologies, with both being said to hold new opportunities for active participation and integration of people. There has indeed been an increase in the migration of women from rural to urban areas in a number of countries. The tension generated by globalization of the economy would seem to be the relative mobility of capital, and the relative immobility of labour.

For example, a home-based worker rolling cigarettes or stitching garments in India or the Philippines does not experience the mobility. The location of her work and home life are now integrated, and this may indeed suit her. Chen, Sebstad and O’Connell (1999) talk of an employment bargain of a sort, where the interests of women who have to stay at home, coincide with the interests of firms which choose flexible employment contracts. Part of the bargain is that workers provide the production space (at home) and subsidize other production costs. They absorb both wage costs and lower wages.

The advances in technology have not influenced, for the better, the conditions under which many women work. Information may be received about the global world through radio or television. However, the information technology and telecommunications which enable just-in-time production, or the refrigerated movement across continents of export fruit, have not changed the exhausting nature of the hand-picking by the *temporeras* in Chile, or of the hand-picking of crocus flowers for three strands of saffron in Nepal, or the button-stitching of the home-based worker in Los Angeles.

1.2 AN INCREASE IN INSECURITY

What workers in the North and in the South, both men and women, in both formal and informal economies, do face in common is increasing insecurity:

The era of flexibility is also an era of more generalized insecurity and precariousness, in which many more men, as well as women, have been pushed into precarious forms of labour. (Standing, 1999: 583)

In industrial societies, the formal workplace has provided insurance against a range of contingencies and uncertainties. Most industrialized societies have had additional social assistance for those unable to meet their basic needs. There have of course been great differences between countries in terms of the differential responsibilities of States and employers in this regard, and this will be elaborated in Section 2.

The following trends have become international:

- Fewer workers are in formal employment, and more are in “semi-formal” employment.
- Massive urbanization has meant that fewer people can rely on the land for subsistence and basic security.
- The penetration of the cash economy and the spread of international popular culture has accompanied the decline, in many parts of the world, of the more traditional forms of family and community life, which provided the basis for solidarity and protection.
- In all parts of the world, female-headed households constitute an increasing proportion of all households, and are associated with greater poverty.¹
- In all parts of the world, more women are living longer (except where HIV/AIDS is prevalent, and leading to startling reductions in life expectancy). Public measures such as health care may have contributed to longevity, but there is a lack of, or diminishing, social protection for the older age groups.
- Many more people are migrating, internally or across national borders, to find work — and many of them are women.
- Many States are withdrawing from some commitments to welfare provision.

¹ “Female-headed household” should not itself be used in *all* circumstances as a direct indicator of poverty. In South Africa, as in other countries, both age and spatial variables cut across female headedness, with households headed by younger women in urban areas performing better on a variety of indicators of well-being (e.g. level of education, income, access to employment) than average male-headed households.

- The sovereignty of nation State is being eroded by international market forces.
- As a corollary, individual nation States, or even regional blocs of States, find it more difficult to regulate the activities in, for example, the labour standards of global firms.

Greater numbers of people (and especially poor women) are in places where they are exposed to risks, and where neither the State nor the market is inclined to intervene. In major disasters, States or the international community will intervene sometimes — but often with crisis-intervention, relief measures which do little to provide the foundation on which to build longer term more developmental measures.

1.3 STANCES TOWARDS, AND ARGUMENTS FOR INTERVENTION IN THE PROVISION OF SOCIAL PROTECTION

There are a wide range of possible positions on whether social protection is important, and, if so, what organizations and institutions should, or should not, appropriately intervene. In stylized form, we can depict two extremes. First, the “extreme *laissez-fairists*”, who hold the view that there should be no institutional intervention (whether by State or market); that people must provide for themselves, that inequality of ability to do so is in the nature of things. At the opposite extreme to these groups are those we might term the “extreme collectivists”, who would argue for some form of basic minimum income for all citizens, especially in societies of very great inequality. They would strongly advocate for the state to play an active role in direct provision.

We could depict three different positions between these two extremes. A softer version of the *laissez-fairists* one is that of the “reluctant interventionists” — who would include highly targeted and time limited “safety nets”, as temporary short-term measures for those in direst need.

Quite close to the reluctant interventionists are the “minimalist social engineers”, who would primarily seek a response in supporting and shoring up existing organizations or support mechanisms (such as families, indigenous rotating credit associations) within poor communities themselves. They would not see a role for employers, and would see a minimal role for the State except possibly in residual terms such as safety nets, in transition economies, and in the context of the after-effects of structural adjustment.

Finally there are the “proactive social engineers”. While wanting to promote and support the capacity of poorer people themselves to participate in and build their own insurance mechanisms, there is a wariness about downloading all the responsibility for risk, and consequently for measures of social protection, onto the poor themselves. They would keep alive, and actively advocate for, a role for a range of other institutions. These would include the State, employers and formal sector workers and their associations, and organizations in civil society. This paper is written, broadly, from this position.

Why intervene in social protection? One strong set of arguments for collective intervention is grounded in basic human rights. For many years, access to “the social wage” was through work. The world has become a place where more people will not have access to rights and privileges through work. The ILO has itself recently shifted towards, or has integrated into its work, a more rights-based orientation, so that social protection should reach all workers in all groups in society. This moves the debate, interestingly, to a place where social protection can now be viewed both as a basic human right, and as part of a basic labour standard, an inalienable part of work itself.

The human rights stance is critically important, but needs to be supported both by the importance of social protection as a basic labour standard, if it is to be effective in the world of increased competitiveness internationally. “Conscience is a frail instrument of social policy” in these market-driven times, expect possibly in a few areas, such as child labour, which is relatively more easy to organize around, and to galvanize concrete actions and commitments.

In addition to the basic labour standard arguments, a further stand can be advanced on pragmatic grounds. The economic costs of ignoring workers’ social protection needs have not been emphasized enough. Where people have not been insured for illness, or against disasters, in what situations may the cost to the exchequer be higher than if the service had been provided in the first place? What are the delayed costs to the economy through low productivity, or through over-sensitized risk management, such that entrepreneurial efforts are curtailed? How much wasteful and fragmented energy is spent on “remedial” or safety net programmes, which will demonstrably not lift people out of poverty, rather than making even modest, but efficient and effective, programmatic provision? It can be argued that there is a link between better household security now, and better productivity for the workers of tomorrow. Providing social protection is not just insurance *against* disadvantageous contingencies; it represents investment *in building* healthy and stable societies.

1.4 BLURRING OF DISTINCTIONS BETWEEN DIFFERENT REGIONS OF THE WORLD

A set of terms is used to depict the uneven development in various parts of the world — First and Third Worlds, the North and the South, developed, developing or under-developed countries, industrialized and industrializing, and so on. However, it is being increasingly accepted that globalization has been accompanied by a higher degree of inequality in levels of wealth, and that this happens inside countries in the North and in the South, in industrialized and industrializing societies. The dichotomy has already been broken somewhat by the labelling of some economies as “transitional”; the differences between “the different worlds” are becoming increasingly blurred.

At a common sense level, there is no gain saying the relative wealth, and resource scarcity, between “developed” and “developing” countries. Yet the position of women workers in the informal part of the economy, for example, has strong similarities in Los Angeles and Karachi. Some of the conditions of production are:

- the hazardous nature of work;
- work which takes place in unregulated environments;
- discrimination against women for being the reproducers (discrimination against pregnant women; dismissal when married);
- diminished work-related contributions, or none at all, for the costs of reproduction, e.g. child care;
- no career paths with opportunities for promotion;
- a diminished right, or no right, to organize around work issues.

1.5 BLURRING OF DISTINCTIVE CHARACTERISTICS OF THE FORMAL AND THE INFORMAL ECONOMY

The use of the term “sector” when analysing the formal and informal parts of the economy has also come to be problematic. The term “informal sector” was coined by Keith Hart in 1971 (Hart, 1973), and was rapidly introduced into the ILO discourse. The term resonated at that time, and has been widely used for three decades. The first ILO definition has come to have broad acceptance, though modified over the years. A typical characterization would be as follows:

Formal sector	Informal sector
Barriers to entry	Ease of entry
Uses foreign capital	Reliance on indigenous resources
Capitalist enterprise	Family ownership
Important technology	Adaptive technology/labour-intensive
Formal training	Skills acquired outside formal education
Regulated markets	Unregulated/competitive markets
Within government policy	Outside government control
Often unionized	Non-unionized (with some exceptions)

The problem with these dichotomized classifications is that they fail to capture three things which are important in the consideration of social protection and insurance for people working in the informal economy, and especially for women workers:

- the continuing process of informalization of the formal economy;
- the great diversity within the informal economy itself; and
- the linkages between the formal and the informal parts of the economy.

A significant feature of the formal economy is that increasing numbers of jobs are outsourced or done on a piece-rate basis — with less legal protection and less permanence for workers, and in particular for women. The characterization of work in the informal economy as reliant on indigenous resources is inaccurate for many women doing home-based work in the garment industry, or trading fruit and vegetables on the streets. We do not think of the formal sector procurers of fruit and vegetables from agribusiness, who supply to informal traders, as “trading in indigenous resources”, for example.

The term “informal sector” has in fact in many writings already given way to “the informal economy” — reflecting a concern that the term “sector” is not quite right for present conditions.² Especially it is a barrier when exploring arrangements for social protection. Thus it is important to spell out, for this project, why we consciously move towards using “informal” economy only.

We can draw from difficulties encountered in an empirical study of the conditions of women at work. Julie Delahanty describes how, in her study of

² In his hallmark paper called “Decent work for all” (June, 1999), the Director-General of the ILO used the term “informal economy”.

women in the informal segment of the garment sector, she initially thought that the work of people in the formal sector would be drawn on only for purposes of comparison. However, as the work progressed, it became clear that the relationship between the three different forms of work — industrial formal sector work, informal work, and household work — are unique to women:

... many formal sector workers in this (garment) sector operate under the same constraints as informal sector workers: they are invisible, subordinate, and find it difficult to organize to improve their conditions. (Delabanty, 1999: 15)

The bifurcation into “formal and informal sector” forces a division which has become blurred, and defines the “informal sector” only in terms of how it is “*not like* the formal sector”. This keeps the informal sector “below”, “out there”, and “atypical”. This persists no matter how many qualifiers are used to soften or make less stark the dichotomy — such as pointing out the heterogeneity within the informal sector, the fact that many people move between them, or work in both at the same time, or that in many countries, the “atypical” is in fact now more “typical”. It allows a variety of interest groups to “close out” the informal economy workers as somebody else’s concern, or merely as a different concern.

This increasingly inadequate, because inaccurate, dichotomy might be helpful to some interest groups — whether local governments, mediating institutions, transnational corporate institutions, or even, in some instances and countries, organized labour — as a mechanism of exclusion from the right to trade, the right to organize, the right to social insurance. The responsibilities of employers or owners of capital may appear to stop at the line-marking “formal”, though people further down the production and value chain are still working for them.

The fact that many workers are still in an employment relationship disappears, along with the employers or owners of capital themselves. The owners of capital are still there, at the top of the production chain — but they are far from the sub-contracted worker; literally (they may be in another country, in one of the transnational corporate institutions), as well as symbolically, they disappear from view.

There is a second and possibly conceptually less substantial reason as to why the use of the word “sector” is problematic when applied to the formal or informal economy. In the study of the global economy, there has been a strong trend toward adapting a sectoral and sub-sectoral approach in the analysis of, for example, the manufacturing or the electronics sector. Chen (1996) advocates the adoption of the sectoral or sub-sectoral approach in promoting women’s enterprises in the informal economy; Barrientos and others (1999) show the usefulness of the sectoral approach in horticulture, for promoting gender-sensitive codes of conduct and labour standards, under the umbrella of

the Ethical Trading Initiative (ETI). It has become inconvenient, in the context of these new approaches, to have “sector” cover two classification purposes.

We will argue in Section 3 that the “sub-sectoral” approach should be taken when exploring the possibilities of extending social protection to informal economy workers, and especially to women, who are differently located in different “sectors”, with different possibilities for institutional interventions.

1.6 AN INSTITUTIONAL AND GENDERED APPROACH TO SOCIAL PROTECTION FOR WORKERS IN THE INFORMAL ECONOMY

Moving away from seeing the economy as having “a formal sector”, and “an informal sector”, we rather conceptualize a continuum representing the economy as a whole. It foregrounds “people at work”, or “people being productive”. The continuum has “more formal” at one end, and “more informal” at the other.

We can picture the continuum as a cable containing different strands — with each strand being a sector, such as textiles, services, construction, etc. In this conceptualization, the commodity chains, and the chains of ownership and supply and distribution, remain clearly in view, as do the links between them. At various points of the continuum for each sector, there will be a different degree of fragmentation of supply and production chains, difference as to the gender concentration of the type of work, and different extents to which the work of women is skills-oriented and has growth opportunities (in 3.1 we explore these considerations further).

At the formal end of the sector (e.g. unionized garment workers), there is a relatively complete range of social protection against a wide range of contingencies: a mix of state, employer and worker contributions, with some workers topping up with private insurance, and so on.

As one proceeds along the continuum, at different points, different institutional actors diminish in importance, and others enter the picture. There are far greater numbers of self-employed people, towards the informal end.

Undergirding and supporting, as it were, this continuum, is the unpaid work of millions of (mostly) women, who are working, and are being productive, but at home, with no economic “value” placed on their work. The further towards the informal end of the continuum, the more likely it is that women will be combining domestic work with lower waged work in the “informal economy”.

In this approach, we see people as grounded in a network of institutions, at home (which is often also the place of work) and at work, which make them vulnerable in different ways, and place them in structurally different positions in terms of being able to improve both their conditions of work, and their ability to get access to, or be reached by, systems of social protection. Furthermore, as Diane Elson (1999) has written, these institutions are themselves “bearers of gender”. As she was analysing the labour market, Anne-Marie Goetz has pointed out the same can be true for the institutional arrangements of non-governmental organizations:

NGOs which appeal to notions of “moral economy” and community solidarity often reproduce deeply gendered aspects of community institutions. (Goetz: 1997: 9)

Taking an institutional approach is the first step in enabling the gendered analysis of *all* actors in the systems of social protection, whether the position of individual women and men, or households, or alternative collective institutions.

It should be noted, here, that we have consciously limited our use of the term “social capital” in this exploration of forms of social protection, especially for poorer women. While many find it a useful concept, we have specific reservations about it in this context. The simplest objection could be that it re-names, in economic and tautologous terms, sets of relationships which have been mostly built by women — for example, trust, solidarity, networks at neighbourhood level. These are specifically more personal and social, though economic motivations may be attached to them. An additional concern is that it shifts responsibilities for social provision onto the self-reliance of poor people, away from the obligations of other parties such as the State, employers, owners, or large capitalists.

There is an additional tactical concern. Social capital can too easily be *used* as an ungendered concept — despite the fact that it may be imbued with a gendered intent. Some feminists may pragmatically see the use of the term as a tool for mainstreaming gender issues in “mainstream” economic debates. We think that the costs of its use — that is, what is lost of gender content in its careless use — outweigh the benefits to be gained from using it.

Where does this framework lead us to? As noted, the continuum allows for the heterogeneity within the informal economy, the different distances between workers (who are our concern) and owners, and different sub-sectors. If we then approach women as workers, and not as “marginalized poor” needing welfare services, and if we accept that the informal economy is a permanent and long-term trend, we can pose the core question:

Under what conditions can what kinds of workers in the informal economy (and especially poorer women) get access to what core measures of provision, which can be incrementally improved upon in the future?

We can use this conceptual framework to approach each sector:

- What we want to do is to see how far down each sectoral strand or chain we can extend existing measures of protection, or introduce new ones.
- How far and under what conditions can existing mechanisms be made to penetrate towards the less formal and less protected end — where workers are still workers, but where more are women in low paid work, or in family or self-employment.
- At what points down the chain should the State be active? Or employers? Or the private insurance industry?
- At what point down the chain do workers have to be unionized or organized in some other way in order to get access to protection measures?
- At what point down the chain can NGOs be used as the only agency present (apart from individuals themselves)? And what does this mean for sustainability, for scale, and for outreach towards poorer people?

This conceptual approach does not resolve the problem of how to integrate unpaid labour, or “the care economy”. Reproductive work in the home — the work of producing and maintaining people, largely done by women — is indeed work, and can be accounted for, as the exciting new wave of international statistical work shows. We see reproductive work as undergirding the continuum. If we integrate it, for the purposes of actually exploring mechanisms of social protection, we open up this exploration of social protection for women in the informal economy to an impossible extent.

What this conceptual approach does, in a very positive way, is to create a number of new spaces. First, it is commonly said that globalization is about “marginalization” and “exclusion”. The WIEGO project is centrally concerned to integrate the informal economy into the mainstream of economics and of urban planning. The ILO global programme STEP is an example of how the Organization integrates the rights of the “excluded” into its operational activities. The message of the Director-General of the ILO, in his emphasis on “decent work for all people”, is similarly integrative in intent. The continuum, rather than the bifurcation, frees up space for the exploration of integrative measures, rather than focusing on measures for “the excluded” that conceptualize them “out there”, and thus entrenching the “out there-ness”.

The importance of this integration is also that it can insist on social protection as an inalienable part of work. Governments and firms and their researchers seem to study the quality of products up and down the production and value chains, and need to be persuaded to accord a level of commitment to studying whether social protection is available up and down the chain — and with what effect on the lives of workers.

Second, the continuum allows for differentiated but concrete goal-setting for the incremental improvement of social protection in different sectors. It gives a way to unbundle “the informal economy”, and thereby provides a way to cope with the sense that “this problem is so overwhelming, and the people so many, that nothing can be done”.

Third, the approach allows for a cross section to be taken at different points along the continuum, from more formal to less formal, and to ask, at each point: Which are the institutions best placed, at that point, to pursue the agenda of improved social protection?

Section 2

AN OVERVIEW OF SOCIAL PROTECTION

The task of this section is to identify the origins of the main terms used for systems of social insurance and protection. We describe the origins of the stresses in both formal and informal systems of protection, in formal and informal parts of the economy. We try to show how advances in the gendered understanding of livelihood production and reproduction have enabled a new approach to be taken. We undertake a very broad-brush stakeholder analysis of some of those advocating for reforms.

2.1 ORIGINS AND GENERAL USE OF TERMS

The ILO has a set of definitions of various forms of social protection. Here, we want to sketch how the most common terms are most commonly used, so that we can define what will be covered in this paper. This is a difficult task, as sometimes the terms represent an ideological position, as well as being “technical” terms to describe different types of programmes. Also, as will be seen, their use changes over time, and they are used differently in different parts of the world.

The most common categorizations are:

- social security;
- social insurance;
- social assistance;
- social safety net (including social funds);
- social protection.

The ILO, formed in 1919 to set international standards about labour practices, had Conventions regarding social security in its very first meetings — already in 1919 for example, with respect to unemployment and maternity

benefits. A landmark in the consolidation of social security was the ILO's 1952 International Labour Conference, at which the Social Security (Minimum Standards) Convention, (N° 102), was accepted. It listed the nine items (which it then called contingencies, and which are a mixture of contingencies and strategies) which have come to be accepted as the core of advanced social security systems:

- health care;
- incapacity for work due to illness;
- disability through work;
- unemployment;
- maternity;
- child maintenance;
- invalidity;
- old age;
- death of the breadwinner (Otting, 1992).

Access to this formal social security was typically through tripartite arrangements between governments, employers, and workers themselves.

It was also at the 1952 Conference that the ILO, for the first time, formalized the aspiration that social security should be extended to all parts of the world, regardless of the state of economic development of particular countries (Otting, 1992). Partly as a result of the international extension of systems, the terms have come to be used differently in different parts of the world. In developing countries, a much broader range of programmes came to be included under social security by some writers and practitioners in the 1980s to early 1990s. One standard work on social security in developing countries, by Ahmad and others (1991), for example, included programmes encompassing drought relief, job-creation programmes, food programmes, literacy programmes, as well as more traditional social spending on education, health and welfare services. They also included the important role played by the family in social protection in more traditional societies, as did another standard work (Midgley, 1984). At this point, “social security” loses any connection with the more specific and defined systems which had their origins in Europe — “social security” signifies “all social (not economic) programmes attacking poverty and underdevelopment in developing countries”.

We present here what we hope is a non-contentious summary of how the different terms are commonly used, and the connotations typically attached to them. We do this simply as a basis on which to move ahead.

2.1.1 Social security as an umbrella term, incorporating social insurance and social assistance

Before the recent pervasive use of social protection, social security has been the most generic and inclusive term for formal systems in the last half of this century. This was reinforced by the ILO-influenced approach to the pillars of social security, under which for example social insurance and social assistance would fall.

Social insurance generally refers to systems in which workers themselves make contributions — the use of the word “social” suggests that systems are designed to meet needs which the market alone would not cover. In this paper, we use it in a way that could incorporate the possibility that market-based, for-profit companies, may have a role to play as well.

Social assistance is more likely to be non-contributory, and more likely to be designed to meet basic needs as a whole, rather than specific contingencies.

2.1.2 Social safety net (including social funds)

Social safety net is a more recent term, associated more with developing countries, as well as with the “transitional economies” of the Central and Eastern European countries (CEECs). Social safety nets were advanced as compensatory measures in the 1980s and 1990s, to mitigate the (supposedly short-term) negative effects of structural adjustment or other imposed economic policies. The safety net sometimes refers to targeted social assistance in the form of vouchers or cash transfers. It has more commonly (and on a greater scale) taken the form of social funds (Graham, 1994).

Social funds were originally driven primarily by the World Bank, and have been accompanied by the discourse of targeting, and of limited time assistance, which characterizes conservative macro-economic policies in many countries. They were intended to be more than simply financing mechanisms. They were specifically intended to be a vehicle for the building of local-level capacity in local governance, while free of the local bureaucracy itself. While the experience of the Bolivia Emergency Social Fund is widely quoted as “a success”, the Bank itself acknowledges the many problems with them — not the least being the fact that poverty is a long-term, not a short-term, condition for most of the poor.

The metaphor of “safety net” is inappropriate for the conditions to which it is applied. While safety nets try to target limited groups, in many countries, by the time the list of “vulnerable groups” has been completed — women, the elderly, the young, the disabled, people in rural areas, children on city streets, minorities — it becomes clear that more programmatic, institutionalized and long-term

responses would be more appropriate. These responses would have been called social security only a decade or so ago. Now they fall under social protection.

2.1.3 Social protection

Social protection is a newer term, though it has the same encompassing tenor or umbrella sense as social security. In the ILO's definition, social protection encompasses all of social security. It is firmly related to poverty reduction or alleviation (unlike social insurance, but like social assistance). It has the advantage, over social security, of being extensively used in both "more developed" and "less developed" parts of the world. However, it still has a connotation for some of being associated with short-term or post-crisis assistance.

We will use social protection in a broad and generic way — it could refer to transfers, to social insurance, to independent community-based initiatives. We do not go so far as to include all formal health, education and welfare systems, programmes of land reform, etc., in the way that Ahmad and others (1991) have. We do use social protection in a way that keeps visible the potential roles and contributions of all possible parties — poor people themselves, organizations of poor people, employers/owners of capital, States at various levels of governance, and supra-national organizations. We will be searching for what poorer people in the informal economy themselves say that their core needs for social protection are, using an institutional and gendered approach.

2.2 THE ROLE AND DESIGN OF SYSTEMS OF SOCIAL PROTECTION, AND THE NEED FOR A NEW APPROACH

There are differences in interpretation as to the driving motivation behind different systems, but we are largely dealing with systems of protection which have arisen as a consequence of the development of industrial societies. The first social insurance system in the industrializing world was initiated by Bismarck for Germany, and has been widely influential (especially, in the developing world, in Latin American countries). This system is generally interpreted to have had the explicit agenda of capturing the loyalty of the working people, of securing them into wage employment. The welfare state proposed by Beveridge for Great Britain, on the other hand, was seen as a universalist programme on which to build a secure and healthy nation. In both the Bismarckian and the Beveridge traditions, social security systems were at the heart of welfare systems, and these were seen as basic to the healthy functioning of labour markets.

Changes have occurred during this century which have altered the assumptions on which the design of formal systems and of informal systems have been based.

2.2.1 International changes in the autonomies of nation States

The formal systems developed within the context of nation States. They are an expression of a State's social philosophy in response to the kinds of risks and vulnerabilities which arise as result of the functioning of the labour market (Atkinson, 1991). Some countries have couched that philosophy mainly in terms of the rights of citizens in general — and have emphasized universal benefits for all. Others have more narrowly emphasized the rights that are due as a result of working status. Yet others have identified specific groups within the population for protection.

A significant feature of globalization, which has a direct impact on social security or protection systems, North and South, is the erosion of the nation State. The debates about social security are of course inextricably linked to the shifting ideological ground regarding the respective roles and responsibilities of market and State in responding to need. Steep and increasing levels of inequality appear to have accompanied globalization. The erosion of the nation State, and new considerations about citizenship, are partly linked to the migrations of people across borders, fleeing war or seeking opportunities to survive economically.

We do not want to suggest that globalization has caused the need for social protection. Social protection, especially for workers in the informal economy, would be needed even if no globalization had occurred; globalization has *underlined* the need for social protection, and exacerbated it.

In the formation of the new regional economic blocs, wherever there is steep inequality between the new partners, the portability of social benefits becomes an issue, and “social dumping” from poor countries to rich becomes a primary concern. In the experience of the European Union, social benefits received through work have been successfully negotiated between the countries; general social assistance is categorically not portable (Drumaux, 1993).

2.2.2 Demographic changes

The long-term sustainability of many formal schemes has been threatened by demographic shifts. Populations are ageing, while at the same time, fewer people are employed in the kinds of work from which contributions are made to make schemes sustainable (and as yet there is no inter-generational bargaining to solve this problem). Ironically, the greater longevity of women in

many poorer countries may be partly attributed to better access to health care; however, in old age, this group does not get access to adequate protection.

Many countries that depend more on informal systems of protection — those in the poorer developing world — have been affected by the HIV/AIDS epidemic. They are experiencing radical changes in demographic structure. In many African and Eastern European countries, the middle generation of people who should be most active in the labour force is being rapidly reduced, and many children die through vertical transmission or are orphaned. This has changed the roles and prospects of all generations, with much greater caring responsibilities being placed on elderly people, and greater income-earning or survival responsibilities being felt by younger children. This has immediate implications for the pooling of risk in any system of insurance (see 4.4.3).

2.2.3 *Assumption of high employment rates, and full-time employment, as the basis for formal systems*

The formal systems that developed in the Northern countries were built on the assumption that people's basic needs for food and shelter would be met through income from waged employment. The systems were built on — and indeed depended for their survival on — the core assumption that there would be high levels of employment, and also on the assumption that there would be limited job change over a person's working life. Thus contingencies or risks which the formal systems were designed to cover could be specified, were expected to be short-term in nature (with the single exception of the contingency of old age), would not all be experienced by everyone, and risks could be actuarially calculated.

Global changes in the labour market (outlined in Section 1) mean that fewer people, in the North and in the South, have access to social security or social protection. Standing (1997: 1347) describes how in the formal economy there is:

...polarisation (or fragmentation) in access to enterprise-based benefits and services. The more successful enterprises have continued to provide core workers with a wide range of benefits, while others have not.

Simultaneously, as parts of the formal economy informalize, and as the size of the informal economy increases, more people face less certain futures.

2.2.4 *Changes in household structures*

All the formal Northern systems were built on the nuclear model of a family — stylized as a father and mother and two children, with father being in paid employment as primary breadwinner, and the mother either at work in a secondary

earning capacity, but with primary responsibility for domestic, reproductive tasks in the household (the Bismarckian system had this less of a central assumption than the system built on the Beveridge model).

To the extent that formal systems emerged in the developing world, they were inserted by colonial States, and one can “read off” who the colonizer was from the kinds of benefits provided. For example in France, the child benefit has been a carrier of a strong national commitment to social solidarity. Vestiges of child benefits are found in most French speaking countries in Africa, while they are hardly present at all in African countries colonized by the British — child benefit in the United Kingdom was only introduced in the second half of this century (Singh, 1997).

There have been dramatic shifts in family and household formation all over the world. The ideal-type of the two generation family becomes less and less of the norm in industrialized countries. More and more households, worldwide, have become female rather than male headed. In the more industrialized countries, debates turn on the need for new forms of inter-generational bargaining, and possibly a reversion to more filial responsibility from the younger generation towards ageing parents. In some poorer countries, complex households containing three generations are again becoming more common, may be more common, with more care of children by older women relatives — grannies and aunts — as younger women of middle generation migrate to seek work. In both developed and developing countries, the poorest households may be those with a single young woman and her child or children.

The boundaries of the household have changed — and the boundary for any particular household may change frequently over time, as members move in and out in response to financial and social needs. This has obvious consequences for the design of any scheme of insurance or protection which depends on a fixed definition of a household. The recently introduced Child Support Grant in South Africa was specifically designed to “follow the child via the primary care giver”, in an attempt to accommodate the trends towards female non-maternal kin care (care by grannies and aunts), towards skip generation households, and to respond to the rapid increase in the numbers of AIDS orphans.

2.2.5 Concerns about the incentive effects of various forms of intervention

Many worry about the incentive effects of extensive formal social security schemes. Despite all the scholarship work around the issue of creating “dependency”, it has in fact proved difficult to empirically determine the existence of causal relationships, or the direction of causality. Nevertheless, the areas which

appear to cause most concern, and which feed into and underpin the retreat, internationally, from the role of the State in provision, are the following:

- *The link between unemployment benefits and work-seeking behaviour:* There is a concern that receiving compensation for unemployment reduces the likelihood that the recipient will actively look for further employment.
- *The link between state subsidy of the social wage, and wage levels:* There is a concern about the potential perverse incentive this provides to employers to hold wages, including the social wage (for example, paid holidays, maternity leave, support for child care) down, knowing that the State will top up, or fully provide.
- *The links between benefits to women, and for the maintenance of women and children, and fertility levels and household structures:* There are concerns that social support encourages household splitting, or encourages higher fertility rates. Moffitt (1992) did an exhaustive review of research about the Aid to Families with Dependent Children (AFDC) in the USA — most of the findings are of relatively weak relationships.
- *The link between illness benefits and time taken off work routinely for non-health reasons:* The commonly cited example here is the strong evidence that it has become almost socially accepted in Sweden, for workers to abuse the system of paid sick leave.
- *The link between disability benefits and unemployment rates:* There is sound empirical evidence (several other countries do the same, for example the Netherlands) that patterns of uptake in disability benefits shadow the increase in unemployment rates, i.e. the disability benefit is being used, in fact, to cover unemployment costs.
- *Systemic inefficiency in the bureaucracies that administer social schemes, and the corruption within them:* This is an international problem, and a feature of formal and informal schemes.

It should be noted that people and agencies with different dispositions towards the State-market balance in provision of social support tend to emphasize different aspects of the incentive problems. Some worry that financial assistance to women will encourage them to leave households and set up on their own; those of a different disposition may emphasize the role the assistance might play in enabling a woman to leave an abusive relationship, and provide a safer place for herself and her children. Some might worry that unemployment benefits provide perverse incentives to work-seeking; others would stress that it is a perverse situation when the wage earned in full-time work does not enable an escape from poverty.

2.2.6 *Concerns about targeting*

There have been concerns also about the targeting of resources allocated through systems of social protection. In the more traditional welfare states, with formal systems of social security, concerns have been about reaching the poorest of the poor; about the high transaction costs to the poor (and born especially by women) in getting access to social security; about the stigma created by means testing; about the discretionary role played by administrators (the “gatekeepers”); and about the disproportionate use of the national health service by the middle class.

Margaret Grosh (1994) did a magisterial review of the targeting effects of a variety of social schemes worldwide, and gave a positive assessment of what could be achieved through careful design — though the performance on integrating women was not strong. With regard to targeting and safety nets, an early paper by Jessica Vivian (1994) found a strong dependence on external funding, as well as a pro-male bias in the employment-generation component, and difficulties in reaching the poorest. Carole Graham’s more recent work on social funds is less critical, but acknowledges the need for funds to become permanent and institutionalized, in response to chronic, rather than short-term poverty. Other writers, among them, Judith Tendler, are highly critical of social funds, arguing that allocations should be allocated to more programmatic, longer term, more institutionalized mechanisms of protection, if they are to target women more effectively.

There is a serious concern in the less-developed country context, as far as more informal or community-based schemes are concerned. Even with careful design, and with concerted attempts to get inclusive participation, local leaders (and especially, but by no means exclusively, men) are able to coopt the benefits attached to schemes.

2.3 **ADVANCES IN THE GENDERED UNDERSTANDING OF POVERTY, LIVELIHOOD PRODUCTION, AND “THE CARE ECONOMY”**

There have been advances in understanding, in fields to do with the dynamics of the labour market, work, poverty, and gender. The central focus may not have been social protection. However, drawing from this work enables a shift in approach to social protection.

- First, in regard to how “enterprise” or “sources of income” are viewed, there has been a move away from a single enterprise being a source of income for poor people, to multiple strategies for the creation of livelihoods. Amartya Sen’s work on assets and entitlements, in particular, contributed to breaking down the idea of “work” or “life” centering on one primary activity; Martha Chen continues this with her “portfolio of activities” held by individual household members.
- There is increasing acceptance that it is not possible any more always as a norm to equate “work” with “employment”, or with “having a job”.
- There has been a move away from an analysis of poverty which focuses on scarcity of income only, towards other aspects of “exclusion”. More importance is given to the possession by poor people of other assets such as neighbourhood networks, exchange relationships, the importance of trust, etc. Much of these activities and these networks are built by women. We have registered our concern at the disappearance of gender in the construction of the term “social capital”.
- The role of unpaid labour, mostly by women, in ensuring household survival, has been recognized, even if as yet far from mainstreamed by the majority of economists. There has been an important meeting of the work of anthropologists and of feminist economists (and others) in the gendered analysis of work, of the labour market as a gendered institution, and of unpaid work as a form of work, to which accounting methods can be applied.
- Critical work has been done which demonstrates the need to deconstruct the “household” as a unit of analysis — in the sense of a homogeneous decision-making agency taking equal account of the needs of all its members. New scholarship work stresses the importance of a gendered understanding of the intra-household distribution of power over decision-making and assets. Women are in a structurally weak position in many male-headed households; younger women may be in a weak position in households headed by older women, especially where brides customarily move to spouse’s parents’ household at marriage.

In general, the language of insurance and risk has been integrated into the discourse of poverty and livelihoods. Poorer people are viewed as having agency, and having a plan, which is a welcome move away from the emphasis on exclusion and vulnerability. There is a concern, similar to the concern with “social capital”, that this new discourse represents yet another incursion of an economic term.³

3 There is a certain problem with using a term such as “portfolio of assets” to encompass both the dealer on the New York Stock Exchange, and the person in a rural area who can, in the presence of a “shock”, draw down or draw on one chicken, a bicycle, and one poor neighbour who owes her a favour.

On the whole, we think that it carries more potential to integrate the concerns and realities of poor people themselves. In this sense, insurance and risk management are alternative terms for planning.

2.4 SOME RESPONSES TO THE PROBLEMS IN FORMAL SYSTEMS, AND TO THE CONTINUING NEED FOR SOCIAL PROTECTION

Internationally, formal social security systems are under reform, and in the general retreat from, or weakening of, levels of State commitment. This happens at the same time as the acknowledgement that many people move into the next century with a greater sense of insecurity than ever before.

2.4.1 General reforms of formal social security systems

Many have noted that the “retreat from the welfare state” has been over-dramatized; many countries retain a firm commitment to aspects of social provisions. Nevertheless, some common reforms have been as follows:

- More private provision (less contribution from the state, and a bigger role for the market, or for private savings). This is a worldwide phenomenon, reported on for example for Latin America (Thomas, 1995), for transitional economies in Asia (Lu Aiguo, 1997), for transitional economies in Central and Eastern Europe (Standing, 1997).
- Increases in the pensionable age (and an equalizing upwards from women’s commonly lower age of eligibility to men’s higher age).
- Cost containment through various mechanisms such as caps on health spending, and the reduction in the scope or existence of particular benefits (such as AFDC in the USA, or time-limited benefits, or housing benefits).
- Savings through better management, and through outsourcing of segments of state run services.

Social security systems have high political salience and are difficult to reform. Often they are protected most vehemently by the more articulate, urbanized middle class, or by the organized labour movement (which may have become more “middle class” in some countries) — who may stand to lose most by the proposed reform measures.

2.4.2 Interventions by influential international institutions and organizations

The World Bank has recognized, as a result of many of its own assessments, that there have been huge negative consequences of structural adjustment in developing countries and the transitional economies of the CEECs. While acknowledging the unsustainability of past centrally planned economies, there is a painful calculus of what has been lost, in terms of social benefits in former East Germany, for example. It has been acknowledged that it is as unreasonable to think that the market can solve everything, as it was to think that a centrally planned economy could. Political instability and the health of children as workers of the future are at least two significant risks.

The Bank started to reposition itself with respect to the role of the State in its 1997 World Development Report, but it has been in a somewhat tenuous and contradictory position. An extensive study by a Bank team (Subbarao and others, 1995) held that social funds cannot bring relief unless there is overall redirection of expenditure to the poor. Other studies (Khadiagala, 1995; Marc and others, 1995) point to problems of sustainability, quality of output, and gender targeting. Subbarao noted that there has been a shift from seeing funds as temporary safety nets, to funds as more permanent institutions.

With regard to protection for elderly people, the major Bank research project, "Averting the old age crisis" (World Bank, 1994), promotes a multi-pillar approach to provision for retirement, trying for a policy which will both protect the poor and promote growth.

The ILO has acknowledged increasingly the changing role of the informal economy through a number of paths:

- through passing Conventions and Recommendations on home-based workers and part-time workers;
- through support for microenterprises in the informal economy;
- through initiating programmes like STEP as a means to promote the extension of social protection to the informal economy;
- through its support for mutual health insurance schemes;
- through the continuing work of its Social Security Department;
- through the Bureau for Workers' Activities.

A number of more recent ILO Conventions are specifically related to social protection for women, for example restrictions on exploitative work, minimum wages, equal pay for equal work. More recent Conventions have moved conceptually towards a fundamental human rights framework. The new

Director-General has taken as one of his four policy thrusts “Social Protection for All”, with the central idea of “decent work”.

International and national NGOs appear to have responded primarily in the following areas:

- in disaster relief, where attempts have been made to shift from relief to development, or to integrate longer term development goals into crisis intervention;
- in health care, through establishing or supporting mutual health insurance schemes;
- in establishing social insurance schemes;
- through supporting programmes which build on indigenous protection schemes, such as rotating savings and credit associations (ROSCAs).

2.4.3 A dilemma for organized labour

The increase in size of the informal economy poses new and strategic problems to the organized labour movement, within countries and in regional and international federations. Changes in the labour market has led to the common phenomenon of declining membership. While unionized workers may feel sympathetic to their colleagues in the informal economy, there is a structural problem in organizing people who are in different types of employment relationships, and there is the intractable fact that, at the material level, there are contradictions between the interests of the two groups. Essential to the whole conception of a trade union movement is that there is a recognized employer, whose interests would be threatened by the most basic weapon of organized workers — withdrawal of labour.

New forms of social contracts move away from this polarized and adversarial position, but not yet to the extent that the majority of formal unions accept the idea of embracing informal economy workers into their unions — or paying them much attention. Some have started to recognize the challenges presented to the union movement by globalization, changing forms of work, and the emergence of the informal economy. Within the ILO, the Bureau of Workers’ Activities addressed the changing situation by arranging a symposium in October, 1999, called “Trade unions and the informal sector”. At the level of individual unions, the Transport and General Workers Union in Britain has experienced declining membership, and has recognized that it comes across as male dominated, with little relevance for women workers. Consequently, it has made the strategic decision to address the needs of casual and part-time workers — who are mostly women (Rowbotham and Mitter, 1994: 38). In the Phillipines, three union

federations have created a coalition for the implementation of a programme for informal economy workers.

Ghana provides a parallel example from Africa, where unions have experienced a dramatic decline in membership. One congress of unions is reaching out to workers in the informal economy by planning to offer union membership to the provident fund. Informal economy members would not, of course, benefit from matching employer contributions, but nevertheless would get access to the security of a large savings fund. It is not easy to see how this could be done, as it involves the formalization, through the process of registration, of the informal worker, in whose interests it may be to remain invisible.

2.4.4 The need for social insurance and social protection is being expressed by workers in the informal economy

While formal systems are attenuating, the need for social insurance and protection are being increasingly expressed by workers in the informal economy. For example, the Self Employed Women's Association (SEWA), is an organization of women workers in India with some 250,000 members. Its social insurance programme was a response to a popular demand from members. There are many examples of community-based organizations which have been set up in the field of health insurance, with some covering thousands of members. A few examples are presented in the cases studies in Section 5. In the field of child care, Chile provides an interesting example on how seasonal women workers in the fruit-for-export market, together with a Government Gender Office, negotiate with the fruit company for collective provisions of child care facilities.

The voices of poor people, and especially women, are also being heard through a series of studies and assessments of microfinance organizations. Client impact assessments attempt to understand how poor people use the money that they have borrowed. The loan is typically given with the primary purpose of assisting women in setting up microenterprises. Recent research demonstrates that people in fact often use the money for social insurance purposes.

Microfinance institutions (MFIs) have successfully reached large number of women all over the world, representing many cultures and social institutions. There have often been problems of sustainability and outreach, with vigorous debates about what Rhyne (1998: 6) calls the "Yin and Yang" of microfinancing—the apparently contradictory goals of reaching the poor, and financial sustainability.

Research is attempting to identify and understand the failures as well as the successes. Wright and others (1999) point out that in East Africa, there are now more people who have dropped out of the major schemes, than there are presently

enrolled in them. Hulme and Mosley (1996; 1996a) have been involved in trying to break through and beyond the idealization of a few successful institutions, through their evaluation of the performance of development finance institutions that intervene at the bottom end of the financial market. There has been increasing realization, by them and by other researchers, that loans or savings intended to startup or support microenterprises were being used for other purposes — and the needs chiefly expressed by clients are loans for emergency consumption expenditure, and for insurance against other risks.

The voices from thousands of organizations are saying that very poor people can save, and do. And very poor people wish to contribute to social insurance, and do. This is a demand-driven need, around which people have successfully organized.

Thus, we approach the development of a conceptual framework, mindful both of the problems that have been confronted in formal welfare states, and of the popularly expressed need for social protection. Social protection should allow the poor to plan, to manage their assets in an intelligent way, protected from risks, and allow them to build on these assets for the future. Section 3 will introduce a way of approaching the problem.

Section 3

A MULTI-DIMENSIONAL MATRIX APPROACH TO SOCIAL PROTECTION FOR WORKERS IN THE INFORMAL ECONOMY

In Section 1, we described the changing world of work, and how the present era is experienced by many as an era of insecurity and uncertainty. Section 2 described tensions and weaknesses in systems of formal and of informal social security, and how fewer people are able to derive long-term or comprehensive coverage against contingencies through the workplace.

Section 3, is the first of two sections which will develop a multi-dimensional matrix for approaching social protections for workers in the informal economy, and especially for poorer women. The framework should enable us, both to encompass the diversity within the informal economy — to enable a degree of fine-meshing — as well as at the same time, to develop the ability to set boundaries — to avoid becoming tangled in complexity. We want to see how different possibilities for policies and programmes of social protection and insurance depend on where, in the framework, workers are located.

Here, we suggest a gendered analysis of four major elements:

- the sector or subsector;
- the status of the worker (in the sense of the nature of the employment relationship);
- the family circumstances, and the stage in the life cycle of the worker;
- the regulatory environment.

In Section 4, the task of social protection will be seen in terms of risk management, and a conceptual framework of risk is laid over these four elements. Different types of risks are faced by men and women in different sectors, at

different stages of the life cycle. This is contingent also on their working status, and they are more or less vulnerable to risk depending on the regulatory environment in which they work. We will work towards establishing a framework within which further work can be done on identifying the kinds of risks that are insurable, and which combination of stakeholders or agencies could provide such insurance.

3.1 THE SECTOR OR SUBSECTOR

Chen used a subsector approach to identify ways to promote women's enterprises (Chen, 1996), and we suggest a similar starting point here for the purposes of promoting social protection. For enterprise promotion:

... the term subsector approach is used to refer to an analysis of opportunities and constraints facing small enterprises within any given subsector. The basic premise of the subsector approach is that there is a possibility of leveraging benefits for large numbers of enterprises with a single intervention. (Chen, 1996: 14, her emphasis)

We are not suggesting that schemes for protection should all be built on a sectoral approach. It is clear that many of the cooperatively organized and community-based schemes of, for example, mutual insurance (discussed in Section 5) have been located on a geographical basis, or a grassroots organization basis. Our purpose in using sectors or subsectors as a point of entry at this point is analytical. It is to start identifying the possibilities for leveraging benefits for large numbers through single interventions — rather than to start with the analysis that *all* schemes should be built from the ground up, primarily through the organizing efforts of poor people themselves.

Let us illustrate the potential use of this approach: Within the service sector would fall the millions of domestic workers, who are classified differently in different countries, and whose regulatory environment is very country-specific. Where domestic work is covered by labour regulations, and where there is a social agreement that these conditions should be respected, it should be relatively simple to implement a fairly broad spread of mechanisms of social protection — though these countries may also be more likely to have state assistance as a backup for those in need, in their retirement for example. In the more common scenario of unregulated and very exploitative working conditions (because domestic workers by definition work inside others' private domains, i.e. the homes of employers), workers are difficult to access and organize, risks to organizing are high, and objectively, schemes are simply difficult to administer.

Compare this to the situation in the production of agricultural goods, where workers on commercial farms are gathered in relatively large numbers, under a single employer or company. The company may be more susceptible to pressure and leverage with regard to controlling its use of hazardous materials in crop-spraying, which puts workers' health at risk; or for child care for seasonal workers (who are, in many commercial agricultural settings, women).

With regard to Chen's actual subsectoral categories (production, manufacturing, trading, service sector, labour sector) it may need to be modified for the specific purpose of exploring social protection. It may be that the distinction between production and manufacturing is not so important; it may be also that financial services should be specifically itemized for inclusion in the service sector. "The labour sector" might be too broad a category to be useful. In many countries this entails a very broad agricultural or subsistence production sector, where the types of risks are quite specifically different from those generated by work in the industrial sectors. Within the labour sector, a farm/non-farm category, may be enlightening for the purposes of risk analysis.

However, no matter how the classification is done, the following characteristics of the sector or subsector should be identified:

- The *gender concentration* of the type of work.
- The extent to which the work is *skills-oriented* and has *growth opportunities* — with a view to assessing the extent to which it would be valued and "counted" and protected by economic policy makers, and thus be a positive candidate for the extension of existing programmes.
- The extent of *fragmentation of supply and production chains* within the sector — with a view to assessing the possibilities for, and difficulties, of regulation and enforcement of programmes of social protection and insurance.
- The effect of *seasonality* on the different types of work within the sector, especially the farm sector, but also certain jobs in the nonfarm sector — with a view to assessing options for income smoothing and premium payments, as well as the types of insurance (for example crop insurance) that are available or not.
- The extent to which the sector is within *government control and regulation* (see 3.4).

3.2 THE STATUS OF THE WORKER

The differences in employment status between workers in the formal and informal sector have conventionally been characterized as follows:

Formal sector	Informal sector
Formal working contract	No formal working contract
Regular employment	Irregular employment
Fixed wage	No wage relation, uncertain earnings
Fixed working hours	Uncertain hours
Permanent employment with legal protection	No permanent employment or legal protection

Section 1 described how increasing numbers of workers (and especially women) are involved in what, twenty years or so ago, would have been called “atypical” forms of work, and how such work has now become “typical” for many, and especially for poorer women in developing countries. Also, greater parts of the production and service work in the formal economy are outsourced and sub-contracted; the informal economy holds within it a wide diversity of types of employment relationships, and single individuals may be pursuing multiple livelihood strategies — they may hold a diverse portfolio of activities, with different types of working status. Increasingly, *work* needs to be separated from the idea of being *in a relationship with an employer*.

One categorization of different types of work status could be:

- unwaged reproductive work (and this is not the focus of this paper);
- subsistence work in the agricultural sector (also not the focus of this paper);
- true self-employment (e.g. own-account workers);
- unregulated or largely unregulated work for a wage (e.g. street vendor’s full-time assistant);
- regulated but casual waged work (e.g. irregular day work in construction);
- sub-contracted employment — unsupervised but waged;
- true waged employment.

This classification can be seen as a continuum in terms of movement from unpaid work within the home through to a more regular relationship with an employer. At the one extreme are women in unpaid family work, whether on

reproductive or productive tasks. Payment, if any, is often in kind and there is little regulation. In most developing countries (and in many developed), the work of domestic workers and female workers in the agricultural sector is largely unregulated; is invisible, payment is low or non-existent, or may be in kind. This is the end of the continuum at which it may be the most difficult to structure programmes of social protection, especially social insurance. Specific techniques are needed that “count” this work and its contribution to the economy, such as the work which attempts to integrate household work in the system of national accounts (Budlender, Sharp with Allen, 1998).

While there may be no formal contract and workers may be located at different places along the contracting chain, the expectations governing conditions of payment, units of work, and working hours may be clearer, as well as the link between the workers and the owners or retailers. The scope for creating social insurance mechanisms of social protection, and for getting workers to participate in the creation of such programmes, may be easier here.

We can now try and integrate these first two elements — sector, and status of work — and see if patterns are revealed for women workers. WIEGO has synthesized findings from the international work of Jacques Charmes and of S.V. Sethuraman, as well as by Thomas (1995) specifically for the Latin American context, and notes that:

- a significant share of female employment in *trade* is own account activities;
- a significant share of female informal employment in *manufacturing* is sub-contract work or unpaid family work;
- a significant share of female informal employment in *construction, transportation* and *services* is casual work;
- relatively few women are *employers* managing microenterprises.

It is obvious that it will be possible, in principle, to explore *employers'* contributions to social protection for sub-contracted workers in the manufacturing sector, and for casual workers in transport, whereas alternative sources would have to be explored for own account traders. Consider the case of a home-based garment worker who loses a week's unit of materials when her house burns down. The retailer, or the owner, has insurance on some aspects of his or her business. Does the possibility exist of extending this further down the sub-contracting chain, even though the asset is away from the rest of the physical plant?

For own account traders, consider the case where a local government may have laid down essential infrastructure such as shelter for street traders in an effort to manage pavement space in a city in which tourism has important economic potential. Could the government be prevailed upon to include insurance of these

shelters and possibly even a modest insurance for the contents in its overall insurance portfolio? This would simultaneously be a means of insuring against the loss of both income and assets for the vendors concerned.

3.3 FAMILY CIRCUMSTANCES AND STAGE IN THE LIFE CYCLE

The family circumstances of workers affect the need for social insurance and protection. Many of the risks faced specifically by women are a direct outcome of the biological role of child bearing, and of their socially constructed roles as carers. Section 1 described how one of the consequences of the casualisation of work is that some women (and especially poorer women) take on an even greater share of the reproductive and caring responsibilities, while also participating more in the labour market.

There is a conceptual problem which is difficult to resolve. We want to integrate risks associated with the life cycle — maternity, child care, being widowed and dependent on a late husband's family — into our framework. However, we then risk separating these life cycle events out as “feminine” and thus not directly related to employment. But it is a firm point of departure of our framework to deal with poorer women workers as workers, and these life cycle events have an effect directly on productivity, employment and income. They should be treated as “worker's risk”, rather than “women's risk” — although in reality women bear the primary burden for these responsibilities.

In the typology of risks that will follow in Section 4, we explicitly try not to dichotomize into a “first level” set of risks such as disaster, asset loss, health, etc. and a “second level” set such as maternity, child care, etc., as this would tend to play into the standard classification of a “masculine” set of insurance coverage “normally” covering the primary breadwinner, with the dependent being the “feminine” set of coverage with maternity, child care, widowhood, etc.

Family circumstances are related to marital status. At a purely descriptive level, there is the classification:

- unmarried and living away from parents household;
- unmarried and part of a household;
- married/partnered, and in own conjugal or spouse's parents' household;
- divorced;
- widowed.

These socially constructed categories are associated with actual autonomy or dependence on others, as well as with a perceived dependence on others. As regards *actual* autonomy or dependency on others, a young woman will not be so vulnerable at the workplace if her child care needs are covered, because she lives in a complex multi-generational household, with other (female) adults who are not employed, and where child caring is “normally” shared.

It is the socio-political environment which influences whether a woman worker is also *perceived* as an individual or as a dependant. This is fundamental to most forms of insurance that exist around the world, where the “family model” of risk and insurance is in place, and where only some countries give the option of dealing with the individual. For poor workers, this is of course of great concern, because individual and family premium categories may be quite different, and the individual category may not be affordable. We see in our case studies in Section 5 that some schemes give access on the basis of family membership only, and not individual membership.

The family model hides two underlying realities. First is that, as an individual, a woman’s risks are dependent on her relationship to, and the risks of, other people in the household. Second, the household itself goes through stages in the life cycle, and it is this household stage which may affect the individual woman, as one component. The conflicts and vulnerabilities can play themselves out and be experienced between women, as well as more typically between men and women.

Table 3.1
Risks and vulnerabilities associated with stages in the life cycle

Life cycle stage	Types of associated risks and vulnerabilities
Children less than 12	<ul style="list-style-type: none"> • The risk of not attending school because of domestic or income earning responsibilities, with specific risks faced by girl children. • The invisibility of young children’s work whether it is done as part of “normal household or agricultural responsibilities”, or in non-family agriculture when it is tied in to the employment of parents as farm labourers, on dump sites, or as sex workers. • The double burden of occupation and schooling and therefore long-term vulnerabilities of low productivity and fewer opportunities.
Adolescents (13 to 19 years old)	<ul style="list-style-type: none"> • Particular vulnerability of girl children to early withdrawal from school. • The double burden of occupation and schooling and therefore long-term vulnerabilities of low productivity and fewer opportunities. • Entry into high-risk employment categories, hazardous industries, prostitution, etc.

Life cycle stage	Types of associated risks and vulnerabilities
Young adults and mothers (20s and 30s)	<ul style="list-style-type: none"> • First heightened lack of access to financial institutions/asset building opportunities. • Loss of employment, or employment insecurity, because of pregnancy. • Loss of employment, or employment insecurity, through time taken out for child care.
Middle adults	<ul style="list-style-type: none"> • Loss of employment, or employment insecurity, or decreased productivity, through care for young and older family members at the same time. • Bearing the costs of death and disease in the family. • Social expenses of various sorts — especially costs of marriage of children, burials, other ritual events.
Older people	<ul style="list-style-type: none"> • Costs of retiring or withdrawing from work (in the absence of any work-related provision for retirement). • Onerous child care responsibilities in countries where HIV/AIDS or military destabilization has produced high numbers of absent middle age adults, and high numbers of children in distress. • Widowhood. • Widow's loss of assets to late husband's family claims.

As regards specifying ages which differentiate the stages of the life cycle, this has necessarily to be somewhat arbitrary, and there will be large inter-country variations as well. Probably, having fewer categories, as we have attempted here, is more helpful than trying to break them down further. We present these stages in Table 3.1, and the identification of specific risks attached to each stage, as a starting point. Much greater refinement is needed.

3.4 THE REGULATORY AND INSTITUTIONAL ENVIRONMENT

Governments vary greatly in their attitudes towards, and policies for, the informal economy; their view of its place in the overall economic growth path, and in the status that is accorded to informal economy workers. A government may be high in its rhetoric about the important contribution the informal economy makes to local economic development; it may yet place harsh constraints on actual trading practices. On the other hand, governments which have restrictive regulations about informal trading may choose to ignore these. In reality, much of the regulation takes place on a semi-formal basis, with trade-offs between political parties, state machinery, and the formal and informal economic actors (Cross, 1998). We look at innovative examples of government involvement in Section 5.

Understanding the regulatory environment in a country should assist in identifying more precisely the potential role of different agencies in assisting with, or of obstructing, the promotion of social protection measures. There is no refined framework, yet, for doing this. It should include an understanding of the levels of government control which is exerted over informal economy workers (centralized or decentralized). It should attempt to assess the relative autonomy or sovereignty of the State over social policy matters, relative to international financial institutions, and relative to partners in the region. It should, importantly, assess the extent to which in-country stakeholders — social movements, community-based organizations, organized labour, employers associations — are able to participate in policy development and implementation.

Here we introduce a basic, and as yet incomplete, set of categories for analysis of the regulatory and institutional environment which should be included in such a framework.

Intergovernmental relations: national, provincial and local

This concerns policy, legislation, and the levels of government. Elements include:

- the national policy on the role of the informal economy in economic development;
- the extent to which national legislation mirrors national policy;
- the allocation of responsibility for the development and support of the informal economy to different levels of government;
- inter-governmental relations: the division of powers between the different tiers of government with respect to regulating the informal economy;
- local government policy, legislation and practice, and the extent to which there is a fit between national policy intent and local implementation.

Urban planning

This concerns the extent to which, both conceptually and technically, urban planning and urban planners define the informal economy into, or out of, consideration in the created environment. Elements include:

- the integration of informal economy concerns into urban planning;
- the extent to which space for informal work is included as a land use category;

- the regulation of market places, and street trading places;
- the regulation of housing; the extent to which regulations take into account the increasing use of domestic spaces for both productive and reproductive purposes.

Labour regulation

This concerns the status of informal work, and informal workers, in the overall policies of labour regulation and legislation in a country. Elements include:

- a subsector and gendered analysis of labour legislation, especially the legislation on basic conditions of employment;
- legislation which promotes the ability of role-switching between men and women as regards parental and child care;
- the extent to which the country participates in and honours international codes of labour standards, and especially regarding those that have impact on the informal economy, such as home-based work, part-time work, etc.

The gender climate

Countries differ in the extent to which there are institutional mechanisms to promote gender equity. Elements of the institutional framework include:

- formally, the existence of policies, legislation and structures which promote or obstruct gender equity;
- informally, the extent to which patriarchal and cultural relations define the rights of women and their ability to make choices about work;
- the extent to which family policy and labour policy interacts or conflict with each other.

Participation of informal economy workers in policy development in the area of social protection

Organized labour, and formal business, have many dense and layered opportunities to exert an influence on policies regarding social protection. Institutional mechanisms need to be developed for informal workers to have their voice as well. A country assessment is needed of:

- the political climate for general democratic participation, and especially for participation by women;

- the existence of mechanisms, which are designed to be sensitive to women's needs, for the participation of informal workers in the development and introduction of social protection systems.

Participation of civil society organizations and interest groups

The interests of informal workers can be supported by increasing understanding about the stance of different groups in society towards extending social protection to informal economy workers. This should be taken into account in the overall framework for understanding the regulatory environment.

Inter-country policies

At the same time that the autonomy of some nation states is eroding, regional governance is strengthening, and becoming a new area of influence. If a country is part of a regional bloc, elements of the regulatory framework would be:

- the portability of social protection benefits for the workers in the formal economy (using a subsector approach);
- the social rights — especially to health care, education, welfare services and housing — of migrant workers, and workers in the informal economy.

International institutions

Deacon (1997) describes how national social policy is increasingly being influenced by globalization and by international institutions. It is clear that the framework for the regulatory and institutional environment for social protection would need to include this international scope. Elements include:

- The extent to which the country has subscribed to international standards and codes about basic human rights, the rights of women and children, the protection of minority groups, etc.
- The extent of influence and potential role of international institutions over social rights and social protection.
- An analysis of explicit and implicit policies and positions on social protection, especially regarding the role and responsibilities of the state, and the role of employers *vis-à-vis* informal economy workers.
- The stance of donors and international institutions towards social protection; their active involvement in promoting measures of social protection; trends towards convergence or divergence on social protection in major clusters of international institutions.

3.5 CONCLUSION

We can now return to the core question for this paper:

Under what conditions can what kinds of workers in the informal economy (and especially poorer women) get access to what core measures of provision, which can be incrementally improved upon in the future?

This Section 3 has been the first part of a two-part exercise in developing the conceptual framework with which to answer our core question. We have presented four major elements in the framework, all to be approached with a gendered analysis:

- the sector or subsector of the work;
- the status of the worker;
- the stage in the life cycle; and
- the regulatory environment.

We now turn to the important second step, which is to introduce the gendered analysis of risk. Are there different types of risks involved, for men and for women, depending on where a person works, whether there is a formal contract or self-employment, how old she/he is, and whether the regulatory environment is sympathetic to the development of the informal economy? In Section 4, we consider social protection as a form of management of different types of risks.

Section 4

SOCIAL PROTECTION AS RISK-MANAGEMENT FOR THE INFORMAL ECONOMY

The informal economy and its workers are typified by a range of different vulnerabilities and risks. Thus, social protection can be seen as an effective method for risk-management for the general population. Many authors have addressed this issue, most recently Holzmann and Jorgensen (1999). The broad contours of this debate in other writings extend greatly beyond economic definitions of risk and protection, to more socio-political forms of risk and risk-mitigation strategy. Social protection of women in the informal economy then, implies strategies to minimize risk in the lives of women workers in the informal economy, as well as methods to smooth income flow and enhance real income.

We remain conscious of the over-broad strokes with which the term social protection can be painted; in a more specific sense, therefore, we refer largely to social *insurance*. However, as noted earlier, protection may also be available in terms of social funds, social security schemes and broader preventative and promotional care.

When social protection is seen as risk-management, strategies that prevent the risk from occurring in the first place are most desirable. In addition, strategies that mitigate or lessen risk and those that (while unable to prevent the occurrence of the risk) assist in coping with it also become important.

Depending on the empirical type of risk and the conceptual form of the risk, different intervention strategies may be most appropriate. We address in the following sections, some general typology of risks and strategies and set up a framework for analysing some of the programme interventions that follow in later sections.

4.1 EMPIRICAL NATURE OF RISKS

These risks not only adversely affect the income flow of the worker, they often simultaneously raise expenditure on the lowered income. Common risks that women workers face (whether in the formal or informal economy) are:

- *Ill health*: both short- and long-term illnesses and emergency care lower productivity and increase the possibility of losing a job due to missed days at work.
- *Reproduction and child rearing*: both are especially important because they simultaneously increase risks to the health of women workers, interrupt income streams and may increase expenditure on care for both mother and child. Child care costs when the mother is working are also direct burdens on women in the economy and may be paid directly in child care crèche fees or by lowering income while she tends to the child. Loss of employment is common during maternity when a woman worker is forced to choose between supporting the child and making out a living.
- *Death or disability*: loss of income from a working member dying, cost of funeral, lowered income due to disability or loss of income from losing a job.
- *Loss of assets*: due to fire, floods, theft, drought, and riots (this may be loss of a cart, damage or loss of a housing unit, loss of a working unit, loss of livestock). For many women working as street vendors, destruction of goods by the police, municipality authorities and extortion is common.
- *Unemployment*: loss of income which may be due to structural or cyclical features in the economy, or due to other risks mentioned above. A loss of a sewing machine may create unemployment for a self-employed worker.
- *Increased expenditure for social events*: while these are often not perceived as risks, they can be considered “economic stress events” (Nojonen and Kantor, 1996) and place a significant financial burden on the earnings and income flows of workers. Both “positive” events such as marriages, births and cultural and religious celebrations and obligations can create the same economic stresses as “negative” events such as illnesses, deaths and unemployment.

Economic stress events are changes or events which place a strain on household income and resources. ... All stress events need not be sad or unfortunate ones. The birth of a child, the marriage of a family member, the carrying out of a religious ceremony may all be joyous occasions, yet they place a demand on limited household resources.

Other events are indeed tragic and cause major disruptions and hurdles to overcome, such as severe illness, death of a major breadwinner, abandonment, or natural disasters of flood or fire.

Still other events constitute minor setbacks requiring unexpected outlays of scarce funds. These might include minor illnesses, equipment or house repairs, work losses due to bribes or fines, or work loss due to communal violence.

Other events may cause a modest yet constant drain on the household economy. Some examples are chronic problems of poor health, mental illness, alcoholism, gambling and other vices, and constant series of social spending obligations. (Noponen and Kantor, 1996:8)

It has been the experience of many MFIs that loan amounts are often used for dowries, social events, post-childbirth expenses and burial costs.

The same study by Noponen and Kantor of SEWA workers and their annual expenditure flows, for example, demonstrated that while stress events associated with health dominate the outflows (comprising 48 per cent), rituals and marriages combined to account for 30 per cent of the costs.

The highest frequency of illness was during the monsoon period of August/September when rains are particularly destructive, resulting in flooding, loss of roofs, inundation of water into slum areas, resulting in high rates of water-born diseases.

Other common expenses are fodder purchases for cattle, cattle disease, costs of hiring labour, costs of labour or land disputes, repairs of other equipment in the house (water pumps, stoves, tractors, etc.), school fees, dental treatment.

Although social protection systems cannot be expected to directly cover the expenses associated with social events (“optional” life cycle events),⁴ births and deaths (“necessary” life cycle changes), they can help manage other risks and thus allow poor workers to anticipate, plan and smooth income flows over time.⁵

We find that the evidence indicates that public safety measures such as relief aid, food subsidies, shelter, and emergency vaccinations alone cannot alter the situation, and are in any event often only available against catastrophic losses (due to drought, floods, riots, other large-scale disasters). They more seldom apply to smaller, idiosyncratic risks. Furthermore, the nature of the diversity and fragmentation within the informal economy may not assist the registration, classification and access to recourse for individual workers and enterprises that fall below a certain threshold of scale.⁶

Comprehensive social protection systems that cater to women workers in the informal economy must therefore bridge the gap between insurance markets that may fail such workers, and informal risk management mechanisms which may fail in a larger crisis or simultaneous crises.

4.2 CONCEPTUAL NATURE OF RISKS

The main risks can be classified into a more general typology that addresses the statistical probability of the risk occurring and provides a basis on which schemes and services can be developed and tailored to the community.

4 Social taboos and pressures may realistically be expected to make many “optional” life cycle events like dowries “compulsory”.

5 Noponen and Kantor show clearly a correlation between years of SEWA Bank membership and the lowered frequency of stress events. That is, there exists an inverse relationship showing that SEWA membership appears to be helping reduce women’s economic stresses. After a certain number of years of membership, this relationship becomes positive indicating that economic stresses again rise, perhaps because of the increased age of members. On average a SEWA Bank Savings account indicates a reduction in stress events by three.

6 This scale may be defined in terms of number of workers, size of working capital, extent of loss in absolute numbers, registered taxable assets or other criteria.

Table 4.1
Typology of risks by nature of risks

Typology of risks	Example
<p>Low frequency Occurs infrequently in worker's lifetime</p>	<ul style="list-style-type: none"> • Serious illness, emergency hospitalization, being widowed.
<p>High frequency Occurs frequently in worker's lifetime</p>	<ul style="list-style-type: none"> • Chronic illness, occupational health hazards or minor illness.
<p>Idiosyncratic Occurs randomly and affects the individual worker/household</p>	<ul style="list-style-type: none"> • Non-communicable illnesses affecting workers/family members. • Occupational health risks. • Loss of assets due to use of particular type of damaged seeds. • Flooding in the zone where worker lives/works. • Destruction and looting of assets by vandals (or by regulating authorities) and confiscation by regulating authorities, with large fines paid to reclaim assets. These may include destruction of vegetable/fruit stocks, confiscation of carts and stalls, removal of license to vend in certain areas.
<p>Covariate Occurs randomly but affects many individual workers/households/entire community simultaneously</p>	<ul style="list-style-type: none"> • Flooding, inflation, drought. • Area riots affect all workers/household/enterprises in the area. Large covariate shocks may be very difficult to deal with rapidly, are often difficult to anticipate and even in cases where this may be possible, may be devastating to the populations concerned. Unregistered workers or microenterprises may have no form of recompense available. Women workers are at particular risk since they are largely "invisible" in some sectors and loss to work assets for home-workers or home-based workers may be ignored.
<p>Repeated shocks Occurs as a series of repeated risk events affecting individual workers or the community — i.e. covariate and repeated</p>	<ul style="list-style-type: none"> • Persistent drought. • Repeated flooding.

Random but repeated theft or fire can wipe out a worker's savings or an enterprise's assets. Informal economy workers may find it particularly difficult to recover from repeated shocks, as they face fewer possible avenues of recourse. A worker who has sustained repeated losses may be forced to default when faced with no access to financial services, emergency credit or restructured repayment plans on existing debts. In such cases, he/she survives at the cost of household resources, as these are necessarily pooled in the poorest cases, causing significant long-term sacrifices by other families or workers, and often children.

Covariate risks and repeated shocks put entire communities at risk and may prove very difficult to insure. However, other social protection mechanisms like labour market interventions, relief works, transfers, or development assistance may be more effective as risk-management tools in these circumstances.

For poor families and individuals, and especially for women, there exists significant overlap between idiosyncratic and high frequency risks. Workers steeped in poverty may find a higher occurrence of idiosyncratic risks, or less-random occurrence of risk. For example, worsening incomes lead to worsening health which in turn again leads to worsening income, but also to a higher likelihood of losing one's work or succumbing to diseases caused by flooding.⁷ Some risks are such that an integrated risk-management approach is required to keep gains ahead. In some cases, idiosyncratic shocks may be easier to deal with. However, for very poor women working in the informal economy, both can spell doom. Local governments may also be ill equipped to deal with area-wide covariate risks and damage to the assets of the worker may be greater than merely loss due directly to the risk, but rather due to delays in relief.

We show below a slightly different framework where the risk typology may be further described by the *nature* of the informal economy and the precarious forms of livelihood that are often in question.

⁷ The cause and effect of diseases and strategies to cope are part of the basic debate in public health. There appears to be a clear message that preventative measures can far outweigh the cost of long-term drains to the individual and the economy.

Table 4.2
Typology of risks by nature of informal economy

Typology of risk	Description
Sectoral risks	<ul style="list-style-type: none"> • Certain sectors may be more vulnerable due to domestic or global shocks, e.g. construction work, the garment industry.
Risks of scale	<ul style="list-style-type: none"> • Workers may not be able to fully utilize economies of scale — access to appropriate capital may be made more difficult by constraints imposed by larger enterprises. A “race to the bottom” to provide the cheapest service/product in a highly competitive outsourcing chain may further increase risks to workers.
Risks of production technologies	<ul style="list-style-type: none"> • Workers may have lesser access and fewer opportunities to use more productive production technologies. There may be capital constraints on moving into new production forms and microentrepreneurs may be particularly risk-averse.
Risks arising from position in production and supply chains	<ul style="list-style-type: none"> • The lack of bargaining power of many informal sector workers in production and supply relationships with larger enterprises or individuals often gives rise to a dependent/exploited status which brings its own risks.
Risks due to invisibility in the economy	<ul style="list-style-type: none"> • Besides difficulties in enumeration and registration, workers may not be recognized as full contributors in an economy and their employment-generating abilities may be questioned. Statistics do not presently capture the dynamism of this group and its complex links across both the formal and informal economy.
Regulatory risks	<ul style="list-style-type: none"> • Risks from low levels of regulation (or over-regulation) that cause difficulties in finding work or retaining work security.
Geographic risks	<ul style="list-style-type: none"> • Certain regions and countries may be more susceptible to adverse economic or political shocks. Some may have fewer informal risk-management mechanisms available.
Political/socio-economic risks.⁸	<ul style="list-style-type: none"> • Often newly migrated urban slum dwellers may have minimal community ties and risk-coping strategies available in the area. • Migratory communities of casual wage labour, especially in agricultural areas, have no form of social protection whatsoever and seek work wherever it is available, at whatever price.

⁸ There is no simple classification of migratory movements, which may arise from a multitude of causes.

Typology of risk	Description
	<ul style="list-style-type: none"> • Large-scale forced migrations due to large development programmes (e.g. large dam/hydroelectric programmes) often remain without compensation, affecting hundreds of thousands of informal economy workers and their families.⁹
Seasonal risks	<ul style="list-style-type: none"> • Mother Nature can cause havoc as well as bring bounty. Droughts, floods and famines affect entire regions and sectors. • Informal economy workers may feel the impact of income irregularities more strongly when other fall-back resources may be limited. Piece-rate workers, rural home-workers, etc., may have informal contracts that pay insufficient wages and may be forced to take on seasonal casual wage work. Migrant workers are also affected.
“Gendered” risks	<ul style="list-style-type: none"> • Women workers in the informal economy are the most invisible. Home-workers and other piece-rate industrial outworkers are among the most poorly paid. • Women-headed enterprises are rarely counted and assisted and face specific constraints in access to risk management services (credit, adequate training and marketing, membership in cooperatives, etc.) and the ability to grow. • There may also be a disproportionate number of women workers in family-based unpaid work. Risks in these cases may be socio-economic and physical (through low visibility, low wages/unpaid work, occupational health hazards).

These risks, specific to the nature of informal work provide a means to address sector-specific strategies in Section 5. Below we discuss briefly an additional form of risk that is specific to the scale of the operation, i.e. microenterprises.

4.3 OTHER RISKS: MICROENTERPRISES AND SOCIAL PROTECTION

In addition to individual workers, small microenterprises in the informal economy also need social protection and risk-management strategies. Microenterprises are loosely defined as very small and small-scale enterprises.

⁹ The irony of “development” aims versus those of social protection is evident here.

The difficulties faced by such small businesses straddle the border between the formal and informal economy. By looking at the interface between the slightly more robust end of the informal economy and formal schemes, we may learn valuable lessons about where to set the upper end of expectations. Strategies to cope with these risks may show a way forward for converging approaches between current programmes for social protection within the formal and informal economies.¹⁰

Extensive work undertaken by the ILO and other researchers over the years provides a methodological framework to look at where microenterprises fit into the larger informal economy.¹¹

The working environment of the microenterprises is closely linked to issues of social protection. Many structuralists have linked the enterprise in the informal economy with social relations of production. This conceptualizes the scale of the enterprise as being dependent on the relationships between three sets of actors: between enterprises and workers, between large enterprises and small and microenterprises, and between the state and enterprises.¹² In the general literature related to development, informal sector labour and social protection, microenterprises normally refer to those small firms in both the developing and developed world that have small capital needs.

Microenterprises have been popularly associated with the field of microfinance, the latter having been developed to assist individuals (the self-employed or casual labourers) or those working in small and microenterprises. In terms of scale, there is no convenient division between small and microenterprises; there is also no convenient division between microenterprises in the formal and informal economies. Questions also arise regarding the unit of analysis and measure for social protection. In the case of microenterprises, scale may not be the only variant in definitions and programmes. From the point of view of social protection and insurance, microenterprises as well as individuals in the informal economy, fall between the cracks of social protection legislation and programmes. Many lessons relevant to microfinance and strategies for small capital enhancement and protection apply well to microenterprises.

10 The upper range on numbers of employees is defined differently in each country. Roughly speaking, microenterprises are those that: (1) have a small number of workers; (2) have small capital needs; (3) may be either labour or capital intensive in their use of factors of production; (4) may evolve from self-employment of an individual to a small enterprise employing a few others; (5) may be family-based, i.e. with unpaid family help.

11 One working definition used extensively by international agencies until the mid-1980s was “small-scale units engaged in the production and distribution of goods and services with the primary objective of generating employment and incomes to their participants notwithstanding the constraints on capital, with physical and human, and know-how” (Sethuraman, S.V, 1981:17. For more on definitions, approaches and policy guidelines, see Sethuraman: 1976).

12 While the language of “microenterprises” may not have been used, the scale of the enterprises (small relative to large) within the informal economy is a source of much discussion. For example, see Mazumdar (1976), Weeks (1975), Moser (1978), and Rakowski (1994) among others.

Microenterprises may also face the brunt of contractions in the economy. There is insufficient study of the impact of recessions on microenterprises. It remains unclear whether there is one general trend to indicate that microenterprise growth is pro-cyclical or anti-cyclical relative to the economy. The recent East Asian crisis has resulted in heightened vulnerability for both large and small enterprises alike. However, social protection mechanisms for microenterprises in many countries are also proportionately less developed.

The very reasons often cited for the pervasive existence and rapid appearance of microenterprises, are closely linked to the types of risk management that microenterprises may need:

- economic restructuring, especially within the transition economies and those adhering to structural adjustment programmes recommended by international financial institutions;
- global competition and a “race to the bottom” in providing the cheapest possible goods and services;
- socio-cultural and economic histories of large numbers of household enterprises and non-wage work in economies;
- new forms of contingent work beginning to evolve in a globalized world;
- extensive enterprises in the farm sector associated with the extent of an agricultural base to the economy;
- recurrent financial crises facing an economy and its impact on the poorest;
- cyclical contractions and expansions within the economy, to which the response of microenterprises may be pro cyclical or anti-cyclical.

Both poor individuals and microenterprises in the informal economy are placed at one end of a long commodity chain. Often, despite full incorporation into the economy and high-efficiency, these microenterprises may remain vulnerable to adverse shocks due to limited power to influence outcomes. Microenterprises in many economies also have higher average rates of failure.

Microenterprises are vulnerable to:

- risks to the enterprise itself through its assets (other than human capital, i.e. labour);
- risks affecting employees.¹³

Some risks may affect both microenterprises and employees with high correlation (disasters in an area, for example).

13 Segments of the informal economy may be classified (WIEGO) through status of employment and type of enterprise. Microenterprises provide employment to employer and casual worker categories.

Women and microenterprises

Women may be either workers or owners of microenterprises. As owners, the evidence indicates that women need greater access to financial services and credit and methods of insuring assets owned. As workers, there are other social risks that need addressing.

Microenterprises may themselves be unable to adopt great flexibility in informal arrangements to weather out significant storms and may be unable to represent the needs of their women workers.

The State may need to directly assess how social protection legislation and regulation can be effectively extended to small and microenterprises. Many countries have legislation that is noble in its intent to protect women workers, but which indirectly penalizes small and medium enterprises through excessive regulation. Many small enterprises, of course, elude the checks within the system.

- Financial and physical capital constraints on microenterprises are such that this creates a significant disincentive to hire women workers.
- Many small and medium enterprises use this constraint to circumvent existing legislation and hire women as home-workers and piece-rate industrial outworkers who may have the least protection.
- While this may appear to increase the number of informal economy workers, there is an inherent devaluation of quality of work and conditions of work through these practices. Thus, social protection, by being mandated overzealously, has given rise to further exploitation of the least protected segment of the labour market.
- Unregistered individuals and enterprises may also face harassment, extortion and closure. Women-headed enterprises are often at considerable risk of facing violence from law-enforcer.¹⁴

4.4 TYPOLOGY OF STRATEGIES

The relative risk of different events is determined by the demographics of the population group. However, the vulnerability to such risk is also time-dependent. Impact of these events depends largely on *anticipation of risk and preparation time*. Social protection of women in the informal economy must

¹⁴ SEWA has had to deal with considerable danger to members vending on the streets or those with small microenterprises facing levels of bureaucracy. SEWA's legal wing has therefore been a bastion of strength for training members as para-legals and appealing to the judicial system to right the wrongs committed. The legal system has also been used to ensure that workers have adequate space allotted by the city municipality to vend as a "right" of all workers.

therefore entail enhancement of anticipation and preparation to face risks. Overall, increase in the degree of forecasting is itself a risk-management strategy.

4.4.1 By nature of intervention

Strategies to address income risks are:

- **Prevention strategies:** to reduce the occurrence of the risk associated with income loss *before the event*.

These are introduced *ex ante* (before the event) to increase incomes and reduce income variance. They may require state intervention through active labour market policies or underwriting social protection costs.

- **Mitigation strategies:** to reduce risks *before the event*.

These are introduced *ex ante* through improvement or provision of instruments that reduce income variance portfolio diversification, risk pooling through insurance, hedging (risk exchange).

- **Coping strategies:** to relieve the impact of adverse circumstances *after the event*.

These are introduced *ex post* to improve services or initiate transfers after the income shock. They may comprise transfers through the government, dis-saving by the worker (often at high, long-term social cost), borrowing through formal or informal arrangements, charity and public works programmes to generate employment and maintain a minimum wage.

4.4.2 By form of intervention

Possible strategies in the informal economy could be:

- access to formal microfinance delivery systems and other financial services;
- access to group-based measures that allow for *ex ante* and *ex post* risk management, for example membership in cooperatives, group-based insurance schemes, employment guarantee schemes for workers, interest-free lending within sectoral groups, welfare funds based on sector, and appropriate procurement policies;
- mechanisms to strengthen informal risk management techniques, for example enhancing social capital through a variety of community-based participation and trust-enhancing schemes, which allow for a healthier risk pooling. These apply to both idiosyncratic and

covariate risks. Solidarity-based organizations like unions and cooperatives may be best suited to these strategies;

- programmes devised specifically for enabling women workers seek greater added value, for example skills training, enhancements to property, niche markets, etc., to allow them to protect and build existing assets in variable markets.

Many of these may evolve from lateral strategies to minimize risk when vertical risk-management chains are insufficient. In other words, cooperatives could form to create lateral linkages with other agencies for marketing, when the state's coverage and support to social protection for enterprises is insufficient. This is a way of pooling risks across regions.

Box 4.1 uses the Asian crisis to show country differences between Hong Kong, Thailand and Indonesia, and how little *ex ante* social protection mechanisms there were to cope with the shock.

Box 4.1 **The Asian crisis of 1998 and intervention strategies**

Dimensions of the Asian crisis

The need for social protection *ex ante* is shown in examples of nationwide crises of covariate risks and repeated shocks that may affect all workers in the economy. The Asian financial crisis of 1998 created widespread unemployment within the formal economy and governments scrambled to find adequate means of supporting workers and those laid-off at levels above the locally defined poverty line. *However, the full impact of the crisis on workers in the informal economy is still not understood.* Government intervention through unemployment insurance was direly needed but unavailable while *ex post* measures for poverty-alleviation were undertaken like the dole and food subsidies. Needs of workers in the informal economy, however, remain largely unaddressed.

UNEMPLOYMENT RATES:		
Country	Before crisis	After crisis
Hong Kong	2.9%	4.5%
Thailand	1-2%	6%
Indonesia	4%	9-12%

SAFETY NETS (before):			
Country	Unemployment Insurance	Dole for Poor	Food Subsidy
Hong Kong	No	Yes	No
Thailand	No	No	No
Indonesia	No	No	Yes

Note: All three countries subsidized health clinics and full or partial state-organized pensions for modern wage workers while Hong Kong also provided subsidized housing.

4.4.3 The challenges to all forms of social protection posed by HIV/AIDS

The prevalence of HIV/AIDS on the African continent, and now Asia as well, poses particular difficulties for health insurance schemes. Some countries require that no patient be denied treatment or insurance coverage if they are known to have HIV/AIDS. Others have no such rules, and patients are routinely turned away by taboos and the cost of care that the medical establishment is often unwilling or unable to shoulder.

In countries in which the main route for spread of the infection is through heterosexual sex, HIV/AIDS changes the demographic profile of the population:

- The middle generation of sexually active people is worst affected, and in Africa, more women than men are affected.
- Young children are infected through vertical transmission from mother to infant, at birth, or through breast-feeding; they die within a few years.
- The overall longevity rate declines dramatically.

As the demographic profile changes, so too do roles of members of households, in productive and reproductive spheres:

- The older generation takes on an even higher responsibility for child care — the role of grannies is critically important.
- The children of HIV/AIDS orphans will not have grannies.
- We see the emergence of child-headed households.
- Children take on more responsibility for the health care of sick people, and (especially girl) children are withdrawn from school to do caring work, or income earning work.

- Boy and girl children become vulnerable to having to work earlier — whether in subsistence work, in the open market, or as sex workers.
- Where parents and children are in town, and the parents die, children may go back to the rural area, where opportunities for education may be fewer: “With the coffin come the city children,” said a Malawian AIDS worker.

The needs for social protection deepen and broaden:

- Where there is a prevalence rate of say 10 per cent (low for South and East African countries), the epidemic completely changes the risk basis of social protection schemes.
- There is an increasing demand for health protection, and the cost of this increases the closer the person is to death. Hospitals start refusing to admit patients in terminal stages at all, and send them home for “community care”.
- There is an increasing demand for services connected with death and burial.
- Women are particularly vulnerable in societies where, on the death of the husband, his family come and claim all her assets, according to patriarchal inheritance practices.

“Community care” is often used as a euphemism for loading the costs and energy associated with caring onto families, i.e. mostly women. HIV/AIDS illustrates clearly how gains made by women will be undermined and eroded unless supplementary forms of support are given. Social insurance through CBOs may become untenable under these circumstances because of the high morbidity and mortality rates within the target group.

4.5 CONCLUSION

Five focus areas need to be delineated before a social protection/risk-management scheme can be instituted:

- a clear specification of the target group/client profile within the informal economy;
- the nature of risks faced by this sub-group;
- the types of interventions possible (social security, social insurance, social funds, labour market interventions);
- the financing options available (fee for service, premiums, subsidies, rotating savings and credit type circulating schemes, loans);
- the delivery system and management structure.

Certain types of risk prevention strategies may require considerable investments in infrastructure development, skills training, and financial markets to be fully effective. Therefore, to be operational, schemes may need to consider that microenterprises and their owners or workers may be best addressed through individual or family-based social protection, for example through insurance, rather than targeting the microenterprise itself.

Focusing on enterprises of a certain scale requires that the following should be mitigated through *macroeconomic* and regional public policy, rather than *microeconomic* and localized social targeting alone:

- risks of ownership and control of the microenterprise;
- variation in prices and inflation;
- labour shortages;
- asset loss due to extensive covariate risks.

However, in the short-term, asset insurance may be one risk-management product available for microenterprises.

Unfortunately, as in many forms of insurance, there are obstacles in ensuring that the goods/services and circumstances that require the highest degree of risk protection and mitigation:

- affordable premiums;
- non-catastrophic risks;
- accidental risks (i.e. random risks);
- large risk pool;
- losses are measurable.

Asset insurance that covers natural or man-made disasters is one of the most challenging. There is extensive evidence to indicate that crop insurance programmes, which are desirable for many agricultural economies, have been less than successful. These insurance schemes have often been guilty of violating one or many of the above requirements for insurance. In many cases, to ensure that the poorest enterprises and individuals benefit, premiums were kept deliberately low, resulting in unsustainable insurance coverage and benefits.

The catastrophic covariant risks arising from HIV/AIDS also paint a grim picture for the urgency of implementation of comprehensive social protection. Strategies exist, but there may be no global one-size-fits-all answer to this problem and the specific socio-political and economic environment needs to embrace the particular intervention strategy for it to be sustainable and effective.

Section 5 presents a broad array of programme cases for social protection and looks at specific risk-management strategies undertaken within the informal economy. We focus on programmes for social protection that can encompass (a) the multiple types of work in the informal economy and (b) the scale of the working unit (individual worker, family or enterprise) and that could adapt to a changing regulatory environment.

Section 5

INNOVATIONS IN SOCIAL PROTECTION FOR THE INFORMAL ECONOMY

Our previous sections highlighted the need for social protection and using risk-management as a way forward. There appears to be a growing consensus that universal access to social protection is highly desirable and that workers in the informal economy, especially women, are among the most vulnerable and excluded groups. Nevertheless, there is limited consensus on how this access to social protection might realistically be achieved. Straightforward expansion of present social protection systems like social security to workers in the informal economy is often complicated by a variety of social, economic and political factors.

This section attempts to sketch some innovative approaches to social protection that have been undertaken by governments, community-based organizations (CBOs) and other non-governmental bodies. The last decades have witnessed the birth of many such schemes, mostly at community level, that attempt to bridge the divide between the coverage existing for formal and informal economies. These cases are varied and arise from the specific sub-context of ideology, economy, political system and degree of local activism. We have selected these programmes to represent the vast variety of regional spreads, ideological approaches, financing types, economic models, and links to public provision of social protection, among others. Some older schemes have been transposed against much newer programmes. Where possible, schemes providing coverage to a large number of members/clients, especially women, have been chosen. The selection does not represent our endorsement of the viability of the schemes nor an analysis of the details, but rather an attempt to hint at the broad variety of approaches to informal economy social protection and the specific innovations introduced for women members.¹⁵

¹⁵ We think it necessary to point out that limited assessments and research findings on these new insurance/social risk-management schemes are available; however, initial findings are encouraging and show

The cases are found in the appendix:

- Asociación Mutual “Los Andes” (AMUANDES), Colombia,
- Coop-Life Mutual Benefit Services Association, Inc. (CLIMBS), Philippines,
- Grameen Kalyan, Bangladesh,
- Seguro Universal del Instituto Politécnico Tomás Katari (IPTK), Bolivia,
- Self-Employed Women’s Association (SEWA), India,
- Social Health Insurance/Networking and Empowerment (SHINE), Philippines,
- South African Old-age Pension (SA-OAP), South Africa.

Representative examples in the second half of the section will also draw on experiences in Japan, the Philippines and Zimbabwe.

These interventions employ either informal community-based mechanisms or formal insurance schemes and transfers. More specifically, Table 5.1 indicates some of the cases mentioned and the type of risk-management product available to members/clients.¹⁶

Table 5.1
Programmes and products of the case study programmes

Schemes	Examples of social protection products
Grameen Kalyan, SEWA, SHINE, ACDECO, CLIMBS,	Health insurance
Grameen Kalyan, SEWA, SHINE	Health care
CLIMBS, ACDECO, SEWA	Asset insurance (loan insurance)
Grameen Kalyan, SEWA, CLIMBS, ACDECO	Life/disability insurance

need for further exploration of the initiatives, limitations and potential of these attempts to provide social protection for the most vulnerable working groups.

16 In a broader definition of risk-management, we would also include obvious forms of *integrated* services such as legal aid, education and literacy classes, charitable aid and child care. Because of the structure of industrial relations and employment, unemployment insurance for workers in the informal economy is difficult to define and even harder to establish. However, there may be informal methods of income smoothing during lean work months such as those seen in fishing communities in Africa (Guhan, 1994; Lal, 1994). Furthermore, many of these groups also have components dealing with child care services, even if they may be available to only a part of their membership for a small fee. Welfare funds simulate the formal sector social security schemes for informal sectors and provide basic health insurance, pensions and other limited benefits. However, many are plagued by administrative problems, others by sectoral difficulties and failing industries.

Schemes	Examples of social protection products
CLIMBS, ACDECO, SA-OAP	Pensions
SEWA	Labour market interventions (collective bargaining)
SEWA	Child care (through cooperatives)

The basic aim of most programmes is to provide through varied formulations:

- Health coverage, both *ex ante* and *ex post*. These include reducing risks due to pregnancy, childbirth and postpartum complications, limiting losses to income by introducing maternity benefits or lobbying for maternity leave legislation, protection of employment during pregnancy and post-delivery, elimination of occupational health risks, affordable, easily accessible and appropriate primary health care. Health insurance and other basic health care schemes are the most commonly found social protection intervention of states and non-state organizations. There are many examples of such schemes for the informal economy, though most tend to be localized community-based schemes. Nationwide schemes open to all workers in the informal economy are rare.
- Life and disability insurance. These include protection of income of the worker during or after disability and protecting beneficiaries/ family after death of woman worker, especially in the case of women-headed households.
- Access to financial services, both *ex ante* and *ex post* management through credit services, savings schemes or loan reinsurance. Microfinance institutions take on particular importance and may be able to integrate banking activities with insurance, as SEWA and Grameen Kalyan have done. SEWA has found that insurance services have boosted membership in union activities, as well as increasing the interest in banking.
- Pension schemes/retirement benefits (*ex ante* through planned contributions through the working life of the individual).
- Employment security; *ex ante*: through legislation, labour protection, representation and collective bargaining; *ex post*, through employment guarantee schemes instituted by the government or mechanisms to rejoin the labour market through membership in labour unions re-establishing contacts in the commodity chain.
- Child care and other social support services (to limit income reduction through child care fees as well as loss of income from taking care of the

child oneself — these may result in missed days at work and often complete loss of employment).

5.1 A CONVERGENCE OF RICHES: DRAWING ON EXPERIENCES OF ORGANIZATIONS AND COLLABORATIONS

In many of the cases, the aims are bigger than simple service delivery. At their base, they have equitable distribution of resources and a better lifestyle for the poor. Some are fundamentally demand-driven, struggling to keep up with the needs of members. Others focus on extension of services to non-served areas (e.g. AMUANDES, IPTK, SEWA), improving health and social well being, attempting to improve microeconomic conditions in the region or concentrating on financial services (e.g. Grameen Kalyan, SEWA, CLIMBS). The aim of the programmes is often to stay financially and administratively sustainable to serve the community, or to make a profit, or to serve some larger ideological purpose. Many have focused exclusively on the general poor (Grameen Kalyan, IPTK, etc.), others on poor informal economy workers (SEWA). Only one is exclusively female in membership (SEWA).

There is often overlap in the type of organization that manages the scheme, and the organization that is at the end of the service delivery chain. In keeping with Bennett, Creese and Monasch (1998), the main distinction is through fund ownership and management, which defines “... the location of control and decision-making regarding the use of resources and collection of contributions in the scheme”.

5.1.1 Stakeholders

The decisions by which certain population groups are covered under social protection and the extent to which this coverage is maintained is largely determined by the political and economic strengths of these groups. The level of social cohesion existing within the group, which leads to collective representation and organizing, can also influence policy.

The main stakeholders are:

- clients/members (for this paper, women workers in the informal economy and their families);
- community-based institutions that form to fill a need (NGOs, cooperatives, unions, etc.);

- the State and its agencies at multiple levels of the administrative hierarchy;
- private, for-profit companies in the region (insurance companies, hospitals and other basic health services, service delivery agencies, payment collection and disbursement agencies, etc.);
- donor agencies, local/national and international funding bodies and those providing technical assistance.

5.1.2 *Target groups for intervention*

We can extract certain elements of the programmes that highlight strategic approaches to some of the risks we discussed in Section 4. Integrated risk management through multiple social protection products is more visible in some programmes (e.g. SEWA) than others (Zambuko Trust, just beginning its foray into insurance, which we discuss later). Elements of earlier Sections dealing with risks inherent in life cycles, work status, sector or regulatory environment have been collated here to exemplify the practices of institutions dealing with social protection that go to the heart of the matter.

Some possible ways to separate out the structure of target groups, either through organizing strategies, for service delivery,¹⁷ for state intervention or for microfinance initiatives are:

- **Type of work in the informal economy**

The cases demonstrate a variety of intervention groups ranging from workers at the extreme end of casual, piece-rate labour (Grameen Kalyan, SEWA) to workers with more formal contracts (CLIMBS, ACDECO and Japanese examples).

- **Gender**

One has an exclusively female membership (SEWA) but others vary in percentage of women clients. The focus also varies between women as workers, as individuals or as part of family units or community groups. Many programmes offer gender-blind services, other carefully hone their social protection products to suit women clients.

- **Occupational groups versus area groups**

Some work with specific occupational groups, others with entire communities. Many are membership organizations; some allow varied scales of payment for members and non-members for the same services. Social protection could encompass street vendors,

¹⁷ The intervention type and calculation method for risk, especially in the case of insurance products, depends heavily on the target group methodology and will be discussed later in this Section.

homeworkers or home-based workers, the focus being determined by the CBO “constituency” and the particular difficulties faced by the group within the larger economy.

- **Targeting the poor/vulnerable**

Most have evolved to match the changing socio-political and economic landscape of the region and represent workers who may be vulnerable under current conditions (SEWA evolved to represent self-employed and homeworkers, AMUANDES and ITPK have evolved to deal with urban poverty, while many work with all the poor workers of the region).

- **Workers versus non-workers**

Most deal with working populations, although allowing for planning for retirement (CLIMBS, ACDECO, SA-OAP).

- **Scaling up/down target group**

The scale of operations varies greatly with some being city-specific, others ranging from state coverage to national plans covering some fraction of or all workers in the informal economy in the process. SHINE attempts to link programmes of different scale and enhance risk pooling indirectly.

- **Rural/Urban groups**

Some focus on urban groups (AMUANDES, ITPK), others on rural (Grameen Kalyan). Many do both (SA-OAP, SEWA, SHINE).

A more comprehensive way of pulling together multiple integrated strategies is to look at how the programmes have linked gender, life cycle, and household status; have linked work status and sectoral affiliation; and have worked within certain regulatory environments.

For example:

Gender, life cycle and household status:

- Both SEWA and CLIMBS encourage younger members in recruitment.
- Grameen Kalyan focuses on reproductive services for women and thus concentrates on needs of women workers in their reproductive years.
- CLIMBS and ACDECO both provide financial services built on the traditional damayan system to defray funeral costs of members’ families.
- SEWA offers membership to women only, and women-headed households have a much higher representation in SEWA than in the general population. SEWA also offers free maternity benefits to women subscribing to a fixed deposit plan.

- Although the SA-OAP programme is targeted at older citizens, the benefits of an efficient pensions system is shared by all age groups in households, and especially younger children.
- SHINE appears to focus on family units, thus suggesting older female membership.
- CLIMBS also provides retirement benefits for older members of the cooperatives and specific plans for the employees of the cooperatives, not just the members.

Work status and sectoral affiliation:

- CLIMBS, SEWA, ITPK and AMUANDES focus on mutual services, cooperative strategies for solidarity building and organization, although each to different ends. SEWA's insurance scheme is separate from its cooperative structure, but remains dependent on the organizing strength of the cooperatives and its service delivery arms.
- Grameen Kalyan has built on a long history of peer-group strategies and self-help groups to focus interventions and service delivery. Consensus of membership groups within the Grameen Bank zone is needed before Grameen Kalyan services are instituted.
- Most of the programmes we have chosen concentrate on the poor within the informal economy, although SHINE does not depend on this classification. It attempts the more ambitious linking of scaled-down (from central administration) and scaled-up (from grassroots) strategies for social protection of *all* workers, rich and poor alike in all sectors of the national economy.
- The Japanese system and COZCOS also further blur the lines between formal and informal economies and between self-employed workers and those in microenterprises.

Regulatory environment:

- The Japanese system demonstrates a pragmatic approach to multiple social protection needs of different classes of workers and sectors in the economy. The regulatory environment is thus all encompassing — “one-approach-fits-all” — with modifications made for the different tiers of entry of different sectors, workers and scale.
- SEWA operates in a system where insurance privatization has not been allowed until very recently and nationalized insurance companies offer standard “packages” that need considerable permutation to be conceptually and logistically malleable to the needs of women workers in the informal economy. SEWA thus remains open to different types of collaboration with the State, the private sector and other NGOs.

- Grameen Kalyan works as an offshoot of a highly successful MFI example, for which considerable regulatory and financial support is available. However, again, as in much of South Asia, privatization nationwide of insurance services is looked on with some suspicion while NGOs/CBOs and the State are expected to take on a more significant role.
- SHINE is an enviable conceptual example of what can be planned for when systems integration is attempted. The scaling up and down of grassroots and centralized systems has never been attempted before on this scale and the mandate of the Government to see this through provides for an exciting time ahead.
- CLIMBS and ACDECO survive in an atmosphere of cooperative organizing and benefits. ITPK and AMUANDES appear to be working with local administrative authorities to reach wider population groups.

From these varied formulations of target group specificity, we can see that target groups within the informal economy develop as concentric circles in some cases, overlapping ones in others. Women workers are particularly likely to be found in more than one possible target definition, making both focused products and delivery difficult. More importantly, however, is the fact that this blurs the conceptual understanding of the most effective means of social protection. From an exclusion perspective (Dror and Jacquier, 1999), it remains necessary to ask why certain groups remain outside the target circles and how overlap might be initiated between various groups.

5.1.3 Typology of risk and intervention

Closely related to target group specification is the typology of risks discussed in the earlier section and the appropriate interventions possible. Most of the schemes combine services for risk reduction, mitigation and coping. Most target risk reduction/mitigation through health insurance and preventative health care combined. In the absence of well-defined informal or informal risk-management or insurance products, many CBOs assist workers and families in coping with risks after the occurrence. For example, in many cases of maternity, much of the financial burden and health risk is borne *after the fact* through coping mechanisms since few health insurance programmes or employment guarantee schemes exist for pregnant working women or new mothers.

Research around the world indicates that the poorest families pay the highest fraction of annual income in health care costs. While we have not found it simple to prioritize risk coverage, our study of the cases indicates that health insurance often leads the list, followed by asset insurance. This may be because health is more frequently offered by donor-driven technical assistance but may also coincide with the most strongly expressed need. A compilation from our

examples in Table 5.2 indicates that social protection delivery is often through the following main modes:¹⁸

Table 5.2
Examples of risks and interventions

Type of risk	Short-term	Long-term	Catastrophic
Examples of risk	<ul style="list-style-type: none"> • Short-term illness • Death in family • Repayment of small debts • Temporary unemployment 	<ul style="list-style-type: none"> • Chronic diseases • Reproductive and maternal health • Child care expenses • Large debts • Long-term unemployment 	<ul style="list-style-type: none"> • Loss of assets — housing, work implements, crop losses due to fire, floods, drought, riots, etc. • Multiple deaths and/or disability in family • Emergency medical assistance (hospitalization and/or surgical intervention) • Prolonged unemployment combined with other risks
Examples of interventions	<ul style="list-style-type: none"> • Curative health care • Life, disability and health insurance • Short-term loans, other microfinance initiatives • Loan insurance 	<ul style="list-style-type: none"> • Preventive and promotional care with education and increasing access to basic services • Focused maternal and child health care programmes, family planning, etc. • Provision of <i>crèche</i> service or collective bargaining to ensure provision by community, regional government or employer/contractor • Loans for family expenses and repayment of large debts • Loan insurance 	<ul style="list-style-type: none"> • Asset insurance • Microfinance assistance • Life insurance, disability and health insurance • Charitable, minimum cost hospitalization and specialized services • State compensation for losses incurred • Use of social funds for rebuilding and protection against future calamities • State intervention in labour market to encourage migration to new areas, safer areas, better jobs, etc. • Loan insurance

¹⁸ These encompass risk-reduction and risk-mitigation as well as coping mechanisms. Both *ex-ante* and *ex-post* risks are mixed to illustrate the time frame of impact and the strategy of social protection used.

Our theme of asking what core contingencies can be covered and under what conditions appears here in slightly modified format. The temporal nature of risks also leads us to ask what might be the most effective institutions and under what conditions and time-line to provide social protection. A related corollary is what the most effective protection products are and how they must be developed over time. There appears to be a trend of CBOs/MFIs towards the development of social insurance products. While it is not always the best intervention for catastrophic or highly covariate risk situations, it still plays a powerful role in the larger local and national economy.

To illustrate the point, social insurance:

- creates the possibility of both income and consumption smoothing for informal economy workers with uncertain and low incomes;
- allows the development of integrated risk-management services i.e. workers' multiple risks are treated together, with simultaneous products being offered for different risks and with a focus on risk pooling;
- creates an environment where women can prioritize their own risks and needs. For example, pre-paid health care insurance also allows women the luxury of focusing attention on their own well-being rather than postponing treatment until the price is "right";
- increases the likelihood that both women *and* their families benefit, even when the women worker may be the only one with actual insurance coverage;
- allows a large impetus for future planning for families, especially for women workers, who may otherwise find themselves buffeted between multiple risks and responsibilities;
- permits the extension and integration of an MFI's financial services with insurance. It provides a natural extrapolation to asset insurance, loan re-insurance and other risk-management services as part of a larger entrepreneurial or microenterprise strategy.

Our later discussion of appropriate institutions and conditions will return to this discussion of the larger role of MFIs and other CBOs in the provision of social protection. It will also re-examine briefly the time horizon of risks and the new approaches and collaborations that are needed to address risks that have set in and those that are yet to come.

5.1.4 Management structures

A critical feature of organizations that have evolved to fulfil a social protection mandate is the varied characterizations of their administrative structure. Social protection programmes can be broadly separated into:

- informal social protection networks (mutual support groups, neighbourhood schemes, reciprocal arrangements, occupational group provisions);
- cooperative social protection schemes (self-help groups, unions, cooperatives, other solidarity-based more formal initiatives);
- market-based social protection schemes (for-profit companies, private, nationalized insurance firms);
- public social protection schemes (formal social security schemes, transfer systems, subsidies, employment guarantee schemes);
- social protection schemes that entail the participation of large capitalists/employers, who have an obligation and controlling relationship with workers, suppliers and agents in the informal economy.

However, we find that there is no clear separation between these categories as shown by the cases. For example,

- SEWA links together cooperative social protection with national insurance companies and state subsidies channelled through the company. SEWA also organizes workers to demand that large scale employers in the *bidi* and tobacco industries comply with basic social protection and minimum wage compensation to women workers.
- Grameen Kalyan combines cooperative mechanisms with links to the public health care system.
- SHINE pulls together many grassroots organizations and cooperative schemes with public social security.
- AMUANDES works within a larger nationwide public health reform while Seguridad links cooperative initiatives with non-state subsidies in kind.
- The SA-OAP scheme links publicly managed pensions with market-based delivery methods.

Many of the programmes are either cooperative in nature or based like unions on principles of solidarity. Deciding factors in choosing between public and private delivery of social protection (especially insurance) are administrative costs, adverse selection and moral hazard, which act as destabilising forces on the scheme's survival. While private insurance may keep administrative costs low and

therefore be able to pass on savings in the form of lower premiums, government involvement may be able to exploit economies of scale and lower advertising costs (Ehtisham, 1991). Most schemes have attempted to represent the needs of the local community or membership groupings. Choices between strictly public or private management have given way to complex interwoven participation by different stakeholders. While there has been a dismantling of the welfare state with universal benefits in some countries, there has been a corresponding rise in others (where universal benefits were never available) of local (often informal) mechanisms for risk-management.

5.1.5 Financial resource mobilization

The problems associated with generating public revenues has until recently been the main obstacle to discussions related to the expansion and extension of existing social security programmes. Nevertheless, there are significant costs associated with raising these public finances and in many cases the inefficiency associated with this, far outweighs the cost associated with collaborations with non-governmental players. Different types of social protection schemes have financial needs which are vastly different. Resource mobilization constraints are also dependent on the subscriber base, rate of growth, risk-profile, management structure, macroeconomic health of the economy, and the extent to which state resources are available (a comprehensive discussion of related topics specific to health care is addressed by various contributing authors in Schieber, 1997).

In general, the main choices available for financing are:

- private payments (out-of-pocket expenses);
- private payments through collective arrangements (insurance);
- public payments (government insures);
- public payments (government subsidizes, while others insure);
- private payments (employer/large capitalist in specific sector contributes to social protection of workers);
- other payments (other entity subsidizes, e.g. donors, etc.).

More specifically, the cases described have used:

- tax-revenues;
- tax-revenues linked up with community-based financing;
- contributions from members, state subsidy and external agency;
- user-fees and pre-paid insurance;
- pure premium contributions.

Table 5.3
Programmes and financing

Financing mechanism	Scheme
Premiums	SEWA, AMUANDES, CLIMBS, ACDECO, Seguridad
Fees	AMUANDES, Grameen Kalyan, ACDECO, Seguridad
State subsidies	SEWA, SA-OAP, SHINE
Employer/welfare funds	Japanese system ¹⁹
Other subsidies/grants	AMUANDES, SEWA

The development literature (and especially project evaluation literature) has focussed significantly on the extent of self-financing or external funding of social schemes. However, for social protection, the *need* for self-financing and the *extent* of self-financing needs to be re-examined. Profit may not be the only criterion applied when one considers financing and sustaining microinsurance schemes. Individuals exposed to multiple risks are the most vulnerable and needing most assistance and thus their ability to pay and shoulder the financial burden of the scheme through premiums is often impossible. It is also unacceptable from a moral viewpoint. On the other hand, schemes that depend on high rates of external financial assistance may not be sustainable in the long-term.

The extent to which MFIs or other CBOs can enter insurance markets will also depend on first, the existence and sophistication of regional and national capital markets and, second, on the regulatory environment for fund investment, reinsurance products and nature of banking and insurance services.

The levels of “acceptable” financial contributions from poor workers vary significantly between the different schemes. In essence, they vary between (a) schemes that are completely community-based and funded locally, but which are dependent to some extent on physical government infrastructure in the area, especially in health and (b) those schemes that are extended from existing formal social security systems and where a small and often token contribution from informal economy workers is required. It is clear that poor workers may not be able to support a “large” financial contribution either through premium payments or through copayments. The level of contribution depends also on the level of “social capital” existing within the community as seen through the involvement of CBOs/NGOs. Nevertheless, the evidence appears strong (Hulme and Mosley,

¹⁹ Also Indian welfare schemes for *bidi* and other workers in certain pre-designated sectors.

1996 and 1996a; Matin, Hulme and Rutherford, 1999; Morduch, 1998; Rutherford, 1999, among others) that the poor are able to save and insure against future risks, irrespective of levels of social capital, *if the schemes are appropriately designed and relevant to their needs.*

5.1.6 Scaling and fiscal and administrative decentralization

It is a worry that in the move by CBO-instituted social protection products to “scale up” to cover a larger population group or certain specific risks or excluded geographic areas may result in rapid deterioration of the scheme’s sustainability. On the other hand, state-instituted social security often covers a small fraction of the population and doesn’t easily “scale down”. An intermediary range of collaborations is slowly being developed, often through CBOs initiating dialogue with Governments, to increase economies of scale, while drawing on public infrastructure where available, and state funding when possible.

Extensive training exercises have been carried out by the more ambitious CBOs of their decentralized local managers. For example, the basic principle of SHINE is the extension of a national health insurance network throughout the country. Existing formal social security schemes will be absorbed into this national insurance framework and decentralized units will be managed locally throughout the country. Current self-financed and self-managed schemes are the focus of attention in SHINE because their sustainable success is critical to full decentralized administration. Information asymmetries are often particularly pronounced in the case of hierarchical and decentralized administration. Nevertheless, there are still concerns regarding the quality of local management, issues of accountability, and lack of training in finance and distribution mechanisms. However, there is little evidence to indicate that there are much higher levels of mismanagement, corruption or inexperience at the local level than presently exist in centralized administration.

Grameen Kalyan has continued those strategies used in microfinance to decentralize health units. Each health care unit, responsible for its local insured population, is linked to the local Grameen Bank branch and local expertise at the branch (and its reputation) is used to spread the word on the benefits of insurance, long-term preventative care and curative services available at the centre. Referral is also built in so that existing public-health infrastructure is used and inefficiencies in overlap of services are minimized.

Social insurance is being developed as a kernel within a larger approach toward social protection. Within social protection, governments normally allocate significant funding towards various forms of social assistance/“development” programmes. While many of these can be partially divergent to social insurance

programmes, it is important that overlap is minimized, and full utilization is made of government infrastructure. Not only do these keep costs to a minimum; they also encourage full accountability of government facilities and force the State to take responsibility at local level for the well being of its citizens.

It is of some concern to us that while social networks can be fully utilized within CBOs to enhance local capability both financially and administratively, there is a danger that too much emphasis is placed on the abilities of communities alone to bear the full financial and management burden of insurance schemes. While a universal welfare state may not be possible in all cases, it certainly remains an aim, while being supplemented by local resources — social, physical, and human.²⁰

The cases demonstrate methods to exploit existing infrastructure and supplement the capabilities of CBOs. While SEWA and Grameen Kalyan have built on existing strengths in microfinance and other services, they have not been given full range of collaboration with decentralized government/other units. SEWA has worked effectively in the village communities with government infrastructure where possible. In certain instances, it has even offered the government the option that SEWA itself take over the management and running of primary health care centres (PHCs) where the interests of the PHC and SEWA's membership in the area converge. Services would then be available to both SEWA and non-SEWA members alike. However, existing government hierarchies require that management cannot be devolved to institutions like SEWA, and collaboration at other levels continues, with inefficient government services continuing as well.

To summarize, both SEWA and Grameen Kalyan are good examples of how to effectively use a combination of:

20 For example, India has a Panchayati Raj system, a decentralized local government at the village and higher levels. This local government has constitutional backing and has the authority to develop local budgets and resources and to use decentralized funding channelled from the State government. Many NGOs have worked with Panchayats to develop health care, microfinance and other services (child care comes to mind), mobilize grass-roots action, trained local leaders, etc. Existing insurance schemes also focus on bringing together Panchayats with the local communities.

Another advantage of using existing decentralized administrative systems like the Panchayats is that they may be the best vehicles for the advancement of women's interests. Social protection for women requires a special understanding of how local resources are used to protect women from excessive social, financial and physical risks. In India, successful examples of mobilization have centred on training women leaders to elected offices in Panchayats. Budgetary allocations are then re-analysed and women have sometimes succeeded in gaining higher funding and different prioritization of spending on health, education, small enterprises. Flat management structures and localized institutions managed by local communities, have the advantage of being accessible and answerable to local women. Even though we are guarded about the overall success of Panchayats, they indicate a promising future path.

- physical infrastructure — such as health cooperatives, health clinics, drug stores, health centres, etc.;
- social and human infrastructure — such as existing grassroots union activities, trained field staff used in microfinance activities, existing trained personnel from health and other service cooperatives;
- financial infrastructure — such as the existing capital base of parent organization to buffer expenditure and cover part of insurance and associated administration of SEWA union, SEWA Bank, Grameen Bank, etc. This is done indirectly through discretionary use of social fund allocations as well as consolidating costs through effective use of existing trained personnel and physical infrastructure (transportation, communications equipment, computers, etc.).

SHINE on the other hand, as a Government-instituted legislative reform, enables grassroots institutions to call on the new regulatory framework in linking up with existing government infrastructure (be they government agencies, public-health buildings and equipment, transportation systems, etc.). This forces a certain level of accountability on the local government institutions to the communities they serve. While the SHINE example may not be possible in all instances (and it remains to be seen whether SHINE succeeds), regulatory reform is vital to providing full qualitative and quantitative support to local community-based organizations.

5.1.7 Access to programmes for women workers

Many of the programmes cited have evolved through extensive discussions between members and management through the desire to cater to the demands of members. Each case has focused on the issue of access, but not all have concentrated on access to social protection by women. Some common strategies to include women's participation in coverage, design, financing and management are shown below:

Some “gendered” programme criteria

- **Exclusively female membership** in some cases.
- **Focus on health care needs of women clients** — gynaecological and reproductive health, child health, occupational health.
- **Inclusion of older women, widows, women with disabilities** — pension schemes, community assistance programmes, life and disability insurance.

- **Targeting risk management for women** which recognizes their disproportionate socio-economic burden through multiple services — child care, family planning, microfinance, education, legal services.
- **Designing programmes for women as workers** — integrating services that protect and build assets, increase productivity and enhance quality of life. Some incorporate income-smoothing mechanisms into payment receipts. Focus on occupational health, collective bargaining arrangements, minimum wage legislation and use of social funds toward employment generation, child care services, etc. Many also provide business development services.
- **Improving efficiency and access** — providing mobile services, accommodating levels of illiteracy, registering membership and assets in women's names.
- **Enhance social protection with increased socio-political visibility** — collective bargaining, political representation of members in local government, legal interventions to formulate legislation in a more equitable manner, education and awareness building within the community and within non-poor groups.
- **Involving male community members** in the services, design and implementation of programmes sensitive to the needs of women — counselling services for men, education, family-planning services, “gender training” workshops.
- **Putting in place monitoring mechanisms to protect gender equity** — research and programme studies on evaluation and impact, setting targets and yardsticks for measurement of gender equity, ensuring that misuse of funds, services are minimized/eliminated and scheme design does not inadvertently penalize women.

Innovations in structuring premium payments for poor women workers have also opened options to smooth income and consumption. While subscriptions are often limited to a single time during the year instead of multiple collections, fixed deposit schemes (as in the case of SEWA) could prove extremely useful for workers with a lump-sum amount available. This would allow them to plan for their future and would accommodate income and consumption fluctuations that might prevent them from participating at other times. Although monthly payment schemes may be even more desirable from the point of view of the insured woman member, they are not easy to administer and cause significant problems in adverse selection and moral hazard from the supply side. Members may be more susceptible to using benefits and leaving the scheme when monthly payments are made. More attention may then be necessary to monitor reasons for leaving the scheme and low rates of re-subscription. Intra-household pressures

may also force women to leave the scheme if no calamity befalls them in any given year, thus underlying the need for education on insurance and long-term risk-pooling and planning.

There is some evidence to indicate that CBOs are more likely to be successful in increasing insurance membership if they can address the issue of traditional medicines/healing and its relevance in the local community. Often, the use of these interventions may dissuade women from joining the insurance schemes in the first place. They often turn to formal insurance/health care only in emergencies since they consider it to be an expensive alternative, and/or are unwilling to place more importance on their own health needs. While traditional medicine certainly has a role to play in community health, the success of the insurance scheme depends on how effectively the CBO can blend relevant and effective local health solutions with “standard”, Western, medicine-based insurance systems. Often, more traditional insurance methods and benefits specific to local solutions can be devised.

5.2 NEW ROLES FOR OLD PLAYERS: AGENTS OF CHANGE

Our study of the various examples has repeatedly revealed that among the various stakeholders are new composite players who take on multiple roles through strategic collaborations. Many no longer fall into mutually exclusive categories.

5.2.1 The involvement of community-based organizations in social protection

CBOs have been shown to have managerial and financial expertise in developing social protection mechanisms for their clientele/members. The extent of women’s participation in the management of the CBOs is closely linked to gender equity and access to the schemes. Many smaller CBOs however, may not have the experience necessary to take on the creation of social protection — and specifically social insurance — schemes. One approach, as in the case of SHINE, shows GTZ is working closely with the government to provide technical assistance as well as in the networking and support of local health initiatives at the community level. Such “neutral” technical assistance, provided by an external agency, may be useful to defuse difficult political and ideological conflicts between the State and local community groups. On the other hand, external agencies cannot always cope with intricacies within the local social, economic and political environment.

Communities with high levels of “social capital” may find it easier to convince members to pool risks over a broad range of vulnerabilities and support higher levels of premiums for a better quality of service. However, while premium increases may be tolerated on a relatively frequent basis if decisions are taken transparently and through democratic representation, sustainable social capital may not be easy to develop, and for new schemes, could be an expensive option. In the case of “self-financing”, much may be needed to be done in the way of mobilization, grassroots organizing, collective bargaining, advertising, education and training — all of which require significant levels of funding, at least initially, often from external sources.

Community-based organizations also need some level of government support — legal, financial, administrative and technical — to survive and flourish. If SHINE succeeds in merging existing formal sector legislation with informal sector legislation and succeeds in extending existing programmes to the informal sector, it will indeed prove an exceptional example of what state intervention can facilitate. Social capital alone cannot ensure success and we stress that caution must be exercised in developing social insurance programmes that rely purely on CBOs to act as “mini-welfare states”.

Within this context, formal sector trade unions, NGOs and for-profit service delivery organizations may have a greater role to play in reaching out to increased membership from workers in the informal economy whose views they may now find useful to represent. Certain occupational groups within the informal economy may be more easily coalesced into a “formal sector” approach.

The cases cited have involved a combination of all of the strategies listed above. They indicate that CBOs have collaborated with the State at a variety of levels, some of which are:

- **direct use of social development funds:** for loans, business development, group insurance schemes, etc.;
- **labour market interventions in consultation with CBOs:** employment guarantee schemes, sectoral employment policies or minimum wage regulation;²¹
- **working with organized representation at various levels:** union activities, collective bargaining to be carried out through networking of

21 More sophisticated labour market strategies would also involve incorporating informal sector workers into the formal sector and its existing legislative framework for social protection. These could be carried out: through (1) Welfare funds (in the case of India, insurance pools partially funded by the Government for certain sectors like the *bidi* and cigar industries or fishermen’s groups); (2) by preventing gender-discrimination in hiring practices based on benefits paid to women; (3) by the creation of alternative industries/work in exploitative single-industry areas (albeit a difficult task). Although in many cases while the State would continue to maintain its role as a primary provider of goods and services, it would allow funding to be channeled through CBOs, a move that has begun in many countries.

local institutions with government support. For the informal economy, this may often be difficult as perceptions of “crossing the turf” of formal economy trade unions may abound. Nevertheless, informal sector unions and cooperatives may still be able to develop a regional or state-based legislative framework for government support. This organized representation would not only work at the economic level (for procurement and sales, etc.), but ideally for regulatory reform through political representation;

- **referral:** referral to existing PHCs, other public-health physical infrastructure;
- **distribution/access:** distribution of (subsidized) prescription drugs and other health and surgical equipment, distribution of transfers in cash or kind, both *ex ante* and *ex post*;
- **capacity building:** helping CBOs strengthen and creating direct links with local government.

In keeping with a move by NGOs/CBOs to build on existing resources, much management and financing is being devolved to local units, many member-managed and owned. Some overlap has also developed in using publicly available resources (state management-government agencies, state-funded infrastructure: primary health centres, in some cases also state-supported companies). It is generally expected that a comprehensive evolution of social protection for workers in the informal economy will necessitate the financial and administrative involvement at multiple levels of members/clients, the State, NGOs/CBOs and the private sector.²² The distinctiveness of most schemes arises from the varying emphasis each places on the degree of involvement of the individual players.

A common critique that market failure is largely responsible for the lack of provision of social protection for all workers has evolved into a partial acceptance that the State alone cannot undertake nor non-governmental players (agencies or communities) can undertake the task. The emphasis on informal social networks has also arisen from building on existing community structures, many of which have weathered risks over hundreds of years. However, not all communities can be expected to bootstrap their way out of poverty through self-help alone.

Finally, CBOs are often moral mirrors rather than moral compasses and may reproduce (rightly or wrongly) gendered perceptions of community institutions (Goetz, 1997: 9). They bear a heightened responsibility to ensure that schemes are designed and implemented with participation by workers in the informal economy, who have limited “organized voice”. The extent of women’s

22 This presumes a not-for-profit approach of most NGOs/CBOs, although this is not always the case.

participation in scheme evolution is a direct measure of the *intent* and *ability* of any CBO involved in social protection to provide women workers risk-management techniques and give them a voice in the larger economy.

5.2.2 *The role of the private sector*

Without getting ourselves bogged down in the pros and cons of privatization²³ of social protection, we ask under what conditions effective collaborations between the private sector and other stakeholders in social protection can be established. Furthermore, should state involvement in financing and management be controlled, if it would damage existing institutions with private transfers? There is evidence from donor institutions and CBO innovations in the recent past to indicate that public money targeted for delivery through private agencies may be desirable. Rather than promoting public insurance, de-localized incentives argue for private provision.²⁴ Ensuring universal social protection cannot be an end in itself if it requires a corresponding rise in incentives for rent seeking from public management (Lal, 1994).

Cases where private agents have linked up with the State to provide localized universal access (to the membership of the group, to non-members in the area, either for pre-paid or pay-as-you-go care) provide a way forward in ensuring that state involvement in social protection continues to become more efficient, accountable and focused. Rather than difficult to achieve goals of “universal access” to basic risk-management services or purely *ex post* services for coping with adverse shocks, the State may be best suited to ensuring that the appropriate *regulatory structure* exists where private agents face a desirable set of incentives to jump into the fray, but where sufficient regulatory protection of the rights of citizens, and especially of the poorest, exists.²⁵

23 “Private” could refer to any non-state mode of management and delivery, including, but not limited to, private firms/employers and their obligations to workers they have under contract, CBOs, NGOs, for-profit companies, etc. We have briefly addressed CBOs earlier, so here refer to largely for-profit institutions or “market” institutions. However, MFIs tend to straddle more than one definition and some of the examples reflect this overlap.

24 Standard insurance destabilization occurs through moral hazard, adverse selection and information asymmetries and may ironically be best provided through private agents with incentive to understand and reach out to local communities, rather than centralised state-mandated agencies with little incentive to ensure efficiency and an understanding of the community. However, cohesive solidarity-based institutions have shown alternative means to ensure that moral hazard, adverse selection remain low and information access and transparency remain high. Within the broader definition of private as non-state, these CBOs are private sector agents who understand their clientele best.

25 Targeting, rather than universal availability of benefits, allows a combination of welfare-based goals and efficient administrative logistics. Decentralized management in principle can satisfy means-testing and other targeting requirements while fulfilling the larger goals of spreading services.

In the case of the informal workforce, the debate may be best generated by asking whether social funds and assistance budgets can be focused into social insurance schemes delivered by private agents. Many countries presently channel some small amount of tax-financed funding into various “development” assistance programmes, under which social protection schemes may well be allocated a chunk, and many to programmes that specifically focus on women workers’ needs. Besides the direct channelling of “development” funds to social protection (and especially insurance) programmes, the State can also create incentives for market-based agents to participate in social protection “markets”.

The level of subsidy and the decision to subsidize can be made more understandable by considering the conditions that create incentives for private sector participation or make services more easily available to the population. The State often cannot make social protection coverage compulsory but can only provide incentives for the use of existing facilities. By lowering the price through subsidies, it is possible to raise the use of services.²⁶ In general, subsidies can be made higher for the poor whose demand is naturally more price elastic.²⁷ (See for example Gertler and Hammer in Schieber, 1997).²⁸

Related to the issue of price discrimination and the ability of the government/public finance to be focused on an optimal pricing policy is the issue of the criteria for identifying those most in need. These observations translate into a need for more concerted interaction between public and private sector agencies in setting prices and delivering services.

However, this interaction is not always straightforward. One example of state-private sector collaboration comes from South Africa. We have chosen it to illustrate the inability of a weak State to properly regulate the public-private partnership.

26 If demand is highly price elastic, the larger the price subsidy, the larger will be the use of the facilities. Nevertheless, there may be services that may be better utilized despite their lower effectiveness. Therefore subsidies may be highest for services that produced the best health outcomes overall.

27 An interesting point raised is that this principle implies that even if the government was not concerned with either equity or welfare, but only with health status, it is still optimal to lower prices for the poor to encourage use.

28 In the event that private sector participation is non-existent or limited, the State can also ensure that subsidies are higher for services and in areas where there are few private sector alternatives. Subsidies must not be used to encourage lower prices that induce individuals to switch out of the private sector into the public sector merely based on price. Subsidies would be best used by encouraging new utilization so that individuals and diseases that might not otherwise have been treated are treated now. In the case where there already are effective private alternatives, subsidies may not be useful.

Box 5.1 State and private sector partnerships

South Africa: private sector delivery of state social assistance

The bulk of South Africa's pensions for disabled and elderly people are delivered, in the form of cash, on a monthly basis, to areas where there is undeveloped telecommunication and financial service infrastructure. Under apartheid, there were 17 different welfare administrations (serving different "race groups" in areas that had taken on the mantle of "independence"). The administrative inefficiency and high cost of pension delivery drove the former government to experiment with the privatization of delivery.

Today, private firms have developed sophisticated and robust systems for mobile delivery. Each month, hundreds of vehicles, holding automatic teller machines, millions of rands, and many armed guards, take to the rural roads, stopping at pre-determined pension points along the way. All of this expensive activity has improved the delivery service for pensioners by reducing waiting times.

However, the provincial governments who put out the tenders have generally been weak in their ability to regulate the public-private relationship to maximize the benefit to the customers (the pensioners) and to the Government itself. They could have:

- promoted the expansion and delivery of more general financial services, such as paying salaries of civil servants;
- insisted on state ownership of the database which has been developed;
- used the delivery event for the dissemination of information, which would improve overall knowledge about state services.

It is also likely that the extensive penetration of rural areas by this *mobile* service is acting as a brake on the development of more *fixed and permanent* financial institutions in rural areas.

In India, the Government has begun appreciating the role that CBOs/NGOs have to play in service delivery. However, there is also a perception that NGOs do not always have the management capacity or financial expertise to take on huge government projects. There remains, without doubt, some element of territorial protection with the State unwilling to relinquish its "universal provider" profile. SEWA, for example, despite its extensive expertise in community health and good reputation in rural areas of Gujarat state, has had a difficult time convincing the Government to hand over full management of PHCs

to it. Shared management experiments with NGOs have not worked well, with government PHCs often having little incentive to function efficiently.²⁹

Privatization through NGOs or through private for-profit agencies, as in the USA (food stamps programme in some States) can only be considered appropriate or efficient by the extent to which excluded groups are “included” and whether local communities consider the change in delivery system to be worthwhile. Women workers are at particular risk of being sidelined in the process of delivery, if they work from home, if they move often (as is the case for some street vendors), if they have limited public access (due to cultural norms) or if they have few methods of making their grievances public. Moreover, NGOs that have a disproportionately small fraction of staff who are female (despite targeting women workers) are also at risk of perpetuating gendered systems of exclusion.

5.2.3 *The role of the State*

Underlying most of the current debate on social protection for informal economy workers, particularly women, is the broader issue of the respective roles of the State and market in socio-economic life. Principal motivators that involve both state and private agents in the provision of social protection are:

- incentives of agents;
- multiple types of providers;
- decentralization and use of social funds;
- ensuring that legislation does not cause disincentives;
- involving non-self-interested individuals and agencies in the process. (see for example Gertler and Hammer in Schieber 1997; Reddy and Vandemoortele, 1996).

The decisions on whether to pursue universal versus targeted mechanisms or the specific nature of programme design can also be better suited to private agents in social protection rather than the State or the State alone.

Both *financing* of social protection schemes as well as *delivery* of social protection means (health care, insurance, education, child care, etc.) are issues of concern.

²⁹ The new insurance privatization bill introduced in the Indian Parliament in October 1999, also raises the possibility of organizations like SEWA to look for new partners in insurance or to be able to start new product lines of insurance themselves.

The cases covering large population groups demonstrate the following:

Financing

This is carried out for the most part through a combination of fees, grants (and interest), and government subsidies. In all cases, there is a move towards more efficient use of local resources to keep expenditure down (this is done through referral services, linking up with government PHCs, using subsidized drugs where available, developing networks with charitable organizations and other NGOs, etc.). The level of fee-for-service is also being determined in a dynamic way through trial and error and through extensive grassroots interaction with members/clients.³⁰ In the case of SHINE, established local organizations (using a variety of financing mechanisms) are being linked together to present government care networks.³¹ In this case, the CBOs supplement government resources, but legislation requires that government resources also be available to CBOs for their use.

Delivery

We have already witnessed that this is done through a combination of mixed public-private means. For example, in the case of health care, Grameen Kalyan uses its own health centres (linked to the Grameen Bank branch zones) to provide services and collect payments. Referral is carried out wherever relevant. In the case of SEWA, the insurance scheme provides reimbursement for expenses incurred through both private and government facilities. Although SEWA has extensive health cooperative activities for its members, urban members especially have a wide array of health care service providers, even if not of high-quality, and SEWA does not wish to replicate existing systems.³²

In broad terms therefore, the State can:

- facilitate social protection access and delivery through direct intervention or through a facilitative role, allowing non-State participation at multiple levels;
- cut across labour market divisions and link together schemes for formal and informal economies in a comprehensive way;

30 The use of in-house expertise and field personnel being used in microfinance has also kept costs under control. However, research, training, documentation and costs of decentralization all require large allocation of resources.

31 Many of these linkages already exist at an informal and collaborative level, and SHINE's development will formalize many of these partnerships.

32 Instead, delivery of care to its members is enhanced through (1) informal recommendations of care providers (2) blacklisting of low quality or fraudulent care providers (3) linking up with nearby PHCs or urban clinics or (4) making recommendations to charitable organizations for particularly poor members where insurance cannot reimburse the full expense.

- facilitate social protection to presently excluded groups through a strategic use of subsidies at different tiers within the system. It can also make tax-financed social funds normally earmarked for a variety of “development” programmes, available as a concentrated stream of financing of social insurance programmes;
- assist CBOs in developing as both representative of certain population groups, but also as service delivery bodies responsive to the populations they represent.

On a more macroeconomic level, the State can:

- concentrate on the creation of healthy capital markets for fund investment, reinsurance and investment choices for individuals.

5.3 A NEW ROLE FOR MICROFINANCE INSTITUTIONS, COOPERATIVES AND UNIONS?

Trade unions or occupation-based cooperatives can be particularly important in ensuring that members are protected. MFIs are also “graduating” from access to credit issues to diversified loan and other financial products. While we find that there continues to remain a divide between formal/informal economy unions and their limited interaction and overlap, some tentative steps have been taken towards expansion of services by formal trade unions to a wider population of workers. Within the informal economy itself, multiple examples of initiatives by registered trade unions and occupational cooperatives have sprung up (notable among them large-scale membership of SEWA, Working Women’s Forum, India) and smaller membership groupings in other parts of the world. The UK example of the Transport and General Workers’ Union has been mentioned in an earlier section. Expansion strategies to combat declining membership have focused on formerly excluded groups: women, and part-time and other casual workers.

The extent to which formal and informal occupational representations converge also depends on how traditional stakeholders like the ILO show their commitment to protect all workers. There is little non-anecdotal evidence to show that gains to workers in the informal economy are at the expense of those in the formal economy. The seemingly adversarial positions taken on a range of issues from basic social statutory regulation to a new “service” minded

approach, may arise more from misconceptions of the gain/loss scenario rather than combined efforts to find common ground.³³

The difficulties in establishing concrete boundaries between the formal and informal economies and the appropriate representation for workers is amply demonstrated by the following example, which falls into multiple categories of representation. It is representative of the tradition of existing union-based mutual societies. One recent evaluation (Atim, 1998) found that early success achieved within the Zimbabwe health care system in the 1980s has created strong links to the public provision of health care. This in turn has created pressure to develop a national health insurance scheme. Nevertheless, as the following example shows, the existence of mutual societies and their activities can still be sustained. Despite some losses to a private health care system, mutual schemes (especially union-affiliated mutuals) are able to provide a variety of services based on community traditions that may continue to be attractive to enterprises and individuals in the informal economy.

Another interesting example of blurred distinctions between different categories of work and different sectors of work is that of COZCOS — see Box 5.2. A feature of some concern is that COZCOS and ZETA do not address the issue of low female membership or representation in the transportation sector. It is also unclear on which gendered understandings of work relationships the “family benefits” hinge. Many such “formalized” representations of the fluid structures of work in the informal economy could well result in exclusion of gender in the long-term.

33 Amartya Sen, as keynote speaker to the 1999 ILO Conference, re-emphasized the need to go beyond sectoral definitions to one that encompassed the rights and privileges of all workers. The role the ILO has to play as an organization representing the needs of all workers was also stressed.

Box 5.2

COZCOS and ZETA: representing both the formal/informal economy and individuals/enterprises

Confederation of Zimbabwe Omnibus Services (COZCOS) and Zimbabwe Emergency Taxi Association (ZETA)

COZCOS is a confederation made up of a number of transport owner-driver cooperatives and associations, of which ZETA is the largest. COZCOS was begun in 1995 with assistance from the Zimbabwe-Canada General Training Facility. COZCOS is not only made up of ZETA, but also of other influential organizations in the private transport industry and members who own their transport through cooperatives. It represents members as well as the interests of commuters. Membership is also available to adults outside the constituent transport cooperatives for a subscription fee. Current membership is about 4,000 members.

COZCOS is currently unaffiliated to any international trade union federation. This is because, as self-employed persons' union, COZCOS is considered an "employer organization".

However, it is equally possible to view it as a representative body for transport workers and managers in the informal economy, since both *enterprises* as well as *individuals* operating in the informal sector, are members.

Mutual services offered

As a representative organization for workers in the transportation sector, COZCOS negotiates with insurance organizations for better terms for its members. It is still negotiating for health insurance, although other types of insurance are available.

One success has been that through negotiations with the Commercial Union Insurance Company, rates of comprehensive insurance coverage for members has been reduced from 18 per cent to 6 per cent.

Furthermore, individual cooperatives that are members of COZCOS separately provide mutual insurance services for their respective members. ZETA, for example, runs a burial insurance scheme for its 2,600 members, and has built on a common tradition of community insurance in the region. A monthly subscription of Zim \$3 paid by a member ensures coverage for the family for the cost of a coffin on the member's demise.

Future plans

The Confederation is evaluating how to set up a mutual scheme similar to the services that individual member organizations provide to their own members. This would allow for cooperation with regional programmes as well.

Variations in services and target groups also appear in the loan reinsurance products of ACDECO (see Box 5.3), CLIMBS and the Zambuko Trust and in asset insurance available through SEWA. We find that these institutions are searching for ways to further the benefits to members, while also attempting to represent varied groups within their membership. For example, although SEWA's strategy is to target individual self-employed women, there is no barrier in principle to coverage of women-managed microenterprises.

Box 5.3

ACDECO: cooperative-based insurance services

The Angono Credit and Development Cooperative (ACDECO): loan re-insurance, life/disability insurance and basic medical services

Relatively small schemes targeting small businesses are available through ACDECO, a community cooperative initiated in the Philippines in 1966 with only 27 members. By October 1994, its membership has reached 1,700 and has assets of P36.6 million (US\$1.48 million). It operates viable social programmes including a loan protection plan, the Damayan, medical and optometry services, sale of consumer products and memorial lots. In 1991 alone, ACDECO extended capital loan to small business for P14,48 million, some P3.3 million for repair of houses and over a million pesos for medical and educational purposes.

Loan protection programme

This programme assures the viability of the cooperative despite loan default due to a member's death. It only requires a monthly payment of P1 for every P1,000 loan. The loan protection programme does not cover delinquent loans. The premium for the loan was determined without professional actuarial study, but has served well through the years. The difference between this programme and CLIMBS' loan protection plan is that the premium of the latter is based on the age of the borrower while ACDECO's programme is not. Hence, older borrowers need not pay a higher premium.

Damayan

A mutual benefit plan that provides P10,000 to the family of the member who has died and P 6,000 for every spouse or child (regardless of number) provided the latter is a minor at the time of death. When the programme was started, the monthly contribution of P30 was based on the cooperative's 1,200 membership.

The programme also pays P10,000 to members who have suffered disability before the age of 65. In addition, the member concerned

receives a monthly pension of P500 for up to 15 months. If disability occurs at age 70 and he/she has not withdrawn his/her fixed contributions, the member is entitled to a lifetime monthly pension of P500. Only members of the cooperatives less than 55 years old may join this programme.

Today, the highest benefit under the programme has been increased to P25,000, based on a higher monthly premium of P60. However, the members are not required to find new cash contribution from their pockets as the new premium is drawn from the interest earnings of the members' patronage fund. The contribution of the members for the patronage fund range from P100 to P720 per year and they get the corresponding benefits. The system was developed based on the annual ratio of dying members to paying members in previous years and the expected benefits. Its benefits are higher than other insurance schemes that are provided by sister cooperatives like CLIMBS.

Medical and optometry services

ACDECO also provides free medical and optometry services to its members through its clinic. However, its services would need further improvement in order to compete with other service providers.

Microfinance to enterprises provides reliable, long-term strategy to risk-reduction both *ex ante* and *ex post*. On average, MFIs appear to have reached women clients in a variety of different social, political and cultural circumstances. While sustainability of many development schemes is often contradictory to goals of equity and outreach, microfinance as a tool encompasses the goals of both financial sustainability and reaching the poor (Rhyne, 1998:6).

We learn a great deal from failures as well. In East Africa, there appear to be more people who have dropped out of major MFI schemes compared to those presently enrolled (Wright and others, 1999). While examples of highly successful MFIs do exist, Hulme and Mosley, for example, have become involved in evaluating overall development finance institutions intervening at the lower end of the financial market. They purposely included a wide range of design options in the programmes investigated. Among the features that correlated with high performance were the availability of savings and insurance facilities. Hulme and Mosley follow Rutherford's overall judgement about the positive role of MFIs, as well as about the remarkable ability of the poor to save. However, it is also the case that they:

... both relieve and create poverty, the latter in the sense of locking some borrowers who are both very poor and very unlucky into a deepening spiral of debt and dependency at the same time as they release others. (Hulme and Mosley, 1996: 205)

There has been a growing realization that loans or savings intended to start or support microenterprises were being used for other things — and the needs chiefly expressed by clients are loans for emergency consumption expenditure, and for insurance against other risks.

Furthermore, Matin, Hulme and Rutherford have recently said that:

In general the poorer the household, the greater the need to use savings and credit as insurance substitutes, the more important become the contribution of financial services to risk-coping (insurance role of financial services) rather than the expected return of the financial service alone (the promotional role of financial service). (Matin, Hulme and Rutherford, 1999: 3)

Rutherford also takes a strong view about the need to concentrate on the financial service aspects of MFIs. He states that many MFIs are set up with additional social purposes, such as mobilizing the poor, building on social capital, and empowering women. The language is often of grassroots control and empowerment. He suggests limiting goals to financial services and ensuring that these suit the real needs of the poor themselves.

To illustrate the “standard” route taken by many MFIs into insurance we have included below in Box 5.4, the Zambuko Trust’s recently implemented insurance scheme. Many other examples exist across the African continent and reflect the desire of MFIs to branch out into risk-management products other than “pure” access to credit and business development services.

Box 5.4

The Zambuko Trust: from microfinance to insurance

Focusing benefits and building on microfinance: Death insurance and loan reinsurance combined

Benefits within microfinance institutions can be limited but focused. For example, in the case of the Zambuko Trust (Zimbabwe), death insurance is available to deal with the harsh reality of unpaid loans and funeral expenses. Zambuko has built on an existing microfinance relationship with clients and targets individuals, groups and has special programmes for poor women through the Trust Bank. The microenterprise assistance programme has been in existence since 1992 and has grown to have the largest clientele of any such programme in Zimbabwe. Most enterprises that are targeted are home-based and consist of vending in front of the home or place of work and on the street.

Recently, in 1997, an insurance scheme was set up, managed by a board comprised of clients. If a member dies, the insurance scheme covers repayment of her loan and pays out funds to assist the family with burial costs. Payments are also made to members when an immediate family member dies. Initially each member contributed Z\$50 to capitalize the fund, and then made additional payments on a regular basis.

MFIs have also taken the lead in extending financial risk-reduction and mitigation techniques to microenterprises. The development of “portfolios of risk management” have been apparent through experimentation in loan reinsurance, asset insurance schemes, including disaster insurance in some cases. In the case of household enterprises, MFIs have often tried to cope with the multiple uses of loans taken by the enterprises. The danger arises when the microenterprise prioritizes loan repayments through utilization of household funds allocated for food, education or health.

In addition to new roles for unions, cooperatives or MFIs, a new direction may also be the “people’s sector” (a term increasingly used by SEWA and other CBOs/MFIs) which develops from community and occupation-based initiatives, evolves into representative organizations like unions and cooperatives, and finally takes on what have until recently been private, for-profit roles in service delivery. The “people’s sector” would then be a confluence of approaches in either for-profit or not-for-profit management of institutions and services that were, until recently, perceived in many parts of the world as suitable only for purely market-based institutions. The employment-generating promise of such people’s participation in social protection management and delivery could in principle be immense if appropriate collaborations are established.

5.4 CUTTING ACROSS THE LABOUR MARKET: LINKING SOCIAL PROTECTION IN FORMAL AND INFORMAL ECONOMIES

Despite the encouraging new composite roles of different stakeholders, the role of the State continues to be critical in integrating the self-employed, contract workers and microenterprises in the country’s economic goals. Some see such workers and microenterprises as providing valuable employment, others see it as the “true” engine of growth in most developing countries. The relative pro-cyclical or anti-cyclical behaviour of microenterprise growth and its correlation with recessions and booms in the economy needs to be re-assessed in the light of what types of social protection are needed for workers and owners of such firms. The East Asian crisis appears to have affected most the poorest and the

unorganized portions of the economy. Microenterprises closely linked to commodity chains of very large corporations that have suffered, have suffered in turn. The retrenchment of public sector giants and large private firms have also increased the pressure on the informal economy by throwing out new unemployed and skilled labour who are forced to carve out a niche for themselves in smaller enterprises as owners or workers.

Labour market interventions are also vital and while often treated as an *ex post* strategy (after an area has been affected by a natural disaster or when significant regional unemployment persists), they can be an important tool in providing monetary assistance to women workers in the informal economy. For example, in India, there are some precedents for employment guarantee schemes and public procurement policies for women workers.

An interesting approach is revealed in the Japanese Government's national social protection system. The government has treated all workers as vital to national economic growth and recognizes that some sub-groups may not be able to support a disproportionate financial burden. While large corporations continue to remain relatively well protected compared to small enterprises, an attempt has been made to ensure that the self-employed, contract workers and microenterprises are not overburdened by the fiscal implications of social protection. Legislation and regulatory measures specific to small and microenterprises have been constructed keeping in mind that over-strict labour legislation may create disincentives to growth and competitiveness.

An important trait of the Japanese economy is its historically rooted dualism that cuts across industrial structure and the labour market. Large companies tend to offer stable employment with generous fringe benefits, while jobs in small companies and self-employed work often are neither secure nor provide any extras besides basic wages. Despite the challenges posed by this dual structure, Japan succeeded already in the 1960s—while it was still in the process of achieving its “economic miracle” — in including more than 90 per cent of its population into health as well as pension insurance.

The broad inclusion of the Japanese population in social insurance was achieved through a multi-tiered insurance system organized around professional groups and endowed with varying degrees of state subsidies. Depending on their individual employment, the insured enter different tiers of the system. In the case of health insurance, for example, employees of large companies would be insured by society-managed plans with small subsidies by the government, employees of smaller companies (fewer than 300 employees) would be members of government-managed plans with more substantial subsidies, and farmers, self-employed and retired persons would be members of the National Health Insurance, benefits of which are financed by the government up to 50 per cent or

more. While there are still many problems persisting, e.g. substantial disparities among the benefits of the different insurance schemes-, public support for the system is overwhelming. Essentially the same applies to pensions.³⁴

Table 5.4
Simplified overview of Japan's three largest public health insurance plans³⁵

Type of plan	Society-managed plans	Government-managed plans	National health insurance
Membership (million members)	Large company employees (33 million)	Small company employees (38 million)	Self-employed, etc. (44 million)
Premiums (as % of wage)	8.5	8.5	Calculated according to ability to pay
State subsidies (as % of benefit cost)	1.5	16.4	32-52
Benefits (as % of cost of care)	80	80	70

Another instance of soliciting government support for otherwise vulnerable populations is a campaign in Zimbabwe for the State to provide tax-exemptions to those commercial farmers who allow AIDS orphans to continue working on farms. This enables these children to remain within the circle of the community and support networks that they have developed.

Yet another recent innovation still being developed and which we have referred to earlier in the chapter is SHINE in the Philippines. The Government passed a legislation in 1995 which provides appropriate medical care covered by health insurance for all citizens of the Philippines — even the poorest. As in many other developing countries, a significant share of the population of the Philippines lives below the poverty line without any form of comprehensive health care.

The vision of the project is that over 15 years, a nationwide insurance scheme can be set up. This will be funded by income-based contributions and provide a standard service and care package to all citizens. Technical assistance is being provided by the German Ministry for Economic Cooperation and

³⁴ Thanks to Christian Oberlander for the contribution (quoted directly here). Thanks also for the overview table on Japan's three largest public health insurance plans (see Appendix 1), which demonstrates how subsidies can be strategically intertwined with labour market structure to provide multiple tiers of entry for formal and informal economy workers alike.

³⁵ Thanks to C. Oberlander.

Development (BMZ) via the German Agency for Technical Cooperation (GTZ). SHINE is based in Manila and attempts to link the existing social security network with grassroots initiatives for health care and health insurance.

Tax revenues have not grown in line with overall economic growth. The Asian crisis has also caused some economic difficulties in different regions. The Government is responsible for initiating a nationwide implementation of the new health insurance law. The model being developed by the Government and GTZ along with the collaboration and experience of self help organizations aims to build a nationwide network to safeguard people against health risks.

Immediate logistical goals of the programme are:

- building a nationwide employee network;
- offering workshops and training;
- developing manuals on how to set up a health insurance system; and
- local level education on finance and management.

As the network expands, the aim is to combine local initiatives at regional and national levels and so increase the size of the insurance risk pool, and to involve political lobbies representative of people's needs. It is also hoped that local experience can be drawn on for the national insurance programme. Technical assistance will continue with local and external partners in attempting to restructure formal economy social security programmes and to link them to local initiatives so that eventually a universal social security programme is available for both the formal and informal economies alike.

5.5 OTHER ISSUES OF CONCERN

5.5.1 *Levels of user financing*

While the role of CBOs has been to provide an extraordinary response to the demand for basic social protection, the extent to which user financing of social protection may be available and sustainable needs to be questioned. While user-financing does play a vital role in bringing together communities and building on principles of solidarity and risk pooling, there is some evidence to indicate that user financing runs the risk of under utilization of essential services. There is also the possibility that women workers in the informal economy may be most vulnerable in the extent to which the scheme depends on user fees. Inequity in intra-family relations may force poor women workers to forego essential treatments and basic risk-management in order to keep expenditure on user fees low. Despite the obvious implications for solidarity growth and the robustness of

informal risk-management mechanisms, this trend needs to be addressed with some caution. A balance needs to be established between self-determination, self-reliance, and both of these versus over-dependence on poor communities' ability to harness local resources. Most cases described have drawn (though to varying extents) on the ability and willingness of the poor and excluded populations to finance social protection schemes.

The price elasticity of demand of many such services are high and there is a danger that increases in subscription/copayment and other user fees could result in significant under-utilization of services. Moreover, the price elasticity of demand may be higher for poorer communities than for richer ones, implying that increased user fees will force many poor individuals to consume relatively smaller quantities of the service. The extent of dependence on user fees and rates of premium for each scheme also question the specific approach towards resource mobilization and cost recovery, burden of responsibility and equity concerns, efficiency, responsiveness and accountability of the scheme and information exchange between management and clients/members (for example, see Reddy and Vandemoortele, 1996).

NGOs working towards redistributive systems question the need for purely tax-based revenues. If communities are willing and able to pay for services, the rationale for constructing a parallel system of revenues is not apparent in all cases. While it is desirable that some convergence occurs between government-instituted tax-collection and NGO-based systems for revenue collection (the aim of SHINE for example), this may not necessarily be the primary aim of either the NGO or the government.

Furthermore, the emerging trend of NGOs to become service agencies raises the question of the utilization of social funds allocated by the government. In many countries, while there has been a move to use NGOs as the channel for service delivery, no such move (on any scale) has attempted to use NGOs as a channel for revenue collection. Clearly, NGOs cannot substitute for tax collection, and the relationship between NGOs and clients/members is often more subtle.

While price signals in user-financing are important and may be solicited through extensive grassroots negotiation and response, their impact on efficiency from management may not always be guaranteed. Therefore, the premise that the poor are able and willing to pay for social protection may need to be revisited if local circumstances lead to exploitation of this trend and a pulling away of state and private sector participation in scheme financing.

It is important to note that:

- Over-dependence on user financing may reduce use of preventative, long-term risk-management services.

- The possibility of replication of models of user financing may be limited and both culture and context-specific.
- Any gender bias in pricing services may become visible through increased exclusion of women workers and a steady deterioration in their access to risk-management services.
- Over-emphasis on user financing distracts attention from the desirable aim of universal coverage of social protection for all workers in the economy. It downplays the role of the State as provider and facilitator of social protection, and ignores the important role that employers/contractors have to play in supporting workers.
- While user-financing is participatory and “dignified”, it may postpone or divert attention from recognition of social protection as a fundamental right of all citizens.
- User-financing may require considerable social capital investments through capacity building, organizing and decentralization of service delivery. These costs are often hidden.
- An over-dependence on user-financed revenues may force CBOs to provide limited benefits packages to make social protection “affordable”.
- It may ignore the role of the non-poor and non-excluded sections of the economy in galvanizing resources, providing a larger risk pool and jumpstarting the local economy (a discussion on this issue can be found in Reddy and Vandemoortele [1996], among others).

“Social capital”, or what may simply be described as cohesive social networks, as a resource *can* be instrumental in building formal and informal risk-management mechanisms. Experience has also shown that user-financing *can* enhance the level of control and ownership of the scheme and that this may be critical in ensuring appropriate design and efficiency. Risk-management services targeted to women may be most sensitive to perceptions of financial involvement, democratic participation, transparency and sensitivity.

The argument that user-financing itself guarantees higher levels of efficiency and accountability may hold true in some cases. However, because many informal risk-management techniques developed by excluded groups (especially informal economy workers) are based on trust and satisfaction with services,³⁶ they also encourage efficiency, rapid response to adverse shocks and both *ex ante* and *ex post* responses that allow survival and growth within the community.

36 In such cases, payment would only be requested when the full service had been delivered. For example, often traditional birth attendants charge *only* after a safe delivery; loan repayment from benign sources is expected immediately *only* if the harvest has been successful, etc.

Therefore, arguments for high levels of user-financing alone cannot shift the spotlight away from the role of the State or that of employers/contractors in the targeted delivery of social protection. Basic social provision and facilitation by the State cannot be circumvented through exaggerated expectations of what the poor and excluded groups in the informal economy are willing and able to pay for social protection. In particular it may be unnecessarily biased against women workers. Such women may find themselves being told that the scheme can only develop with their financial resources (despite their limited access to and control of intra-household resources), while state involvement in guaranteeing women workers a decent life may be postponed or ignored.

5.5.2 Risk pooling: intervention and calculation

The case experiences in social insurance that we have discussed indicate that the main problems remaining are:

- financial resource mobilization;
- effective risk-pooling (with its associated problems of minimizing moral hazard, adverse selection and information asymmetries among others);
- administrative sustainability, especially during decentralization and geographic spread.

Some innovations have dealt effectively with these destabilizing factors in their programmes for the present and are looking for new ways to sustain themselves in the long-term:

- minimizing information asymmetries through improving product design and creating information materials, advertising and sponsoring public meetings;
- democratic administration also leads to greater transparency and the willingness to participate in the process of design and feedback;
- a flat management structure with few hierarchies also leads to more equitable sharing of information. This has resulted in better management of adverse selection as well as moral hazard;
- instituting waiting periods to the extent that they are compatible with immediate needs of the population. Emergency care is made available where necessary on discretion. Waiting periods are also minimized in practice by ensuring that women workers at risk receive timely care through establishing personalized networks with public and private doctors and hospitals;

- the existence of strong *health care* programmes as part of the CBO strategy (preventative and curative services) has affected the performance of health *insurance* services when introduced. Often, long-term cross-subsidization and fund pooling is possible and risks minimized by preventative healthcare techniques.

Furthermore, we find that catastrophic risks (especially asset losses through floods and other natural disasters) continue to be difficult to protect against and may need scaled-up forms of risk-pooling across sectors, geographic regions and insurance products. The private sector may be unwilling to cover “acts of God” and CBOs alone may not be able to underwrite these types of risks without some form of state assistance. Longer-term preventive, risk-mitigation and coping measures through international collaborations of disaster monitoring and relief need to work more cohesively.

At a broader level, common strategies to stabilize insurance pools have led to varied strategies including:

- large membership groups;
- including different occupational groups;
- compulsory membership;
- including women and men of all ages;
- mixing in high frequency, low cost risks with low frequency, high cost risks (different service products depending on history of group);
- combining urban and rural pools;
- linking up with national schemes to even out risks into the formal economy and often higher income groups;
- limiting benefits available.

As we look at identification of risks, interventions and calculation of risks, we must ask how CBOs cope with fluid work structures, changing sectoral affiliations and life-cycle risks of members. Some pool risks across occupational cooperatives, others across all street vendors, yet others across all poor workers or only workers in the informal economy. The flows of membership definitions from one target group to another affects how CBOs can effectively pool risk and provide insurance.

Most CBOs link either directly with existing programmes through insurance companies and use actuarial setting of premiums and benefits or modify this approach with “grassroots demographics”, i.e. calculations based on response from the field and through extensive discussions with members. Often, the former approach is supply-driven, the latter demand-driven, although no neat distinction exists. This approach to mixed-evaluations of the setting of premiums/

membership/costs/user-fees/other contributions is both a cause and effect of the ideology of the CBO/NGO and the socio-economic framework within which social protection is undertaken. For example, CLIMBS/ACDECO's determinations of the "appropriate" levels of premiums are decided in discussions, and these appear to have weathered the years relatively robustly. SEWA has also selected premiums after extensive negotiations with members, insurance agencies, the government and GTZ. Discussions with members are held to receive complaints, assess difficulties and evaluate the impact of the scheme.

We find repeatedly that informal economy modelling of insurance is largely limited by availability of data and accuracy of reporting on income — this is where formal mechanisms for reporting and verification may well be absent, or at best, poorly developed. There is an urgent need for an actuarial approach for assessing how vulnerable population groups in the informal economy can be protected, keeping in mind that the calculations may be less than tidy and many field-based extrapolations may be needed. Involvement of private sector, for-profit agents may be limited by the lacunae in data and difficulties in evaluating risks and assessing losses. Systematically, expanding coverage and increasing riskpools will also suffer from this lack of information.

In the meantime, however, we are encouraged that present combined approaches may still provide opportunities for expansion and collaboration. Grassroots solicitation can be (and has been) built into a powerful tool for assessing consumer demand for specific risk-management services, even if it remains to be seen what specific types of insurance products can be best served by this method alone.

5.6 CONCLUSION

While the cases demonstrate that innovation is alive and sometimes successful, some areas of social insecurity have not been addressed. The most commonly provided interventions are for health — both preventive and promotional health care as well as health insurance services. On the other hand, asset insurance is uncommon, as are pension schemes and maternity benefits. This means that working women of reproductive age, as well as older women, remain among the most vulnerable sub-groups with few available options for contributory retirement plans. Comprehensive catastrophic coverage is also almost always unavailable.

As we have seen, the informality of work and contracts further divides *workers* and *non-workers* in the informal economy. Furthermore, unemployment may be both structural or cyclical, causing widespread uncertainties in frequency

of job availability, regularity of work and ease of change to different types of work. Women workers have often been particularly vulnerable to “downsizing” within the formal and informal economies and are most highly represented as industrial outworkers and own-account workers. Outworkers may have few means for income or consumption smoothing.

In addition, insurance alone may not be the only viable form of protection. The cases have shown a wide range of overlapping mechanisms for social protection within the informal economy. We anticipate that there will increasingly be greater need for flexible methods by which innovations can be grafted onto “standard” insurance schemes and where safety nets and unemployment protections can also be developed in parallel. The development of CBOs involved in social protection does not imply that capitalists and employers have no role to play. Poor workers in the informal economy, especially women, continue to remain dependent on them for many securities. Thus, simultaneous development of user-financed systems, along with a multi-pillared institutional framework allows workers, the State, “employers” and other stakeholders to participate at different levels depending on the design and intent of the schemes. The cases we have mentioned, and many others, appear to indicate a need to move away from fixed participatory roles so that no stakeholder is, at the outset, either pre-assigned or excluded. This also enhances the likelihood that mutually beneficial arrangements between stakeholders can be established and sustained which lead to a wider range of insecurities being addressed and managed.

From this review of innovations around the world, we next move to Section 6, where we consolidate the vast array of programme experiences and conceptual ideas that we have discussed. We attempt to present a methodology within the informal economy for concrete action-oriented social protection research.

Section 6

SYNTHESIS AND SUGGESTIONS FOR FURTHER WORK

Having assessed the different sorts of risks that face women and men in different types of work in the informal economy, it is clear that social protection should be integral to the definition of work for citizens in any society. It is fundamental, and should be a normative aspect of mainstream economic and mainstream social policy, independent of cultural norms.

In this final section, we will summarize the principles or points of departure for the further exploration of social protection. We will then consider the classic contingencies of social security against the contingencies around which informal economy workers have organized, or have been organized, and suggest what may be considered the absolute core of protection, for all workers. We go on to identify the elements for a way forward on work in this area — precisely where more research needs to be done, and which avenues of action could be pursued.

6.1 CORE PRINCIPLES

6.1.1 *Social protection as a basic minimum labour standard*

One can approach social protection either as a basic human right, or as a basic minimum labour standard. In both, international conventions give domestic lobbies an international standard to appeal to, and some international policy advocates (for example Deacon et al, 1997) are positive about the new international moment for social policy generally. They see a potential for supranational organizations to re-establish and re-emphasize the discourse of rights of international citizens and workers.

In the terrain of both human rights and labour standards, it is clear that not all countries will implement social protection to the same degree. Different institutional arrangements will have developed in keeping with the particular history of a country. However, we should not argue against the desirability of social protection for all workers everywhere, on the grounds that implementation, regulation, and monitoring will be difficult to achieve; or that tax revenues are insufficient; or that it is especially hard to extend measures to workers in the informal economy because of its informality.

Thus the duality in the economy is not the issue. If one takes seriously that, for the common good, as many people as possible should be enabled to be as productive as possible, then the existence of effective social protection is an indicator of the ability of institutions in any circumstance to work together for common gain. Certainly in the informal economy, with many more new forms of temporary, casual, and contracted work, informality cannot be separated from protection. Minimum standards are not just a kind of preventative measure against “a race to the bottom”. They are a way to make gains from some minimum level upward through collaborative action. It will require innovation, certainly, but the case studies have shown precisely that it is possible to introduce new formulae for institutional sharing.

6.1.2 An institutional approach to social protection

We would seek an enduring institutional approach to social protection, which keeps open the role of different players, in different circumstances. This simply extends to the analysis of social protection in the informal economy, one of the basic principles of social security in the formal economy: the multi-pillar approach. It seeks to include active responsibilities for a variety of interest groups: workers themselves, their employers, industry, the State, civil society organizations such as non-governmental organizations, community-based organizations, and international institutions.

Our case studies have shown the strength of community arrangements, various collective institutions and state involvement with demand-driven services. Many common points for collaboration at the local level are possible, and are in fact happening. And they are a strong argument, in themselves, against the idea that there should be one single international perspective, in which “one size fits all”.

6.1.3 A gendered approach to social protection

In this approach to social protection, we see all workers in the informal economy in the first instance as workers — and women workers, within labour markets which are gendered institutions, are structurally over-represented in

poorer segments, in worse conditions, at lower or no wages. Their interests would best be served by mainstreaming the informal economy into formal economic analysis, and by mainstreaming the needs of *all* workers for social protection into mainstream economic and social policy debates. Any less comprehensive or less integrative approach remains incomplete as it ignores a significant proportion of the labour force.

At the same time, it is important not to assume sisterly solidarity among all women workers. One needs to ask (and it will be suggested as an area for future research): what are the conditions under which workers in the informal economy, and in particular, women, sometimes compete and sometimes cooperate? For example, what is the nature of the conflict and competition between women traders in the markets, and on the streets, in African countries such as Ghana and Côte d'Ivoire, where there is clear and strong class differentiation, and where the poorer women street traders are in a weak bargaining position compared to those with permanent market stalls?

We have not focused on the reproductive roles of women in this analysis. However, there are clear gains to be made by forging links with the movements of women which are striving for integration into participatory democracy — “the politicization of the social” (Marques-Pereira, 1998). They work to increase the value placed on the reproductive role (rather than seeing women in the first instance as workers as we are). Similarly, the approach taken here would be strengthened by closer analysis of and linkages with those working in the “care economy”, striving for reproductive and unpaid work to be recognized as economic activities.

6.1.4 Social protection as integrated risk management

Section 4 presented social protection as a method for risk-management for the general population, in which strategies that prevent risk from occurring in the first place are most desirable.

Poorer people, like all people, need to be enabled to plan their own futures first, and then those of their families. This cannot be done without minimum standards of social protection, risk management and services. People should at least have at their disposal basic services that allow them to plan for future contingencies and to enjoy a minimum standard of life and well-being today. As long as women, especially, are seen as beneficiaries, targets of welfare, or dependents, we are stuck in the standard role of seeing women's lives as merely constantly coping with contingencies and not enjoying what they have. Risk management does not mean that all a person thinks about is risk. It means that given certain risks, a woman at least has at her fingertips tools that will allow her to

be compensated for the negative risks, and to pick up on the positive opportunities (or be less risk averse when they present themselves) that might enhance her status, or income, or bargaining power.

If we approach social protection primarily as the management of risk, and do this within an institutional approach (which keeps open a role for multiple stakeholders) then we can move one step towards seeing “integrated risk management” from two points of view: first, from the point of view of the individual worker, who at different stages in the life cycle, and in different working conditions will face different risks, and will need an integrated plan. Second, and as important, “integrated risk management” refers also to the need for an integrated approach from the institutions involved in social protection for workers in the informal economy.

Why should this be necessary and important? There are contradictory messages from international institutions, for example in the field of labour legislation. A State may create Export Processing Zones (EPZs), for example, for export-oriented growth policies, but which may result in large numbers of outsourced, contracted out workers in the informal economy who are completely unprotected, and it is well documented how women have been especially severely affected and disadvantaged within markets created by EPZs. The very same State may call EPZs “development”, on the one hand, yet resort to the now out-dated old response of “fiscal constraints” when approached for support for social protection, on the other. Noises about development on the one hand and social protection on the other, need to converge to a more coherent view of what development means — and for who.

The framework of integrated risk management offers one way to tackle this problem of contradictory messages, as well as the sometimes incoherent or inconsistent and changing strategies of research institutions and donor agencies. It is important that poor people’s organizations, and developing States, and civil society organizations in developing countries, voice their concerns about being the victims of changing development fashions — last year’s emphasis on education as panacea becomes this year’s primary health care or electrification. International finance institutions and donor agencies are often working at a policy level and not directly with the target groups they wish to reach. Yet the reality is that there will be a distance, and power relations will be uneven.

In-country CBOs and NGOs are likewise sometimes incoherent. They are often in the risk-coping phase themselves, and coping with emergency situations. They may find it hard to move towards an approach of integrated risk management, just as small or large organizations may find it hard to practise integrated development.

NGOs are sometimes caught up in donor-driven or self-imposed business and management patterns which cause problems. They institute business development services without insurance products. Some NGOs are mediators or intermediaries in providing loans, through recommending clients and business plans to formal lending institutions. They deliberately downplay the risk in the business statements (even if they are perfectly realistic risks), and overplay the growth potential of the microenterprise, just to get the client along. But when the risk actually hits, and the client defaults on the loan, the same NGOs, or others, may step in to pick up the pieces with other “appropriate” products!

The need for insurance to be built in early on is clear. SEWA stands out for having tried to pull together comprehensive insurance that partially cover all contingencies. SEWA had twenty years of organizational history before it started this; the idea would be to create an environment where more institutions recognize the need to develop and institute social protection products, based on the idea of integrated risk management, early on.

Interventions in social protection will need to be a combination, as we have said, of interventions by different actors. Appropriate subsidies need to be designed for social protection within the informal economy, and in our collection of cases, we have shown that there are a wide variety of approaches to social protection, and each has been innovative in a culturally specific way.

Japan appears to have recognized that national development cannot possibly occur with some segments supposedly fending for themselves, while others race ahead to prosperity. It seems like a pragmatic approach, though it depends at least partially, so far, on strict caps being put on immigration. The example of welfare funds in India, which stimulate the formal economy systems, by the State putting in money along with the employer and employees in the *bidi* or cigar industry, is an innovative and intelligent way to use subsidies, despite the problems. The South African state assistance to pensioners has been vital in ensuring household security, has acted as proxy unemployment coverage for younger household members with no access to the formal scheme, has helped smooth income and consumption, and contributed to agricultural inputs — apart from assisting with the care of children. This is a good example of a state subsidy in anchoring the ability of people in households to plan for integrated risk management.

6.1.5 The special role of local participative institutions in integrated risk management

We have tended to avoid the simplistic use of “social capital” in this paper; we do however advocate strongly for the centrally important role of local

participation and shareholding in mechanisms of social provision. Our cases, in particular Grameen Kalyan, SEWA, and their health insurance schemes showed how new social protection forms were grafted onto, and protected by, the existing organization. In a sense, the security of the organization — in SEWA’s case, women trusting each other — was the collateral offered to both government and the insurance industry.

We know how rare this is, and how difficult it is to replicate. Yet it does show the role that can be played by people’s organizations, on a large scale, in building cohesive social networks, and in providing solidarity-based measures that can minimize fraud, maximize transparency and develop long-term trust relationships. This is not to detract at all from the fact that women’s interests in the informal economy are differentiated and heterogeneous. At different times, and maybe especially when they are behaving most like the microentrepreneurs that many donor agencies would have them behave as, they may have as much cause to compete with and outwit each other, as they will have cause to cooperate with mutual interests in mind.

6.1.6 Social protection as a market

The provision of social protection has some potential in itself in generating some work possibilities in the informal economy. For example, SEWA has been talking about “the people’s sector” and its own health cooperatives have paid staff who could in principle be incorporated as longer term paid agents/workers into its insurance programme or into collaboration with the government. These are skilled jobs and therefore desirable since they are likely to bring in a higher income. We do not want to run the risk, ourselves, of being too romantic or optimistic about this — there is the trap that the majority of incomes generated might themselves be at low wages, entrenching the present position of work by women that is low-paid, or unpaid. Nevertheless, we will suggest this as one of the areas where intensive work needs to be done.

6.2 CORE ELEMENTS OF SOCIAL PROTECTION

There are significant regional, national and local differences in perception about what basic standards should be and how social protection *must* cover certain risks, while others are “dispensable”. Using case studies, and a study of part of what is written about the international experience, we have tried to identify what people are asking for most, and what people are being offered most — and the extent of convergence between these. We have done this against the template, as it were, of the classical contingencies covered for workers in the formal economy.

We are looking for possibilities for collective intervention where there can be a lot of leverage, for as many as possible, from one intervention. What have we learned?

6.2.1 Protection against loss of income and assets

Although we could not, of course, do a review of all the literature, or of all interventions, we would say that the highest priority is accorded to protections against loss of income and assets. We do not mean that this is “the same as” unemployment insurance, in formal social security schemes. It refers more to short-term protection against shocks caused, for example, by fire or by theft, to stop people from falling into deeper and chronic poverty.

It is important to face the problem of unemployment insurance head-on. There can be no social insurance, for unemployment in the informal economy is short of a basic minimum income paid by the State. So one must either advocate for basic minimum income for all (all adults, whether working or not), or one is faced with a much more minimal intervention. One can say that an alternative and vitally important core element of social protection is modest insurance against random shocks.

We know that a host of technical problems is then encountered. There is also a seemingly intractable problem, for social insurance, of insuring against the effects of catastrophic disaster, and we will deal with that later.

6.2.2 Health care

The need for health protection is reflected in two of the ILO contingencies: for health care, and for incapacity to work due to illness. Although this referred to workers in the formal economy, we have shown throughout this paper that the same case needs to be made for informal economy workers. The ILO contingencies need even more protection within the informal economy.

This paper has referred to the fact there are many grassroots-based health insurance schemes, that many have covered thousands of members, and that they typically combine promotive, preventive and curative care.

The experience of many CBOs and other present programmes indicates that health care and health insurance are preferred choices over asset protection, because the latter can be difficult to develop through insurance schemes for a variety of financial, statistical and management reasons. It appears that health care and its related insurance is the top priority of most workers and organizations in the informal economy and the chosen first tool for risk-management.

Many countries and institutions have had real difficulty in instituting basic outpatient care because it is such a high frequency risk, even if they are able to provide emergency hospitalization. Therefore, for core protection, one might seek in principle for one-off modest protection for a hospital visit as a core, or “emergency” hospitalization or basic outpatient services at the hospital. It might be, though, that more discretion could be allowed as to the actual form of assistance sought by the member.

6.2.3 Disability

In Section 2 we noted that covering disability in the formal work place has become difficult because of changing work patterns, especially higher labour mobility, changing technology, and the growing difficulty in attributing a specific present health problem to a specific time and place of past employment.

Work in the informal economy is hazardous, and by definition unprotected. One incident leading to time off work can result in insecurity and loss of income. A core element of protection might be personal savings schemes to cover curative help for an emergency incident, with the State agreeing to provide one with basic mobility aid or prosthetic, on a one-off basis. At a broader level, an effective intervention may be to focus on labour codes, campaigning for the integration of people with disabilities into mainstream labour markets.

As with the problem of catastrophic disasters affecting many people at the same time, there is a difficulty of instituting social protection in instances of war, especially civil war, where so many are injured and economies are so weak.

6.2.4 Maternity

There are strong reasons for States to intervene in covering maternity costs. It is vital to the future health of children, and can mean significant future savings to the health and welfare budgets. Many countries cover maternity in insurance but charge women a higher premium, which discriminates against them. Furthermore, the greater the load is taken off employers to completely foot this bill, the more likely it is that women will start experiencing new avenues within the mainstream working economy, and accordingly will be able to move forward.

We would see maternity as one of the core contingencies, but specifying this as a particular area where different interventions are possible, and a strong argument for state *provision*.

6.2.5 *Child care*

It is not clear that child care is a priority concern *for social protection* for women workers all over, and in all working situations. Child care may not be so much of a problem for women workers based at home as it is likely to be for street vendors. In many countries, concern about child labour may override concerns about child care (though the two are obviously linked — but the child labour concern stems immediately from poverty). In countries with high unemployment, there may be other adults at home who are able to care; here it may be that a higher quality of care is needed, but this would have to fall outside of the core inner circle of contingencies.

Women who are seasonal workers may have special child care needs, and it may be that access is relatively easy, because of the employment of large numbers of women by the same employer, in the same place (or where links between farms are clear).

We would place child care under the domain of state-legislated services, or subsidized state services, where tax revenues are automatically earmarked for services available to all families. Child care can be provided directly by employer/contractor funds (in the case of workers who are not own-account) or through CBO service delivery systems. Many such services presently exist, although supply is much lower than demand. An approach which takes into account the role of the State, employers, contractors and CBOs in the provision of child care then gets away from the issue as to whether it is a woman's role or a man's role to take care of children, and commits to a position simply that it is society's role to assist with child care. Social protection for both maternity and child care will, of course, also be linked to a country's broader family and population policies.

6.2.6 *Death of the breadwinner*

The death of the breadwinner has been one of the core contingencies of formal social security systems, built as they were on the idea of full male employment, with women having primary responsibility for child care and domestic reproduction. Thus, when she was widowed, she would face financial disaster if not insured.

This contingency has become less salient now that the position of men and women in the labour market has changed. Women are working more, are often the primary earner, or one of a number of earners of diverse sources of income. There is still a significant need for coverage of burial and cultural costs associated with death, and the need for a dignified death, and/or transition to the afterlife. Many indigenous savings funds are used specifically for burial anyway, demonstrating a willingness to pay privately.

It has become more salient, now, to consider the protection of a woman's assets against her late husband's family's claims in the event of her being widowed — and it would take changes in the patriarchal institutions of society, and it requires strong organization by women to change this pattern.

We note here also the link between loan repossession and loan insurance. There have certainly been cases within MFIs, where the loan taker dies, and then the family is harassed for repayment of the loan. (The fact that MFIs may want to automatically link insurance with loan taking is another issue, and not one we can pursue here).

6.2.7 Old age

High on the priority list of informal economy workers is how to survive when they are elderly, when they have not been able to make provision in advance for these years. Women and men live longer now, especially women; and elderly women may continue to have active but unpaid domestic roles in their last years.

It is likely that within twenty years, there will be greater recognition of the need for inter-generational reciprocal support, and of the need for more innovative schemes which attempt to empower the elderly (especially women). For now, however, given that one cannot insure *against* old age, one has to look for realistic ways of saving *for* it. The more the important economic role of elderly people is recognized (seen and accounted for), the greater will be the possibilities for leveraging assistance from the insurance industry — in the sense of encouraging a greater outreach towards poorer people; and from the State — looking at evidence such as from the State Old Age Pensions in South Africa.

It is just as difficult to reconcile the need of people for small amounts of money now, or conversion of that into large amounts, with the longer term's needs to conserve for later on. A possibility for core coverage at present would be different mixtures of:

- free or subsidized health care in old age for specific things which would keep people independent and mobile — for example, crutches or cataract operations;
- non-negotiable earmarking of a certain part of private savings for old age;
- insurance for a dignified burial.

6.2.8 Coverage against disasters

We can do no more, here, than open up the issue of coverage against disaster for discussion. The world is beset, it seems, by disasters that affect whole

regions; the poor are often worst hit, and least able to withstand the shock, or recover after it.

Possibly the light on the horizon is the growing awareness of how all of our futures are intertwined, that the “tragedy of the commons” knows no class or national boundaries, and that there will have to be international solutions. There will have to be international intervention in terms of collaboration and cooperation between forecasting and relief agencies, at a much more global level. We have international collaboration on global warming, but we have no such response to the cyclone that is hitting India as we write this, where over 400 fishermen are out at sea over the last two to three days and are almost certainly dead, and hundreds of thousands are homeless.

The new technologies throw up opportunities for dealing with some of the needs for social protection — but designs have to be translated into purposive interventions.

6.3 TOWARDS A PROGRAMME FOR FURTHER RESEARCH WORK

In this paper we have touched on a number of fields of study: gender studies, the informal economy, promotion of microenterprises, poverty alleviation, actuarial studies, social security, to mention just a few. We have clearly put ourselves at risk (hopefully not catastrophic) of touching too lightly in too many places. What this broad sweep has enabled us to do is to identify gaps for further work from the position of the institutional and gendered approach.

It is clear that there is a need for an intensive research programme on social protection, and below we outline some of the gaps which emerged in the course of writing this background paper. It is likely that some of the topics we mention below have already been researched, and we are not aware of the work. In the proposed research programme, it should be ensured that there is representation of the differences between regions in the world, and also representation of the diversity of the position of women.

Sectoral studies

Building on the arguments in Section 1, and the framework in Sections 3 and 4, the focus of research should move towards analyses of sub-sectors within the informal economy. The work should concentrate on economic growth, as well as on poverty alleviation. The impetus to provide social protection is obviously linked to how critical to the economy particular subsectors are. More needs to be

done to show that the informal economy is a dynamic part of the larger national economy, and that the State and the private sector need to pay more attention to these workers.

Comparative analyses could be done on three or four different sectors, chosen *inter alia* on the basis of:

- having a high gender concentration;
- having a high chance or potential of extending coverage;
- including at least one where there is a large and sympathetic union or federation of unions in the more formal end of the sector.

Regulatory frameworks

More detailed comparative understanding is needed of the regulatory frameworks governing workers in the informal economy in different countries. Regulatory frameworks is meant in the broadest sense of national policies and laws regarding economic development (and including the effects of macroeconomic policy on such policies), as well as regulations which enable or constrain active organizational and institutional development (such as regulations governing the operation of cooperative savings schemes). Studies should be designed to include:

- both home-based and street-based workers;
- an analysis of the effect of regulation by different levels of government, with particular emphasis given to the advantages and disadvantages of decentralization;
- countries sympathetic to and hostile to the informal economy;- case studies of local governments which have integrated informal economy workers into local economic development. These should be done within a common framework for comparison.

From a practical standpoint associated with policy, it is appreciated that the ILO regional and national representatives increasingly take on new responsibilities to collaborate not just with the governments and its social partners, but also with representative organizations and individuals within the informal economy. The ILO is well placed to further dialogue in countries for social protection of *all* workers. This entails establishing a relationship broader than that of the current tripartite labour structure and acknowledging the immense role of the ILO in representing *all labour*.

The insurance industry

Internationally, the formal insurance industry serves millions of people. It will be a key stakeholder in any moves to restructure social protection. The case studies have shown examples of where formal and informal parts of the insurance industry have related to each other, and where the State has entered into relationships with formal insurance to provide coverage to poorer people.

Much still needs to be learned, and studies of the insurance industry should be integrated into the research programme on social protection.

Studies could include:

- an overview of the international insurance industry, showing trends in profits, mergers with other financial institutions, and changing corporate stance in the politics of “north” and “south”;
- an analysis of how private insurance has dealt with poor clients; case studies of successful attempts to do so;
- an assessment of crop insurance programmes, as this covers the basic issues for most agricultural economies and especially those which depend on primary commodity exports.

Actuarial analysis

The insurance industry is able to do sophisticated actuarial work relating to formal conditions of work. The same level of sophisticated analysis of risk is needed for sub-sectors in the informal economy, with gendered analysis of risk as a starting point.

Informal networks of representation and service delivery

Case studies in this paper, and other research, show that collective action in organizations and associations is an important condition for representation, for ensuring that services are developed, and for achieving a greater level of inclusion. A greater understanding is needed of organizations — whether on different kinds of informal or formal unions, or cooperatives, or issue-based temporary movements. These would need to be country-based, and would need to be grounded in an analysis of the historical and cultural traditions of organising in that country, and even the locality.

Linkages between organizations of workers in the formal and informal economy

Research is needed to help to understand the changes in the linkages between organizations of workers in the formal and informal economy. Studies could include:

- an international review of the effect of different union traditions on their disposition to associate with organizations of workers in the informal economy;
- case studies of cooperation and competition between workers in the formal and informal economy, with specific reference to social protection.

Conflict, competition and cooperation between women in the informal economy with regard to social protection

In moving towards a conceptual framework that see women as workers, rather than as marginalized groupings (albeit their work is often marginalized), it is necessary to understand that women will compete with each other at some times, on some issues, and cooperate at others.

A better understanding is needed of how women's interests coincide, and differ, with respect to different aspects of social protection. Studies could include:

- case studies (and possibly using secondary analyses of existing data bases) of the dynamics between heterogeneous groups of poorer and wealthier women in the informal economy;
- studies which investigate cycle differences between women with respect to social protection.

Statistical work

The continuing work of the WIEGO Statistical Working Group (and the Delhi Group) is critically important in terms of raising the visibility of work and workers in the informal economy. It would be important to try and integrate specific aspects of social protection into that analysis, drawing from the framework in Sections 3 and 4. This might be another area where good could come of secondary analyses of their data sets.

Alternatively, or also, studies could be commissioned to do this statistical work in two or three countries in which gender statistics on the labour force are already good, where the informal economy is large, and where there is easy access

to the central statistical office. This work should be guided by the statistical expertise within the WIEGO/UN/ILO gender programmes.

Dissemination programmes of what is already known

This background paper has pointed to the wealth of knowledge that already exists. There needs to be an active dissemination programme, synthesizing and sharing lessons already learned.

6.4 OTHER FUTURE WORK

It is clear from what we have written that we think that the position of women in the informal economy would be best protected through a multi-pronged approach, using a variety of strategies. One important part is the identification of research areas, as in 6.3. There are others, which we feel should be placed on the agenda, but which we cannot cover in detail here.

We were asked to consider which kinds of mainstream and alternative programmes show the potential for most learning by those interested in promoting social protection. We found that it is difficult to make the distinction between mainstream and alternative programmes of support. At one extreme, a mainstream scheme of social assistance, such as in South Africa, has ensured basic household security. The extent to which that and other state schemes have allowed women to act in a less “risk averse” way, and start building enterprises, would be fruitful to explore. SHINE is an example of a scheme which more deliberately tries to work, at national level, to ensure comprehensive protection. On the other hand, SEWA, which by some would be considered an “alternative” programme, has gone to scale, and by its history and size has been able to leverage support from both State and private insurance.

Support provided may be financial, managerial, technical or organizational, and may be by multilateral and national institutions and by donor agencies, or by looser networks. The research programme for social protection which we have outlined should place this support within a more informed and cautious framework. The form of support could be for “pilot” projects, but we hesitate to use the term. “Pilots” have too often indicated an external model imposed as a prototype on a community. We are wary of looking for a one-size-fits-all solution to risk-management, when every context is in fact quite different.

Nevertheless, this form of programme-support backed by considerable research and policy expertise, as well as local involvement, can play directly into assisting communities and disseminating successes and failures. It could be very

useful to communities and governments which may be struggling to find answers. It may also open up the conceptual approach to involve a variety of actors, for example, large-scale employers, local authorities, formally organized workers and gender machineries within governments at different tiers.

If working in support of programmes and schemes, important criteria would be for those which:

- do not download all the risk onto the poor, and especially on to women;
- do keep open the possibility for different contributions from different stakeholders;
- do see the importance of going to scale;
- do emphasize women's empowerment;
- do address the non-enterprise nature of much of women's work;
- do address the local government context;
- do attempt to integrate poorer people's needs for both credit/savings, and for other forms of support to enable security.

There are many schemes and projects in the world; however, achieving long-term sustainability at the same time as reaching the very poor appears to be very difficult. Nevertheless, lessons can be and have been learned from existing innovations. Work in support of programmes and schemes should be buttressed both by a good programme of research, and by the search for strategic points of entry in international institutions, and markets, which would create more viable spaces within which programmes could work.

6.5 CONCLUSION

This paper has presented the elements of an institutional approach to social protection, with a particular focus on women workers in the informal economy. Although coverage of many of the risks they face remains challenging, there is evidence to show that some localized solutions have been found. It is time to address a wider range of players, not simply workers themselves, who are attempting to eke out a living and manage risks through self-help. Unless integrated solutions and collaborations can be found, most workers, especially women, will continue to remain highly vulnerable.

We conclude with an institutional point about any programme which might follow. Social protection for workers in the informal economy can be seen, for this programme, as the hub of a wheel, with spokes coming in from different areas of scholarship (gender studies, poverty studies, microfinance, etc.) and from

different institutional bases. In order to integrate the informal economy into mainstream economic debates, there will need to have multiple interventions, and that task will need to be coordinated — because of the complexity of the field, as we have demonstrated.

It would seem important to consider establishing some kind of group, or network, whether formal or informal. It should be shaped so as to allow for the pursuit of policy work, strategic intervention and support for development of programmes on the ground. Crucially, it should be shaped so as to allow for flexible and inclusive participation.

APPENDIX: THE CASE STUDIES

CASE 1

Asociación Mutual “Los Andes” (AMUANDES), Colombia³⁷

Who

AMUANDES is one of 175 “Empresas Solidarias de Salud” (Health Solidarity Cie.) (ESS) entities authorized to function within the nation’s Social Security System. Since 1996, the ESS are working as “Administradoras del Régimen subsidiado” (Administrators of the subsidized component of the system [ARS]). AMUANDES is a mutual benefit society dealing with the health needs of those citizens living in urban poverty in Barrio Bolivar, in the city of Santa Fe de Bogotá, Colombia. It is one of the outcomes of a larger reform of the Colombian Social Security System begun in 1991 which resulted in the 1993 legislation (Ley 100) dealing with social security reform.

It has only just begun to deliver benefits in April 1999. As of July 1999, there were 3,866 total beneficiaries (2,003 women and 1,863 men) to the health scheme. The beneficiaries fall below the locally defined poverty line.

Beneficiaries may be anyone classified appropriately by a national information system (SISBEN), and do not necessarily have to be members of the organization AMUANDES.

What

The health scheme AMUANDES is similar to all others of the ESS in that it offers a three-tier package of health services (primary, secondary and tertiary as defined by law, following the “Plan Obligatorio de Salud Subsidiado”). Specifically, it focuses on urban slums in Bogotá and offers preventive care and health promotion, outpatient care, hospital treatment and medicines.

³⁷ Country case study, AMUANDES, available on <http://www.oitopsmexico99.org.pe>, produced by ILO-STEP/PAHO in June 99.

How

AMUANDES has 51 members who manage the scheme via a General Assembly. The management organs are (a) the General Assembly, which is elected for a term of 2 years by members (b) a Fiscal Auditor and (c) an Executive Committee of 5 members which then nominates the Manager of the scheme.

Members of AMUANDES, who have subscribed to the scheme but are not necessarily entitled to the subsidiary regime, are responsible for management.

Financing

The reform measure “Ley 100/93” within the new constitutional context was instrumental in establishing a dual social security financial system with (a) subsidized and (b) contributive components (“Régimen Subsidiado” and “Régimen Contributivo”).

The SISBEN which classifies families by basic needs assessment, determines whether membership is to be within the subsidized or the contributive component of the health scheme.

A reinsurance fund supports the health system’s beneficiaries up to a certain fourth level of health services.

Of the 40 million colombian population, only an estimated 8 million are covered by the subsidized component of the system. Each of the 175 ESS receives US \$75 (1999) on average for every registered beneficiary.

The subsidized component is financed through a co-financing system funded from fiscal revenues of various municipalities and the remainder comes from solidarity funds (FOYSGA) established between the regimes and financed by the contributive component which is paid for by employee-employer contributions.

The ARS are composed by 175 ESS, 35 “Cajas de Compensación” and 10 “Entidades Promotoras de Salud”. The latter belong to the contributive component.

Status and Future

The scheme experienced high membership rates at its birth. However, there is an obligation under a new legislation (Decrete 1804 of September 1999) which requires each ESS to have at least 100,000 members by April 2000 and to have double that number one year subsequently. AMUANDES is, therefore, in a disadvantaged situation compared to other ESS which have more subscribers, and may be forced to either find large numbers of new members quickly or (more likely) join forces with other ESS bodies in the same situation.

CASE 2

Coop-Life Mutual Benefit Services Association (CLIMBS), Philippines³⁸

Who

CLIMBS is a mutual benefit cooperative society. Set up in 1971, its objective is to develop cooperative banking and insurance services to members of cooperatives in the Philippines. Starting with six cooperatives in 1994, it has grown to 173 cooperatives with 66,569 members. Its programmes and services, especially loan protection and savings plans, have benefited 632 families. As of December 1993, its revenue amounts to P24.8 million. CLIMBS has current assets of P7 million.

What

The major social protection programmes and services being offered by CLIMBS are the following:

1. Mutual Assistance System;
2. Life Savings Plan;
3. Loan Protection Plan (LPP);
4. Members Protection Plan;
5. Cooperative Employees Retirement Plan;
6. Cooperative Officer Protection Plan.

How/Financing

Mutual Assistance System. This service evolved from the traditional *damayan* system whereby community members contribute when there is death in a family. For a uniform benefit of P5,000, a member may join the Mutual Assistance System by paying P48 as premium and another P48 as equity annually. When a subscriber/policy holder reaches age 66, he/she is withdrawn from the system and is entitled to receive the accumulated equity plus earnings from the equity. He/she then has the choice whether to join another plan which pays the same benefit (P5,000) but at a slightly higher premium.

38 M.A.Z. Fernandez (1994).

The equity payments represent one's stake in the organization, and the subscriber/policy holder has voting rights and the right to participate in policy-making. In fact, a subscriber/policy holder owns part of the shares of CLIMBS and its gains are shared among subscribers/policy holders. The equity will be used to expand the system and ultimately establish a CLIMBS Insurance Company.

Life Savings Plan. This was the first major plan marketed by CLIMBS up to 1981. A cooperative pays P1 monthly to CLIMBS for every P1,000 deposit of a cooperative member. Members are assured that in case of death, CLIMBS will pay his/her beneficiary(ies) an amount equal to the member's deposit plus P1,000. The maximum payment (deposit plus supplement) is P25,000, and it varies according to enrolment age. The earlier one enrolls, i.e. at age 18-39; payment will be 100 per cent of the deposit plus P1,000. If one enrolls much later, e.g. at age 60, the payment will only be 25 per cent of the deposit and 25 per cent of P1,000.

This programme was approved by many credit unions because it encouraged capital build-up and savings mobilization. Another feature of the plan is that a cooperative that became a member did not have to invest any initial share capital. 40 per cent of the net income from the monthly contribution and other revenues are set aside in a member equity fund. The remaining 60 per cent become part of the reserve fund.

Loan Protection Plan. This was conceived in 1980 after the Malaysian Cooperative Insurance model. By 1994, LPP was among the most popular plans. The main benefit is that payment for loans obtained by members are insured by CLIMBS. In case of death of a member whose loan is insured, CLIMBS will pay the balance of the loan. The premium is based on the age of the member and the amount of the loan. As the loan balance decreases, the premium decreases too. There is no enrolment fee.

Members Protection Plan. This is an optional insurance programme for cooperative members. The minimum benefits are P1,000 and the maximum is P20,000. Premium level is based on the age of policy-holder and the amount of the policy option. There is no enrolment fee. If the policy-holder dies, the beneficiaries will receive the amount of the policy coverage. This plan includes an optional comprehensive personal accident plan in vehicle coverage, under which, in case of death or total disability, an additional amount of P20,000 (about US \$250) is paid by CLIMBS. If the insured person is confined to hospital due to an accident, he/she is entitled to a medical reimbursement of P50 (US \$2) per day for a maximum of 31 days on a single confinement. For ordinary illness, the reimbursement is P30 (US \$1.20) per day for a maximum of 45 days. P400 (US \$15) is provided for miscellaneous expenses.

Cooperative Employees Retirement Plan. This was designed for permanent employees of cooperatives or self-help associations. The pension is based on the premium paid, which is shared on a 50/50 basis between the employer (the cooperative) and the employee. There are 15 policy options available, with built-in insurance coverage. The premium payments range from a minimum of P25 per month to a maximum of P1,000 per month. In case of death of the policy-holder, the beneficiaries will receive the contributions plus interest and the policy coverage.

Cooperative Officer Protection Plan. This is group protection coverage for the board of directors, managers and other elected and appointed committee members of cooperatives and other self-help organizations.

Status.

Through a mutual agreement on interest earnings, CLIMBS presently invests its money in the National Confederation of Cooperatives (NATCCO), which in turn lends to, or guarantees the loans of, cooperatives in need of working capital. CLIMBS also allows its regional centres to retain 40 per cent of the premiums collected in their respective areas. The other 60 per cent are then pooled into a central fund and are then lent out to member cooperatives. Because of these schemes, many cooperatives, such as those in Bohol and Davao Provinces, have ventured into support businesses like funeral parlours. These in turn help to bring down funeral expenses for the cooperatives' members, such as the cost of coffins.

CASE 3

GRAMEEN KALYAN of the Grameen Bank, Bangladesh³⁹

Who

Grameen Kalyan is a not-for-profit company founded in 1997. It is an offshoot of the Grameen Bank (GB), the world-famous microfinance institution. The Grameen Bank initiated a rural health programme (RHP) through the Grameen Trust in 1993 and Grameen Kalyan took over the Rural Health Programme in 1997.

What

The goals of the RHP are:

- To plan, organize, provide and evaluate the components of primary health care. It aims to promote health and prevent illness and premature death.
- To provide basic diagnostic services to the community as well as referral services. The RHP aims to provide primary health care with special emphasis on family planning, maternal and child health and reproductive health. This is done through community-based health care programmes, fully involving the local communities. It also aims to increase the level of health awareness and bring about change in health behaviour. Mortality and morbidity reduction in specific areas is targeted in conjunction with national health goals.

How

The RHP acts both as an insurer and as a health care provider. This is done through health centres attached to branches of Grameen Bank. Services are provided to both Grameen Bank members as well as non-members. Each health centre is staffed by the centre director (a doctor), an office manager, 1-2 paramedics, lab technician, and approximately four health assistants. The operational area of the health centre corresponds to that of a Grameen Bank Branch. Each centre covers an area of 8 km, and assistants provide door-to-door services. Outpatient treatment is available and consultation, treatment, lab tests and referral are carried out by the health centre directly. Referral is linked directly to government health centres where available.

39 Shaikh Abdud Daiyan, 1999

The RHP corresponding to each Grameen Bank branch is created only after a consensus is reached in discussions with members. After negotiation, members decide to subscribe to the annual plan for the RHP.

Financing

The RHP acts as an insurer, and annual premiums are collected from members associated with a health centre. Non-Grameen Bank members can also use the facilities of the health centre for a fee commensurate with the market rate for the service. Different types of pricing schemes for various service packages have been attempted. Presently, supplementary services for an additional premium fee are also available for families who are insured. The RHP as insurer and service-provider uses a sliding scale in its premium structure and fees for services. Non-GB individuals and families pay a higher rate in premiums. Non-GB and non-insured individuals can use walk-in services at the health centres at market rates. Health professionals determine on a case-by-case basis how much should be charged.

Subsidies to the scheme are channelled through Grameen Kalyan, a not-for-profit company. Poor households within the health centre zones are included except those deemed non-poor. The benefits and services packages, however, remain identical. Identification of households as poor or non-poor is carried out by Grameen Bank branch staff in the area who are familiar with member and non-member populations alike.

On average, the various health centres have recovered approximately 65 per cent of total operational costs. Those having a higher rate premium structure of Taka 100-120 had better cost recovery of approximately 72 per cent on average, while those with premium of Taka 50 recovered approximately half of all operating costs. The Grameen Kalyan scheme presently receives premiums from approximately 66 per cent of Grameen Bank members. It is estimated that as more GB members become insured, cost recovery will increase significantly.

Status

The RHP currently has 11 health centres in three zones of Grameen Bank operations. Each Grameen Bank centre has a membership of 40, and one branch equals 60-70 centres. Therefore, approximately 2,500-3,500 members are insured under each health Centre. Since membership is available to both Grameen Bank members and non-members alike, there are approximately 1.5 non-GB households for every GB household; there are approximately 2,500-3,500 GB households for every health centre.

The services package presently includes a combination of annual check-ups, subsidies on lab tests, quality medicines at prices below market price, maternal and child health care and various other forms of preventative and promotional care. Hospitalization is also partially paid for.

In 1994, seven health centres operated at a premium of Taka 50 per family (US \$1.04) per year for a maximum of 10 members per family. Instead of this pre-payment, the services of consultation with a doctor are also available for a service charge of Taka 2 (US \$4 cents). Any number of consultations is allowed per year. Benefits also include free annual check-ups, 75 per cent subsidy on basic laboratory tests, subsidized drug prices and maternal and child health care household visits. However, operational expenses could not be recovered and a new service was attempted.

In 1996, five health centres were set up, at an annual premium of Taka 120 (US \$2.5) per family for a maximum of eight members per family. The benefits package includes a copayment of Taka 2 per physician consultation, 50 per cent subsidy on basic and extended laboratory tests, free annual health check-ups, and a 50 per cent reduction on 15 essential drugs while all other drugs are subsidized. If the patient is referred, the scheme provides up to 50 per cent of the cost of specialist consultation and medical tests in addition to covering 10 per cent of hospitalization expenses.

1996 also saw the revision of two health centre programmes where services were still being offered under the Taka 50 plan. Members chose additional services for a higher premium payment of Taka 100 (US \$2.08) per family per year. This includes all of the previously mentioned benefits, except for hospitalization coverage.

Future

The Grameen Kalyan scheme has been very active through its health centres in dealing with the 1998 floods in Bangladesh. The extent of damage and suffering was amongst the worst this century, and eight of the eleven health centres themselves were completely damaged by the floods and the remaining three were partially damaged. Nevertheless, all staff of the scheme stayed at their stations to provide health assistants to all community citizens, members and non-members alike. Many services were provided free of charge and extensive health education campaigns to prevent epidemics were undertaken.

More domiciliary services are being undertaken and strengthened by health assistants. Various training programmes were organized for these assistants and monitoring activities at the field level have been stepped up. Over 84,000 villagers were visited at home by health assistants in the latter half of 1998. 1,003

non-Grameen families have been enrolled in the scheme and over 11,000 patients have been referred to doctors under this programme.

The pricing schemes and benefits package are still being revised in line with suggestions of members and corrugated through an implementation committee. Non-renewal of subscriptions is being investigated and collection of premiums is being tightened. Non-GB families have also been active in seeking services from the health centres and more is being done to attract non-GB families to supplementary coverage and basic services. The RHP is attempting to operate on a much more professional footing, and significant changes are being made to the premium structure, data collection on GB and non-GB members, rates of usage and gender balance of use of services. Moreover, pathological laboratories were upgraded and have become very active. Many tests specifically geared towards family planning and reproductive health have also been improved. Revenue generation from laboratories has increased by 65 per cent over the previous year.

CASE 4

Seguro Universal de Salud del Insituto Politécnico Tomás Katari (IPTK), Bolivia⁴⁰

Who

The Instituto Politécnico Tomás Katari (IPTK), Sucre, (Bolivia) instituted the mutual health insurance scheme which was formally set up in March 1996. The IPTK has been an NGO working with a large number of poor workers and households in the Potosí Department and the poor areas of the city of Sucre, Bolivia since 1976. Its main objective is “to contribute to raising the level of quality of life, strengthen social participation and democracy and work for the overall and sustainable development of the country”.

IPTK’s 4 focus areas are (a) education, (b) productive activities, (c) organizational activities and, (d) social activities. The last category includes child centres, nutritional rehabilitation and building of water networks, among others.

Seguro de Salud Universal (the microinsurance scheme or mutual health insurance scheme — MHIS) is a part of a project called “Salud para Todos” (Health for All) which falls under its 4th focus area of social activism. Salud para Todos started more than ten years ago and has, as a consequence, developed a vast medical infrastructure. It comprises one hospital, 5 rural health centres, 4 urban health centres and one polyclinic. The MHIS “Seguro de Salud Universal” was, therefore, a logical outcome of the existing facilities.

What

The basic package comprises basic health care services, medicines, pathology laboratory services and also dentistry and ecography. More services are mentioned on Section 5 of the study.

The IPTK operates the scheme mainly in the poor areas of Ciudad de Sucre, Department of Chuquisaca, Bolivia and in some rural areas of the Department Potosí, Bolivia. The mutual health insurance schemes (MHIS) began to deliver the first benefits to beneficiaries in March 1996. By the end of 1998, the scheme covered 2,027 beneficiaries.

⁴⁰ Country case study, Seguro Universal de Salud del IPTK (Bolivia), available on <http://www.oitpsmexico99.org.pe>, produced by ILO-STEP/PAHO in June 99.

How

The MHIS contracts professional medical staff with the help of international financial and technical assistance.

The IPTK Area Director for the city of Sucre, the person in charge of the project “Salud para Todos” and the project’s administrator are responsible for overall management of the MHIS. Since the MHIS is part of a larger project, it does not have independent management. This means it has no special internal management structure, internal regulations or statutes. Members are informed about their basic rights and obligations under the scheme but no active participation of members in the management of the scheme is either allowed or planned.

Financing

The MHIS charges Bs.10 (US \$1.7) per year per person, without any specified restrictions.

The bulk of the revenue mobilisation is through member contributions and through non-state subsidies from development agencies, donors, and others. Since the scheme desires to provide health services to low-income populations, the level of contributions has been set according to the perceived ability of the target group to pay. It is not based on the actual operating costs of the scheme or on the existence of a guarantee fund. Thus long-term sustainability or financial viability of the scheme is not an explicit goal and the MHIS runs on indirect subsidies from the project “Salud para Todos”.

Status and future

An alternative system of health care such as that offered by the MHIS is of great importance in the area since most people do not have access to health services. However, because the MHIS is dependent to a great extent on international financial assistance, it can be seen more as a system to provide and expand access to health services rather than a microinsurance scheme. It is hoped that it will gradually incorporate elements of financial and technical sustainability that make true microinsurance possible.

CASE 5

The SEWA Integrated Social Security Scheme, India⁴¹

India is the world's largest democracy and the second most populated country. It has sharp disparities in income and persistent problems in providing comprehensive and universal basic education, health care or other social protection for vulnerable groups. Over 90 per cent of its labour force are informal economy workers (counting agricultural workers) who have little, if any, statutory social security. Most informal economy workers are casual labourers and contract or piece-rate workers; many are self-employed, and have no direct access to government-provided social security. While certain informal economy workers are covered under Indian State, central and some welfare schemes, no *comprehensive* contributory social security or insurance schemes existed for these workers until recently.

Who

SEWA is a registered trade union working mainly with women in the unorganized/informal economy and, since 1972, has focused on employment and income related issues. Membership is almost a quarter of a million. Their members are women informal economy workers who work very long hours, are poorly paid (usually below the statutory minimum wage) and have little opportunity to move into better paying jobs. They are most often hawkers and vendors, home-based workers (usually piece-rate or contract-workers) and labourers. SEWA's struggle has been to organize these women workers, gain national and international recognition for their needs, ensure that the minimum wage is obtained, provide legal recourse where necessary, target overall "work-security" and ensure democratic representation at every level of the organization.

What

SEWA's Integrated Social Security Programme is the largest comprehensive contributory social security scheme in India today for informal economy workers, and presently insures over 32,000 women workers. The scheme covers health insurance (including a small maternity benefit component), life insurance (death and disability) and asset insurance (loss of or damage to housing unit or work equipment).

41 Chatterjee, Mirai and Jayshree Vyas, 1997; Chatterjee, Mirai, 1997; Srinivas, Smita (forthcoming).

How

SEWA members can choose whether to become members of the scheme (at present, approximately 14 per cent of all SEWA members are insured). The asset and health components come as a package and life insurance is an option. The total insurance premium package is approximately Rs.60 (or US \$1.5) per year for the combined asset and health insurance package and an additional Rs.15 provides life insurance as well. Premiums and benefits are presently being restructured. Membership and claims processing is done through the SEWA Bank, along with considerable field presence and grassroots organising from SEWA Bank staff and SEWA Union staff. Mobile services are also available for premium collection (which are services normally associated with microfinance deposits and loan repayment collections).

The scheme components have been developed on a purely demand-driven basis and over 25 years of close involvement with members. Bureaucratic hurdles through claims handling with the partner insurance companies have been minimized over time and the insurance committee (comprised of members) hears petitions for claim rejections and suggestions for future improvements.

Financing

- One-third of the premium is financed through interest paid on a grant provided by the German Technical Development Agency (GTZ).
- One-third through the direct contributions by women workers.
- One-third through a subsidized package scheme provided by the Life Insurance Corporation of India and the United India Insurance Company. The Indian Ministry of Labour has been actively involved in negotiations with SEWA and provides a subsidy through the Life Insurance Corporation of India.

SEWA sees the one third premium contribution as a beginning towards increased contributions and through which women workers will have a voice in the design and administration of the scheme. It also simulates the corresponding tripartite contributory structure within formal social security systems from the State, employer and employee.

SEWA has also designed the payment of premiums to suit different income groups among the very poor. A fixed deposit scheme of Rs.500 and Rs.700 is available to those who can make a one-time payment for life membership of the insurance scheme. The interest on their fixed deposit goes towards paying the yearly premium. Annual payments are also available, as are monthly payments,

although the latter require higher transaction costs and greater monitoring to prevent members leaving once benefits are used.

Status

SEWA is also decentralising its operations as the bulk of present members and claims are urban. The decentralization should serve to attract more poor rural women members. They have expressed a strong demand for social security but claims processing being limited to Ahmedabad has acted as a deterrent.

SEWA has shown that it is possible to create schemes that are adaptable, reproducible (to an extent) and which are profitable. Private sector and further government participation as partners in such schemes are not ruled out in the future. The integrated approach to social insurance has benefited SEWA as a microfinance and banking NGO as since linking banking schemes to insurance has increased membership of both programmes and significantly raised interest in union membership where available.

Every effort is being made to reduce processing time of claims and decentralization committees are being trained thoroughly so that rapid and equitable claims disbursement can be carried out. Furthermore, the organization has been actively involved in disaster areas for on-site inspection and claims submission. Relief efforts have also been initiated immediately and coordinated with government agencies so that the immediate needs of suffering women members can be met.

Future

As SEWA's multiple avenues of worker assistance have been operational for over two decades, many women members have been achieving rising incomes. SEWA hopes that the social security programme will further protect and boost women's income and assets. Based on better ability to pay, the health insurance scheme is now likely to hike premiums slightly. SEWA is showing that not only can social security provision exist for informal economy workers, but also that workers are willing to pay increasing amounts, as long as the service is appropriately designed and sensitive to their needs. Most importantly, it demonstrates a first step towards significant government and NGO participation in a scheme for informal economy workers that is comparable to government involvement in statutory social security provision for the formal economy.

SEWA is looking to long-term financial and administrative sustainability of the scheme and the levels of premiums that can be supported in the local community. It aims to:

- spread decentralized units for premium collection, claims handling and referral;
- expand coverage to all members in a sustainable fashion;
- further spread to rural membership;
- evaluate the possibility of family coverage (at present only the woman member is covered for most benefits-except in the case where a family member/other nominee is also covered for life insurance which is available through the Rs.700 fixed deposit scheme);
- introduce a different premium structure;
- strengthen the asset insurance component;
- expand health benefits;
- add a pension component and encourage young working women to join and save for their retirements;
- it is also assessing how upcoming future entry of private agents in Indian insurance markets will affect poor women workers in the informal economy;
- it is actively involved in action-research programmes for enhancing the efficiency of the health cooperatives and SEWA Bank that supplement the integrated aspect to risk-management services;
- an impact evaluation of the insurance scheme is also being undertaken.

CASE 6

The Social Health Insurance/Networking and Empowerment (SHINE), Philippines⁴²

How

The concept of SHINE rests on two major principles:

- to build up the national health insurance scheme;
- to simultaneously support local self-help initiatives at community level, which attempt to protect the poorest from health risks.

The self-help initiatives are focused around women and their contributions to the health of the family and their importance in decision-making regarding local and family resources. Specifically, local, community-based organizations striving for self-financing, sustainable membership and administration are considered desirable.

Financing

The Philippines is trying to move away from the state-regulated care system which is purely publicly funded and which provides free treatment. The new concept is geared towards integrating a market economy into the system of providing social services. The insurance scheme is meant to allow patients to receive money so that they can arrange their own appropriate treatment. It is hoped that this demand will eventually lead to the supply of better services from existing government infrastructure, and a higher quality of service in the private sector.

The existing situation is that health insurance programmes for a limited formal economy (mainly government officials, civil servants, and white-collar workers) is financed 50/50 per cent by employer and employee. No comprehensive scheme of financing exists for informal economy workers in the country. The aim of SHINE is to integrate all existing health insurance programmes for the formal economy into a national health insurance scheme, where care for the poor will be funded through municipal and national tax revenues. The central government takes on a larger portion of the financing in the case where provinces are poor and municipalities will bear a larger responsibility in wealthier areas.

42 Fuhr, Christopher, 1999, and Development and Cooperation (D+C), No. 3, 1999.

The second pillar of the SHINE concept is that local self-help initiatives are being supported and are considered equally important to the success and sustainability of a national insurance scheme. These grassroots organizations, active since the 1970s, have been working actively in preventative and promotional care. Their aim is to reduce overall health risks in the community. Financing through these self-help groups is through a process over local community-based membership and fees. In many cases, patients receive grants or loans to seek treatment in emergencies; in other cases longer-term benefits are structured into the system.

Status

The Health Insurance Institute of the Philippines, responsible for the scheme, in collaboration with GTZ, instituted a national survey of those needing services. The decision on qualification for coverage is taken for the family, not the individual, and an insurance card is issued. Significant central and decentralized infrastructure is being developed for data processing, dissemination of information and analysis. Communications infrastructure is being developed around the country along with strategic consultancy and employee training. Software systems are being developed to cope with the processing of main hospital fees.

CASE 7

The South African Old Age Pension (SA-OAP)⁴³

Who

South Africa, with a population of some 40 million people, has one of the highest rates of measured inequality in the world. Ten per cent of its people earn 80 per cent of the income, while over half the population has no access to decent housing, piped water, or electricity. Its metropolitan areas have all the characteristics of advanced consumerist society; these exist alongside with deep rural areas where traditional customs are intact.

A scheme of state social assistance for poor people was started during the 1930s to protect the white population. The Old Age Pension was extended to all citizens over the sixty years prior to the transition to democracy in 1994. This benefit, which is awarded to just over 80 per cent of elderly citizens, has been proven to make a vital contribution to household security, with important knock-on effects in local economies.

What

Social protection in South Africa has three pillars:

- social insurance accessed through the workplace;
- private savings by individuals;
- State social assistance in the fields of child and family care, disability and for elderly people.

Overall, government policy is to encourage people to make their own provision for retirement. Over 70 per cent of those in formal employment are members of occupational pensions schemes. However, unemployment is high, formal economy wages low, and the informal economy is large, so only about 40 per cent of the labour force is covered. The vast majority of black South Africans qualify for the Old Age Pension. This is a non-contributory, means tested benefit, paid from general revenue; to women from 60 and men from 65 years old. The monthly award in September 1999 was R500 per month (equivalent to about US \$80).

43 Ardington and Lund, 1995, give a description of basic elements of the system.

How

In the past, different administrations dealt with different “race groups” in different areas, leading to complex, fragmented and inefficient bureaucracies. Since the 1994 political transition, all state social assistance is now administered through the one national Department of Welfare. Grant levels and conditions are set at national level, while administration is done through nine provincial welfare departments and their local offices. In the urban parts of the country, pensions may be paid through banks or post offices. Partly in response to the administrative problems, delivery to most small towns and to rural areas has been outsourced to the private sector. This is mostly done through automatic teller machines housed in mobile vehicles which stop at particular fixed points, such as near trading stores, schools, clinics or offices of the traditional tribal authorities. Pension payment days have become the major monthly trading day, especially in rural areas.

Financing

State social assistance is financed from general revenue. It comprised 9 per cent of all government spending in the 1999/2000 fiscal year. This compares to the 22.4 per cent allocated to education (the largest single budgetary allocation of all government ministries); and the 11.2 per cent to health in the same period. The Ministries of Finance and Welfare award increases to the level of all pensions and grants at least once, and sometimes twice, a year. These are notional increases, not linked to either inflation rates nor to objectively assessed increases in the cost of living.

There is an interim problem of fiscal management in that, although national legislation and regulations mandate the payment of benefits, this is a non-funded mandate to the provinces, and the poorer provinces (with most pensioners) have struggled to keep payments up (though the central State has up until 1999 guaranteed payment).

Status

The SA-OAP is currently awarded to some 1.5 million beneficiaries, of whom about 70 per cent are women. Individuals make applications for the benefits, but the pension is used as pooled household income in the three generation households in which most poor elderly people live.

Analysis of provincial and national income and expenditure studies (Ardington and Lund, 1995) shows that:

1. The benefits are well targeted in terms of poverty; they reach about 25 per cent of all South African households; but the very poorest households (the poorest expenditure decile) are those without an elderly person or a disabled person.
2. They are well targeted in terms of reaching rural areas where poverty shares and rates are highest. They are received by nearly one third of all rural households.
3. They are gender sensitive: women draw them younger, and live longer. More money is spent on goods to satisfy basic needs in households in which women receive and control the pension money.
4. It is an inter-generation support mechanism: significantly, more children live in households in which there are pensioners, and so benefit directly from the pension (Case and Deaton, 1998).

Smaller scale studies have shown the importance of state assistance in “provisioning livelihoods”: it has a household income smoothing function; it is spent on social expenditure such as children’s school expenses and to pay for transport to health services; it is used for agricultural inputs and small enterprise development. There are a number of signs of its importance in local and rural economies: major hire purchase firms have changed their collection schedules to coincide with pension days, and clients of a microfinance NGO have asked for coordination between the dates of pension payments, and dates of loan re-payments.

Future

The government has acknowledged the effectiveness of its social assistance as a contribution to poverty alleviation, though the value of the pension was somewhat eroded in the 1999 fiscal allocation. An active human rights and welfare network of organizations acts as a high profile watchdog over the continuation of the system. The Department of Welfare has articulated its commitment to overhauling the administrative system, to improve efficiency and combat fraud. The estimated 10 per cent leakage to higher income deciles, through inefficiency or through fraud, is not a poor performance by international standards. However it affects the legitimacy of the system, makes it vulnerable, especially in the austere macroeconomic policy climate adopted by the new government.

Various government commissions on retirement provision have pointed out that social pensions should not be threatened by demographic trends in the short to medium term. Take-up rates are already high, so the pensions should be sustainable so long as the economy grows at a reasonable rate. In the face of the HIV/AIDS catastrophe that South Africa is enduring, the role of elderly people in ensuring household security, and in support for children, will become even more important than at present. The SA-OAP will thus continue to play a significant role in future.

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