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Social and Financial Inclusion for the Youth: Opportunity for Mutualism

Speaking Note

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Mutuals: an elusive concept

- The European Commission has described mutuals as ‘voluntary groups of persons (natural or legal) whose purpose is primarily to meet the needs of their members rather than achieve a return on investment’.
- The International Cooperative and Mutual Insurance Federation (ICMIF) define mutual insurance as inclusive insurance, a mechanism to protect people against risk in exchange for payments tailored to their needs, and in a manner where they participate in the design, development, management and governance of such product, services or institutions.

Risk sharing within mutuals

At the heart of mutualism lies the pooling of risks blended with solidarity:

- "Although members [of mutuals] benefit from the diversification of the risk pool, they may also collectively underwrite the performance of the pool with the implication that members will make additional contributions in the event that the financial performance of the pool requires such contributions. (...) This concept is referred to as solidarity.

- "Solidarity can differ from the stock company equivalent where shareholders might be prepared to support losses but would not generally be required to do so further than a defined amount and could be considered to do so on commercial terms. For a (mutual), however, the decision to pay further amounts may be made on both commercial and other more social reasons reflecting the sense of solidarity between members of the group."

(IAIS – International Association of Insurance Supervisors, *Application paper on the regulation and supervision of mutuals, cooperatives and community- based organizations in increasing access to insurance markets* (Consultation draft 16 June 2016.)

Coverage against social risks

- Private insurance does not provide adequate coverage for social risks because of well-known market failures: adverse selection, moral hazard and free riding.
- The welfare state stepped-in to provide "social insurance and allied services."
- The ageing of populations defied such an endeavour: the welfare state had to be rolled back and the adequacy of pensions and other welfare benefits was curtailed.
- Historically, mutuals flourish where insurance markets and states both fail in providing full and adequate coverage of social risks.

New social risks

- New social risks have arisen from the deep economic changes that achieved present-day post-industrial society, namely: the predominance of the Tertiary in employment and the massive entry of women into the labour force.

- Post-industrial economies further added to the stress of the welfare state by undermining the traditional base of social security financing by social contributions levied on wages.

Youth is strongly exposed to new social risks

- New social risks tend to be concentrated on the same groups of people, usually younger people, families with small children, or working women.
- New risks tend to affect people at younger stages of their lives, since they are to do with entering the labour market and establishing a position within it, and with care responsibilities primarily at the stage of family building.
- They are more serious problems for minorities - those without access to adequate training or education, or who are unable to draw on child or elder care from the family or the state.
- Youth has very strong exposure to new social risks because young adults lack both work records long enough for social security coverage and/or a meaningful private savings buffer.

Opportunity for the Social and Solidary Economy

- Market solutions against social and financial exclusion of individuals and social groups, notably, young people, have been designed: micro-credit and micro-insurance for small businesses, financial backing for entrepreneurship by business angels, special credit for education and training, etc.
- State policies also evolved into what is called in the EU the social investment approach, with a strong emphasis on active social policy, prioritizing investments for the future over social protection.
- Market and state failures widely persist when facing new social risks, which create an opportunity for the social and solidary economy (SSE).

Drivers for solidary coverage against social risks

- Three main drivers bring about solutions for coverage based on solidarity: (1) philanthropy, (2) mutual-help, and (3) risk-sharing.
- Typically, most not-for-profit institutions addressing the needs of targeted populations at risk of poverty and social exclusion appeal mainly to the philanthropic driver, raising donations from individuals and corporations to finance their activity.
- Local communities (under more or less institutionalized forms) have traditionally acted mostly upon the mutual-help driver, and continue to do so wherever community ties have not eroded.
- Mutuals are focussed on risk sharing among their members promoting what may be named "responsible solidarity".

New risks, youth and mutuals

New social risks	*Mutuals' solutions for youth*	
	Financial services	*Non-financial services*
Poverty and social exclusion of children, youngsters and single parenthood	Mutual coverage Start-up's seed capital	Student residences Incubators for entrepreneurship Co-working and co-living facilities
Family-work balance	Mutual coverage	Child care facilities
Employability	Mutual coverage Loans for education-training	Training schemes
Temporary and permanent disabilities linked to new social trends	Mutual coverage	Healthcare and rehab Long-term care Health managed care