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A Comparative Study on Social Security Systems in Iran, Germany, France, and Turkey

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ABSTRACT

Needless to say one of the most imperative fundamentals of developmental strategies is social security. Since people cannot directly deliver social security, governments must play the role of creator of services with the assistance of people. Providing better services of social security can guarantee wellbeing of society and reduction of social ills. The present study was performed in order to provide a comparative determination of social security systems in four countries, i.e. Iran, France, Germany, and Turkey. After a brief introduction, social security systems in these countries were reviewed. Then, three important schemes of social security systems all around the world (namely health care, pension, and unemployment) were reviewed comparatively in these countries and conclusive remarks were presented.

KEYWORDS: social security system, pension, health care, unemployment.

1- INTRODUCTION

One of the most important prerequisites of developmental plans is social security. To attain this goal, governments frequently consider this notion as a public good. As people are not able to directly provide social security, governments have to play the role of producer of this public good with the aid of people (Zare, 2007).

Social security is a notion presented in Article 22 of the Universal Declaration of Human Rights:

"*Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.*"

In other words, participants approve that society where a person lives should aid him or her to grow and provide majority of the advantages in terms of culture, occupation and social welfare to be offered in the country (UN, 2012).

According to the definition presented by International Labor Organization, social security is a protection a society provides for its members through a series of governmental practices against economic and social pressures; if such a protection is not provided, disastrous consequences will occur (Zare, 2007). The present study aimed at performing a comparative study on social security systems in four countries, i.e. Iran, Germany, France, and Turkey.

2- Social security in Iran, Germany, France, and Turkey

The activity of social security in Iran dates back to 1931, with the construction of Trans Iranian Railway in 1930. It started with the establishment of workers' provident fund for supporting those workers and their families who were working on the roads. As well, construction workers were supported in 1932, and finally the Workers Insurance Act was approved in Parliament in 1943 and put into effect in 1945. With passing of time and for development of insurance coverage to more workers groups, some reforms were provided during 1945 – 1952 and approved by Parliament. At last for the first time, the workers' Social Insurance statutory Act was approved in 1952 and this organization started its activity in 1953. Social Security Organization is a nongovernmental organization that its financial resources financed by contributions (with participation of insured, employer and government) and is not dependent on governmental resources. This organization is mainly supported by tripartite contribution of employers, insurers and government in different areas of policy making, remarkable decisions and financing of

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financial resources. Liabilities of this organization have been organized according to defined Standards of Labor International Organization (ILO) and International Social Security Association (ISSA), and in fact, comprises the highest limit of this standard. According to the Law, the Organization is obliged to provide these liabilities and services (Social Security Organization of Iran, 2015).

The Turkish social security system planned by the central state comprises pension and health insurance arrangements that are delivered by the three social security institutions. The "Sosyal Sigortalar Kurumu" (SSK) delivers services to over 35 million blue- and white-collar workers in the private sector, blue-collar workers in the public sector, jobless, employers in the private sector, pensioners, and the dependent of the actively insured just mentioned. Moreover, a noncompulsory insurance exists for invalidity, old-age, and burial costs for those who are not protected by social insurance. For the voluntarily insured workers in the agriculture sector the SSK also provides occupational accident and health insurance. The "Emekli Sandigi" (ES) provides services for more than 10 million white-collar workers in the central government, in public finance or economic enterprises, and in state-owned enterprises, as well as their dependents. Finally, the "Bag-Kur" (BK) provides compulsory insurance for 15 million self-employed and artisans, voluntarily insured farmers, as well as their dependents. Since 2003, workers insured with the SSK are also covered by an unemployment insurance organized by the "Turkish Labor Agency" (Is-Kur). Furthermore, social assistance is provided by the "General Directorate for Social Assistance and Solidarity", SYDGM, (Sosyal Yardimlasma ve Dayanisma Genel Müdürlügü) its affiliated 931 "Social Insurance Solidarity Foundations", SYDV, (Sosyal Yardimlasma ve Dayanisma Vakiflari) and the "General Directorate for Social Services and Child Protection", SHCEK, (Sosyal Hizmetler ve Çocuk Esirgeme Karumu) (Grütjen, 2007).

Germany is considered by a substantial social security system representing one of the features of the social market economy and providing a significant component of the social budget. The social security system includes four main components: the old age pension system, nurtured care, health insurance, and unemployment insurance with two types of unemployment benefits. Majority of the costs of the social security system are supported by contributions paid half and half by employees and employers, about one fifth is sponsored from tax revenue. Therefore, the financing of the social security system is largely related to the labor contract (Siebert, 2003).

The French social security system includes five key parts: the general scheme, which covers most staffs and other groups of people (pupils, receivers of certain benefits, inhabitants) who have joined it over years; the special employee schemes, some of which cover all dangers and others covering only old age pension insurance (nationals covered under the general scheme for the other risks); the agricultural scheme which covers all risks but in two distinct groups: farmers and agricultural workers; the schemes for non-agricultural self-employed persons: three independent old age pension schemes (craft trade workers, traders and manufacturers and the professions) and a sickness insurance scheme; the unemployment schemes and the mandatory supplementary pension schemes. The general scheme itself has four divisions: the illness, maternity, invalidity and death branch; the misfortunes at work and work-related illnesses branch; the old age pension branch; the family branch. Besides that, additional shared structures exist, both obligatory and intentional in nature. These schemes are specific to vocations (corporations or sectors), and they largely cover old age pension, sickness or invalidity insurance. Persons can have private insurance to complement these schemes (European Commission, 2013).

3- Financial resources

The sources of income of the Social Security Organization of Iran are as follows: According to Article 28 of the Social Security Law, the income of the Social Security Organization is generally financed through: Income obtained from the insurance contributions, income obtained from the investment of funds, reserves and properties of the organization, income obtained from penalties and cash fines, grants, gifts and other incomes (Social Security Organization of Iran, 2015). Fig. 1 depicts the process of social security organization input (sources) and output (consumptions) in Iran

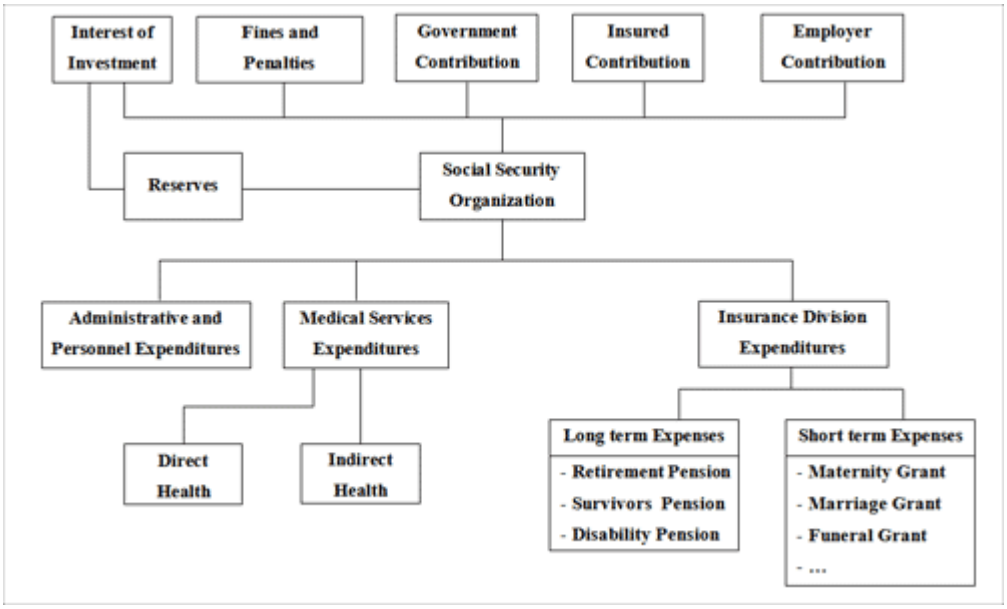

Figure 1: The Process of Social Security Organization Input (Sources) and Output (Consumptions) in Iran

The general scheme is supported primarily by contributions and taxes taken from pays, which comprise 80% of total revenue. Contributions are considered according to percentage rates at national level and are paid partially by employers and somewhat by employees. The two social welfare taxes, the "Contribution Sociale Généralisée" (CSG) and the "Contribution pour le Remboursement de la Dette Sociale" (CRDS) are paid by employees. The CSG and CRDS are paid on income from employment, replacement income, property income, investment income and gambling income. All persons considered as inhabitants of France for income tax purposes and subject to a French obligatory health insurance scheme are accountable for the CSG (at the rate of 7.5% on earned income and 6.2% on replacement income) and the CRDS at the rate of 0.5% on their earnings. Pensioners receiving a French pension and treated as inhabitants of France for tax purposes are accountable for the CSG at the rate of 6.6% or the reduced rate of 3.8% if their reference taxable income is below 13,900 €. A 1% tax on their supplementary pension(s) (both obligatory and intentional) all exists. Persons subject to the obligatory health insurance scheme treated as nonresidents of France for income tax purposes are accountable for employees' health insurance contributions at the 5.5% rate applicable before 1st January 1998. Persons receiving a retirement pension treated as nonresidents of France for tax purposes but subject to an obligatory health insurance scheme are accountable for taxes on their obligatory extra pension and intentional extra pension (3.2% and 4.2% respectively under the general scheme) (Social Security Organization of France, 2015).

The social security system in Germany is supported from national insurance aids funded by employers and employees, and from general tax revenue. As an employee, you must pay contributions to illness insurance, long-term care insurance, unemployment insurance and pension insurance. The contribution for a legal insurance coverage is a stable percentage of salaries. 53% of the contribution must be paid while employer pays about 47%. Nevertheless, self-employed persons pay all contribution to illness insurance, long-term care insurance and pension insurance. Employers are exclusively responsible for accident insurance contributions. The employer of a person with unimportant service must pay all contributions to the illness insurance and, plus the employee, obligatory pension insurance contributions. Employer is liable to calculate and pay contributions whenever wage or salary is paid. If the monetary supplies of the relevant illness insurance funds are not roofed by the salary-associated contribution, the insurance funds levy an extra contribution which is not associated with income. If the average extra contribution of the legal illness insurance surpasses 2% of salaries subject to contributions, a social compensation (Sozialausgleich) is considered. The contribution rate for long-standing care insurance (Pflegeversicherung) is 2.05%. Insured persons born since 1940 without children pay an extra contribution of 0.25% as soon as they get to the age of 23. In 2013, the maximum for obligatory legal illness insurance and long-standing care insurance was considered to be at €52.200. For general pension insurance, the total amount is 18.90% of salaries up to the contribution ceiling (€69,600 yearly in the old Länder and €58,800 yearly in the new Länder). Half of the contribution is usually paid by the employer. The rate of contribution to unemployment insurance is 3.0% of salaries up to the contribution upper limit pertinent to the unemployment insurance. Supposedly, half of the contribution is

paid by the employer and half by the employee. No contributions are allocated to family grants (financed by public funds) (European Commission, 2013).

In turkey, 9% of monthly earnings are paid by insured person. Self-employed persons must pay 20% of monthly declared earnings, up to a maximum. Employers must pay 11% of employees' monthly earnings, up to a maximum and government must pay 25% of total contributions collected by the Social Security Institution (SSPTW, 2012).

4- Health care benefits

Under Iranian social security, if the insured needs to be moved to another city for medical treatment, and he/she is treated as an outpatient, as well as illness benefit, a payment equal to 100% of the everyday illness benefits will be made for each day of his/her stay. Subject to the decision of his/her treating physician, if the patient needs a companion, plus traveling expenditures, an amount correspondent to 50% of the everyday salary or wage of the insured would be paid to his/her companion (Social Security Organization of Iran, 2015).

In France, all patients over 16 years of age need to select a treating doctor ("médecin traitant") who will refer them to the suitable physicians and hospitals and is in charge of updating their personal medical record. This so-called "coordinated care pathway" system is not considered for children. The treating doctor may be either a general practitioner or a specialist and must agree to act as the patient's treating doctor. Patients may alter their treating doctor by making a new statement to their Health Insurance Fund. The patient is generally required to bear part of the medical cost ("ticket modérateur"). However, in special situations such as a severe and long-term disease in need of expensive treatment, the patient is exempted from the co-payment. The co-payment will be more if the patient is treated without being referred by a treating doctor. The patient also bears several other expenditures, as well as the co-payment: a flat-rate charge for extensive actions, a 1€ cost for visiting a doctor and for examinations and tests and a flat charge for medicines, paramedical procedures and travel for medical purposes. Medicines are supplied on prescription. The social security system covers a part of the charge of medicines included in the positive list of reimbursable pharmaceutical products (Social Security Organization of France, 2015).

According to rules of social security in Germany, a general obligation exists for the whole population to be insured against the risk of illness. As a rule, this requirement can be achieved by legal or private illness insurance. In the legal illness insurance (gesetzliche Krankenversicherung, GKV), all insured persons are permitted to make use of benefits in kind in the event of illness, irrespective of whether they are compulsorily, voluntarily or co- (family-)insured (European Commission, 2013).

In Turkey, employees who fall ill for other reasons than a work accident or a professional disease can obtain an illness insurance benefit under special cases. The employer has no responsibility to pay. The amount of the sick pay corresponds with half of the salary in case of inpatient care and 2/3 of the salary in case of outpatient care. The calculation basis is the 'everyday earning' which can be determined by making the sum of all earnings subject to premiums gained over the last three months prior to the moment the sickness occurred and dividing this amount by the number of paid premium days that are due for that period. Self-employed are not part of the illness benefit scheme (European Commission, 2013).

5- Pension benefits

On the basis of Iranian social security law, the states of an insured person who is not employed anymore because of having reached the retirement age are as follows: Age 60 (men) and Age 55 (women). Total age 50 (men) and age 45 (women) with at least 30 years of contributions. Any age (men and women) with 35 years of contributions. Any age (men and women) with at least continuous 20 years or periodical 25 years of work in an unhealthy working environment or in a physically demanding natural environment. The women with 42 years old and 20 years of contributions receive monthly old-age pension equal to 20 days of their total salary a month (Social Security Organization of Iran, 2015).

The old-age pension insurance is applicable for persons employed in the private sector who obtain a basic benefit under the general scheme or the agricultural scheme and an extra benefit provided by the organizations forming part of the AGIRC and ARRCO. Membership of the supplementary scheme is obligatory. Similarly, self-employed persons benefit from obligatory basic and extra schemes. Basic pensions provided under the schemes for craftsmen, retailers and producers and for farmers, are on a par with those under the general scheme. In order to get a full pension, one has to fill a minimum insurance period and to achieve an age condition, the latter rises slowly from 60 to 62 (in 2017) and, if the condition concerning to the insurance period is not satisfied, from 65 to 67 (in 2022); nevertheless, special requirements apply to workers with long insurance periods. Entitlement starts once the contributions are sufficient to guarantee the endorsement of at least one quarter's insurance. One quarter's insurance is obtained when the insured has payment equal to the amount of 200 hours of the minimum wage. In the extra

pension systems, the same instructions apply about retirement age. Nevertheless, no minimum insurance period exist (European Commission, 2013).

In Germany's social security, the one subject to obligatory pension insurance is protected by old-age insurance. An old-age pension is regarded as a prize for the work during working life. To receive it, a certain age must be reached and a minimum period of insurance must be completed. Usual retirement pension (Regelaltersrente) is gradually increased to 67 years from 2012 to 2029, starting with those born in 1947. The upsurge originally equals one month per birth cohort (retirement age rise from 65 years to 66 years). For persons born from 1st January 1959 onwards, the rise corresponds to two months per birth cohort (retirement age rise from 66 to 67 years). For all those born after 31st December 1963, the standard retirement age of 67 years will apply. It will still be likely for insured persons to retire at the age of 65 years without having their pensions decreased if they finished 45 years of compulsory contributions from employment and care and from child-raising periods up to the age of ten. There are no limits to the amount of income you might receive as well as your normal retirement pension (European Commission, 2013).

The retirement pension system in Turkey is administered by quite a few parts of legislation, which, at their origin, shaped distinct pension systems for diverse professional categories. Pension payments aren't subject to tax nor to social security contributions also not for the health insurance purposes. No partial retirement scheme exists in place. Second pillar pension schemes do not exist in Turkey but third pillar private pension schemes, the 'individual pension scheme' are recognized primarily in some bigger private companies. Payment of the pension is theoretically conditioned on one withdrawing from the labor market. Self-employed may continue with their professional actions and pay a decreased social contribution rate considered on the declared income for the activities concerned whilst still keep the full pension entitlement for their past professional actions. Retired employees and civil servants can continue to work and keep their pension. The reduced 15% social insurance contribution rate is applied on their gross salary (European Commission, 2013).

6- Unemployment

According to social security law in Iran, unemployment must not be because of abandoning willingly and misbehavior and the unemployed person must be ready to work. The unemployment benefit is allocated when there is six months of contribution payments record before the date of unemployment by introduction of Employment and Social Affairs Office on the basis of which of the Social branches will cover the unemployed persons. The maximum period of benefits relies upon the length of coverage and marital status. The obligatory insured people under the coverage of labor law are permitted to make use of unemployment insurance. It could not comprise the insured people of the uncovered workplaces in addition to the foreign nationals. The seasonal workers and the employees of certain occupations will be entitled to unemployment insurance if their unemployment happens during the season of work or within the period of contract (Social Security Organization of Iran, 2015).

According to French social security rules, only employed persons can claim unemployment benefit. To qualify for unemployment benefits, one needs to achieve the following conditions: have become unemployed through no fault of your own; be registered as a jobseeker and agree to a personalized back-to-work action plan; be genuinely and continuously seeking employment; be physically fit for work; not meeting the conditions for receiving a full pension; produce evidence that you have been insured under the unemployment insurance scheme for at least four of the last 28 months (36 months if you are over 50) (European Commission, 2013).

In Germany, in principle, an employed person or trainee who becomes unemployed is permitted to make use of unemployment benefit if the following conditions are met: registration as an unemployed person with the employment office and apply for the benefit; being unemployed or employed for fewer than 15 hours a week; being available for work, in other words, being capable of working and willing to accept any suitable employment offered, and actively looking for employment; completing the qualifying period to be entitled to employment benefit, i.e. being in employment for which contributions are obligatory for at least 12 months during the last two years (European Commission, 2013).

The unemployment scheme in Turkey is open for staffs only and not for self-employed or civil servants. The unemployment insurance is obligatory for all employees. The amount of the (everyday) unemployment benefit is 40% of the gross daily revenue of the insured person. As foundation of calculation, the average earnings of the last 4 months before the labor contract end are taken as a reference. The amount of the benefit may not surpass the gross minimum wage applied to workers under 16 years of age. No waiting periods are considered. The benefit is paid as of the first day of unemployment. The unemployment benefit is paid out monthly at the end of the month. The unemployment insurance benefit is not subject to taxes or contributions and not subject to means-testing (European Commission, 2013).

7- Conclusion

Provision of welfare and comfort has been one of the most important challenges faced by governments. Governments all around the world do their best in order provide the most appropriate services for their people. The present study was formulated in order to run a comparative study if social security system in four countries, i.e. Iran, France, Germany, and Turkey. The concept of social security is based upon providing services for all layers of society. The most hazardous points of living is all societies can be when people encounter different kinds of sicknesses. In the time of illness, people might be most prone to a lot of problems and at this time, they might be in need of any help from government. Social security services in terms of health care schemes can play a pivotal role in reducing grief in the families directly or indirectly suffering from illnesses. Elderliness is inevitable in all societies. After many years of work and activity, elderlies need to be supported by government to have a comfortable live when they are old. Old age pensions is one of the most important schemes of social security which can be seen as a motivation to join social security services. Unemployment has currently been considered as one of the most important problems of societies. Providing support for unemployed people in society can be a good idea in order to guarantee prevention from crimes and addiction. Comparing social security systems in several countries provides a framework for relative organizations in order to find strengths and weaknesses in their performance. Hence, more comparative studies are required to open new avenues for social security organizations to improve their services.

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