

**ORIGINAL RESEARCH****Social security insurance model in Iran with a sustainable development approach: A comparative study of selected countries, Iran, Turkey and Denmark**

Mohammad Biglary Taleghani<sup>1</sup>, Mohammad Reza Bagherzadeh\*<sup>2</sup>, Asadollah Mehrara<sup>3</sup>, Yousef Gholipour-Kanani<sup>4</sup>

1. *PhD Student of Governmental Management, Qaemshahr Branch, Islamic Azad University, Qaemshahr, Iran*
2. *Assistant Professor, Department of Management, Qaemshahr Branch, Islamic Azad University, Qaemshahr, Iran*
3. *Assistant Professor, Department of Management, Qaemshahr Branch, Islamic Azad University, Qaemshahr, Iran*
4. *Assistant Professor, Department of Management, Qaemshahr Branch, Islamic Azad University, Qaemshahr, Iran*

\*Corresponding Author:

Address: Department of Management, Islamic Azad University, Qaemshahr Branch, Iran.

Email: baqherzadeh@gmail.com

*Date Received: August 2020*

*Date Accepted: October 2020*

*Online Publication: November 1, 2020*

**Abstract**

The social security system in any country is a mirror of the development and the level of welfare of that society, and sustainable development in any country has a direct relationship with the quantity and quality of social security services. Given the initial establishment of the social security system in almost all countries, as well as Iran, the main challenge in this area can be considered the development of quality, quantity and services in a way that is able to meet the needs of society. (Khaleghparast, Rasekh, Naimi, 2017). Therefore, this study intends to identify the gaps between the current situation and the desired situation, by presenting applications in the form of a proposed model, to design the desired social security system according to the characteristics and conditions prevailing in society and its final destination to determine the development process of the country. This study is a descriptive-comparative study and has been done in several stages. The findings indicate that there is a significant gap between the management, governance and establishment of the social security system in Iran and the sample countries, especially Denmark. In countries that have succeeded in establishing the social security system, they have paid special attention to the three indicators of development and empowerment (risk management and realization of prevention levels), macro-planning and how to provide services, and by recreating the position of government in the security system, as well as following the recommendations and patterns of communication by international organizations and institutions, which are always considered as policy theories, the reference of policy makers in this field, have achieved good success in creating social welfare and public satisfaction. In this regard, according to the information obtained, it seems that the Social Security Organization, in following the patterns, models and global systems in the field of social security, should undertake serious reforms in the field of macro planning, development and improvement of employees, as well as improving and developing service delivery, take effective steps towards achieving sustainable development of the country.

**Keywords:** Social security; Sustainable development; Social welfare; Human development

## Introduction

The influence and strengthening of the view that "social security is effective in the economic, social and cultural development of countries" is of considerable importance and is becoming more and more common. Because its growth rate is one of the main indicators of measuring the progress and development of any country. Therefore, the way social security works in covering the maximum of society depends on the economic strength and social structure of the ruling countries and governments (International Labor Organization (ILO), 2012).

While conducting surveys and interviews with some experts in the field of social security, it can be said that the main problem in the field of social security in Iran is the inefficiency of the current system in providing desirable services in the insurance and support sectors. Now the main question is how to design a model for the development of Iranian social security insurance with a sustainable development approach to expand more insurance and support coverage while providing more and more diverse support programs and tours, more people under support and provide customer satisfaction with various methods of providing services.

Too much emphasis on income redistribution as well as protection of the poor as envisaged in Iran's social security system and Article 29 of the Constitution can do damage to the national economy. This is a path that has been tried once before by developed countries, and the end result has been those countries' efforts to reduce welfare subsidies and create a direct link between work and welfare. Therefore, the government must act on this issue by creating decent work.

### 1- Examining different social security systems

The social security system refers to the totality of social security plans and programs in a country. Adopting a systemic approach is a prerequisite for the successful implementation of social security schemes, and social isolation goals cannot be achieved by isolated programs in one sector or by government coercion. Achieving social security goals requires appropriate policies, legal frameworks, and institutional-structural frameworks within an integrated system, and if this system is comprehensive and well

coordinated, integrated policy packages to tackle poverty will be more effective. And have higher efficiency and lead to the stability of the system itself (International Labor Organization, 2014).

#### 1-1. Safety nets

Safety nets are one of the key components of an anti-poverty strategy. They are essentially income-generating programs that protect an individual or household from two harmful consequences: chronic poverty and reduced ability to work (Subbarao et al., 2010).

#### 1-2. Social protection floors

This model, provided by the International Labor Organization, is a guarantee to provide minimum social security (at the basic level) to all members of society (International Labor Organization, 2010).

#### 1-3. Social protection

In the turn of the approach and concept created by the International Labor Organization, the term "social protection" replaced "social security". The term is used in a broader sense than "social security."

The "social protection" system is based on social risk management and its approach is based on meeting the needs and development of basic human capabilities. (International Labor Organization, 2014)

#### 1-4. Dynamic social security

Social security has changed fundamentally and become more complex in the last decade; The role of social security is no longer limited to the redistribution of income and the provision of benefits to ensure minimum welfare and meet the basic needs of individuals and households. The purpose of social security now is to prevent people from taking risks in life and at the same time to maximize their potential and capacities in order to reduce their vulnerability and facilitate cohesion and unity. The International Social Security Association (ISSA) has called this innovative and preventive approach a dynamic social system. (McKinnon, 2014)

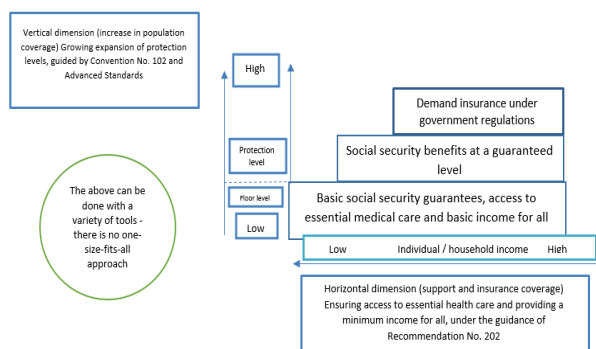
#### Social Protection and Labor Strategy (SPL)

The World Bank's strategy calls for three measures to improve livelihoods and advancement by connecting people to better jobs and opportunities: first, to ensure investment in children, to activate people, especially young people, and to improve the functioning of labor markets for Attract them and improve workers' income-generating

opportunities by improving their skills and productivity (World Bank, 2010)

### Two-dimensional strategy of horizontal and vertical development of the social security system

Establishing and maintaining social protection floors as the foundation of national social security systems (horizontal dimension) and continuous development of the social security system to higher levels of the program for as many people as possible that are subject to the ILO social security standards (vertical dimension). This two-dimensional strategy should aim to build a comprehensive social security system in line with national priorities, resources and conditions (International Labor Organization, 2012).



**Figure 1- Two-dimensional strategy of social security development (development of the International Labor Organization) (International Labor Organization, 2012, b)**

### Proper instructions

In an effort to humanize the face of the global economy, the International Labor Organization has proposed decent work guidelines to promote equal opportunities for women and men to achieve decent work in conditions of freedom, equality, security and human dignity at a fair wage (ISA, 2010).

### 2- Social security system in Iran (review of the current situation)

It seems that many problems of the social security system in Iran should be followed in policies, regulations and also in the executive field. It also seems that the lack of stability in financing, centralized structure and planning, lack of risk management and empowerment of clients, as well as the lack of full

implementation of the recommendations of international institutions, such as the International Labor Organization and ISA in this area is the missing loop in the development of Iran's social security system. Therefore, with a closer look at the Social Security Organization, we come to the conclusion that the existing problems do not end with the non-payment of government debts to this organization, and that Social Security has internal contradictions and illegal actions that have led to public dissatisfaction and the current unfavorable situation.

### 3- Study of social security system in selected countries (preferred system)

#### 1-3. Social security system in Denmark (distance comparison)

This country has one of the most advanced social security systems based on the Bourgeois model in the world, so that when there is a problem for a person, there are various support tours so that the person's life is not destroyed. The public sector has a duty to provide quality services to citizens. In Denmark, most social security policies are implemented by public sector employees, not the private sector. The Danish social security system is funded by taxes. The structure of social security is small and simple, and planning is centralized and implementation is decentralized. (Higher Institute of Social Security Research, 2017)

#### 3-2. Social security system in Turkey (close comparison):

The social security system in Turkey is often similar to the Bismarck model. The Bismarck model is a system in which premiums are paid on employees' salaries, collected according to their insurance status in a common fund. The main players in this system are employees, employers and representatives of the public sector. In this system, paid premiums provide the basis for future social security services. This system does not cover many people, but it tries to eliminate social risks through family relationships. The Turkish Social Security Institution (SOSYAL GUVENLIK KURUMUI=SGK) is a combination of a pension fund, insurance with insurance and a social insurance institution. (Higher Institute of Social Security Research, 2017)

## Materials and Methods

In the first stage, the existing sources and documents in the field of social security in the domestic and international dimension were studied and the theories, models, instructions and various systems of social security were examined. Then, according to the obtained acquaintance, the current situation of the country's social security organization has been examined. In this regard, in addition to the existing documents and books in the field of social security, through interviews with a number of experts (Wise Man) in this field, the current status of social security insurance in Iran was explained. In the next step, the situation of social security insurance in the two selected countries of Denmark and Turkey is examined and then by obtaining expert opinions of experts in the field of social security insurance using Delphi technique and analysis of votes obtained to explain the desired situation. Then, while identifying the challenges, obstacles and limitations (identifying the gaps between the current situation and the desired situation) to design a model to provide social security services in Iran with a sustainable development approach and finally provide applications (distance correction program) to improve the service sector, action has been taken in this regard.

## Results

The study of the social security system in some successful countries shows that these countries, while carrying out fundamental reforms in the macro-planning system and applying the recommendations of the responsible international institutions and organizations in this field, have also made many reforms in the operational and executive sector. Extensive use of information technology, utilization of private sector capacity, creation of stability in financial resources, simplification and downsizing of administrative and executive structure, expansion and diversification of social protection programs are among their most important measures. From all the studies and findings in this field, it can be concluded that in order to upgrade and develop the country's insurance system, it is necessary to improve and upgrade three indicators of macro-planning, development and empowerment of covered individuals (risk management,

prevention levels) and indicator of service improvement and development. The most important studied and applied indicator in the field of macro planning in this research is as follows:

Selected countries/ Indicators	Structure (administrative and executive)		Financing			Population coverage			** Share of public and national incomes (2018)		Quality of life scoring of countries (in 2018)	
	Concentrated	Decentralized	Taxation	Social insurance	Premiums for individuals and employers	Nationality	Residence	Employment	GDP	GNP		Other sources
Denmark	*	*	*			*	Permanent	*	49.60%	51.77%	-	rank) 198.57 (1)
Turkey		*		*		*	With a work permit	*	31.1%	33.02%	6.9%	125.51 (rank 44)
Iran	*				*	*	Work permits	*	7%	9%	5.4%	87.02 (rank 70)

Table 1-4. Adapted indicators in the field of macro planning of the social security system

The structure of the social security system of the two countries, especially Turkey and Denmark, is simple and small, and the system of planning, centralization and implementation in them are decentralized, and in general, the structure of welfare management and social security follows a decentralized structure. This means that the government plays the role of

senior management in the field of welfare and health. The biggest challenge for governments in the field of social security is finding sustainable financial resources. Social security, as one of the main missions of the public sector, accounts for a large share of government budget expenditures and a significant proportion of GDP, and in some countries, a share of GDP. In Denmark, the government directly covers individuals through public taxes and is not required to use the private sector. In Turkey, premiums are mandatory (by workers and employers) and about 41% are covered by taxes. In Iran, only 8% of expenses are covered by taxes.

The survey of insurance coverage in Denmark shows that public insurance coverage is 100% and 87% of the Turkish population is covered by social security schemes, but a significant part of the population has no insurance coverage at all. In addition, there are significant differences across institutions in the type and amount of coverage offered. In Turkey, all foreigners who have obtained a work permit in Turkey are subject to the same social security laws as Turkish citizens. Exact statistics are not available; but in total, 3% of the population is covered by insurance and protection organizations. Citizens of foreign countries have a work permit covered by insurance. The social security system in Denmark is based on the Bourgeois system and is also known as national medicine. In this system, the expenses related to social security, especially in the field of health, are provided from the place of receiving public taxes, and for this reason, the government and government-affiliated centers generally provide services. In Turkey, payments are made through social security schemes in which membership in insurance schemes is mandatory. All people and various job institutions such as workers, companies and factories pay a percentage of their monthly salary to the insurance fund as a premium. The government also pays premiums for people who are unable to pay. In Iran, there is no coherent and dynamic financial model in the social security system and only part of the Bismarck model in Iran has been used in the health sector. The share of social security in Iran is very small compared to Denmark and Turkey.

**1-4 Similarities**

- In the studied countries, social security services are provided in three areas: insurance, support and relief.
- In the studied countries, the main planning and regulation of the general welfare plan of the country is one of the duties and responsibilities of the central government.
- In all studied countries, financial support for the unemployed, the sick and the disabled is

Table 2-4, Comparative components of the financing system in selected countries of Denmark, Turkey and Iran

Country	Social security system	Participation rate	Specifications	Advantages	Disadvantages
Denmark	Borj	General taxes and national revenues	Government financing system	1. Exit tax of the financing system (there is stability of financing) 2. Reducing bureaucracy and increasing the independence of service providers	It is a long wait for clients to access specialized services.
Turkey	Bismark	41% tax 31% premium Direct out-of-pocket payment 28%	Existence of a combined system consisting of taxes, public and private insurance premiums and out-of-pocket direct payments	1. Real participation of individuals in financing 2. Establishing a green card system and granting subsidies to low-income groups;	1. Increasing growth of the private sector and its replacement in the government system 2. Financial imbalance in the public sector 3. Lack of insurance coverage in some sections of the population; 4. Differences in insurance funds in the type, amount and coverage provided 5. Lack of criteria to be aware of the eligibility of individuals and some administrative barriers to successful granting of subsidies;
Iran	Participation of individuals and employers	18.3 % government 25.6 % insurance 56.1 % direct payment from the pocket	Existence of a combined system consisting of public funds (taxes, premiums, sale of natural resources, etc.), private funds (direct payments from the pocket, premiums, charitable resources, etc.)	1. Increasing the share of the government in financing 2. Increasing the role of insurance in financing 3. The presence of the private sector	1. The huge share of direct out-of-pocket payments in financing 2. Scattered accumulation in insurance resources 3. Weak management and lack of control over a huge amount of financial resources 4. Replacing the private sector in providing government services 5. Increasing trend of health sector costs

one of the main responsibilities of the Ministry of Welfare and Social Security.

- In the studied countries, the three dimensions of nationality, employment and residence are the basis of population coverage in the field of social security.

#### 2-4. Differences

The main difference between the Bismarck model and other models, including the Bourgeois model, is that insurance premiums are mandatory for all citizens. In fact, services are provided both publicly and privately, while in the Bourgeois model the government is the only provider of services. Also, the Bismarck model is based on the social security system and the existence of insurance funds, while the Borighi model does not provide for social security, and the government directly covers the services of individuals by using public tax facilities. In addition, in developed countries, more movement towards protection systems is based on pre-occurrence prevention, while in Iran, the focus is more on security, which is based on post-occurrence compensation.

#### 4-3. Development and empowerment (risk management)

One of the effective roles of social security is to effectively respond to life cycle risks for the covered people, and risk management increases the achievement of social security goals. Social security must seek to meet the life cycle risks of those covered, including death, retirement, disability, illness, unemployment, medical care costs, and changes in family structure. (ISA, 2016) Risk management in the Social Security Organization will be achieved through actuarial participation and the realization of different levels of prevention (recommended by the World Health Organization) for the covered population by social security.

#### 4-4. The most important gaps (gaps) identified between the current situation and the desired situation

- Weakness in macro-planning (improper implementation of programs in the insurance and treatment sector, complex structure and inefficient executive organization, instability of financial resources, lack of government position in the social security system, lack of social security share of other national funds, etc.

- Not using the recommendations, models and instructions of international institutions, as well as not using a specific strategy for development

- Lack of risk management and failure to achieve prevention levels

#### 5- Explaining the model

According to the information obtained from the studies, the proposed model based on the models and instructions of organizations and institutions involved in the field of social security, identified distances and comments and suggestions of experts and experts in the field of social security is proposed as follows.

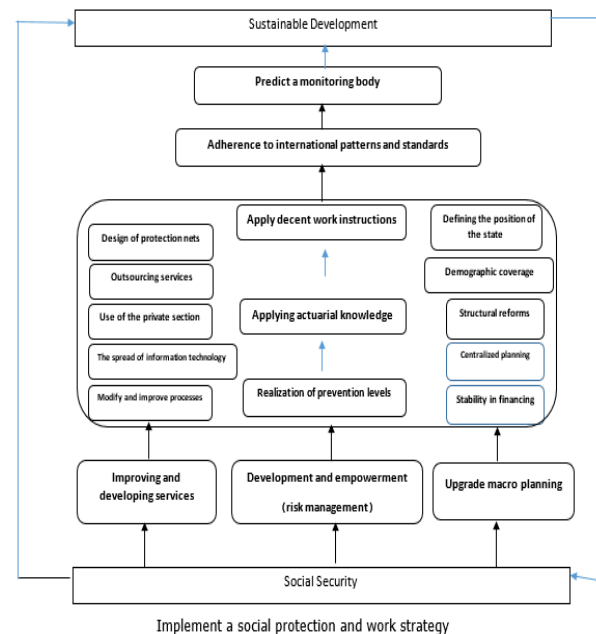


Figure 2 - Proposed model of social security with a sustainable development approach

#### Discussion

The complexities of the social security system due to the increasing changes in other related areas such as the economy, labor market and social environment, indicate the need for greater integration of this system with social protection and labor strategy and is a good way to develop the social security system. It emphasizes the need for external integration of the social security system with other systems at the levels of programs, policies, actors and levels of government to provide resilience, equality and employment opportunities for all members of society. (Raghfar, Amiri, Mahmoudi and Parvandi, 2016).

In explaining the model, it should be said that social security is able to develop the insurance and support system by carrying out the necessary planning to reform the macro-planning index, create risk management and improve and develop insurance services, and by using social protection and work strategies, because with the improvement and upgrading of each of the desired indicators, the hand of the Social Security Organization will be more open to implement protection programs. For example, creating stability in financial resources through the share of national resources such as GDP and national or the realization of 3% of government payments can be a great help in designing and creating insurance programs. Undoubtedly, the empowerment of the covered people, while significantly reducing social security costs, will have a significant impact on the labor market and employment, and the empowerment of individuals will lead to finding decent jobs and, naturally, will play an important role in sustainable economic growth. Designing different methods in providing services will also increase the level of satisfaction among recipients of social security services. It will also be able to increase the covered population by creating executive mechanisms and policies under the main indicators of this organization. For example, designing various protection tours, providing services using information technology such as electronic service desks, developing virtual offices and etc. will create public satisfaction and on the other hand will reduce the executive work of the social security system.

According to studies, in some countries, administrative and financial independence and decentralization of social security have been successful, and in others, there is a greater tendency for central control of all activities in the public sector. There is no specific, standard, uniform and common model for the organizational structure and administrative structure of the social security system of all countries, and according to the contingency of different countries of the world, different structures and patterns are used for certain situations.

The most important applications for the development and promotion of social security services

- Expanding the influence of technology in the administrative structure of social security and providing absentee services
- Development of electronic service desks of the Social Security Organization and creation and development of virtual offices
- Use of legal capacities such as outsourcing of enterprise services
- Establishment of multi-purpose offices to receive and request services
- Implementing the tripartite system in providing sustainable financial resources in the field of social security
- Public education on first level prevention for social security insured
- Attracting the cooperation of related organizations and institutions such as welfare, medical sciences and etc. in achieving the second and third levels of prevention

#### **Conclusion:**

- Examining the quantity and quality of the implementation of the three-tier social security system plan, which has remained silent since 1983.
- Detailed review of risk management by organizations and institutions in charge of social security
- Review and design of programs related to prevention levels with the priority of empowerment and promotion of capabilities in life cycle risk management
- Quantity and quality of the principle of tripartism (worker, employer and government) in the field of social security
- Impossibility of traveling to selected countries of Denmark and Turkey and face-to-face interviews with social security experts and assessing the satisfaction of the insured. Relying on historical data through the Social Security Organization of Iran, Denmark and Turkey, the social security sites of those countries and the International Union of Social Security is also subject to the same rule.
- Information about the economic and social system of countries is not clearly available and it is available with specific goals that are sometimes not close to the goals of this study.

#### **Conflict of interest**

Authors declare no conflict of interest.

**References:**

1. Amiri, Mojtaba, Mahmoudi, Vahid, Raghfar, Hossein, Parvandi, Yahya, "Study of the theoretical-comparative system of social security, orienting the development of the three-layer social security system", 2016
2. Khaleghparast, Hassan, Rasekh, Mohammad, Naimi, Imran, "Legal Analysis of Social Security in Iran in the Light of Principles and Patterns of a Desirable Social Security System" 2017
3. ISA Guidelines for Actuarial Activity in Social Security, 2016, Social Security Organization, 1397
4. Higher Institute of Social Security Research, Study of the structure of social security in the world (with emphasis on selected countries), (1396)
5. "Law on the structure of the comprehensive system of welfare and social security" in the Internet system of the Social Security Organization, available on the site <http://www.tamin.ir/content/oldeditor/file/tamin-ravabet%20omomi/ghavanin/sakhtare%20nezam%20jame.pdf>
6. ILO. (2010). World Social Security Report 2010/11: Providing coverage in the time of crisis and beyond. Geneva:International Labour Organization.
7. ILO. (2011). Social Protection Floor for a Fair and Inclusive Globalization. Geneva: International Labour Organization.
8. ILO. (2012). Decent Work Indicators: Concepts and definitions. Geneva: International Labour Organization.
9. ILO. (2012b). Social Security for All: Building social protection floors and comprehensive social security systems. Geneva: International Labour Organization.
10. ILO. (2014). World Social Protection Report: Building economic recovery, inclusive development and social justice. Geneva: International Labour Organization.
11. ISSA. (2010). Dynamic Social Security: Securing social stability and economic development. Geneva,: International Social Security Association
12. McKinnon, R. (2014). Tax-financed old-age pensions in lower-income countries. Developments and Trends:Supporting Dynamic Social Security (pp. 31-38). Moscow: Developments and Trends: Supporting Dynamic Social Security
13. Subbarao, K., Bonnerjee, A., Braithwa, J., Carvalho, S., Ezemenari, K., Graham, C., & Thompson, A. (2010). Safety Net Programs and Poverty Reduction: Lessons from Cross-Country Experience. Washington, D.C.: The World Bank
14. World Bank. (2012). Social Protection and Labor Strategy: Resilience, Equity, and Opportunity. Washington, D.C:World Bankof hypertension: analysis of worldwide data. *The lancet*, 365(9455), 217-223.