CHAPTER III

Social Security System: Implications for Iran
3.1 Introduction:

In this chapter an attempt has been made to review the development of social security organization all over the world. An attempt also made to rationale for establishment of social security organization in Iran. This chapter is perspective in nature and it uses secondary qualitative information.

Most of people were suffering from poverty and unsuitable conditions for years when downswing of economics occurred. Only five percent of old individuals were pensioners in USA. Before the social security was founded, there were three choices for labors: they have worked till they passed away or they were worked until fired by employer or they were retired. The policy of employment at the period of economic crisis was, decreasing salary with less responsibility.

In USA, weak and poor ones were sent to poorhouses where enough and necessary facilities and services have not been offered. Social security organization was founded in USA when the country had suffered from economic crisis.

In twentieth century such a policy resulted in living longer because of higher level of healthy and sanitary conditions. Also by an industrialized community, population of cities was increased and people needed to be secure financially.

Before that society was formed in families with large members in villages where people produced and used their product. After revolution of industry, families with large members converted to a form of family included mother, father and kids. By this way the necessity of social security was felt in society (Dewitt, 2008).

3.2 Formation of Social Security Organizations in the World:

Before few decades, families were responsible to take care of old and disabled members of family and governmental supports included poor ones. When the old organized world was replaced with feudalism, social services were provided by church managing poorhouses and hospitals also other helping services to the needy.

In UK, a revolution happened spiritually and hospitals and poorhouses were founded, while church managed social services to needy people in Spanish and French. An increasing trend of immigration resulted in the idea of helping poor people. The first step as helping affairs to the needy happened in UK in 1906 that
covered old disabled ones, individuals who suffered from illnesses and children who were not supported by caretaker. Such supporting activities were allocated to cities and other parts of country were uncovered. Only rich areas received such kind of helps. People believed in rationality of the poor laws in UK.

As an achievement of revolution in industry, wage-earning appeared in USA. The families with large members were replaced with families includes mother, father and children in order to secure society financially. Almost thirty percent of people have been concentrated in cities in USA in 1890 and in forty years, fifty percent of population shifted to live in cities. The idea of security, an economical and national program, was promoted in Europe in century of 19. For the first time near 1890, a program of social security was fulfilled by Germany.

Around 1930 economic crisis and lack of enough job opportunity led USA to stressful condition. To remove such a problem USA president suggested the program of social security and law of social security was confirmed by him in fourth decade of 19 century. According to this rule government was in charge to pay benefits of old age to labors and first hand members of their families. The disabled were the next priority that was added to this law in sixth decade of 19 century. (John, 2005) (Attorney, 2013) (Dewitt, 2008) (Landis, 2012) (Pope, 2005) (Waddan, Bélan, & Alex, 2012). After that two different types of planning supported new part of the rule included old age and survivors benefit planning.

- The Plan related to support of survivors and old age
- The Plan related to disability insurance

3.2.1 The Plan Related to Support of Survivors and Old Age:

Relevant instructions indicated that individuals hired by government or nongovernmental organizations have to pay taxes of social security or contribution of insured. This money is paid to someone at the time of retirement. Considerable population of labors who are self employed and don’t work for government section or private organizations, pay hundred percent of contribution (Tomkiel, 2008) (Dewitt, 2008).
3.2.2 The Plan Related to Disability Insurance:

The benefits are paid to the disabled insured, which have paid insurance based on instructions during the period of working (Morton, 2012).

3.3 Background of the Social Security Organization in Iran:

Clay tables discovered in Iran indicate an advanced service instruction of social security for labors. According to above findings there was a system to record salary and rating labors wages. Professionals and qualifications of labors indicated the category of the system. Surprisingly, there was no discrimination to receive salary in case of similar job and also there was a compensation for who are paid at low level. The chance of releasing from work for 150 days and receiving a part of salary by female workers is mentioned in relevant instruction. Government employees and all their family members had received financial help and necessary services. Providing basic needs such as food, shelter and cloth for employees was the responsibility of employer. Also employer had to provide treatment services in case of accident, illnesses and physical damages. Even foreigners who had worked in Persepolis had received salary and there was no discrimination between foreigners and Iranian labors.

One of the significant items in social security organization of Iran at that time is advanced payment. This is the evidence of government attention to the level of living society. At the same level of ability men and women had been paid equally. Nursery school for babies was available whose mothers were working and their mothers had received extra money (Administration, 2007).

3.4 Concept of Social Security:

A plan of insurance in society is social security. A certain portion of insurance is paid by employees and another part is paid by employers. Social security covers the insured and his family in case of retirement and disability. Also social security supports survivors financially (Devereux & Wheeler, 2007) (Hosseini, 2008). (John, 2005)
3.5 Iran and Social Security System:

In third decade of 19th century along with constructing railway, the activity of social security was lunched. To support labors and provide necessities for them and their families, a finance system was founded. Then government reformed instructions. Social insurance of workers was established in fifth decades of 19th century and one year later, the activities of social security started as an organization. Presently as main insurer in society, SSO offers a variety of services to the insured and their family members. Long term and short term commitments are offered as different forms of services by social security organization. Medical and insurance sections are responsible to fulfill these commitments. More than one million individuals and their families also 800,000 insured received the committed services (Social Security Organization Members, 2007).

It is necessary to mention that the organization pays to the retired and the main insured the different forms of services as follows:

- Old age benefits
- Disabilities benefits
- Survivors benefits
- Compensation of wages such as: maternity and illness
- Unemployment insurance benefits
- Medical aid devices
- Supporting marriage affairs
- Supporting funeral affairs
- Different types of loans

Constitution of Iran explains social security as the duty of government for all people. Social security organization is the most important foundation to provide relevant services. While many other organizations and insurance companies offer similar services, SSO covers near 30,000,000 insured. Although the government is in charge of a portion of resources financially to support insured individuals it is not responsibility of government to provide direct financial resources (Statistic
The government executes the relation between system of welfare and social security as a necessity in society. According to constitution of Iran, offering social services for all, weather in noninsurance or insurance system is the confirmed responsibility of government. General revenues and cooperation income are used to offer above services by government that is mentioned in rule.

After revolution in Iran many institutions other than SSO, have been getting involved in social security services but these institutions are not successful because of imperfect structure and improper management and as the consequences, these institutions are unable to control, make policy and harmonize. Hence, all who are responsible (ranging from government to experts) in economics and society try to perform a social security system which plans and manages to cover society.

Presently, social security organization as a sub branch of welfare ministry is in charge of providing all insurance services to the insured and their families (SSO Group, 2007).

3.6 Activities of Social Security Organization:

As the function of social security organization is to ensure the main insurer to cover compulsorily; employees ranging from labors to all categories of wage earners and self employed individuals who are interested in being insured voluntarily.

Presently almost 8,000,000 main insured and 1,500,000 retired are covered by social security organization. To expand justice in society, to help people in case of natural incidents and economic crisis in family, SSO schedule is planned to serve society as follows:

- Supporting retired, disabled, survived, jobless individuals
- Supporting people who had accident
- Supporting disabled people who are suffering from mental and physical problems
- Offering medical insurance
- Supporting woman particularly in period of maternity and fostering of child
- Poverty removing
- Supporting women and kids who suffer from losing of caretaker (Social Security Organization, 2007)

**3.7 Fundamental Structure of Social Security Organization:**

Social security activities are divided in three main branches as follows:

- Activities related to Insurance
- Activities related to Protection and Rehabilitation
- Activities related to Assistance (Members of SSO, 2007) (Social Security Organization Group, 2007)

**3.7.1 Activities Related to Insurance:**

This part covers all individuals consist of: survivors, disabled, old aged, injured, unemployed and people enjoyed by medical insurance. This part is responsible for:

- Insurance system development and offering insurance to society considering the importance of market and insurance based on employment.
- Harmonizing the activities of social insurance and medical insurance
- Accomplishment of workers related obligatory insurance plan
- Managing of necessary insurance related investment includes: job opportunities, self employment, rural insurance, widows insurance, and old woman and caretaker losers.
- Compensating insurance in case of natural incidents
- Supporting supplementary insurance legally
- Supporting the balanced between resources and income with expenditures
- Supervising the balance between revenues and costs based on statistics
- Providing necessary data and information
3.7.2 Activities Related to Protection and Rehabilitation:

This part is in charge of supporting the individuals who are unable to work and the families with inadequate incomes. This part covers following activities:

- Harmonizing the activities of sectors which are dependent
- Economically supporting the insured
- Supporting individuals and their families with insufficient income and also helpless ones at minimum level
- A timely limited payment to job seekers
- Educational facilities supplying in case of rehabilitation and helping households to attain occupational skills
- A women protecting activity in period of pregnancy and rearing child
- Providing facilities and space physically to cover the process of improvement and treatment of disabled

3.7.3 Activities Related to Relief:

At the crucial time of unpredicted incidents, this part is responsible to help people. In fact the assistance part of SSO is in charge of offering services to individuals damaged by natural disasters. Promoting individuals’ knowledge and making people ready to face natural disasters.

3.8 Economics of Social Security Organization Policies:

Financially creative and supportive activities of social security organization include:

- Applying financial resources of society
- Creating a balance between costs and incomes related to investment in insurance area
- Cooperating between governments, the insured and employer to supply resources of insurance sector
- Raising members of society to participate in social security affairs
- Utilization of money and properties of government in the system of social security
- Financially supplying resources by applying donations

### 3.9 Major Performance of Social Security Organization of Iran:

Two performing aspects of SSO in Iran are:

- Services related to insurance
- Services related to health

#### 3.9.1 Services Related to Insurance:

Insurance services offered by SSO via 469 branches and relevant departments in thirty one states in Iran, cover main insured individuals, pensioners and their families (SSO Group, 2007).

#### 3.9.2 Services Related to Health Care:

Social security organization after health ministry is the second health care services supplier in the country. SSO is responsible to cover insuring process for workers, pensioners, employees and their families. Also to provide essential health care services, SSO issue insurance booklets for insured individuals and their families. SSO offers health care services in two ways:

- Delivering services through the direct health section
- Delivering services through the indirect health section

#### 3.9.2.1 Delivering Services through the Direct Health Section:

By medical booklets issued for insured individuals and their families, SSO offers medical services and facilities freely to them in relevant hospitals and centers of medical health.

#### 3.9.2.2 Delivering Services through the Indirect Health Section:

In Iran, health care services are bought by social security organization to offer more (services, facilities and security). Providing services through private sector under
contract is a way that SSO enables the insured to enjoy services of medical centers, hospitals, doctors, specialists and medical staff that are independently under contract with SSO. Only the franchise of medical payment is collected by private centers of health care under contract with social security organization but private sectors of health care which are not under contract with SSO collect total medical fee. Also submitting of necessary proof to offices related to medical documentation is compulsory. Based on definitions of SSO, a part of medical costs is repaid to insured one. Recently, 28538 physicians and dentists, 68 hospitals and 842 (polyclinics, clinics and day clinic) are under contract with social security organization (SSO Members, 2007).

3.10 Advantages of Social Security Organization:

The commitments between insured and the SSO are including of:

- Social Security Organization Short-term Commitments
- Social Security Organization Long-term Commitments

3.10.1 Social Security Organization Short-term Commitments:

This type of commitments includes:

- This financial support is allocated to:
  - Family of male retired
  - Family of married insured with total disability
  - Family of female retired with total disabled husband
  - Family of single female retired

- In purpose of treatment, social security organization is responsible to transfer patient to more equipped medical centers in other cities if necessary.

- Providing essential equipments for insured ones and their families based on relevant prescriptions is a supportive activity of SSO.

- SSO financially helps the insured ones who are unable to work due to illness, maternity or injuries. Such a support is added to salary.

- The family of dead insured receives funeral benefit.
Sixty days of insurance payment yearly, by the insured (female) or the insured’s wife enables them to enjoy maternity benefits provided by SSO.

A jobless one enjoys the benefit of unemployment only due to lack of job opportunity. 180 days of insurance payment before unemployment date is obligatory (Members of Social Security Organization, 2007).

3.10.2 Social Security Organization Long-term Commitments:

This type of commitments includes:

- As a result of retirement age the insured is under following conditions:
  - For women the age of retirement is fifty five and for men sixty.
  - Thirty years of contribution payment, for woman at the age of forty five and for men at the age of fifty.
  - Thirty five years of contribution payment,(both men and women at any age)
  - A record of working for twenty five years discontinuously or twenty years of working continuously in physically non standard conditions.
  - Under condition of twenty years of contribution payment, forty two year old women are qualified to collect pension of old age per month

- To support pensioners and their families, SSO pays a certain amount to compensate the cost of rent paid by pensioners.

- SSO pays a certain amount to pensioners with maximum three kids as financial support.

- Pension of disability is allocated to following cases:
  - Pensioners with a percentage of disability from thirty three to sixty six are considered as partial disabled pensioners.
  - Pensioners with a percentage of disability from sixty six to hundred are considered as total disabled pensioners.
  - Pensioners with a percentage of disability from ten to thirty three are paid as compensation based on relevant instructions (Members of SSO, 2007).
3.11 Coverage of Individuals under Social Security Organization:

Social security organization covers individuals as follows:

- The main insured
- Family Members of Insured (SSO Group, 2007)

3.11.1 The Main Insured:

Individuals are considered as main insured when they pay insurance portion by themselves. The main insured are categorized as follows:

- **Obligatory Insurance**
  
  In obligatory insurance, employers are responsible to insure employees compulsorily. Employer and employee, both sides have to pay a portion of insurance.

- **Optional Insurance**
  
  In optional insurance, there is an opportunity offered by SSO for independent individuals who are not employed. They pay hundred percent of insurance contribution to enjoy insurance services.

- **Insurance of Self-Employed**
  
  Insurance of self-employed is allocated to self-employed individuals who work independently with legal permission as known as license of employment. They don’t benefit from any employer or organization support, whether private or governmental, in insurance process. All self-employed individuals are permitted legally to be under contract with social security organization. They pay a certain amount as premium monthly and social security organization based on defined instructions provides social services such as health care services, disability and retirement benefits.

3.11.2 Family Members of the Main Insured:

Family members as the dependents of the insured are defined by SSO as follows:

- The father and mother of insured who are supported financially by insured to live and they are not pensioners. Father has to be above sixty and mother above fifty years old.
The main insured is female and she supports her husband as family member financially. Also the husband is considered as disabled if he is above sixty years old.

According to SSO definition, sons are known as family members if

- They are less than twenty two years old
- They are students
- They are disabled

According to SSO definition, daughters are known as family members if

- They are unmarried
- They are patient
- They are disabled

3.12 Conclusion:

Undoubtedly social security has confirmed its situation in rich and poor countries. Social security as a pioneer to remove discrimination from society has been successful to provide social services for all categories of people. Nowadays, development in countries is examined by quantity of services and also quality of services, offered by social security.

Social security organization in Iran is the most important foundation to provide relevant services. While many other organizations and insurance companies offer similar services, The SSO offers a variety of services to the insured and their family members. Long term and short term commitments are offered as different forms of services by social security organization. Medical and insurance sections are responsible to fulfill these commitments. Social security organization after health ministry is the second health care services supplier in the country. The SSO is responsible to cover insuring process for workers, pensioners, employees and their families. Considering expectations of people, all economic, political and social systems try to develop and standardize social security services. Hence, SSO in Iran is an inevitable necessity and has been played predominant role in providing health care services to people.
3.13 References:


