

# Social Security Needs Solidarity

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## Abstract

When social security charges, as responsible for the poor economic growth and employment, it is wrong in choosing someone to blame. Social security is more a victim than the cause of economic hardship is a fact in all countries. Is it the fault of the Social Security if in most developed countries, technological advances and pressing to increased competition internationally established to take to produce more with less labor, while they work, which is not released as right. Social Security's fault if the transition countries of Central and Eastern Europe generator market economy, inflation and unemployment. Social insurance mistake is when massive capital movements, destabilize the exchange rate. Is the fault of social insurance in the event that the export price in some developing countries is vulnerable to fluctuations in world prices for raw materials. A social security fault if many developing countries are victims of the countries in debt crisis. Is it a sin if social security are increasingly open to international trade which reflects the loss of autonomy of national economic and social policies. Social security needs solidarity only allowing funds better social welfare, but are also less exposed to criticism and serve as an important protection against possible attempts to privatize.

**Keywords:** social; security; *human right*; fiscal; finance; solidarity end risks.

## 1. Social security needs solidarity

Social Security should not be considered as an economic burden, but as a mechanism of collective solidarity based on income redistribution. Economic and social transformation in different regions of the world, especially the globalization of the economy, make social security more necessary. Instead of trying to goals of privatization of some regimes - that are less efficient and formula more expensive - it would be best to protect and improve the existence of social security, to develop in those countries where it is still underdeveloped, it should be noted that social security are targets of human social and economic welfare carrier.

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Social security is often treated only as a heavy burden on the national economy. However, such a view is too negative, because social security is not an institution that is "real extravagant." It should be understood as a set of mechanisms of collective solidarity, based on income redistribution from the healthy to the sick, from active to retired, the employees of the unemployed, by people without children to families with relatives and in some degree from the rich poor. So, contrary to some random and biased statements, nothing disappears from the economic cycle, the proceeds from contributions and taxes (fiscal contributions to finance social security), came into circulation in the form of benefits, costs operating costs and, in countries where there is accumulation of reserves of social security funds in the form of financial investments and financial investments.

However, in almost all countries, despite the importance of their social security they are subject to criticism that they are being taken in parallel with the intensification of international competition and the necessity of increasing the competitiveness of enterprises. Thus, social insurance overlooked.

- Free safety, prompted individuals to insure against certain risks in such a way that when it has no other choice in terms of insurance;
- Bureaucracy and mismanagement, is not subject to competition in the market, its managers are not encouraged to show dynamism, because they rely on the state or the social partners when seeking solutions to financial problems;
- It is too expensive and burdensome for the national economy, weaken motivation to work and savings. In addition, to the extent that is financed by employer contributions (social costs), increased social security, labor cost, because it threatens the competitiveness of the business and causes unemployment, rather, is to blame the unemployed looking for work because they were provide a means to survive ( "unemployment and poverty trap").

These various objections are often used to support the arguments in favor of the measure of the reduction and privatization of social security. After the presentation we will refute the arguments of this kind in connection with the financing of the foundation of social security, stressing that the transformation socio-economic conditions in different countries of the world needs to increase social security to be met and warning about the dangers of privatization and insisting on protection – development [1].

### ***1.1. Foundations of social investment***

The difference of social security mechanisms is to ensure that social security will be financed by mandatory contributions, hence the collective nature. Therefore there is no immediate link or directly between each of who pays and who gets what benefits in the event of risk to be insured. Social security, in fact, be taken by market mechanisms, which is not price area. It is exposed to criticism, but it also offers advantages irreplaceable.

Namely social security is a system of collective solidarity, organized primarily by a public authority or under its responsibility. Economists sometimes will be called "collective welfare service" highlighting the fact that social security meet the needs and pleasures, that pleasure can be left to individual initiative and to provide a custom

formula markets through various mechanisms. However, public authorities and social partners believe that they meet the necessary protection mission. They act as "gatekeepers" of individuals and families impose on solidarity mechanisms, which are based on the redistribution of income. Social security, first of all are formed based mainly on the shortcomings of private protection, it has been verified as a human right [3].

### ***1.2. Disadvantages of private security***

Private defenses can take various forms which are very useful and valid, but it has many disadvantages krahasar protection under social security.

Self-insurance is linked by individual savings arising as a precaution. Self-insurance seems like any other normal procedure that relies on individual responsibility, all are acting in accordance with his view of the situation, their perception of the risks incurred and their psychology. However, self-insurance can only exercise that individuals and families have sufficient resources to save more and thus increase inequality in income. After all, some people show a strong preference for the present and do not care to be provided to the risk of life and to meet future needs.

Family solidarity has also been very valuable. However, despite the fact that the family may also face the problem of scarce resources, this kind of solidarity is impracticable to isolated individuals. In addition, the family tends to close the cells, and weak family ties in parallel with the process of industrialization and urbanization. In developed countries, family solidarity operates on very narrow grounds.

The charity does not mean insignificant, but the role it has today, especially in developed countries and urban areas, it is very marginal. As for the assistance provided so, it is optional and subjective character, which corresponds poorly with modern concepts of social justice. Social assistance is a form of collective charity, but its limits are exceeded due to the binding mechanisms and recognition of the right to terminate (the award).

Provision regarding protection of the above format has the advantage of working on a broader basis, which allows the policyholder will be divided between all the damage it has suffered some of them. However, security is faced with severe restrictions. First of all, it is quite inappropriate to cover specific risks such as unemployment, or as a family is accused. Then, social insurance operates on market mechanisms. Moreover, traces of the disease, if the optional insurance company can not refuse a person a higher risk (selection risk), even if insurance is required, and companies still tend to attract young people to health good.

In contrast, the binding character of social security regimes are not funded under the fees incurred by the probability of reaching the risks covered, but taxes and contributions, eliminates these problems. Depriving people with a low risk option to ensure favorable conditions in the company of their choice, social security may refuse any risk selection and establishment of real solidarity [4].

### ***1.3. Social security as a human right***

This right derives from the fundamental principles contained in A report Beveridgea (1942) and

recommendation (No. 67) of funds livelihood guaranteed and (No. 69) Act health protection adopted in the International Labour Conference, these are principles that are preceded by an explicit recognition of social security as a human right in the Universal Declaration of Human rights (Articles 22 to 25) adopted in 1948 by the General Assembly of the United Nations. In this spirit, they are defined principles of ILO regarding the sources of financing social insurance.

Recommendation no. 67 recommendations related to guarantees of living resources in Article 26 stipulates that "the benefits - costs, including administrative costs to be distributed between policyholders and employers contributor in equal conditions for policyholders and designed so that the burden is too great policyholders, with modest resources and care to avoid any disturbance to production. " Recommendation specifically stipulates that the state take over the burden given that it is not possible to cover the contribution in this regard suggests independent insurance subsidies for workers with modest resources.

Recommendation No. 69 in connection with medical care in Articles 75-90 change regimes contributions from various public services, social insurance services should be funded by contributions, but the state must undertake to cover the costs of such contributions to be paid when People's incomes that do not exceed the minimum of existence, and in terms of public health care, it should be fully financed from public funds.

Convention No. 102 on Minimum Standards of Social Security, adopted in 1952, in view of funding, stipulates that it can be provided by contributions collective or taxes, or parallel in two ways, but in ways that avoids that people with low resource are so overloaded, and to care for the country's economic situation and human protected categories. However, apart from these principles, the fact that social security escapes sometimes based on market arguments in favor of privatization [5].

#### ***1.4. Socio-economic transformation, increases the need for social security***

The need for social security are rising. It must also thank some effective factors.

First of all demographic transformation manifested by an aging population. The term "aging crisis", which is sometimes used in this case, there is no doubt that the process of giving is very derogatory not only related to the decline in fertility, but also by expanding the average life expectancy. From this, increasing the share of elderly and very elderly (80 years) in total population directly affects the costs of medical care and retirement pensions.

Here one should be careful in technical transformations, which, particularly in developed countries, is reflected as a mechanism of processes, information technology and robots, which enables productive work more economy. Unemployment with which to fill the course is in itself a technological component, which affects particularly the less skilled workers, leading to measures to reduce working hours, which is particularly difficult to achieve. However, economic transformation is undoubtedly the greatest impact, not only because they are mainly a result of technological advances, but they favor the spread of technological innovations and make them all the more necessary. Mundializacion term and globalization came into actual use and reflect the trend of the situation arising from the relationship between the following three phenomena:

Thanks to the development of international trade for the advancement of vehicles and GATT efforts, aiming to liberalize the compensation goods.

Increase the role of international companies, global strategy they apply in relation to production, construction and commercialization of its products, and particularly the performance and the transfer of production from one country to another.

Acceleration of the movement of international capital, the movements were several times greater than trade exchanges, movement of capital can be explained mainly by speculative actions related to changing interest rates and expectations about the exchange rate, their purpose and their speed can result in serious destabilization of exchange rates, interest rates and financial markets.

Under pressure from the three main processes that increasingly resemble regions of the world, their interdependence is more pronounced and contrary to international competition is increasing, the competitiveness of enterprises, there is a greater imperative. However, if the trend towards free trade and globalization in nature, as to favor the dynamism of large enterprises, the efficiency of financial investments, they also have as a result of reductions autonomy of national policies on economic and social growth of economic uncertainty and inequality, deterioration of income and social conditions in most countries.

Under the veil of a general character, differentiated economic transformations are still where they were observed also by various other countries. In OECD countries link their joint a trade large open international with technological innovation undoubtedly has a positive impact globally, but at the cost of breaking the major social, on the one hand, a person highly skilled or persons who perform their activity in sectors of the impeller and on the other hand, employees of low-skilled workers who are poorly paid and whose work is unstable, young people who have received professional life, especially when it is important that poverty is the result of long-term unemployment and job insecurity.

For countries in Central and Eastern Europe, the transition EU has shown that it is very long and difficult than expected, especially due to the appearance and maintenance of high levels of unemployment and inflation, which has serious consequences for the countries that before the fall of the Berlin Wall, they had no unemployment insurance system and the indexation of pensions systems compared with prices. Regarding developing countries, many of them are faced with severe debt and structural adjustment programs which have engaged include reducing the simultaneous public spending and price liberalization, exchange rate and foreign trade. Opening their growing world economy could be the harbinger of economic progress, but - at least in the first period the duration of which is difficult to assess - with adverse social consequences associated with rising unemployment and poverty, the collapse of the state economic several categories, which affect the reduction of costs for health care and food subsidies.

In all these situations of social insurance is influenced by paradoxes important, as they look more and more necessary - to face the consequences of demographic aging, and aid for victims of the transformation of economic and technical which is difficult for economies included in transition, which is subject to international

competition and forced more and more to support the competitiveness of enterprises.

### ***1.5. Risks of privatization***

When Social Security appear expensive, sustainability is difficult, it is because there is every individual and every family, there is a close link between those who pay and receive, the importance of making and risk coverage. In fact, compulsory contributions that have to carefully consider the options insurance contributions (contributions regime) or taxpayers (regimes without taxes) is always hard to afford the prices.

US health insurance covers only for people over 65 (Medicare) and those who are seriously endangered (Medicaid). Health insurance for all private and others are optional. This makes the country great disparities. Many employees are covered by collective security within the firm. However, some companies provide their employees with insurance companies lavish and expensive contracts, while others meet the guarantees limited (especially in the field of hospital stay). In addition, many companies, especially small and medium provide their employees from the risk of disease. People who are not covered by insurance can be obtained freely, had it insurance costs depend on contractual guarantees and characteristics of each person (age, health status, previous treatment). For families price to be paid depends on the number and age of their members.

The result is that in the US, a country that is still rich in the world, about 40 million people (or 15 percent of the population) do not have any health care. First and foremost are particularly employees who have low wages and people who did not solve the issue of insurance (including a large proportion of those aged 18 to 35 years). In addition, many people are poor because they are insured under the contracts to be protected, especially in the case of long and serious illness. These costs are much higher than in Western Europe, where health insurance in almost all countries of a system that are part of social insurance. Costs of health insurance in the US, are equal to the level of guarantees, significantly higher than in Western countries. This, of course, is explained by - compared with organisms of social insurance - insurance companies are trying to win, they must also cover the costs of commercial publicity to attract customers, as well as the cost of risk assessment applicants for insurance, these companies have advantages of economies of scale organisms that can make social insurance covering the entire population. Not surprisingly, management costs American insurance companies are much higher than in the health insurance institutions in Western Europe.

### ***1.6. Old-age pensions***

Old-age pension systems based on the current division, which according to the social security system are numerous, are the subject of harsh criticism, particularly from the World Bank.

They are accused of being very sensitive to demographic aging (deterioration of relations between contributors and pensioners), including contributions excessive income from work, and especially wages, which turned out to be very unfair for a small number of generations of citizens active, since they have to bear the financial burden of the pension age to age pensioner, containing risks of major political, as the method of calculation of pensions that still can not be modified by the public authorities, to represent the allocation of resources which is encouraging in terms of growth and economic development.

On this basis, taking into account the various proposals for financing of the system of private pensions in the proposal of the World Bank, these regimes are required (as is the case in Chile since 1981) that are in the center and mainstay of the tripartite system. The first pillar, even mandatory, government-run and financed by taxes. This guarantees a minimum pension to the elderly and poor. Regarding the third pillar, it relies on voluntary savings. However, this system is certainly dangerous because it mainly relies on post that can be predicted with confidence only in the long term, approximately sixty years (forty years of contributions, twenty years of pension payments). Individuals can choose the fund where they will be provided and who will pay contributions, but the contributions (registration fee) are defined. Height and the purchasing power of pensions is subject to many risks:

- There are inherent risks to the insured, not the long period that he can membership fee (sickness, maternity, unemployment, etc.) That are not taken into consideration.
- There are risks associated with the management of companies which may lead to huge disparities. Some funds can be badly managed, or they will make negative financial investments, impeding the amount of pension that will pay the insured risk [6].
- Finally, there are significant risks associated with economic uncertainty, especially in a globalized economy. States are increasingly interdependent. None of them is protected by the global economic turbulence, or any international financial crisis. Therefore, it is impossible to guarantee the security lower in terms of the amount of the pension, and not by their values or capital accumulated. In fact, if the proportion of older people and pension increases, massive sale of shares of pension funds could fall in exchange rates. And real estate prices in this case, risking a fall. Moreover, management costs capitalization pension system and private systems (which are subject to market competition mechanisms). It should be noted that regardless of what will be the pension system - distribution or capitalization - the amount he needs for its financing in any case represent a transfer of income for people in pension assets. The choice does not change the cost of financing. However, starting from the moment when the system is private capitalism and systems have a certain importance (cases of pension funds in the US, UK and Japan is showing better), they generate considerable financial resources that may affect in international capital movements and trade and whereas the market shares. This could help public authorities and companies to those countries where pension funds are major shareholders in favor of the exchange, at the expense of measures of economic growth and wage growth.

### ***1.7. Social insurance- must be protected and developed***

This stems in particular from 1944 Philadelphia Declaration of the International Labour Organization and Action Program supported by the World Summit for Social Development, which was held under the auspices of the United Nations in 1995 in Copenhagen. This program sets the goal of "eliminating poverty and ensuring basic security social" and suggested "making a strategy of permanently allowing a gradual expansion of social welfare programs in order to apply to the entire population, in accordance with conditions adjust the calendar and modalities of each country. " However, in all countries with the necessary funds to finance the social security enough compared with the expansion of needs to be met. The gap between resources and needs is all

the greater if the country is less developed and poor who takes greater care of social security, and at the same time its expansion and improvement of a collision with an obstacle difficult financial inflexible. However, social security should not be seen as a luxury of the rich countries. Contrary to the process of globalization is becoming more and more necessary and should not be seen as a burden to social risks.

### ***1.8. Social risks and globalization***

Globalization is an old process, but the process that got very strong acceleration is the beginning of the eighties, this leads to competition between territories. There is a risk that the public authorities to engage in social restrictions, such as mass, treating them as instruments of economic policy. In this sense, many developing countries, are coping with difficult problems borrowing structural adjustment programs undertaken at the same time offering the public expenditure reduction and liberalization of prices, exchange rates and currency exchange. Liberalization of international trade and globalization can have positive effects generally associated with competition and international division of labor. It has two victims: workers laid off due to the closure of businesses, restructuring and relocation of companies, farmers markets World prices fall, or when the economy is not competitive, one person was made useless or outdated qualifications. These social insurance seems more and more important, because they can be a tool with which to help the losers winners. However, if it is true that the development of international trade and competition, scheduled in 1948. (According to the various agreements and encouraging GATT World Trade Organization), a promoter of economic progress, economic development should provide more resources to combat unemployment or to undertake some protective measures for free trade in the sense that without mourning its jet so small, social security, which will play a key role as a nurse who helps people, help the wounded in the process of globalization and international competition. Social security should not be seen as a burden. If we look at all the countries of the world as a whole, we see (with some exceptions) parallelism between economic and social development. Most advanced countries in economic, have progress in the social sphere and vice versa. International comparisons also show clearly that countries with the most developed system of social insurance are not the ones who have less economic success. In contrast, those that fail embryonic social security and better economic results [1]. "Social Security Crisis", a term used in developed countries and in developing countries, including a chronic lack of resources in relation to costs. This universal phenomenon stems from difficulties with social security more victim than for those responsible: the rise of low or negative economic, high unemployment, lengthen the average life expectancy and tendency to, the parallel development of a country, the increase in demand, supply and health care costs. However, even in the most developed countries, public authorities are often wary of raising taxes and contributions for social purposes, because these measures are always unpopular. In developing countries the financial problems of social security is even more bitter because of the extent of problems that must be met, and the scarcity of average income per person, and also in many of these countries, rates of deterioration rate level high costs associated with external debt as a result of structural adjustment. In the following we will first eliminate the problem of incorrect charges, social costs related to the competitiveness of enterprises, and then we will draw attention to the economic benefits brought by social insurance.

### ***1.9. Charges social and business competition***



Contributions paid by employers are the subject of strong criticism, especially in countries where they represent a significant part of the financing of social security. However, contrary to frequent claims, the size of the employer's contribution is not an element that explains the differences in labor costs in different countries or within the same region. These differences are more related to changes in the level of economic development and standard of living than the financing of social security. If you're referring to European Union countries, which have more accurate data for comparison, we found that in countries where social costs are the highest wages directly are relatively low, all points of view, regardless the size of social spending, companies in these countries have very high cost of labor. The cases of France and Spain on the one hand, and Denmark, on the other hand, are particularly important. In both countries the first social costs of the company seem very high, but wages and taxes (particularly taxes on income of natural persons) are relatively low (compared to other countries compared to developing the same level as the comparative economic and social, as stated roughly within the European Union).

In Denmark, despite that, small businesses maintain social spending, on the other hand provide higher payment of taxes, which are specifically for personal income of natural persons. Thus, labor costs should be seen as a whole and how insignificant is the separation between their salaries and direct social spending. Ultimately, the competitiveness of firms depend not only on costs that it pays to work. Competition, also in particular, depends on the level of qualification of employees, the quality of corporate governance, social climate that is dominated and change "beyond price", ie. factor such as product quality and reputation, improve trading networks, respect for and delivery of goods as soon as shorter etc.

## **2. Conclusion**

When social security charges, as responsible for poor economic growth and employment, are wrong in choosing someone to blame. Social security is more of a victim than the cause of economic hardship is a fact in all countries. Is the Social Security Guilty if in the more developed countries the technological and pressing advances of internationally growing competition created to get to produce more with less work while they work, which is not so distributed right? Is Social Security Failure if Transition Countries in Central and Eastern Europe Are Generating Market Economy, Inflation and Unemployment? Is a social security error when massive capital movements destabilize the exchange rate? Is the social insurance risk in case the export price in some developing countries is jeopardized by changes in world raw material prices? Is the Social Security Crash if many developing countries are victims of the debt crisis? Is this a sin if social security is always for open international trade which reflects on the loss of autonomy of national economic and social policies?

- The major problem of social security is that its costs are well known, and the advantages it offers are not suitable for determining the amount. Like, for example, to measure the positive effects on improving the health of the population, or the benefits that they offer to children from the point of view of child development or education, or the benefits to the independence and dignity of older people, etc.? In developed countries, exposed above, poverty unemployment and reconstruction, so that we can value the price of social peace and cohesion, protecting the unemployed and giving them buy.

### **3. Recommendation**

1. Solidarity should be the priority task of states.
2. Adjust with legal security infrastructure.
3. Invest more in social issues, especially in those countries lacking such a regulation, especially in the Balkans where the informal economy dominates.
4. Social security is mandatory for respecting human rights.
5. Take care in socio-economic transformations.
6. Health does not happen for business but to accomplish its obligations.
7. Global developments do not strike the lower strata of society.
8. Maximum support for solidarity with countries affected by poverty.
9. The elderly are entitled to pensions and merit and dignified insurance

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