An Analysis on the Factors Affecting the Social Security

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Abstract. *The transition from strong centralized economy to the free market economy was one of major movements which include radical changes in the politics, economics, administration and structural field. So, it was necessary to conduct a series of increasing reforms. In this context, the pension (retirement) reform is a very important one. Many insurance schemes directed by the state, based on "pay-as-you-go" principle, such as the current Albanian social insurance system. This scheme does not promote the interests of employees being included in the current social insurance scheme. The best practices prove the fact that mandatory social insurance should not be the only option.* So, parallel with mandatory social insurance is better to have the private insurance pension scheme, as well. *The paper focuses on some issues of social insurance.*

Key words: social insurance, "pay-as-you-go", pension reform, private insurance pension scheme, etc.

JEL Codes: I31, J14, J32.

1. Introduction

The welfare of citizens is a commitment of any government. The history of wellbeing is also related to social security. Social insurance relations of employees were started and developed under the influence of rather important economic, political, legal, cultural and social factors. As one of the requirements of employees from their work, social insurance contributions are an economic, as well as a legal problem. As such they constitute at the same time responsibility for both employers and employees themselves. Employers must create a safe work environment, and employees must be aware to work according to the law and create an insurance community. The basic concept of social insurance networks is the care and protection of those categories of persons who have neither the strength nor the ability to care for themselves as the elderly, the disabled, etc. thus aiming at reducing social tensions.

Social insurance has a long evolution. So they are an early socio-economic phenomenon practiced in different forms in different places and at different times and they have had an inevitable evolution as a reflection of the characteristics of the social and economic development of society. So treating the historical context, there are elements of social protection at the time of natural economies. In medieval times it got a personal or religious character and therefore it was treated as a commitment which should be taken by the family or religious institutions.

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The evolution of social insurance led to scaling down the social role of the state. They completed their form with the creation and consolidation of the market economy, based on income redistribution on the basis of the principles of solidarity, equality and social justice. So the development of society has turned them from a philosophical norm, to a social unquestionable right and a legal rate guaranteed by the state.

The right to social insurance is a right which is also supported by international acts such as the United Nations (UN), International Labour Organization *(ILO)* and European Union (EU). In their entirety, the European Social Charter plays an important role. The current social insurance scheme which is based on the PAYGO is a system based on solidarity between generations. Despite the importance of this system, Modigliani, Ceprini and Muralidhar (2000) agree that: "......for the Promised Benefits is highly sensitive to variations in structure and Productivity Population growth". Despite the problems of the system, the involvement of citizens in insurance scheme constitutes a necessity. In this context it is necessary to know problems in order to enable positive change of the existing situation.

2. Methodology

The methodology of this paper is based on the table work and also work in the field.

Table work refers to the theoretical approach of problems on social insurance, focusing on publications, articles, studies and scientific journals, data processing and drafting of conclusions. The data are processed through the statistical method SPSS.

Work on the terrain refers to the data collected by questionnaires. The sample consists of 85 citizens.

Main objective of this paper is: Recognition and evaluation of the current situation in regard to social insurance, evidenced by factors conditioning this situation and the determination of some opportunities to improve the present situation.

3. Analysis of findings

The processing of the collected field data starts with the calculation of indicators of KMO and Barlett test which are presented in Table 1. From the information of this table it results that the KMO index amounts to 0.583, which is within the set limits. Significance for KMO and Barlett test was P <0.001 that are rated as "very highly significant". In this context it is an appropriate factor analysis.

Table 1: KMO and Bartlett Test Values

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.583
Bartlett's Test of Sphericity	Approx. Chi-Square	31.075
	Df	6
	Sig.	.000

Regarding the answers in the questionnaire on the social insurance analysis, the total explained variation and Varimax rotation are considered. Table 2 shows that the total variation is 63.331%, value that meets the criteria of Kaiser.

Table 2: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1– Situation of the social insurance scheme	1.476	36.902	36.902	1.476	36.902	36.902	1.283	32.080	32.080
2–The economic situation	1.057	26.429	63.331	1.057	26.429	63.331	1.250	31.251	63.331
3	.782	20.802	84.033						
4	.649	15.897	98.000						

Extraction Method: Principal Component Analysis.

In the above, the group claims questionnaire is organized that focuses on social insurance problems according to correlative relations among them. The group on the social insurance claims is shown in table 3.

Table 3: Analysis of Main Components

Rotated Component Matrix[a]		
	Component	
	1	2
1. Social security scheme has many problems	.691	
2. Revenues from social security schemes are low	.775	
3. The economic situation does not enable the inclusion in the social insurance scheme		.786
4. The unemployment rate hinders participation in social insurance scheme		.724
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.		

a. Rotation converged in 3 iterations.

Under these conditions the name of the factors is done as follows:

Factor 1: Situation of the social insurance scheme: This can be the most appropriate label if we are referring to the fact that all answers that can be included in this factor put on the focus the actual position of the persons questioned regarding the social insurance scheme. To measure the influence of "The situation of the social insurance scheme" on their decision-making to be part of the scheme, two main claims of the questionnaire were considered. The analysis of principal components resulted in one single factor.

Factor 2: The economic situation enables decision-making for social scheme inclusion: Claims included in this group consider the economic situation as an important element in civilian decision-making to be included in the social insurance scheme. In this factor two claims are included in the questionnaire. The analysis of principal components resulted in one factor.

The analysis referring credibility considers "Alpha Cronbach" coefficient, which shows the level of compliance between variables as a group. For this, Cronbach (1951) emphasized that: "Correlation between two forms given virtually at the same time, is a coefficient of equivalence, showing how nearly two measures of the same general trait agree". Meanwhile Churchill (1979) referring Nunnally admits that: "Consistency is necessary, but not sufficient for construct validity (Nunally,1967)". The data on Table 4 show acceptable credibility. This explains that the assessment of the people questioned for social insurance has an acceptable compliance.

Table 4 The coefficient values of Cronbach's Alpha

Reliability Statistics

Cronbach's Alpha	N of Items
.540	2

Reliability Statistics

Cronbach's Alpha	N of Items
.660	2

The correlation coefficient between the two components is evaluated statistically significant after $P < 0.05$. This ratio appears to be the value r = 0378, which means that strengthening / weakening in the same proportions of the other component. Namely with the weakening of the economic situation of citizens, it is reduced the possibility or the will to be involved in social insurance scheme. Since multicollinearity coefficient is included in the results of the defined limits, this is a condition for the use of multiple regression. Measuring multicollinearity is presented in Table 5.

Table 5: Measuring multicollinearity

Correlations

		Situation of the social insurance scheme	The economic situation
Situation of the social insurance scheme	Pearson Correlation	1	.378[*]
	Sig. (2-tailed)		.016
	N	85	85
The economic situation	Pearson Correlation	.378[*]	1
	Sig. (2-tailed)	.016	
	N	85	85

*. Correlation is significant at the 0.05 level (2-tailed).

Notwithstanding the foregoing, the relationship that exists between the factors that influence participation in the social insurance scheme and increasing the number of citizens involved in the social insurance scheme will be confirmed statistically. We refer to this hypothesis raised for this purpose.

3.1. Analysis of regression

Insurance is one of the main requests of the employees. In this way the organization shall cultivate such a culture to ensure the employees. Thus, the insurance to the members of the organization for the future is enabled. For this, the hypothesis is as follows:

H_1: *The situation of social insurance conditions even the decision-making of citizens for inclusion in the social insurance scheme.*

H_2: *Economic problems tend to affect negatively on the increase of citizens number in the social insurance scheme.*

Regarding what claimed above, we refer to the analysis of regression results. The conclusion of this analysis are shown on Table 6, which show the relation between the indipendent variable, increase of the citizens included in the social insurance scheme and the dependable variable: the situation of social insurance and economical problems of citizens.

From Table 6 we can see that $R^2 = 0.135$, which shows that 13.5 % of the population increase included in the scheme, is influenced by the situation of the scheme.

The relation between the independent variable and the dependable one, it can be expressed through this equation:

$$Y = 3.215 - 0.294*X_1 - 0{,}256* X_2 + e$$

Y = increase of citizens included in the social insurance scheme

X_1 = The situation of the scheme (pensions reform)

X_2 = Economic difficulties

e – random term

Table 6: Regression between dependent variable and independent variables

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.367[a]	.135	.137	.78892

a. Predictors: (Constant), Situation of the social insurance scheme, The economic situation

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17.394	2	8.697	13.974	.000[b]
	Residual	100.827	162	.622		
	Total	118.221	164			

a. Dependent variable: increase of citizens included in the social insurance scheme

b. Predictors: (Constant), Situation of the social insurance scheme, The economic situation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.215	.388		8.084	.000
	Situation of the social insurance scheme	- .294	.082	.254	3.455	.001
	The economic situation	-.256	.077	-.245	-3.284	.001

a. Dependent Variable: increase of citizens included in the social insurance scheme

Processing the data collected by questionnaire highlights the fact that the relation between the independent variable with the dependable variable have the same direction. As above, the impact of both components that affect the attitude of citizens towards inclusion in the social insurance scheme it is very similar to each other,

which shows the extent of the impact of these factors in deciding an important civic voice. Thus the hypothesis raised for this purpose is confirmed.

4. Conclusions

As discussed above, we can draw the following conclusions:

- Social insurance is a very important problem as the individual perspective and from the macroeconomic point of view. Non-insurance of citizens of working age is risky and causes social tension.
- Insurance status and prospects of developing social insurance shall file a series of issues that are of interest to study.
- The state must undertake policies to open developing perspectives of social insurance. In this context it is necessary to review certain aspects of the social insurance reform to increase citizens' confidence in this scheme.
- Making citizens aware for participation in private forms of insurance, it constitutes an important way to increase the number of insured. Based on suggestions of the World Bank, in 1995 it was approved the first law for private insurance pension scheme in Albania. Further it created the respective infrastructure, which began with the Inspectorate of Private Pension Institutes. Since 2005 it created some private companies such as GARANTSIG, IAPPS, CAPITAL. Recently there is an increasing interest of citizens for participation in the private pension plan. According to Financial Supervisory Authority during 2015 over 8000 individual took part in the private pension plan.

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