

# Combating Poverty and Social Security

Bill Lee\*

Department of Accounting and Financial Management, University of Connecticut, Farmington, Belgium

## Abstract

Using survey data covering 200 poor households collected between these studies aimed to investigate the role of social security in the fight against. We analyzed the responses behaviours and strategies employed by poor households in response to various forms of risk in depth using questionnaire data. Health, education, housing and income is just a few of the many areas in which social security has an impact. To find out how social security programs affect how families respond to economic shocks, we used a method that looked at both full and partial risk-sharing. According to the estimation results of various models, households that are covered by social security may be able to select less expensive strategies for coping with risks. However, because covered households had less faith in its services and used self-insurance or income smoothing strategies, the role of social security remains inadequate. Overall, the findings demonstrated that social security plays a significant role but that it is still insufficient, particularly for households that are not covered by social security and face high health care costs.

**Keywords:** Economic shocks • Health care costs • Education

## Introduction

National, regional and local bodies make up the network of social security institutions. The statutory social security programs in Tunisia are managed by two funds that are supervised by the state: the National Pension and Social Contingency Fund (CNRPS) and the National Social Security Fund (CNSS). Curative and preventative medical care are managed and supplemented by the National Health Insurance Fund (CNAM). Employees and self-employed workers in the private sector, such as agricultural workers, farmers, anglers, domestic workers and some low-income earners, artists and intellectuals, are covered by the National Social Security Fund. It protects people from unemployment, illness, death and old age. Both public and private sector social security affiliates are covered by the National Health Insurance Fund. Medical care for sickness, maternity, incapacity, accidents on the job and occupational diseases is covered. Civil servants and public sector workers are covered by the National Pension and Social Contingency Fund.

## Literature Review

The social security programs that are in effect vary based on the type of work performed. Each employee's salary level determines the fixed contribution rate, which is not the same for all schemes. Social security comes in two varieties: voluntary and required. Individuals who work for themselves are free to purchase insurance to protect themselves from occupational diseases and accidents. Alternately, employers may be required to join the CNSS and notify employees who are covered by this fund within one month of their engagement. Salary contributions pay for the scheme. It is based on the guaranteed minimum wage, with the employer paying two thirds (between 16.97% and 20.57%) and the employee paying one third (9.18%). The person covered is entitled to a variety of social services, including retirement benefits and health care. The concept of risk-sharing, in which many people pay for the losses of a few, is the foundation of social security. Because losses are unpredictable, households, businesses and

governments frequently share risk through transfers and emergency loans, which is why this concept works [1].

## Discussion

However, the majority of empirical research demonstrates that risk-sharing does not provide full consumption smoothing and rejects the predictions of models that insurance is perfect. Kruse and Sthlberg discuss a variety of welfare programs that help families lessen the risks they face, such as being unable to support themselves due to illness, unemployment, or advancing age. In general, residual risk is significant. This is especially true when aggregate shocks are present because actors typically experience idiosyncratic losses at the same time. Because of this, perfect transfers between households cannot continue. There are a variety of factors that could lead to imperfect risk-sharing, including the inability to cover all shocks, limited commitment and information asymmetry. Another factor that can contribute to malfunctions in the insurance market is anti-selection, which occurs when households are denied access to insurance because of hidden risk information. Systematic failures in the entire insurance of affiliates are primarily the result of the aforementioned issues. We investigated the impact of social security programs on poverty in this study. First, a comparison of estimates for households that are covered by social security and those that are not yet covered by it suggests that risk-sharing is incomplete [2].

There is heterogeneity in the way insurance affects the vulnerability to risks of various subgroups, according to estimates of the effect of income and health care expenditure shocks on consumption by household characteristics. The findings demonstrate that insurance affects households' vulnerability in different ways and that social security increases the likelihood of risk coverage. Compared to their counterparts who are not covered by the program, households that are eligible for social security are better able to safeguard their consumption from income fluctuations. Although we demonstrate in the final section that social security aids households in selecting the most cost-effective risk management strategies, this assistance is still insufficient given that covered households continue to lack confidence in social security services and resort to self-insurance or income smoothing. When compared to other groups of poor households, those with less education and older age tend to exhibit procyclical behaviour in response to risks because they are more susceptible to shocks. It was discovered that health care costs for a significant number of poor people exceed their budgets. Non-covered households, on the other hand, bear these costs without receiving any compensation, which could aggravate their situation and even push them below the poverty line. In addition, it appears that households that are covered by the National Pension and Social Contingency Fund, the National Health Insurance Fund, the Social Security Fund, or both use work-related adjustments more frequently than households that are not [3-6].

*\*Address for Correspondence:* Bill Lee, Department of Accounting and Financial Management, University of Connecticut, Farmington, Belgium, E-mail: lee@sheffield.ac

**Copyright:** © 2023 Lee B. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.

**Received:** 02 January 2023, Manuscript No. jamk-23-94676; **Editor assigned:** 04 January 2023, PreQC No. P-94676; **Reviewed:** 16 January 2023, QC No. Q-94676; **Revised:** 21 January 2023, Manuscript No. R-94676; **Published:** 28 January 2023, DOI: 10.37421/2168-9601.2023.12.412

---

## Conclusion

Even though employed households are less likely to fall into poverty than unemployed households are, this is no longer an absolute safeguard. As a result, it is evident that poverty reduction, employment and social security are all closely linked. One of the primary causes of poverty is the cost of health care, which is the primary objective of social security programs. As a result, social security helps alleviate poverty. In order to select agents who are eligible for social security, this system is limited and requires more effort. In Metlaoui, social security is important, but it is still not enough, especially for those who aren't covered and are paying too much for health care. It is also obvious that this small sample does not provide a complete picture of poverty prevention coverage because some of the households surveyed may have concealed information or presented themselves as being in a bad situation. Due to the issue of multicollinearity, some variables, like family size, are not included in the analysis.

---

## Acknowledgement

None.

---

## Conflict of Interest

No potential conflict of interest was reported by the authors.

---

## References

1. Abdul-Rahaman, Awal and Awudu Abdulai. "Farmer groups, collective marketing and smallholder farm performance in rural Ghana." *J Agribus Dev Emerg* 10 (2020): 511-527.
2. Akter, Sonia, Pieter Rutsaert, Joyce Luis and Nyo Me Htwe, et al. "Women's empowerment and gender equity in agriculture: A different perspective from Southeast Asia." *Food policy* 69 (2017): 270-279.
3. Aguilera, Ruth V., Deborah E. Rupp, Cynthia A. Williams and Jyoti Ganapathi. "Putting the S back in corporate social responsibility: A multilevel theory of social change in organizations." *Acad Manage Rev* 32 (2007): 836-863.
4. Van Beurden, Pieter and Tobias Gössling. "The worth of values—a literature review on the relation between corporate social and financial performance." *J Bus Ethics* 82 (2008): 407-424.
5. Cheung, Yan Leung, Weiqiang Tan, Hee-Joon Ahn and Zheng Zhang. "Does corporate social responsibility matter in Asian emerging markets?." *J Bus Ethics* 92 (2010): 401-413.
6. Cho, Seong Y., Cheol Lee and Ray J. Pfeiffer Jr. "Corporate social responsibility performance and information asymmetry." *J Account Public Policy* 32 (2013): 71-83.

**How to cite this article:** Lee, Bill. "Combating Poverty and Social Security." *J Account Mark* 12 (2023): 412.