



HANDBOOK

on the extension of social security
coverage to migrant workers



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Preface

The ISSA strategy for the extension of social security coverage, which was adopted in 2010, defines the specific contribution that social security organizations can make towards the objective to ensure that a greater part of the world's population has effective social security coverage. In addition, it determines the support that the ISSA, as an association of social security organizations, should provide to its members to facilitate their efforts to work towards the extension of coverage.

In the implementation of social security programmes and initiatives with the objective to extend social security coverage, administrative challenges with regard to covering certain population groups can constitute serious hurdles for social security organizations. Difficult-to-cover population groups typically include non-agricultural self-employed, migrant, and domestic workers and workers and employees in the agriculture and fishing sectors. Extending social security coverage also has a gender dimension, with women being less likely to have adequate access.

As part of a major project to promote the extension of social security coverage in line with the ISSA strategy, the ISSA has prepared two handbooks on strategies and administrative solutions to extend coverage to different difficult-to-cover groups and is developing ISSA guidelines for social security administration to support this process. The first handbook covers issues related to self-employed workers. This second handbook identifies key barriers to extending and improving coverage to migrant workers, and presents practical measures to address them.

This handbook constitutes an evolving tool to be expanded, updated and improved as experiences of ISSA member organizations are incorporated. It focuses mainly on the provision of benefits through contributory social insurance schemes. While the role of non-contributory benefits is touched upon, it is not the main focus of this handbook.

Hans-Horst Konkolewsky
ISSA Secretary General

Executive summary

Globally, there are over 1 billion internal and international migrants and their number is growing rapidly. International migration, which represents over a quarter of global migration flows, is changing in nature. Usually considered a global South to North issue (ILO, 2012a), there are now greater South to South migrant flows. Internal migrants – those moving within the frontiers of their country of origin – constitute over 10 per cent of the world’s population, with 40 per cent of all internal migrants residents of Asian countries. Substantial and significant flows of rural to urban migration are seen in many countries and regions. Owing to the size and vulnerable nature of this segment of the population, covering migrant workers is essential if national social security systems are to meet their coverage objectives.

The economic impact of migrant workers for migrant-sending countries is significant – the remittances sent home by such workers exceed 10 per cent of gross domestic product (GDP) in a number of countries. There are also other economic, demographic and social impacts of such flows, a number of which are beneficial to the host country including:

- Bringing a range of skills and competencies that may not exist or be in short supply in the host country.
- Migrant workers are often entrepreneurial and hardworking; although profiles vary, formal-sector migrants are typically those who have the financial means to move country or region.
- Migrant workers are commonly in the cohort aged 20–39, with their education completed and paid for and are already economically active. On average, such workers tend to be younger than the general population, which may help to rejuvenate the host country’s demographic profile.

Inflows of migrant workers also raise challenges for policy-makers. Evidence suggests that such inflows may depress salaries in the economy and the cultural and integration implications of migrant flows – particularly if migrant workers tend to settle in one geographical area – have to be managed.

The importance of migrant workers to a country’s economic development is only one of the many reasons why national social security systems should extend coverage to such workers. With their numbers increasing in many countries, extending coverage to migrant workers is important if significant progress is to be achieved with regard to national and international coverage extension objectives. But there are other reasons. Over and above meeting the basic needs and social protection requirements of migrant workers and their dependant family members, these include advantages for social security systems in particular and society in general:

- Social security systems provide essential benefits and services to help mitigate the risks faced by what are often vulnerable sections of the working population. There is an affirmed human rights reason for extending coverage to such workers.
- Wider social security coverage enhances social cohesion, facilitates economic growth and strengthens public support for social security schemes.
- Coverage of migrant workers may be seen as important for equity reasons by the non-migrant population (for example, in the case of posted workers).
- Migrant workers may help improve the demographic situation of a country and are often net contributors to the social security system over their lifetime.
- Covering migrant workers strengthens other efforts to formalize the informal sector, encourages and supports mobility of employees and provides safeguards to prevent the exploitation of migrant workers.

Therefore extending social security to cover migrant workers ensures that social security systems better fulfil their role to provide social protection, and also supports economic growth and reinforces social cohesion. At the same time, social security systems may play an important role in responding to the challenges that migrant flows bring; for instance, by improving integration and, by seeking to progressively extend coverage to migrant workers and thus formalize their work, offering concrete measures to respond to the risk of stagnating or falling wage levels caused by social dumping or similar impacts of migration.

The inclusion of migrant workers in social security programmes has often posed a challenge to social security administrations. This is because the characteristics of migrant workers – short careers in the host economy, with frequent job change; often active in the informal sector; separated from dependant family members; and so on – are different from the majority of workers. In addition, they tend to be less subject to the typically assumed employer/employee relationship on which many social security systems were set up. Additional challenges relating to the coverage of migrant workers include:

- Difficulty in predicting the numbers and characteristics of migrant workers. Studies show migrant workers are typically the first affected in economic downturns and the volatile flows of such workers pose challenges to social security administrations in terms of management and planning.
- Migrant workers represent a heterogeneous group – from poor and vulnerable, often female, workers in informal-sector activity to high-earning, professionally-mobile employees.
- Often very different cultural and linguistic backgrounds that make coverage efforts particularly difficult.
- The separation of such workers from dependant family members, which increases the challenges of appropriately covering the worker and his or her family.

- Information gaps regarding the personal situation of migrant workers; their personal information may not be entered in national data systems and they may not use the same support groups as host-country citizens.
- Migrant workers are often active in the informal sector and have generally shorter working careers. This has implications for their benefit entitlements (for example, in systems with relatively high minimum service requirements – i.e. period of residence or contribution effort), the portability and transferability of benefits, and the role of the employer in collecting and paying social security contributions.
- The administrative requirements related to the coverage of such workers is often significant; this may include the requirement to coordinate with other agencies, often abroad, to manage the often complicated personal and contribution records of migrant workers and the need to communicate in different languages.

Due to their more fragmented work histories, migrant workers often accrue significantly lower levels of retirement benefit than their non-migrant worker equivalents. This may be due to periods without coverage, “back ended” accrual rates or failure to meet minimum service requirements. While some issues may be addressed by multilateral agreements, the adequacy of retirement benefits remains a key challenge.

So that responses to these challenges are effective, a combination of political will, tailored benefit design, financial commitment and appropriate administrative measures are required. This handbook highlights a number of such measures which have improved the coverage of internal and international migrant workers. These include:

Policy measures which seek to extend coverage to migrant workers:

- Extending coverage to migrant workers by including them in the definition of workers covered by social security legislation or by adapting benefits and contribution structures. Concerning the latter, such measures include reducing vesting requirements and waiting periods and simplifying contribution calculations.
- Setting up voluntary plans for workers abroad with benefits tailored appropriately to their situation (e.g. retirement savings, medical expenses, travel grants and family benefits).
- Ensuring the accrued rights of migrant workers are safeguarded and that the transferability and portability of benefits are guaranteed.
- Improving portability among schemes in the same national jurisdiction and in different countries through the harmonization of benefit rules and setting down the procedures for recognition, transfer and payment of accrued benefits as well as ensuring appropriate coordination between different social security institutions to ensure the effective management and administration of cases.

- Improving the adequacy of benefits for migrant workers provided by compulsory and voluntary schemes through effective financing mechanisms and by creating incentives/removing disincentives to encourage migrant workers to participate in programmes.
- The role of multilateral and bilateral agreements is particularly important. Such agreements should reflect a number of principles including equality of treatment of migrant workers, that the social security benefits of the worker (e.g. a contributory old-age pension) should be paid by a social security system in one country only, that his or her acquired rights are protected and that the mechanisms and financing of the payment of benefits from different sources is detailed and carried out effectively. The success of such agreements depends on the administrative and management capacities of the social security institutions involved.

Although political will and resulting policies are important, the effective coverage of migrant workers can only be achieved with **appropriate administrative and management measures**. These include:

- working closely with stakeholders and migrant worker organizations to support affiliation efforts;
- setting up mobile offices¹ and simplified procedures and sign up requirements to encourage affiliation;
- tailored communication to migrant workers in their language and delivered using the most appropriate communication channels;
- assessing the implications of, and putting into practice, bilateral and multilateral agreements, including record keeping, information provision, payment mechanisms and coordination with agencies nationally and in other countries;
- effective use of ICT to record, track and calculate entitlements and facilitate coordination with other social security systems and stakeholders (ISSA, 2013c).

Social security institutions can also play an important role in putting in place other measures to make benefits more attractive (which is particularly important for schemes for migrant workers that are voluntary), to increase awareness and improve public perceptions of social security programmes, to support workers and their families across the life cycle, and to improve the perception of migrant workers by the national population. These include:

- cultural education on social security targeted at migrant workers provided in different languages and addressing individual needs at different life stages;
- offering support to migrant workers when returning home (this may be in the form of travel grants and facilitating reintegration into home-country social security systems and the labour market);

1. Such offices are typically temporary small offices that change location on a periodic basis.

- tailoring benefits and financial support for voluntary schemes to reflect the situations of migrant workers;
- measures supporting family members, including tailored benefits and administrative support (for example, the emission of two ID cards allowing the migrant worker and the dependant spouse to claim benefits even when in different geographical locations).

Accepting that there are significant challenges in the coverage of migrant workers, their growing economic importance and, particularly in the case of informal-sector migrant workers, often vulnerable situation means that efforts need to continue (ISSA, 2010). Globalization and the impact of climate change means that migrant numbers are likely to increase. Where policy initiatives are coupled with effective administrative efforts, significant progress is possible. This handbook provides examples of successful interventions and highlights the benefits to social security systems and society as a whole of meeting the challenge of covering internal and international migrants.

1. Migrant workers

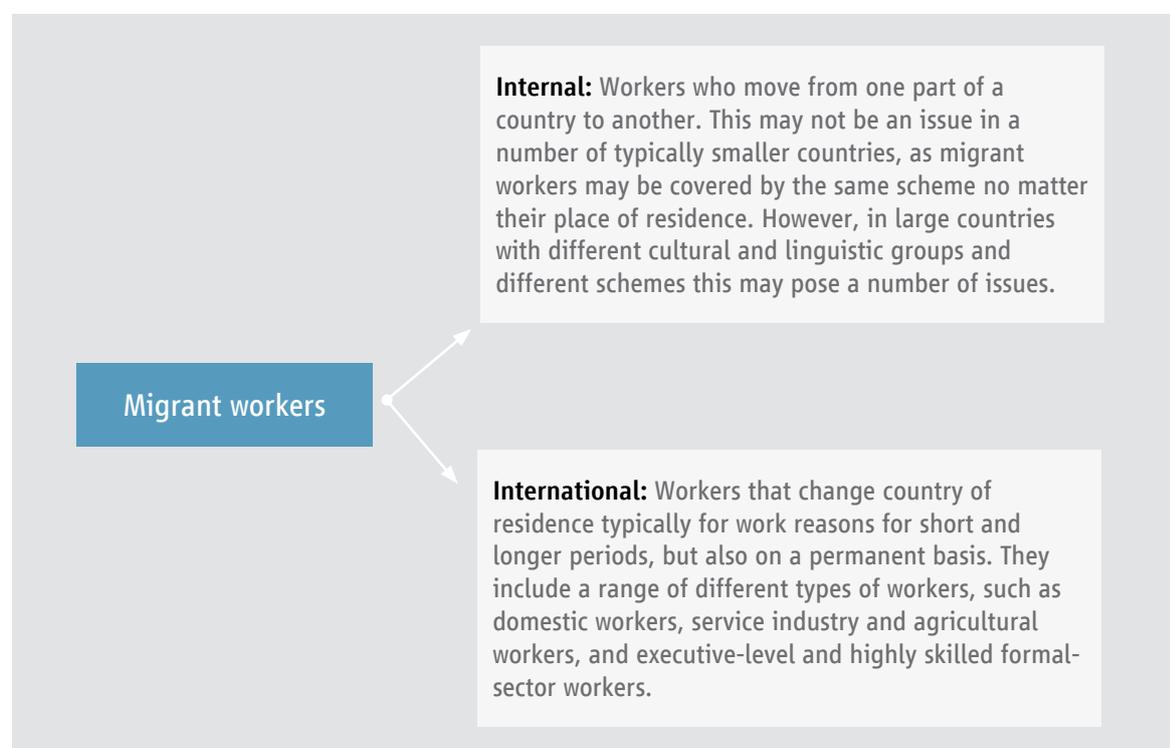
Extending social security coverage to migrant workers is challenging. Realizing significant advances in the coverage of this group of workers – who include the vulnerable and low paid, but also the high-earning and highly educated – requires appropriate policy design and accompanying administrative, management, coordination and communication efforts. The policy issue of migrant workers is often a sensitive one; while some of the measures required are similar to those required to cover the self-employed (ISSA, 2012), effective communication by public authorities not only to workers but the wider population is crucial.

Although the nature, levels and flows of migrant workers will be different from country to country, there are a number of common features applying to such workers that make the issues covered in this handbook relevant for most social security administrations. Ensuring the coverage of migrant workers under social security programmes has a number of benefits. These are set out in this section. In [section 2](#), we look at some of the challenges and barriers in covering internal migrant workers and propose administrative and policy solutions to address the challenges and overcome the barriers. [Section 3](#) looks at international migrant worker issues while final comments are set out in the [Conclusion](#). The [Annex](#) presents examples of bilateral and multilateral agreements and regional case studies.

1.1. Definition and description

A migrant worker is a worker whose working activity is undertaken outside his or her country or area of origin. A distinction is made between an internal and an international migrant. The concept of an internal migrant is considered to mean a permanent change in residence from one geographical area to another within the same country and may cover situations such as a move from a rural area to an urban area or from one region of a country to another. In respect of international migration, the definition involves the crossing of an international border and can be defined as a “person who is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national” (United Nations, 1990). For the purposes of this handbook, we consider separately the two different types of migrant workers as the characteristics are often different and require different solutions. However, in some cases, the challenges are similar. For example, in some large countries, internal migration may imply moving from one linguistic area to another. Despite this, migrant workers are not a homogeneous group and their numbers and characteristics vary by country.

Figure 1. Defining migrant workers



1.1.1. Internal migrant workers

For the purposes of this handbook, internal migrant workers are defined as those moving residence within the worker's country of origin. The migration is typically motivated by the search for better work opportunities. However, internal migration can also be driven by family re-grouping, climate-related (e.g. due to extreme events, degradation of the environment, increased flooding risk, etc.) and educational reasons.

In a number of emerging economies, the massive increase in urbanization and the process of economic transformation from agriculture to manufacturing has led to a high demand for workers in urban areas thereby leading to a rural to urban migration trend that has intensified over the last 20 years. In addition, fertility rates are often lower in cities thereby exacerbating labour shortages and heightening demand for labour.

1.1.2. International migrant workers

International migrant workers are those employed outside their country of origin. As for internal migrant workers, although the principal reasons for moving country are normally work-driven, there may be other reasons such as family reunification, fleeing political persecution or suffering discrimination. Such workers are more likely to be moving to a country with a different culture and language to their own and therefore are likely to face more barriers than internal migrants.

Box 1.1. International migrants and subsequent internal migration

In general, international migrants once resident in a host country have a higher propensity to migrate internally than do native-born citizens. This difference is often attributed to the fact that migrants may have fewer family ties in the host country, but also because the types of jobs carried out by such workers lend themselves to greater mobility. The origins of international migrants would appear to have some bearing too. In Switzerland, immigration actually dropped in 2000-04 but immigrants to that country were more internally mobile. Workers originating from Germany, the United Kingdom and the United States were more mobile than those coming from Italy, Spain and the Republics of the former Yugoslavia.

The flow and stock of migrant workers in a country are driven by supply and demand factors. These include:

- The country's level of economic development, and its industrial policy and employment opportunities. The national currency and its strength may also play a role.²
- The country's attitude to migrant workers, including the national regulatory framework (e.g. the requirement for employment permits).
- Cultural and language factors, including similarities between the receiving country and home country.
- Transport and communication links.
- Historical links between countries.
- The existence of bilateral or multilateral agreements which facilitate the movement of labour.
- Migrant flows are often linked to one-off projects (e.g. large infrastructure projects, sporting events). The management of such projects can have an important bearing on the overall coverage of migrant workers due to their large number, the temporary nature of their work and the fact that they are often employed by sub-contractors.

1.1.3. How many migrant workers are there?

Internal migrant workers. One of the key challenges of assessing the number of internal migrants is their definition. How far do you need to move within a country to become an internal migrant? When does a temporary move become a permanent one and when this happens does this mean that the person is no longer an internal migrant?

2. The economy of El Salvador was dollarized in 2001, leading to a greater influx of Central American migrants, mainly from Nicaragua and Honduras.

The focus of the analysis in this handbook is the situation of internal migrants who are no longer subject to the same social security system, which therefore gives rise to many of the challenges of covering such workers:

- *Numbers of migrant workers.* The United Nations Department of Economic and Social Affairs (ESA, 2013) estimates that 763 million people were living outside of their region of birth in 2005, representing around 11 per cent of the world population. While nearly 40 per cent of internal migrants were estimated to be in Asia (282 million people), the figure was significant in all regions with over 100 million each in Africa, Europe and Latin America and the Caribbean.
- *Flows of internal migrant workers.* Is the phenomenon of internal migration accelerating? A United Nations Department of Economic and Social Affairs publication (ESA, 2013) estimated that, in 2005, 229 million people were living within the same country, but in a different region to five years previously. Therefore, over this five-year period, 30 per cent of internal migrants are estimated to have changed region.

International migrant workers. The number of international migrant workers is difficult to calculate or determine, particularly when a large number of these workers are in the informal sector. There are some 232 million people – about 3.2 per cent of the world’s population – who live outside their country of origin and can be considered as international migrants.³ This figure has shown a continual increase over the last quarter of a century, having increased from 154 million in 1990 and 175 million in 2000.⁴

The global number of international migrants has increased by 30 per cent since 2000, although there has been a relative slowdown since 2007. The level and nature of international migration flows vary considerably over time and by region. For example, South to South migration now outnumbers South to North migration.⁵ While Asia and Europe host 60 per cent of all migrants, increases in other regions have been significant. Another interesting trend is increasing North to South migration. For example, in 2012 nearly 100,000 French citizens migrated to Algeria, Morocco or Tunisia (Biacabe and Robert, 2014), and between 25,000 and 30,000 Portuguese citizens migrated to Angola (BBC, 2013).

The nature and size of migrant flows can change rapidly in response to natural disasters and political events and, over time, due to changing economic opportunities. The impact of climate change is likely to lead to increasing numbers of migrant numbers in the future. In 2008, 20 million persons were displaced by extreme weather events, compared to 4.6 million internally displaced by conflict and violence over the same period. Future forecasts vary from 25 million to 1 billion environmental migrants by 2050, moving either within their countries or across borders, on a permanent or temporary basis, with 200 million being the most widely cited estimate.⁶

3. See <<http://www.un.org/en/development/desa/news/population/number-of-international-migrants-rises.html>>.

4. See <<http://www.un.org/apps/news/story.asp?NewsID=45819&Cr=migrants&Cr1#.U57E8RDTgbM>>.

5. For the implications for social protection, see Hujo and Piper (2010).

6. See <www.iom.int/cms/en/sites/iom/home/what-we-do/migration-and-climate-change/a-complex-nexus.html#estimates>.

Box 1.2. Migrant workers in South Asia

In South Asia, 26.7 million (1.6 per cent of the population) have emigrated and there is a stock of some 12.2 million (0.7 per cent of the population) immigrants. For countries such as Bangladesh, Nepal and Sri Lanka with large emigration levels (in 2009 it was estimated that 30 per cent of tertiary educated Sri Lankans had emigrated), the remittances transferred home by migrant workers represent substantial levels of GDP (22.9 per cent of GDP for Nepal).

Source: Wickramasekara (2011).

The number of informal-sector migrant workers is by definition difficult to estimate. In 2009, the United Nations Development Programme (UNDP) estimated the number of these workers with an irregular status at 50 million (UNDP, 2009), a number likely to have since significantly increased.

1.1.4. Economic benefits of migrant workers

The contribution of migrant workers to the host country and home country is subject to debate.

Advantages for the host country include:

- Migrants bring a range of skills that may be in demand. For example, there is a shortage of qualified engineers and doctors in a number of countries in Europe. In New Zealand, many of those employed as care staff are migrant workers.
- Many migrant workers are entrepreneurial and may bring new skills or create businesses that have positive employment impacts on the host-country economy.
- The host country gains from the fact that many migrant workers have completed their education and training, which was paid for in their home country. Immigrants tend to be well educated and often have completed tertiary education. The migration rate of the tertiary-educated population aged 25 or older to OECD countries⁷ is greater than 20 per cent in Afghanistan, Bosnia and Herzegovina, Cambodia, Republic of Congo, Guatemala, New Zealand, Portugal and Viet Nam and greater than 40 per cent in Barbados, Ghana, Lebanon and Liberia. In the Caribbean, it is typical that well over half of tertiary-level educated adults emigrate (World Bank, 2013b). One in every nine persons born in Africa who has completed tertiary education lived in an OECD member state in 2010–11 (OECD-ESA, 2013).
- There may be a “self-selection” element influencing the choice of some workers to migrate (those individuals who migrate tend to be richer than the general population and therefore have some financial means which enable them to migrate). However, this does depend on the legal status of migrant workers – informal-sector/illegal immigrants tend to be particularly vulnerable and may have migrated using traffickers, leaving them in particularly difficult situations.

7. All data refer to the year 2000.

- Migrants tend to be hard working and in some countries the educational achievement of second generation migrants is often higher than the native population (OECD, 2012). In many cases, migrants self-assess their position as having been improved by migration. For example, the proportion of migrants rating themselves as either above average or well off increased from around 25 per cent before migration to over 40 per cent afterwards in the United Kingdom, while in South Africa the proportion increased from just 5 per cent pre-migration to nearly 50 per cent post-migration (Avato and Koettl, 2010). In addition, the sharing and exchange of ideas amongst workers from different cultures is a key element of innovative organizations.
- The ageing of the population means that in a number of countries there is likely to be a significant skills shortage in future decades. This is particularly true in the European Union (EU). In the United Kingdom, it is estimated that there will be 13.5 million job vacancies over the next ten years, but with only 7 million young people to fill them. Although the EU expects to receive over 60 million net migrants over the next 50 years, at this rate, it will still require an additional 11 million to meet demand by 2020 (Sinclair, Watson and Beach, 2013).
- Migrant workers tend to be of working age and improve the demographic situation of the country, which has positive effects on the financing of social security programmes. In Switzerland, a report from Economie Suisse and the Swiss Employer Federation estimated that migrants pay 21 per cent of social security contributions and receive 15 per cent of benefits.⁸ In the United Kingdom, immigrants from the European Economic Area (EEA) have made a net contribution of GBP 25 billion between 2000 and 2011; paying 34 per cent more in contributions and taxes than they received in benefits (*The Guardian*, 2014). It should however be noted that in countries with a growing migrant population, there is a timing effect and a cohort analysis is the most appropriate approach to estimating net contribution to the social security system.

8. See <<http://www.arbeitgeber.ch/fr/publications/prises-de-position>>.

Box 1.3. Demographic impact of migrant workers

Aside from the economic benefits, on average immigrants are younger than the general population thereby lowering the average age of the population. This has positive short-term implications for the financing of social security systems and government finances and will influence the investment strategy of reserve funds, possibly leading to greater investment in longer-term assets. The long-term impact depends on the proportion of immigrants that stay in the host country; if for example, 100 per cent remain, then the long-term impact is simply a deferral of the ageing of the population. When any number of migrant workers return home, the financial impact on the social security system will depend on the benefits accrued by the migrant workers and the amounts paid out in the form of benefits. For a number of European countries, immigration makes up a significant proportion of population increases. In the United Kingdom, of the 2012 population growth of 400,000, 61 per cent was due to there being 254,400 more births than deaths over the period with the remaining 39 per cent of the increase coming from net migration. In Germany, with an excess of deaths over births, a 166,000 rise in population was recorded due to significant levels of net immigration of some 300,000.

Sources: Office for National Statistics (2013); Koch (2013).

For the home country, the advantages tend to revolve around the level of remittances transferred to the home country, which have an indirect positive impact on the economy (e.g. lifting family members out of poverty, thereby reducing the need and cost of government intervention, and the use of such remittances for supporting new businesses, etc.). Remittances to developing countries reached USD 372 billion in 2011, an increase of 12 per cent compared to 2010 (Ratha and Silwal, 2012) and for some countries remittances represent over 10 per cent of GDP. In many cases, remittances from a host country are greater than the level of direct aid paid from the host to the home country, which are increasingly conditional.

At a country level, such remittances play an important stabilizing role in the economic development of home countries and are often the main source of foreign currency. As regards the Philippines, over 2 million Filipinos work abroad and remittances represent over 10 per cent of GDP. In the United States, there are over 1.165 million Filipino workers; there are 280,000 in Canada and over 100,000 in Japan and Australia, respectively (Capulong, 2012).

Box 1.4. Migrants and remittances – El Salvador

The importance of payments received from Salvadorans working abroad is essential for the economy of El Salvador. Twenty one per cent of all households report receiving remittances from a family member living abroad (according to the 2010 Multi-Purpose Household Survey). According to the Central Reserve Bank, in 2010, Salvadorans sent nearly USD 3.5 billion home in family remittances. The tax revenue, through VAT paid on remittances, amounted to some USD 431.1 million dollars; equal to 28.6 per cent of the total VAT collected in El Salvador.

Sources: Flores (2013).

1.1.5. Challenges raised and the financial and administrative implications of extending coverage

It is beyond the scope of this handbook to detail the challenges relating to migrant workers both for the home and host country, except where these impact on coverage objectives for social security systems. However, the approach of social security systems to cover migrant workers needs to be consistent with wider policy objectives and aims in respect of migrant workers. Despite the advantages to home and host countries referred to above, migration also can raise a number of challenges – for the host country in respect of integration, for example, and for the home country related to a “brain drain”, when highly qualified people leave their country of origin. This can be a particular issue in sectors where there is a shortage of qualified workers (such as in health care, engineering, education, etc.).

Another particular challenge is the reintegration of returning migrant workers. Returning migrant workers often have difficulty in finding jobs on returning to their home country. This may be because they lose contacts and information. Moreover, because many migrant workers may lose their jobs during economic downturns, an increasing flow of migrant workers returning home leads to an increasing supply of workers at a time when their home country economy may also be struggling. An Asian Development Bank (ADB) report surveyed the situation during the crisis in 2009 in Asia and found that most returnees were motivated to return home owing to job loss (55 per cent for Indonesians and 56 per cent for Filipinos) and that more women than men faced difficulties upon returning home, including in finding a job (ADB, 2013).

The impact of remittances sent to the family members of migrant workers is increasingly analysed. While clearly important for these families, such payments are often used mainly for consumption purposes or to help meet education costs. There is some debate whether remittances actively contribute to the development of the country. Furthermore, they do not directly assist in financing social security systems; such payments are normally exempt from social security contributions (although often subject to other taxes which may directly or indirectly assist with social security financing).

The other key impact of migration relates to the possible impact of immigrant workers on wages. Classical economic analysis and empirical studies indicate a downward pressure on real wages. This has been estimated as an effect of -3.5 per cent in Canada and -2.7 per cent in Norway. Borjas (2013) cites estimates that for the United States, the net impact of immigration is positive but small and results from an effective transfer from workers to employers; while workers lose the equivalent of 2.8 per cent of GDP, or USD 400 billion, employers enjoy a gain of an estimated 3.0 per cent of GDP, or USD 430 billion, resulting in a net gain of about USD 30 billion per annum or about USD 110 per native-born person.

A final constraint is that migration brings greater heterogeneity in the labour force which leads to challenges for ensuring coverage, but also places strains on the feeling of solidarity amongst those covered. As Clegg (2013) reports, “the growing ethnic, religious and linguistic diversity of

the labour force in European countries as a result of increasing migrant flows will simultaneously undermine sentiments of shared identity in European societies, potentially leading to a rise in ‘welfare chauvinism’ or a decline in support for redistribution more generally”.

1.1.6. Impact of the “crisis” on flows of migrant workers and their situation

Migrant numbers have doubled over the last 25 years, but the flows vary considerably and depend on a range of factors.

The economic turmoil in many parts of the world since 2008 has had a significant impact on the number, flows and characteristics of migrant workers, particularly in regions with a large variation in economic performance. The example of the European Union demonstrates the drivers of such flows.

In 2011, some 3.2 million people immigrated to one of the EU-27 member states – this figure includes 1.7 million coming from outside the EU and 1.5 million from another member country. While Spain recorded the largest net emigration of over 500,000 people (European Commission, 2013), it also received over 450,000 immigrants. In the EU as a whole, the total number of the foreign-born population amounts to some 33 million (around 6.4 per cent of the total population).

In Asia, the effect of the crisis on migrant workers is arguably even more critical given the importance of migrant flows and the remittances of overseas workers to home economies. Over half of remittances in 2010 paid to low- and middle-income countries flow to East Asia and the Pacific and South Asia (World Bank, 2013a).

In economic downturns, migrant workers are often the first affected. As a result of the crisis that unfolded in 2008 a number of host countries, including Australia, Canada, EU member states, and the United States, tightened regulation or reduced quotas with the aim to decrease the number of migrant workers. For example, Italy and Spain reduced the number of work permits and Australia temporarily reduced the targets for immigrants. In Switzerland, an initiative to limit migrant worker flows was approved by 50.3 per cent of voters in a national referendum in February 2014.

However despite these restrictions, some of which have been reversed, migrant worker numbers and remittance transfers have remained constant or increased. For example, according to the ADB, remittances from migrant workers to the Philippines increased by over 20 per cent from 2008 to 2011 in USD terms (ADB, 2013).

In Latin America and the Caribbean, remittances are still estimated to be below 2008 levels, with an estimated USD 61 billion paid in 2011, compared to USD 64.9 billion in 2008 (Flores, 2013).

1.1.7. Future levels of migration

One of the biggest challenges in covering migrant workers is the difficulty in estimating future levels of migration flows and the characteristics of such workers. This makes planning administrative capacity difficult and requires social security institutions to be flexible. Although migration levels are generally increasing, the crisis has shown that immigration and emigration flows can change rapidly. It is therefore difficult to estimate future changes, but the factors leading to increased migration are likely to continue – cheap travel and communication, the impact of globalization, flexible labour markets and the impact of social security institutions in facilitating labour movement, for example through bilateral and multilateral agreements.

One key impact which is difficult to estimate and quantify is the impact of climate change on migration. There have been many studies on the likely levels of “climate change refugees” or those forced to move region or country due to current evolving and future changes to the environment in which they live and work.

While the most obvious examples are those of low lying Pacific and Indian Ocean islands, such as the Maldives and Vanuatu, the increasing frequency and impact of extreme events and rising sea levels exacerbated by human activity is likely to lead to significant migrant flows from a number of countries in the decades ahead.

The website of the International Organization of Migration⁹ suggests that the number of persons forecast as having to move due to climate change and environmental degradation by 2050 vary by a factor of 40 (between 25 million and 1 billion). Numbers will depend on the evolution of climate change and policy responses. What is clear is that impacts will be dramatic, particularly on the most vulnerable populations.

Although internal migration levels are also influenced by similar factors, government policies and local economic and demographic factors will also impact migration levels.

1.2. Defining the extension of social security coverage

The extension of social security coverage to migrant workers includes three aspects:

- an **increase in the number of people covered** by existing social security programmes (for example, an increase from 1 million to 2 million migrant workers effectively covered).
- an **increase in the range of benefits provided** (for example, the provision of unemployment insurance coverage to persons already covered for death benefits).
- an **increase in the level of benefits** (for example, an increase in the level of old-age benefits provided from 20 per cent of average wages to 40 per cent of average wages).

9. See <<http://www.iom.int/cms/climateandmigration>>.

Although the first two aspects are arguably the principal focus of coverage efforts, one of the major challenges in relation to migrant worker coverage is that for those that are covered, despite a full career, the final benefit received by many is not adequate for their needs. Some countries provide social security coverage for migrant workers on a different basis with often lower benefits provided to these workers (migrant workers who may be active in the informal sector are likely to be excluded). Therefore, some of the suggested solutions to this issue (see [section 2](#)) also relate to the adequacy of benefits.

Given the characteristics of migrant workers, in particular the fragmentation of working histories and coverage for short-term risk benefits (such as cash death benefits and sickness benefits), these raise different issues than for longer-term benefits, particularly for retirement, which not only accrue over time but depend on an individual's contribution history or working record. For the former, eligibility typically depends on the current contributory status of the individual concerned (with possibly a waiting period) and arguably it is easier to extend coverage for such benefits. They are also often identified as being a more immediate priority for individuals. Longer-term benefits such as retirement benefits or end-of-service gratuities raise a larger number of issues which are covered later in this handbook.

1.3. The importance of extending coverage to migrant workers

- **Protection of the individual and family.** Social security systems provide coverage against labour market and life-cycle risks that a person would otherwise not be insured against, either because they decide not to insure themselves or because such coverage is either not affordable or available. However for migrant workers this need is enhanced because they are often alone without family and working in a new and foreign environment and may lack information as well as informal support and social networks. Therefore covering such individuals is at the heart of a rights-based approach to social security.
- **Supporting policy to encourage migration.** Given the advantages for societies set out in [section 1.1.](#), social security coverage plays a role in not only attracting migrants but ensuring they are productive, their families are covered and that any interruptions to work are kept to a minimum, thereby supporting wider economic and labour market objectives.
- **Social cohesion** is enhanced through a social security system that effectively covers the greatest number of people, including migrant workers, against risks. The equitable and fair treatment of all workers and ensuring that parts of the population are not marginalized reduces inequalities and, in turn, social conflict and tensions.
- **Facilitating economic development** through the provision of income security for individuals. By covering the risk of short-term illness, for example, the social security system protects the business development of self-employed migrants from shocks. With access to sickness benefits, a self-employed migrant who falls ill does not need to liquidate their business; access to temporary unemployment benefits may help protect the business against economic shocks.

- **Equity and public support.** It is important that workers doing the same types of work are treated equally. Therefore an exemption from social security contributions for a migrant worker may be seen as unfair for the general population. Ensuring such workers are covered for social security and, importantly, pay towards the cost therefore challenges the possible sentiment that certain individuals take advantage of the system. This is particularly important for medium- or high-earning migrant workers, who are likely to be viewed as being capable of paying the relevant contributions to social security.
- **Economies of scale.** The wider the coverage pool, the more cost efficient social security administration can become and the more robust to shocks can be the financing of benefits.
- **Employee mobility.** The inclusion of migrant workers in social security facilitates their (internal and international) mobility. At an internal level this is important to ensure there is a close match between supply and demand for labour. At an international level, inclusion may also support attempts to develop free trade areas (e.g. the European Union, MERCOSUR) where free movement of labour is a right or objective.
- **Reduction in the exploitation of workers.** Migrant workers are frequently active in the informal sector, often far from home and have limited access to wider support mechanisms. Social security can work as an effective tool to reduce exploitation and abuse through the formalization of working practices and to offer a range of support services to the individual. Women, specifically domestic workers, workers in the informal economy, youth, temporary migrant workers and migrant workers with irregular status are particularly vulnerable groups of migrant workers.
- **Formalization of the labour market.** Social security coverage is linked tightly with bringing migrant workers into the formal economy, leading to increased tax take and a reduction in the number of workers not covered by occupational safety and health regulations. In principle, work in the formal economy should contribute to poverty reduction and make work less precarious, although there are limits to the extent that all work can be “formalized”.
- **Access to insurance, savings vehicles and other services.** Migrant workers often do not have the same access to complementary financial market products, such as life insurance or pension funds, as national, non-migrant workers. This may be due to a lack of knowledge, language barriers or the fact that such workers are not seen as attractive (or reliable) by financial services providers.
- **Reputational and legal issues.** The conditions and coverage of migrant workers can become an important reputational issue for countries, especially when this is linked to cultural or sporting events with a high international profile. In addition, where such workers are directly or indirectly employed by multinationals, the threat of legal action against the employer may lead to a reduction in foreign investment in the country and other collateral impacts.

Box 1.5. Migration and gender

In a number of countries, the majority of emigrants are female workers engaged often in low paid, informal-sector work. In Indonesia in 2009, only 18 per cent of all emigrants were male; in the formal sector, male workers made up more than 75 per cent of workers and just 5 per cent in the informal sector (ADB, 2013). Women migrant workers are at greater risk of discrimination, exploitation, and abuse than their male equivalents. There are a number of reasons why female migrant workers are particularly at risk:

- They may be working in a country where there is typically discrimination against female workers.
- They typically work in informal-sector activities and therefore have less protection than those (typically male) working in the formal sector.
- They may not have their family close to them or as a “dependant” worker may have fewer rights than their spouse.

1.4. Constraints on extending coverage to migrant workers

The key constraints on covering migrant workers are the following:

- **Cost.** Whether social security programmes are predominantly contribution financed or tax financed, there is a cost implication to covering migrant workers. However, in many cases migrant workers “pay in” more than they receive. This is so even for social security programmes that are either fully or partly financed by tax revenue, since migrant workers do make a contribution towards the financing of these through, for example, consumption taxes. The coverage challenges facing informal-sector migrant workers are the same as that for informal-sector workers as a whole.
- **Administrative costs.** Efforts to cover migrant workers often have to be tailored and it may prove expensive per additional person covered. As many migrant workers are low paid, the cost per contribution amount is relatively high, a factor that may be particularly important for countries with constrained public and social security system finances.
- **Perceived negative effects of migration on public opinion in the host country.** Covering migrant workers is often sensitive politically, especially so in economically difficult times when attitudes towards migrant workers tend to become more negative. This can be due to quantifiable adverse impacts of migration, such as downward pressures on wages, as well as more anecdotal and one-off examples relating to the replacement of native workers by cheaper immigrant labour and cases where migrant workers are perceived to have “taken advantage” of a country’s social security system. Increasing awareness of the trafficking of immigrants and of its negative effects, which are often dramatic, has led to a discussion on whether providing social protection encourages other illegal migrants.

Box 1.6. Habitual residence and the right of migrant workers to social security benefits in the European Union

In the European Union, the eligibility of migrant workers to be covered for benefits depends on whether a migrant is considered as “habitually resident”. The criteria used to assess this include family status, length of stay, family income sources, employment record and where the worker pays taxes. Current EU law allows EU citizens to seek work in another country for 90 days. During this time they are not allowed to claim social security benefits and if they fail to find work during this period, they must return to their respective home country. In response to negative public opinion in some member states regarding migrant-worker rights, the EU has published a guide on assessing this criterion (European Commission, 2014).

- **In Europe, a number of examples relating to detached (or posted) workers, the eligibility of migrant workers to benefits, and cases of “social dumping” have prompted action by policy-makers.**¹⁰ Despite the many compelling reasons to cover migrant workers, effective communication on why it is important to society that such workers are covered may be needed. At the same time, access to benefit coverage should be considered as fair by the host country’s population.

Another related issue is that of detached (or posted) workers. A 1996 EU Directive states that while posted workers have to comply with the labour law of the host country, their employers pay social security contributions in the home country. This can, and has, created what is known as “social dumping”, due to the wide disparity in such costs between different countries in the EU and therefore the incentive for employers to employ such workers when there is increasing pressure on labour costs. For example, the number of such workers in France has increased by an estimated twenty-fold between 2001 and 2012 (Ricard, 2013). This has led to both national legislation change and measures proposed at the European level to address abuses of the current system. However, the difficulty is balancing the different demands of ensuring flexible social security agreements when workers change countries and ensuring that the possible options available to employers and employees do not lead to unfair competition:

- **Adverse impacts of migration on home countries.** Migrant workers are often well qualified and can represent an economic loss to the home country. This is particularly dramatic in essential services, such as health care, where the availability of trained, qualified workers is critical to the home country. It is estimated that there is a current shortage of some 4 million health workers worldwide, including 1 million in Africa where the needs are often the greatest. However a significant proportion of health care workers in the richer economies come from Asia and Africa, having had their training paid for in their home country.

10. There are an estimated 210,000 detached workers in France, an increase of some 23 per cent over 2012 and nearly five-fold higher than in 2006; see Russell (2013). These workers are covered for social security payments under their home country regime, which in many cases means considerably lower salary costs even when they are paid the same salary as their French colleagues. In addition, a number of abuses have been observed putting greater pressure on the enforcement of laws treating such workers; see Cheyvalle (2013).

- **Difficulty of applying the same conditions (e.g. eligibility) to migrant workers.** For example, means-tested benefits, wherein eligibility to benefits and the level of benefits to be paid is assessed on the basis of the financial situation of the household, are difficult to administer. This is due to the problem of obtaining information regarding the financial situation of the migrant worker's family who reside in another country.

Typically, the more mature social security systems which were developed before migrant worker flows became significant have often had the greater challenges to adapt, due to the significant changes required to benefit design, financing and administrative and management practices.

1.5. Coverage under general schemes or dedicated plans for migrant workers?

Approaches to extending coverage to migrant workers vary considerably by country and by whether they are internal or international migrants.

1.5.1. Internal migrants

For internal migrants, the approach has to reflect the fact that migrant workers may often work in the informal sector, have a greater number of employers, and may change industry or economic sector when they migrate (e.g. from agriculture to manufacturing). The biggest challenges come from one of the following three situations:

- When a worker in theory would be covered under different schemes when migrating (e.g. in a country where there are separate schemes covering rural and urban areas).
- When a migrant worker works in the informal sector.
- When a migrant changes work status (e.g. employee to self-employed).

Although practice varies, typically internal migrants would be covered under existing schemes for non-migrant workers. The key challenge is when there are different schemes in different parts of the country, or for different sectors (e.g. rural workers' and urban workers' schemes), and where there are questions concerning the transfer and portability of acquired rights. This issue is covered in [section 2](#) of this handbook.

1.5.2. International migrants

For international migrants, the approach is typically to include these workers in existing schemes where possible but subject to certain criteria, for example a minimum waiting period to ensure that short-term migrant workers stay covered by their home-country system. In reality, with the widely varying characteristics of migrant workers, there are a number of different approaches which reflect the different situation of migrants and which may take into account the possible existence of bilateral or multilateral agreements:

- **Inclusion in the host country's main social security scheme.** This approach may also require putting into place supporting administrative measures and changing rules on vesting or minimum service requirements. Typically this approach allows consistency and equity between workers doing the same jobs and allows migrants to be covered for benefits in a country where they often stay longer than expected. The disadvantages are a possible fragmentation of entitlements linked to service, hence the need for a legal basis and administrative measures to support migrant workers when moving country, and increasing amounts of administration for host countries (e.g. related to documentation requirements).
- **A separate scheme for all migrant workers.** In such an arrangement, terms and conditions would be common to all migrant workers. Although some host countries follow this approach for certain sectors of the working population which contain significant numbers of international migrant workers (e.g. self-employed or informal-sector workers), in cases where migrant workers are salaried such an approach is rarely followed. In instances where host countries exclude migrant workers, the home country may set up a voluntary scheme dedicated to migrant workers only (an example is El Salvador).
- **Inclusion in the home country's social security system.** For migrant workers who stay in the host country for a limited period, there are a number of advantages to staying in the home country's system. These include continuity of service, benefit levels related to the needs of the family and individual, and less administration, especially so when there is a frequent change of country. Normally, bilateral and multilateral agreements set the conditions and regulations in these circumstances.

1.5.3. Barriers relating to migrants who are self-employed (formal and informal sector)

A number of barriers relating to self-employed workers highlighted in the first handbook in this series (ISSA, 2012) also apply to self-employed migrant workers. These include:

- Access to benefits and administrative issues.
- Under-declaration and compliance issues.¹¹
- Low and variable income constraints and the double-contribution issue.
- Disincentive, adverse-selection and moral-hazard barriers.
- Lack of confidence in social security.
- Lack of awareness of benefit entitlements.
- Inappropriate benefits.

For more details on these barriers and proposed solutions, please refer to the ISSA's *Handbook on the extension of social security coverage to the self-employed* (ISSA, 2012).

More details of the different approaches are set out in [section 3](#).

11. One of the challenges in including self-employed migrant workers is the difficulty of assessing salary for contribution and benefit purposes. The approaches discussed include using a notional salary (e.g. China), linking benefits to contributions paid, increased compliance or levying notional contribution amounts to encourage sign up and to simplify administration procedures.

2. Internal migrant workers

This section covers the different barriers or constraints to coverage for internal migrants, and possible measures and solutions to overcome them.

Section 3 looks at barriers relating to international migrant workers.

2.1. Barriers to extending coverage for internal migrant workers and suggested responses

Aside from issues relating to informal- and formal-sector self-employed workers referred to in **section 1.5.3**, the main barriers relating to the coverage of such workers relate to harmonization and coordination between different schemes. For example, when a worker previously working in the agricultural sector in a rural area moves to a construction job in an urban area, often this implies changing the scheme under which he or she is covered. Other challenges relate to the importance of covering the family of the worker (who may stay in the workers' region of origin), access to information, language and cultural issues, and ensuring that benefits are appropriate.

2.1.1. Issues relating to different social security scheme coverage (e.g. different schemes by region, profession or other category)

In a number of countries, particularly those organized on the basis of a federal constitution, scheme rules, benefit levels and contributions differ by region. There may also be different schemes for rural or urban areas or by industry (e.g. agricultural workers covered on a different basis than those in industry). This has an impact on the portability of benefits and the fragmentation of entitlements, plus administrative implications for managing different benefit entitlements. A lack of administrative coordination between different schemes therefore impedes worker mobility, for example with administrations having to ask workers to resubmit documents, with administrations being unaware of previously accrued rights, and with ensuing bottlenecks in benefit calculations effecting timely benefit payments.

The key challenges relating to this barrier are:

- Different benefit structures. Scheme design may differ by:
 - Benefit structure (e.g. defined benefit compared to defined contribution).
 - Benefit formula (e.g. different accrual rates).
 - Normal and early retirement ages.
 - Contribution rates.

- Lack of recognition of past service rights in other schemes or inequitable treatment of such rights (e.g. relatively long vesting periods).
- Barriers to the transfer of pension benefits accrued from one scheme to another.
- Administrative coordination.

Suggested responses. A set of responses to the challenges and barriers specific to internal migrant workers are discussed in this section. A number of these themes are also covered in [section 3](#) with regard to international migrant workers.

- **The harmonization of benefit plans** aims to ensure that changing scheme is as straightforward as possible and that the transfer of benefits or the recognition of benefit amounts is straightforward. This does not require that scheme design must be the same, indeed different plan designs are often justified, but that there is consistency in design and delivery of benefits to facilitate the movement of workers. This applies to the type of benefit design (e.g. defined contribution or provident fund tend to lend themselves more easily to the calculation and transfer of benefits), whether schemes are funded and other rules, for example normal and early retirement ages.

While consistency is easier to achieve in similar industries or professions, one key area is rural to urban migration. To facilitate mobility, benefit structures in rural and urban schemes should be consistent. In practice, however, this may prove difficult to achieve. The difficulty stems from the different characteristics of rural and urban workers which justifies a different approach, particularly so if the benefit structure is complex. Simplifying the benefit structure makes the process easier to administer and is likely to increase the understanding of members regarding the benefits that they will receive and, if necessary, can then transfer when changing schemes. For the receiving scheme, it is also easier to assess past service rights.¹² Another barrier is where approximations are used (for example, for estimated income) in a rural scheme, but not in an urban scheme which may complicate the determination of past service accrued rights.

- **Formalizing early-leaver benefits and the recognition of these by the receiving scheme.** This can be achieved using different approaches – a system of transfers which reflect accrued service rights and which “buys” credit in the receiving scheme or a calculation of a deferred pension. The first approach requires an agreed basis for determining the accrued benefit in the first scheme, the credit in the new scheme if a transfer is made and a general harmonization of rules for transfers in and out. The alternative of a calculation and recognition of a deferred pension also requires a system and procedure of appropriate calculation of rights. In schemes with some element of defined contribution (DC) or notional defined contribution (NDC), the determination of leaving service benefits is more straightforward. When the system is funded, payment of accrued benefits is also facilitated, although under an NDC system the lack of assets backing the account balance makes actual cash transfers difficult.

12. Some schemes that have moved to provision on a defined contribution (DC) basis have emphasized that the calculation and transfer of past service rights is greatly facilitated by the move.

Box 2.1. Rural to urban migration in China

Like a number of its neighbouring countries in Asia, China has seen significant shifts in population with the main flows being from rural to urban areas. These flows raise a range of challenges and one of the key difficulties is ensuring social security coverage for workers as they change their work location. Indeed an OECD study (Hu and Stewart, 2009) showed that while such workers did not seem to be discriminated against in respect of salary levels, there was a significant social protection deficit. In recent years, a large number of measures have been taken to address the issue.

One of the key focuses has been on agricultural workers who migrate to urban areas, often to work in manufacturing-based work. Official statistics show that by the end of 2013, there were a total of 269 million farmer-turned migrant workers, including 166 million farmer-turned domestic migrant workers. Although around 50 million of those workers participate in the Urban Employees' Basic Pension Scheme and in the Urban Employees' Basic Health Insurance Scheme and some 73 million in the Work Injury Insurance Scheme and 37.4 million in the Unemployment Scheme, there are still significant gaps in coverage.

In response to repeated infringements by certain employers, the Ministry of Human Resources and Social Security promulgated in late 2013 a regulation requiring that so called "labour dispatch workers" (contract short-term workers) should generally only be recruited for filling temporary, auxiliary or substitute job positions, and that the total number of such workers should not exceed 10 per cent of the workforce. The regulation also requires a minimum 2 years' contract and that the employer should undertake the affiliation procedures with local social insurance agencies (where the employee works) as well as paying social insurance contributions.

Another measure taken in China is the plan to unify pension plans for rural and non-employed urban residents. Not only will the planned new system provide urban and rural residents with equal rights and opportunities, measures to ensure pension portability between the rural residents' pension scheme and the urban employees' basic pension scheme should lead to enhanced protection for domestic migrant workers.

A similar integration process in health insurance coverage has been achieved with many provinces having integrated their health insurance schemes for rural and non-employed urban residents, or have announced plans to do so soon. In Dong Guan City of Guan Dong Province, a unified health insurance scheme has already been established, covering all migrant workers, non-employed residents, local employees as well as civil servants under the same scheme with the same standards. The comprehensive use of social security cards (covering all branches and equipped with financial functions), which were distributed to 540 million people by the end of 2013 has facilitated the process; for example, claimants need to pay only their personal share for medical treatment (even when the claim occurs in another city or province) while the remainder is settled between service providers and social insurance agencies.

Sources: Various online reports [in Chinese] from the Chinese Ministry of Human Resources and Social Security <<http://www.mohrss.gov.cn>>.

- **Coordination between different plans.** This coordination may take different forms from ensuring benefit consistency to administrative practices. While the former is referred to above, for the latter this implies the sharing of information to ensure that policy measures taken can be carried out in practice. Such coordination may consist of sharing of information, regular meetings and simplified procedures.

- **Enhanced record keeping.** The use of ICT to ensure that records are up to date and to facilitate coordination between different agencies and pension schemes is essential. Agreements with other public organizations and private-sector enterprises to share information on transfers when workers move from rural to urban schemes will facilitate the calculation and transfer of benefit entitlements. A list of information required (for example, date of birth, salary records, service records, family details, etc.) should be defined, implemented and monitored to ensure accuracy. Where information is also accessible to individuals, entitlements can be checked by them.
- **The training and professional development of staff** is important to ensure that often complex situations are understood and managed. Encouraging the exchange and mobility of staff from rural to urban offices, for example, encourages the sharing of knowledge and best practices. This may be relatively straightforward within the same organization, but require agreements when the institutions are separate.
- **Simplified calculation procedures** are important if benefit entitlements are to be rapidly and accurately determined.
- **Creating a universal scheme covering all workers** regardless of geographical location may be a solution to some of these issues. While such an approach may be straightforward in countries with relatively centralized operations and less regional disparities, it is more challenging where regional schemes have developed in relative isolation. Although it is difficult to create a one-size-fits-all scheme, universal systems with consistent benefit provision but regional or industry variation are possible.

2.1.2. Cultural and language issues

In countries that are linguistically and culturally diverse, migrant workers may not have the same access to benefits, and benefits provided may not reflect his or her cultural expectations. In addition, a large number of internal migrants are international migrants who are more likely to move internally within a country than native workers.

Providing information in different languages and reflecting cultural differences in providing information and benefit delivery is an important element of social security institutions' approaches to this issue.

In many countries, with significant minorities from different cultures and/or with different languages, information is available in a number of languages. A number of social security systems provide website or written information in minority or regional languages – for example, in the United Kingdom information is provided in Welsh and in Finland information is provided in Swedish.¹³

13. See, for example, <<https://www.gov.uk/cymraeg>> and <<http://www.kela.fi/web/sv>>.

In some countries with a number of languages, the official language may be the second language for many in the country; therefore the language used should be at an appropriate level and, if possible, information also provided in other languages. For example, in India the Employees Provident Fund (EPF) provides information in English and Hindi.¹⁴

The delivery channels and the content of communication should also reflect cultural differences (e.g. different media preferences, the importance of family structures, etc.).

2.1.3. Access to information

When migrant workers change residence, they may lack the information regarding the existence of new schemes and how to affiliate. Although this challenge also exists for other workers, the access to information as well as its relevance to internal migrant workers ensures that the transition and affiliation process is eased for the migrant worker.

Suggested responses:

- **Information provided through employers or through social security agencies.** This may be in collaboration with the previous scheme of which the migrant worker was a member and, if possible, through the sharing of information regarding entitlements, family situation, etc.
- **Wide use of a range of media** to reach the different types of internal migrant workers.
- **The use of social support clubs or associations** as a vehicle not only for information diffusion about social security but as an important informal support network. From the governments' point of view, supporting (often financially or logistically) such organizations is an effective way to support integration efforts as well as a useful channel for finding out about cases of exploitation or other problems related to the migration process.

2.1.4. Support for family members

One common characteristic of rural to urban migrant flows are the large numbers of individual workers who leave the other members of their family behind in their home region. This creates the need for social security systems to cover certain risks for beneficiaries in two geographical areas – in the area where the migrant worker is working and where the remaining family members are based. For example, health coverage has to be provided in two separate areas, while the level and conditions regarding unemployment benefits for the migrant worker will impact directly on the family members who remain in the home region. It is important to address this issue with the design of tailored benefits for the individual and family and appropriate mechanisms to be used for claiming benefits. In India, the challenge is addressed by issuing two social security ID cards, one for the worker and one for another family member to facilitate claiming benefits and securing information.

14. See, for example, <<http://www.epfindia.gov.in/>>.

2.1.5. Miscellaneous barriers to extending coverage to internal migrant workers

There are a number of other direct and indirect barriers to extending social security coverage to internal migrants. These can include the following:

- Lack of recognition of professional qualifications achieved in one part of the country in another (e.g. in a federal system). This may lead to the employee having to either change profession (thus, for example, losing coverage through an industry-wide pension system) or to take up a job in a less senior position, or possibly leading to employment in the informal sector. A mutual recognition of qualifications facilitates continuous service in a nationwide system for certain professions.
- Discrimination against internal migrants may occur if these migrants are considered as having “taken” the jobs of local workers or are from a different cultural background. This may impact on the working conditions and status of such employees. In turn, this may limit the opportunities for migrant workers, leading to a more precarious working status.

Suggested responses to this issue include the provision of financial support for internal migration, which may support families or individuals in the move and increase the financial capacity and ability to contribute to social security.¹⁵ In countries organized on a federal basis, the mutual recognition of qualifications is important to ensure workers are treated on an equivalent basis. Public information campaigns regarding the positive impact of internal migrants are a further response (see [section 3](#) for examples).

Box 2.2. Migrant workers, employment status and social security coverage in China

A number of studies have shown a link between employment status and coverage for social security. For example, a study in China (Gao, Yang and Li, 2012) examined migrant worker data from 2008 and 2009 and concluded that “having a labour contract, especially a long-term contract, substantially improved the migrant workers’ social insurance coverage”. This not only implies that efforts to formalize the informal sector pay dividends in terms of improved coverage levels, but suggests that moving from short-term to long-term contracts also improves coverage. However, a surprising result from the survey was that permanent open-ended contracts seemed to have little positive impact on social security coverage.

Since 2007, significant efforts have been made in China to extend coverage to migrant workers. The number of “rural migrant workers” covered under the Basic Pension Scheme tripled between 2006 and 2011 (ISSA, 2013a) and doubled in the Urban Employees’ Basic Medical Insurance Scheme. Coverage extension under employment injury programmes reached 68 million workers in 2011.

15. In Russia, a bonus for internal migration is offered to those moving to certain regions where certain qualified and skilled employees are in short supply.

3. International migrant workers

Aside from the more general issues relating to informal- and formal-sector international migrant workers referred to in [section 1.1.2](#), this section sets out the main barriers relating to the coverage of such workers and the suggested responses.

The types of barriers and challenges are grouped into three main types:

- **Legal barriers.** Migrant workers are excluded from joining social security (see [section 3.1](#)).
- **Effective barriers.** While it is legally possible to join, a number of practical, administrative and access barriers mean that such workers do not affiliate (see [section 3.2](#)).
- **Making social security more attractive to migrant workers and improving benefit levels.** Although it may be legally possible to affiliate to social security and effective administrative efforts are in place to facilitate this, migrant workers may choose not to sign up because of a perceived lack of attractiveness of the benefits provided (see [section 3.3](#)).

3.1. Legal barriers

3.1.1. Legal barriers to affiliation

It may not be legally possible for migrant workers to affiliate to the social security system. This may be because the law excludes membership or it may be de facto exclusion, if, for example, there is a minimum number of years' condition for affiliating to social security or a long minimum service requirement for eligibility for the minimum pension. The exclusion may exist in relation to affiliating to the host country system or staying in the home country system. In addition, immigration requirements (e.g. legal measures restricting the maximum amount of time that an immigrant can stay in the host country) may directly lead to ineligibility for social security affiliation or benefit entitlements (i.e. if the maximum stay in a country is less than the minimum vesting requirement).

Suggested responses for the host country. Measures to reduce exclusion from access to social security coverage generally depend on appropriate policy measures and include:

- **Universal access.** This would allow all types of workers (i.e. including migrant workers) to join social security schemes, through either compulsory or voluntary arrangements, irrespective of the status of the worker.

Box 3.1. Extension of coverage to migrant workers in Russia

As of January 2012, foreign citizens and stateless persons (except for highly-skilled specialists) are covered by mandatory pension insurance provided that they are subject to a labour contract lasting at least 6 months. The employer is responsible for the payment of contributions paid at the same rate as for Russian citizens.¹⁶

- **Easing conditions.** This might include reducing the minimum service period required to join a scheme as well as the vesting periods for eligibility for benefits. This is a particularly important issue for migrant workers who may change job frequently and be active in the informal sector for a significant time or whose duration of stay is less than the minimum service requirement in the home country. For example, a scheme that requires 10 years of uninterrupted contributory service to be eligible for benefits is likely to disadvantage migrant workers.
- **Moving from nationality-based to resident-based conditions for membership.** For example, in South Africa eligibility for benefits depends on resident and not citizen status; in other countries, membership depends on nationality, which greatly limits coverage for migrant workers. In such an approach there would be no distinction between temporary and permanent migrants.
- **Easing minimum residency-based requirements.** A minimum waiting period is justified on administration grounds and also due to the nature of a number of bilateral and multilateral agreements which allow a migrant worker to stay in the home country plan if the period of working in the host country is short (e.g. up to 12 months). However, it is important that the minimum residency requirements for periods above this are not excessively long.

Box 3.2. Treatment of migrant workers in Canada

Canada's Seasonal Agricultural Worker Program offers a good practice example for a number of reasons. First, the rules surrounding it give to migrants social protection rights that are similar to those of Canadian workers, including for health benefits and family allowances. Second, the government involves employers in designing and implementing the programme, and gives administering agencies discretion in implementing the rules. Third, the Canadian law treats non-citizen status as an issue for anti-discrimination law, giving migrants the same status as other expressly protected groups. This last point is particularly important; the 2003 ILO Migration Survey showed that one third of the countries surveyed did not apply their anti-discrimination laws to migrant workers.¹⁷

16. Federal Law No. 167-FZ. of the Russian Federation.

17. ILO Migration Survey 2003: Country summaries CD-ROM (published 2004).

Box 3.3. Treatment of migrant workers in Canada

While there are a wide range of multilateral and bilateral agreements to facilitate social security coverage, a number of international legal instruments also aim to address this issue, often as part of wider aims, for migrant workers. For example, the Migration for Employment Convention (Revised), 1949 (No. 97) and the Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143) are two International Labour Organization standards. In addition, the United Nations International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families was adopted in 1990 and covers regular and irregular migrant workers. In turn, the International Labour Organization Recommendation Concerning National Floors of Social Protection, 2012 (No. 202) refers to coverage for “residents” and not citizens, although it also states that this status depends on the national definition of residents which may exclude some migrant workers.

- **Breaking the link between immigration status and eligibility for social security.** In a number of countries, illegal immigrants may still be eligible for social security coverage as there may be no direct communication or coordination between government departments treating immigration issues and the social security institution. In addition, a policy decision may have been taken allowing coverage of workers that do not have formal permission to work or reside in the host country. This may take the form of facilitated sign up of domestic workers (e.g. the Chèque Service system operating in Switzerland – see also [section 3.2.1.](#)) or exemptions allowing such workers to affiliate.

Suggested responses for home-country provision and affiliation. Where social security coverage is not possible or not advantageous for the migrant worker in the host country, the migrant worker should be able to stay in the home country plan under certain conditions. Such an approach may make sense when the migrant worker is likely to remain for a limited period in the host country or when he or she moves frequently from one country to another. In addition, it may also facilitate the coverage of the family of the migrant worker whose members may remain in the home country. This approach also allows a more straightforward treatment of the “return home” phase.

Some of the issues to consider if the migrant worker does stay in the home country plan are as follows:

- **Financing.** If social security benefits are financed through employee and employer contributions, how will these be paid to the home country social security system and how will they be treated for tax purposes? Furthermore, will an employer located in another country pay contributions?
- **Benefit calculations.** The migrant worker is likely to be paid a different level of salary to that which he or she was earning when in the home country, and the salary is likely to be in a different currency to that of the home country. In such a situation, what salary should be used for calculating benefits and contributions?

- **Duration.** Certain agreements set out a maximum amount of time in which the worker can remain in the home country system while working abroad. What happens if the worker stays longer in the host country?
- **Compliance.** It is very difficult to assess and monitor the salary levels of international migrants in another country. For this reason, benefits are normally set at a fixed rate and contributions are notional.
- **Compulsory/voluntary nature of provision.** While compulsory provision is in theory preferable to ensure higher levels of coverage and to reduce adverse selection, voluntary provision is often more realistic to reflect the challenges of covering migrant workers.

Examples of where host country provision covers migrant workers and has addressed such challenges are as follows.

- **Voluntary scheme for Filipino overseas workers.** Under legislation in the Philippines, Overseas Filipino Workers (OFWs) are covered for social security. This covers a Filipino recruited in the Philippines by a foreign-based employer for employment abroad or one who legitimately entered a foreign country and is eventually employed in that country. Affiliation procedures are simplified – a dedicated application form is completed together with a photocopy of any of the following: birth certificate, baptismal certificate, driver’s license, valid passport, Professional Regulation Commission (PRC) Card, or Seaman’s Book. In the absence of these documents, any two from a list of over 25 secondary documents can be provided. Finally, the Philippines Social Security System has a number of offices overseas providing direct advice to its Filipino nationals.
- **Contributing to United Kingdom social security and buying back “missing years”.** It is possible for those who have previously contributed to the United Kingdom social security system to voluntarily pay contributions to build up additional rights to the state pension.¹⁸ By paying contributions, the individual can improve the level of state pension received as well as ensuring entitlement to other benefits. The terms and conditions of such payments depend on a number of conditions and there is a time delay (in general contributions should be paid within 6 years of the end of the tax year concerned). Paying such contributions does not preclude participation in the host country social security system.

Multilateral and bilateral agreements covering the home and host country. Bilateral and multilateral agreements reinforce the legal coverage of migrant workers who are nationals of the countries concerned. They often set down conditions regarding whether workers are covered in the home or host country and the modalities regarding this coverage. They seek to avoid both lack of coverage or “double coverage” where an employee may be obliged to contribute to both home and host country arrangements.

18. See <<http://www.hmrc.gov.uk/ni/volcontr/abroad.htm>>.

Box 3.4. Mobility in the EU: A legal framework to encourage mobility and support migrant workers

The free movement of labour is one of the four fundamental freedoms of the European Union. To support migrant workers, there are a number of legislative instruments relating to social security and supplementary provision. These tools enable migrant workers (i.e. employees who move between member states) to be protected by three fundamental principles:

- non-discrimination between nationals of EU member states and other countries.
- guarantee of portability of social security benefits between member states.
- aggregation of periods of coverage for the purpose of determining eligibility for benefit.

In respect of social security, the underlying principle is that employees are covered in the social security system of the country where they work. However, for shorter periods (up to 24 months), it is possible that employees can remain in the home country social security system (up to 24 months or longer in “special cases” and with the agreement of both countries).¹⁹

Aggregating of service for calculation of benefits (i.e. no minimum service requirements) is another aspect promoting mobility. For supplementary occupational pensions, tax treatment must be consistent and there must be no discrimination based on nationality. The EU has also encouraged and supported the efforts to create “Pan European Pensions” (IORPs). Issues relating to portability of benefits are covered in [section 3.1.2](#).

In a number of countries, although migrant workers are able to join social security, this may be voluntary. In such situations, many migrant workers decide not to join, thereby creating a gap in social security coverage. Making such voluntary schemes easier to join and more attractive will increase coverage and these two issues are covered in [section 3.2](#). and [section 3.3](#). respectively.

There may also be de facto legal exclusion – i.e. where eligibility conditions are likely to mean that most migrant workers will not be able to affiliate. For example, in the United States the minimum income requirement is relatively high meaning many migrant workers who may be self-employed or work for a range of different employers miss out on coverage.

3.1.2. Portability

In a number of countries, migrant workers are allowed to, or obliged to, contribute to the social security system in the host country, but there may be no bilateral or multilateral agreement between the two countries. In such a case, although the individual may be building up rights in the host country social security system, such entitlements may not be portable or transferrable. In addition, rights built up may not be subject to totalization agreements, so that the employee may contribute for a number of years in the host country and not be entitled to any or the full value of benefits accrued.

19. See European Commission (2004, 2009).

Box 3.5. Portability in Africa

Increasing labour migration in Africa requires recognition and portability of accrued retirement benefit rights. A number of initiatives have been set up to achieve this objective. The Southern Africa Trust set down a number of recommendations to improve the current situation, including developing greater coordination between social security institutions in respect of addressing shortfalls and gaps in contributions and how working with migrant worker organizations can improve communication and affiliation.²⁰ A report financed by the European Commission (Olivier, Andrianarison and McLaughlin, 2014) has also recognized the lack of inter-scheme and cross-border coordination of benefits across risk categories as barriers. However the increasing number of bilateral and multilateral initiatives suggests this issue is starting to be addressed (for example in the East African Community and in West Africa), although there are still few examples of such agreements in operation.

Portability of accrued benefits depends on two other elements. The first relates to the benefit structure and the arrangements which may facilitate portability. The second is administrative: the nature of arrangements and agreements regarding how benefit entitlements are calculated and credited when a worker has entitlements from different schemes.

If there are no appropriate arrangements to address this issue, the migrant worker may accrue a much smaller benefit than expected – or none at all – due, for example, to not meeting minimum service requirements or where an accrued benefit may lose value owing to the effects of inflation.

This section considers the different approaches that can be followed to address the question of portability. A number of countries have successfully put in place effective legal and administrative measures, often on a regional basis, to address these challenges. The main approaches used are the following:

- Totalization agreements.
- Portability and transferability.
- Mutual recognition of past service.
- Consistent benefit design.

Portability and benefit design. Portability of most social security benefits, tax-financed social assistance, social pensions or cash transfers is notoriously difficult. This is because the rights accrued do not depend directly on contributions paid, but usually on some categorical notion of citizenship or minimum residence requirement and because programme aims relate commonly to alleviation of poverty objectives.

In general, unfunded systems, and especially those providing defined benefits, present greater barriers to portability. This is due to a lack of a clear link between contributions paid and benefits received, reflecting an element of cross subsidy in most systems. For their part, provident fund

20. See <http://www.southernafriatrust.org/docs/Cross_Border_Migration_and_the_Portability_of_Social_Security_Benefits_2011.pdf>.

or defined contribution systems tend to lend themselves to more straightforward calculation and transfer of benefits than defined benefit systems before retirement, although a number of rules governing the calculation of partial benefit entitlements mean that, in reality, portability can also be ensured after retirement for such schemes. Indeed at retirement, it is arguably more straightforward to address the issue of portability and transferability of benefits under a defined benefit system than under a defined contribution or provident fund approach.

Not only are accrued rights under provident fund systems easier to calculate but minimum service requirement become less important. Among the member states of the Association of Southeast Asian Nations (ASEAN) for example, provident funds in Brunei Darussalam, Indonesia, Singapore and Malaysia have no minimum contribution requirement, while social insurance defined benefit programmes in the Philippines, Thailand and Viet Nam have a minimum period of contribution of between 5 and 15 years.

Holzmann and Koettl (2012) have estimated that of those migrants covered for social security, the majority are covered for entitlement to benefits, but are not covered by bilateral or multilateral agreements regarding portability, transferability and the totalization of benefit entitlements. The authors classified the coverage of migrants into four different regimes and, using 2000 data, estimated coverage of migrant workers as follows:

- **Portability** (i.e. covered for social security in the host country and covered by bilateral or multilateral agreement ensuring full portability of accrued benefits): 23 per cent.
- **Exportability** (i.e. covered for social security in the host country, but not subject to a bilateral or multilateral agreement; payment of benefits depends on the host country rules): 55 per cent.
- **Access exclusion** (i.e. legal migrants with no social security coverage in the host country either because it does not exist or they are legally excluded): 5 per cent.
- **Informal sector** (i.e. illegal or informal-sector migrant workers with no coverage): 18 per cent.

These global figures hide significant regional differences. While in OECD high-income countries, 86 per cent of migrant workers fall under the first category, in low-income countries this falls to just 2 per cent.

This therefore has a particular impact on the adequacy of benefits that many migrant workers will receive when they retire.

The role of multilateral and bilateral agreements to ensure appropriate recognition of accrued rights, portability and payment of benefits is therefore essential. However, in low-income countries and those with nascent social security programmes or systems that only cover a small proportion of the workforce, such arrangements may do little to address the issue. Before addressing these alternative approaches, this section looks at different multilateral agreements and their content.

Box 3.6. Legal instruments for migrant workers in the European Union

The European Union has put in place a number of legal instruments to ensure that not only the coverage of migrant workers who change country of employment is guaranteed, but that the adequacy of benefits when reaching retirement is maintained. The approach is the totalization of benefit entitlements – in effect, that when there is a minimum contributory service requirement, it is determined considering all such service undertaken anywhere in the EU. The calculation of accrued benefits is performed on a pro-rata basis. For example, an employee works 5 years in Luxembourg, 25 years in the United Kingdom and 10 years in Spain. The calculation of the social security pension payable from each country will assume total service of 40 years, but will either calculate the retirement pension on a pro-rata basis or use the standard accrual rate calculation if benefits are determined on this basis. For example, for the Luxembourg pension, the minimum service requirement for the right to a state pension is ten years. Therefore without any agreement, the individual would normally not have right to any benefit. However, under the totalization rules, the entitlement to a Luxembourg state pension is determined assuming that this minimum service requirement had been met and therefore the calculation of benefits is determined considering total service in all EU countries (40 EU-years of service). For Luxembourg this is determined using the benefit formula and current accrual rate of 1.85 per cent per year multiplied by contributory adjusted earnings and the number of contributory years' service in Luxembourg. This amount is paid from the Luxembourg authorities when the insured reaches the Luxembourg state pension age and the social security entitlements from Spain and the United Kingdom are calculated using the same approach. For the United Kingdom, the amount received will be determined on a pro-rata basis due to the fixed-rate nature of the benefit entitlement.

Benefits covered under portability agreements. While the right to retirement benefits is generally accrued over a certain period of contributory service, the situation for other social security benefits may depend on other criteria (e.g. residency based). This makes the responsibility regarding payment more complex – particular with asymmetric migrant flows – and raises the question of whether the notion of accrued rights is relevant. In respect of health and disability benefits, the challenges revolve around selection and asymmetric information. In tax-financed systems, there is effective pre-saving during the first 50 to 60 years of life when tax payments or contributions are greater than medical systems payouts, with the last 30 years of life generally seeing the inverse (i.e. payment of benefits greater than effective contributions). When systems are similar and migration flows symmetric, this is not an issue but in other situations this leads to a negative financial impact for the social security system.

Box 3.7. Multilateral agreements in the Commonwealth of Independent States (CIS)

The Convention on Legal Status of Migrant Workers and Members of Their Families of the CIS Member States was signed on 14 November 2008 and ratified on 21 December 2011. The Convention seeks to strengthen cooperation in the field of the protection of migrant workers at the CIS level. It affirms that migrant workers, including seasonal and border workers, have equal rights with respect to working conditions as the citizens of the host country. The scope of the Convention covers all migrant workers and their family members who stay legally in the country of destination (ILO, 2012b). A number of CIS countries have also signed bilateral agreements with other CIS countries placing the responsibility for coverage in the host country. Reforms undertaken in many of these countries from the late 1990s, however, led to a number of situations where the retirement systems were radically different from one country to another with the possibility of large distortions (e.g. different minimum service requirements, different normal retirement ages, etc.)

Box 3.8. What to include in bilateral agreements? The case of Ukraine

As of 2012, Ukraine had concluded bilateral social security agreements with Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Portugal, Slovakia and Spain. Such agreements tend to cover all or most branches of social security including retirement, disability and survivors' pensions, medical care, sickness and maternity, and employment injury. Some agreements (for example, those concluded with Estonia, Latvia, Lithuania and Portugal) also cover unemployment insurance as well (ILO, 2012b).

Payment of benefits. One of the key elements of bilateral and multilateral agreements concerns the payment of benefits. They seek to reduce the barriers to the payment of accrued rights abroad. In the calculation of pensions to be paid by each country, the pro-rata formula is usually applied. This means that each country pays a pension amount based on the insurance period accrued in its territory. This way, each country is responsible for its part of any insurance obligations. When entitlements are in different currencies, movement of exchange rates makes the final benefit outcome more uncertain.

Another key element is the increase of pension amounts, often in line with inflation, once in payment. While multilateral agreements should address this issue and in theory ensure that pension increases are the same wherever the worker resides and whatever the nationality, this may become an issue when insured work has been undertaken in countries that are not party to such agreements.²¹

When other payments – such as disability – are made abroad, the key issue is the control of payments as such payments are linked to a condition and should cease when the condition is no longer met. In the case of retirement benefits, controls are required to ensure the person is still alive, which can be difficult when they have moved country. Monitoring of such payments may require coordination with other countries' administrations or a simplification of the rules under which such benefits are paid.

Barriers to the efficient implementation of multilateral and bilateral agreements. The barriers that may have to be addressed include:

- Insufficient staff resources able to deal with the implementation and administration of the agreement.
- Lack of relevant skills (e.g. language or legal knowledge).
- In respect of disability benefits, different definitions regarding medical conditions and the interpretation of partial disability.
- Access to relevant information between different agencies in the home and other countries.
- Asymmetric flows of migrant workers. One of the key challenges may occur when there are significantly more immigrants than emigrants, and this has financial or administrative implications for one of the social security institutions.

21. The basic state pensions payable by the United Kingdom to beneficiaries receive periodic increases only in certain countries which are in the European Union or have signed a social security agreement with the United Kingdom. See <<http://www.dwp.gov.uk/international/social-security-agreements/>>.

- Differences in benefit structure and levels may also prove a barrier. For example, if one country has a provident fund system and another a traditional defined benefit social insurance system, then by putting in place a multilateral agreement with a totalization element, there is no net additional cost for the provident fund but there is for the system based on a social insurance model (as previous to any agreement, in the case of workers leaving the system before a minimum number of years of service had been accrued, then this may have resulted in no benefit payment at all, contrary to the arrangement under a multilateral agreement).

Suggested approaches. The approaches that may be adopted to address these challenges include:

- A dedicated department appropriately skilled to deal with managing agreements and staffed by personnel with language capabilities and knowledge of other countries' systems.
- Applying standard and agreed definitions of disability to avoid inequity of treatment and to facilitate administration and rapidity of claims.
- Considering different approaches to the issue of totalization, for example:
 - When a migrant worker moves from a provident fund to a social insurance system, allowing the purchase of additional years of service counting for benefit purposes with the accrued contributions and interest from the provident fund.
 - When a migrant worker moves from a social insurance system to a provident fund or other defined contribution system, facilitating a transfer value payment from the social insurance system which can then be paid into the individual account.

Such approaches may need changes to regulations, benefit calculations and the tax treatment of transfer values, which currently may be taxed under some systems when the payment does not remain in the same country.

Managing information and data. A key success factor in the operation of international agreements is ensuring an effective and reliable data exchange between participating organizations. The data required typically differs from the standard information held for employees and includes personal and family data, working history (current and previous employers in the two countries) including service and salary details, contribution history as well as notifications of changes in family status. Some of the issues to consider are set out in the *ISSA Guidelines on contribution collection and compliance* (ISSA, 2013b).

Box 3.9. Effectively administering multilateral agreements – the case of MERCOSUR

Until September 2008, the administration of benefit requests and payment in the MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) was carried out using paper forms and conventional mail. This meant long waiting periods and delays as well as complicated procedures for the social security institutions involved. To address the issue, an ICT system – the International Agreement System in Social Security (SIACI) – was developed and has massively improved the process for all involved. The system allows better record keeping, auditing and information provided to beneficiaries, and has reduced the waiting time for benefit payments. This bilingual system (Spanish and Portuguese) has been implemented in the four member countries of MERCOSUR and is also used for the management of bilateral agreements for individual countries.

Source: ISSA (2009).

Alternative approaches when bilateral or multilateral agreements do not exist. When bilateral and multilateral agreements do not exist, countries can improve the portability of benefits through benefit design and administrative measures in their country. For example, retirement systems using a provident fund or defined contribution approach make accrued rights more transparent and when such systems are funded the paying out of benefits is simplified. Other approaches may include a different treatment of contributions depending on the status of the employee. In Italy, since 2002, employers have paid social security contributions on behalf of migrant workers separately from citizens'; these contributions are paid by the National Social Insurance Institute (INPS) to the home-country systems. However, such approaches may lead to lower benefits for such workers especially those who stay for long periods in the host country.

The tax treatment of transfers and payments also has to be consistent with measures taken to improve portability. Some countries allow exemption from their own home social security system (e.g. many of the Gulf Cooperation Council countries), allowing the migrant worker to join the home country plan or make voluntary arrangements (or have their employer provide them with benefits). In such cases, there are a number of companies who provide international benefit plans to mobile employees.

Box 3.10. Occupational benefits

It is important to note that a number of migrant workers also contribute to second pillar, typically employer-sponsored provision. This can even be the case for illegal migrant workers. It is important to ensure workers' rights to such benefits, as well as their portability and their payment in other countries. These benefits can be particularly significant and are often subject to lower vesting periods than for social security benefits. In the case of such supplementary often employer-focused provision, an encouraging legal and fiscal framework can also improve portability. While the European Union pensions directive regarding IORPs is to be encouraged, such initiatives often run up against differing legal and tax treatment making portability difficult. Efforts to move towards a common EET basis²² for taxation facilitate such efforts on portability.

22. EET refers to the tax treatment of contributions, rollup of contributions (investment income and capital gains) and the payment phase. In this example, EET means that contributions receive tax relief (i.e. payable from pre-tax income), and investment income and capital gains are tax free, but that at the payout phase benefits are taxed.

3.1.3. Financial implications of agreements and the question of equity

Often the discussion of coverage of migrant workers focuses on the importance of ensuring coverage and the provision of adequate benefits. But there are also financial and administrative implications for the social security systems involved. If the aim is to ensure that the worker is no worse off than if they had not left their country, this will lead to cross subsidies from one social security system to another or between members of the social security system in each of the countries involved.

The extent of these cross-scheme transfers depends on the nature of the benefit structure, rules regarding portability and the flow of migrant workers between countries. These factors will impact on the financial implications of recognizing accrued benefit entitlements for migrant workers when they leave countries, which, in turn, raises the question of equity for migrant workers and for other beneficiaries. For example, retirement systems are often redistributive with cross subsidies from richer to poorer and from younger to older people. This means that if a “true” value of benefit entitlements is recognized for a migrant worker when leaving the host country’s social security system (i.e. related to the benefit formula under the system), this is often greater than the value of employee (and employer) contributions paid during the accruing period. This therefore has implications for the financing of benefits of others in the system. For non-pension benefits such as death payments and sickness, the financial implications depend on the nature of the migrant worker, his or her age and family details. Such benefits are generally not accrued over time, as is the case with retirement benefits, and thus the portability and eligibility for such benefits is more complex. While eligibility is often related to a contribution record, the full payment is paid out by the social security administration in the territory where the event happens (e.g. unemployment); this may create incentives to select against the system.²³

In addition, the cost of administering bilateral or multilateral agreements on entitlement and portability has a cost for the social security administration.

3.1.4. Multi-country status or different residence and employment locations

Although the majority of international migrant workers are those that are nationals of one country but work and reside in another, there are a number of countries where nationals of one country reside in their own country but work “over the border” in a neighbouring country. The treatment of these “frontier workers” is often complex, but important to ensure coverage and equity of treatment between workers.

While frontier work concerns only a minority of migrant workers, it is important that appropriate measures are put in place to ensure coverage of workers and their families, and equity with other workers.

23. This is currently an issue in the European Union, where the eligibility requirements regarding unemployment benefit are being re-assessed.

Box 3.11. Frontier workers in Europe

A significant number of workers in Switzerland and Luxembourg reside in neighbouring countries. For example, in Switzerland, there are an estimated 50,000 workers residing in Italy but working in the canton of Ticino, some 50 per cent of all workers in the Canton. For social security purposes, these workers are generally subject to the regime in the territory where they work, but in some situations agreements allow exemptions for certain benefits. For example, workers residing in France, but taking up employment in Geneva, Switzerland, have had the choice to adhere to the French or the Swiss system.²⁴

3.2. Effective barriers

Although an important element of the response to the challenges presented above is often a change in the law to ensure such workers are covered, a number of examples show that this is often insufficient to significantly increase coverage in the absence of supporting administrative and compliance measures. These supporting measures are set out in this section.

These administrative and compliance measures – and therefore the role of social security administrations – are particularly important because there is often a significant difference between legal and effective coverage rates.

In addition, a number of countries have introduced voluntary schemes to cover migrant workers. Given the choice, many migrant workers will choose not to affiliate because of a lack of resources, a lack of information regarding benefits and costs, and through underestimating how long they are likely to stay in the host country. Therefore not only are administrative measures important, social security administrations can also play a role in increasing the perceived value and attractiveness of such schemes. This latter role of social security administrations is covered in more detail in [section 3.3](#).

This section covers the following areas where social security can improve effective coverage rates:

- Access and affiliation procedures including the provision of information, and tailoring responses to cultural and language needs.
- Compliance of employers and role of other stakeholders.
- Coverage of migrant workers' family members.
- Returning home issues.

3.2.1. Improving access, affiliation and provision of information

A number of barriers preventing access to social security are presented in detail in the *ISSA Handbook on the extension of social security coverage to the self-employed* (ISSA, 2012).

24. Previously, such workers could also choose to take out private medical coverage, but recent changes require all such individuals to adhere to the French social security system. For pension provision, such workers contribute to the Swiss first and second pillar system.

These include the following, with examples of their particular impact on migrant workers and of approaches to address them:

- **Geographical barriers.** Offices may not be located in areas close to the working location or home of the migrant worker, making it difficult for them to access information. The issue is particularly challenging when the worker stays in the home country scheme. While ICT approaches can improve the access of migrant workers, the physical presence of offices makes a significant difference. The Philippines Social Security System has overseas offices in a number of countries with dedicated websites and contacts in different countries, including the United Kingdom.²⁵
- **Timing barriers.** Offices may be open only when the migrant is working and therefore he or she will not have the opportunity or sufficient time to visit the office. A further issue is time-zone differences between the host country and the home country in which the worker is affiliated. These different barriers can be surmounted by the use of ICT, 24/7 office access, or local offices.
- **Complexity of procedures.** This is a particularly important issue where information on affiliation, paying contributions and receiving benefits is not in the language of the migrant worker. In addition, administrative procedures may not be tailored towards and designed for migrant workers. Approaches to this issue include the simplification of documents required and the facilitation of supporting procedures. A number of administrations provide information in a range of languages; in Sweden, for instance, information is provided in 20 languages.
- **Record-keeping barriers.** Knowledge of the presence of migrant workers in the national territory and of their working details may be particularly problematic for social security administrations. Whereas there may be a database of all nationals (even for those working in the informal sector), the administration may have no information as regards migrant workers. This problem is exacerbated if employers do not declare workers. Furthermore, the migrant worker may not only be unable to provide the documentation or information requested but may not have the administrative capabilities to prepare, process and send this information. In addition, when this information exists, it is likely to be in a different format or language than the home-country equivalent. While in the case of formal-sector migrant workers, social security systems often rely on the employer to carry out record keeping and processing requirements, in complex cases employers may struggle to secure appropriate information. Without the assistance of an employer, the migrant worker may struggle if the adherence and contribution payment process is complex and in a different language. Such problems may be exacerbated if the social security programme requires the monthly declaration and payment of contributions. Where benefit amounts are assessed on a means-tested basis (for example, dependent on family wealth or income), it may prove impossible or very costly to secure such information. Approaches to this issue may include the simplification of procedures and record-keeping requirements. In the case of means-tested benefits, approaches include using proxy measures to assess total wealth or

25. See <<http://www.philssuk.com/index.html>>.

income, amending benefit rules or placing the emphasis on the individual to provide the relevant information, failing which the lowest benefit level is paid.²⁶

- **Administrative capacity and personnel capabilities.** The processing of information may require foreign language skills and knowledge of another country's system. Social security administrative staff have to be well trained and provided with appropriate ICT tools to assist them in this work.

Social security administrations innovating to increase the number of access points and making the administrative process more straightforward is a growing trend. Access points now include agreements with other public organizations and private-sector enterprises (for example, using the postal service to pay contributions), telephone helplines in different languages, internet access, e-services, targeted visits and mobile offices. One-stop shops, where a migrant worker can receive responses to a range of questions and demands, also facilitate affiliation.

There has also been a growing trend towards simplification of procedures for affiliation for migrant workers. Not only has this resulted in a streamlining of documents requested and required for affiliation, but the use of ICT has streamlined sign-up procedures. The use of technology to facilitate the payment and registration of workers is particularly important when the period of employment is limited. As well as assisting communication, it is used to facilitate document submission by the Internet, which may resolve the issue.

Administrations also require a process to deal with situations where records cannot be produced, or where documents are missing concerning certain periods of the work history. This may require coordination with other agencies, and the procedures for the calculation of benefit may have to incorporate appropriate approximations for such periods.

Other examples include using other sources for obtaining information on migrant workers and simplifying the documentation required to access coverage. For example the "Chèque service" systems operated in some Cantons in Switzerland facilitate adhesion to the social security system through simplified sign-up procedures for workers without a formal employer and/or work permit. Such workers are often migrants and may provide cleaning or child-minding services to an individual or household. The system also helps to address the challenge of financing coverage as the individual employing the worker pays the social security contributions on their behalf.²⁷

Securing information on the migrant worker is often challenging, requiring the collaboration of social security administrations with other government departments as well as counterparts abroad. Again the use of ICT can be very effective, ensuring that coordination works efficiently – for example, a direct link between the tax collection agency and social security contribution

26. Analogous approaches are often used in other areas. For example, for small businesses, paying value added tax (VAT) often depends on the level of revenue, but in cases where an enterprise operates in more than one country, the enterprise may end up paying no VAT even though total income from all countries is over the threshold in one or more countries. In such cases, the administration may request information on total revenue, and if this is not provided, the enterprise is automatically subject to VAT (for example, in Switzerland).

27. See <<http://www.chequeservice.ch>>.

agencies should not only improve record keeping but help identify fraud or under-declaration issues. A multifunctional national social security identity card system also plays a role in ensuring the tracking and monitoring of entitlements and financing.

3.2.2. Employer compliance and the role of other stakeholders, including migrant worker associations

A focus on the employer is an efficient way of increasing affiliation, even for informal-sector workers. By ensuring compliance, social security institutions can significantly increase coverage, reduce worker exploitation and prevent unfair competition between companies.

The focus of authorities on ensuring compliance is important not only to reduce exploitation of migrant workers but to allow equality of treatment for all workers. Two illustrative national case studies are as follows.

- **Supporting migrants to formalize their status and affiliate to social security in Thailand.** The Ministry of Labour and the Social Security Office (SSO) of Thailand monitor enforcement of the Social Security Act, including setting out clear policies and guidelines to encourage the registration of migrant workers under the social security system. Information is disseminated among employers, migrant workers, and concerned agencies to improve understanding of the system. This is backed up by sanctions against employers who fail to register migrant employees with the SSO (Kaewwan, 2011).
- **Working with other stakeholders and employee representatives in Sri Lanka.** Bilateral agreements between trade unions in Sri Lanka and trade unions in the Kingdom of Bahrain, Jordan and Kuwait for the protection of Sri Lankan migrant workers is illustrative of an approach involving other stakeholders. In May 2009, a concrete achievement was the signing of model bilateral agreements between three Sri Lankan trade unions and their counterpart unions from the Kingdom of Bahrain, Jordan and Kuwait. The agreements follow a rights-based approach, and undertake to protect Sri Lankan migrant workers in the three countries through union action aimed at granting Sri Lankan migrant workers “the full panoply of labour rights included in internationally-recognized standards” (Wickramasekara, 2011).²⁸

Box 3.12. Paying benefits and receiving contributions

One practical issue is that many migrant workers do not have a bank account into which benefit payments can be made, and from which contributions can be paid. Social security systems can facilitate migrant workers to set up such an account, whether the worker is affiliated with the home or host country scheme. For example, in the Philippines, the social security system provides details of a Philippine bank in the country where the individual can open an account.²⁸

28. For example, for opening a bank account in the United Kingdom <<http://www.philssuk.com/Formsdl/retapplication.html>>.

Box 3.13. The legal protection of migrant workers

Italy. Traditionally, Italy has been a significant user of seasonal migrant worker labour, commonly in the agricultural sector. Since 1998, a number of laws have been passed to protect such workers. A distinction is made between permanent and temporary migrant workers, but the latter do nonetheless have access to health care benefits, family allowances and sick leave. To support migrant workers and to communicate their entitlement to benefits, a number of “welcoming centres” have been set up as well as a free telephone helpline service with information and advice made available in seven languages.

Eurasia. In the Eurasia region, regional efforts and initiatives have improved the social security of migrant workers over the last decade. The 2005 Baku Declaration, signed by 22 member organizations of the International Social Security Association (ISSA) and 14 from the International Association of Pension and Social Funds (IAPSF), recognizes the need for greater coordination between social security institutions, data exchange when workers move countries, bilateral and multilateral agreements and the principles of the totalization of coverage periods for the determination of benefit entitlements. Building on the Declaration, a Framework Guidance Document (FGD) defines seven principles related to providing adequate social security benefits to migrant: i) universality, ii) equality iii) accessibility, iv) portability, v) comprehensiveness, vi) credibility and vii) sustainability.

3.2.3. Migrant workers’ family-related issues

Many international migrant workers are separated from the rest of their family members, sometimes by choice but often because the host country does not allow the worker’s family to reside in the country. This leads to a situation where the family members in the home country are often in positions of vulnerability or without social security coverage.

The approaches to address this challenge are both policy and administration driven. Benefits should reflect the “split family” reality; an example is a travel grant benefit provided by certain social security systems, which provides financial assistance for return travel to the home country. Administrative measures include the provision of two ID cards to enable claiming benefits (see [section 2.1.4](#), the example of India) and working with a range of stakeholders to ensure that rights to benefits are known.

Box 3.14. Mexico: Ensuring coverage for family members

Mexico’s national health insurance scheme covers Mexicans working abroad (on a voluntary basis for informal-sector workers). As part of the system, Mexicans working abroad can register their family members in Mexico for the national health insurance scheme by signing up at Mexican Consulates in the United States. The family members are then covered for health benefits, as are the migrant workers when they return home.

3.2.4. Returning home issues

While much focus has been placed on the coverage of migrant workers during their working period abroad, it is equally important to facilitate their reintegration into the home social security system. This may be a challenge not only due to benefit continuity issues but for administrative reasons.

The section on portability ([section 3.1.2](#)) covers the challenges related to the accumulation and payment of benefits from working periods abroad and approaches to these, most notably through the use of bilateral and multilateral agreements. In addition, the possibility to “buy back” missed service years can also be an effective measure in maintaining benefit adequacy when working histories are fragmented.

There is also a responsibility on the social security administration to trace those migrant workers who have subsequently left the country, to ensure that they receive the benefits to which they are entitled.

Two examples of administrative actions undertaken to trace migrant workers on a national and sectoral level are provided by the Republic of Korea and South Africa.

- **Improving application procedures for immigrants in the Republic of Korea.** The National Pension Service (NPS) of the Republic of Korea has seen a dramatic increase in the number of foreign nationals covered, rising by over 50 per cent from 2007 to 2011. Recognizing that many of these workers leave the Republic of Korea and return to their home country without claiming benefits due, the NPS concluded a number of Memoranda of Understanding (MoU) with other social security administrations to streamline and simplify the claims procedures. Applicants now fill out and send the application form to their home country social security institution, which then coordinates with the NPS who finally make the payment when the claim is valid. In preparation for the change, the NPS set up a dedicated International Centre with multilingual staff. The MoU approach is practical and does not require a bilateral or multilateral social security agreement.

Box 3.15. Foreign-born workers missing out on pension entitlements

Even when they are legally entitled to benefits, a significant number of migrant workers miss out on accrued pension benefits when leaving the host country. This is often due to lack of information about entitlements, but also because they may not understand the information provided and believe that they are not eligible. In addition, the social security administration may not be able to trace the beneficiary when he or she has left the country. In many countries, the social security administration has a dedicated department to track beneficiaries who have left the country, for example in Sweden and in Switzerland.

Sources: See <<http://www.thelocal.se/20131028/51048>> for Sweden, and <http://www.sfbvg.ch/xml_2/internet/FR/application/d401/f410.cfm> for Switzerland.

- **Solutions to improve the payment and administration of benefits to migrant mineworkers in South Africa.** The mining industry in South Africa employs significant numbers of employees from neighbouring countries. Although legally covered for social security, it is estimated that over 270,000 former mineworkers are still to receive benefits to which they are entitled, and a total of ZAR 5.7 billion is owed in payments. A scoping study in 2013 identified the challenges and proposed many administrative solutions to address them, including improved coordination, setting up dedicated offices in the home countries involved, efforts to improve the different procedures of banking systems which can hamper payments, and the publication of names of lapsed beneficiaries. Finally, a recommendation to invest the unclaimed benefit amounts in social and economic programmes in migrant sending areas was proposed (Kolver, 2014).

3.3. Making social security more attractive to migrant workers and improving benefits

The third set of challenges to extending social security coverage to migrant workers is that related to the perceived attractiveness of social security programmes. Although compliance, legal coverage and facilitating sign up and the payment of benefits make a significant difference to effective coverage rates, measures which seek to make social security programmes more attractive to migrant workers are likely to have a greater impact on coverage. This is because many migrant workers are active in the informal sector or work in countries with an absence of bilateral or multilateral agreements.

Given that a number of voluntary schemes have been created by home country social security systems to cover migrant workers and to ensure significant sign up, it is important that such schemes are attractive.²⁹

The initiatives include:

- Tailoring benefits appropriately so they are attractive to migrant workers and their families.
- Assistance with the financing of benefits.
- Improving the communication of information about benefits, in particular regarding entitlements to benefits and the value of benefits.
- Changing the basis on which contributions are assessed and paid.
- Requiring those who do not wish to be covered to have to “opt out”, rather than requiring “opt-in”, for example for health care benefits in Turkey (*World Bulletin*, 2013).

29. This is equally the case for mandatory programmes, as for many workers it may be straightforward to opt out or avoid affiliation.

3.3.1. National and regional-level examples

The following national and regional-level examples offer evidence of how such initiatives can be implemented, incentives put in place, and how barriers to coverage extension can be identified and surmounted.

Sri Lanka prioritizes the family and appropriate benefits. In response to the fact that migration for work opportunities often leaves migrants and their families cut off from origin-country social insurance systems, Sri Lanka set up a voluntary Overseas Workers Welfare Fund to provide social insurance for migrants and families left behind (del Rosaria, 2008). The fund covers payments to migrants and their families in the case of death or disability or to help meet travel expenses.

Voluntary Scheme for Indian migrant workers the United Arab Emirates (UAE). A new voluntary pension scheme for Indian migrant workers was launched in the UAE. About 65 per cent of the more than 2 million Indians in the UAE are blue collar workers (Kader, 2013). The scheme offers three benefits which will be financed by employee and Indian government contributions earmarked for the different benefits.

- A pension savings vehicle for retirement at age 60 financed through the old-age pension fund requires a contribution of between INR 1,000 (UAE Dirham 66) and INR 12,000 (UAE Dirham 792) per annum. Affiliated workers will derive corresponding benefits when they return home and during their old age.
- A financial grant for the voyage home financed by a minimum employee contribution of INR 4,000 per annum and the Indian Government will provide a contribution of up to INR 2,000 (UAE Dirham 132) per year for male workers and INR 3,000 (UAE Dirham 198) per year for women workers for up to either five years or until the worker returns home, whichever is earlier.
- Life insurance cover for INR 100,000 during the period working abroad.

Voluntary special regimes for migrant workers in El Salvador and Mexico. In El Salvador, 21 per cent of households receive remittances from a worker abroad. To reflect this reality, a voluntary system – the Special Regime – was set up to cover migrant workers. The scheme levies a monthly contribution of USD 68.57 (based on a 10 per cent contribution rate on a notional monthly salary of USD 685). Benefits include full health coverage for family groups (worker, spouse, and children up to age 12). Importantly, it relies heavily on ICT and on partnerships with associations of El Salvador citizens living abroad and on the work of Consulates. To test the attractiveness of such a scheme, over half of survey respondents (52 per cent) stated a willingness to pay the proposed contribution, but their willingness depended on which family members would be covered. Only 19 per cent of respondents were willing to affiliate if they alone were covered. Interestingly, the willingness to pay seems relatively insensitive to the contribution rate; the percentage of respondents willing to pay increased slightly from 52 to 63 per cent if the contribution was lower at USD 30 per month. In Mexico, the social protection programme allows voluntary affiliation for Mexicans working legally or illegally outside the country as well as for non-Mexican temporary workers in Mexico (Flores, 2013).

Voluntary social insurance scheme in Albania. The voluntary social insurance scheme was set up in 1993 to reflect the fact that many migrant Albanian workers were neither covered in the host nor the home country. The aim was also to encourage the affiliation of migrant housewives, the unemployed and informal-sector workers. Signing up has been facilitated (by means of the presentation of a birth certificate) and agreements with neighbouring countries such as Greece and Italy signed to improve cooperation and coordination. Agreements with banks in these neighbouring countries facilitate the payment of contributions and benefits. The number of persons covered by the scheme increased by more than 50 per cent between 2005 and 2009.

Barriers to adequate benefits in the European Union. The European Union SEE-MOVE project³⁰ aimed to look at the practical barriers which prevent migrant workers receiving adequate benefits despite the various legal instruments that exist for EU countries. The project identified three main barriers:

- Legal aspects relating to national or EU issues.
- Bureaucratic or administrative aspects including procedures for tracking mobile workers and communication problems.
- Economic and financial aspects.

The study addressed the question of how much a migrant worker loses in retirement benefits when they decide to emigrate, by looking at migrant workers moving from the Czech Republic, Hungary, Poland and Romania to Italy. The study showed that for most of the home countries, migrant workers gain in net benefits when they emigrate due to the higher salary received in Italy, which translates directly into higher retirement benefits overall. However, in the Czech Republic and Hungary high minimum vesting periods mean that workers are strongly disadvantaged if they leave the country before completing these. Fully-informed workers are therefore not likely to move country when they are close to meeting this minimum service requirement.

30. See <<http://www.inps.it/portale/default.aspx?lastMenu=8008>>.

4. Conclusion

The number of migrant workers in the world continues to grow and currently over a billion people can be considered either internal or international migrants.

If social security institutions are to fulfil their mandates, then these workers and their dependants need to be covered for benefits and services. Indeed, the importance of extending social security to such groups is three fold. First, a rights-based approach requires that such workers, often in precarious employment, are covered. Second, there are compelling economic reasons why extending coverage is justified. And finally, for equity reasons, such workers should be treated the same as non-migrant workers. All three reasons are important and highlighted in detail in this handbook; however, an economic analysis is important in showing that investing resources in extending coverage to these workers is beneficial for the host country.

While the reasons to extend coverage are various and compelling, this handbook has identified a number of barriers to, and challenges for, the extension of social security coverage to migrant workers. Conventional social security approaches to design and deliver benefits for employed workers are not always the most effective to cover migrant workers. This handbook has therefore identified different policy and administrative measures to overcome these challenges, highlighted by international experience which demonstrates their success.

In the future, the impacts of climate change, globalization and demography mean that the trend of increasing numbers of migrant workers is not only likely to continue but many of these workers may be in increasingly precarious situations. At the same time, financial resources available to social security institutions will be under greater scrutiny meaning that the financial, economic and political arguments for coverage will have to be made and the responses of social security institutions will need to be both efficient and effective. Innovative management techniques, the use of ICT to ensure that affiliation and communication approaches can be tailored to the different situations of such workers, and better coordination both within national jurisdictions and internationally (e.g. through bilateral and multilateral agreements) are prerequisites to ensure this can be done. By highlighting numerous examples, this handbook has shown the capacity of social security institutions to respond to the challenges of covering migrant workers.

Annex

A.1. Bilateral and multilateral social security agreements and regional responses

Bilateral and multilateral social security agreements address many of the legal barriers related to the coverage of migrant workers. They tend to address the issue of eligibility of migrant workers for social security (i.e. facilitate their coverage) and issues relating to the portability of benefits. Not only do such agreements generally set down the rules regarding the treatment of such cases, they encourage or allow for specific coordination measures to be taken to support the goals which address many of the issues of “effective coverage” (e.g. how the administration of cases is undertaken and effective communication made between the different stakeholders).

Such agreements are typically based on the principle of reciprocity; that is, each party seeks to apply the same principles and, as far as possible, rules for migrant workers as for native citizens. This, therefore, leads to a greater harmonization of benefit provision (and financing).

The key principles underlying such agreements include:

- equality of treatment, meaning that a migrant worker and his or her family should have, as far as possible, the same rights and obligations as the nationals of the destination country;
- that the social security provisions of a migrant worker are governed at any one time by the legislation of one country only;
- the protection of acquired rights and the provision of benefits earned in the host country. This protection of rights should be independent of where rights are accrued and there should be no restriction on the payment, in any of the countries concerned, of benefits for which the migrant has qualified; and
- where a right is conditional upon the completion of a qualifying period, account should be taken of periods served by the migrant worker in each country they have worked.

The putting in place of such agreements takes significant time and involves a number of steps including discussions, negotiations, drawing up and agreeing the legal framework and supporting regulations and, once the agreement is ratified, the supporting administrative structures.

A.1.1. Global overview

A number of regional initiatives are set out below, including multilateral and bilateral agreements and selected country examples. Although the extent of multilateral agreements is relatively well documented, the situation regarding bilateral agreements is more complex – there is a long period between signing and ratification, such agreements may only cover some branches and may be

suspended or cancelled at a later date. Although data is not always available, there are large regional differences in the extent of such agreements – in 2009, the EU and Western Europe had 1,628 bilateral or multilateral agreements in place (including 1,034 intra-EU agreements), compared with 181 in East Asia and the Pacific, three in South Asia and 102 in Africa (excluding Reunion). While the countries with the highest absolute numbers of emigrants have typically signed few bilateral agreements, Morocco, Algeria and Turkey cover 89 per cent, 87 per cent and 68 per cent of their emigrants respectively under such agreements (Sabates-Wheeler, 2009).

A.1.2. Regional initiatives

A.1.2.1. Africa

A number of regional initiatives exist which seek to strengthen social security coverage for African migrant workers. These include social security agreements as well as national initiatives to extend coverage and relax eligibility criteria.

The ILO MIGSEG Project. The “Extending social security coverage to African migrant workers and their families project” (MIGSEC) aimed to improve coverage through the promotion of bilateral and multilateral agreements and national initiatives. The project included thirteen countries and the report published in 2010 by the International Labour Office identified a number of barriers but also initiatives to address the specific issues in Africa (McGillivray, 2010). Eligibility requirements, lack of portability and informal-sector status were identified as significant challenges. At the same time, a number of regional economic communities and social security organizations exist that provide a framework for social security agreements. The report notes that in 2010 there were over 20 bilateral social security agreements between African countries and over 50 such agreements with non-African countries.

West Africa. In December 2012, the economic community of West African States (ECOWAS) adopted the General Convention on Social Security, which will enable retired migrant workers who had worked in any of the ECOWAS countries to exercise their right to social security in their home country. The convention removes restrictions on benefits and sets out the coordination requirements inherent in the agreement (*AllAfrica*, 2013).

Conférence interafricaine de la prévoyance sociale - CIPRES The CIPRES regroups 15 countries and 19 social security administrations in Central and West Africa and has for mission to coordinate efforts to improve social security provision and delivery. The CIPRES facilitates the putting in place and management of a system recognizing migrant worker rights.

A.1.2.2. The Americas

Initiatives in the Americas have been driven by regional groupings as well as being based on existing economic relations and migrant flows.

Multilateral Ibero-American Convention on Social Security. This agreement, signed by Spain, Portugal, and 12 Latin American countries (of which 11 have ratified the agreement) (OISS, 2013)³¹ promotes protection in the event of old age, disability and death for individual migrant workers and their families. This agreement allows contribution periods worked in different states to accumulate and count toward benefits, providing options to receive benefits in countries other than where the work periods were performed. The principle behind the agreement is equal treatment of all regardless of nationality. Currently, medical benefits are excluded but bilateral or multilateral agreements on this issue are possible on a voluntary basis between countries.

Caribbean Community (CARICOM). The CARICOM agreement on social security was signed in 1996 and is applied by 13 of the 25 member states. It covers pensions, disability and death benefits, but excludes sickness benefits. The agreement includes totalization agreements although these are less valuable than in other regions due to relatively short vesting periods. Some schemes in the region have benefit structures with “front loaded” accrual rates which may result in transfer gains in some cases. Despite this, the impact of the agreement has been relatively limited.

MERCOSUR. The MERCOSUR initiative (see also [Box 3.12.](#)) aims to streamline the administrative processes and practices of the member countries; for example, it allows demands for payment to be made in the country of residence rather than obliging this to be done in the home country. However, the agreement (the SIACI – International Agreements System) does not cover benefit rules thus still requiring individuals to meet each individual country’s minimum service requirement for example.

North America. The United States and Canada both provide coverage on a resident basis and therefore to certain migrant workers, including from Mexico.

A.1.2.3. Asia and the Pacific

South East Asia. Within the Association of Southeast Asian Nations (ASEAN),³² there are no bilateral or multilateral social security agreements. So while an estimated 60 per cent of intra-ASEAN migrants have access to social security, they are not covered by agreements which may facilitate the recognition of accrued rights and the portability and payment of benefits. Moreover, the 60 per cent figure masks the fact that in some ASEAN countries affiliation is voluntary and therefore that the effective coverage figures are lower. These figures compare unfavourably

31. For more information, see <http://www.lacipres.org/>.

32. There are ten ASEAN member states: Indonesia, Malaysia, the Philippines, Singapore and Thailand (founder members) joined since by Brunei Darussalam, Cambodia, Lao People’s Democratic Republic, Myanmar and Viet Nam.

to global and other regional figures. Table A.1 compares the situation for migrant workers in ASEAN with that of migrants from East Asia and the Pacific and OECD countries. For example, 86 per cent of migrants from the OECD go to countries where bilateral or multilateral social security agreements are in force, compared to just 14 per cent for migrant workers from East Asia and the Pacific.

Table A.1. Percentage of migrant workers covered for social security with and without bilateral or multilateral agreements

Regime	Intra-ASEAN migrants	Migrants from East Asia and the Pacific	Migrants from OECD countries
Access to social security with bilateral or multilateral agreement	0	14	86
Access to social security without agreement	60	67	13
No social protection	31	4	1
Undocumented migrant workers or unknown social security status for migrant workers	9	16	1

Source: Pasadilla and Abella (2012).

However, the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers adopted in Cebu, the Philippines in 2007 committed ASEAN members to greater efforts to address the challenges.

The Gulf Cooperation Council (GCC). In 2006, the Gulf Cooperation Council member states of the Kingdom of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates approved the Unified Law of Insurance Protection Extension to GCC Member States Citizens Working in other GCC Member States, which has led to enhanced pension provision for migrant workers from one state working in another. The outcomes have been positive, leading to improved coverage but also facilitating mobility for employees and the development of greater economic cooperation between countries. The social security institutions of the host country liaise with the home country institution to ensure the rights of the worker are recognized. The administration requirements of the new law were streamlined using existing staff to manage cases and through the setting up of a permanent committee dealing with cases.

India's dual approach of compulsion and social security agreements. Since 2008, India has required all migrant workers to contribute to the Employees' Provident Fund, except if they come from countries which have a social security agreement with India. This has led to a significant development in the signing of such agreements. Prior to 2008, there were no such agreements but India has now signed and ratified seven.

A.1.2.4. Europe

European Union. The approach of the EU seeks to ensure coverage of migrant workers in the most appropriate way. Regulations facilitate allowing short term posted-workers or transferees to stay in the home country social security system, but facilitate the accumulation of adequate benefits where an individual has a number of partial entitlements from different EU countries. In addition, the Pensions Directive seeks to harmonize second pillar provision (European Commission, 2012). More details on the agreements within the EU are set out in [sections 3.1.1](#) and [3.1.2](#) of this handbook. These agreements also apply to countries of the European Economic Area (EEA) (Norway, Iceland and Liechtenstein) and to Switzerland. In addition, a number of bilateral agreements exist between European countries and countries from outside the EU; for example, the United Kingdom has signed agreements with 16 countries or territories.³³

In the last few years, the coverage of migrant workers has become a relatively sensitive political issue particularly for unemployment, family and social assistance benefits. While there are conditions related to the coverage of migrant workers (e.g. waiting periods), the definition of those entitled to benefit will continue to remain subject to debate.

Eurasia. There are an estimated 10 to 12 million migrant workers in the Eurasia region, made up of 7 to 8 million in the formal sector and 3 to 4 million in the informal sector. A number of regional efforts and initiatives to improve the social security of these migrant workers have been undertaken over the last decade. The 2005 Baku Declaration, signed by 22 member organizations of the International Social Security Association (ISSA) and 14 from the International Association of Pension and Social Funds (IAPSF), recognizes the challenges and issues a series of recommendations and action points including the need for greater coordination between social security institutions, data exchange when workers move countries, bilateral and multilateral agreements and the principles of the totalization of coverage periods for the determination of benefit entitlements.

The ISSA and IAPSF working group have built on the Declaration to publish a Framework Guidance Document (FGD) which sets out in more detail the principles and practical approaches related to providing adequate social security benefits to migrant workers. The FGD sets out seven principles of i) universality, ii) equality iii) accessibility, iv) portability, v) comprehensiveness, vi) credibility and vii) sustainability, as well as suggested models and best practices to be considered for the different treatment of formal-sector and informal-sector workers, and the appropriate legal and regulatory instruments to employ.

33. See <http://www.dwp.gov.uk/international/social-security-agreements/list-of-countries/>.

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