

# Social Policy Highlight 17



## Social security and migrants: Policy challenges and responses

This *Social Policy Highlight* addresses social security coverage for migrants, a key challenge identified by the *ISSA Strategy for the extension of social security coverage*. Although the motivation behind migration is often to improve livelihoods, migration can be fraught with risk and the potential benefits to be gleaned by individuals and families may not be realized. This is especially so for South-South migrants, with informal work and weak social security arrangements commonplace. For all countries, however, the policy challenge is to make migration more secure. Generally, the insecurity of migrants underlines the need to promote social justice and extend social security coverage to all.

*Hans-Horst Konkolewsky, ISSA Secretary General*

### Demographic trends and international migration

The United Nations has estimated the total global migrant stock at 214 million individuals, or approximately 3 per cent of the world's population. According to the same source, these figures will have grown by nearly half again by 2050.

In part, future migrant numbers will reflect regional population growth trends. Approximately 98 per cent of projected population growth in the next 40 years will be concentrated in less-developed regions, in particular in sub-Saharan Africa and South Asia. Therefore, South-South migration is likely to increase.

However, projections of increasing migration flows also reflect larger demographic shifts owing to climate change, urbanization, ageing, armed conflict, political instability, and increased opportunities.

#### This issue

- Explains current and evolving trends in global migration patterns
- Discusses the social protection challenges confronting migrants
- Presents policy responses to ensure the improved social protection of migrants
- Concludes that improved access to contributory social security for migrants is necessary, but not sufficient when social security systems remain underdeveloped in many countries

## The vulnerability of migrants

Migrants, separated from their home community and often with limited access to informal social networks and public social services, are vulnerable to risks. This is particularly so for low-skilled, undocumented or irregular migrants, who represent around 50 million individuals worldwide.

### Key facts and figures

- In 2009, global migrants equated to 214 million individuals or approximately 3 per cent of the world's population.
- By 2050, there will be between 235 and 415 million global migrants.
- The main migration flows are from lower- to higher-income countries (South-North), but there is also considerable migration between lower-income countries (South-South).
- In 2000, about 70 per cent of migrants originated from low- or lower middle-income countries, while they hosted only 40 per cent of migrants. About 19 per cent originated from high-income countries, while they hosted about 50 per cent of migrants.
- In 2005, 40 per cent of migrants worldwide were residing in a developing country. Most of these migrants were likely to have come from other developing countries.
- It is predominantly North-North migrants who enjoy access to, and the portability of, social protection, accounting for 23 per cent of all migrants worldwide.
- The most disadvantaged migrants are those moving within low-income regions where formal social protection is less developed and migration is typically irregular.

Even for regular migrant workers, access to social security and health care provisions may be limited or non-existent. This may be so in spite of having contributed previously to programmes in their country of origin or former host countries. Often, benefits from these programmes may stop or be reduced with their arrival in a new host country.

A further concern, and especially if migration is temporary, is that contributions made to the social security system of a host country might be relinquished after the migrant departs, because the earned rights to benefits are not portable from one country to another.

Growing numbers of migrants, particularly women, in domestic work give rise to special concerns. Domestic workers often find themselves in informal employment and, typically, are excluded from contributing to formal social protection systems in their host country, with no formal record of an employment history when they return home.

## Formal social protection for migrants

Access to formal social protection is crucial for migrants as it impacts their level of vulnerability. Migrants and their families often do not benefit fully from social protection, either because access is granted only after an extended waiting period, or because family members are spread across various countries. If migrants fail to generate sufficient income to cover all their needs – and those of their dependants

– their vulnerability will increase, especially if they have no access to social assistance.

The portability of social security rights is the ability to preserve, maintain and transfer vested social security rights or rights in the process of being vested, independent of nationality and country of residence. In the absence of portability, migrants run the risk of financial loss when leaving their host or home country. Conversely, they might benefit from the social security or health care system of their country of origin, despite having spent most of their productive life abroad. This outcome could have fiscal implications for social protection systems in origin countries.

In the absence of portability for migrants, the labour market activity of migrants may alter. If migrants cannot benefit fully from the social security contributions they pay – because the long-term benefits financed by these are not accessible or not portable – this may lead to contribution evasion or encourage informal employment. Some employers may even collude in such decisions.

In instances where migrants have paid contributions they may choose not to return home, but to stay in the host country to avoid the loss of expected future pensions. Remittance flows aside, such decisions deprive origin countries – many of them developing countries – of important beneficial development effects. Of course, eligibility can also be residence-based. Yet, in these cases, legislation usually excludes individuals when they are absent from the national territory.

## Bilateral and multilateral agreements

At the international level, legal provisions relating to social security for migrants are framed by bilateral and multilateral social security agreements. Bilateral social security agreements usually include provisions on non-discrimination between nationals and migrants with respect to social security and rules of cooperation between the social security bodies of the signatory countries. Such agreements coordinate the totalization of the periods of contributions that accrue to migrant workers in the two countries and regulate the transfer and payment of acquired social security entitlements. Most agreements refer to long-term benefits, such as pensions.

Almost all migrants moving among high-income OECD countries are covered by bilateral agreements. Yet, the top migrant-sending countries (Bangladesh, India, Mexico, the People's Republic of China, and Ukraine) have concluded very few such arrangements. Nevertheless, some developing countries have successfully managed to protect a majority of their migrants in this manner (Algeria, Morocco, and Turkey).

Multilateral social security agreements covering groups of countries already operate in the European Union (EU), the Gulf Cooperation Council (GCC), CARICOM (Caribbean Community), MERCOSUR (*Mercado Común del Sur*) and, in the future, through the Ibero-American Social Security Convention. The EU is also leading efforts to enhance social security cooperation within the Euro-Mediterranean Partnership (EMP). Another important regional effort is the 2007 Cebu Declaration on the Protection and Promotion of the Rights of Migrant Workers made by ASEAN (Association

of Southeast Asian Nations). Among multilateral institutions, the active work of the International Labour Organization (ILO) to promote a fairer deal for migrant workers through its Conventions and Recommendations offers a framework in support of all these initiatives.

#### Multilateral agreement in MERCOSUR

In 2008, the MERCOSUR countries (Argentina, Brazil, Paraguay and Uruguay) introduced a system to manage the pension requests of individuals who have worked in these countries. The system (SIACI – the International Agreements System) manages part of the pensions request process, which is governed by a multilateral agreement. It enables individuals in their country of residence to communicate electronically with the social security organizations in the countries where they were employed to obtain the necessary information to process their requests.

### Coverage options for migrants from the South

Three main reasons explain why countries in less-developed regions are not engaged more in bilateral or multilateral social security negotiations: the weak domestic development of social security provisions, low coverage levels of the domestic population, and a lack of national administrative capacity. Of course, by definition, bi-lateral agreements require consensus between two parties. A difficulty may be that migrant-receiving countries often have fewer incentives to conclude such agreements than migrant-sending countries. Although social security coverage is frequently lacking, evidence demonstrates that it is possible for the origin-country to take increased responsibility for their migrants' social protection even in the absence of receiving-country commitments, either by creating dedicated funds for overseas workers or by permitting voluntary contributions to programmes in the home country.

Overall, there is no single model on how to improve social security provisions for South-South migrants. Given the limited scope of social security benefits and low population coverage in many developing countries, concerns about the lack of portability of benefits may be premature. A more effective policy initiative may be to first better manage migration in lower-income regions, in particular undocumented migration; to focus on improving the social protection of the most vulnerable migrant groups (women, children, refugees and

#### Philippines' Overseas Workers Welfare Fund

Recognizing that migration for work often leaves migrant workers and their families cut off from the origin-country social security system, the Philippines have implemented an Overseas Workers Welfare Fund to provide social insurance for migrant workers and also for their families left behind. The fund, financed by migrant workers' contributions, covers payments to migrants and their families in the case of death, disability or a need to cover travel expenses. Other countries, such as Sri Lanka, have instituted a social protection programme for migrant workers, and Bangladesh is doing likewise.

undocumented migrants); and to develop standards on how to coordinate social security systems in the future, to ensure the portability of acquired rights.

### Financing protection for migrants in host countries

It is often assumed that enhancing social protection for migrants comes at a cost for host countries. This is not necessarily so. Two issues to be considered are the net contributions of migrant workers and the cost of the full portability of benefits. For the former, by analysing the net contribution of migrants to social protection and tax systems, most studies conclude that migrants and their families appear to be net contributors. With regard to enhancing the portability of pension benefits financed through pay-as-you-go systems, it seems that allowing for the full portability of acquired rights for migrants has a negligible effect on the finances of the social security system.

Hence, given population ageing and worsening system dependency ratios in higher-income countries in particular, migrant workers may support the financial stability of social security systems. Enhancing the portability of benefits, in contrast, could result in a net loss for host countries, albeit on a minor scale. For migrants, however, enhanced portability could significantly enhance income security across the life course and especially so in old age.

### Conclusions

The act of migrating is, in itself, a social protection mechanism for migrants and their families: it offers heightened potential for earnings, remittances and social protection.

#### Key policy conclusions

- First, there is a need to ensure basic human and social rights for all migrants, independent of their residence status.
- Second, there is a need to provide support and training to develop the capacities of social security organizations to extend coverage.
- Third, attention must be given to realizing legal access and the full portability of contributory social security benefits for all.

Regular migrants benefit from legal provisions, employment-related benefits, state assistance and the portability of earned rights. In contrast, irregular migrants working in the informal economy remain excluded. The policy challenge is to make migration more secure, especially for irregular migrants, in order to maximize the benefits to be gleaned from this important livelihood strategy.

The challenges of coverage extension are often country-specific and tied to the design of the social security system. Taking this into account, the ISSA has developed a *Strategy for the extension of coverage* to orchestrate action rooted in the capacities and mandates of social security organizations. The ISSA *Strategy* will facilitate a process of coverage extension, including for migrants, wherein ISSA member organizations develop and implement action plans to address national extension challenges.

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As a priority, however, for the less-developed regions, the debate about social security coverage and migrant workers must be part of a wider policy framework to promote social justice.

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## Sources

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4 route des Morillons  
Case postale 1  
CH-1211 Geneva 22

T: +41 22 799 66 17  
F: +41 22 799 85 09  
E: [issacomm@ilo.org](mailto:issacomm@ilo.org) | [www.issa.int](http://www.issa.int)