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Article

The Cross-Border Portability of Social Benefits

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The portability of social benefits for international migrants is gaining importance across the world. This is the result of an increasing number of individuals spending at least some part of their life working abroad and acquiring benefit rights that they want to preserve when returning home or moving on to another country of work or residence. The historical labour migrant-driven demand for cross-border portability is joined by retirement migrant-driven demand, i.e., the desire to spend some or all of one’s retirement years in a better climate and lower-cost environment abroad.

Cross-border benefit portability is understood as the migrant’s ability to preserve, maintain, and transfer both acquired social security rights and rights in the process of being acquired from one private, occupational, or public social security scheme to another, independent of nationality and country of residence (Cruz 2004; Holzmann, Kehtli and Chemetvsky 2005).

Social security rights refer, in principle, to all rights stemming from contributory payments or residency criteria in a country. While individuals and migrant-sending countries often aspire to make the largest scope of benefits portable, their worldwide portability scope is much smaller. It is almost universal within the European Union (EU). Establishing portability within and among EU member states is currently an area of high political importance across the world.

Three Key Dimensions of Interest in Portability

Establishing portability of social benefits should be straightforward, as three key considerations – economic, social, and human rights – favour it.

From a first-best economic point of view, an individual’s labour mobility decisions should not be influenced by the lack of portability of social benefits to which she/he is entitled. Efficiency is increased by the absence of any distortionary obstacles toward portability. From a social policy angle, the need to consider these social security benefits to which one is entitled also increases the scope of benefits that need to be considered.

SCOPE AND TRENDS OF RELEVANCE

The share of individuals living outside their home country is increasing. The latter include bilateral social security agreements (SSAs); but do they actually work? The overview ends by presenting a selection of policy research issues.

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Multinational providers (MPs) are a promising approach that uses the services of private sector providers, at least for supplementary benefits in health care and retirement income. MPs exist and function well for healthcare benefits (Cigna, for example, services World Bank staff and retires residing in Europe and is also used by the European University Institute). MP arrangements have been discussed and occasionally implemented for the supplementary pensions of international workers in multinational enterprises.

**SCOPE AND TRENDS OF PORTABILITY REGIMES WORLDWIDE**

Table 1 shows the magnitude of portability regimes by national income group in 2013: Regime I (portability) signals the existence of a BSSA independent of its depth, but typically covering at least pension benefits. Regime II (exportability) indicates migrants in countries that have no BSSA with their home country but allow, in principle, the export of cash benefits, once eligibility is established. Hence rights under establishment are not typically covered. Regime III (no access) indicates migrants in countries with no access to national social insurance programmes, which means no mandated contribution obligation, but no also no pension or other benefits on return. Regime IV (informal) offers an estimate of the share of migrants who are undocumented in the country, with no or no valid contributions to pay and no benefits to take back.

In 2013 only 23.3% of the total stock of migrants in the world was subject to BSSAs, and of this favoured group, the vast majority (80.5%) were migrants from high-income countries living in other high-income countries. The majority of migrants (53.2%) lived and worked in countries that allowed cash benefits, once established, to be exported, but this is often restricted to pension-related benefits. Yet eligibility may nevertheless not be granted, as many countries have waiting periods of 10, 15, or more years. About one in ten (9.4%) migrants could not join the national system (such as in Saudi Arabia and Singapore), but did not have to pay contributions either. An estimated 14% were undocumented migrants in 2013.

Table 2 compares the results for 2013 with those of 2000. The changes under regime I indicate a moderate aggregate improvement of 1.4 percentage points that nonetheless affects a much larger change for migrants from low- and low-middle-income countries. Furthermore, the more exportability regime and the informal regime are also in retreat, with reductions of 3.0 and 2.9 percentage points, respectively. All changes concern much larger numbers of migrants, as their recorded total number increased by 60.6 million over the two years. The largest change took place for regime III, where migrants have no access to the national pension and healthcare scheme, but do not have to pay contributions either. Hence, they can do their own retirement saving and healthcare provision in their home country, where remittances can be a major contributor to poverty reduction and a source of foreign exchange for the home country. Most of the 4.5 percentage point change is attributed to migrants toward upper-middle-income countries, due to the expansion of managed migration programmes between Asian countries and the Gulf Cooperation Council countries, but also Singapore, Hong Kong, Malaysia, and South Korea.

**DO BSSAS ACTUALLY WORK?**

Despite their still limited scope of cross-country applicability, BSSAs are the workhorse of pension portability, often considered the state-of-the-art approach to be promoted and expanded. Although strongly supported by many legal and social scientists, little evidence exists on their actual functioning. Do they really deliver what is expected and what are the criteria by which the envisaged outcome is measured?

To explore the delivery of BSSAs between EU and non-EU countries in relevant migration corridors, a World Bank-sponsored project undertook four corridor studies, summarised in Holzmann (2017). The Austria–Turkey, Germany–Turkey, Belgium–Morocco, and France–Morocco corridors represent well-established migration corridors that were selected on the basis of similarities and differences. This allowed for the first-ever qualitative and quantitative insights into BSSAs’ working and the formulation of recommendations for policy reforms and future research steps. To assess whether portability arrangements succeed in delivering on fairness and efficiency considerations, three broad results criteria were applied: individual fairness – no benefit disadvantage with regard to pensions and health care for migrants and their dependents; fiscal fairness for host and home countries; and bureaucratic effectiveness.

The overall conclusions from the four investigated corridors were relatively encouraging. The four investigated BSSAs broadly seem to work well, with only a few areas of contention and recognised areas for improvement. With some exceptions, this assessment essentially holds for all three criteria used to evaluate the BSSAs.

**Fairness for individuals**: BSSAs do not create a major benefit disadvantage that affects mobility on a large scale in any of the four corridors. Implementation of full healthcare benefits for mobile workers between France/Belgium and France/Morocco will close a remaining relevant benefit gap. The BSSAs offer the expected pension portability for mobile workers, with no major issues around the lack of benefit take-up. A few important outstanding issues remain, particularly the non-portability of non-contributory pension top-ups, requests for retroactive payment, and (for the

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*Table 1: Global Migrant Stock Estimates by Origin Country Income Group and Portability Regime, 2013*

<table>
<thead>
<tr>
<th>Origin Country Income Group</th>
<th>Regime I (Portability)</th>
<th>Regime II (Exportability)</th>
<th>Regime III (No Access)</th>
<th>Regime IV (Informal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-income non-OECD</td>
<td>5.0</td>
<td>41.5</td>
<td>7.5</td>
<td>0.0</td>
</tr>
<tr>
<td>High-income OECD</td>
<td>18.3</td>
<td>52.7</td>
<td>0.9</td>
<td>9.0</td>
</tr>
<tr>
<td>Upper-middle</td>
<td>14.9</td>
<td>25.5</td>
<td>40.8</td>
<td>18.8</td>
</tr>
<tr>
<td>Low-middle-income</td>
<td>10.2</td>
<td>67.9</td>
<td>1.7</td>
<td>20.2</td>
</tr>
<tr>
<td>Low-income</td>
<td>2.8</td>
<td>75.9</td>
<td>0.7</td>
<td>24.1</td>
</tr>
<tr>
<td>Total</td>
<td>33.3</td>
<td>53.2</td>
<td>9.4</td>
<td>24.1</td>
</tr>
</tbody>
</table>

**Table 2: Global Migrant Stock Estimates by Origin Country Income Group and Portability Regime; Change between 2000 to 2013**

<table>
<thead>
<tr>
<th>Origin Country Income Group</th>
<th>Regime I (Portability)</th>
<th>Percentage points per regional income group</th>
<th>Regime II (Exportability)</th>
<th>Regime III (No Access)</th>
<th>Regime IV (Informal)</th>
<th>Total (in million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-income non-OECD</td>
<td>-2.0</td>
<td>-4.4</td>
<td>-21.2</td>
<td>-16.5</td>
<td>10.5</td>
<td></td>
</tr>
<tr>
<td>High-income OECD</td>
<td>-0.6</td>
<td>6.4</td>
<td>-8.0</td>
<td>-5.9</td>
<td>34.6</td>
<td></td>
</tr>
<tr>
<td>Upper-middle</td>
<td>-5.5</td>
<td>-8.7</td>
<td>10.1</td>
<td>5.1</td>
<td>14.5</td>
<td></td>
</tr>
<tr>
<td>Low-middle-income</td>
<td>-3.8</td>
<td>-0.8</td>
<td>0.0</td>
<td>-3.0</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>Low-income</td>
<td>1.9</td>
<td>-7.4</td>
<td>-6.4</td>
<td>5.9</td>
<td>-2.1</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.4</td>
<td>-3.0</td>
<td>4.5</td>
<td>2.0</td>
<td>60.4</td>
<td></td>
</tr>
</tbody>
</table>

**Note**: Legal migrants with access to social security in their host country in the absence of a bilateral or multilateral arrangement; Legal migrants without access to social security in their host country; Undocumented immigrants.

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*Source: Author, based on Holzmann and Jacques (2016).*
Francophone corridors) the handling of Muslim repudiation/divorces and widows’ benefits. Family allowances remain an issue for discussion and different approaches across the corridors may prevail.

**Fiscal fairness for countries**

The pension systems evaluation yields a mixed picture. For the four BSSAs considered, their increasingly actuarial pension benefit structure helps in the pursuit of fairness; while the high and increasing levels of budgetary transfers needed to keep pension systems afloat have a counter effect. For healthcare systems, it is unclear whether and to what current responsibility and reimbursement structure helps in the pursuit of fairness; while the high and increasing levels of budgetary transfers needed to increase affordability may mean that impinges on individual and fiscal fairness of portability.

Yet accepting this argument would also call for lower child allowances to be sent to British or German children residing in Poland or Spain. Similar arguments can be raised for the call to adjust pension benefit levels to the cost of living of the residence country. In a ruling by the French constitutional court on military pensions to former colonial soldiers, a differentiation by country of residence was considered acceptable, but not one by the nationality of the soldier (Le Monde 2010). Applying that principle at an EU level would allow for lower German pensions to be sent to Spain or Greece, but not to returning Spanish or Greek workers, but also to German snowbird retirees.

### SELECT POLICY RESEARCH ISSUES

Many issues around benefit portability await analytical penetration and policy discussion. We select three that emerge from the corridor studies, but also from EU internal discussions.

**Does portability or its absence actually matter?**

If so, does it matter more for labour mobility or social risk management? For what phase of labour mobility does it matter – departing, staying, or returning – and for what risk management area – pension, health, or family? The findings in the corridor studies are consistent with sparse empirical evidence that departure consideration may be influenced little by the presence or absence of portability. Furthermore, no implemented BSSA exists between Mexico and the United States or between Asian and Gulf Cooperation Council countries, although these are the largest migration corridors globally. This suggests wider implications for the risk management of migrants (forcing own provisioning) and home countries (offering special arrangements such as healthcare by Mexico and a range of support programmes by the Philippines).

**Does the lack of portability of non-contributory top-ups and quality healthcare matter for return migration?**

Portability arrangements seem to have a high-quality care if needed. It would seem important to experiment with the limited top-up of portability or selective access to healthcare in former host countries for return migrants (including visas) to explore the mobility effects.

**Should child allowances or pension benefits be graduated according to the living costs of the receiving country? A pre-Brexit discussion in the United Kingdom over the scope of child allowances sent to Poland is echoed in Germany and Austria. The proposed level adjustment is financially and politically motivated, but can be justified on fairness grounds.**

The high child allowances sent abroad create a wage subsidy effect that impinges on individual and fiscal fairness of portability.

### REFERENCES


