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Social Protection for Migrant Workers in ASEAN

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Abstract

This paper examines the portability of social protection (old-age, retirement, and survivor benefits) in East Asia, particularly in the Association of Southeast Asian Nations (ASEAN), and analyzes possibilities for bilateral or multilateral cooperation in social security. It discusses evidence of growth of migration in East Asia and the growing need for portability of social security. It assesses existing national social security schemes in ASEAN countries and discusses how losses from lack of portability can be addressed, especially through social security agreements.

JEL-Code: F150, F220, H550.

Keywords: social protection, labour migration, portability, international agreements.

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1. INTRODUCTION

Worker mobility is an increasingly important phenomenon that has wide social, cultural, and economic repercussions. An area of particular import for mobile labor is social security services, which have been, historically, designed for domestic coverage but now have to contend with increasing internationalization. A rethinking should be under way on best design practices for social security that better support mobile labor.

One important aspect of social security that affects mobile workers is portability of social security benefits. Portability of social security exists where a worker-member[1] is enabled to preserve the actuarial value of accrued pension rights when moving from one country or job to another (Forteza 2008). Portability of social security, in theory, can affect workers' decisions to seek employment abroad[2] - where and for how long, as well as where to spend their retirement. It also has important implications for host and home countries. For labor-short host countries, portability of social security rights not only protects workers but it can also facilitate their orderly return, thus decreasing the social tensions that labor migration usually brings. For the countries of origin, it helps ensure that migrants do not become burdens to domestic social services upon their return. Portable social security also provides migrants some means of support, including investment in future self-employment. Finally, for regions that aim at closer integration, portability can facilitate orderly migration and labor mobility that, in turn, helps in improving efficiency and growth in the region as a whole, enabling labor resources to move where they can be most productive.

Portability of social security is especially important in Asia, where statutory policies only allow for temporary admission and employment of foreign workers. Because they are only admitted on the strength of several years' employment contracts, most migrant workers fail to qualify for old-age benefits in the countries where they work even if national social security systems do not exclude them from membership. This paper takes a look at portability of social protection in Southeast Asia, particularly in the Association of Southeast Asian Nations (ASEAN) countries which has an aspiration towards greater economic integration, and analyzes possibilities for bilateral or multilateral cooperation in social security. It deals primarily with long-term benefits such as old-age, retirement, and survivor[3] benefits. Health care is another important component of social protection for migrants, but there have been few bilateral or multilateral agreements on health care portability as the pre-funding, risk-pooling, and redistributive components of health insurance appear more difficult to disentangle (Holzmann, Koettl, and Chernetsky 2005).

The next section discusses evidence of migration growth in Southeast Asia and the implications of asymmetrical regional labor flows. Section 3 provides a general discussion of losses from lack of portability of social security and the ways these can be addressed—for example, through social security design and international agreement. It also assesses existing national social security schemes in light of their portability features. Section 4 presents social security schemes that other regions have adopted, which ASEAN can consider. Section 5 discusses options to implement the ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers.

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[1] A worker who contributes to the social security system in the country where he/she works.

[2] Some studies, however, show little relevance of portability of social security in labor mobility. See for instance, D'Addio and Cavalleri (2012)

[3] 'Survivors' are usually immediate family members of the deceased member.

2. LABOR MIGRATION TRENDS IN ASEAN

2.1 General Trends in East Asia

According to the World Bank's Global Bilateral Migration Database, some 19 million or less than 1% of East Asia's combined population of nearly 2 billion were residing outside their own countries in 2000. The figure rises to about 2% if the People's Republic of China (PRC) is excluded and 1.8% if referring only to ASEAN countries. At the same time, countries in the region were hosting some 10 million nonnationals, or just over 0.5% of their combined populations, most of them from neighboring countries within the region. Some of the most mobile people in East Asia were from the wealthier countries of the region. While only 2.3% of Cambodians were living outside their country, as many as 7.3% of Singaporeans, 4.1% of Koreans, and 4.9% of Malaysians were residing abroad.

Although they represent a tiny part of the population, the number of migrants has been growing much faster than the native population. In six of the region's most industrialized economies (Hong Kong, China; Japan; the Republic of Korea; Malaysia; Singapore; and Thailand), their numbers rose from 3.5 million in 1960 to 10.9 million in 2010 (Table 1). The growth of the migrant population during 1990–2005 averaged 6.5% annually in Thailand, and 5% in both Singapore and Malaysia. While the Gulf States continued to attract large numbers of workers from Asia, some East Asian economies like Hong Kong, China; Republic of Korea; Malaysia; Singapore; Taipei,China; and Thailand have also emerged, beginning in 1990, as magnets of migrant labor.

We estimate that the 4 million+ intra-ASEAN migrants remitted well over $12 billion of their earnings home to their families in 2010—an amount roughly equal to the total gross domestic product (GDP) at purchasing power parity (PPP) of the Lao People's Democratic Republic (Lao PDR), which has a population of a little over 6 million. (Appendix, Table A1 contains estimated remittances by country of origin.)

Table 1: Stock of Immigrants in Selected Economies of East Asia

('000)

	1960	1990	2005	2010
Japan	692.7	1,075.6	1,998.9	2,176.2
Singapore	519.2	727.3	1,494.0	1,966.9
Hong Kong, China	1,627.5	2,218.5	2,721.1	2,741.8
Republic of Korea	135.6	572.1	551.2	534.8
Malaysia	56.9	1,014.2	2,029.2	2,357.6
Thailand	484.8	387.5	982.0	1,157.3

Source: United Nations (2008).

Table 2: Growth of Immigrant Stock in East Asia

(%)

	Compound Annual Growth Rate		
	1960–1990	1990–2005	2005–2010
Japan	1.5	4.1	1.3
Singapore	1.2	5.0	5.6
Hong Kong, China	1.1	1.4	0.3
Republic of Korea	4.7	(…)	(…)
Malaysia	10.0	5.0	3.0
Thailand	(…)	6.5	3.5

Source: United Nations (2008).

(…) = data not available.

Most migrant workers are admitted as temporary guest workers; their contracts are mostly fixed for 2–3 years, with possibilities for extension. Admission for permanent settlement remains limited to family reunification although Singapore has been offering possibilities for permanent settlement to highly skilled and professional workers. A significant number of foreign workers in some countries, notably Thailand and Malaysia, are in an illegal or undocumented situation, subject to periodic mass repatriation. Despite the preference for admitting skilled professionals in official policy, the preponderant majority of migrant workers are still employed in semiskilled and low-skill occupations in agriculture, construction, and domestic services.

2.2 Poles and Origins of Labor Migration in ASEAN

In the ASEAN subregion, Manning and Bhatnagar (2003) distinguish two major patterns of migration flows. One is the Mekong river states, with Thailand as the hub and Cambodia, the Lao PDR, Myanmar, and Viet Nam as labor suppliers. Another is the Malay migration region, with Brunei Darussalam, Malaysia, and Singapore as major destination countries for workers from Indonesia and the Philippines.[4] In 2000, ASEAN-originating migrant populations in other ASEAN countries numbered over 2.7 million. Migration flows within the region largely consisted of unskilled labor, as foreign workers replaced native workers in less desired occupations such as construction, agriculture, and domestic work as some economies sped ahead of others. However, the past decade starting in 2000 has seen very significant growth of exchanges of health and other professionals for knowledge-based services, a trend most likely to intensify as economic integration gathers momentum in the region. The census data needed for updating our estimate of intra-ASEAN migrant population are not yet available but it is likely that it may have doubled since 2000.

Malaysia. The number of documented foreign workers in Malaysia grew from less than 250,000 in 1990 to more than 2 million in 2007. While it dipped below 2 million during the global financial crisis, the stock of foreign workers remains high. As of 2010, they constitute 16% of Malaysia's labor force of 12.2 million, up from 3% in 1982. Since most of Malaysia's foreign workers (about 67%) come from ASEAN countries while only 33% are from South Asian countries (Bangladesh, India, and Nepal), the reported increase in foreign workers provides evidence of increasing intra-ASEAN labor flows. Among ASEAN labor in Malaysia, a large majority is from neighboring

[4] Malaysian workers also migrate or commute in large numbers to Singapore, while Thai farmers in the southern provinces have traditionally crossed over to Malaysia, often for seasonal work (Table 2).

Indonesia—about 51% of foreign workers—followed by 7% from Myanmar; 4% from Viet Nam; and 5% from Cambodia, the Philippines, Thailand combined (Asian Development Bank Institute [ADBI]-Organisation for Economic Co-operation and Development [OECD] 2011). Malaysia is highly dependent on cheap migrant labor for its rubber plantations—23% of foreign labor is in agriculture and 38% of foreign labor is in manufacturing. Almost all foreign workers (about 93%) are semiskilled or unskilled, and 63% have primary education or below. Irregular migration has always been a significant problem in Malaysia. In 2006, the number of migrants in irregular status in Peninsular Malaysia was estimated at about 0.7 million (Kanapathy 2008). In the state of Sabah, official estimates range from 150,000 to as high as 500,000. In other words, the incidence of irregular migration in Malaysia is relatively high at about 35%–39% of the total migrant population.[5]

Singapore. Singapore's fertility rate has been below replacement level since the late 1970s, and was at an all-time low of 1.4 in 2005. The old age dependency ratio is expected to increase from 12% in 2007 to 56% in 2050, with the working age population declining from 3.2 million to 2.9 million even as the population of those 65 and older is expected to rise from 399,000 to 1.6 million in the same period (Ducanes and Abella 2008). Singapore was one of the first countries in the region to have a policy of importing foreign labor as guest workers. In 1960, it had only about half a million immigrants. By 2010, its foreign population had climbed to about 1 million because of its need for workers to sustain a very rapid rate of economic growth on the back of high levels of emigration among its citizens, a low fertility rate, and an aging population. Only 11% of Singapore's population of 4.8 million are foreigners with permanent resident status. Most of the other foreign nationals are temporary unskilled migrant workers holding work permits (645,000)[6] and professionals or those with tertiary education holding employment passes (110,000). A recent study reported that about 21% of the foreign workforce was employed in both the manufacturing and community and personal services sectors, 17% in the financial and business services sector, and 15% in the trade sector (Chew and Chew 2008). Among the work permit holders were 170,000 in domestic services and 145,000 in construction (where foreign workers made up 63% of the industry's workforce). The nationality composition of the foreign workforce is not known, but origin sources indicate that East Asian countries are among the largest ones—PRC, Indonesia, Malaysia, the Philippines, and Thailand.

Indonesia. Indonesian workers, especially women, are being drawn in increasing numbers to overseas employment destinations. From some 480,000 in 2002, the numbers who left the country through regular channels surged to about 800,000 in 2008. Women made up 68%–78% of the migrants, and 90% of them work in domestic services in Hong Kong, China; Malaysia; Saudi Arabia; Singapore (Sukamdi 2008; Tjiptoherijanto and Harmad 2008). About 38% of the flows recorded in recent years were destined for Saudi Arabia, 30% for Malaysia, and 6% for Singapore. Other countries in East Asia are becoming important destinations, such as Hong Kong, China (6%) and Taipei,China (8%). Significant numbers of professional and skilled workers from other East Asian countries are also residing and working in Indonesia, many of them expatriate employees of multinationals with subsidiaries in the country.

Thailand. With the rapid industrialization of its economy from the 1980s, Thailand has been transformed from a country of net emigration to one of net immigration. Some 160,000 Thai workers still leave each year for abroad (notably to the Gulf States; Hong Kong, China; the Republic of Korea; Libya; Malaysia; Singapore; and Taipei,China) but Thailand has already attracted large numbers of migrant workers from neighboring countries where per capita incomes are a mere fourth to a sixth of its own. Not surprisingly, Thai labor emigration has

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[5] Kanapathy (2006).

[6] Data are for 2008.

noticeably been on a decline (by 15.9% from 2008 to 2009). Table 3 indicates that Thailand had about 400,000 migrants from other ASEAN countries in 2000. However, national authorities have been reporting much larger numbers discovered in a series of partial amnesty programs.[7] In 2010, Vasuprasat (2010) estimated that some 2 million irregular, quasi-legal, and legal migrant workers were in Thailand. As in Malaysia, foreign workers replaced Thais who left agriculture and low-skill services to work in new factories in Metropolitan Bangkok and nearby industrial zones. A study in 2005 indicated that foreign workers contributed 1.25% of Thailand's GDP (Martin 2007).[8] Most foreign workers have no employment contracts and a recent study reported that over 90% earned only B3,000 a month. These trends are expected to continue because of the slow growth of Thailand's labor force (only 1.4% a year since 2000), its aging population, and expectations of continued rapid economic growth amid a full employment situation. Most labor inflows to Thailand are undocumented (illegal), coming mainly from Cambodia, Lao PDR, and Myanmar.

Lao People's Democratic Republic. Some 300,000 Lao PDR workers were estimated to be in Thailand in 2004 when the Thai authorities launched an amnesty program, but only about 99,300 registered and applied for work permits. The Government of the Lao PDR entered into a bilateral agreement, a memorandum of understanding (MOU), in 2004 for the legal migration of workers (Deelen and Vasuprasat 2010). Under the program, according to the Lao PDR's Ministry of Labour and Social Welfare, 7,521 Lao PDR migrant workers have migrated through one of the nine licensed recruitment agencies in the Lao PDR since 1 January 2006. They work in domestic services (31.7%); agriculture (16.9%); construction (8.5%); and the rest on board fishing boats, in fish processing plants, and in informal trade.

Cambodia. Thailand has been the major destination for migrant workers from Cambodia since 1994, many of them crossing the Thai borders clandestinely. In response to an amnesty program in 2004, some 180,000 Cambodians registered with the Thai authorities; 110,000 were given work permits and allowed to work for 2 years. The Government of Cambodia has entered into bilateral agreements with the Republic of Korea, Malaysia, and Thailand for the employment of Cambodian migrant workers but it is clear that many go through irregular channels (Sophal 2009). From 1998 to the end of 2007, only 10,532 Cambodian workers were registered as having gone to Malaysia; 3,984 to the Republic of Korea; and 6,114 to Thailand. Most Cambodian migrants are employed in fishing, agriculture and construction, and domestic services. The majority of workers who went to Malaysia were females who work as domestic workers or housemaids, while the Republic of Korea has admitted most of the male migrant workers. Remittances to Cambodia were estimated at $200 million or 3.23% of GDP in 2005. At the same time, several thousand workers from neighboring countries, notably Thailand and Viet Nam, are employed in Cambodia.

Myanmar. With per capita income barely a fifth of that of neighboring Thailand and a land border of 1,800 kilometers separating the two countries, large cross-border movements were inevitable. From the 2004 amnesty program in Thailand, it was estimated that over 1 million migrants from Myanmar crossed over to Thailand for refuge or work or both. In spite of several amnesties and regularization programs, only a very small proportion of these migrants have legal status in Thailand because of cumbersome, costly, and unrealistic procedures adopted

[7] As many as 2 million migrants were estimated to be in Thailand, but in the partial amnesty program in 2009, only 1.3 million migrant workers registered with the Ministry of Labour for a work permit, of which 124,902 were from Cambodia; 111,039 from the Lao PDR; and 1,079,991 from Myanmar. See Vasuprasat (2010) for further details.

[8] Another study (Pholphirul, Kamlai, and Rukumnuaykit 2010) found that a 10% increase in the foreign migrant pool generated output growth of 1.61% in the agriculture sector and 3.05% in manufacturing but only 0.12% in the services sector.

under the agreement between the countries.[9] Vasuprasat (2010) reported that as of 5 March 2010, only 41,770 migrants from Myanmar have passed the verification process, equivalent to about 4% of the registered migrants in 2009. Workers from Myanmar also go to Malaysia and other destinations such as Taipei,China but in much smaller numbers.

Viet Nam. Aside from those who have settled permanently in other countries, about half a million Vietnamese are estimated to be working temporarily in more than 40 countries and territories. In East Asia, they can be found in Malaysia (90,000); Taipei,China (80,000); and the Republic of Korea (45,000). Vietnamese workers can also be found in large numbers in Cambodia, the PRC, Indonesia, and the Philippines, but there are no reliable estimates. Temporary contract labor migration going through official channels in 2000–2005 averaged 65,000 workers a year, but has increased since 2009 to about 85,000 a year, 33% of whom go to Taipei,China; 14% to Malaysia; and 10% to the Republic of Korea. The annual remittances of all Vietnamese overseas, permanent settlers as well as contract workers are about $1.6 billion–$2.0 billion.

Philippines. There is no consensus on the number of Filipinos living and working abroad, with estimates varying widely from 5% to 9% of the country's total workforce (Ducanes 2011). The World Bank estimated that they numbered some 4.0 million in 2005 while the Commission on Filipinos Overseas placed the number of all Filipinos abroad at 8.7 million in 2008—about 19% of them in East Asia, 18% in West Asia, and as many as 45% said to have settled permanently in North America, Australia, and New Zealand. Only 7.5% (about 570,000) were estimated to be in the ASEAN region. There is less disagreement on reported annual flows, which are monitored through registration of departing migrants. Since 2006, migrants leaving to work abroad have represented close to 3% of the country's labor force. Flows to East Asian destinations have increased progressively from about a fifth of the total from the 1980s up to the middle of the last decade, to over a fourth since 2010. The most prominent destinations in ASEAN are Malaysia and Singapore, while in the rest of the region the flows to Hong Kong, China and Japan, and more recently to the Republic of Korea and Taipei,China have become very sizable.

This brief review of migration and demographic trends in countries of ASEAN suggests some common forces are at play that will lead to increasing migration flows in the coming decades. In the region's most dynamic economies, many economic sectors have come to depend on regular supplies of foreign labor to maintain their global competitiveness. Growing economic affluence has enabled many of the new entrants to the workforce to attain higher levels of education and reject certain types of jobs. More women are leaving their traditional domestic functions, which are assumed by foreign domestic helpers. Policies to liberalize admission of foreign workers are already featuring prominently among the solutions to the problems posed by rapid aging in several societies, whether these be in terms of maintaining productivity or supporting the needs of growing cohorts of aged population. As shown in the Appendix, Table A2, old age support ratios are projected to drop below 2 in less than four decades in Singapore (as well as in Japanand Hong Kong, China). The decline will also be fast in the Republic of Korea and Thailand.

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[9] According to Vasuprasat (2010), the MOU called for verifying the nationality of the undocumented migrant. After verification by Myanmar authorities, migrant workers receive a temporary passport valid for 3 years; they can then apply for a nonimmigrant visa and work permit in Thailand. The cost of the whole process is supposed to be B5,000–B7,500 per person, but many workers have paid far more.

2.3 Asymmetrical Intra-Regional Labor Flows

Using the updated World Bank's bilateral matrix of migration stocks,[10] Table 3 shows that, unlike in the more integrated European Union (EU), there is not yet symmetry in labor flows across Southeast Asian countries. Countries such as Brunei Darussalam, Malaysia, Singapore, and Thailand have a disproportionate share of total migrants from the region, while countries like Indonesia, Lao PDR, Myanmar, and the Philippines are net labor exporters. Table 3 shows that the three major labor importing countries, along with Cambodia and Thailand, have a greater stock of in-migrants from ASEAN than their out-migrants in the others. Malaysia and Thailand, with a ratio of out-migrants in other ASEAN countries to in-migrants from other ASEAN countries closer to 1.0, may be considered to be both labor importers and exporters. Brunei Darussalam, Cambodia, and Singapore have significantly more in-migrants from other ASEAN countries than out-migrants in the others. On the other hand, among ASEAN countries that are net labor exporters, the Philippines hosts the least number of ASEAN migrants, next only to Myanmar.

Table 3: Intra-ASEAN Migration Data

	Intra-ASEAN			Total Migration			Share of Intra-ASEAN to Total Migration (%)	
	Outward Migration	Inward Migration	Ratio of out-migrants/ in-migrants	Outward Migration	Inward Migration	Ratio of out-migrants/ in-migrants	Outward Migration	Inward Migration
Brunei Dar.	9,31	120,57	0.08	24,343	148,123	0.16	38.26	81.40
Cambodia	53,72	320,57	0.17	350,485	335,829	1.04	15.33	95.46
Indonesia	1,518,68	158,48	9.58	2,504,297	397,124	6.31	60.64	39.91
Lao PDR	82,78	10,13	8.17	366,663	18,916	19.38	22.58	53.58
Malaysia	1,195,56	1,882,98	0.63	1,481,202	2,357,603	0.63	80.72	79.87
Myanmar [a]	321,10	81	394.47	514,667	98,008	5.25	62.39	0.83
Philippines	335,40	9,09	36.87	4,275,612	435,423	9.82	7.84	2.09
Singapore	122,25	1,162,96	0.11	297,234	1,966,865	0.15	41.13	59.13
Thailand	262,72	448,21	0.59	811,123	1,157,263	0.70	32.39	38.73
Viet Nam	221,95	21,51	10.32	2,226,401	69,307	32.12	9.97	31.04
Total	4,123,51	4,135,35	1.00	12,852,027	6,984,461	1.84	32.08	59.21

[10] See http://go.worldbank.org/JITC7NYTT0. Some caveats on the data credibility should be taken at the outset because the migration data were put together using national surveys (taken in different years for different countries), supplemented by various estimating assumptions to arrive at the migration figures. However, to date, this is the most comprehensive data source that tracks migrant populations by origin and destination countries throughout the world.

ASEAN = Association of Southeast Asian Nations, Brunei Dar. = Brunei Darussalam, Lao PDR = Lao People's Democratic Republic.

[a] These data were based on earlier estimates by the World Bank, i.e., 2007, while the rest are from data released in 2010.

Source: Author's calculations based on migration data from World Bank (2010, accessed 23 February 2011).

Relative to their total migrant population, the size of the intra-ASEAN migrant population appears large in Brunei Darussalam, Cambodia, Malaysia, Singapore, and Thailand. For example, of more than 2 million foreign nationals in Malaysia, 80% are from ASEAN (last column, Table 3); the figure is similar in Brunei Darussalam (81%) while it is lower in Singapore at 59%. With respect to origin of migration, those from Indonesia, Malaysia, and Myanmar are mostly found within the region, while extra-ASEAN destinations take the larger share in the rest of the ASEAN countries (see column 8, Table 3). For example, of more than 4 million migrants from the Philippines, only 8% are found in other ASEAN countries—the lowest ratio found among ASEAN countries.

Sending countries like the Philippines and Indonesia usually have no restrictions on out-migration. In fact, their governments even support foreign deployment to ease strain in the domestic labor market and earn foreign exchange.

The asymmetry of labor flows is hardly surprising given the disparate levels of development in the region. Unlike the relatively homogeneous western European nations that formed the early European Economic Community, ASEAN is a mix of high-income, upper-middle income, lower middle-income, and low-income countries. Singapore leads the subregion with $37,000 per capita gross national income (in PPP) while Cambodia has a meager $610 (Table 4). The disparate income level reflects the employment opportunities in ASEAN countries, making the richer ones an attractive destination for ASEAN labor. Indeed, the two big labor exporters, Indonesia and the Philippines, also have the highest unemployment figures in ASEAN.

Wage disparity is a corollary to the disparity in income. A comparison of hourly wages in ASEAN shows that wages in Indonesia and the Philippines are only about 20% of wages in Singapore, while wages in Malaysia (54%) and Thailand (41%) are slightly higher. Gross annual income of construction workers is proportionally even lower, at 35% of Singapore levels in Malaysia and only 13% of Singapore levels in Indonesia. The attraction of higher wages is evidently the main reason why ASEAN labor goes mostly to Brunei Darussalam (no wage data), Malaysia, and Singapore.

Table 4: Comparative Levels of Wages and Incomes in East Asia and ASEAN, 2010 or Latest Figures

	Population, mid-2010	Unemployment Rate	GNI per capita (current $)	GDP per capita (PPP)	GDP Per Capita Growth Rate, 2010	Gross Wages, Capital City [a]	Gross Annual Income, Building Laborers, Capital City [b]	Gross Annual Income, Female Factory Workers [c]
East Asia	1,421.6							
PRC	1,339.7	4.1	4,260	7,554	9.9	44	23	43
Hong Kong, China	7.1	4.4	32,900	46,291	6.0	116	140	189
Republic of Korea	48.9	3.7	19,890	28,982	5.9	125	100	121
Mongolia	2.8	3.6	1,890	3,885	4.3			
Taipei,China	23.1	5.2	19,177	35,562	10.5	111	145	121
ASEAN	596.0							
Brunei Darussalam[a]	0.4	2.7	31,180	48,886	0.6			
Cambodia	14.3	(...)	760	2,159	4.3			
Indonesia	234.2	7.1	2,580	4,411	4.8	26	13	16
Lao PDR	6.2	(...)	1,010	2,355	6.2			
Malaysia	28.3	3.4	7,900	14,771	5.9	55	35	50
Myanmar	59.8	(...)	(…)	(…)	9.2			
Philippines	94.0	7.4	2,050	3,923	5.6	23	19	29
Singapore	5.1	2.8	40,920	56,570	12.5	100	100	100
Thailand	67.3	1.0	4,210	8,748	7.1	41	18	26
Viet Nam	86.5	2.7	1,100	3,193	5.7			

(…) = data not available, PRC = People's Republic of China, GDP = gross domestic product, GNI = gross national income, Lao PDR = Lao People's Democratic Republic, PPP = purchasing power parity.

[a] Singapore =100.

[b] Singapore =100.

[c] Singapore =100.

Sources: Population and income data are from Asian Development Bank Statistics. Data on wages and income are from UBS Salary Surveys Statistics 2010. www.ubs.com/research.

The presence of migrants in some countries is also due to other factors aside from income disparities. For example, of the stock of permanent migrants in Cambodia (and to a certain extent the Lao PDR), many are very likely the remnants of those displaced in earlier political conflicts in Myanmar and Viet Nam. After living for years as refugees in neighboring countries, many appear to have opted to stay even after peace returned in their home countries.

3. SOCIAL PROTECTION OF MIGRANT WORKERS IN ASEAN

With the reality of increasing intra-ASEAN labor flows, ASEAN leaders took the extraordinary step of addressing the condition of migrant workers. In the 2007 ASEAN Summit, leaders signed the Declaration on the Protection and Promotion of the Rights of Migrant Workers which affirms their important contribution in both host and origin countries. Dubbed the Cebu Declaration, the agreement is essentially a commitment to share data; and promote decent, humane, productive, and dignified employment for migrant workers. It also aims to control smuggling and human trafficking and to expand assistance to migrants caught in conflict situations.

Following the Cebu Declaration, the Senior Labour Officials Meeting of ASEAN established one of four subsidiary committees to deal directly with implementation of the Declaration. The committee has been given a broad mandate ranging from rights against exploitation and mistreatment to human trafficking and migration governance. The rights of migrants to social security can be assumed imbedded in the committees' mandate but existing implementation programs do not exhibit any awareness that social security is one of the important rights of migrant workers.[11] This section focuses on one aspect of migrants' rights—social security. An important aspect of this right, from the perspective of migrant workers, is access to and portability of social security benefits.

Barriers exist that impede or prevent migrant workers from accessing social protection programs in host countries. For temporary migrants, formal access to many social services available in host countries is prevented by minimum residency requirements. Most migrants, especially the low-skilled, only have recourse to informal networks of fellow migrants for support in case of need. For social security programs, even not-so-recent migrants may be precluded from participation, access, and enjoyment of accrued benefits by eligibility requirements that usually include nationality and a permanent residency requirement as well as a minimum number of years of social security contributions.[12]

Even if migrants have access to social security, they may be unable to enjoy its full benefits either because their periods of contribution did not reach the minimum number, the benefits are not exportable, or because of deductions that greatly reduce the amount of benefits.[13] Even when they are fully exportable, losses may still occur because of final wage losses or backloading losses (backloading losses take place when higher accrual rates are put on later years toward the end of the worker's career). If calculation of pension benefits were based on final salaries, pension loss occurs if the salary earned when leaving the country is lower than the salary at the end of one's working career. Likewise, if the salary used for benefit computation were not adjusted for inflation, workers incur final wage-related loss. Backloading losses, on the other hand, could occur if the accrual rate increases with seniority. Under this system, immigration can lead to lower accumulated pension benefits if immigrants decide to spend the latter part of their working career in their home countries or in another host economy.

Some of the above social security losses may be prevented by incorporating portability features, defined as the capacity to preserve, maintain, and take along acquired rights in accumulation and disbursement when switching jobs or when immigrating to another country (Forteza 2008;

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[11] For example, a document of the ASEAN Committee on the implementation of the Declaration do not include in their list of activities anything related to social security and portability of benefits. See http://www.aseansec.org/23062.pdf

[12] Labor market models like Borjas (1987) justify such delay or limited access because generous social protection systems tend to attract low-skilled immigrants through unintended self-selection.

[13] For example, Germany and the UK apply reduction rates to exported pension or remove inflation adjustments.

Avato, Koettl, and Sabates-Wheeler 2010; Holzmann and Pouget 2010). Portability may be built into the social security design or through coordination of pension policies via social security agreements.

3.1 Portability and Social Security Design

Multi-pillar pension systems face different portability challenges. Zero-pillar pension scheme or tax-funded social assistance safety nets are the least portable of the systems because the benefits are usually intended to alleviate domestic poverty based on the standard of living and minimum subsistence levels in each country. Mandatory contributory systems may be more portable provided they are pre-funded. Unfunded or partially funded pension plans are less portable because the supposed pension payments are yet to be paid later by future social security contributors. Voluntary contributory schemes are usually the most portable, subject to varying tax rules in each country.

Defined contribution schemes are much more portable than defined benefit schemes. Defined contribution schemes are like an accumulated individual savings account that is eventually used to buy an annuity or to pay programmed withdrawals to workers when they retire (Forteza 2008). As individual savings, workers have full ownership of their accounts and can take the benefits with them. Losses that can accompany pension benefits from defined contribution come mostly from the tax system in each country. Some countries, for example, may tax pension benefits higher when beneficiaries leave the country.

Benefits from defined benefit schemes can be of varying portability. Some countries may prohibit pension benefits to be exported at all; others may be exportable but with reductions, for example, as in Germany[14] or the UK[15] (Forteza 2008). In countries where the exportability of benefits is unrestricted, losses can ensue depending on what wages and accrual rates are used for benefit computations, or if countries where migrants have worked have no social security agreements that allow totalization of contribution periods with their home countries.

3.2 Social Security Agreements to Enhance Portability

Social security agreements, whether bilaterally or multilaterally (including within regional groupings), are designed to coordinate the operation of social security systems by establishing mechanisms through which social security systems of different countries can work together to achieve mutually agreed objectives (International Labour Organization [ILO] 2007)—in particular, the objective of reducing or eliminating barriers that disqualify migrant workers from obtaining social security benefits. Social security agreements, typically, touch on the following:

Equality of treatment—migrant workers from partner countries are treated as locals, as opposed to nationality-based restrictions for access.

Export of benefits—dealing with issues such as whether benefits can be exported to the migrant worker's country of origin or a third country, or whether the social assistance part of the benefits are excluded.

[14] Germany applies a 30% reduction on pensions paid to non-nationals who move to countries where Germany has no social security agreement with (Holzman, et.al 2005; Forteza 2008). However, under a European Commission Directive approved late last year, Germany will soon have to export the full pension. Germany is expected to amend its legislation to bring the export provisions of its national legislation into conformity with the directive.

[15] The UK does not make pensions adjustment (for inflation, for example) if paid abroad (Forteza 2008)

How to deal with double coverage or dual tax—whether the migrants are to pay in the host or home countries but not in both.

Administrative assistance for facilitating claims and verification of eligibility – contact points and procedures to follow to coordinate benefits payments.

Totalization—the adding together of periods of contribution or affiliation in all the countries that are parties to the agreement to allow the migrant worker to meet the qualifying period;[16] this part of the agreement may contain a third-state totalizing provision even if it is a bilateral agreement.

An important aim of social security agreements is the improvement of access to and portability of benefits for migrants. Thus, social security agreements may do away with nationality or even residency requirements under chapters of equality of treatment. Without social security agreements, benefits might not be exported to persons living outside the country paying the benefit. Very importantly, without social security agreements with totalization features, migrants may not enjoy any accrued benefits if they are unable to fulfill the minimum number of years of contributory requirements despite having paid into a system for many years. Moreover, social security agreements may lessen final wage and backloading losses if the parties agree to calculate the benefits after the periods of contribution have been totalized and if the benefit formula and indexation are adjusted to prevent such losses (Forteza 2008).

4. EXISTING SOCIAL SECURITY SYSTEMS AND PORTABILITY IN ASEAN

Table 5 summarizes the ASEAN schemes for social security protection along with the provisions that are of particular relevance to migrant workers. Table 5 shows whether access is limited to nationals or permanent residents, whether benefits are exportable or payable outside the country, and whether there are minimum contributory periods to be eligible for benefits.

[16] A qualifying period means a minimum period of affiliation to a social security system to be entitled to a benefit from that system. For example, at least 10 years of contributions might be required before becoming entitled to an old age pension at the pensionable age (Hirose, Nikac, and Tamagno 2011).

Table 5: ASEAN Countries—Comparative Benefits Covered under Social Security

	Brunei Darussalam		Indonesia	Lao PDR	Malaysia		Philippines	Singapore	Thailand	Viet Nam
	Universal scheme	Provident Fund	Provident Fund	Social Insurance	Provident Fund	Social Insurance	Social Insurance	Provident Fund	Social Insurance	Social Insurance
Branches covered:										
Old age	☑	☑	☑	☑	☑		☑	☑	☑	☑
Invalidity	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Survivor	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑
Coverage limited to nationals and/or permanent residents	Yes	Yes	No	(…)	No	Yes	No	Yes	No [a]	(…)
Export of benefits allowed	No	Yes	Yes	(…)	Yes	Yes	Yes	Yes	(…)	(…)
Minimum period for eligibility (years)	Yes	No	No	5	No	Yes	10/15[b]	No	15	15

ASEAN = Association of Southeast Asian Nations.

[a] Excludes temporary and seasonal workers.

[b]Private sector / government sector, respectively

Source: Tamagno (2008).

(…) = data not available.

Of the eight ASEAN countries with old age, invalidity, and survivors programs, four (Brunei Darussalam, Indonesia, Malaysia, and Singapore)[17] have provident funds and four (the Lao PDR, Philippines, Thailand, and Viet Nam) have schemes based on social insurance (Tamagno 2008).[18] The provident funds pay a lump sum when a member reaches a prescribed age (55 in Indonesia, Malaysia, and Singapore; 60 in Brunei Darussalam) or if a member becomes disabled or dies before the prescribed age. In Singapore, in addition to the lump-sum payment, a member of the provident fund receives an ongoing monthly pension, starting at age 62. In Indonesia and Malaysia, a member of the provident fund can opt to use part of the balance in their provident fund account for a monthly pension, but this is at the member's discretion. In Malaysia, membership in the provident fund is not limited to nationals and permanent residents but the option of receiving part of the provident fund balance as monthly pension is restricted to these two categories of members.

As shown in Table 5, Brunei Darussalam has a provident fund as well as a universal scheme that provides periodic benefits for old age and invalidity for all residents of the country. Similarly, Malaysia has a social insurance program that operates in parallel to the provident fund. It provides periodic benefits in the event of incapacity or death of an insured worker but it is limited to nationals and permanent residents. Foreign workers are covered under a separate scheme, based on employer liability, which provides generally lesser benefits than the social insurance scheme.

The social insurance programs in the Lao PDR, the Philippines, Thailand, and Viet Nam provide periodic (usually monthly) pensions when an insured person meets the minimum qualifying period. Otherwise,, a lump sum is paid instead of a periodic pension.

In general, in countries with provident funds or defined contribution schemes, the benefits are highly portable—they are exportable and impose no minimum years of contribution. This is true for the provident funds in Brunei Darussalam, Indonesia, Malaysia, and Singapore. Where the scheme is of a defined benefit type (or social insurance) as in Malaysia, the Philippines, Thailand, and Viet Nam, a minimum period of contribution of 5–15 years is required, but most countries allow exportability. Brunei Darussalam's universal supplement to the provident fund, however, is not exportable as it is of the social assistance (tier-0) variety. In terms of accessibility, the Philippines and Thailand provide no restriction of access. Indonesia and Malaysia allow voluntary contributions of foreign workers in the provident fund scheme, while Brunei Darussalam and Singapore only allow access to nationals and permanent residents.

Holzmann, Koettl, and Chernetsky (2005) classify migrants' social protection into four regimes. Regime 1 is the most advantageous for migrants. Under this regime, migrants have access to the social security and social services in the host countries, and home and host countries have social security agreements. An example is the EU. Regime 2 is where migrants have access to host country social services and social security but their host countries have no social security agreement with their countries of origin. This is where most regular migrants in the world belong. Regime 3 is where migrants neither have access to social security nor is there any social security agreement. Examples are many Middle Eastern countries where the generous social security benefits exclude foreign workers, but neither do they require them to contribute to the system. Regime 4 is for all undocumented migrants who have very limited access to social security and whose work conditions are unregulated.

[17] Malaysia and Brunei Darussalam have both provident fund and social insurance.

[18] See Tamagno (2008) for a review of possibilities for an ASEAN-wide treaty on social security.

Using Table 5 to classify ASEAN social protection for migrants using the Holzmann, Koettl, and Chernetsky (2005) regime categories, Table 6 shows that most of the intra-ASEAN regular migrants have access to ASEAN host country social security regimes (regime 2). Migrant workers in the Philippines and Thailand have access to these countries' social security regimes by law, while migrants in Indonesia and Malaysia may voluntarily contribute to the employee provident funds of these countries. The 60% proportion of ASEAN migrants going to these four countries is roughly in line with global migrants' condition, where 55% have at least nominal access to social protection (see Table 6).

In the 1980s, the social security institutions of the then five member states of ASEAN came close to adopting an agreement designed by the ILO, but last-minute hesitation by one member brought the initiative to an inconclusive end. To date, none of the now 10 member states of ASEAN have signed any bilateral social security agreement with each other, let alone a regional one, so no intra-ASEAN migrant is in regime 1. In contrast, 86% of migrants from the OECD go to countries where bilateral or multilateral social security agreements are well developed and hence are in regime 1. Most of these OECD migrant workers go to other OECD countries (mostly in EU destination countries) where social protection agreements are in place.

Table 6: Social Protection of Migrant Workers

Social Protection Regime	Intra-ASEAN Migrant Stock Estimates	% of Intra-ASEAN Migrants	% of Global Migrants from East Asia and the Pacific	% of Global Migrants from OECD	% of Global Migrants
I. With access to social protection and with social security agreement	0	0	14	86	23
II. With access but without social security agreement	2,498,786	60[a]	67	13	55
III. Without access to social protection	1,283,538	31[b]	4	1	5
IV. Undocumented migrants	(…)	(…)	16	1	18

ASEAN = Association of Southeast Asian Nations, OECD = Organisation for Economic Co-operation

and Development.

[a] Destination countries are Indonesia, Malaysia, the Philippines, and Thailand.

[b] Destinations are Singapore and Brunei Darussalam. The percentage does not sum up to 100 because of undetermined social security access in other ASEAN countries

(…) = data not available.

Source: Author's calculations based on http://go.worldbank.org/JITC7NYTT0 (accessed 23 February 2011); information on the ASEAN regime based on ILO (2007); OECD information from Avato, Koettl, and Sabates-Wheeler (2010).

How many intra-ASEAN migrants could benefit from an agreement on social security? From a back-of-the-envelope estimate of the current intra-ASEAN migrant population of more than 4 million, some 2.5 million are in countries where they are not legally excluded from enrollment in the provident fund or social insurance (in Indonesia, Malaysia, the Philippines, and Thailand). What legally excludes migrants from enrollment is their immigration status. Those in an irregular situation may be as high as a third of the total, most of them in Malaysia and Thailand. The rest of the more than 4 million are in Brunei Darussalam and Singapore where only permanent residents are allowed membership in the provident funds; and in countries like Cambodia, the Lao PDR, Myanmar, and Viet Nam where either no social security system is available even for their citizens or we found no information on migrants' access to social security.

Avato, Koettl, and Sabates-Wheeler (2010) estimate that about 5% of the entire global migrant community is situated in regime 3 (last column, Table 6). This represents mostly workers in the Gulf countries where foreign workers are excluded from social security benefits or are not required to contribute to the system. This small percentage of global migrants have to arrange their own social protection either from their countries of origin (if voluntary schemes exist for overseas workers as in the Philippines [see Box]) or through private insurance schemes.

Unlike pension and other long-term social security benefits, health care portability is not a widespread phenomenon. Even in the EU, which perhaps has the most portable health care scheme, availing of cross-border health services is tightly regulated, especially for non-retirees and nonemergency cases. Bilateral social security agreement on healthcare is also more difficult to conclude, although some EU member countries have agreements with acceding countries on reimbursement of health service costs.

Box 1: Ways of Addressing Portability Problems – Country Experiences

People's Republic of China. Making social security for migrant workers more portable.

The People's Republic of China (PRC) has no national insurance system. Its social security system is not only fragmented between rural and urban areas but also pooled into many units, either at county, prefectural, or provincial level. This has led to a lack of portability of social security and reluctance among migrant workers to participate in the formal scheme, resulting in very low social protection coverage among rural to urban migrant workers. The Social Insurance Law implemented in July 2011 attempts to address the portability issue.

The law mandates transfer and payment of basic pension insurance to the new employment location when migrants move. They can take away their own individual contribution (8% of monthly wages) plus 12% (out of 20%) of the employer's contribution together with generated interest income to the new place. However, implementation of the Social Insurance Law is uneven across different pooling units.

Philippines. Extending coverage to overseas workers through voluntary membership.

The Philippine Social Security System (SSS) has a voluntary membership program for anyone who is not part of the formal labor market, including nonworking spouses and overseas Filipino workers (OFWs). The voluntary system is particularly useful for OFWs who work in countries where they are not allowed access to the social protection program, such as many Middle Eastern countries. By contributing voluntarily to their home country's social security, they are able to save for retirement and enjoy the other attached insurance benefits for sickness, disability, maternity, and death.

India. Strategy to force partner countries to negotiate social security agreements.

Before October 2008, foreign workers in India did not need to contribute to the Indian Provident Fund. This changed when India passed a law requiring all international workers in India to contribute, except if they come from countries with which India has a social security agreement. Prior to the change in law, India had no social security agreement with any country; now it has seven ratified agreements with Belgium, Denmark, France, Germany, Luxembourg, the Netherlands, and Switzerland. Other countries are also negotiating social security agreements with India.

The change in social security law helped India overcome other countries' resistance to negotiate social security agreements. The rationale for the change is to help its own overseas workers obtain exemption from paying social security in different host countries, especially if their overseas work is for only a short period of time. India has far more citizens working abroad than foreigners working in India.

Sources: Country presentations from the Conference on New Thinking on Social Securities in Asia. 17 November 2011. Tokyo.

5. LESSONS FROM OTHER REGIONAL ECONOMIC GROUPS

For the ASEAN integration goal, it is worthwhile to look at the experience of other regional economic blocs as regards facilitating social security portability. In trade blocs that try to facilitate worker mobility, albeit mostly skilled ones, concern that workers' social security rights not be lost through migration is an important factor.

5.1 European Union

The EU provides the most advanced example of social security portability. The social security agreement covers the classic branches of social security such as sickness, maternity, invalidity, pensions, accident-at-work benefits, occupational disease, unemployment, and family allowances. It responds to all five objectives of social security agreements—equality of treatment, exportability, totalization, administrative support, and treatment of double coverage.

The key regulation to coordinate the different social security systems of different member countries is EC Regulation 1408/71 and the implementing procedures in Regulation 574/72, but these have undergone various changes in light of judicial rulings of court cases to include new types of benefits and simplified procedures. In 2003, Regulation 859/2003 extended application of 1408/71 to all legal migrants in the EU, irrespective of nationality.[19]

The EU allows exportability of all cash benefits in member countries, including pensions, survivors' benefits, death allowances, accidents, and occupational diseases. However, unemployment benefits may be exported only up to 3 months (or 6 months if the paying country extends it). Some noncontributory cash benefits are to be paid only in the country of residence and according to its laws (Pigeon 2004).

Access to health care in another member country is allowed for emergency and medically necessary procedures during a temporary stay, subject to prior authorization for non-retirees.

5.2 CARICOM[20]

The Caribbean Community (CARICOM) Agreement on Social Security (CASS), concluded in 1996, is signed by 13 states and territories out of 25 CARICOM members. The social security branches it covers include pensions for old age, invalidity, disability, survivorship, and death benefits. Sickness benefits are not covered. The agreement provides for totalization and apportionment rules in cases when the worker has not met the minimum vesting period. However, vesting periods in many Caribbean countries are relatively short, ranging from 3 years (in the Bahamas) to 15 years (in Guyana, and Trinidad and Tobago).

Forteza (2008) points to "portability gains" in CARICOM as a result of frontloading of the accrual rate (i.e., higher accrual in the initial years of contribution).

Despite being in operation for more than 10 years, CASS has had few benefits applications, owing primarily to lack of awareness of the benefits of the agreement.

[19] The EU now has new regulations in force. Regulation 883/2004 replaces EC Regulation 1408/71, and Regulation 987/2009 replaces EC Regulation 574/72.
[20] This section draws from Forteza (2008).

5.3 MERCOSUR

Mercosur introduced a system, known as SIACI (the International Agreements System), to manage the pension requests of individuals who worked in the four member countries of Argentina, Brazil, Paraguay, and Uruguay. In operation since 2008, SIACI enables individuals to process pension requests in their country of residence and connects to the social security institution in their country of employment to obtain the necessary information. The system manages the requests, transmits data between institutions, validates digital signatures, and reports and maintains a record of operations (for traceability). Eventually, the system is envisaged to add the management of payments. It was developed as a joint project of the social security institutions in Mercosur member countries and the Ibero-American Social Security Organization (OISS), the project leader.

Mercosur's system is not a standard social security agreement where the parties agree on coordination of social security programs. Rather, it is an administrative coordination to facilitate the processing of pension benefits. However, without any agreement on totalization, this system benefits only those who have satisfied the minimum vesting periods in any of the four member countries.

5.4 Ibero-American Multilateral Convention on Social Security[21]

Signed by Spain, Portugal, and 12 Latin American countries,[22] the Convention addresses exportability of benefits, including to third (i.e., non-signatory) countries; equality of treatment; and applies to all the contributory schemes, both general and special, of signatory countries.[23] Medical benefits are excluded from coverage, but two or more signatory countries can conclude bilateral or multilateral agreements among themselves, extending the Convention's scope to such in-kind benefits. It replaces a network of bilateral and multilateral agreements among Latin American countries, and between those countries with Spain and Portugal. However, it is yet unclear how the Convention will replace or supplement the Mercosur social security agreement.

6. IMPLEMENTING THE CEBU SUMMIT DECLARATION

The question for ASEAN is how to implement the Cebu Summit Declaration through increased portability of social security of migrant workers. Would signing a social security agreement be a solution?

Many difficulties can be cited for ASEAN to have a social security agreement. First, unlike the EU, ASEAN's social security system is as diverse as the levels of economic development of its members. The EU's relatively similar social security models make it easy to connect and coordinate, especially with regard to complex actuarial transactions. Their well-developed systems also make administration of the agreement feasible, particularly as coordination requires good record-keeping and tracing of contributions for executing actuarial operations such as the totalization of benefits.

The asymmetric flows of labor in ASEAN provide less incentive, especially for net labor-importing countries, to sign social security agreements. For them, the cost of portability may

[21] Drawn from Hirose, Nikac, and Tamagno (2011: 57–58).

[22] Argentina, Brazil, Bolivia, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Paraguary, Peru, Uruguay, and Venezuela.

[23] Countries can exclude special schemes by listing them in an annex (Hirose, Nikac, and Tamagno 2011).

exceed the benefits, especially if ASEAN members merely consider the narrow view of focusing on the projected cost of implementing the agreement and comparing whether these are about the same for each country. In the EU, where the cross-border flows of labor are more symmetric, obligations arising from social security agreements might balance out and not be too burdensome on net labor recipient countries.

An ILO study of possibilities for providing social security protection for migrant workers in ASEAN pointed to the asymmetrical results of totalization as the stumbling block to agreement among the countries (Tamagno 2008). Through aggregation, the country with social insurance would be obligated to pay pensions that would not otherwise be payable under its program alone (i.e., pensions to persons who qualify only as a result of totalizing periods in the two countries), and the additional cost of those new pensions would be financed entirely from the scheme's own funds. However, the country with the provident fund would never be obligated to pay new benefits because either there is no minimum qualifying period or other such eligibility requirement for which totalizing would be needed or the scheme fully funds accordingly and prorates its benefits depending on the number of periods of contribution. The study concluded that a workable solution is to develop terms for implementing transfers between their respective schemes.

The transfer of money between the two schemes may be as follows:

- If a migrant worker moves from a country with a provident fund to a social insurance country, the worker could have the amount in their provident fund account transferred to the social insurance system of the latter country, and the worker could use this amount to "buy back" periods under the latter system. "Buy back" means making retroactive voluntary contributions covering all or part of the period during which the worker was a member of the provident fund. The terms of the buyback would be governed by the social security laws of the social insurance country (if those laws allow voluntary contributions, which many do not) or by specific provisions included in the social security agreement between the two countries.
- A migrant worker who moves from a country with social insurance to one with a provident fund, and who has not yet fulfilled the minimum qualifying period for a pension under the social insurance scheme of the first country, could have her or his contributions and those of the employer transferred from the social insurance scheme to the provident fund. The social security agreement between the two countries would specify the method for calculating the amount to be transferred. This is, however, more complex than transfers from provident fund systems to social insurance systems because, in the first place, how is a social insurance scheme to compute how much to transfer to the provident fund scheme in a new country. Should the social insurance scheme just allow withdrawals of the member contribution without the employer's share? What interest rate should it use to compute the withdrawable amount?

Perhaps for a start, ASEAN can adopt the social insurance coordination system that MERCOSUR countries have put in place to facilitate the exchange of information and the processing of benefits. Subsequently, a social security agreement may be feasible for those countries with similarly designed social security systems, especially ASEAN countries with a social insurance type of system. Among them (e.g., the Philippines, Thailand, and Viet Nam), it may be possible to agree on equality of treatment of migrant workers, the removal of double taxation, exportability of benefits, as well as totalization of benefit. A totalization agreement may include third parties, i.e., years of work in other ASEAN countries that are not party to the social security agreement. The CARICOM experience shows that this type of third party inclusion for totalization purposes is possible and beneficial for the migrant worker.

In ASEAN countries that have both contributory social insurance and defined contribution systems, migrants should be allowed to contribute to the relatively more portable DC scheme without mandating any contribution to the social insurance. Indonesia and Malaysia already have this voluntary system, but Singapore does not. While there are valid concerns about the future adequacy of benefits from DC systems, its advantage is that its benefits are much more portable even if ASEAN does not (yet) have any social security agreement.

Likewise, origin countries can develop a voluntary contribution system for their citizens to have access in the home social security scheme. The Philippines provides such a voluntary membership facility, which extends social security coverage to those in informal labor, nonworking spouses, as well as overseas Filipino workers (see Box). Viet Nam has done the same. By allowing voluntary contributions to the social insurance, migrant workers are able to satisfy the minimum required vesting periods without needing to rely on any social security agreement. Of course, the disadvantage in voluntary membership is that migrant workers cannot depend on any employer's share in the social security contribution.

As a gesture of goodwill and in the spirit of regional integration, tax on exported social security benefits from either provident funds or social insurance should be removed.

While many improvements are needed in the depth and effective coverage, as well as adequacy in the benefits of the ASEAN social schemes, even for their own citizens, ASEAN countries should embark on their pension reform agenda already taking the welfare of migrant workers into their reckoning because more intra-regional labor flows will take place as the region further integrates. If ASEAN is serious about regional integration and facilitating labor mobility, then ensuring portability and exportability of benefits is an important program to pursue. Besides, in addition to the efficiency gains from greater labor mobility in the region, social security agreements can be a tool for managing migration. Improving the portability of rights in social security will most likely increase circular forms of migration and motivate migrants in the informal sector to join the formal labor sector. Having a social security agreement is one way to improve portability of social security benefits which would be useful even for the net labor importing countries. For these reasons, and to protect the rights of migrant workers to equal treatment, the promotion of a multilateral agreement on social security should be on the ASEAN agenda.

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APPENDIX TABLES

Table A1: Workers' Remittances and Employees' Compensation

($ million)

Country	Global Sources		ASEAN and East Asia Sources	
	2009	2010	% of Global	2010 estimate
PRC	48,729	51,300	60.0	30,780
Cambodia	337	369	16.6	61
Indonesia	6,792	6,916	73.0	5,049
Lao PDR	37	41	100.0	41
Malaysia	1,130	1,300	80.0	1,040
Philippines	19,765	21,423	14.9	3,192
Thailand	1,637	1,763	48.2	850
Viet Nam	6,840	8,000	16.3	104
Total ASEAN	36,538	39,812	31.1	12,387
Total ASEAN + PRC	85,267	91,112	47.4	43,167

ASEAN = Association of Southeast Asian Nations, PRC = People's Republic of China, Lao PDR = Lao People's Democratic Republic.

Source: World Bank Migration and Remittances Factbook 2011 http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:21352016 from all sources. Estimates were made for remittances from Southeast and East Asia by assuming the same share as a percentage of each country's international migrants living in Asia.

Table A2: Old-Age Support Ratios in East and Southeast Asia, 1980–2050

Year	Japan	Republic of Korea	Hong Kong, China	Singapore	Thailand	Southeast Asia	East Asia
1980	7.6	16.0	11.0	14.2	16.6	14.0	10.0
1990	5.8	14.0	8.3	12.5	14.3		
2000	4.0	10.0	6.6	10.0	10.0	13.5	8.8
2010	2.8	6.6	5.8	8.3	7.7		
2025	2.2	6.0			5.6	8.2	4.7
2050	1.7	2.4	1.7	1.8	2.6	4.0	2.5

Source: United Nations Population Division, World Population Prospects: The 1998 Revision.