

# Beyond the ‚guest worker‘ agreement – Portability of pensions and health insurance for pensioners between Germany and Turkey

Michael Fuchs, Juliane Winkelmann

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IN ZUSAMMENARBEIT MIT DEN VEREINTEN NATIONEN

• CENTRE EUROPÉEN  
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# 1 Introduction: international integration, definition of portability



- With increase of international integration in Europe and beyond, number of persons who acquire pension insurance periods in more than one country is on the rise
- Thus, portability of social benefits becomes an increasing concern for individuals and policy makers
  - ability to preserve, maintain and transfer vested social security rights, independent of nationality and country of residence
- Portability should render labour mobility, labour supply, and residency decision independent of social benefits
- Lacking or incomplete transfers are feared to negatively impact individual labour market decisions with economic and social consequences

# 1 Introduction: portability criteria, BAs and MAs



- Portability regulations should fulfill the following criteria:
  - Individual fairness: no benefit disadvantage (e.g., lower pensions, gaps in health care coverage) for migrants and their dependents
  - Fiscal fairness for host and home countries
  - Bureaucratic effectiveness: administrative provisions should be easy to handle for migrants and should not cause burden for institutions
- Full portability is only established via bilateral or multilateral social security agreements
  - BAs between individual countries are at the centerpiece of portability
  - MAs establish a general framework for a group of countries

# 1 Introduction: content and methods



- Analysis of the bilateral portability regulations between Germany and Turkey and their outcomes in practice
- Focus on Turkish migrants with work history in Germany; point of view of the German side
  - direct pensions and health care provision for pensioners
- To Do
  - Extension with point of view of the Turkish side: Secil Elitok, Istanbul Policy Center; within the framework of a project funded by the World Bank
- Questions addressed:
  - What are the key issues regulated in the bilateral agreement?
  - What gaps can be found in the process of coordination?
  - How do experts evaluate the functioning of the agreement?
- Methods
  - Analysis of the BA and other relevant literature and data
  - Expert interviews: German Pension Insurance (DRV), German Trade Union (DGB), Turkish migrant organisations, Turkish embassy

## 2 Social insurance profile Germany: pension types and pre-conditions



- Pre-conditions for all pension entitlements: certain age, minimum insurance period and in case of early retirement certain income limits
  - Each pension can only be granted upon application
- Regular age: 65\*, minimum of 5 insurance years (incl. child rearing)
  - Early retirement: specific regulations
  - Old-age pension for severely disabled: 60, without reductions; 35 insurance years and severely disabled or if born before 1951 incapable to work
- Tax-financed basic income benefit for pensioners

\* born 1947-1964 gradual increase to 67

## 2 Social insurance profile Germany: health insurance for pensioners



- Qualifying period: between first employment and retirement for at least 9/10 of the 2nd half of this period compulsory, voluntary or “family insurance”\* in the health insurance
  - “Family insurance”: persons remain insured in HI for pensioners without contributions, if required insurance period for compulsory insurance is not fulfilled and personal income <395 €/m.
  - If income limit is exceeded and required insurance time is not fulfilled, option of voluntary insurance in legal or private health insurance
- Excluded from health insurance for pensioners
  - Civil servants, soldiers, clerics, etc.
  - Persons who exceed yearly income limit of 53,550 €
- Apart from sickness benefit all benefits in case of illness persist

\* Co-insurance without contributions

### 3 Turkish migrants in Germany: history

- Turkey has been one of the main providers of migrant labour to Europe since the 1960s
  - In the 1960s and 70s, a large number of Turkish nationals were attracted by guest worker programmes in Western Europe
  - Already in 1961, Germany and Turkey concluded a recruitment contract, in 1964 the BA
- By beginning of the 1970s, the recruitment process came to an end
- Next phase of Turkish emigration was family reunification with migrants
- Finally, many Turkish workers found a permanent residence in Germany

### 3 Turkish migrants in Germany: population and re-migration



- In 2011, 3.6%/ 3.0 million (2.0%/ 1.6 million) of the total population have a Turkish migration background (citizenship)
- 12% of the persons with Turkish citizenship (about 0.2 million) are above the regular pension age
- In 2011, 28,000 persons with Turkish citizenship emigrated from Germany (on average 46 years)
  - Thereof 16%/ 4,000 65+
  - Major part of emigrating persons 65+ return to Turkey after gainful employment
- Decisive factors: quality of life, local price and income levels, location of family and friends, etc.
- Higher perceived quality of health system important reason for (main) residence in Germany
- Return orientation has lost its guiding role



## 4 German pensions to Turkish citizens/ transferred to Turkey



- In December 2012, 355,000 pensions were paid to Turkish citizens\*
  - inside Germany 84%, outside Germany 16%
- Average pensions considerably below average pensions for German citizens
  - By trend wages and resulting remuneration points of insured persons with Turkish citizenship are lower
  - In addition, employment biographies are shorter
  - Especially for women, combination of low wages and short insurance biographies leads to low pensions
- However, vast majority of Turkish pensioners living abroad has acquired insurance periods in another pension system
- 59,000 pensions worth € 346 million/y transferred to Turkey
  - Thereof, only 2,000 (3.4%) paid to German nationals

## 5 BA profile: most important provisions pensions



- Persons who were insured in Germany and in Turkey, hand in application at the responsible insurance agency in the residence state
- In case the pre-conditions for a German pension are already fulfilled with German insurance periods only, the pension is „autonomously“ calculated on their base
- Alternatively, also insurance periods in Turkey are considered
  - Insurance periods are summed up, as long as they do not apply to the same time period and cover at least 12 months
  - Only relevant for the fulfillment of the required qualifying period
- The calculation of the amount of the German pension is based on the „direct calculation“: exclusively German insurance periods are considered

## 5 BA profile: most important provisions health insurance for pensioners



- General rule in the absence of a BA: without a pension from the country of residence, no health care coverage
- BA: the primary responsibility of the residence state applies
  - The country of residence always covers the health expenses, in case a pension is received from that country
- The German Health Insurance has to bear the cost for pensioners with residence in Turkey, in case they only receive a German pension\*
- Pensioners with residence in Turkey
  - During a temporary stay in Germany, eligible to take up urgently required medical assistance (at the expense of the HI agency in Turkey)
  - Apart from emergency cases, serious medical treatment is only granted in Germany in case the responsible agency in Turkey has given its permission\*

\* And vice versa

## 5 BA profile: differences to EU-decrees and other BAs



- Possibility of refunding of employee contributions
- Pension transfer abroad is not possible for pensions related to reduction in earning capacity which are granted under consideration of the labour market situation in Germany
- Turkish citizen could only receive full German pension while residing in the EU, Turkey, or another country with a BA with Germany; otherwise only 70%; abolished in 2013
- Calculation of pensions
  - EU: direct and pro-rata-method: better result for insured person is relevant; regulation for periods <12 months.
  - DE/TK: only direct method; no regulation for periods <12 months
- When residing in Turkey, Turkish citizens are only entitled to voluntary insurance in German PI, if they have already paid at least 1 voluntary contribution before April 1987

## 6 Qualitative evaluation of potential gaps and problems



- Interviewed experts in Germany
  - Matthias Hauschild, Peter Hopfe, German PI Federal Level, Unit EU-law, agreement-law, intrastate law with foreign elements, Berlin
  - Rauf Uluc, AWO Workers' Welfare Organization – Social Counseling for Adult Migrants, Berlin
  - Mustafa Doganay, AWO Information Centre for Migrants, Berlin
  - Dr. Fatma Erdem, Verein Arbeit & Leben e.V. (German Trade Union, Information Centre for Migrants), Berlin
  - Ahmet Nazif Garibagaoglu, Labour and Social Law at the Turkish Embassy, Berlin

## 6 Gaps in the regulations, main differences to the reality for migrants



- No major gaps or implementation problems exist
- Regular exchange meetings of the German and Turkish liaison agencies take place
  - Potential practical discrepancies in the agreement are regulated and solutions for actual issues and individual cases are discussed
- Before 2009, cases occurred in which Turkey did not transfer Turkish pensions to Turkish citizens in Germany
  - With reference to foreign currency regulations
  - Pensioners had to find an appointed agent in Turkey, to whom the pension was transferred

## 6 Information sources for migrants



- Bilingual application forms
- Representatives from the German Pension Insurance and the Health Insurance Funds visit migrant organisations
- Consultation days for insured persons with Turkish citizenship in Germany and Turkey
- Social attaché of the Turkish embassy advises Turkish citizens in pension and health insurance issues
- However, migrants often not used to contact with public authorities, read through applications forms, etc.
- More bilingual staff would be required who are experienced both with German and Turkish legal situation

## 6 Delays in the application process



- Processing of cross-national pension applications lasts longer than of pure national ones
- Turkish side partly needs some time to generate the individual insurance course from documents in paper form provided by the regional offices
  - The list of insurance periods is only collected at the time of a pension application
- Thus, the pension application in Turkey may last up to 2-3 months



## 6 Potential non-take-up



- Effective non-take-up of pensions is probably very low
  - However, especially in the 1960s and 70s employments not liable to social insurance (“black market”)
- Although not actually non-take-up, considerable number of returned Turkish migrants who applied for the refunding of employee contributions, regret this decision
- Health insurance for pensioners: some persons (due to deficient knowledge of German language, etc.) do not indicate when they have taken up 1st employment
  - In this case it is assumed that they were employed starting from their 16th birthday: reference period is enlarged
  - As a result, in some cases contributions to a voluntary insurance are paid, although there would be entitlement to a compulsory health insurance

## 6 Financial balance pension systems



- In total, for the German pension insurance the bilateral regulations represent more or less a zero sum game
- The general motivation for the bilateral agreement are the benefits resulting from the guest worker programme
- Taxes on German pensions are only levied by Germany
  - With the new double-tax agreement between Germany and Turkey (since 2011), the deduction of tax at source was introduced
  - In Turkey, pensions do not represent a taxable income

## 6 Financial balance health systems



- Burden for the health system if developing countries send more young net contributors abroad, and receive more elder net beneficiaries
- Worldwide no arrangement to share health costs
- For a pensioner residing in Germany, also HI contributions from the Turkish pension are levied, if the German HI is responsible; Turkey does not collect any HI contributions from pensioners
- After return to Turkey, Turkish citizens were entitled to remargin contributions to the Turkish PI for periods working abroad
  - Turkish public authorities: these contributions cannot be subsumed under the bilateral agreement and thus,
  - cannot constitute the responsibility of the Turkish health insurance in pension age

## 7 Conclusions



- From the German point of view, the BA between Turkey and Germany is rather an unremarkable one
- Only minor differences to the EU-decrees
- Targets of portability regulations (individual fairness, fiscal fairness and bureaucratic efficiency) are by and large fulfilled
- The agreement from 1964 is a typical recruitment-agreement
  - Some proposals for improvement (e.g., related to contribution refunding, voluntary insurance) exist
  - For reason of details, the agreement will not be changed
  - The efforts for a ratification of the new amendment in both states would be too high
- To Do
  - Extension with point of view of the Turkish side