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

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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

* Data available only based on citizenship, not on migration background
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