

LABOR MIGRATION AND SOCIAL SECURITY: A ROADMAP. BELARUS-EU



CHALLENGES

The significance of social security coordination is constantly growing as a result of increased globalization and larger migration flows between countries. This is topical for Eastern Partnership countries taken that millions of their nationals are employed in the EU, sometimes illegally. As a current trend, for a number of reasons including economic recession in Russia as important receiving country for migrants coming from Belarus, Moldova and Ukraine, the numbers of nationals from these countries in the EU tend to grow.

Labour migration allows migrant labourers to enjoy their rights to choose the place of residence and work, however it carries certain challenges for sending countries. Effective mechanisms for the portability of social security entitlements and earned benefits is among such challenges. The portability means legal guarantees that migrants are able to take benefits accrued in their host country back to their home country. This is regulated by bilateral and multilateral social security agreements.

THE REASONS WHY PORTABILITY OF SOCIAL SECURITY ENTITLEMENTS IS IMPORTANT ARE THE FOLLOWING:

- **Economic:** the absence of portability of social security entitlements decrease effectiveness of decisions taken by labour migrants;
- **Social:** social security entitlements are important element of life cycle planning by individuals and families, therefore if the portability is not present, this provokes considerable losses in people's wellbeing;

- **Legal:** social security rights are guaranteed by national legislations and international agreements, thus in principle they should apply in cases of resettlement to other country and changing a profession.

BELARUSSIAN CONTEXT

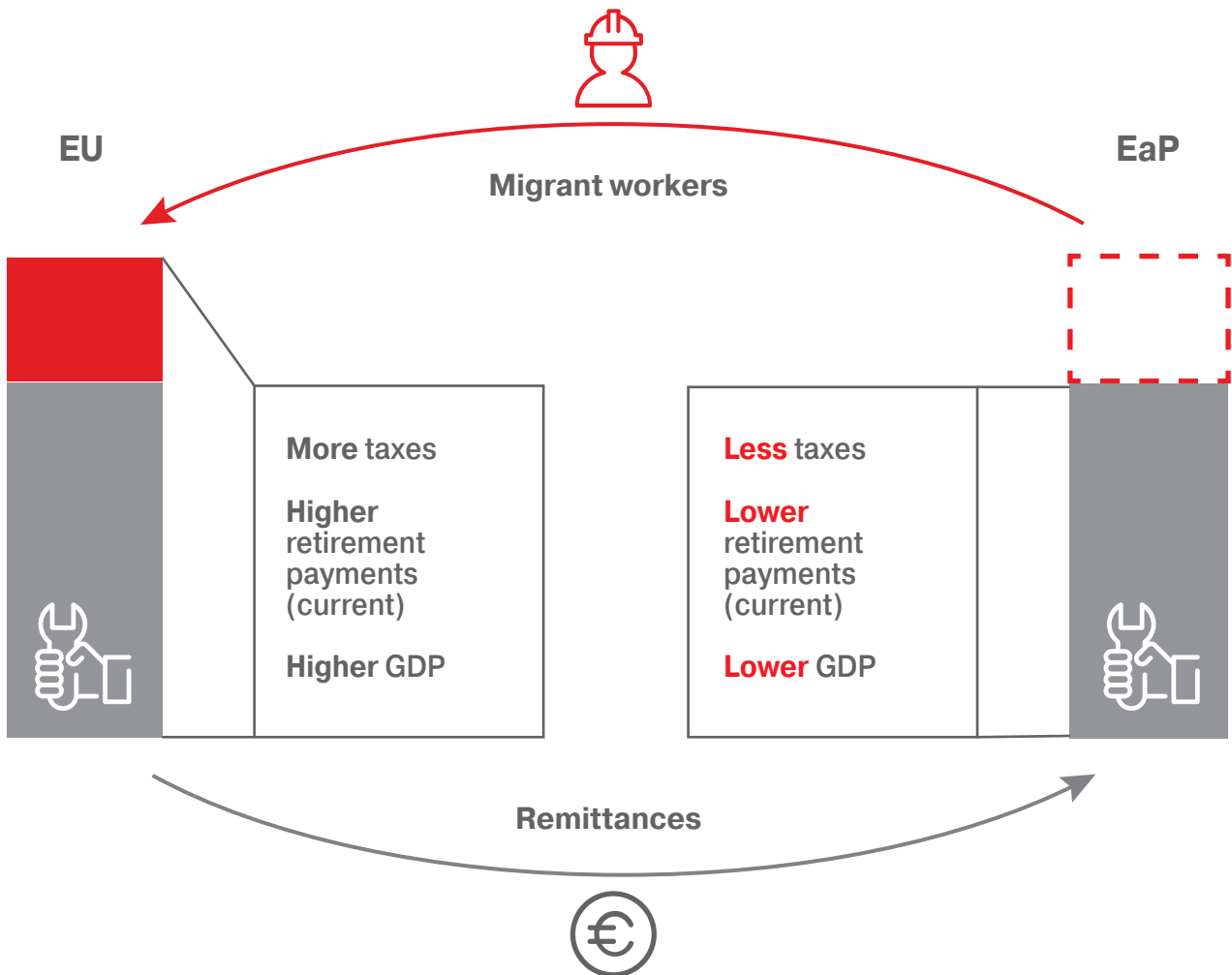
The number of retired people in Belarus reaches 2,6m, which is about 28% of population. Belarus' pension fund is independent from the state budget. Since 2015 the pension fund's deficit is covered by the state budget subsidies. In 2018 the fund's deficit exceeded USD 300m. For the first time the national pension fund experienced deficit in 2013, although very minimal (around 0.08% of GDP). In 2013–2014 the deficit was subsidized by the fund's surplus earned in the previous years.

In October 2018 an average age pension was 374 Belarusian rubles, which is around EUR 150. The ratio of average age pension to average factual salary in Belarus was about 45% a decade ago. By 2018 the ratio decreased to 38%. In 2015–2016 pensions indexation did not take place to the full extent as foreseen by national legislation. Compared to other countries of Central and Eastern Europe, in Belarus the burden on employees regarding social insurance payments is very low. It is 1 percent whereas employers pay 28 percent.

Since 1 January 2016 the retirement age has been continuously growing by 6 months annually. Before that the retirement age was at 55 years for women and 60 years for men. After July 2022 the levels will be 58 years and 63 years, respectively. Estimates show that increase in retirement age in Belarus will allow keeping the pensions fund's deficit within 1% of GDP until 2022. **In case no reforms in the pensions system are undertaken, by 2025 the pension fund's deficit will likely reach 2% of GDP and 9% of GDP by 2055.**

Main issues:

- Remittances cannot eliminate losses from migration since reduced contributions to the social security system (and public revenues as a whole) in the countries of origin.
- Lower current GDP leads to slower economic growth in the future (poverty trap).
- Countries of origin will start to receive compensation in decades, when migrants come back and start receiving retirement benefits from abroad.



According to our estimations, by the end of 2017 the number of Belarusian labour migrants in the EU was as high as 100,000 people. This figure covers those who went to the EU for employment and will likely return to Belarus. Potential losses of GDP caused by labor migration amounted to 2.3% or USD 1.1bn the same year. The scale of losses is even bigger with we consider considerable migration flows to other countries, like Russia. We also estimate that losses of the state pension fund from labour migration to the EU amounted to USD 128.9m (2%) in 2017.

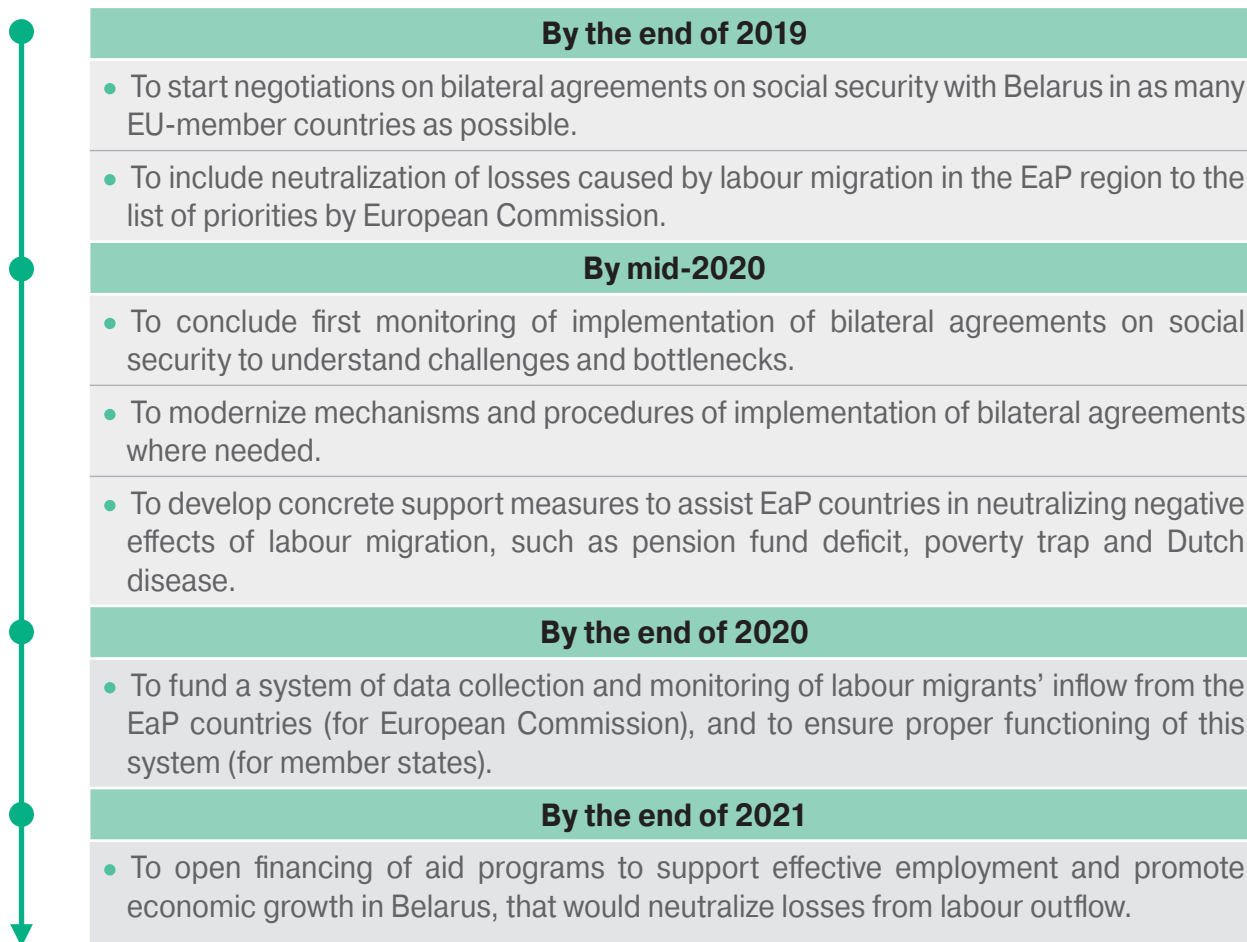
Potential losses of GDP of Belarus due to the labour migration to the EU in 2017.

GDP, billion \$	Employed, million	GDP per employed, \$	Estimated number of labour migrants to the EU, thousand	Estimated losses of GP, billion \$	Losses, % to GDP	Total re-mittances*, billion \$
47.7	4.4	10 961.7	100	1.1	2.3%	1.2

Source: own calculations based on data of the World Bank and national statistical bureaus Belarus, Moldova and Ukraine.

*Note: total remittances from all countries.

A ROADMAP TO SOCIAL SECURITY MOBILITY



The project benefits from support through the EaP Civil Society Forum Re-granting Scheme and is funded by the European Union as part of its support to civil society in the region. Within its Re-granting Scheme, the Eastern Partnership Civil Society Forum (EaP CSF) supports projects of its members that contribute to achieving the mission and objectives of the Forum.

The overall amount for the 2018 call for proposals is 250.000 EUR. Grants are available for CSOs from the Eastern Partnership and EU countries.

Key areas of support are democracy and human rights, economic integration, environment and energy, contacts between people, social and labour policies.