

# **Social Protection for Temporary Migrant Workers: Conceptual Framework, Country Inventory, Assessment and Guidance\***

**A Study prepared for the Global Forum of Migration and Development  
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## **Abstract**

A critical dimension of temporary labor migration is the access to and scope of social protection benefits for migrant workers and their families in the receiving and/or sending countries. The study aims to identify good practices and to provide guidance on the design and composition of such benefit packages, and proceeds in three main sections: Section 1 provides a conceptual framework of social protection benefits for temporary migrants, and suggests differentiating between 3 key types of migrant workers related to length of contracts/levels of skills. Section 2 presents an inventory of such benefits offered by 9 OECD countries plus Singapore, and 6 GCC countries based on a framework-derived template. Section 3 assesses these benefits against the conceptual framework, presents lessons learned from case studies, and offers ideas on how to adjust end-of-service pay schemes to the need of temporary migrants.

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The paper presents the views of the authors and does not necessarily reflect the opinions of the World Bank and its executive board nor of other institutions they are involved with.

## **Background**

*The Global Forum on Migration and Development provides a space for governments to discuss the links between migration and development in informal, comprehensive and cooperative way. It enables policy makers and experts to debate and exchange ideas, best practices and experiences that support governments in designing effective and coherent policies. Central to these discussions are series of round tables that focus on different themes.*

Round Table (RT 2.1) on "Labor mobility - strategies for human development" at the GFMD meeting in Mexico in December 2010 will focus on key strategies to maximize the human development of migrants and to expand their opportunities and capabilities. One important strategic area is the availability and access of temporary migrant workers to social protection benefits in host countries, the extent of the portability of different benefits, and how can this facilitate circular migration and increase labor mobility.

### **TOR for Study**

To inform this discussion, the Ministry of Labor of the United Arab Emirates (UAE) as co-chair of the RT2.1 panel commissioned a study on social protection schemes for short-term/temporary migrant workers. The latter are understood as foreign workers with a fix-term labor contract and commitment to return to the sending country after expiration. To properly assess social protection benefits and services for such workers and to identify good practices, the study was asked to include the following items:

- A brief conceptual framework on the type of risks and the instruments temporary migrants need to access to order to manage these risks. This framework would draw on the social risk management approach and benchmark the result against normative proposals in international conventions.
  - Stock taking of existing and currently operated social protection programs available for temporary migrants in the (i) receiving country that often include work injury, health care benefits and end-of service benefits (with special attention on the latter); and (ii) sending country which at times include the access to health insurance for family remaining in sending country or emergency funds.
  - Assessing qualitatively the effectiveness of existing instruments and identifying good practices based on available and accessible information complemented by phone interviews with key stakeholders in both sending and receiving countries for a selective set of countries.
- **Deliverables**
- Two main deliverables are expected:
1. An executive summary outlining issues and available good practices
  2. Full report

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2. **Typology of Temporary Labor Migration Schemes:** Identifying 3 main types of temporary labor migration schemes related to length of contract/level of skills
3. **Policy Issues:** Discussing the relevant set of social protection policy issues by (i) reviewing relevant ILO and UN conventions setting international standards for social protection coverage for (temporary) migrants; (ii) reviewing briefly general proposals for social protection of migrants in the development literature; and (iii) reviewing specific policy issues and instruments for social protection of temporary labor migrants.
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## Executive Summary

Temporary, short-term or circular labor migration<sup>1</sup> is getting increasing attention in the development discourse as a means to contribute to the development of the (poorer and often but not always younger) sending countries while satisfying the labor force needs of the (richer and often but not always older) receiving countries. We understand and define as temporary migrants foreign workers with a fix-term labor contract and commitment to return to the sending country after expiration. For the sending countries and the migrants such an approach promises access to work opportunities, human capital formation and remittances without long-term brain drain. For the receiving countries it promises to fill certain seasonal, temporary or permanent labor market needs across the skills spectrum at the lowest economic and political costs in terms of integration of new residents.

A critical dimension of temporary labor migration is the access to and scope of social protection benefits for the migrant workers and their families in the receiving and/or sending countries. The purpose of this study is to identify good practices and to provide conceptual guidance on the design and composition of appropriate benefit packages. To this end the study proceeds in three main sections: Section 1 provides a conceptual framework for social protection benefits of temporary migrants, and suggests differentiating between 3 key types of migrant workers linked with the length of contract/level of skills. Section 2 presents an inventory of such benefits offered by 9 OECD countries, Singapore and 6 GCC countries based on a framework-derived template. Section 3 assesses these benefits against the conceptual framework, presents lessons learned from key case studies, and offers ideas on how to adjust end-of-service pay schemes to the need of temporary migrants. The annexes provide the full tables of inventory.

The key conclusions of the policy paper summarized around (i) conceptual framework; (ii) review of program inventories; (iii) case studies; (iv) end-of-service pay and pensions; and (v) next steps; are as follows:

- (i) The **conceptual framework offers 5 key considerations** to develop and assess social protection programs for temporary migrants:
- A benefit package should take account of the special needs, preferences and circumstances for temporary migrants in sending and receiving country. Such “second best” considerations that take into account the special circumstances and constraints are crucial to deliver welfare-enhancing social protection provisions.
  - While the full access of temporary migrants to all social protection benefits of a receiving country may be a useful starting position, social risk management suggests both under- as well as over-provisioning in benefits and broader migration services to address specific risks and constraints.
  - Any benefit package will be a compromise between not fully consistent objectives of the key stakeholders, i.e. sending and receiving countries (and different policy actors within), and the migrants.

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<sup>1</sup> There is no unique distinction between short-term, temporary and circular migration in the migration literature. We will use short-term and temporary interchangeably and do not exclude circular migration as repeated return for some of the temporary migrants.

- In order to achieve the best compromise benefit package it is important that the objectives of temporary migrant programs with regard to economic development, labor market and social protection are fully articulated by and known to each of the key stakeholders.
  - The benchmark benefit package may be differentiated by the length of contract that is broadly linked to the skills' level of the migrant. The paper proposed to differentiate between 3 types of temporary migrants: seasonal workers, with contracts below one year; low to middle skilled migrants with contracts up to a few years and limited expectations for renewal or residency; and middle to high skilled workers, with time-bound initial contracts as screening device and strong expectations for renewal/residency when successful.
- (ii) The **assessment of social protection benefits under the reviewed programs** against the established benchmark suggests, in general, broad compliance for most programs and migrant receiving countries. Increasingly migrant sending countries offer coverage for some basic and migration related risks. The assessment in some detail:
- Short term benefits (work injury, basic health care, maternity leave) are always provided, mostly by public mandate and provisions and nominally at par with national workers. This applies for all 3 types of migrant workers which make these risk management instruments the core provision for the migrant workforce.
  - Work-related benefits and services (ranging from pre-departure training and non-discrimination legislation to unemployment and termination benefits) show significant variance across countries. While housing and transport is provided in most of the reviewed programs, departure training is hardly ever (except in Australia and New Zealand for seasonal workers). Unemployment benefits are available for non-seasonal workers in most reviewed OECD countries but only in one GGC country (Kingdom of Bahrain). And severance pay provisions for non-seasonal workers that compensate for dismissal before the end-of-contract are the rule for OECD countries but more an exception in GCC countries. The reverse is true of end-of-service pay provisions that grant lump-sum seniority benefits: they are universal in GCC countries but the exception in OECD countries. The unevenness of work-related benefits may be explained by local conditions that dictate them in one case (e.g. housing and transport) but not in others (e.g. facilitation of access to finance and remittances' transfers). But this is an area where more analysis is needed.
  - Migration-related risks for temporary migrants are increasingly covered by sending countries in East and South Asia through national migration welfare funds copying and extending on that of the Philippines. The risk covered and benefits and services provided can range from regulation of recruitment, pre-departure training and information, repatriation and financing assistance, to support of family left behind. On paper this is a very encouraging approach to address risks that can and will not be well covered by the receiving country. Yet, none of these programs has yet undergone a thorough impact evaluation.
  - Family benefits (basic health care and family allowance), as far as provided at all to national workers, are inaccessible for temporary migrant workers unless their families reside with them. Family unification is typically excluded for seasonal workforce and often not permitted under non-seasonal temporary work permits. For health care this

puts the onus on the migrant sending country and the need to organize coverage there. For family benefits, the high level of inter- and intra generational redistribution they imply is apparently something that migrant receiving countries are not willing to extend unconditionally to their temporary workforce.

- Coverage for pension benefits is provided in most OECD countries but in none of the GCC countries. In the latter countries, end-of-service pay constitutes a saving proxy for long-term benefits (retirement income and health care in retirement). In Singapore migrant workers are excluded from the pension scheme unless permanent residents. In OECD countries, however, eligibility to pension is typically conditioned on lengthily contribution periods or residency that is beyond the reach of the typical temporary migrant. And portability of acquired rights is conditioned on appropriate bi- or multi-lateral agreements which often do not (yet) exist, take years to develop, and which effectiveness is unknown. The exportability of eligible benefits depends only on national legislation and seems not compromised in these countries.
- The country programs reviewed exhibit some expected differentiation between seasonal and non-seasonal migrants at the level of work-related benefits and pension benefits. However, there is little differentiation between the level of skills (low-middle, and middle-high) i.e. between type 2 and 3 of temporary migrant workers. This suggests that if countries are interested in a certain group of labor the contract length but not the skill level matters.

(iii) **The lessons from a few selected case studies** from receiving (Canada, New Zealand) and sending countries (Philippines and Barbados) provide useful real-life information beyond the review of legal provisions. Yet, and with the notable exception of New Zealand, the scope of review and the quality of the available information calls for caution as hardly any of the programs have been rigorously evaluated. The main conclusions are the following:

- The common characteristics for the reviewed (and other skimmed) case studies are threefold: First, on paper and as presented they look like promising good practices to look at and, perhaps, replicate in other countries. Second, only very few of these examples have to our knowledge undergone a thorough ex-post impact evaluation and even less a rigorous evaluation has been build-in ex ante as part of system design and implementation. Third, the available information for some of the examples from other sources suggests that they quite likely have not (yet) fully delivered what was expected. This contrasts with the case of New Zealand's seasonal migration scheme with 5 Pacific Islands, which contains an M&E component that has allowed improvements in design and implementation of key policy features.
- *Canada's Seasonal Agricultural Worker Program (SAWP)* is considered as example of good practice from the receiving side because it offers migrants the same rights to social protection as national workers, it involves employers in designing and implementing the program, and Canadian law gives migrants the same status as other expressly protected groups. Preliminary evaluations suggests that equal treatment may not necessarily benefit the temporary migrants as they do not gain eligibility to some of the benefits or exhibit low demand for while participating fully in their financing.
- *The Philippine Overseas Workers Welfare Administration* was managing a fund of US\$172 million in 2005 and had over 1 million members in 2007. It is fully funded by a

mandatory membership fee of US\$25 per contract for temporary migrant workers. This membership fee is mostly paid by the migrant but can also be paid by its employer. OWWA provides a broad range of services from regulation of recruitment, pre-departure training and information, repatriation and financing assistance, to support for family left behind. While exhibiting all elements of a good practice program, the available cursory evaluation suggests a low take-up of insurance benefits for which no substantiated empirical explanation is yet available.

- *Barbados* first extended social security to migrant workers with the Caribbean Community (CARICOM) Reciprocal Agreement in 1996, a totalization agreement involving 16 states and allowing legal migrant workers to qualify for the maximum pension benefits possible, but also to claim other safety-net allowances such as workers' compensation and unemployment benefit. A first assessment of the CARICOM agreement suggests that for the time being very few eligible workers have claimed their entitlements. While no official has been published (even less an evaluation undertaken) direct information by the social security authorities suggest that the number of applications submitted to benefit from the agreement has been small so far, potentially due to design inconsistencies and lack of public awareness.
- *New Zealand's Recognized Seasonal Employers Scheme* was introduced in 2006 through the coordination among ministries and development agencies in New Zealand and in collaboration with ministries of labor and community leaders in Pacific island countries involved in the selection of potential seasonal migrant workers. It aims to create a mutually beneficial circular migration scheme with access to secure labor supply for employers in the New Zealand horticulture and viticulture industries while selected Pacific Island workers can secure access to the New Zealand labor market and return with experience and remittances. A special feature is the thorough monitoring and evaluation component that was build ex-ante into the program design. It has helped to revise and improve so far the design and operation of departure training and to improve the below expectation savings rates of the migrants.

(iv) A special concern for temporary migrants is their **access to long-term benefits**, in particular **retirement income** and health care benefits after retirement in view of their temporary and unknown migration cycle. The review of country inventories and special reflections on the end-of-service pay suggests the following conclusions:

- The provisions in OECD countries (not Singapore) provide coverage of old age benefits but not necessary eligibility upon retirement or portability of accrued rights upon departure. In the absence of effective bi- or multilateral agreements this makes pension contributions a wage tax to the detriment of take-home wage of the temporary migrant and to the final benefit of the receiving country.
- Addressing these deficiencies is limited to a few options that require unilateral or bilateral actions ranging from reimbursement of contributions paid (own and employers share) on departure; effective agreements between social insurance institutions in receiving and sending countries, including totalization; change in benefit type toward (funded or notional) defined contribution schemes that allow easy/ier portability with and without bilateral agreements.
- The GGC countries do not provide pension benefits for temporary migrants (expats) but all have end-of-service Benefits (EoSb) arrangements of about 1 month wage for each



year worked. These EoSB arrangements are akin but not fully equivalent to a defined contribution scheme as both provisions present different risk profiles and have different requirements on the financial sector. The proposed 2 key options for considerations are as follows:

- transform the (unfunded) EoSB into a funded defined contribution (pension) scheme for all temporary workers. To achieve a reasonable replacement rate target, the equivalent contribution rate would need to be increased (through first-time contributions by the employee, and/or higher contributions by the employer).
  - supplement the (unfunded) EoSB for repeat migrants (e.g. returned, extended or renewed contracts) with voluntary funded defined contribution schemes in which contributions by the employee are matched by contributions by employers (with ceiling) and a default option in which the temporary migrant is automatically enrolled with a basic contribution (say 5 percent) unless he opts out.
  - Under both options it needs to be assured that the appropriate financial instruments for retirement savings are available, the financial institutions are well regulated and supervised, some safeguards for the investors/migrants are available, and the investors are provided with minimum financial capability to make basic choices.
- (v) This policy paper is the first of this kind to approach social protection for temporary migrants against the background of a conceptual framework and a review of a concept- and template-based inventory of social protection provisions and other migration-related services in selected migration-intensive receiving and sending countries. As a result, the approach and conclusions need to be subject to review and discussions in and outside the migration and development community and substantiated by further investigation. **Proposed possible next steps** include the following:
- An extension of the inventory to other high- and a number of low-intensity migration receiving countries with and without special temporary migrant worker programs to increase the sample size and gain more confidence in the conclusions, or their need for adjustment.
  - A full review of legal provisions in sending country for which the information base has been limited due to issues of access and language.
  - A progression from the review of legal protection to an evaluation of effective protection. For existing programs this can be done to a limited extent with ex-post evaluation approaches and better with the inclusion of ex-ante monitoring and evaluations techniques. But to be truly effective requires the building of rigorous M&E into the program design.
  - The empirical information derived from rigorous M&E would provide a better understanding of the needs, preferences and limiting circumstances of social protection programs for temporary migrants. This in turn would allow to better hand-tailor the provisions and services for this increasingly important work force across the world.

## **Introduction: Migration and Social Protection**

Migration is quite likely the oldest, most widespread and most important (social) risk management instrument of mankind: To address risks pro-actively (e.g. migration in response to climatic change); to mitigate risks ex-ante (e.g. migration in response to expected unemployment or diversification of risks within the extended family); and to cope with risks once they are realized (e.g. migration in response to natural catastrophes or armed conflicts). The social risk management (SRM) framework proposes three risk management strategies (risk prevention, risk mitigation, and risk coping) and three broad types of risk management arrangements (informal, market-based and public) to address risks. Conceptualized as social risk management it defines “Social Protection as public interventions to (i) assist individuals, households, and communities better manage risk, and (ii) provide support to the critically poor.” (Holzmann and Jørgensen, 2000).

While the emergence of formal social protection instruments (market-based and public) has reduced the importance of migration (as an informal risk management instrument) in the developed world it remains a crucial (informal and formal) risk management instrument for much of the developing world. And both formal and informal instruments are closely intertwined. With migration from poorer to richer countries individuals attempt to address specific risks (such as poverty, unemployment, diversification needs) but continue being exposed to conventional idiosyncratic risks (e.g. health risks, uncertainty of death) and systemic risks (e.g. crises), and are getting exposed to new risks while losing access to prior risk management instruments.

The new risks for migrants are related to the new employment for which they may have not been trained (e.g. work injury and professional diseases) and to the new environment and the risk of exploitation due to issues of information, legal protection and administrative process. The access to SRM instruments they loose in the host country are certainly informal risk management arrangements such as extended family and tight-knit community and possibly formal arrangements such as social insurance and assistance for themselves and/or their families. Hence access to social protection and portability of social benefits becomes crucial for migrants to address risks in host and home country, and to plan across their migration and life cycle. But in addition the work and labor market conditions in the host country matter (e.g. absence of discrimination at wage level, work safety) as well as the conditions of arrival and departure (travel costs, departure/arrival training), provision of housing, dietary conditions, etc.

Temporary migrants share many risk characteristics with permanent migrants but have also special features that are linked with the time-limited stay in the host country. The length of stay is often linked with their skill profile. And the situation in host and home country may differ importantly with regard to access to or absence of risk management instruments. All this suggests a differentiated approach to design and implement social protection for temporary migrants against the overall objective to reduce or even eliminate vulnerability for the temporary migrant and their family. To provide guidance for communality and differentiation, the study develops in Section I a conceptual framework; Section II offers an inventory of social protection benefits for temporary migrants in 9 OECD, Singapore, and 6 GCC countries; Section III assesses the country inventories, presents lessons from selected case studies, and offers guidance for benefit re-design and implementation.

## **I. Conceptual Framework**

The purpose of the conceptual framework is to provide guidance for (i) the development of a template that captures existing benefits for temporary migrants in migrant receiving countries, (ii) the assessment of these benefit regimes in order to identify good practices as well as gaps, and to provide useful benchmarks for countries; and (iii) the redesign and implementation of benefit packages for this group of migrants.

To develop and present such a conceptual framework this section starts out with an investigation into the economic and social policy objectives of temporary labor migration schemes. Without a clear identification of such objectives it will be impossible to assess the scope and depth of social protection benefits that should be available for these migrants. The Section proceeds with the identification of three types of migrants that the paper suggests to differentiate as they exhibit differences in risk profile and protection needs that are linked with length of the labor contract and skills levels. The 3<sup>rd</sup> sub-section outlines the policy options of social protection for temporary migrants starting out with international conventions followed by proposals in development literature before reviewing the special policy issues and available instruments for this group. The elements of the first 3 sub-sections are finally packed together in a policy framework proposal of social protection for temporary migrants. Key message of this proposal is that while first best considerations may suggest equal access of temporary migrants to all social benefits as national workers for equity and efficiency reasons, second best considerations point to over- and under-provisioning in social protection benefits and services as welfare superior benchmark that is country specific.

### **I.1. Economic and Social Policy Objectives of Temporary Labor Migration Schemes**

#### **Towards an Objective-driven System of Smart Labor Migration Management**

There is an increasing understanding that temporary or permanent migration can be a powerful instrument for growth and development across the globe. The mobility of labor contributes to economic growth and employment through multiple channels such as human capital transfer and diffusion of innovation via migration across professions, countries and regions, and through demographic arbitrage between young and aging societies. Migrant workers may importantly contribute to both capital accumulation and knowledge production and diffusion if they find the enabling conditions to develop their skills and realize their investment projects across the migration cycle. It is therefore in the interest of governments around the globe to create the conditions for human capital formation, brain circulation and productive investments by migrant workers if they wish to leverage the potential of labor mobility to achieve higher growth and long term convergence. This calls for a sustainable migration management system that takes into account the interests of the various stakeholders involved for the benefits of all: the sending country, the receiving country and the mobile worker (Holzmann and Pouget, 2010a).

The experience with migration management processes between countries suggests that in order to be successful they need to be based on clearly articulated objectives by both sending and receiving countries. While developed migrant receiving countries have started to do so and need no external help, developing migrant sending countries have predominantly not yet thought about migration as a development tool and hence articulated their interest. Even those who thought about the development perspective such as the Philippines, Sri Lanka and

Mauritius have not yet established a clear results framework to assess policies and development results. And without external help they may not be able to do so quickly and well. Without such an articulation, however, the joint objectives are likely not to be achieved as the policies and programs cannot be appropriately chosen and any interest balancing processes between countries are likely to fail (Holzmann and Pouget, 2010b). This section proposes a first articulation of the different stakeholders' interests in the field of temporary migration.

While temporary and permanent migration share many of the same objectives they are likely to differ on critical aspects for sending and receiving countries, and migrants. By temporary (or short-term) migrants we understand foreign workers that legally reside and work in the host country for a restricted period of time and with clear expectation that they will return to their home country in the future. It is essentially the receiving country that establishes the type of migration it is willing to accept – in this case short term and with a commitment to return. Even though both the sending country and the migrant have to adjust to the receiving country's conditions, they still need to define what objectives they want to achieve by accepting the offer.

The following starts out with an outline of possible objectives from an economic (labor market) and social protection point of view for the three key stakeholders. There may be more or other objectives that have to our knowledge, however, not yet been articulated. This policy paper focuses on public policy tools to establish relevant social protection provisions for different types of temporary migrants. It is therefore purposefully technical and does not cover the political economy of temporary migration schemes in different regions of the world. Stating the possible objectives from a labor market and social protection point of view is a first attempt that will hopefully help governments around the world to better articulate and balance their respective objectives and those of temporary migrant workers.

### **The Economic (Labor Market) Interests of the Key Stakeholders in Temporary Labor Migration Schemes**

If well designed and implemented, temporary labor migration schemes have the potential to satisfy the multiple economic objectives of the stakeholders involved: fill certain labor shortages without facing the costs of long term migrants' integration for host countries; increasing economic welfare and human capital formation for migrant workers and their families; speeding economic development through the productive use of remittances, brain gain and business creation by return or circular migrants for sending countries. However such policy objectives are possibly conflicting, which calls for a clear articulation and balancing of the interests of the different stakeholders as displayed below.

**Receiving countries:** From a labor market point of view, the primary policy objectives for receiving countries are (1) to fill certain seasonal, temporary or permanent labor market needs across the skills spectrum at the lowest cost in terms of integration of new residents; (2) to avoid crowding out native workers on the local labor market; (3) to avoid creating a competitive disadvantage for or worsening of the working conditions for native workers by refusing lower work conditions for foreign workers; (4) to avoid using cheap foreign labor as a substitute for more technology-intensive production processes promising higher productivity while developing local skills to reduce reliance on migrant workers. Temporary labor migration schemes can also be used (5) to screen and select permanent migrants in the sectors where they are needed. A more political objective for some host countries is (6) to prevent illegal

immigration by offering an attractive legal alternative for migrant workers and their potential employers in certain sectors.

The above articulation of possible objectives assumes consistency of objectives among the key domestic players, in particular government (thinking ideally about long-term policy objectives), employers (thinking typically about their short and medium term profits) and domestic labor force (thinking about their short and medium employment opportunities and remunerations). However, the less the overall objectives of (temporary but also permanent migrations) are articulated and broadly discussed internally, the lower the chances to reach agreement. And this is likely to have a bearing on how the different domestic players assess the social protection benefits offered to migrants.

**Sending countries:** the main economic objective for sending countries is to maximize the development impact of temporary migration through three main channels: (1) remittances: reducing transfer costs and increase institutional options for remitting in order to raise the volume of remittances as well as their domestic use; (2) to limit the brain drain and foster human capital formation and knowledge transfer from return migrants: increasing opportunities for skill formation among temporary migrant workers and skill/knowledge transfers in local labor markets; (3) investment of accumulated and returned savings in business creation and community projects: incentives and facilitation of innovative and productive investments in businesses or community projects back home. Another potential objective is (4) to alleviate unemployment pressures when the sending country is unable to create enough jobs for its nationals. Finally, sending countries should care for (5) the welfare and protection of migrant workers and their families, helping them to make informed decisions, and benefit from decent work conditions, access to basic rights and adequate social protection.

Also in sending countries the key domestic players – government, employers, and workers – may not have the same objectives or at least priorities, and the lack of a clearly articulated short-term migration policy is likely to lead to differences in the appreciation of social protection programs offered by the host country.

**Migrant workers and their families:** The key objectives of migrant workers to take-up a short-term labor contract abroad are conjectured to include (1) employment opportunity with a much higher salary than achievable at home and the goal of returning with substantial savings; (2) providing their families that typically need to stay back home with remittances above the domestically achievable earnings level and, if possible, access to social benefits; and (3) access to training/human capital formation that can be used upon return for self-employment or better employment chances on the home labor market.

### **The Social Protection Objectives**

The expected scope and depth of social protection benefits for short-term migrants is likely to differ between and among the three key stakeholders – receiving and sending countries, and migrants. This calls for a clear articulation by and discussion between the stakeholders about the objectives of social protection benefits, their scope and depth, design, financing, and implementation.

For the **receiving country**, the conjectured objective by governments is to provide social protection benefits in line with national (and at times constitutional) and international norms and comparable to other migrant receiving countries. This should avoid reputational fall-outs

as well as competitive disadvantages. For employers the objectives are similar with quite likely a stronger focus on minimizing overall labor costs while being able to hire reliable and productive workers. In countries with competitive (labor and other) markets the scope of benefits and their costs should, in principle, have limited relevance in case of contributory financing as the empirical evidence suggests that 75 to 100 percent of the contributory costs are shifted to the employee through lower take-home pay (Melguizo-Esteso, , 2009). But information asymmetry and over- und under-provisioning compared to individual preferences are likely to lead labor market distortions. As short-term migrants are typically prevented from self-initiated changes in employer or moving to the informal sector, the most effective reaction to an unattractive offer is to refuse and look for a more attractive one, if they have such a choice. In case of non-competitive labor markets, the employer will have to bear some share of the contributory burden and hence will try to avoid it.

For the **sending country**, the objectives by government are likely to be centered on three considerations: (1) securing migrants access to a reasonable benefit package in the host country that avoids political fall-outs (if too low) and expectation creation for return migrants (if too high); (2) minimizing the need for own benefits provisions to the migrant and family while abroad (or staying behind); and (3) maximizing the portability of social benefits for those returning.

For the **temporary migrant** the interest in composition and level of social protection benefits will depend on a variety of factors of which not all may be observable. Three objectives may stick out: (1) Access to benefits and other risk management instrument commensurate to the expected risks he or she is exposed to in the host country; (2) Access of the family left behind to critical benefits and services, such as health care, and ability to cope with short-term (and uncovered) shocks with transfers remitted; (3) Avoiding overprovision if perceived that it would come to the detriment of the net-earnings and hence remittance sending/saving target, or if expected that benefit package may not be able to be accessed albeit being financed.

Triangulating these interests may not be simple and calls for a balanced approach under the proposed following policy objective:

***To implement adequate social protection measures to reduce the vulnerability of migrants and their families at all stages of the migration cycle while avoiding benefit arbitrage and striving for neutrality in labor market participation and mobility decisions.***

## **I.2. A Typology of Managed Temporary Labor Migration**

Given the conceptual uncertainty around short-term/temporary/circular migration<sup>2</sup>, we adopt a simple and pragmatic definition of temporary labor migration schemes as policy measures that allow residence and employment of migrant workers on a temporary basis but do not allow permanent settlement in the host country, except under certain circumstances. As defined by Philip Martin (2003) we look at: “foreign workers programs that aim to add temporary workers to the labor force without adding permanent residents to the population.” It is important to

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<sup>2</sup> There is no unique distinction between short-term, temporary and circular migration in the migration literature (see e.g. METOIKOS project on circular migration, [www.eui.eu/Projects/METOIKOS](http://www.eui.eu/Projects/METOIKOS)) We will use short-term and temporary interchangeably and do not exclude circular migration as repeated return for some of the temporary migrants.

stress the possibility for some temporary migrants to eventually obtain permanent residence in the host country but at the discretion of the host state. In what follows and for our analytical purposes, we propose three main types of managed temporary labor migration (based on the observation of existing schemes). In this typology, the duration of contract is linked to the skill level of migrants since for receiving countries the skill level of foreign workers is likely to be positively related to productivity gains (especially for high-skilled workers in knowledge-intensive industries) and inversely related to integration costs. In this sense, receiving countries typically accept more easily skilled migrants to become citizens while for low skilled migrants they are mostly willing to accept temporary workers but not permanent citizens. The social protection implications of such a typology will be derived later in the proposed social protection framework.

### **Type 1: Seasonal labor migration schemes for low-skilled migrants**

Seasonal migration schemes are designed to fill temporary labor market needs with temporary migrants in certain labor-intensive sectors which depend on seasonal conditions during part of the year, such as harvesting in agriculture, and high-season work in tourism or construction. They operate for short term periods, usually between 3 and 9 months. Under some programs, workers who return when their work visa expires get priority to re-enter at the next season. Family reunion is very rarely permitted. Seasonal workers are typically low-skilled and from lower-income countries. Quite often seasonal programs involve countries with easy geographical connection (migration corridors), such as Spain and Morocco, US and Mexico or New Zealand and the surrounding Pacific Islands. It is the most common form of temporary migration from low-income to high-income countries.

### **Type 2: Non-seasonal and non-transitional temporary labor migration schemes for low- to medium-skilled workers in low-tech industries and services**

Non-seasonal temporary labor migration schemes intend to fill permanent posts with temporary migrants in specific low-tech industries where labor shortages are prevalent, such as food, infrastructure, construction or manufacturing industries. This type of scheme does not allow permanent settlement at the end of the work and residence permit: it is non-transitional. The period of permissible employment is usually longer than for seasonal migrants (over a year) and can be renewed with or without break periods. There is wide variation in work and residence conditions. The migrants employed are low- to mid-skilled workers. Gulf countries and some advanced East Asian economies such as Singapore, which rely heavily on low- to mid-skilled migrants for their service and construction industries, usually have the largest non-seasonal temporary migration schemes and rigorously enforce return of temporary workers who are not allowed to settle permanently.

### **Type 3: Probationary labor migration schemes for mid- to highly-skilled workers: mid-level technicians, high-level professionals, students, academics and investors/entrepreneurs**

For mid-level technicians and highly skilled individuals, temporary labor migration schemes often offer the possibility to stay permanently in high-income destination countries. Receiving countries tend to use their temporary migration programs for skilled and/or well-financed migrants as probationary schemes possibly leading to permanent residency. In this case it becomes a screening mechanism to filter the best workers among skilled temporary migrants, retaining the most productive individuals to maximize the impact of skilled migration on the

host country's economy. This type of temporary migration scheme concerns mainly medium- to highly-skilled individuals in high-income receiving countries.

**Other Types:** There is potentially a host of other specific short-term working and non-working arrangements (of which some are subsets of the above categories) such as trainee schemes, contract workers, holiday makers and au pairs, etc. that will, however, not be investigated for their social protection implications, although our analysis may be able to provide some guidance.

### **I.3. Social Protection for Temporary Migrant Workers and their Families: Policy Issues**

To approach the identification of relevant policy options on social protection provisions for short-term/temporary migrant workers we cover the following aspects:

- A brief review of international conventions on migrant's rights and the proposals for the handling of access to social protection.
- A brief review of recent papers in the development literature on the issue of migration and access to social protection and the proposals made.
- Identification of key policy issues for social protection of temporary migrant workers and potential instruments to cover their main contingencies.
- A brief review of the linkages between severance pay, end-of-service pay, and defined benefits schemes for long-term risks

#### **The universal framework of international conventions on migrants' rights**

When reviewing policy options for social protection of migrant workers, the international standards contained in ILO and UN conventions must be taken into account, even though they do not necessarily reflect the economic objectives of the stakeholders involved. In particular, ILO's priority is to set universal standards to promote decent work and protect vulnerable workers such as migrants and their families, which can be at odd with the economic logic of certain temporary migration schemes (Martin, 2003). This section provides a brief overview of such standards. Two ILO conventions cover migrants' rights: 97 (1949) and 143 (1975). Convention 97 has been ratified by 49 countries as of 2010<sup>3</sup> and aims at regulating migration and protecting migrants mainly through fair hiring procedures, non-discrimination in wages and social benefits, and allowing migrants to join unions. Convention 143 has been ratified by 23 countries as of 2010 and moves a step further by calling for sanctions on employers who recruit unauthorized migrants and human traffickers, but also equal treatment in wages and social benefits for all migrants including undocumented migrants. A third Convention on the Protection of the Rights of all Migrant Workers and Members of their Families approved by the United Nations General Assembly in 1990 completes this set of basic standards in migrants' rights protection, including respect of basic human rights standards, freedom of religion, freedom from arbitrary arrest or imprisonment, freedom to join unions and participate in the political life, equal rights for migrants, equal wages and working conditions for authorized and unauthorized migrants, equal access to employment services, public housing and educational

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<sup>3</sup> ILO ratifications are online at: <http://www.ilo.org/ilolex/english/newratframeE.htm>



institutions, and rights to receive social benefits under social security systems to which migrants contribute or to receive refunds of their contribution upon departure. Beyond those conventions, the ILO in 2006 has adopted a non-binding rights-based Multilateral Framework on Labour Migration that seeks to develop a mutually beneficial global system of migration management for all the stakeholders involved: the migrants themselves, sending countries, and receiving countries. It aims to identify and recommend best practices and policies that would respect the international labor standards mentioned above, and to provide technical assistance to governments, employers, and unions in order to improve the protection of migrant workers through adequate measures.

The policy instruments suggested by the ILO to give practical effect to the principles on social protection of migrant workers and their families contained in its conventions and Multilateral Framework are threefold. A first set of interventions for the protection of migrant workers relates to the provision of relevant information on their rights, duties and available social benefits, also including counseling on administrative and legal issues related to overseas employment. A second set of measures is to ensure that national labor legislation, social laws, anti-discrimination laws and regulations covering all migrant workers are in compliance with the standards stated in the relevant ILO/UN Conventions. These domestic regulatory interventions include access to health care for all migrants and their families. A third set of interventions refers to bilateral, regional or multilateral agreements to provide social security coverage and benefits, and also portability of social benefits (including health and pension benefits) to regular migrant workers and, when appropriate, to irregular migrants. This paper deals mainly with the second and third sets of interventions, meaning national, bilateral and multilateral regulatory measures and agreements for the social protection of temporary migrant workers and their families.

Overall, these conventions offer a universal framework to think about social protection and other regulations for migrants, and the reference to social protection standards outlines the whole scope of the programs but does not offer any sense of priorities on programs and suggestions for benefit design and adjustments to circumstances. This applies, *eo ipso*, to special subsets of migrants, such as temporary migrants.

### **Social benefit proposals for migrant workers in development literature**

In addition to ILO/UN conventions, a few recent policy papers in the development literature consider the issue of social benefits for migrants in general without differentiation between temporary and other migrants; to our knowledge no paper focuses on temporary migrants only. The following two recent papers stand out in the literature by providing comprehensive policy guidance on social protection for migrant workers in general.

For *Avato, Koettl and Sabates-Wheeler (2009)* “social protection for migrants consists of four components: (i) access to formal social protection - that is, social security and social services - in host and origin countries; (ii) portability of vested social security rights; (iii) labor market conditions for migrants in host countries and the recruitment process for migrants in the origin country; and (iv) access to informal networks to support migrants and their family members.” In our paper we deal mainly with the first two components.

*Sabates-Wheeler (2009)* refers to the same four social protection components as the paper above but enriches the analysis by presenting five case studies of “best practices” for migrant

workers (Canada, Italy, Barbados, Thailand, and Mexico) and proposing the following five policy conclusions: (i) ensure portability of those occupational benefits that are legally also available to migrants, in particular workers' compensation, severance payments and benefits from provident funds; (ii) ensure basic human and social rights to all migrants, independent of their status; (iii) support migrant networks and associations; (iv) develop a migration policy framework; (v) provide financial/technical support and training for assisting social security institutions.

The proposed policy conclusions are generic and hence provide only limited understanding of priorities on risks to be covered and social benefits to be offered/made portable. The following sub-section goes more into details and deals with specific policy issues and instruments for the social protection of temporary labor migrants.

### **Special policy issues and instruments for the social protection of temporary labor migrants**

The ex-ante transitional nature of temporary migration creates two specific policy issues: The access and eligibility to short-term benefits, and the portability of long-term benefits from the host country, and the coverage in the home country.

Within a lifecycle perspective of an individual, working abroad (i.e. labor migration) may be a very temporary albeit repeated phenomenon (e.g. seasonal migration in agriculture and tourism), a temporary phenomenon with unknown length (e.g. temporary contracts that can be renewed with unknown ex-ante probability), or a permanent phenomenon with or without no return even after retirement. The unknown length of working abroad has a bearing on long-term social benefits (in particular old-age, disability and survivors pensions, and health care benefits) as they all contain a major actual or notional prefunding element (see Holzmann and Koettl, 2010). If these benefits were to be structured in an actuarial manner these pre-funding elements can ideally be identified and made portable. This would assure full portability across professions and borders independent of length and place of migration. Most long-term benefits, however, do not follow such an actuarial design that furthermore differs between home and host country. This creates issues of access to social benefits in the host country (e.g. restricted to residents), issues of eligibility (e.g. through waiting periods), issues of exportability (e.g. payment of eligible benefits abroad), and portability (i.e. taking along acquired rights in accumulation and disbursement). While bi-lateral and multi-lateral arrangements may be established to overcome such restrictions, they are complicated and time consuming to establish and implement and have an unknown effectiveness of portability for the individual (Holzmann and Koettl, op. cit). For these and other reasons some migrant-receiving countries use extensively end-of-service benefits as a kind of proxy for the saving component of long-term benefits (discussed below).

With regard to the access to social protection in the home countries to which the migrant worker plans to return, three issues stand out: (1) The access of family left behind to social protection, in particular health care, survivors benefits (from fatal work injury/disability incurred by the migrant), and family benefits - most temporary migrant programs do not allow family reunification and hence raise the issue of access to such benefits to which permanent and legal labor migrants have typically access to; (2) the capability of migrant workers to continue paying contributions to social protection programs in the home country for continued insurance against key contingencies, in particular health care (for the family and himself) and pension benefits (old-age, disability and survivors). Or to pay voluntary contributions to

programs to get coverage for health care and old-age; and (3) the continued social insurance in the home country for him and his family for the full duration of this temporary migration. This is often of relevance for seasonal workers or workers seconded from transnational firms for time-bound specific tasks. In this case coverage in the host country may not be of interest for the temporary migrants as no additional benefits in the host country will be received while contributions need to be paid.

### **Termination Pay and Defined Benefits Schemes for Long-Term Risks**

Termination pay in the form of severance pay and/or end-of-service pay schemes are used in many countries across the world to address two different contingencies that have also two different origins or motivations (Holzmann, Vodopivec and Weber, 2010). The first is coming from the labor code and constitutes a compensation for break or shortening of work contract, with the level compensation often linked to the length of service and the eligibility depending on the type of separation, i.e. dismissal and not voluntary departure (i.e. severance pay). The second comes from social policy and other considerations by making such payments independent of the type of separation and fully proportionate to the length of service (i.e. end-of-service pay). The introduction of the latter typically proceeded the provision of pension benefits that were added on and only in few cases integrated with old-age and unemployment saving accounts (e.g. Austria, Chile and Korea). In a number of countries both types of such benefits may be concurrently provided (e.g. Italy) where the end-of-service pay served as mandated saving for the individual (paying a rate of return at the level of wage-growth) and enterprise financing as the expenditures could be provisioned.

End-of-service pay schemes (typically one months of salary per one year worked based on last salary or an average there-off) are germane but not equivalent to a defined-contribution pension scheme. The one month benefit per year of service schedule is equivalent to an 8.25% contribution rate. Basing the benefit calculation on last salary, the rate of return is equivalent to the wage growth that in emerging economies has, on average, higher levels than financial investment with lower variance. Assuming a 40 year service period and a 20 year retirement span, the replacement rate would amount to 16.7% (independent of wage growth as all variables grow with the same rate). Using end-of service pay as a proxy for (defined contribution or defined benefit) pensions is possible but raises a few issues that need to be addressed.

*Investment risk/benefit security:* An end-of service pay is typically paid by the employer out of current revenues even if provisioning of the liability for tax purposes has taken place. This puts an investment risk due to bankruptcy or fraudulent non-payment by the employer on the individual. Both can and should be avoided by insolvency fund provisions as they exist in a number of countries for national workers. An alternative is the transfer of the provisioning to an external financial intermediary. While this addresses some concerns, it does not eliminate any bankruptcy risk and requires a developed financial market with appropriate savings instruments and well regulated und supervised institutions. In addition, it raises the question of investment choice by the individual and the capacity to do so, and the achievable market net rate of return and the risks involved.

*Potential replacement level:* Under the assumptions made above that are not untypical for end-of-service arrangements the resulting replacement rate would be below international norms that propose 40% of prior income (even assuming 40 years of contribution record). On the

other hand temporary workers will typically go back to countries where the wage level is much lower resulting in a higher effective replacement rate of wage or consumption. But this may not be the case for all migrants and most of the migrants will not stay for 40 years in the country.

*Transformation into an annuity and access to health care:* An end-of-service pay is fully portable but may not be kept for retirement purposes, and even if, may not easily be transformed into an annuity with acceptable pricing. Hence it does not assure that individuals receive income protection for their old-age (compared to portable pensions that lock the benefits in till retirement age). In addition, access to health care in many countries is typically dependent on receiving a pension for which the returned migrant may not qualify if he has not contributed enough years. With acquired pension rights instead of end-of-service pay, bi-lateral agreements and totalization this may be the case.

*Portability of health care benefits:* These benefits include also main savings elements as health expenditure are low when young and higher when old while contributions are broadly flat. Yet these savings elements are typically not made portable when changing the country. This gives a fiscal advantage to the host country, and a disadvantage to the home country and migrant (see Holzmann and Koettl, 2010).

#### **I.4. A Proposed Operational Framework of Social Protection for Temporary Migrants**

Based on the analysis in the prior subsections we propose an operational policy framework of social protection benefits for temporary migrants along the following lines: (i) framing benefits in second best consideration; (ii) identifying key policy dimensions for benefit provisions; and (iii) benchmarking benefit packages by type of temporary migrants. In the proposed benchmark we strive for a compromise between the different policy objectives of the key stakeholders, looking for adequate social protection measures to reduce the vulnerability of migrants and their families at all stages of the migration cycle while avoiding benefit arbitrage and striving for neutrality in labor market and mobility decisions. As a first contribution on this topic, it is meant to be a starting point to launch the policy debate.

##### **Second best considerations**

The above analysis suggests considerations that are universal to all migrants while others are specific to the identified types of temporary migrants. The latter can be related to the length of the contract which is linked to skills level but may not hold for all. This suggests a framework and benefit structure that need to be results-oriented and flexible and should be developed along the following lines.

- (a) **Potentially full access to social protection as national workers:** Temporary migrants should, in principle, have the full access to social protection benefits and services as permanent migrant and national workers unless dictated by their special needs and circumstances (discussed below). This starting position of analysis and design puts the onus on the deviations and avoids ex-ante discrimination and distortions on the labor market. But equal mandated treatment under different needs, preferences, and circumstances may not be welfare optimal for the (temporary) migrant worker. Accordingly, deviations from full access and the design and implementation of special

benefit regimes for temporary migrants take account of their special needs, and the enabling environment in home and host country.

- (b) **Need for special interventions:** Temporary migration leads to new and special vulnerability for migrants that need to be addressed with a number of specific interventions within an overall framework of managed migration between sending and receiving countries.
- (c) **Limits to full benefit coverage for temporary migrants:** Full coverage under existing benefit schemes may not be always in the interest of temporary migrants for a number of reasons, such as:
- They may not become eligible to benefits due to design features (e.g. waiting rules), eligibility constraints rules (e.g. non-export of benefits), administrative set-up or simply information
  - They may have access to some benefits through the sending countries and hence have not interest in double coverage and costs with and without double benefits
  - They are not interested in the full scope of benefits and the costs (contributions/lower net wage) associated and prefer a higher take-home pay. This may be due to lacking credibility of scheme, interest in self-management of risks within extended family or remittance- financed productive assets once returned, high discount rate, etc. The latter seems particularly important for long-term benefits related to distant retirement (i.e. old-age pensions and health-care during retirement).
- (d) **Revised benefit package for temporary migrant workers:** Such a package is proposed to consist of 2 parts: Mandatory (minimum) benefits that are linked with labor related short-term risks in the host country, and variable mandatory (minimum) plus co-sponsored voluntary benefits that are linked with long-term risks related to the home country
- Mandated short-term benefits are suggested to include, inter alia, work-injury (accidents and professional diseases), basic health care benefits, sick pay, and maternity leave. Unemployment benefits and access to active labor market services are to be considered but will need to be determined by the type of labor contracts and in relation to termination benefits.
  - Variable minimum mandated plus voluntary and co-sponsored long-term benefits; the latter are suggested to include pre-saving arrangements for old-age. Of course, the sky for voluntary benefits is unlimited. The proposed long-term benefits are closely linked with existing termination pay provisions.

### **Key policy dimensions for benefit provisions**

The considerations in the prior sub-sections suggest that adequate social protection for temporary migrants pose a special challenge along the following dimensions:

- (a) Scope and level of benefits that are needed in the host country to address **short-term contingencies** , in particular
- Basic health care benefits
  - Work injury benefits

- Sick pay
- Maternity benefits
- (b) Scope and level of **work-related benefits**, services, and protection such as
  - Pre-departure training/information on administrative and cultural issues
  - Travel arrangements (arrival, departure, home leave) and housing
  - Emergency repatriation insurance/cost coverage
  - Access to finance (e.g. bank accounts) and facilitation of remittances
  - Wage equality with native workers/anti-discrimination policies
  - Unemployment benefits/labor market integration/training
  - Severance pay/end-of-service benefits
  - Provisions in case of bankruptcy/insolvency fund
- (c) Scope and level of **benefits for family left behind**, in particular
  - Health care benefits
  - Family benefits (such as allowances)
- (d) Access to and portability of **long-term benefits**, in particular
  - Pension benefits (old-age, disability, survivors)
  - Health care benefits after retirement

Given the scope of this paper, and the fact that temporary migrants typically lose out their informal risk management arrangements in their home country, we focus on government interventions (formal arrangements) to guarantee adequate social protection provisions for temporary migrant workers and their families along those four dimensions.

### **Proposal for benchmark benefit packages by type of temporary migrants**

In our view the scope and level of benefits should be linked to the length and type of contracts. The different types of temporary migration described above have different implications in terms of risks and vulnerabilities, and implementation of SP instruments to cover them. Moreover, the different types of temporary migration follow specific policy objectives for sending and receiving countries, which contributes to determine who covers what. In what follows we propose differentiated benchmarks for benefit packages by key type of contract using the typology of temporary migration schemes outlined above.

In the operational framework we argue that a revised benefit package taking into account the limitations to full benefit coverage for temporary migrant workers should consist of 2 parts: (1) mandatory (minimum) benefits linked with labor related short-term risks in the host country, and (2) voluntary and co-sponsored voluntary benefits linked with long-term risks related to the home country. The first part covers our first policy dimension and includes work injury benefits, basic health care benefits, sick pay, and maternity leave in the host country. In principle and to avoid distortions on the domestic labor market, temporary migrants should be granted those short-term benefits by the host country on the same basis as national workers (with the exception of maternity leave and advanced medical treatment for seasonal workers). The second part of the package depends on the nature of the work contract and includes the other three policy dimensions stated above: work-related benefits, benefits for the family left behind, and long-term benefits. In what follows we specify the second part of the package for each type of temporary migration scheme and summarize our proposals in a matrix.

#### **Type 1: Seasonal labor migration schemes for low-skilled migrants**

Given the short duration of seasonal migrants' stay, their geographical isolation in rural areas (for agricultural workers) and their low level of education and information on the institutions of their host country, it seems preferable to design pragmatic social benefits packages tailored to the specificities of seasonal migration rather than granting seasonal migrants full access to the universal social protection system of the host country. In the later case, they would face evident difficulties in claiming their social protection benefits, while in the former, social protection benefits would be part of the migration scheme and therefore more efficient in reaching its goals. On work-related benefits, employer's obligations regarding travel, housing, living and working conditions are key to avoid abuses and guarantee safe work conditions. Tailored pre-departure/arrival training sessions are also important to reduce risks linked with asymmetric information with the employer. These can be organized by sending countries but given their potential impact on integration upon arrival, these should be at least co-sponsored by receiving countries. Repatriation insurance can be set up by the sending country as in the case of the Filipino welfare fund. Health care benefits for the family left behind should be covered by contributions to social protection programs in the sending country and therefore require no special adjustment since seasonal migrants spend short periods of time abroad at particular moments of the year. Long-term benefits should also depend on existing programs in the sending country since seasonal migrants spend most of their working time at home. We exclude mandated long-term benefits since it concerns only a small subset of repeated seasonal migrants (difficult to determine ex-ante) able reach the totalization period. For the others, who are likely to be the vast majority, contribution in the host country would be equivalent to a tax generating a net income loss. Since the duration of their stay is rather limited (a few weeks to a few months), they have an interest in staying covered by social protection programs in their home country. We also exclude maternity benefits and advanced medical treatment since, given the limited duration of the work period and the standardized nature of seasonal work (limited screening and training costs), the opportunity cost of discarding a seasonal migrant for pregnancy or serious illness is likely to be lower than the cost of coverage for the receiving country. Moreover, it is likely to generate a situation of moral hazard, which employers can prevent by discriminating against certain age and sex groups. In this case again, we recommend coverage by social protection programs in the home country.

## **Type 2: Non-seasonal and non-transitional temporary labor migration schemes for low- to medium-skilled workers in low-tech industries and services**

Since in non-seasonal and non-transitional temporary labor migration schemes the duration of the stay is significantly longer than for seasonal migration but permanent settlement is not allowed and family reunification rarely authorized, it is important to provide the migrants with adequate social protection while in the host country as well as key benefits for families left behind. Work-related benefits should therefore be more extensive than for seasonal migrants, also including access to finance and facilitation of remittances, wage equality with native workers and anti-discrimination policies, work-specific labor market integration measures and training, provisions in case of bankruptcy (insolvency fund) and termination pay. In order to avoid creating a competitive disadvantage for native workers and to guarantee effective access by temporary foreign workers, those work-related benefits should be offered by the host country. Health care, survivors benefits (from fatal work injury/disability incurred by the migrant) and family benefits for family left behind should be guaranteed during the whole duration of the stay, either by host or home countries. With the caveats addressed above, we

have seen that end-of service benefits may be used as a proxy for (defined contribution or defined benefit) pensions, and therefore added on or integrated to old-age saving accounts in the host country. At least for repeat migrants who's work contract gets renewed it is proposed to think about voluntary matching defined contribution schemes for pensions (and, perhaps, health) accounts. However, even such accounts may only be second best to full access to and portability of pension and health care benefits.

**Type 3: Probationary labor migration schemes for mid- to highly-skilled workers: mid-level technicians, high-level professionals, students, academics and investors/entrepreneurs**

In probationary temporary migration schemes receiving countries have an explicit interest in selecting and integrating productive skilled migrants to their permanent workforce and should therefore cover most or all of their social protection provisions as an incentive to stay. Since permanent residence is sought by the host country, access to the national system of social protection for all types of benefits on the same basis as native workers is both in the interest of temporary migrants and their receiving country. Besides pre-departure information and arrival facilitation (depending on type of work and employer), access to the same work-related benefits as national workers should be granted. Families are most often allowed to settle with the migrants and should therefore be covered by the host country as for other nationals. Given that brain gain, remittances and return investments are in the interest of sending countries, full portability of old-age and related health benefits should be made possible in case of return, remittances facilitated, and health care and family benefits for the family members voluntarily staying behind accessible in the home country too.

The text Table 1 below summarizes the above proposals for each type of temporary labor migration scheme. This matrix can be used as a benchmarking tool to assess social protection provisions in temporary labor migration schemes. We will use it as such in the qualitative assessment proposed in part III. However, since some existing schemes may, a times, exceed our proposed provisions and others may fall short of our recommendations, the inventory will take stock of the full set of social protection benefits for each type of temporary migration scheme in part II.



**Table 1: Proposed Benefit Benchmark by Key Type of Temporary Migrant**

Type of Contract \ Type of Benefits	Short-term benefits	Work-related benefits	Family benefits *	Long-term benefits
<p><b>Type 1: Seasonal labor migration schemes for low-skilled migrants</b></p>	<p>Full access to work injury benefits, basic health care benefits, and time-limited sick pay in the host country</p>	<p>Pre-departure training/information Travel arrangements (arrival, departure) and housing provisions Repatriation insurance</p>	<p>[*Family typically left behind] Covered by home country's social protection programs</p>	<p>Covered by home country's social protection programs</p>
<p><b>Type 2: Non-seasonal and non-transitional temporary labor migration schemes for low- to medium-skilled workers in low-tech industries and services</b></p>	<p>Full access to work injury benefits, health care benefits, sick pay, and maternity leave in the host country on the same basis as national workers</p>	<p>Pre-departure training/information on administrative and cultural issues Travel arrangements (arrival, departure, home leave) and housing provisions Access to finance and facilitation of remittances Wage equality with native workers/anti-discrimination policies Work-specific labor market integration and training Provisions in case of bankruptcy (insolvency fund) Repatriation insurance/cost coverage of emergency repatriation Severance pay/end-of-service benefits (unless access to pensions in home or host countries)</p>	<p>[*Family mostly left behind except in exceptional cases of allowed family unification] Health care, survivors benefits, and family benefits (provided by host or home countries)</p>	<p>Full access to and portability of pension (and health care) benefits with end-of-service benefits plus voluntary matching contribution schemes as second best</p>
<p><b>Type 3: Probationary labor migration schemes for mid- to highly-skilled workers</b></p>	<p>Full access to work injury benefits, health care benefits, sick pay, and maternity leave in the host country on the same basis as national workers</p>	<p>Pre-departure information and arrival facilitation Access to the same work-related benefits as national workers</p>	<p>[*Family unification typically allowed] Health care and family benefits as national workers in host country with possible access in home country (for family members staying voluntarily behind)</p>	<p>Full access to and portability of pension (and retirement health care) benefits</p>

## **II. Inventory of Social Protection Provisions in Selected Temporary Labor Migration Schemes**

This Section presents an inventory of social protection provisions for temporary migrants in selected receiving and sending countries. Subsection II.1 provides an overview of objectives, country and benefit coverage, and structure of the inventory for receiving countries that is presented in full in tables in the Annex. Subsection II.2 summarizes the main results of this inventory. Subsection II.3. presents the South Asian Migrant Welfare Fund model as an example of social protection provisions by sending countries. An assessment of the country provisions is offered in Section III.

### **II.1. Inventory for receiving countries: Objectives, country and benefit coverage, and structure**

The objective of the inventory (Annex 1) is to compile information from official sources (ministries and governmental agencies) on legal social protection provisions in selected temporary labor migration schemes across different migrant-intensive receiving countries and regions of the world. This information will serve as a basis for the comparison and qualitative assessment of the selected schemes (in part III) against the suggested benefit packages for each type of temporary labor migration (see Table 1 in I.4). The focus is on legal social protection provisions and not on the actual implementation of such provisions and their effectiveness measured against an ex-ante developed results framework. The later is crucial for rigorous policy assessment and reform but well beyond the scope of this paper.

We review temporary migration schemes falling under the three types describe above, and across 10 industrialized countries in different regions of the world: Canada and the United States in North America; the United Kingdom, France, Spain, Denmark and Switzerland in Western Europe; Singapore in South Asia; and Australia and New Zealand in the Pacific. Those countries were selected because of their clear migration management policies to make use of temporary migrant workers at different skill levels as complement of their local labor force, and also because they represent different models and traditions of social protection. The selected schemes are the following:

#### *Type 1: Seasonal Migration Schemes for Low-Skilled Migrant Workers*

- Australia – Pacific Seasonal Worker Pilot Scheme
- Canada – Seasonal Agricultural Workers Program
- France – Seasonal Workers Program
- New Zealand – Recognized Seasonal Employers Scheme
- Spain – Type T Permits for Seasonal Migrants
- United Kingdom – Seasonal Agricultural Workers Scheme
- United States – H2-A Visa Program for Temporary Agricultural Workers

#### *Type 2: Non-Seasonal and Non-Transitional Temporary Labor Migration Schemes for Low- to Mid-Skilled Workers*

- Canada – Pilot Project for Occupations Requiring Lower Levels of Formal Training
- Singapore – Work Permit (R Pass) for Unskilled Workers

- Spain – Type A Permits for Temporary Migrants in Construction Work and Services for Industry and Infrastructure
- Switzerland – Short-term Residence Permit (Permit L) for Temporary Skilled Workers
- United Kingdom – Sectors Based Scheme
- United States – H2-B Visa Program for Temporary Non-Agricultural Workers

*Type 3: Probationary Labor Migration Schemes for Mid- to High-Skilled Workers*

- Australia – Employer Sponsored Workers (Subclass 457)
- Denmark – Green Card Scheme for Skilled Workers
- France – Visa Program for Skills and Talents
- New Zealand – Talent Work Permit
- Singapore – S Pass for Mid-Level Skilled Workers
- Switzerland – Initial Residence Permit (Permit B) for Temporary Skilled Workers
- United Kingdom – Points-based System for Sponsored Skilled Workers
- United States – H1-B Visa Program for Temporary Workers in Specialty Occupations

We also compile a separate inventory (Annex 2) for the six Gulf Cooperation Council (GCC) members: Kuwait, Bahrain, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. GCC economies rely heavily on foreign workforce and face similar policy challenges with regard to temporary migration and the protection of migrant workers with respect to native workers. For these reasons they deserve special attention in this study. Those countries rely on two main types of temporary labor migrants: low-to mid-skilled workers in construction and low-tech industries and services on the one hand, and mid- to high-skilled workers in high value added services on the other hand. These two types correspond to type 2 and type 3 in our conceptual framework.

In line with the framework proposed above, we review the four types of social protection benefits provided by receiving countries for all the selected temporary labor migration schemes, with a focus on a sub-set of benefits under each type:

- i. **Short term benefits**, with focus on
  - Health care benefits
  - Work injury benefits/sick pay
  - Maternity leave/paternity leave
- ii. **Work-related benefits**, with focus on
  - Pre-departure information & training (sometimes provided by sending countries through Migrant Welfare Funds)
  - Travel provisions (arrival & departure)/home leave/housing provisions
  - Emergency Repatriation Insurance (sometimes provided by sending countries through Migrant Welfare Funds)
  - Access to finance/facilitated remittance transfers (i.e. facilitated access to financial intermediation and remittance' transfer mechanisms at low costs)
  - Wage equality with native workers/leave pay/antidiscrimination measures

- Unemployment benefits/work-specific labor market integration/training (Unemployment benefits often include active labor market policies and training besides the unemployment allowance. In the inventory, the two later benefits are not necessarily linked with a situation of unemployment.)
- Severance pay (Layoff)/end-of service benefit (Voluntary separation)
- Provisions in case of bankruptcy/insolvency fund (payment of salary/lump sum in case of bankruptcy or contribution to an insolvency fund for financial compensation in case of bankruptcy)

iii. **Family benefits**, with focus on

- Health care benefits
- Family allowance or similar

Family benefits covered by host countries are only available in host countries and never available for the family left behind in home countries. The inventory on receiving countries therefore focuses on family benefits covered by receiving countries in receiving countries.

iv. **Long-term benefits** , with focus on

- Pensions benefits (Old-age/disability/survivors)/Portability provisions (national/bilateral/multilateral)

Health Benefits after retirement are excluded from the inventory on receiving countries since health care for retired workers is only available for permanent residents in receiving countries and not covered in home countries by portability agreements for temporary migrant workers.

The benefit descriptions are preceded by a scheme overview, with a focus on

- Countries involved/Legal framework or labor agreement
- Sector of activities/skill level
- Access: employer-based/quotas/others
- Duration, renewability/access to permanent residency

As the benefit descriptions have many dimensions, we use “/” to group and distinguish dimensions in a space-saving manner. YES and NO are used to signal legal provisions/labor agreements or their absence. As countries use also industry-organized provisions we use NC (non-compulsory) to signal an absence of mandated provisions and the existence of voluntary schemes of varying depth and importance. In certain cases, NCU (non-compulsory and uncommon) is used when the benefit under review is typically neither provided by the receiving country nor by the employer.

All the information collected comes from available governmental sources, the World Bank (Doing Business and other sources), ILO publications (mainly the ILO Migration Survey 2003, and Holzmann et al. (2010) for severance pay and end-of-service benefits), and is subject to revision as legislation evolves and information is verified/updated. In a number of cases there has been conflicting information in the sources that reflect differences across time or interpretation. At times we make a judgment, in other cases we indicate the differences. In this sense the inventories are thought as living documents with future updates.

To allow for easier visual comparisons, the exhaustive information provided in the two inventories is summarized in one-page tables at the beginning.

In addition to provisions by receiving countries, certain sending countries also provide some benefits for their overseas workers, mainly in the areas of regulation of recruitment and legal assistance, pre-departure training and information, repatriation, access to finance, and welfare of family members left behind. We review those benefits in the case of Migrant Welfare Funds in major South Asian sending countries in subsection II.3.

## **II.2. Main Results of Comparative Review of Inventory**

This subsection summarizes and comments the main results of the inventory tables in the annex in a comparative review. To this end it keeps the separation between OECD countries cum Singapore and the GCC countries as they exhibit distinctive features as well as communalities. The subsection starts out with broad summary observations for communalities and differences between OECD+ and GCC countries before deepening the conclusions for both groups of countries individually.

### **Broad communalities and differences between OECD+ and GCC countries' Inventory**

- **Short term benefits:** Both migration receiving groups of countries provide *cum grano salis* such benefits and the provision is in line with treatment of national workers: Legislated if legislated and non-compulsory if not-compulsory. But there are a few exceptions to this rule, as noted below. This suggests that these benefits' packages are, indeed, a kind of minimum core.
- **Work related benefits:** For these benefits major differences seem to exist between both group of countries reflecting possibly differences in the importance of migration and hence migration management approaches as well as legal traditions. Migrants to GCC countries typically receive departure training, travel and housing provisions, and facilitated remittances transfers as well as severance/end-of service pay. These provisions are offered by exception in the reviewed OECD+ countries. The latter are legally strong on wage equality and anti-discrimination measures and selectively on unemployment benefits and provisions in case of bankruptcy. Selective coverage exists for benefits in case of bankruptcy and repatriation in GCC countries.
- **Benefits for family:** They are offered by law in many but not all of the OECD countries but only available residing in host country. None of the GCC countries has legislated such benefits; there social security benefits are typically legislated in the labor code and left to the discretion of the employer (i.e. non-compulsory, NC).
- **Long-term benefits (i.e. pensions and health):** Pension benefits for migrants are mostly legislated by OECD+ countries and in none of GCC countries. Health benefits for retired

migrants are offered only for permanent residents in OECD+ countries and in none of the GCC countries (where this is left to the discretion of the employer).

- **Benefit provision and type of migrant:**
  - There is little distinction in the offered benefit package across the 3 types of temporary migrants with regard to the short-term benefits, some distinction for work-related benefits and notable distinction for family and long-term benefits.
  - There is an observable distinction in the offered benefit package between seasonal and non-seasonal workers. For season workers work-related benefits are typically provided but not family benefits as family members in most cases stay home in any case. There is little distinction in the package between non-seasonable works and their length of contract/skill level. For such workers countries offer a benefit package close to or above the benchmark package if they want to attract such migrants (and hence have special temporary migrant programs).
  - Countries with very high level of temporary migrants, such as the GCC countries, Canada , Singapore and Spain, typically offer basic and work-related benefit and services (e.g. travel and housing provisions). They are much less common in other countries,

#### **Main findings from the inventory on OECD countries and Singapore:**

**Short term benefits are mostly covered for all types of temporary migrants.** Australia and the US are notable exceptions which are in line with treatment of nationals. In Australia since September 2009 all temporary visa holders are responsible for health costs for themselves and their family and therefore required by law to maintain adequate insurance for these health costs for the length of their visa. In the US, like most social protection benefits, health care coverage, sick pay, and parental leave are employer-sponsored and so-far non-universal, meaning private arrangements agreed in the contract between the employer and his employee without federal obligations for universal coverage. Parental leave is mostly granted to temporary migrants (except type 2 in Singapore and non-compulsory in the US), but the duration of their stay does not always allow meeting the eligibility criteria: this is the case for seasonal migrants in Australia or the UK.

**Travel and housing provisions are mostly granted to seasonal (type 1) migrants,** and in some cases to type 2 and type 3 migrants.

**Repatriation insurance** is legislated only New Zealand (and sponsored via the health care insurance). The other OECD+ countries leave this to the discretion of the employer (or sending country as available, e.g. for migrants from the Philippines).

**Wage equality, vacation and holiday leaves, and non-discrimination are almost always respected** (except for vacation pay in few cases). This guarantees equal basic work conditions for all workers. Employers are usually required to pay their employees at the prevailing market

rate for the work performed, and when it exist not less than the minimum wage. They are also required to provide enough rest periods and vacation pay for a certain number of days worked. Discriminations on the basis of sex, race, or origin are typically banned.

**Unemployment benefits are available for temporary migrants in certain European countries** (France, Spain, Switzerland, and the UK) and in Canada only for type 2 migrants. Denmark stands out for its active labor market policies, which apply to type 3 high skilled migrants.

**Severance pay and end-of-service benefits** are non-compulsory in New Zealand and the US and subject to minimum employment conditions ranging from 12 to 240 months in the other countries, except Spain where there is no minimum employment period to qualify. Therefore, seasonal migrants staying less than a year in their host country are typically not eligible. For other types of temporary migrants, eligibility depends on the duration of their stay compared to the minimum employment conditions.

**Provisions in case of bankruptcy exist in the majority of OECD+ countries.** It means that pending wages and other worker's entitlements upon redundancy are guaranteed by the receiving countries in case of employer's insolvency, either through a government program such as the Wage Earner Protection Program in Canada, or through Wage Guarantee Funds or Insolvency Funds financed through employers' contribution as in the European countries under review. Such provisions are absent in the US or New Zealand, where employees' wages and redundancy pay are however considered as preferential claims in bankruptcy procedure.

**Family benefits are mostly non available for seasonal (type 1) migrants**, except in Spain and the UK (for EU nationals only). It is non-compulsory in the UK and Singapore for type 3, and non available in Australia and in Singapore for type 2. **In all cases family benefits are only granted in the host country**, meaning that these are not available when temporary migrants are not allowed to bring dependants with them. This is mostly the case in seasonal migration schemes.

**Pension benefits are mostly available for all types of migrants**, with the exceptions of Singapore where only permanent residents are entitled to the public pension scheme, and seasonal migrants in New Zealand and the US since they cannot have access to permanent residence and meet the eligibility criteria.

**Portability provisions depend on existing bilateral or multilateral social security agreements.** In some cases like Australia, temporary migrants can claim their pension contributions upon departure and receive a lump sum.

**Health care benefits after retirement are typically granted in the host country only**, which excludes most of temporary migrants who return home after their work period. Health care benefits are usually excluded from social security agreements, except in the case of reciprocal health agreements between Australia, New Zealand and the UK, where eligible workers can have access to health benefits in one of these countries if covered in their home country.

**Main findings from the inventory on GCC countries:**

**Short term benefits are in most cases legislated for temporary migrants in GCC countries, or else** covered by non-compulsory and employer-sponsored provisions. The exception is paternity leave that relies mostly but not exclusively on the latter.

**Pre-departure training and information is not provided by the receiving countries but covered by major sending countries in South Asia** (Bangladesh, the Philippines, Sri Lanka, etc.) through government-run Welfare Funds.

**Travel and housing provisions are systematically covered for all types of temporary migrant workers** (except for Bahrain where housing is non-compulsory).

**Wage equality with natives is not guaranteed in any of the six GCC countries.** Anti-discrimination is stated in the constitutions of Kuwait and Bahrain but do not appear explicitly in the Labor Law.

**Severance pay and end-of-service benefits are available for temporary migrants in all GCC countries.**

**Family and long term benefits are typically non-compulsory** and therefore matter of private agreement between the employer and the employee in most GCC countries.



**Table II.1: Social Protection Provisions for Type 1 Low-skilled Seasonal Migrants**

	<b>Short-term benefits</b>	<b>Work-related benefits</b>	<b>Family benefits *</b>	<b>Long-term benefits</b>
<b>Benchmark Benefit Package</b>	Full access to work injury benefits, basic health care benefits, and time-limited sick pay in the host country	Pre-departure training/information Travel arrangements (arrival, departure) and housing provisions Repatriation insurance	[*Family typically left behind]  Covered by home country's social protection programs	Covered by home country's social protection programs
<b>Selected Schemes in: Australia, Canada, France, New Zealand, Spain, UK, and US</b>	The majority of countries under review provide full access to the short term benefits package as in our benchmark. Notable exceptions include Australia (where health care benefits are covered by the worker and seasonal workers do not meet eligibility criteria for parental leave), the US (where health care, sick pay and parental leave are non-universal and employer-sponsored), and the UK (where seasonal migrants do not meet the eligibility criteria for work injury, sick pay, and parental leave).	Only Australia and New Zealand provide pre-departure training and information in their seasonal migration schemes. Travel and housing provisions are covered by the majority of countries under review, except in France where it is non-compulsory and the UK where travel costs are covered by the workers. Only New Zealand provides repatriation insurance to its seasonal migrant workers. Overall the countries under review under-provide with respect to our benchmark.	Only Spain and the UK provide family benefits to seasonal migrants but only in the host country. They are non-compulsory and uncommon in the US and non-available in all the other schemes under review, mainly because of impossible family unification and coverage only in host country. The later case is in line with our benchmark.	In accordance with our benchmark, seasonal workers are not entitled to any long term benefits in New Zealand and the US. The other countries over-provide with regard to our benchmark in terms of access to pension benefits and portability of pension benefits.
<b>GCC countries</b>	No special programs for seasonal workers	No special programs for seasonal workers	No special programs for seasonal workers	No special programs for seasonal workers

**Table II.2: Social Protection Provisions for Type 2 Low- to Mid-skilled Temporary Migrants**

	<b>Short-term benefits</b>	<b>Work-related benefits</b>	<b>Family benefits *</b>	<b>Long-term benefits</b>
<b>Benchmark Benefit Package</b>	Full access to work injury benefits, health care benefits, sick pay, and maternity leave in the host country on the same basis as national workers	Pre-departure training/information Travel arrangements (arrival, departure, home leave) and housing provisions Access to finance and facilitation of remittances Wage equality with native workers/anti-discrimination policies Work-specific labor market integration and training Provisions in case of bankruptcy (insolvency fund) Repatriation insurance Severance pay/end-of-service benefits (unless access to pensions in home or host countries)	[*Family mostly left behind except in exceptional cases of allowed family unification]  Health care, survivors benefits, and family benefits (provided by host or home countries)	Full access to and portability of pension and health care benefits with end-of-service benefits plus voluntary matching contribution schemes as second best
<b>Selected Schemes in: Canada, Singapore, Spain, Switzerland, UK, and US</b>	The majority of countries under review provide full access to the short term benefits package as in our benchmark. Only Singapore excludes parental leave. The US uses a non-compulsory and employer-sponsored system (except for work injury insurance).	Pre-departure training and facilitated remittance transfers are non-compulsory in all countries under review. Only Singapore and Spain cover travel and housing provisions, and Canada only travel costs. Wage equality and anti-discrimination are guaranteed in all countries. Unemployment benefits are available in Canada, Spain, Switzerland, and the UK (if residence requirements are met). This is the only over-provision with respect to our benchmark. Severance pay is available in Canada, Spain and the UK and non compulsory/employer-sponsored in the US. Provisions in case of bankruptcy exist in all countries except the US and Singapore. For the rest, and with the exception of wage equality and anti-discrimination, the countries under review fall short of SP provisions for type 2 migrants with regard to our benchmark.	Only Singapore does not provide family benefits to its type 2 migrants. As for most of the other SP provisions, it is non-compulsory and employer-sponsored in US.	All countries under review except Singapore provide access to pension benefits and portability of pension benefits. Health care benefits after retirement are only granted in host countries if access to permanent residence,.
<b>GCC countries</b>	In the majority of GCC countries temporary migrants are entitled to health care benefits, work injury, sick pay and maternity leave. Paternity leave only exists in Saudi Arabia. Bahrain stands as an exception for its non-compulsory health care and work injury system (employer-sponsored). Overall, this puts GCC countries in line with our benchmark.	Pre-departure training and information is non-compulsory but provided by major South Asian sending countries' governments through Welfare Funds. The same applies to facilitation of remittances. Travel and housing provisions are guaranteed in all GCC countries, except housing provisions in Bahrain. Wage equality with native workers is not guaranteed for temporary migrants in all GCC countries. Training is usually provided by the employer except in Kuwait and Bahrain. Provisions in case of bankruptcy exist in Kuwait, Oman and Bahrain. Repatriation insurance is available in Qatar, Saudi Arabia, and UAE. End-of-service benefits are available in all GCC countries. Overall GCC countries fall short of SP provisions when compared to our benchmark for type 2 migrants.	Family benefits are non compulsory in all GCC countries (except health care in UAE) and therefore matter of private agreement between the employer and his employee.	Pension benefits are available for temporary migrants only in Saudi Arabia and the UAE. Pension benefits are non-compulsory in the other countries. In all countries end-of-service pay is compulsory and substitutes for long-term benefits. Health care benefits after retirement are non-compulsory in all GCC countries.

**Table II.3: Social Protection Provisions for Type 3 Mid- to High-skilled Temporary Migrants**

	<b>Short-term benefits</b>	<b>Work-related benefits</b>	<b>Family benefits *</b>	<b>Long-term benefits</b>
<b>Benchmark Benefit Package</b>	Full access to work injury benefits, health care benefits, sick pay, and maternity leave in the host country on the same basis as national workers	Pre-departure information and arrival facilitation Facilitation of remittances Access to the same work-related benefits as national workers	[*Family unification typically allowed] Health care and family benefits as national workers in host country with possible access in home country (for family members staying voluntarily behind)	Full access to and portability of pension and health care benefits
<b>Selected Schemes in Australia, Denmark, France, New Zealand, Singapore, Switzerland, United Kingdom, and United States</b>	The majority of countries under review provide full access to the short term benefits package as in our benchmark. A notable exception is Australia, where since September 2009 temporary migrants are responsible for health care costs for themselves and their families. The US uses a non-compulsory and employer-sponsored system (except for work injury insurance).	Pre-departure training and facilitated remittance transfers are non-compulsory in all countries under review. Unemployment benefits are only available in France, Switzerland, and the UK. For the rest type 3 migrants are mostly treated as national workers in terms of work-related benefits in the countries under review. The later is in line with our benchmark.	Only Australia and Singapore do not provide family benefits to their type 3 migrants. As for most of the other SP provisions, it is non-compulsory and employer-sponsored in the US.	All countries under review except Singapore provide access to pension benefits and exportability of pension benefits. Health care benefits after retirement are only granted in host countries if access to permanent residence,.
<b>GCC countries</b>	In the majority of GCC countries temporary migrants are entitled to health care benefits, work injury, sick pay and maternity leave. Paternity leave only exists in Saudi Arabia. Bahrain stands as an exception for its non-compulsory health care and work injury system (employer-sponsored). Overall, this puts GCC countries in line with our benchmark.	Pre-departure training and information is non-compulsory for temporary skilled migrants in GCC countries. The same applies to facilitation of remittances. End-of-service benefits are available in all GCC countries. Wage equality with native workers is not guaranteed for temporary migrants in all GCC countries, which does not put high-skilled migrants on an equal footing with native workers in terms of work-related benefits. GCC countries therefore underprovide with respect to our benchmark.	Family benefits are non compulsory in all GCC countries (except health care in UAE) and therefore matter of private agreement between the employer and his employee.	Pension benefits are not available for temporary migrants (expats). In all countries end-of-service pay is compulsory and substitutes for long-term benefits. Health care benefits after retirement are non-compulsory in all GCC countries and typically not provided.

### **II.3. Social protection provisions by sending countries: South Asian Migrant Welfare Funds**

Several major sending countries in South Asia have established migrant welfare funds, and related emigration support services to provide adequate protection their overseas workers (OSCE, ILO and IOM, 2007). These funds mainly provide emergency and repatriation services, work-related benefits and legal assistance, and welfare provisions for families left behind but typically exclude long-term benefits. Financing comes from compulsory workers' contributions fixed at about US\$25 per person and the funds are run by public or semi-public agencies. The Philippines have originally set up this welfare fund model in 1977, followed by Bangladesh, Pakistan, and Sri Lanka. India is in the process of creating one and other sending countries in other regions of the World are interested in replicating this model. Certain variations exist in the governance structure, representation, funding, and service delivery mechanisms of these welfare funds. Starting with governance, while the Pakistani welfare fund is managed by the Overseas Pakistanis Foundation, the Filipino welfare fund is run by a special government agency within the department of labor. On representation, the Filipino fund is considered as a model of good governance for having representative bodies from overseas Filipino workers, while for example, the Sri Lanka Bureau of Foreign Affairs only includes representatives from licensed employment agencies along with government officials (Del Rosario, 2008). Concerning funding, while the Filipino welfare fund is fully funded by migrants' contributions, the Bangladeshi Wage Earners' Welfare Fund for instance is also based on fees raised on recruiting agencies and institutional contributions. Finally on insurance services, while Sri Lanka and Pakistan use state insurance companies to cover migrant insurance, the Philippines Overseas Workers Welfare Administration is directly in charge of handling insurance claims. The Sri Lanka fund is considered as more effective in delivering services (OSCE, IOM & ILO, 2007). Despite these differences, the South Asian welfare funds share similar objectives and provide the following range of benefits for migrant workers and their families:

#### **i. Work-related benefits**

##### **Recruitment regulation and legal assistance**

- Regulation of overseas recruitment / Contract enforcement/ Legal actions against illegal recruiters
- Legal and paralegal assistance abroad / Conciliation of legal disputes / Counselling for distressed workers and protection of overseas workers' rights through labor attachés and migrant centres in major destination countries

##### **Information and training**

- Pre-departure training and information
- Vocational training
- Information centres in host countries / Recording mechanisms to monitor migrants' needs

##### **Repatriation**

- Insurance against death, accident, illness and disability / Compensation to family and transfer of body in case of death of migrant worker

- Assistance in forced repatriation in cases of illness, violence and physical abuse at work, contract violation, or non-existent job

#### **Finance**

- Pre-departure loans to defray the costs of pre-departure requirements, including medical examinations and subsistence allowance
- Livelihood loans for facilitated business development opportunities upon return
- Facilitation of remittance transfers

#### **ii. Benefits for family left behind**

- Hospitalized medical treatment for family left behind
- Scholarship program/education provisions for children left behind
- Family assistance loans for emergency purposes

Besides qualitative assessments of the Filipino experience (Ruiz and Agunias, 2008) and of the Sri Lankan case (Del Rosario, 2008), no rigorous Monitoring and Evaluation (M&E) of such Migrant Welfare Funds have been performed yet. This is an important step to be taken if other sending countries around the world want to draw the right lessons to replicate or improve the South Asian model of Migrant Welfare Funds. For example, insurance schemes in the existing funds are reportedly insufficient and need adjustment to better reflect the levels of risk of death, disability or loss of income migrant workers face, as well as the diversity of risk profiles in overseas workforce (OSCE, IOM, ILO, 2007). The fee charged to migrant workers is uniform for all irrespective of the variations in risk profiles across professions, skill levels, residence periods, and destinations. Less educated female housemaids are treated equally as skilled professionals even though the two types of migrants face very different sorts and levels of risk. In addition to this noticeable design inconsistency in the supply of insurance services, we observe on the demand side that claims for death or disability insurance remain very low (OSCE, IOM, ILO, 2007). This low demand for available benefits seems to further indicate the inefficiency of insurance schemes in those funds. Applying rigorous M&E methods in this case would allow a better understanding of the sources of such inefficiency beyond mere observations, and bring a valuable evidence base to redesign and improve this essential component of Migrant Welfare Funds (see section III.2. below). Other lessons learned from South Asian countries include governance mechanisms and the integration of welfare funds in broader migration management systems (Ruiz and Agunias, 2008).

### **III. Assessment of Temporary Labor Migration Schemes**

This Section offers an assessment of social protection benefits and services under temporary labor migration schemes for the selected 9 OECD countries, Singapore, and 6 GCC countries. The first subsection provides an assessment of the reviewed legal social protection provisions against the benchmark benefit package developed on Section I. The second Subsection provides lessons on social protection provisions from selected case studies for which, at times, evaluations beyond legal provisions are available. The third Sub-section assesses the end-of-service pay provisions for their capacity to offer proxy packages for long-term benefits and proposes redesign and extensions options. The final Sub-section summarizes the assessment and ends with a few policy considerations and next steps for analysis.

#### **III.1. Assessment of reviewed Legal Social Protection Provisions**

For our assessment we first compare the legal social security provisions as captured in the Annex tables and reviewed in Section II.2 with the benchmark developed in Section I.4. and indicated in headings of the inventory table. We start out with a broad assessment of the benchmark match before assessing the benefit package match by type of migrants.

##### **Global picture from selected migrant receiving and sending countries**

- Overall, migrant-intensive sending and receiving countries provide benefit packages which in most areas are close to or at times above the benchmark package developed based on conceptual and prior empirical considerations. In some areas, in particular family and long-term benefits they are, at times, well below the benchmark package.
- Migrant receiving countries offer essentially always a minimum benefit package for benefits dealing with short term risks across all 3 identified types of migrants: Basic health care, work injury, sick pay, and maternity/paternity leave. If not legislated (such as health care in Australia), there is a mandated private health insurance or on equal treatment with nationals (US).
- For work-related benefits there is variation across countries and migrant types but with some pattern:
  - Travel and housing provisions are covered by high-intensity migrant receiving countries for all migrants such as in the GCC and in some OECD countries (Australia, Canada, Spain, New Zealand) and in Singapore for low and middle skilled migrant programs. The legislation of such benefits seems to be determined or at least strongly influenced by considerations of market failure, asymmetric information, and economies of scale and scope.
  - Pre-departure information and training is exclusively provided by the sending countries (in particular from South Asia and the Philippines) and only in one case (New Zealand) mandated by the receiving country. It is not known to what extent other migrant receiving countries compensate a lack in such information and training at the reception, and the efficiency loss created by insufficient or not coordinated information and training provisions. But this ignorance applies also to the effectiveness of departure training in sending countries.

- Emergency repatriation cost coverage/insurance is not compulsory and typically uncommon in the reviewed OECD countries and Singapore. But it is obligation of the employer in 3 of the 6 GCC countries (SoQ, KoSA, UAE). However, social welfare funds for migrants in sending countries typically cover this contingency under their benefit list. The latter approach may be the most effective one to achieve full risk coverage and avoid gaps but needs more investigation.
- Access to finance (e.g. opening of a banking account) and facilitation for remittances (i.e. low cost options) is in all reviewed migrant receiving country not addressed in a mandated manner. It is reportedly left to employers and/or migrant organizations (NGOs) in sending and receiving countries to provide such support, with seemingly strong variations across and within countries. As both access to finance (as entry point to financial literacy) and the fee-level for remittances are conjectured to have a strong bearing on the welfare of the migrant and his family, this absence of organized services strikes.
- There is stark difference between OECD countries (and Singapore) and the GCC countries with regard formal wage equality with nationals and antidiscrimination measures as their legislation is totally absent in GCC countries and fully present in the OECD countries. This may be purely legal differences with no effects on the ground or may have material implications. As regards vacation pay, this is not provided under some seasonal worker programs but otherwise present across the countries.
- Unemployment benefits and work specific labor market integration programs, and training, for migrants show a great heterogeneity across countries and types of temporary migrants. The latter 2 programs seem to be absent in most OECD countries but present in most GCC countries. In contrast, unemployment benefits for temporary migrants are absent in all but one GCC country (Kingdom of Bahrain) and available in 9 (of the 21) reviewed OECD cum Singapore programs. This unevenness suggests conceptual issues linked the temporary nature of the contract that is often linked to the hiring employer and the assumption that no interruption in contract takes place. If this is the case, automatic enrolment and contribution payment for the migrant may not be welfare enhancing. But some measures for migrants with disrupted contracts worthwhile to investigate.
- Termination payment exist in one or other form in all of reviewed countries. The distinction we make is between severance pay as compensation for involuntary departure (layoff), and end-of-service pay as compensation linked to length of work and voluntary departure (end of contract). They can be legislated (mandated) or the results of collective agreements. In GCC countries end-of-service are mandated while severance pay seemingly exist but it is not always clear if this is legislated or voluntary. In OECD countries severance pay is the dominant form of termination pay (legislated and/or determined by collective agreements) and end-of service pay are more the exception than the rule (see Annex table 3). Cross checking the use of severance vs end-of-service pay for other MENA countries (see Annex table 4) suggests that the GCC countries with their universal presence of end-of-service pay are more the exceptions than the rule in the region and beyond. Seasonal migrants

are typically not offered such payments or do not qualify because of eligibility conditions such as minimum length of employment<sup>4</sup>. Non-seasonal migrants are eligible to the extent they are offered such benefits and fulfill the minimum service length criteria that can be quite demanding (e.g. in Switzerland). For the countries surveyed there is evidently substitutability between end-of-service pay and pension benefits (for non-seasonal migrants) that is discussed in Subsection III.3. Provisions in case of bankruptcy of the employer are critical for migrants in order to ensure that wages and other outstanding benefits are paid. In case of end-of-service pay this can amount to a multiple of monthly wage. A minimum protection is to give workers priority claim on assets of the bankrupt employer. A number of countries provide government guarantees or have established an employer-financed insurance fund to offer the protection. Both types of provision do not exist in GCC countries. In OECD countries and Singapore such safeguard provisions exist for a narrow majority but not all countries with little differentiation between types of migrants.

- Family benefits for temporary migrants in the form of health care benefits and family allowance-type benefits exist in all reviewed countries only to the extent that family members are residing with the working temporary migrant in the receiving countries. They are not compulsory in GCC countries (except in Saudi Arabia for expats with residency permit that temporary migrants typically do not have) and may not be offered by employers voluntarily on a large scale. In OECD countries they are available to seasonal migrants only in a few member countries of the European Economic area with many strings attached. Once the migrants have their families with them, in OECD countries they get access to family benefits equivalent to national workers. But not all countries offer such benefits to their national workers (such as the US).
  - The absence of coverage for health care benefits for family left behind may not differ from a situation of non-migration. But it begs the question how this can be improved, and the role of sending versus receiving country and possible coordination instruments.
  - Mandated family benefits are absent in many countries across the world except for those few working in public sector (civil servants and public enterprises employees). It is an explicit redistributive instrument in many OECD countries with focus on resident labor force and inter-temporal redistributive features that is beyond the cycle of a temporary migrant (i.e. receiving transfer when young and with children and paying higher taxes when old and with higher income). Their absence for temporary migrants is consistent with country provisions and may question their inclusion into the benchmark package.
- From the long-term benefits (pensions and health care after retirement), only the pension benefits are relevant for temporary migrants. Even if they were to stay on, become

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<sup>4</sup> For a comparison between SP inventories in annex tables 1 and 2 and termination pay inventory in annex tables 3, please note that the latter outline the eligibility conditions and benefit levels while the former include an assessment if these conditions are fulfilled by temporary migrants. As a result, for example, in table 3 Australia exhibits the presence of severance pay but in table 1 Australia gets a NO for severance pay under seasonal workers as the eligibility requires 12 months of employment.



residents and eligible for public pension benefits, health care benefits would not become portable to other countries.<sup>5</sup> This is not unique to temporary migrants and applies to all migrants except for members of the European Union where some portability of health care benefits has been established.

- For pension benefits there is a stark difference between GCC and OECD countries (except Singapore):
  - No GCC country allows/mandates temporary migrants to participate in their public pension scheme. Such schemes are reserved to nationals. Expats may be offered a voluntary coverage, in particular for high-skilled migrants, but with no information about scale and scope<sup>6</sup>. If offered, it can be assumed that it is of funded nature and quite likely of defined contribution kind that should create little issues of portability (i.e. you can take your money with you when leaving) once acquired rights have been established. All GCC countries provide pension benefit proxies through their end-of service pay (discussed below).
  - In Singapore temporary migrants are also not covered under the national scheme (Singapore national provident fund), not even on a voluntary basis, unless they have become permanent residents. Then participation is mandated.
  - In the reviewed 9 OECD countries there is in most cases little difference for access to pension benefits across the 3 types of migrants. Eligibility is determined by contribution record or length of residency that, however, typically do not favor temporary migrants for their old-age pensions (unless they are allowed to stay on). Once they were to become eligible their old-age benefits are in most but not all cases fully exportable (i.e. they are paid at residencies outside host country). Portability of acquired rights to achieve eligibility through totalization of insurance periods across countries happens only to the extent that bi- or multilateral agreements exist between sending and receiving countries. Both are the cases within the European Union (and the GCC countries) and in the case of the former applies also to non-EU migrant workers. But only few bilateral or multilateral agreements have been signed and are effective between (richer) receiving and (poorer) sending countries.
  - The eligibility criteria to disability and survivors' benefits in OECD countries are less strict but typically demand also contribution records/length of residency that temporary migrants may not easily fulfill. Even if fulfilled, access to disability (and related survivor's) pension is likely to be an issue in case of professional diseases that emerge after return to the home country.

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<sup>5</sup> For middle to high-skilled expats private health insurance with international providers may carry over across residencies but no information about scope and depth of such benefits is available.

<sup>6</sup> E.g. a retirement saving scheme is offered in Dubai by the Emirates airlines to some 4,000 of the 40,000 workforce covering management, pilots and engineers with a contribution rate of 5 percent from employees and matching 12 percent contribution from employer. The pension fund is off-shore. At Dubai Aluminum (Dubai) all expats are covered with a contribution rate of 5 percent from employees and matching 2.5 percent contribution from employer (and participation as default option). The pension saving is onshore with local Bank.

Summing-up: Access to and portability of long term benefits is an issue for all temporary and other migrants even if formally coverage does exist. This calls for innovations in design (beside progress at the level of bi- and multi-lateral agreements).

### **Assessing benefit packages by type of migrants**

The conceptual framework suggested differences in risk profile and hence social protection demand between the identified 3 types of migrants (seasonal workers, with contracts below one year; low-to middle skilled with contracts up to a few years and limited expectations for renewal or residency; and middle to high skilled workers, with time-bound initial contracts as screening device and strong expectations for renewal/residency when successful). This differentiation is broadly borne out in the benefit packages between seasonal and non-seasonal workers. The differentiation is less visible between the two other types of non-seasonal workers.

- As already stated, all types of migrants have essentially full access to the benchmark package of short-term benefits. This confirms the package as crucial core for all temporary (and non-temporary) migrants.
- Season workers tend to be better served by travel and housing provisions but effectively (at times even de-jure) have no access to unemployment benefits, severance pay/end-of service pay, family benefits, and long-term benefits (i.e. pensions). Again this confirms the proposed benchmark benefit package for seasonal workers and the focus on short-term benefits and relevant services.
- If seasonal workers are legally covered under benefits above minimum package (such as for unemployment, family and pension benefits), pay contributions but at the end do not qualify due to employment record-sensitive eligibility conditions, this is unlikely to be welfare enhancing for these temporary migrants (see the discussion on Canada below).
- The benefit package distinction among the suggested 2 types of non-seasonal workers is very gradual and more tentative. On paper a differentiation is non-existent for the GCC countries, and there are indications for limited differentiation in OECD countries plus Singapore (say at the level of travel and housing provision).
- This limited differentiation of the provided benefit package between type 2 and type 3 temporary migrants suggests that countries offer migration windows for different types of skills (low-middle, and middle-high) to attract them according to domestic labour market needs. But once they do, they make no or little difference in the benefit packed offered. The latter is in most (but not all cases) undistinguishable from that for national workers. Main differences exist at the level of family benefits (where families of nationals may profit from them even when residing abroad) and pension benefits.

### III.2. Lessons learned from selected case studies

While the previous sections focused on legal provisions, this sub-section intends to go a step further and deals with the actual implementation of such legal provisions. We first draw the lessons from not rigorously evaluated case studies, with preliminary evidence of design and implementation issues (defined below) in the social protection schemes under review, and the need for rigorous Monitoring and Evaluation (M&E) for understanding the reasons behind such issues. We then look at New Zealand's Recognized Seasonal Employers Scheme (RSE) as an example of temporary migration scheme with an M&E component. This case study shows how integrating M&E in a policy scheme can allow for continuous improvements in design and implementation for an increased relevance and impact. We conclude this sub-section with some recommendations on M&E and how to build a results framework with relevant outcome indicators.

#### Case studies without M&E component

The proposed case studies in this area share three main characteristics: First, on paper and as presented they look like promising good practices to look at and, perhaps, replicate in other countries. Second, none of these examples have to our knowledge undergone a thorough ex-post evaluation and even less a rigorous evaluation has been built-in ex ante as part of system design and implementation. Third, the available information for some of the examples from other sources suggests that they quite likely have not (yet) fully delivered what was expected. Therefore, instead of focusing on best practice characteristics, we intend to draw some useful lessons from these case studies in terms of design and implementation of social protection schemes for temporary migrant workers. Design issues arise when the nature of the benefits offered and the eligibility criteria to access these benefits are at odd with migrant workers' situation. It often refers to potential contradictions in eligibility criteria for certain benefits and residence requirements or workers' characteristics: it typically happens when temporary migrants contribute to a social protection scheme from which they cannot benefit because their employment period is too short to meet the eligibility criteria. This can result in a net loss for migrant workers and insufficient coverage of key contingencies. Design issues also happen when the proposed benefits do not adequately answer the needs of temporary migrant workers. Implementation issues relate to difficulties in access to social benefits for eligible claimants in the real world, mainly because of information issues, institutional context, or inadequate bureaucratic capacities and failing delivery mechanisms.

***Canada's Seasonal Agricultural Worker Program (SAWP)*** is considered as example of good practice from the receiving side for several reasons (Sabates-Wheeler, 2009): First, the rules surrounding it give migrants rights to social protection that are similar to those of Canadian workers. Second, the Government involves employers in designing and implementing the program, and gives administering agencies discretion in implementing the rules (Martin, 2008). Lastly, Canadian law treats non-citizen status as an issue for anti-discrimination law, giving migrants the same status as other expressly protected groups. However, the available information (patchy evidence and subjective assessment) by migration experts suggests that one needs to be careful when assessing the effective access to social protection benefits for seasonal migrants. While migrants have formally the same status as domestic workers, the cursory evidence suggests that most do not access the benefits they should have right to. A

particular source of concern is the design and implementation of the Employment Insurance (EI) scheme. Seasonal migrants contribute to the Canadian Employment Insurance program, which provides temporary financial assistance for unemployed workers (regular unemployment benefits) and those who cannot work for reasons of sickness (sickness benefits), childbirth (maternity benefits), parenting (parental benefits) or support to a family member gravely ill with a significant risk of death (compassionate care benefits). Despite their contribution to the scheme, seasonal workers cannot meet the eligibility criteria for the regular unemployment benefits since they can only stay in Canada if employed. However, they can be eligible for sickness benefits while in Canada and can collect maternity, parental and compassionate care benefits inside and outside of Canada. Eligibility requirements are the same as for Canadian citizens and permanent residents: workers must have shown that they have worked in a job that has paid EI premiums and for 600 insurable hours in the last 52 weeks or since their last claim, whichever is less. Because most seasonal workers work in Canada for only part of the year, they may not work enough to meet these eligibility requirements. In fact, Canadian Unions representing foreign workers report very low levels of claims for regular EI benefits. This example shows design inconsistency. Another source of concern in the SAWP program is the access to health benefits for migrant workers. Based on a qualitative survey on Mexican and Jamaican workers, McLaughlin (2009) finds that seasonal migrants may find it difficult to gain access to their legal healthcare entitlements for various practical reasons. The barriers identified in this study include power asymmetries with regard to the employer, lack of information on available services, language barrier, lack of access to transportation, and lack of availability due to long working hours. Most employers mediate access to health cards and it has been reported that some workers receive them late in the season or that employers keep them instead of handing them to their workers. For repeated seasonal migration, foreign workers are evaluated by their employers and consequently avoid using health services in order to maximize their chances to be employed for later seasons. Additional barriers in access to health care are linked with cultural and language differences with respect to health practitioners, language being a real issue for non-English speaking Mexican workers. Low levels of health literacy among seasonal migrants and lack of preparation of health practitioners for treating foreign farm workers were also reported as important barriers. Even though limited in scope, this qualitative survey indicates clear implementation issues in health care provisions for seasonal migrants. A more systematic and rigorous evaluation would bring a clear empirical basis to redesign and better implement the existing scheme.

***The Philippines*** provide the example of how a sending country government can play a major role in the social protection of its temporary migrant workers through a government-run migrant welfare fund financed by the migrants and their employers. The Philippine Overseas Workers Welfare Administration (OWWA) was managing a fund of US\$172 million in 2005 and had over 1 million members in 2007. It is fully funded by a mandatory membership fee of US\$25 per contract for temporary migrant workers. This membership fee is most often paid by the migrant but can also be paid by its employer. OWWA provides the following core services: repatriation of distressed and physically ill contract workers, life and personal accident insurance while abroad, counselling for distressed workers, paralegal services, and low-key diplomatic initiatives. Secondary services include pre-departure orientation seminars, pre-departure loans to defray the costs of pre-departure requirements, including medical examinations and subsistence allowance, family assistance loans for emergency purposes, livelihood loans to improve access to entrepreneurial development opportunities upon

migrants' return. Finally, OWWA offers a small scholarship program for families left behind. Available assessment by Agunias and Ruiz (2007) highlights certain limitations in the actual delivery of such services. A particular concern is the relatively low number of insurance claims among eligible migrant workers, which shows that they do not make full use of their welfare entitlements. The authors mention design issues that could explain this low level of claims: Insurance benefits are one-size-fits-all and the lump-sum offered are too low relative to the earnings of Filipino migrant workers abroad, who often use private insurance to better cover their needs. This design inconsistency could be resolved by better differentiating the supply of insurance services and moving from the current uniform scheme for all. However, there is not yet enough information to determine the reasons behind such a low level insurance claims, whether it is due to design or implementation issues. A rigorous monitoring and evaluation would bring up such an information basis to improve this particular policy component. Loan products are also a major source of concern. Pre-departure loans and family assistance loans have low repayment rates (around 30%). The reasons behind such low repayment rates are unknown since the government has not performed any rigorous evaluation of these programs.

In a regional perspective, *Barbados* first extended social security to migrant workers with the Caribbean Community (CARICOM) Agreement on Social Security (CASS) in 1996, a totalization agreement involving 16 states and allowing workers to qualify for the maximum pension benefits possible. Under the CASS pensions have been made portable, but foreign workers in the country can also claim other safety-net allowances such as workers' compensation and unemployment benefit (as long as they are legally present, since the Government does not classify unemployed undocumented migrants as available for work). A first assessment of the CARICOM agreement suggests that for the time being very few eligible workers have claimed their entitlements. While no official has been published (even less an evaluation undertaken) direct information by the social security authorities suggest that the number of applications submitted to benefit from the agreement has been small so far (Forteza, 2010). Some authors argue that design issues might explain this low level of claims. According to Forteza (2010), the fact that the agreement only applies in the countries and territories where the worker does not complete the vesting period limits the application of the CASS. For Hendrikx (2006), the implementation of the agreement is made difficult by the diverse requirements of age and periods of contributions to gain access to the pension benefits in the CARICOM member states. Beyond those design issues, the lack of public awareness about the CASS has been acknowledged by policy makers in the region as a key implementation issue. Social security heads have therefore taken measures to organize national campaigns of information to better inform people about the agreement.

The cautions expressed toward the quoted country examples do not mean that they do not work or never will. They have not proven so far to be fully effective and hence the assessment of best practice is unwarranted. This has two key implications for the design and implementation of social benefits for temporary migrant workers: There is limited empirical guidance of what works and what does not and hence for the time being design and implementation of new programs will need to be guided by careful introspective analysis and sparse experience. And, existing and new benefit programs for temporary migrants need to be subject to much more comprehensive and thorough monitoring & evaluation (M&E), starting out with the development of a full results framework and collection of base-line data.

## **An example of temporary migration scheme with M&E component**

As opposed to the case studies above, the last case study presented hereafter contains an M&E component which has allowed improvements in design and implementation of key policy features. ***New Zealand's Recognized Seasonal Employers Scheme (RSE)*** was introduced in 2006 through the coordination of the Department of Labour, the Ministry of Social Development, and New Zealand's International Aid and Development Agency (NZAID) in New Zealand, and collaboration with ministries of labor and community leaders in five Pacific Islands countries involved for the selection of potential seasonal migrant workers, namely Kiribati, Samoa, Tonga, Tuvalu, and Vanuatu. It aims to create a mutually beneficial circular migration scheme where employers in the New Zealand horticulture and viticulture industries can have access to a secure labor supply in order to circumvent local labor shortages and remain competitive on world markets, while selected Pacific Island workers can secure access to the New Zealand labor market and contribute to economic development in their home countries through employment experience abroad and remittances. The government of New Zealand is collaborating with the World Bank to monitor and evaluate the outcomes of this recent policy scheme. While World Bank findings are to be published soon, New Zealand's Department of Labor has already published a report which provides a description and assessment of the first two seasons of the RSE (1 April 2007 to 31 March 2008, and 1 April 2008 to 31 March 2009). The evaluation was performed by a private evaluation consultancy and used a mix of qualitative interviews with key stakeholders in New Zealand and the five Pacific States, quantitative data collected through online surveys of employers, and analysis of administrative data. This M&E component has led to revisions in the design and implementation of certain aspects of this policy scheme. For example, pre-departure training in the first season was not seen as successful as intended by employers and government officials, which spurred noticeable changes for the second season. The pre-departure briefings have been adjusted to better meet worker's needs, notably with increased emphasis on educating workers about sound budgeting and financial decisions (financial literacy and education). Moreover, seasonal workers who had completed the first season were invited to share their experience with and provide advice to prospective workers, and the New Zealand Department of Labour produced a DVD in each of the five Pacific States' language for improved communication. In this case, after the first monitoring and evaluation results both design and implementation issues were addressed in order to increase the relevance and impact of pre-departure training and information. Another interesting development happened in the area of saving mechanisms: since workers failed to save enough in the first season and expressed interest in saving more in the second season, several employers set up voluntary saving schemes comprising access to a bank account and remittance transfer facilities. Participating workers receive a "living wage" comprising food and personal items for daily life and the remaining salary is placed into a savings account. Savings from this account can be remitted when needed by workers and their families. In this case, a new program component has been added on employers' initiative as a result of an identified need of seasonal workers. These two examples show that the monitoring and evaluation component integrated by the government of New Zealand in the RSE has allowed improving significantly the design and implementation of certain work-related benefits in this seasonal migration policy scheme.

## Results framework and M&E agenda<sup>7</sup>

One of the key lessons learned from the few case studies above is that the application of rigorous M&Es to policy interventions would allow increasing our understanding of design and implementation issues in order to improve the effectiveness of social protection provisions in temporary migration schemes in the medium to long run. The first step in developing an M&E component in a policy scheme is to build a results framework which states the expected outcomes of the intervention according to the policy objectives and related methods of intervention. In order to become operational, such a results framework should contain clear input, output and outcome indicators. The first analytical tool emanating from such a framework is a results chain that displays clearly the logical path that a program or policy will follow to achieve the desired results. The results chain in a typical program is as follows:

**Objective** ⇔ Input ⇔ **Intervention** ⇔ Output ⇔ **Outcome**

Objective: policy objective defined ex ante by the implementation agency

Input: financial, human, and other resources mobilized to support the intervention

Intervention: actions taken or work performed to convert inputs into specific outputs

Output: project deliverables within the control of the implementing agency (supply side)

Outcome: use of outputs by beneficiaries and stakeholders outside the control of the implementing agency (demand side)

The balanced approach used in part I to articulate the interests of the key stakeholders in temporary migration schemes has led to the following social protection objective: *To implement adequate social protection measures to reduce the vulnerability of migrants and their families at all stages of the migration cycle while avoiding benefit arbitrage and striving for neutrality in labor market participation and mobility decisions.* If fulfilled, this objective should lead to decreased vulnerability of migrant workers and their families against the specific risks they face upon departure and across the life-cycle. A related outcome indicator could be the exposure to shocks measured through relevant risk vulnerability assessment methodologies.

Discussing outcome indicators for social protection of temporary migrant workers goes beyond the scope of this paper. This is however an important step to be taken for improving the effectiveness of policy interventions in this particular area.

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<sup>7</sup>Regarding applications of rigorous M&E in the human development area, see the World Bank web-site <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/EXTHDNETWORK/EXTHDOFFICE/0,,contentMDK:22383030~menuPK:6508083~pagePK:64168445~piPK:64168309~theSitePK:5485727,00.html>. for the many encouraging examples, inter alia, in the area of Conditional Cash Transfers, Active Labor Market Policies or Education. Very useful toolkits and books can be found at <http://www.worldbank.org/oed/ece>

### III.3. Complementing and/or substituting end-of-service benefits: A few policy options

The review of existing termination payments in OECD countries, Singapore and GCC countries highlights major differences between these country groups and also compared to other MNA countries (See Annex Tables 3 and 4). In the reviewed 6 GCC countries termination payments are provided both in the case of layoffs (severance pay) as well in case of end of work contract (end-of service pay) with the latter legislated in all but one country (KSA, where typically part of the work contract). The benefit level is broadly 1 month of wage for each year of service. On the other hand GCC countries do not provide mandated pension schemes for their migrant work force – the EoSB scheme constitutes a benefit proxy for long-term saving objectives such as retirement. In the reviewed 9 OECD countries plus Singapore the situation is broadly the reverse. Severance pay schemes exist in all countries on mandated or collective-type agreements while end-of-service pay is only provided in some of them and typically at more modest levels. On the other hand migrant workers are covered under pension provisions the same way as nations except in NZ and US for seasonal workers and in NZ and Singapore for non-seasonal temporary migrants (unless they get residency).

End-of-service benefits in GCC countries is a reasonable benefit proxy for long-term risk coverage (old-age and retirement health care) as it offers full portability of benefits independent of bi- and multilateral lateral agreements. In their absence and under a mandated pension scheme, temporary migrants would need to make contribution payments without establishing benefit eligibility making these contributions equivalent to a wage tax. Yet EoSB are only an incomplete long-term benefit proxy for a number of reasons (see also Section I):

- The level of benefit corresponds to a contribution rate of 8.25%, a rate too low to achieve a reasonable replacement rate even after 40 years of service.
- The benefits are little secured against bankruptcy of the employer. Furthermore, employers reportedly tend to fully or partially renege their obligations (e.g. by defining the disbursed remuneration into basic wage and performance premium)
- EoSB provide a lump-sum benefit at departure and not an annuity to insure against the uncertainty of death. Left to their own individuals may not purchase an annuity, and even if they wanted the product may not be easily available or for an attractive price.
- In case of repeat migration/extension of contract/access to residency the migrant is moving to a different life-cycle prospect and migration regime for which the appropriate benefits may also not be available

To address these shortcomings a number of benefit design options are available and proposed for discussion:

- **Replacing the current EoSB with a (mandated) and fully funded defined contribution benefit system** with higher contributions from employer and/or first-time contributions from the migrant worker.

**Pros:** Fully portable, higher benefit level, fully integrated across different migrant profiles



**Cons:** Requires investment instruments able to produce risk-adjusted rates of return at or above wage growth; requires safe institutions that are well regulated and supervised; control of costs and fees; requires financially literate migrants (unless no choices are offered or strong default options)

- **Replacing the current EoSB with a (mandated) and notional defined contribution benefit system** with higher contributions from employer and/or first-time contributions from the worker.

**Pros:** Potentially fully portable, higher benefit level, fully integrated across different migrant profiles. Addresses concerns above but to achieve objectives needs to set-up a large reserve fund to assure liquidity for portability abroad and to keep administrative costs and fees low.

**Cons:** Difficulty to establish governance structure and political independency of such a reserve fund; may do less for financial market development than decentralized pension fund structure (which as an externality to the country from which migrants may not profit but pay with higher fees/lower net returns).

- **Supplementing the existing EoSB benefit with an MDC (matching defined contribution) structure for repeat/extended migrants.** For example, temporary migrants with an repeated/extended/converted/open-ended contract are eligible to join a (funded) DC scheme that receives matching contributions from the employer with a limit of, say, 10 percent of wage. To increase coverage under such supplementary MDC scheme the default option could be chosen as automatic enrolment.

**Pros:** Distinguishes migrants by length of stay and hence preferences and needs while providing a comprehensive package across the migration/life-cycle. Provides an attractive benefit package for those migrants the employer/country wants to retain. Other pros as per above.

**Cons:** As per FDC proposal above. In addition to financial supervision it requires strong supervision to assure compliance with social policy objectives.

The need to rethink the access of temporary migrants to long-term benefits (old-age and related benefits, and health care benefits after retirement) applies to all migrant receiving countries, also to those that legally provide such access but the eligibility rules do not favor temporary and return migrants. The most striking restrictions concern:

- Eligibility to pension benefits may be established in the host country but benefits may not become fully exportable, or if so, may be effected by low level of revaluation/indexation before and after retirement
- Long waiting periods before eligibility can be established. In some countries they can reach up to 35 years.
- Lack of bi- or multi-lateral agreements that allow a totalization of service periods from different countries to establish eligibility
- Access to health care benefits in retirement is linked to residency in pension benefit disbursing country with little or no access to such benefits when residing abroad/returning home.

Possibilities to improve portability of social benefits include benefit system redesign that distinguishes between the contemporaneous insurance, redistributive and savings components of such benefit as under defined-contribution type structures (see Holzmann and Koettle, 2010). More bi- and multilateral agreements under given countries incentive and benefit design structures alone may not do the trick. But the work on alternative benefit design and administrative capacity to improve portability has only started.

#### **IV.4 Summing-up of Countries' Program Assessment and First Policy Conclusions**

This policy paper provides a review of social protection benefits and broader social risk management services under selected programs for temporary migrant workers in high-migrant intensive receiving countries. For such programs 9 OECD countries across regions, Singapore, and 6 GCC countries have been selected. In addition, information on social protection and broader migration support arrangements in migrant sending countries from South and East Asia are provided. The purpose of the review is to receive guidance on reasonable standards of benefit packages for temporary migrants and to identify issues and potential benefit gaps. Special attention is given to end-of-service pay as they are important in some migrant receiving countries as proxy for savings-intensive long-term benefits (in particular portable old-age pensions). In order to establish a benchmark for such a benefit package comparison the paper proposes a conceptual framework based on social risk management considerations.

The key conclusions of the policy paper summarized around (i) conceptual framework; (ii) review of program inventories; (iii) case studies; (iv) pensions and end-of-service pay; and (v) next steps; are as follows:

(i) The **conceptual framework offers 5 key considerations** to develop and assess social protection programs for temporary migrants:

- A benefit package should be based on second best considerations that take account of special needs, preferences and circumstances for temporary migrants in sending and receiving country.
- While first best considerations and potential full access of temporary migrants to all social protection benefits may be useful starting position, social risk management suggests both under as well as over-provisioning in benefits and broader migration services to address specific risks and constraints.
- Any benefit package will be a compromise between not fully consistent objectives of the key stakeholders, i.e. sending and receiving countries (and different policy actors within), and the migrants.
- In order to achieve the best compromise benefit package it is important that the objectives of temporary migrant programs with regard to economic development, labor market and social protection are fully articulated by and known to each of the key stakeholders.
- The benchmark benefit package may be differentiated by the length of the contract that is broadly linked to the skill's level of the migrant. The paper proposed to differentiate between 3 types of temporary migrants: seasonal workers, with contracts below one year; low to middle skilled migrants with contracts up to a few years and limited expectations for renewal or residency; and middle to high skilled workers, with time-

bound initial contracts as screening device and strong expectations for renewal/residency when successful.

(ii) The **assessment of social protection benefits under the reviewed programs** against the established benchmark suggests, in general, broad compliance for most programs and migrant receiving countries. Increasingly migrant sending countries offer coverage for some basic and migration related risks. The assessment in some detail:

- Short term benefits (work injury, basic health care, maternity leave) are always provided, mostly by public mandate and provisions and nominally at par with national workers. This applies for all 3 types of migrant workers which make these risk management instruments the core provision for the migrant workforce.
- Work-related benefits and services (ranging from pre-departure training and non-discrimination legislation to unemployment and termination benefits) show quite some variance across countries. While housing and transport is provided in most of the reviewed programs, departure training is hardly ever (except in Australia and New Zealand for seasonal workers). Unemployment benefits are available for non-seasonal workers in most reviewed OECD countries but only in one GCC country (Kingdom of Bahrain). And severance pay provisions for non-seasonal workers are the rule for OECD countries but more an exception in GCC countries. The reverse is true of end-of-service pay provisions where they are universal in GCC countries but the exception in OECD countries. The unevenness of work-related benefits may be explained by local conditions that dictate them in one case (e.g. housing and transport) but not in others (e.g. facilitation of access to finance and remittances' transfers). But this is an area where more analysis is needed.
- Migration-related risks for temporary migrants are increasingly covered by sending countries in East and South Asia through national migration welfare funds copying and extending on that of the Philippines. The risk covered and benefits and services provided can range from regulation of recruitment, pre-departure training and information, repatriation and financing assistance, to support of family left behind. On paper this is a very encouraging approach to address risks that can and will not be well covered by the receiving country. Yet, none of these programs has yet undergone a thorough impact evaluation.
- Family benefits (basic health care and family allowance), as far as provided at all to national workers, are inaccessible for temporary migrant workers unless their families reside with them. Family unification is typically excluded for seasonal workforce and often not permitted under non-seasonal temporary work permits. For health care this puts the onus on the migrant sending country and the need to organize coverage there. For family benefits, the high level of inter- and intra generational redistribution they imply is apparently something that migrant receiving countries are not willing to extend unconditionally to their temporary workforce.
- Coverage for pension benefits is provided in most OECD countries but only in one GCC country (Kingdom of Bahrain). In the latter countries, end-of-service pay constitutes a saving proxy for long-term benefits (retirement income and health care). In Singapore migrant workers are excluded from the pension scheme unless permanent residents. In OECD countries, however, eligibility to pension is typically conditioned on lengthily

contribution periods or residency beyond the reach of the typical temporary migrant. And portability of acquired rights is conditioned on appropriate bi- or multi-lateral agreements which often do not (yet) exist, take years to develop, and which effectiveness is unknown.

- The country programs reviewed exhibit some expected differentiation between seasonal and non-seasonal migrants at the level of work-related benefits and pension benefits. However, there is little differentiation between the level of skills (low—middle, and middle-high) i.e. between type 2 and 3 of temporary migrant workers. This suggests that if countries are interested in a certain group of labor the contract length but not the skill level matters.

(iii) The **lessons from a few selected case studies** from receiving (Canada, New Zealand) and sending countries (Philippines and Barbados) provide useful real-life information beyond the review of legal provisions. Yet, and with the notable exception of New Zealand, the scope of review and the quality of the available information calls for caution as hardly any of the programs have been rigorously evaluated. The main conclusions are the following:

- The common characteristics for the reviewed (and other skimmed) case studies are threefold: First, on paper and as presented they look like promising good practices to look at and, perhaps, replicate in other countries. Second, only very few of these examples have to our knowledge undergone a thorough ex-post evaluation and even less a rigorous evaluation has been build-in ex ante as part of system design and implementation. Third, the available information for some of the examples from other sources suggests that they quite likely have not (yet) fully delivered what was expected.
- This contrasts with the case of New Zealand's seasonal migration scheme with 5 Pacific Islands, which contains an M&E component that has allowed improvements in design and implementation of key policy features.
- *Canada's Seasonal Agricultural Worker Program (SAWP)* is considered as example of good practice from the receiving side because it offers migrants the same rights to social protection as national workers, it involves employers in designing and implementing the program, and Canadian law gives migrants the same status as other expressly protected groups. Preliminary evaluations suggests that equal treatment may not necessarily benefit the temporary migrants as they do not gain eligibility to some of the benefits or exhibit low demand for while participating fully in their financing.
- *The Philippines Overseas Workers Welfare Administration* was managing a fund of US\$172 million in 2005 and had over 1 million members in 2007. It is fully funded by a mandatory membership fee of US\$25 per contract for temporary migrant workers. This membership fee is most often paid by the migrant but can also be paid by its employer. OWWA provides a broad range of services from regulation of recruitment, pre-departure training and information, repatriation and financing assistance, to support for family left behind. While exhibiting all elements of a good practice program, the available cursory evaluation suggests a low take-up of insurance benefits for which no substantiated empirical explanation is yet available.
- *Barbados* first extended social security to migrant workers with the Caribbean Community (CARICOM) Reciprocal Agreement in 1996, a totalization agreement involving 16 states and allowing legal migrant workers to qualify for the maximum

pension benefits possible, but also to claim other safety-net allowances such as workers' compensation and unemployment benefit. A first assessment of the CARICOM agreement suggests that for the time being very few eligible workers have claimed their entitlements. While no official has been published (even less an evaluation undertaken) direct information by the social security authorities suggest that the number of applications submitted to benefit from the agreement has been small so far (Forteza, 2010), potentially due to design inconsistencies and lack of public awareness.

- *New Zealand's Recognized Seasonal Employers Scheme* was introduced in 2006 through the coordination among ministries and development agencies in New Zealand and in collaboration with ministries of labor and community leaders in Pacific island countries involved for the selection of potential seasonal migrant workers. It aims to create a mutually beneficial circular migration scheme with access to secure labor supply for employers in the New Zealand horticulture and viticulture industries while selected Pacific Island workers can secure access to the New Zealand labor market and return with experience and remittances. A special feature is the thorough monitoring and evaluation component that was build ex-ante into the program design. It has helped to correct and improve so far the design and operation of departure training and correct the below expectation savings rates of the migrants.

(iv) A special concern for temporary migrants is their **access to long-term benefits**, in particular **retirement income** and health care benefits in view of their temporary and unknown migration cycle. The review of country inventories and special reflections on the end-of-service pay suggests the following conclusions:

- The provisions in OECD countries (not Singapore) provide coverage of old age benefits but not necessary eligibility upon retirement or portability of accrued rights upon departure. In the absence of effective bi- or multilateral agreements this makes pension contributions a wage tax to the detriment of take-home wage of the temporary migrant and to the financial benefit of the receiving country.
- Addressing these deficiencies is limited to a few options that require unilateral or bilateral actions ranging from reimbursement of contributions paid (own and employers share) on departure; effective agreements between social insurance institutions in receiving and sending countries, including totalization; change in benefit type toward (funded or notional) defined contribution schemes that allow easy/ier portability with and without bilateral agreements.
- The GGC countries (except the Kingdom of Bahrein) do not provide pension benefits for temporary migrants (expats) but all have end-of-service pay arrangements of about 1 month wage for each year worked. These EoSb arrangements are akin but not fully equivalent to a defined contribution scheme as both provisions present different risk profiles and have different requirements on the financial sector. The proposed 2 key options for considerations are two
  - transform the (unfunded) EoSb into a funded defined contribution (pension) scheme for all temporary workers. To achieve a reasonable replacement rate target, the equivalent contribution rate would need to be increased (through first-time contributions by the employee, and/or higher contributions by the employer).

- supplement the (unfunded) EoSb for repeat migrants (e.g. returned, extended or renewed contracts) with voluntary funded defined contribution schemes in which contributions by the employee are matched by contributions by employers (with ceiling) and a default option in which the temporary migrant is automatically enrolled with a basic contribution (say 5 percent) unless he opts out.
- Under both options it needs to be assured that the appropriate financial instruments for retirement savings are available, the financial institutions are well regulated and supervised, some safeguards for the investors/migrants are available, and the investors are provided with minimum financial capability to make basic choices.

(v) This policy paper is the first of this kind to approach social protection for temporary migrants against the background of a conceptual framework and a review of a concept- and template-based inventory of social protection provisions and other migration-related services in selected migration-intensive receiving and sending countries. As a result, the approach and conclusions need to be subject to review and discussions in and outside the migration and development community and substantiated by further investigation. **Proposed possible next steps** include the following:

- An extension of the inventory to other high and a number of low-intensity migration receiving countries with and without special temporary migrant worker programs to increase the sample size and gain more confidence in the conclusions, or their need for adjustment.
- A full review of legal provisions in sending country for which the information base has been limited due to issues of access and language.
- A progression from the review of legal protection to an evaluation of effective protection. For existing programs this can be done to a limited extent with ex-post evaluation approaches and better with the inclusion of ex-ante monitoring and evaluations techniques. But to be truly effective requires the building of rigorous M&E into the program design.
- The empirical information derived from rigorous M&E would provide a better understanding of the needs, preferences and limiting circumstances of social protection programs for temporary migrants. This in turn would allow to better hand-tailor the provisions and services for this increasingly important work force across the world.

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## **Annex**

- 1. Inventory 1 – Social Protection Benefits and Services (9 OECD Countries plus Singapore)**
- 2. Inventory 2 - Social Protection Benefits and Services (6 GCC Countries)**
- 3. Inventory 3 – Termination Pay (9 OECD Countries, Singapore, 6 GCC Countries)**
- 4. Inventory 4 - Termination Pay (other MENA Countries)**