Managing Social Security of Global Workforce

Dr. Renu Sharma*

Abstract

In the emerging socio-economic environment, the need for social security for the working class can never be over-emphasized. The increasing trends of small and nuclear families, lack of traditional social and family support arrangements and general longevity has placed the requirement of a robust and comprehensive social security system in the forefront. Compounding the gravity of the matter is the globalization of economic activities, specially the service sector. In addition to other factors, the availability of young, English-speaking and highly skilled workforce in some developing countries, ageing population of the developed world and the vast talented workforce in the fields of information technology, health, hospitality etc. in developing countries, are resulted into a noticeable migration of workforce from these developing countries to the developed countries. The conventional social security systems, which have been designed with a view restricted to the national boundaries, have not been able to address the issues and challenges brought up by this changing economic scenario. For instance, the contributions made to the social security schemes of the host country does not convert into any benefit to the employees in case of short term international assignments & projects as the social security systems have been devised for long term service conditions. Hence, the changing socio-economic landscape calls for a change in approach to the conventional social security arrangements. This theoretical study analyses the issues and challenges being faced in reference to the response of the social security systems to the changing scenario. Further an attempt has been made to analyse the steps taken by the governments in the light of challenges being faced.

Keywords: Globalisation, International Worker, Migration of workforce, Pension, Provident Fund, Social Security.

Introduction

In the emerging socio-economic environment, due to the increased complexities of the economic life and almost total breakdown of the traditional social support systems, the need for robust and comprehensive social security systems cannot be overemphasized. In era of globalization, the number of multinational companies is increasing multifold and there is a tendency among these companies to send the professionals abroad from the Headquarters instead of hiring locally. Further the flow of technical knowledge, as a part of various international agreements among countries and multi-national corporations, have lead to movement of domain experts from developed countries to developing countries for specific defined activities. This increases the number of expatriates in the emerging economies. Similarly it has also been observed that as a result of outsourcing of various activities, especially in Information Technology sector, the developing countries send the IT professionals abroad to handle short duration projects and other short term assignments. As the conventional social security systems have been designed with a view to handle the issues within the national boundaries, these developments have resulted in increasing concerns about the social security of these professionals. The lack of uniformity in social security systems prevailing in each country, lack of totalization of contribution made by the worker may result into less or no social security benefits to the workers.

Thus increase in work force movements beyond the national boundaries calls for the appropriate structural changes in the social security arrangements of almost all the countries. This study is an attempt to highlight the issues and challenges faced on the front of social security arrangements due to globalisation. As India

Dr. Renu Sharma*
Institute of Innovation in Technology & Management, New Delhi

represents an economy in the globalised world witnessing the migration of quite significant number of professionals from and into the country, it has been taken as a case study to understand and analyse the issue.

Review of literature

The concept of social security is well reflected in ILO definition. "It can be taken to mean the protection which society provides for its members, through a series of public measures, against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old age and death; the provision of medical care, and the provision of subsidies for families with children" (ILO, 1984).

Social security benefits provided by an enterprise should protect not only their employees but also their family members through financial security including health care. Social security envisages that the employees shall be protected against all types of social risks that may cause undue hardships to them in fulfilling their basic needs.It has a great impact on the society at large. It provides access to the health care to the workers and their families regardless of their employment tenure.It is a source of income for the worker and his family when the other sources of income are disrupted.

Within the broad guidelines provided by the social security programmes prevalent in the developed economies, social security systems may vary from country to country depending upon their socio-economic and political conditions. India, being a welfare State, has taken upon itself the responsibilities of extending various benefits of social security and social assistance to its citizens.

The social security package broadly covers two categories of labour welfare measures:- (i) those relating to the medical facilities, compensation benefits and insurance coverage to the employees; (ii) those relating to the provident fund and gratuity provisions. It thus consists of all types of preventive, promotional and protective measures for labour welfare.

A study conducted by Thakur (2010) highlights that maintaining a reasonable standard of living after retirement is an important concern. With the increased mobility of labour, more people are working in more than one country throughout their career.Many workers have undoubtedly benefited from increased opportunities made possible by having access to different employment markets around the world. These increased opportunities have also created the possibility of double social security taxation and impediments to social security benefit entitlement.The coordination of benefits is a significant challenge for countries when it comes to coordination, as benefits contributions, entitlement, resources and even philosophies differ. A study conducted by **Jain and Gujral (2011)** reveals that due to globalisation, many of today's corporate workers are exposed to vivid working contexts in which they are called upon to render their professional expertise and skills. Such working scenarios may vary from working within the country to various overseas locations also on expatriate terms. Stationing at overseas job location for few years is very much in vogue as one of the available options more than ever before. These options quite often push professional career on the fast track. Simultaneously it provides a good opportunity to the constituents for having some international exposure and that too in addition of making some extra bucks. However, the flip side of these circumstances is that quite often the returning professionals are caught in a dilemma of two different employee retirement benefit systems as each country has its own. In the absence of any legal protection on counting their contribution to the retirement benefit system of the countries they worked for; they often end up at the receiving end for no fault of their own.

Objectives Of The Study:

This study encompasses the following objectives

1. To study and understand the issues and challenges in providing social security to the global workforce.

3. To analyse the initiatives adopted by Government of India to provide social security coverage to such workers.

Research Methodology

This is a qualitative research paper. For the purpose of the study, only secondary source of data collection has been used to find out the issues and challenges in providing social security net to the global workforce. Moreover, official websites and annual reports of various government departments have also been referred to gain the insight.

Issues And Challenges

The globalization has changed the world on economic front quite significantly. Economic liberalization has lead to increased interactions among various countries, the cost benefits of developing economies have resulted in more involvement of these economies in world economy leading to their rapid growth and a large pool of young and technically qualified persons in certain countries have witnessed migration of professionals across the world. For instance, India is a major source of migrant professionals due to its vast reservoir of technically qualified manpower in sectors like IT, health, and management etc. and significant movement of Indian professionals in various countries has been witnessed over the period.

Thus globalised economy has given birth to international market place in which the workforce is exposed to an altogether different set of issues. Globalisation has resulted into creation of better opportunities for employment across the boundaries of the nations and also lead to new sets of risks and challenges. One of the major challenges is the social security aspect of this migrant workforce. While a migrant worker, intending to stay in other country for a long period, would get all the benefits in that country at the end of his working life, such professionals, who intend to visit other countries for a short duration for some specific assignments, lose out due to inadequate provisions in the social security systems of these countries. The labour laws in any country are tailored to the customized needs of the people living there and, in most of the cases, have been found inadequate to handle the changed scenario.

The following issues and challenges, which require immediate attention, have cropped up in the changed economic scenario due to globalisation:

(a) The workforce, when are shifted for the operational reasons beyond their national boundaries, and their employers have to follow the law of the land in the country of their working. Thus the mandatory contributions in compliance to the statute regulating the social security system of the host country are remitted in respect of such employees. In most of the countries, the social security benefits culminate only, and rightly so, at the end of working life or after a minimum qualifying period. As there are no arrangements in place to transfer the funds and other accruals between two countries in such cases, the workforce on return to the home country after short-term assignments and projects have to forfeit the contributions accumulated during their tenure in the country.

(b) Besides the financial forfeiture, the employees, in such cases, cannot realize the benefits accrued on account of service period in the other countries. Pension benefits, for instance, are not fully availed due to loss of service periods in the other countries as there are no provisions of totalization of service periods. This may also lead to ineligibility of the member for obtaining pension as the member may not have the minimum qualifying service in the absence of totalization his service periods in different countries.

(c) Another challenge is the different statues defining different sets of coverage and eligibility criteria, contribution structure and retirement benefit plans in different countries. For instance, in India, the coverage in terms of statutory provident fund and pension schemes extends to the employees of the establishments having twenty or more employees, whereas social security coverage includes each and every resident in United States of America. This restricts seamless interaction between the social security systems of different countries.

Initiatives adopted by Government of India

With a view to protect the rights of migrant workers, the Government of India has decided to go for bilateral Social Security Agreements (SSAs) so that the Indian workers are exempted from mandatory social security contribution in the country of their posting and the benefits of contribution made abroad are received by way of totalization and the payment is received in India. Thus a SSA coordinates the social security schemes of two contracting states in order to overcome the barriers and facilitate extension of benefits to beneficiaries.

A social security agreement, or totalization agreement, is a reciprocal program that prevents double payment to social security systems. Thus, when India signs such an agreement with a country, Indian workers on temporary assignment will not be required to contribute to the social security system there, if they are already contributing to the Employees Provident Fund Organisation (EPFO), a social security organization of Government of India. Similarly, temporary workers from that country on assignment to India would not need to contribute to EPFO if they pay social security taxes in their home country.

Such agreements were entered by India with Belgium, Germany, Sweden and various other countries. The some-pain-no-gain era of double payments by Indian workers on temporary assignments abroad will no longer happen in Germany at least. They will now not be required to pay social security taxes there as the India-Germany Social Security Agreement (SSA) has come into effect recently. In addition to above two countries, the Social Security Agreements have been made effective with six more countries namely Switzerland, Denmark, Luxembourg, France, South Korea and Netherlands till March, 2013. Further, the agreements with six more countries namely Finland, Canada, Japan, Sweden, Austria and Portugal have been signed and are at different stages of implementation.

Need for Social Security Agreements

Indian workers are often posted to foreign countries by their Indian employers on short term contract and during this period they continue to make social security contribution in India as per Indian law. Yet, they are compelled to pay contribution under the host countries legislation too. Moreover, they do not get any benefit from the social security contribution made abroad, because most countries do not allow export of social security benefit. Most countries also have a minimum contribution period criterion as a result of which if a worker stays abroad for a lesser period, the contribution made is simply lost.

As per the NASSCOM report International Social Security agreements, often called "Totalization Agreements," have two main purposes. First, they eliminate dual Social Security taxation, the situation that occurs when a worker from one country works in another country and is required to pay Social Security taxes to both countries on the same earnings. Second, the agreements help fill gaps in benefit protection for workers who have divided their careers between India and another country.

Coverage under Social Security Agreements

Totalization agreement generally covers the following benefits:

- Exemption from double social security contribution
- Exportability of Pension to home country or third country
- Totalization of contributory periods for determining eligibility

SSAs protect the interests of Indian professionals by securing exemption from social security contribution in case of short-term contracts (provided the worker is covered under the Indian social security system and continues to pay his contribution to the Indian system during the period of contract). The agreement also helps in exportability of benefits in case of relocation to India or any other country after having made social security contribution during a longer term employment, given the social security system extant in most countries. The agreements also provide for totalization of insurance periods pertaining to both countries for determination of entitlement to benefits.

Benefits of Social Security Agreements

SSAs make Indian companies more competitive since exemption from social security contribution in respect of their employees substantially reduces costs. And ensures employees are appropriately covered for social security needs either at home/ host location. Indian

IT sector is the biggest beneficiary of these agreements because this sector sends large number of skilled resources to work at foreign locations for short durations (less than 5 years). These agreements also enable the totalization of the benefits and the period of service rendered in another country is counted for determining the eligibility for pension.

Conclusion

The evolution of bilateral Social Security Agreements has been a positive step to address the issues and challenges faced by the global workforce in relation to their social security aspects. The coverage in terms of the number of such countries has been limited and the countries like United States of America and United Kingdom, where maximum number of movement of workforce from India is noticed, have not been covered under these agreements. This calls for a multilateral forum to deliberate upon the possible solutions to a problem with pan-global impact. A multilateral agreement among all the countries not only would ensure the provision of social security to changed nature of the global workforce but also may bring about significant desirable changes in the social security systems of the participating countries resulting in better coverage under such systems.

References

1. Jain, R. K. &Gujral, G.(2011): Totalization Agreement with US will augment Billions of Dollars annually in India's Forex, *The Charted Accountant*, December, 91-103.
2. http://www.nasscom.in/nasscom-efforts-around-totalization-agreements-directly-benefiting-indian-companies retrieved on 11/03/2014.
3. http://www.ilo.org/wcmsp5/groups/public/—dgreports/—dcomm/documents/publication/wcms_067588.pdf retrieved on 11/03/2014.
4. http://www.ssa.gov/international/agreements_overview.html#a0=9 retrieved on 10/03/14.
5. http://epfindia.gov.in/Annual_Reports/AR_2012-13.pdf retrieved on 08/03/14.
6. Germany to get less taxing for Indians, The Economic Times, Oct. 1, 2009.
7. Thakur R. (2010): Totalization with Maxico – A path to immigration reforms, *Washington and Lee Journal of Civil Rights and Social Justice*, Spring.