

**Study Tour Report**  
**Research on Old Insurance and social security for Migrant workers**  
**in Rumania and Spain**

According to the arrangement of EUCSS, the study tour group has traveled Romania and Spain during 11<sup>th</sup> -21<sup>st</sup> December, 2008. The representatives of this study tour group come from following Department: Pension Department/ General Office/ Supervision Department of Labor and Social Security Ministry, Labor and Social Security Department of Heilongjiang province/ Inner Mongolia Autonomous Region/ Henan Province/Hubei province/ Guangdong province/ Chongqing municipality/ Guizhou province and Ningxia Autonomous region. The study tour group has visited Ministry of labor, family and equal opportunity of Rumania, National House of Pension of Rumania, Central House of Pension Bucharest Municipality, National Institute of Social Security of Spain, National Social Security Found of Spain, Centre of Social Security Information of Spain and Labor Union. The study tour group talked with the officers and experts on the topics of social security system, pension system and migrant worker's social security system. The main achievements as followings:

**I Unified Basic Pension System of Rumania**

The law regulates that citizens must pay premiums according to regulations as long as they have income, and are entitled to get pension benefit after retirement. The unified basic pension system of Romania covers civil servants, congressmen, judges, lawyers, diplomats, doctors, various type enterprises, employees and so on. Military special pension system isn't necessary to pay premiums and will send out pension benefit according to certain proportion of pre-retirement wages. In addition , there are occupational pension for congressmen, judges and so on; Special pension system for peasantry and farmers was low originally, in 2005, it was combined with basic pension system. Basic pension system is pay-as-you-go, no individual account. The rate of pensioner and insured persons is 1:1.

**i . Main contents of basic pension system.** Basic pension system covers normal retirement, re-retirement, retirement due to disease or injury, survivor benefit, and so on.

**Contribution.** Contribution of old-age insurance is collected by tax and paid by employers and employees together according to the wages, the contribution rate of employer is 9.5% of employee's wage and the contribution rate of employee is about 18%-23% which is determined by the business employee worked.

**Normal Retirement.** In 2009, Romania issued No.19 Provision (implemented in April, 2001) and revised the pension system. The age of retirement is extended to 65 for male and 60 for female until 2014, the year of contribution should be reached to 35 for male and 30 for female. The formula is:

Pension benefit = wage index (for contribution)\* the amount of statutory pension. The wage index for contribution per year is based on the ratio of real wage for contribution to the average wage in social. the wage index for contribution at the time of retirement is dividing the work years by the sum of every year's wage index for contribution. The amount of statutory pension issued by country every year is about 37.5-45% of pre-tax average wage in social. The government will adjust the pension according to the price index, this is especially happened in the period of general election.

**Early retirement.** The people who can early retire 5 years include follows: miner, the staff of civil aviation, ballerina, bassoonist, any other persons done the special work regulated in the laws and disable person. Pension will be deducted before the normal retirement age, and pension will be re-calculated after normal retirement age. However, the pension benefit will not be deducted if the contribution is more than 45 years.

**Retirement for Labor ability lost.** Insured people would retire if they were suffering work injury and occupational disease. There are three levels: first level is complete disability and need care, second level is disability and is not necessary to care; third level is 50% disability and can be entitled to get pension. Pension Bureau established a labor assessment institution which is mainly managed by special doctor committee, Labor assessment is either temporary or permanent, re-assessment can be re-assessment after one year or 18 months. The assessment for disabled caused by normal diseases would be stricter.

**Survivor Benefit.** The survivor can get pension benefit if the dead people are qualified for the conditions of retirement. The children of dead one can get pension before 16-year old and can get pension in the whole life if some one is disabled during 16-26. Consort can't get pension benefit until retirement and married with dead one more than 15 years or married with dead more than one year after disabled. If consort are not qualified for retirement and the child is less 7 years old, It is ok to get pension benefit. Pension benefit for survivor is about 50%-100% of pension benefit, one child, it is about 50%, the situation of tow children is about 75%, and the situation of three children is about 100%.

ii **Management system.** Labor, Family and Equal Opportunity Ministry takes in charge of management of pension. Former ministry was established in 1920, although the name was changed many times, the basic responsibilities are not changed and as follows: social policy, labor employment, family security, salary, occupational safety, social insurance, equal opportunity, social dialogue and international affaires with EU community and international organization. There are some subordinate institutions: pension bureau, employment bureau, social dialogue bureau, labor supervision bureau, handicapped bureau and children protection bureau and gender balance bureau. There are tow research centers: social security research centre and development and reform research centre,

Pension bureau is in charge of the administration and operation of pension business. The bureau is a dependent public institution and in charge of drafting the budget of pension fund, guiding the work of city bureau. There are 300 staff in the headquarters and 5000 staff across the whole country. The unified information system was established in 2001.

iii **Rural pension.** There are two situations before 1990: one is farmer cooperative, other one is ordinary farmer. The pension system for farmer cooperative was established in January 1967, farm associate and farmer should pay premium together. In 1977, the farmers who didn't join in the collectives were included in the system, pension calculated by the sum of premiums paid and agriculture production paid to country, and contribution should more than 10 years. In 1990, government revise the law after cooperatives were dismissed, regulating that people is voluntary to join in the pension system more than 18-year old, the contribution rate is 7% and contributing more than 10 year, 62 for male, 57 for female, can get pension benefit. From the year of 2001, state issued the new law coping with the problem of low participation rate and planed to get 10% of rural residents who didn't join in the pension system into the public basic pension system in the year of 2010, The new regulation regulates that temporary and permanent rural resident must join in the pension system and government give twice subsidies to participants.

iv **Multi-level pension system.** From 2008, Romania established the second level pension system, forced the people less 35 to pay 2% of wage into private pension administration institute which would manage the fund to join in the second level pension system and people between 35-45 can join in voluntary, the fund can invest into financial market and is supervised by special institute.

## II Pension System of Spain covered all the residents

Spain issued the first social security related law in 1900 and established state bureau of social security in 1908. Spain has already established an almost systematic, perfect social security system and covered all the residents. In 1978, Spain Constitution provided that state was under an obligation to provide the social security for all the citizens. Once do all citizens professional activities, whatever employed or self-employed, should apply for social security number and join in the social security system. After 1990, Parliament in according with Constitution produced Old-Age Insurance Law to provide at least 65-year old people or disability of tax-paid can enjoy pension benefit. At this point, the pension of Spain covered all the taxpayer and non-taxpayers. The pension of taxpayer is based on the situation of taxes and is a compensation for wages; the government will provide basic living security to the non-taxpayers (including non-contribution people and the migrant people whose years of contribution are not enough).

i **Main content.** As long as 15 years of contribution and in the age of retirement, the insured people can get pension benefit, including normal

retirement pension, early retirement pension, disability pension, survivor pension, funeral subsidy and so on.

**Contribution.** The ratio of Spain Social Security Tax including old-age insurance is about 24%-25% for enterprise and 4-6% for individual. The highest contribution basis is depended on the price index of every year; the minimum basis is the minimum wage. Due to 14 months of wages in Spain, the minimum base is  $14 \times \text{minimum wage} / 12$ .

**Normal Retirement.** Normal retirement age of workers in Spain is 65. Pension is based on some certain payment index and contribution years. Payment index is about sum of contribution base of some certain several months before retirement divide by some fixed number. For the workers, payment of contribution is over 15 years, can get 50% of pension benefit of payment base; from the first 16 years to the first 25 years, pay more one year, pension amount will be increased by 3 percentage point; after the first 25 year, pay more per year, pension amount will be increased by 2 percentage point; until payment to 35 years, should be full pension amount. If the pension worker should receive is less than the minimum standard, the difference will be complemented by government. Pension replacement rate is high due to 14 months of wages.

**Early Retirement.** There are 3 categories: one is about people who work in the business of mine, chemistry, aviation, railroad, fire control and so on; another is about people who engaged in work before January 1967; the third one is about people who are 61-year old, worked for 30 years and in the situation of unemployment.

**Flexible Retirement.** Firstly, over the age of 60, the staff close to retirement age can apply for reducing working hours, to 65-year-old, this 5-year should pay contribution same as full-time, not lowering the level of guarantee pension. The second is to continue to work after retirement for retirees and pensioners, the retirement income is shared by social security agency and employer (75% of wages, pensions accounted for 25%), after 65 years of age, fully by social security agency. Third, people, over the age of 65, can extend the retirement age, extending per year, 2-3% increase in pension; the maximum age can be delayed until the age of 70.

**Disability Pension.** People who are still disable to work after medical care can get pension benefit.

**Survivor Pension.** Survivors can get pension benefit after insured people dead. Consort can get 52%-70% of pension; the subsidy for children is about 20%.

ii **management system.** The management of Spain old-age insurance is highly controlled by central government. Labor and Social Affairs Ministry is in charge of drafting and implementing policies, supervising and coordinating. Subordinate institutions are: General Bureau of Social Security, Social Insurance Fund and Social Insurance Information, staff implement civil servant management system.

iii **Social Security Tax.** All the residents of Spain should pay for social security tax, and in addition to work injury insurance and Wage Security Fund should be paid by employers themselves, general premiums should be paid by employers and employees. Personnel tax would not be inherited after insured people died.

If the contribution delayed, the penalty is about 5%-35%. Social Insurance Fund is responsible to collect premiums by the compulsory mean by the special team. If the enterprise bankrupt, the assets is in the liquidation, the Social Security Agency is the first debts holder. If local government delay payment of social security tax, social security agency can deduct the tax from the financial fund the local government should hand over to the central government. Spain Penal Code provides that one year in arrears of social security assessment 12 millions, will be subject of criminal penalties, and some police will work with social security agency. If the assets of bankrupt enterprise can not cover the taxes and fines, the employers can apply for an extension of 5 years back, individual must contribute; bankrupt enterprises can not pay the last of bad debts which is paid by social insurance agency, individual should pay by the minimum base. It is same as payment period.

iv **Rural pension.** Farmer must join in the pension above 16-year old. Contribution Rate is about 18.75%-26.5% by individual choice, including old-age insurance, work injury insurance(voluntary), disability insurance.

#### IV **Portability of pension**

Romania and Spain have already achieved the national social pooling in the aspect of pension; the portability of pension across the country is smooth. Besides, the portability of pension across EU countries is based on the related rules. Migrant people in the EU should transfer their pension entitlement according to the Provision of No. 1408/71, No. 574/72 and No.1249/92 produced by EU community. Only does Workers abide by one country's regulation of social security, as long as being up to conditions, the time of payment in any countries regulated take as availability.

i **Basic principles.** Employed workers, independent workers and their family members, as well as refugees and stateless people transfer within in the EU countries, the social security right should be protected.

The main principles in the portability of pension are as follows: firstly, equality benefits, the benefit of migrant workers are same as national staff; secondly, the portability of benefit, the times of payment for contribution are available in every EU countries; thirdly, the only application law, people who work in more than two countries, the payment only for one country and apply for one country's policies.

ii **The method of calculating,** According to the provisions of EU, migrant workers should pay for premium in the workplace country,. Worked in the different countries, the benefit should be calculated according to statutory regulations of county where the worker worked in the certain period, after retirement, worker should apply for pension benefit to the residential country

(only for the last contribution one). If the time of contribution can not reach the minimum time which is entitled for pension, however, worker can be entitled to get pension benefit if the calculated times in different countries are sufficient. For example, if someone worked in three countries, A, B and C and paid premiums 10, 5 and 15 years respectively, calculate the pension benefit of these three countries respectively: the benefit of A= 30 years of pension benefit according to statutory regulation of A country\* 10/30, the benefit of B= 30 years of pension benefit according to statutory regulation of B country\* 5/30, the benefit of C= 30 years of pension benefit according to statutory regulation of C country\* 15/30. If contribution was less one year in some certain country, no pension benefit, but the time of this contribution should be calculated into other country's payment time. Because of different retirement age, if worker reach the retirement age in some certain country, he can get benefit of this country ahead, and get the other country's pension as soon as reaching this one's retirement age.

**iii Procedure of application.** Migrant workers must fill out the unified form when applying for the pension benefit. Procedure is that: individual should have a bank account in the residential county and make sure the category of money which can be received though the residential social security agency, after signature and notarization, sent to the bank to provide pension. Pensioner must fill out a life certification every year and make sure by residential social insurance agency. In addition, residents within EU can have the family service come from the residential country. The unified medical card issued by EU settled per year.

#### **IV Experiences of study tour**

Although the time to visit tow countries was short, the participants studied and discussed a lot, combined with the situation of our country, there are plenty of enlightens:

**i It is particularly important to play the role of social security in the period of economic transition.** Rumania was a socialist country, major political change was taken place in 1989 and then economy was in the crisis period, employment rate was very high and plenty of people had no income. After 1990, government produced Unemployment Insurance Act, paid aid subsidies, amending Old-age Insurance Provision, allowing parts of people to retire early, guarantee the basic livelihood of workers, safeguard the social stability in turbulent time. Spain is an old capitalist country; the international crisis has caused some large enterprises layoffs, because the all the residents are covered by social security system, the society maintain the stability. At present, out country is influenced by international crisis, the production of enterprises and workers face a lot of difficulties. Only give full play of social security of "guarantee stability, reduce burden and promote employment" in further widening the coverage of social security, solving the problem of vulnerable group in order to widen the domestic demand, maintain social stability and promote good and fast economic development.

**ii Comprehensive social security law system is most important in the construction of social security system.** Two countries have established completely social security law system, for every social insurance scheme, law is ahead of implementation, the unified policy applied for whole country. Before and after Romania access into EU, carried out a series of reform for pension system in order to establish a unified and normative system which covers every groups and areas. In 1978, the Constitution of Spain regulated that every one can enjoy the social security; in 1990, Parliament passed the Old-age Insurance Act, the coverage of old-age insurance was expanding from taxpayers to non-taxpayers, realizing every one was covered by social security. The reform of our country's social security system is implemented more than 20 years, in general, the pilot would be first and then expanding, there are a lot of policy differences between various areas and no unified social insurance act. This situation impacts on the mandatory and unity of social security system across the country negatively and constrained the development of social security. At present, National People's Congress has already considered the Social Insurance Act and gotten comments to the society. Hope that this act will be issued as soon as possible in order to promote the development of social security.

**iii Social security Tax can be collected by social insurance administration agency.** Social security Tax of Spain is collected by Social Insurance Fund subordinated by Labor and Social Affairs Ministry. Social security tax is not a general opinion of state's tax, is a special fee; it reflects the characters of specialty, mandatory and public service to collect by social insurance administration agency. It shows that a country whether it is a social security tax or social security charges, will not affect the social insurance administration taken as the main body of collection.

**iv Unified information system is the basement for implementing pension.** Rumania and Spain have established unified information system for social security across the country; central government organizes and implements the computer equipments, software and information internal. For example, Social Insurance Information Management Centre have net with 1100 agencies across country and collect all the social insurance information; the information will be sent to the center automatically wherever the insurance registration information change happened; the insured people can register in the home; the entitlement in different areas can be calculated. Our country is promoting the establishment of "Gold security", however, the equipments and software are not unified, is not Only affect the process of work, increase the cost, and affect the normal pension business. Especially for the migrant people, contribution collection and approved treatment are scattered in different areas, there has no unified information system to solve them. Therefore, we should develop the unified pension information system, realizing the data flow up-and-down, information can be check and found in every node, implementing social security card, facilitating the insured people

to pay for premiums and transfer the certification of pension.

▼ **Both coverage of rural and urban area is the development trend for old-age insurance.** Two countries have already established the old-age insurance system covered rural and urban areas. Although implementing the special pension policies for the farmers and peasantries, there are differences in the aspects of contribution and benefit level between rural residents and urban residents, Rumania government is striving to let peasantry into national pension system by increasing the subsidies. At present, the migrant workers who have joined in the social insurance are just about 17% of urban employers. Therefore, we should be in accordance with the principle of “low contribution rate, wide coverage, portability, combined with current pension system”, taking the migrant workers into the pension system as soon as possible. At the same time, in accordance with the principle of “the reasonable burden of individual, family and collective”, taking the rural residents into the pension system and establish the combination mechanism with rural and urban pension system, in order to form universal pension system of “rural and urban areas coverage, every with own characteristics, the organic combination”.

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