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▶ Extending social protection to migrant
workers in the Gulf Countries

▶ Reforming end-of-service indemnity for migrant workers in Member States of the Cooperation Council for the Arab States of the Gulf (GCC)

Policy options for the progressive
realization of international social
security standards



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Policy Paper 1

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► 1. Executive summary

This paper analyses end-of-service indemnity (EOSI) schemes in Member States of the Cooperation Council for the Arab States of the Gulf (GCC) and proposes policy reform solutions in line with core principles enshrined in international social security standards. It aims at informing dialogue around the limitations of current EOSI schemes, and involving workers, employers and governments in the GCC in the identification of appropriate policy options for reforms at national and regional level.

EOSI benefits are the main social protection mechanisms available to migrant workers in GCC countries. EOSI systems for migrant workers are similar across the GCC region and comprise lump-sum gratuities paid when employment is terminated and calculated as a multiple of the final wage. They operate as employer-liability schemes, which mandate employers to finance the benefits to migrant workers upon termination of their employment contract, as established in labour legislation. National and non-national worker are effectively subject to two distinct social protection systems. While migrant workers are legally excluded from national social insurance laws, the EOSI system provides an inferior form of protection.

The right to social protection for migrant workers and their families is recognized in various International Labour Organization (ILO) Conventions and Recommendations. Core social security principles provide that: (a) benefits need to be comprehensive and adequate; (b) benefits provided to migrant workers must be in periodical and predictable payments; (c) migrant workers should be included on the basis of solidarity in financing and pooling risks; and (d) governments need to ensure that rights are enforceable, with the State acting as ultimate guarantor of the social security system. In addition to these general standards, which are relevant to all workers, international social security instruments also establish specify social security principles explicitly in reference to migrant workers: (e) equality of treatment between nationals and non-nationals; (f) maintenance of rights in course of acquisition; and (g) maintenance of acquired rights and provision of benefits abroad.

From a social security perspective, the exact nature of EOSI entitlements is not clear. EOSI benefits are de facto a substitute for the complete social security rights enjoyed by national workers who are not subject to the EOSI system. In practice however, EOSI benefits work as a form of guaranteed savings, which are not directly, or only loosely, related to life events or contingencies, such as disability, old age, or death, and not always linked to unemployment.

The EOSI system is often criticized for providing insufficient and unreliable protection to workers, for placing the financial burden on employers and for lacking solidarity in financing. Rather than pooling risks, individual employers are financially responsible. Employers that do not set aside sufficient resources for EOSI benefits face liquidity risks at payout and, in cases of bankruptcy, workers are left unprotected. Effective access to EOSI is also hindered by a lack of effective grievance mechanisms, and access to justice is limited for the most vulnerable workers (Table E1).

EOSI schemes have proven to be especially problematic during economic crises. The mass layoffs during the COVID-19 pandemic coincided with an economic contraction, leading to liquidity issues for companies, and jeopardizing EOSI payments to migrant workers who lost their jobs. Employers who did not set aside sufficient funds for EOSI benefits faced liquidity risks at payout. Access to EOSI was effectively impossible for many workers while grievance mechanisms and access to justice was limited, especially for the most vulnerable of workers.

►► This paper aims at informing dialogue around the limitations of current end-of-service indemnity (EOSI) schemes, and involving workers, employers and governments in the GCC in the identification of appropriate policy options for reforms at national and regional level.

► **Table E1. EOSI conformity with core social security principles**

Social security standards		Conforms with principle	
 General principles	Protection against risks and comprehensiveness in benefits	✗	Benefits are delinked from contingencies; insufficient focus on old age and unemployment protection; EOSI schemes do not always cover workers in case of death or disability
	Adequacy of benefits	✗	Due to insufficient contribution levels
	Predictable and periodical benefits	✗	Only lump-sum benefits
	Solidarity in financing and collective risk pooling	✗	Individual employer liability, no sharing of risks across workers, employers or sectors
	Enforceability of rights and accountability	✗	Weak individual enforceability through complex legal processes, power asymmetry, bankruptcy
	Responsibility of the State	✗	Employers have direct responsibility for financing
 Principles specific to migrant workers	Equality of treatment	✗	Separate system for national workers
	Maintenance of rights in course of acquisition	✗	Absence of mechanism to ensure totalization of contribution with other social security systems
	Maintenance of acquired rights and provision of benefits abroad	✗	Only lump sum

Following the COVID-19 crisis, several GCC countries have accelerated reforms of the EOSI system. Approaches vary in scope and vision but are not always aligned with a progressive realization of migrant workers' rights to social security in line with international social security standards. Qatar and the United Arab Emirates (UAE) have introduced public, market-based guarantee schemes to ensure the payment of wages and EOSI, without reforming EOSI benefits and entitlements. The UAE is also introducing individual pension savings schemes to replace the EOSI system for selected categories of white-collar employees working either in the financial sector, within government or in large firms, with the stated goal of attracting and retaining highly skilled employees and easing the financial management of EOSI liabilities for high-income earners. Proposals to reform the EOSI scheme into individual mobility savings accounts are under consideration in Saudi Arabia. Oman has embarked on a systemic reform of the social security system that envisages the creation a national provident fund to replace EOSI.

The paper explores three main policy options for reform of EOSI across GCC countries:



These options can be conceived as a progressive roadmap for EOSI reforms in the GCC region. While options 1 and 2 increasingly align with core international social security standards and represent a significant improvement in the realization of social security rights of migrant workers compared to the status quo, only the inclusion of migrant workers into national social security systems (option 3) is fully compliant with ILO social security standards and the principle of equality of treatment.

When compared with the policy options advanced in this paper, individual savings accounts and private pension schemes, offer weaker protection against social security risks, because of their overly flexible approach to withdrawals, lack of options for provision of long-term periodical benefits and lack of solidarity in financing minimum adequate benefits. The space for public-private partnerships in EOSI reforms solutions should be carefully considered in the specific context of GCC countries. Private financial sector actors, such as banks and other financial institutions, can play an important role in managing the investment side of the provident fund. However risk-pooling and regulation functions should be retained by public institutions. Where products are offered and administered by (several) private-sector financial institutions this also increases transaction costs and complexity from both the worker's and employer's perspectives and greatly reduces the advantages with respect to the enforceability, rights and accountability derived from publicly managed systems. Moreover, private schemes expose individual workers to investment returns risks, and increased costs due to private sector profit margins, and the fragmentation of risk pools.

When compared with the policy options advanced in this paper, individual savings accounts and private pension schemes, offer weaker protection against social security risks

► Policy option 1



Establishing a publicly managed provident fund system to administer social security contributions of employers paid on behalf of migrant workers

As an initial step of a progressive reform agenda, countries in the GCC could consider reforming current EOSI arrangements into a provident fund scheme for migrant workers. Instead of being liable for individual EOSI benefits, employer would pay an equivalent monthly contribution into a national provident fund scheme, which would take responsibility for the administration and payment of benefits.

Replacing EOSI with a centralized, national and publicly managed provident fund would improve guarantees for workers, by providing more accessible grievances, enforceability mechanisms, and enhancing enforceability of right. However, in their typical design, provident funds fall short of a number of core social security principles, especially from the perspectives of benefits adequacy, predictability, and solidarity in financing (Table E2).

► **Table E2. Conformity with social security standards: EOSI vs. standard provident funds**

Social security standards	EOSI	Conforms with principle
Protection against risks and comprehensiveness in benefits	✗	✗ Typically, PFs do not offer clear and applicable entitlements in case of natural death, disability and for survivors. Most benefits would be claimed upon leaving the country, instead of individual employment termination, but still delinked from old-age contingency.
Adequacy of benefits	✗	Limited Highly dependent on contribution levels and length of contribution. No certainty on future benefit adequacy because of uncertainty on individual investment choices and life expectancy.
Predictable and periodical benefits	✗	✗ Typically, PFs disburse only lump-sum benefits.
Solidarity in financing and collective risk pooling	✗	Limited Investment risks are borne individually and typically do not guarantee minimum benefits.
Enforceability of rights and accountability	✗	✓ Provided PFs are publicly managed, enshrined in legislation and functioning/accessible grievance and enforceability mechanisms are in place.
Responsibility of the State	✗	✓ Provided PFs are publicly managed and functioning enforceability mechanisms are in place.



Social security standards		EOSI	Conforms with principle	
 Principles specific to migrant workers	Equality of treatment	×	×	PFs will operate as a parallel system to national social security.
	Maintenance of rights in course of acquisition	×	×	Lump-sum benefits apply.
	Maintenance of acquired rights and provision of benefits abroad	×	Hypothetically yes	Where unilateral or bilateral mechanisms are place to pay lump-sum benefits abroad (including to survivors). In practice no, as lump sum benefits are only paid in countries of destination.

► Policy option 2



Establishing an enhanced provident fund model

Improving the design of national provident fund for migrant workers in line with core social security principles is possible, as demonstrated by planned reforms for example in Oman. While full inclusion into national social security systems (option 3) should remain the ultimate horizon for reforms, GCC countries that are devising an intermediary step should consider the following key features in the design of an enhanced national provident fund for migrant workers social protection:

- ▶ comprehensively address the range of risks and contingencies, and limit options for accounts to be withdrawn as savings outside the scope of established social security contingencies;
- ▶ broaden coverage to include migrant workers in different employment arrangements;
- ▶ focus on benefit adequacy and solidarity by requiring higher levels of mandatory contributions and introducing minimum return and benefit guarantees;
- ▶ strengthen transparency, compliance and enforcement mechanisms, including by tightening wage protection mechanisms;
- ▶ disentangle benefit entitlements related to short-term unemployment protection from those that relate to retirement and other “long-term” risks, which are currently comingled in the EOSI sum;
- ▶ enhance the predictability of benefits and provide periodical payments, including when workers return to their countries of origin, for example, by offering annuitized benefits and a mechanism for periodical benefits to be paid abroad;
- ▶ allow totalization mechanisms that take into account contribution periods while maintaining rights in the course of acquisition;
- ▶ ease liquidity for (small) businesses, especially during the transition period.

► **Table E3. Advantages of an “enhanced” provident fund design from perspective of social security standards**

Social security standards		Standard Provident Fund	Enhanced Provident Fund
 <p>General principles</p>	Protection against risks and comprehensiveness in benefits	✗ Typically, PFs do not offer clear and applicable entitlements in case of natural death, disability and for survivors. Most benefits would be claimed upon leaving the country, instead of individual employment termination, but still delinked from old-age contingency.	Extends protection in cases of natural disability or death.* Separates benefits related to short-term unemployment insurance.
	Adequacy of benefits	Limited Highly dependent on contribution levels and length of contribution. No certainty on future benefit adequacy because of uncertainty on individual investment choices and life expectancy.	Aligns contribution rates to the levels envisaged for national workers (employers and employee share).
	Predictable and periodical benefits	✗ Typically, PFs disburse only lump-sum benefits.	Lump sums may be converted into an annuity.
	Solidarity in financing and collective risk pooling	Limited Investment risks are borne individually and typically do not guarantee minimum benefits.	Introduces minimum investment return guarantees and/or minimum benefits.
	Enforceability of rights and accountability	✓ Provided PFs are publicly managed, enshrined in legislation and functioning/ accessible grievance and enforceability mechanisms are in place.	Ensures that PFs are publicly managed, enshrined in legislation, with accessible grievance and enforceability mechanisms in place.
	Responsibility of the State	✓ Provided PFs are publicly managed and functioning enforceability mechanisms are in place.	
	 <p>Principles specific to migrant workers</p>	Equality of treatment	✗ PFs will operate as a parallel system to national social security.
Maintenance of rights in course of acquisition		✗ Lump-sum benefits apply.	Allows contributions to be transferred to social security systems in countries of origin and other totalization mechanisms through bilateral social security agreements (see Section 6).
Maintenance of acquired rights and provision of benefits abroad		Hypothetically yes Where unilateral or bilateral mechanisms are place to pay lump-sum benefits abroad (including to survivors). In practice no, as lump sum benefits are only paid in countries of destination.	Allows payment of annuities in countries of origin through social security or private-sector agreements (see Section 6).

Note: * Includes employment injuries in cases not already covered through other social insurance; inclusion into national social insurance systems is not envisaged.

► Policy option 3



Full inclusion of migrant workers into national social security schemes

There are significant advantages with including non-national workers into national social security systems. First, this option aligns with the principles of equality of treatment and non-discrimination enshrined in ILO core social security Conventions. From a labour market perspective, aligning the contribution rates of migrant and national workers could reduce labour market distortions and reduce the pay gap. From a societal perspective, opening national social security systems to non-nationals can enhance social cohesion, solidarity and inclusion. From an institutional perspective, including migrant workers in social security schemes could help reduce fragmentation in the institutional architecture of pension systems. Finally, participation of migrant workers in national social insurance schemes can also contribute positively to the financial sustainability of social security funds.

►► There are significant advantages with including non-national workers into national social security systems

The following points summarize the key dimensions to consider when addressing the inclusion of migrant workers in national pension systems (Table E4):

- accelerate reforms to restore financial sustainability to national social security systems while considering the inclusion of migrant workers;
- redefine the role of government in the financing of national pension systems to focus government subsidies on equity objectives;
- separate mechanisms for unemployment protection from long-term pension benefits;
- provide adequate and fair options of protection for migrant workers exiting national social insurance schemes upon return to countries of origin;
- establish mechanisms for coordination between pension systems in countries of origin and destination.

► **Table E4. Including migrant workers in national pension systems: Conformity with social security standards**

Social security standards		Inclusion of migrant workers in national pension systems (NPS)	
 General principles	Protection against risks and comprehensiveness in benefits	✓	NPS provide a broad range of benefits, if separate benefits are in place for unemployment insurance
	Adequacy of benefits	✓	NPS provide general benefits, if parametric and systemic reforms are adopted to ensure long-term financial sustainability
	Predictable and periodical benefits	✓	
	Solidarity in financing and collective risk pooling	✓	NPS are collectively financed, provided that: (a) parametric and systemic reforms are adopted to ensure long-term financial sustainability; (b) a fair mechanism for allocation of government subsidies is established
	Enforceability of rights and accountability	✓	NPS offer administrative and judiciary mechanisms to claim rights
	Responsibility of the State	✓	NPS offer administrative and judiciary mechanisms to claim rights
 Principles specific to migrant workers	Equality of treatment	✓	
	Maintenance of rights in course of acquisition		Depends upon mechanisms for coordination and totalization through social security agreements (see Section 6)
	Maintenance of acquired rights and provision of benefits abroad		Depends upon appropriate unilateral, bilateral or multilateral mechanisms for payment of benefits abroad (see Section 6)

► How to better tackle the issue of social security coordination between countries of origin and destination? Towards a Regional Social Insurance Clearing house for the GCC

- Full and adequate protection of migrant workers can be achieved only through social security coordination mechanisms. None of the EOSI reform options presented here is sufficient by itself to ensure long-term social protection benefits for migrant workers returning to their country of origin. In spite of reforms, migrant workers' effective access to social protection depends crucially on whether social security coordination mechanisms are in place. These would allow: (a) the enjoyment of periodical old-age, disability and survivor benefits upon return in countries of origin; and (b) the totalization of contribution periods across multiple countries.
- Social security agreements are one of the most effective policy options for extending social protections to migrant workers, and are essential for the portability and exportability of social security rights. Including social protection provisions in bilateral labour agreements is also critical to ensure focus on migrant workers' rights to social security. Currently, GCC countries have no bilateral social security agreements with any other country, except for the GCC multilateral social security agreement which only covers GCC nationals. Reliance on bilateral social security and labour agreements can be politically, legally and administratively complex in the short term, as GCC countries would have to negotiate and conclude a large number of separate bilateral agreements with a significant number of origin countries.
- Against this backdrop, this paper explores the idea of establishing a regional social insurance clearing house (SICH) as an effective and efficient solution for the streamlined coordination of reformed EOSI schemes between the GCC and countries of origin. Participating GCC countries would delegate to the SICH the negotiation and administration of matters of social security coordination with countries of origin through a single and unified channel, based on a set of commonly agreed principles and objectives.
- As a primary focus the GCC-SICH would seek to conclude social security agreements with social security institutions in countries of origin. Such agreement would aim to facilitate a combination of the following issues: (a) Payment abroad of annuities or periodical benefits to which migrant workers are entitled in GCC countries systems; (b) Totalization of periods of contribution across all GCC countries; (c) Transfer to social security institutions in countries of origin contributions or entitlements for long term benefits; (d) Payment of regular contributions on behalf of migrant workers into social insurance schemes in countries of origin to the benefit of migrant workers as well as their family members (e.g. for benefits such as health, maternity, and child benefits).
- For GCC countries that have not reformed their EOSI system, the SICH could also directly receive contributions directly from employers across GCC countries, and administer those into a single individual accounts. Finally, if it is not possible for the SICH to pursue a social security agreement, – for example where there is no functioning social security system - the SICH could directly administer disbursement of benefits, as either a lump sum or annuity, including via banks or other financial institutions in countries of origin.
- For migrant workers from countries of origin already endowed with social insurance schemes, the SICH would allow the eligibility and enjoyment of periodical benefits abroad.
- For GCC governments a more effective and streamlined regional mechanism for social security coordination could reduce the administrative burden and cost of developing and maintaining bilateral social security coordination mechanisms. A regional clearing mechanism already exists in the context of the GCC multilateral social security agreement and can be built upon. For governments of countries of origin, mechanisms for social security coordination – established through the clearing house – would help national workers access periodical and adequate benefits upon return, hence lifting the burden from social insurance schemes or publicly financed social assistance benefits of countries of origin to cater for minimum levels of protection for migrant workers.

▶ The road ahead

The stakes are high for reforming EOSI systems across the region, as the current system is limited from all stakeholders' perspectives. Migrant workers are denied their basic social security rights. Employers are failing to attract and retain highly skilled workers because of an inferior social security system, but also face significant cash-flow risks with EOSI payments. Governments in GCC countries are missing potential social contribution flows to support human capital development, domestic investment plans and structural economic transformation. Governments in countries of origin are failing to channel remittances into strengthening national social protection systems and are left with the financial burden of providing minimum protection to migrant workers and their families through unilateral schemes.

GCC countries face a unique window of opportunity for reforming EOSI schemes in light of shortcomings highlighted during the COVID-19. The GCC countries are now at a crossroads. On the high road, reforms options aiming to progressively extend social protection provisions to migrant workers in line in international social security standards will unlock the potential for social and economic transformation in GCC countries and countries of origin. On the low road, further segmentation between migrant and national workers social protection entitlements will deepen structural challenges that hamper GCC development model, and shift the burden of protection onto migrant workers, their families and their countries of origin. The identification of suitable and sustainable reform pathways requires an inclusive process of dialogue that should involve both origin and destination governments, social security institutions, workers, and employers' organizations. Crucially for the success of this process, it should reflect the vantage point of migrant workers, to assess and understand their perceptions, priorities and preferences in exercising their fundamental right to social protection.

▶▶ GCC countries face a unique window of opportunity for reforming EOSI schemes in light of shortcomings highlighted during the COVID-19. The GCC countries are now at a crossroads.

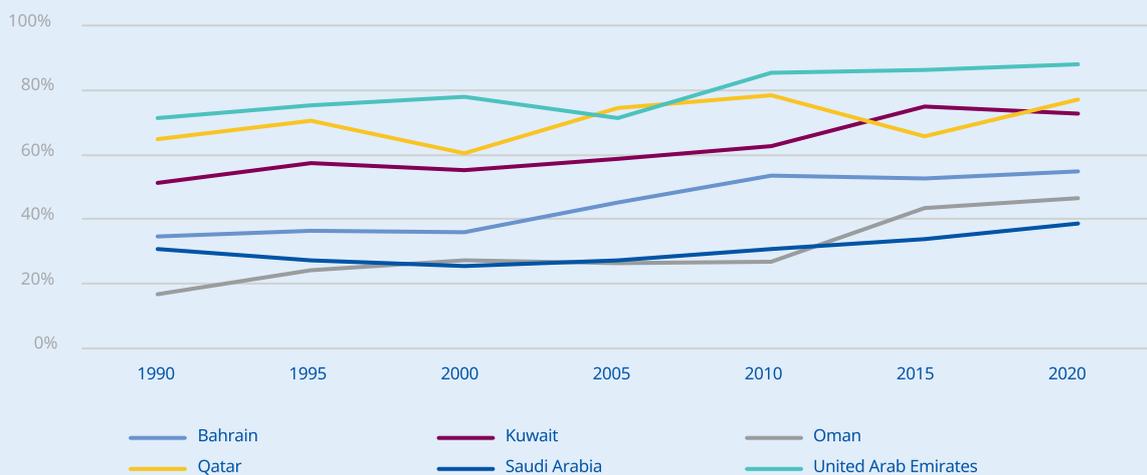


Dubai 2020. Timo Volz. Crossroad seen from Burj Kalifa.

► 2. Background and objective

In the six GCC countries,¹ the outbreak of COVID-19 exacerbated pre-existing inequalities and spotlighted the impact of coverage gaps in social security for migrant workers. The region hosts 10 per cent of the global migrant population and in 2020 migrants and their dependents represented 58 per cent of the total population of GCC countries (Figure 1).² Yet only 15 per cent of social security measures adopted in response to COVID-19 in the Middle East and North Africa region were accessible to non-nationals.³ As the COVID-19 pandemic challenged social protection for migrant workers around the world, it also exposed two major flaws with social protection systems for the most vulnerable workers: a lack of healthcare access and lack of income security due to job losses and wage cuts.⁴ Although data are not yet available, it is undisputed that the economic impact of the global pandemic caused many of these migrant workers to lose their jobs, and exit the countries where they were working with EOSI payments delayed or still owing.⁵

► **Figure 1. Migrants as a percentage of population by country (GCC)**



Source: United Nations Department of Economic and Social Affairs, Population Division (2020).

1. The six GCC states comprise the State of Kuwait, the Kingdom of Bahrain, the United Arab Emirates (UAE), the Kingdom of Saudi Arabia (KSA), the State of Qatar, and the Sultanate of Oman and collectively host 10 per cent of the global migrant population. See UNDESA, "International Migrant Stock 2019". Available at: <https://www.un.org/development/desa/pd/content/international-migrant-stock>

2. UNDESA. International Migrant Stock 2019. Available at : <https://www.un.org/development/desa/pd/content/international-migrant-stock>

3. Satos L., M. Hammad, C. Bilo, L. Pellerano, R. Cholewinski, Social Protection and COVID-19: Inclusive Responses for International Migrants and Forcibly Displaced Persons in the MENA Region (IPC-IG and ILO, 2021).

4. Jones, K., Mudaliar, S. and Piper, N., Locked Down and in Limbo: The Global Impact of COVID-19 on Migrant Worker Rights and Recruitment (ILO, 2021).

5. ILO, "COVID-19: Labour Market Impact and Policy Response in the Arab States", briefing note with FAQs, 2020.

End-of-Service indemnity (EOSI) benefits are one of the only social protection mechanisms in GCC countries that provide income protection to migrant workers. They are established by labour law and operate as employer-liability schemes and oblige employers to pay benefits to migrant workers when their employment ends.⁶ EOSI systems are similar across the GCC and normally pay a lump-sum gratuity, calculated as a multiple of the final wage. Generally, except for Qatar, benefits increase with longer periods of employment. In Kuwait, Saudi Arabia and the UAE, benefits are reduced if the employee voluntarily resigns (see table 1).

► **Table 1. EOSI benefits and conditions by country for private sector workers (GCC)** ⁷

Country	Benefit	Other conditions
 Qatar ⁸	3 weeks per year of employment.	Contract not terminated for disciplinary reasons.
 Oman ⁹	15 days per year for first 3 years.	Minimum of 1 year in employment.
	1 month per year after 3 years.	
 Bahrain ¹⁰	0.5 month per year for first 3 years.	
	One month per year after 3 years.	
 Kuwait ¹¹	15 days per year first 5 years.	Provided that the total gratuity does not exceed 1.5 years remuneration for employees paid monthly.
	1 month per year after 5 years.	If the employment relation ends because of resignation, employees are entitled to half the benefit.
	For daily, weekly, hourly waged workers: 10 days for first 5 years; 15 days for every additional year.	
 Saudi Arabia ¹²	0.5 month per year for first 5 years.	In case of resignation after 2–5 years: one third of benefit; 5–10 years: two thirds. Full entitlement after 10 consecutive years of service.
	1 month per year after 5 years.	Unless resignation is due to force majeure.
 UAE ¹³	No entitlement if service is less than 1 year.	Total gratuity cannot exceed 2 years. In case of resignation after 1–3 years: one third; 3–5 years: two thirds.
	21 days per year for first 5 years.	
	30 days per year after 5 years.	Full entitlement after 5 consecutive years of service.

6. GCC nationals are subject to a separate set social security entitlements as defined in accordance to a GCC multilateral social security agreement.

7. Foreign workers in public sector are in some countries subject to different EOSI entitlements.

8. Law 14/2004, articles 54 and 72.

9. Decree 35/2003.

10. Law 36/2012, article 87.

11. Labour Law 6/2010, article 51.

12. Cabinet decision 219/1426, articles 84 and 85.

13. Labour Law, article 51.

From the standpoint of social security, the exact nature of EOSI entitlements is not clearly defined. On the one hand, EOSI benefits are, de facto, a substitute for the complete social security rights enjoyed by national workers, who are not subject to the EOSI system. In practice, however, EOSI benefits work as a form of “guaranteed savings”, which are not directly, or only loosely, related to long-term life events and contingencies, such as disability, old age, or natural death, and not explicitly linked to unemployment (see box 3). Research shows that low-wage migrant workers cannot save much or any of their monthly income. EOSI payments allow workers to return home with a lump sum of money. However, such payments are in lieu of a true social protection benefit, and, from a social security perspective, their effectiveness is limited.¹⁴

The EOSI system is often criticized for providing insufficient and unreliable protection to workers, for placing the financial burden on employers and for lacking solidarity in financing. Rather than pooling risks, individual employers are financially responsible. Employers that do not set aside sufficient resources for EOSI benefits face liquidity risks at payout and, in cases of bankruptcy, workers are left unprotected. Effective access to EOSI is also hindered by a lack of effective grievance mechanisms, and access to justice is limited for the most vulnerable workers.

EOSI schemes have proven to be especially problematic during economic crises. Mass layoffs during the pandemic coincided with a slump in business activity, leading to problems with liquidity, thus jeopardizing EOSI payments to those migrant workers who lost their jobs. Migrant workers were considered at higher risk of dismissal compared to nationals during the pandemic.¹⁵ An ILO rapid assessment of COVID-19 impacts on migrant workers in the Association of Southeast Asian Nations (ASEAN) region (at the end of 2020) captured reasons for job loss, including the premature termination of contracts during the pandemic. Sector disaggregated data showed men-dominated oil and gas, seafaring, and construction industries hardest hit by early contract terminations amongst migrant worker returnees to Myanmar and the Philippines.¹⁶ Some GCC governments also reported suspending EOSI payments to non-national public-sector employees, with delays in payment due to the high number of workers dismissed.

The limitations of the EOSI system outlined here reflect the broader systemic challenges with legal and effective access to social protection facing migrant workers in the GCC across all social security contingencies, including sickness, maternity, healthcare and employment injuries. A forthcoming regional mapping¹⁷ and legal review of social protection in the GCC describe existing barriers to equality of treatment and reflects on recent reforms.¹⁸ Extending social protection to migrant workers is not only an obligation that derives from international labour standards; it would also lead to important societal and economic gains.

Following the COVID-19 crisis, several GCC countries have accelerated reforms of the EOSI system. Approaches vary in scope and vision but are not always aligned with a progressive realization of migrant workers’ rights to social security in line with international social security standards. Qatar and the United Arab Emirates (UAE) have introduced public, market-based guarantee schemes to ensure the payment

►► The limitations of the EOSI system outlined here reflect the broader systemic challenges with legal and effective access to social protection facing migrant workers in the GCC across all social security contingencies

14. ILO, “COVID-19 Pandemic: Wage Protection of migrant workers in the Arab States” (Migration Advisory Group, 2021).

15. ILO, “COVID-19: Labour Market Impact and Policy Response in the Arab States”, 2020.

16. ADBI, OECD and ILO, Labour Migration in Asia. COVID-19 Impacts, Challenges, and Policy Responses, 2022, pp. 5; 46.

17. “Social protection for migrant workers in countries of the Cooperation Council for the Arab States of the Gulf (GCC): A Regional mapping of provisions on paper and in practice” (Forthcoming).

18. ILO, “Review of the national social protection legislation and legal frameworks for migrant workers in the Gulf Countries”, 2023.

of wages and EOSI, without reforming EOSI benefits and entitlements. The UAE is also introducing individual pension savings schemes to replace the EOSI system for selected categories of white-collar employees working either in the financial sector, within government or in large firms, with the stated goal of attracting and retaining highly skilled employees and easing the financial management of EOSI liabilities for high-income earners. Proposals to reform the EOSI scheme into individual mobility savings accounts are under consideration in Saudi Arabia. Oman has embarked on a systemic reform of the social security system that envisages the creation a national provident fund to replace EOSI.

This policy paper draws attention to the limitations of the EOSI in GCC countries and proposes policy solutions in line with the core principles enshrined in international social security standards. It is intended to inform dialogue around the present EOSI schemes and their shortfalls from the perspective of workers, employers and governments in the GCC. The paper provides an overview of EOSI systems in the GCC region and maps them against international standards for the inclusion of migrant workers in social security. It also proposes and discusses three concrete policy solutions, which may also be used as a progressive roadmap, for tripartite constituents to consider, with a view to reforming the EOSI system:

►► This policy paper draws attention to the limitations of the EOSI in GCC countries and proposes policy solutions in line with the core principles enshrined in international social security standards.



Establishing a **publicly managed provident fund** system to administer social security contributions paid on behalf of migrant workers



Enhancing the **standard provident fund design** to better address shortcomings of this model from the perspective of core social security standards



Allowing for the full inclusion of migrant workers into **national social security schemes** based on the principle of equality of treatment

Finally, the paper advocates for the establishment of a regional clearing house to administer matters related to social security coordination between GCC countries and social security systems in countries of origin.

▶ **Box 1. Seven good reasons for reforming EOSI and extending social protection to migrant workers in the GCC countries**

Following the COVID-19 pandemic, there is now widespread acceptance that comprehensive social protection systems serve as social and economic stabilizers and can support recovery and build resilience.¹⁹ The pandemic amplified the importance of extending social protection to migrant workers, including the following points:

- ▶ Every person has the fundamental right to social security. This is a fundamental of the well-being of workers, their families, and communities, while contributing to the functioning of national labour markets. The Universal Declaration of Human Rights (1948) establishes that everyone has the right to social security and to an adequate standard of living. The International Covenant on Economic, Social and Cultural Rights (1966) protects “the right of everyone to social security, including social insurance”
- ▶ Providing access to comprehensive social protection coverage will help promote decent work and productive employment, while guaranteeing a conducive environment for sustainable enterprises. Ensuring that migrant workers’ social security rights are guaranteed is essential to steer away from an economic model based on low wages and low productivity, including for example by attractive and retaining high skilled workers. Levelling contribution rates will contribute to reducing labour market distortions associated to the pay gap between nationals and non-nationals in the region.
- ▶ Social protection rights are an important step to formalizing the labour market and reducing unfair competition, including perverse incentives for employers to recruit migrant workers as “cheap and unprotected” labour. They can also promote internal labour mobility for both national and foreign workers. Formalization may reduce the exploitation of migrant workers. Guaranteeing better access to social protection for migrant workers can contribute to economic development and macroeconomic stability in countries of origin and of destination: (a) employers in the GCC can be shielded from liquidity constraints during economic shocks and downturns; (b) when workers enjoy income security with a higher degree of certainty, this helps maintain aggregate demand, acting as a macroeconomic stabilizer during economic shocks; (c) governments in countries of origin destination can channel employers contributions and workers savings into national social security funds, and align their investment choices with national development priorities, with a positive effect on economic sustainability and structural transformation.
- ▶ Providing equality of treatment between nationals and non-nationals in respect of social protection solidifies social cohesion. Covering as much of the population as possible, including migrant workers, and ensuring that parts of the population are not excluded may reduce inequalities and inhibit the rise of social tensions and conflicts. Enhancing participation of non-national workers into social protection can broaden risk pooling and solidarity across all segments of society in GCC countries, curb inequality, and enhance social cohesion, solidarity and inclusion. Extending coverage to migrant workers would significantly improve the reputation of destination countries and businesses and remove obstacles to foreign investment in destination countries.
- ▶ The extension of coverage to migrant workers has the potential of strengthening social protection systems. Participation of migrant workers in national social insurance schemes can help improve the overall financial health of contributory systems, as migrant workers can contribute to improving demographic ratios (i.e. the ratio between active contributors and dependent members in contributory schemes), while broadening the risk pool. Access to contributory social insurance benefits reduces pressure on publicly funded social protection mechanisms, both in countries of destination and origin, and including for dependent family members.
- ▶ Access to social security will contribute to migrant workers’ safe and regular international mobility, including their return to their country of origin.

Source: ILO, ‘Extending social protection to migrant workers in the Arab MENA region: An analysis of existing barriers and good practices in light of international social security standards’, 2023.

19. ILO, “Social Protection Spotlight COVID-19: Social Protection for Migrant Workers: A Necessary Response to the COVID-19 Crisis”, 2020. Available at: https://www.ilo.org/secsoc/information-resources/publications-and-tools/Brochures/WCMS_748979/lang--en/index.htm.

► 3. Core social security principles and assessing policy options

Social security is a basic human right enshrined in the Universal Declaration of Human Rights of 1948, and lies at the heart of the 1944 Declaration of Philadelphia, which recognizes the ILO's mandate to promote "the extension of social security measures to provide basic income to all in need of such protection and comprehensive medical care". The ILO Constitution recognizes the importance of protecting the interests of workers when employed in countries other than their own. "To fulfil this mandate, the ILO has developed a comprehensive body of standards aimed at guaranteeing the social security rights of all workers, including migrant workers, based on the overarching principle of equality of treatment and non-discrimination".²¹

The right to social protection for migrant workers and their families is recognized in various ILO Conventions and Recommendations (see box 2). Access to social protection for all, including migrant workers and their families, is also among the priorities of the United Nations (UN) 2030 Agenda for Sustainable Development. In addition, the 2018 Global Compact for Safe, Orderly and Regular Migration recognizes the importance of protecting workers across borders and ensuring their access to social protection. Despite some degree of progress, 4.1 billion individuals worldwide still have no access to social protection benefits.²⁴ This includes many migrant workers and their families. None of the GCC Member States has ratified the Conventions related to social security

►► "Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his [or her] dignity and the free development of his [or her] personality".²⁰

20. United Nations, Article 22 of the Universal Declaration of Human Rights, 1948.

21. ILO, "Securing Social Protection for Migrant Workers and their Families: Challenges and Options for Building a Better Future", GB.344/POL/1, 2022.

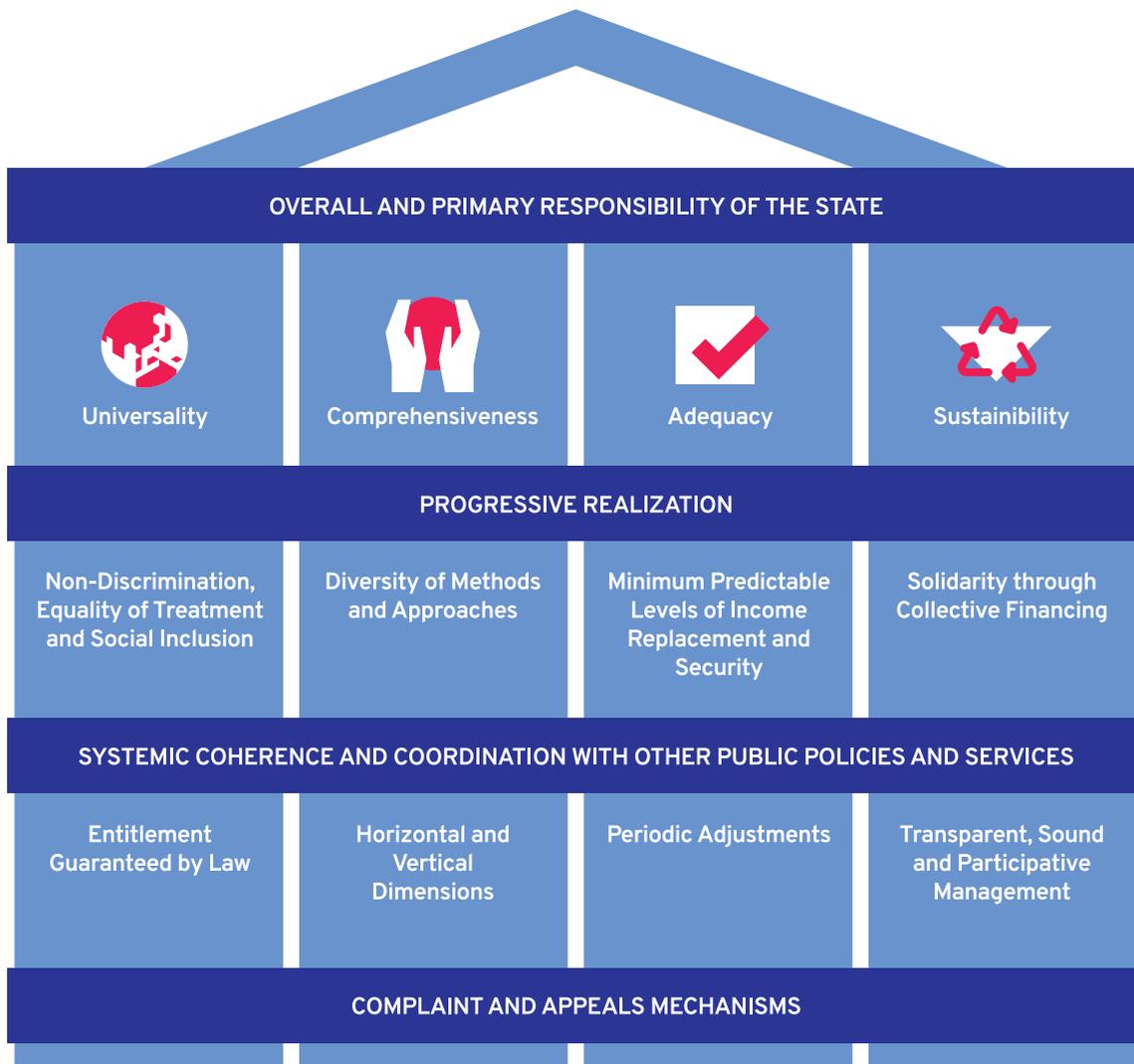
22. ILO, "World Social Protection Report 2020–22: Social Protection at the Crossroads – In Pursuit of a Better Future", 2021.

▶ Box 2. International standards related to migrant workers' social security

- ▶ **Equality of Treatment (Accident Compensation) Convention, 1925 (No. 19)**, puts forth an obligation on ratifying Member States to provide equality of treatment in accident insurance to citizens of other ratifying members under the principle of reciprocity.
- ▶ **Migration for Employment Convention, 1949 (No. 97)**, introduces the principle of equality of treatment in social security coverage between nationals and migrants without discrimination regarding nationality, race, religion or sex.
- ▶ **Social Security (Minimum Standards) Convention, 1952 (No. 102)**, is the flagship ILO Convention that lays the ground for the minimum standards for social security in terms of benefits and contributions, in addition to obligations to extend social security coverage to non-nationals.
- ▶ **Equality of Treatment (Social Security) Convention, 1962 (No. 118)**, recognizes the cornerstone principle of equality of treatment between nationals and non-nationals and provides that ratifying states should aim to establish, through bilateral or multilateral social security agreements, the conditions for the maintenance of acquired rights and rights in the course of acquisition.
- ▶ **Maintenance of Social Security Rights Convention, 1982 (No. 157)**, sets out the obligations for totalization of contributions, maintenance of acquired rights and provision of benefits abroad.
- ▶ **Social Protection Floors Recommendation, 2012 (No. 202)**, introduces legally non-binding guidelines for extending social security to all members of society, in addition to spotlighting several basic social security guarantees that complement Convention No. 102.

An international consensus has been forged by governments, as well as employers' and workers' organizations, on the objectives, functions and principles of social protection. These are embodied in international social security standards. However, EOSI schemes in the GCC region do not comply with ILO principles regarding social security standards, which are shown in figure 2.

► **Figure 2. Main principles underpinning international social security standards**



Source: ILO, Social Protection Department. Also, refer to the Toolkit on ILO social security standards.

These core social security principles provide important guidance on how countries should treat migrant workers, including the following:

- Benefits need to be **comprehensive and adequate**. The Social Security (Minimum Standards) Convention, 1952 (No.102) and the Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128), prescribe that earnings-related schemes need to pay at least 40 per cent (Convention No. 102) or 45 per cent (Convention No. 128) of the reference wage after 30 years of contribution or employment for people reaching old age. Similar standards are established regarding other contingencies.
- The benefits provided to migrant workers must be in **periodical and predictable payments**. Predictability refers to the entitlement to defined pension benefits prescribed by law. Payments need to be periodical and predictable to ensure income security at the time of the contingency (old age, disability, death and unemployment). Pensions also need to be periodically adjusted for changes in the cost of living and the general level of earnings.

- ▶ The inclusion of migrant workers should be based on the principle of solidarity in financing and risk pooling. Social solidarity and solidarity in financing are at the heart of social security. Contrary to privately operated pension schemes based on individual savings accounts, collectively financed protection mechanisms generate positive redistribution effects and do not transfer the financial and labour market risks onto individuals. This principle refers to the pooling of financial risks of society members to ensure the availability of funds when idiosyncratic or covariate risks arise. Standards stress solidarity across generations, between rich and poor and within the working group. Collectively financed social security protects all members of society, whereas approaches that place individual contributions in silos do not benefit from the advantages of risk pooling and social solidarity.
- ▶ Governments need to ensure the enforceability of rights and accountability, highlighting the role of the State as ultimate guarantor of the social security system. The Government should administer the benefits or ensure that the parties administering the benefit are accountable and are protecting the rights of workers.
- ▶ In addition to these general principles, several international labour standards refer explicitly to the social security rights of migrant workers. These instruments provide guidance on how to extend social protection to migrant workers and establish important social security principles:
- ▶ The core principle reflected in social security standards is the equality of treatment between nationals and non-nationals. National and non-nationals workers should have the same rights and obligations as nationals to participate in social security systems and access benefits, and there should be no discrimination by law or in the exercising of social security rights.
- ▶ Important additional principles refer to the maintenance of rights in the course of acquisition, maintenance of acquired rights and the provision of benefits abroad. Both relate to challenges when migrant workers move from one country to another, and aim to prevent migrant workers losing access to social security benefits for which they were previously eligible, or losing rights of a future benefits to which they have contributed. Any acquired right or right in course of acquisition should be guaranteed to the migrant worker in one territory, even if it has been acquired in another country. Applying this principle should translate into in ensuring: (a) a mechanism to allow payment of benefits abroad, and (b) a mechanism to combine periods of contributions and entitlements across social security systems (so-called “totalization”), whereby the completion of a benefit-related qualifying period should account for periods served in each country.

▶ **Box 3. Participation of migrant workers in other branches of social security in the GCC, and in other Arab countries**

Several countries in the GCC have taken steps to include migrant workers in the same national social insurance systems as national workers for specific short-term risks, especially employment injury and unemployment.

▶ **Employment Injury**

In Bahrain, employers are also required to pay 3% of the employee’s monthly wage towards work injury insurance which is managed through the national social insurance system for both national and non-national workers.²³ In practice any remuneration payments, treatment, transportation etc. during the period of treatment will continue to be paid by the employer as per labour law obligations, but injury compensation will be distributed through the national insurance policy.

23. ILO, “Review of the national social protection legislation and legal frameworks for migrant workers in the Gulf Countries”, 2023.

Saudi Arabia has a social security system which provides for old-age retirement, survivors pensions, unemployment benefits, long-term disability, and employee compensation benefits for personal injury at work. The social security system is enforced and regulated by the General Organisation for Social Insurance (GOSI). Every employer in KSA is required to register with GOSI and all employees (both foreign and Saudi nationals) must be registered by their employer with GOSI, together with their respective employment contracts. Employers are required to pay 2% of their foreign national employee's monthly wage towards occupational hazards injury insurance.²⁴ Payment of wages and any compensation in case of employment injury will be undertaken through GOSI while other labour law requirements continue to be borne by the employer.

In other countries workplace injury compensation is payable directly by the employer, but terms of compensation are often left to court rulings.

► **Unemployment protection**

No legislation provides for unemployment benefits for migrant workers in Saudi Arabia, Oman, Kuwait or Qatar. EOSI benefits, which are typically paid at employment termination – well before old age – are therefore effectively as substitute for unemployment protection.

Only Bahrain provides a public unemployment scheme whereby foreign and non-GCC nationals may be covered. This is regulated under Bahrain Decree-Law No. 78/2006 on Unemployment Insurance. Through this scheme, workers are entitled to monthly compensation, typically 60 per cent of the individual's wage (averaged over the previous 12 months, but not exceeding 1,000 Bahraini dinars), for a maximum period of nine consecutive or non-consecutive months. Workers must have been employed with the insured employer for a minimum qualifying period to claim unemployment benefits. However, reports suggest that migrant workers pay into the unemployment fund but rarely benefit from it. Migrants who lose their jobs have only 30 days to regularize their status by transferring to another job, or else their status becomes irregular and they become ineligible for benefits. In any case, it typically requires up to two months to set up a claim at the Ministry of Labour, thus making it practically impossible for migrant workers to benefit from the scheme.²⁵

In October 2022, the UAE announced a mandatory, privately managed unemployment insurance scheme. As per Federal Decree No. 13, the employee-funded scheme consists of private insurance for workers in the private and public sectors, but excludes domestic workers. Compensation is paid monthly, calculated at 60 per cent of the employee's subscription salary, subject to a maximum of 20,000 UAE dirhams per month, for a period of no more than 3 months. Service providers will include insurance companies licensed by the central bank, which must fulfil certain conditions as set by the Cabinet. While the development is significant, it should be noted that the lack of progressivity in contribution, risk-pooling and financial participation of employers contradict the core principles of international social security standards.

► **Maternity and Sickness**

Recently approved reforms in Oman envisage the gradual inclusion of migrant workers in national social security schemes for maternity, sickness and employment injury insurance, on same terms as national workers.

► **Extension of social security to migrant workers in the Arab region**

The inclusion of migrant workers in different branches of social security is common in most other Arab countries. ILO has conducted an analysis of existing barriers to extending social protection to migrant workers in the MENA region and the good practices in light of international social security standards.²⁶ Long term social security systems for old-age, disability and death are extended to migrant workers in several countries in the Arab region.

24. *Ibid*

25. "Bahrain's unemployment benefits for migrants sparks backlash, backpedalling from Ministry", 11 November 2020, Migrant-Rights.org, Available at: <https://www.migrant-rights.org/2020/11/bahrains-unemployment-benefits-for-migrants-sparks-backlash-backpedalling-from-ministry/>

26. ILO, "Extending social protection to migrant workers in the MENA region: An analysis of existing barriers and good practices in light of international social security standards", 2023.

► 4. Shortcomings of the EOSI approach

ILO standards and principles call for adequate, predictable, and collectively financed benefits, and for the inclusion of migrant workers based on the principle of equality of treatment. The EOSI systems in GCC countries fall short of most of these core principles. Table 2 summarizes the lack conformity of EOSI schemes with ILO principles.

► **Table 2. EOSI conformity with core social security principles**

Social security standards		Conforms with principle
 <p>General principles</p>	Protection against risks and comprehensiveness in benefits	✗ Benefits are delinked from contingencies; insufficient focus on old age and unemployment protection; EOSI schemes do not always cover workers in case of death or disability
	Adequacy of benefits	✗ Due to insufficient contribution levels
	Predictable and periodical benefits	✗ Only lump-sum benefits
	Solidarity in financing and collective risk pooling	✗ Individual employer liability, no sharing of risks across workers, employers or sectors
	Enforceability of rights and accountability	✗ Weak individual enforceability through complex legal processes, power asymmetry, bankruptcy
	Responsibility of the State	✗ Employers have direct responsibility for financing
 <p>Principles specific to migrant workers</p>	Equality of treatment	✗ Separate system for national workers
	Maintenance of rights in course of acquisition	✗ Absence of mechanism to ensure totalization of contribution with other social security systems
	Maintenance of acquired rights and provision of benefits abroad	✗ Only lump sum

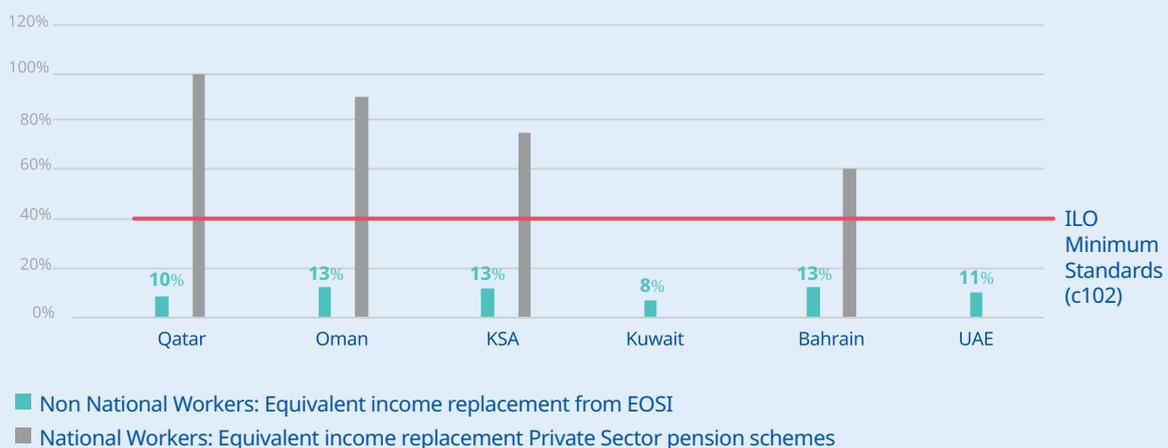
► Shortcomings of EOSI in relation to general social security principles

Protection against risks and comprehensiveness in benefits

EOSI benefits are payable once employment relationship is terminated by either party and are effectively delinked from the occurrence of a specific life contingency. Because of the age profile of migrant workers in the GCC and their migration and employment patterns, EOSI benefits are typically accrued upon leaving the country, and well before the occurrence of old age, disability or death. As such the EOSI system does not provide effective protection against lifecycle risks. In some countries, EOSI systems are also effectively a substitute for the lack of unemployment insurance, demonstrable by the reduction of EOSI entitlements in cases of voluntary resignation (box 3). Separate employer-liability provisions are typically in place in case of employment-related injury and death (box 3). EOSI regulations are also not always explicitly covering workers in case of natural death or disability in countries of destination, and mechanisms for determining eligible survivors for claiming benefits are typically weak, because of a lack of regulation or limited enforceability.

Adequacy of benefits. EOSI benefit levels are insufficient to meet the minimum levels reflected in ILO standards. As demonstrated in Figure 3, equivalent EOSI benefits would represent barely between 10 and 13 per cent of prior salaries after 30 years of service, compared with ILO minimum standards of at least 40 per cent.²⁷ In comparison, national workers enjoy much more generous pensions through national social security systems. Moreover, because migrant workers rarely accumulate long years of contributions, and because of the reduced EOSI for workers with short careers, effective replacement rates from EOSI benefits are even lower than reported in Figure 3.

► **Figure 3. Main Hypothetical income replacement after 30 years, national vs. migrant workers in GCC countries**



Source: ILO analysis.

27. Equivalent income replacement rates from EOSI system are calculated in figure 3 by dividing the lump-sum entitlement accrued in each country after 30 years of service by the average life expectancy of migrant workers (18 years, based on UNDSS estimates of life expectancy at 60 years in Asian countries). For instance, in Bahrain and Oman a worker would be eligible to receive 28.5 months in EOSI after 30 years of work. If this amount has to be enjoyed over 18 years, and not taking into account inflation, such amount would be sufficient to replace: $28.5 / (18 \times 12) = 13$ per cent of the last salary. Adequacy is lower in UAE and Kuwait because of the cap on maximum EOSI benefits of, respectively, 2 and 1.5 years and, in Qatar, because of the lower EOSI accrual compared to other GCC countries. The stylized analysis assumes a 0 per cent discount rate (i.e. interest rate equal to inflation) but the findings would not substantively differ by assuming a 2 per cent discount rate.

Predictable and periodical benefits. EOSI benefits are not related to any specific contingency; they only provide lump-sum payments, instead of periodical benefits. Reliance on lump-sum benefits for long-term contingencies such as old age, death and disability exposes workers and their families to unpredictable risks, as the effective level of income security depends on the investment returns and savings choices individually taken, with no mechanism for collective risk-sharing.

Enforceability of rights and accountability. EOSI schemes are characterized by weak enforceability because of complex legal processes, power asymmetry, and risk of insolvency and bankruptcy. Given the lack of accountability and ineffective access to judicial systems, migrant workers are often at risk of not being able to access their entitlements. Typically, departing migrant workers face a dilemma – forego all or part of their EOSI, or pursue a legal remedy with no guarantee of being paid.²⁸ This places a particular burden on workers departing the country at the end of their contracts, but also on those workers changing employers and on the families of deceased workers who attempt to claim EOSI benefits. While large enterprises are more likely to comply with EOSI regulations, non-payment is common in small enterprises. Most vulnerable workers, such as domestic workers and workers in the informal or unregulated sector, as well as workers on free visas, face a general lack of compliance among employers. In practice, the annual paid leave is sometimes treated as an equivalent to EOSI at the end of contract, particularly for domestic workers. Uncertainty on whether EOSI benefits should be calculated on the basis of the basic salary or full compensation – including allowance – is also taken advantage of. In bankruptcy cases, some countries (e.g. Oman) stipulate that workers take priority when liquidating any remaining assets, including EOSI funds, but this typically requires judicial litigation with significant barriers for most vulnerable migrant workers.

Social solidarity and collective financing. EOSI schemes lack solidarity in financing and collective risk pooling as the risks of non-payment are borne individually by each worker, through the individual liability of each employer. There are no mechanisms to share risk across workers – within and across generations – nor across employers to guarantee that benefits are paid. Workers and employers operating in sectors that may be most vulnerable to economic liquidity constraints or risk of bankruptcy have no means to share risks in solidarity with stronger sectors.

Responsibility of the State. Individual workers bear the risk of the company not being willing or able to pay benefits. While the State is not responsible for the payment of end-of-service benefits to migrant workers it can: (a) ensure good functioning of the judicial system for any dispute that may arise between workers and employers; and (b) enhance oversight mechanisms in order to guarantee implementation of EOSI (e.g. by surveying migrant workers as they exit the country on whether EOSI entitlements have been paid and addressing non-payment via mediation). Progress on this end, however, has been relatively limited. In countries that have established mechanisms for wage protection, these have rarely been extended to guarantee EOSI benefits. When they have, such as the case of Qatar, these have not been fully functional (Box 4 below). Challenges with enforceability are sometimes also addressed by the country of origin. In the Philippines, for instance, the Domestic Workers Act considers recruitment agencies in the Philippines liable for all wages, wage-related benefits and other benefits owing to domestic workers.²⁹

28..In Qatar, if a matter goes to the Dispute Settlement Committee, in the best-case scenario a decision would only be issued in 38 days (articles 115 bis and bis\2 of Law No. 14 of 2004), after which there could be further weeks for the enforcement of the decision, or 45 days for a potential appeals process (art. 115 bis\6).

29. Republic Act No. 10361 | Official Gazette of the Republic of the Philippines. Article VI. If the case is referred to court, the settlement of the case may take time and the worker would return, meanwhile, to their home country. It is recommended that the private employment agency makes an advance payment on the EOSI as the worker waits for settlement. If recruitment agencies have placed workers in the countries of origin who are facing problems in salary or indemnity payment, the labour office in the Philippines puts on hold their permission to recruit new workers.

► Shortcomings of EOSI in relation to social security principles specific to migrant workers

Equality of treatment. In the GCC region national and non-national worker are effectively subject to two distinct social protection systems. Migrant workers are legally excluded from national social insurance law. The EOSI system provides, by far, an inferior form of protection. As such, the current dual approach violates the principle of equality of treatment and introduces an unjustifiable discrimination between workers that derives solely from their nationality.

Maintenance of acquired rights and payment of benefits abroad. The EOSI lump-sum benefit is paid in the country of destination, when the employment relation ends. This principle is thus not met because payments are neither periodical nor can they be paid abroad.

Maintenance of rights in the course of acquisition. Under EOSI, migrant workers cannot totalize or combine their contributions with periods of contributions made in other countries after contract termination, whether they stayed in the host country or left. They cannot combine social security entitlements from different employers. Because benefits are paid as a lump sum and not linked to any contingency, migrant workers effectively forfeit their future rights to social security.

Adequacy of benefits. EOSI benefit levels are insufficient to meet the minimum levels reflected in ILO standards. As demonstrated in Figure 3, equivalent EOSI benefits would represent barely between 10 and 13 per cent of prior salaries after 30 years of service, compared with ILO minimum standards of at least 40 per cent.²⁹ In comparison, national workers enjoy much more generous pensions through national social security systems. Moreover, because migrant workers rarely accumulate long years of contributions, and because of the reduced EOSI for workers with short careers, effective replacement rates from EOSI benefits are even lower than reported in Figure 3.

► Who gains from the current EOSI system?

So far, the shortcomings of the EOSI system from the worker's perspective have been highlighted, but governments also face challenges and risks (Table 3). The salary gap between nationals and migrant workers coupled with a dual social security system, with inferior conditions for migrant workers, limits the ability of GCC economies to attract highly skilled migrant workers, depresses investment in human capital and creates labour market distortions. This then hinders the transition to higher productivity and value-added production models, so often expressed in national strategic visions across the region. Excluding migrant workers from social security is therefore one of the factors driving down salaries and productivity.

Governments in countries of origin and destination also miss national system strengthening and investment opportunities because of EOSI arrangements. Instead of providing financing to national investment priorities and the strengthening of social security systems, EOSI financing streams implicitly benefit individual employers in GCC, and - through international remittances - individual families of origin. Not only does this negatively affects the sustainability of national social security schemes both in the GCC and in countries of origin. It also limits opportunities to align private savings with national investment and development priorities.

Finally, EOSI exposes employers to significant risks. EOSI liabilities can accumulate over time, especially for enterprises with a large workforce.³⁰ The end of the employment relationship could coincide with a slump in business and limited liquidity, which strains employers during economic downturns. EOSI forces employers to provide benefits with no mechanism of collective financing. The lack of solidarity between employers means they take individual liability, leaving those sectors with a greater concentration of migrant workers and a higher risk of employment significantly more exposed. Employers also face a low-productivity trap. Highly skilled workers are more inclined to choose employment with reliable benefits. This creates labour market distortions, as larger companies are better able to provide benefits and attract highly skilled labour.

► **Table 3. Main challenges and risks with EOSI systems**

Actors	Challenges and Risks
Governments in GCC countries	<ul style="list-style-type: none"> ► Labour market distortion (labour cost of migrant workers lower than national workers) ► Reputation and competitiveness deficit with attracting and keeping high quality workers (low-wage, low-productivity trap) ► Lack of social solidarity and risk pooling in financing ► Missed opportunity to align investment objectives with national development priorities
Governments in countries of origin	<ul style="list-style-type: none"> ► Reliance on remittances ► Limited support to strengthening national social security system ► Dependency on unilateral measures of support
Employers	<ul style="list-style-type: none"> ► Liquidity risk at benefit payout ► No solidarity in financing across employers and sectors ► Low-productivity trap
Workers	<ul style="list-style-type: none"> ► Lack of equality ► No maintenance of acquired rights and rights in the course of acquisition ► Lack of income security and comprehensiveness in addressing social contingencies and risks ► Limited accountability and enforceability ► Risk of employer bankruptcy and not receiving benefits

30. Liabilities to be reported in employers' financial statements – typically for companies adopting International Financial Reporting Standards (IFRS).



► 5. Ongoing efforts at reforming EOSI across GCC countries

Several GCC countries have embarked on partial or initial reforms of EOSI systems in recent years (Box 4). Approaches differ greatly and not all solutions envisage a progressive move towards international social security standards. Qatar and the United Arab Emirates (UAE) have introduced public, market-based guarantee schemes to ensure the payment of wages and EOSI, without reforming EOSI benefits and entitlements. The UAE is also introducing individual pension savings schemes to replace the EOSI system for selected categories of white-collar employees working either in the financial sector, within government or in large firms, with the stated goal of attracting and retaining highly skilled employees and easing the financial management of EOSI liabilities for high-income earners. Proposals to reform the EOSI scheme into individual mobility savings accounts are under consideration in Saudi Arabia. Bahrain and Oman have embarked on systemic reforms of the social security system that envisage the creation a national provident fund to replace EOSI. Similar approaches are currently also under discussion in Kuwait, Qatar and UAE.

►► Several GCC countries have embarked on partial or initial reforms of EOSI systems in recent years

► Box 4. Ongoing reforms of EOSI across GCC countries

► EOSI guarantees schemes

Qatar and the UAE have introduced public and market-based guarantee schemes to ensure the payment of wages and EOSI, without actually reforming EOSI benefits or entitlements. Qatar has established the Workers' Support and Insurance Fund (WSIF),³¹ which is financed through the state budget. The fund holds employers and business owners financially accountable when they fail to provide workers with their wages and other benefits in full.³² In April 2022, a decision was issued by the WSIF that lays out the conditions and regulations pertaining to the disbursement of dues and benefits, including unpaid wages and unpaid end-of-service payments. The WSIF disburses funds based on final decisions of the Dispute Settlement Committee and decisions of the specialized court, or in emergency and exceptional situations and for the common good. An electronic platform dedicated to fund disbursements will be created and, in case of death, survivors may apply for the payment of workers' benefits.³³ The fund was established in 2019 and, as of March 2022, has disbursed 358,000,000 Qatari riyals to over 35,000 workers.³⁴ Following concerns about limited accessibility to the WSIF, there have been calls for a robust and professional case management system to ensure that claims are processed effectively, funding is provided and recovery actions against employers are enforced.³⁵

31. Law No. 17 of 2018 to Establish the Workers' Support and Insurance Fund, Qatar Legal Portal, Available at: <https://www.almeezan.qa/LawView.aspx?opt&LawID=7798&language=ar>.

32. ILO, "Recommendations on the Establishment of the Workers' Support and Insurance Fund in Qatar: Drawing from International Experience", interim report, 2019. In Qatar, the Workers' Support and Insurance Fund disbursed financial claims of workers as settled by the Dispute Settlement Committees.

33. "Sanduq da'm al-'ummal yu'lin ijra'at saref al-'ujur al-muta'akhira lil 'amala wa 'uqubat sahib al-'amal", Al-Sharq, Available at: <https://shrq.me/pboakv>.

34. ILO, "Overview of Qatar's Labour Reforms", 2022.

35. ILO, "Recommendations on the Establishment of the Workers' Support and Insurance Fund in Qatar", 2019.

The UAE in 2018 the Ministry of Human Resources and Emiratization implemented the cabinet resolution concerning the optional replacement of a mandatory bank guarantee for recruiting and employing workers in the private sector with a low-cost voluntary insurance system. A group of national private insurance companies administered by Dubai Insurance launched the Establishment Workers Scheme as an alternative to the Banking Guarantee System to protect the rights and financial dues of all private-sector and domestic employees registered with the Ministry.

The scheme aims to protect employees from employers who refuse or are unable to pay labour dues, with a maximum coverage up to 20,000 dirhams. In case of an employer's financial failure, the policy would cover end-of-service benefits and unpaid wages, the cost of an airfare to their home country, and compensation for work-related injuries or repatriating the body of a deceased worker for both private-sector and domestic workers, as well as all financial labour rights stipulated in Federal Law No. 8 of 1980 regarding the regulation of labour relations. Insurance policies for private-sector workers cost 120 dirhams and are valid for 2 years. For domestic workers, the cost of the policy is 60 dirhams and valid for 1 year. The insurance pool would cover the employee's dues according to an order issued by the labour execution department of the competent court, when the employer cannot pay. This does not mean that the employer is not responsible as they remain liable to reimburse the insurance scheme.³⁶

► Individual pension savings schemes for white-collar workers

UAE is also introducing individual pension savings schemes to replace the EOSI system for selected categories of white-collar employees working in the financial sector, government sector or in large firms, with the stated objective of attracting and retaining highly skilled employees and easing the financial management of EOSI liabilities for high-income earners. In the Dubai International Financial Centre (DIFC) the DIFC Employee Workplace Savings (DEWS) plan for expatriate workers became effective in February 2020. It is a defined contribution pension plan for white-collar expatriate employees in the DIFC, and replaces their entitlement to EOSI, with an intention to “attract and retain the best professional talent into the region by offering employees to earn returns on their benefits”, “create greater cash-flow certainty with EOSI entitlements” for employers and “have clarity about employers EOSI liability with assurance of no further obligation once paid”.³⁷ The scheme is administered privately by Zurich and expected to protect around 25,000 employees by utilizing a mix of insurance providers. Member contributions may be invested into a single “default” fund, though the option of a Shari'a-compliant account is also available. Employers contribute a minimum of 5.83 per cent of the basic salary for members with less than 5 years' service, and 8.33 per cent for members with 5 years' service or more.³⁸ The scheme claims that employers would normally pay less into the qualifying scheme than they would have paid under the old end-of-service system as payments are paid monthly based on current salary, not on final salary.³⁹ The initiative also offers a voluntary complementary savings plan for employees.

In July 2022, the Government of Dubai launched a scheme targeting migrant worker employed in the government sector called the “Savings Scheme for Employees in Government of Dubai” with the DIFC as the entity responsible for supervising implementation. The DEWS scheme has since opened to foreign staff at 61 Dubai government firms. The expansion of the DEWS plan across Dubai government entities aims to enhance the economic and social stability that the Government offers to workers in Dubai and to strengthen the position of Dubai as a global financial centre operating under international best practices. “This is in the interest of the workforce and its development within an integrated system that enhances the attractiveness and flexibility of the labour market in the Emirate”.⁴⁰

36. MOHRE, “Periodical Newsletter issued by the Ministry of Human Resources and Emiratization No. 80060”, November 2018. Available at: november-newsletter.aspx (mohre.gov.ae).

37. “DIFC Employee Workplace Savings Plan”, DIFC, 2023, Available at: <https://www.difc.ae/business/operating/employee-workplace-savings/>

38. UNCDF, “Migrant Financial Resilience: Where are We in Preparing the Building Blocks?” Available at: Migrant Financial Resilience: Where are we in preparing the building blocks? – Migrant Money (uncdf.org).

39. “The DIFC's end of service payment's regime has changed: A summary of these changes and changes to other DIFC employment-related rights”, Norton Rose Fulbright, Available at: <https://www.nortonrosefulbright.com/en/knowledge/publications/a3e3095a/the-difcs-end-of-service-payments-regime-has-changed>

40. “Al-lijna al-tawjhiya li sanduq al-idikhar lil muwazzafin al-ajaneb fi hukumat Dubai tulin tafassil aliyat al-ishtirak wa al-tanfiz”, Emirates News Agency – WAM, 15 March 2022. Available at: wam.ae; “DIFC Discusses Plans to Implement the Savings Scheme for Employees in Government of Dubai”, Economic Times, 14 June 2022. Available at: Dubai: [DIFC Discusses Plans to Implement the 'Savings Scheme For Employees In Government Of Dubai'](https://www.economictimes.com), HRME News, Ethrworldme (Indiatimes.Com).

In October 2022, the UAE National Bonds, a savings and investment corporation owned by the Investment Corporation of Dubai, also launched a separate initiative called the Golden Pension Plan. The optional pension plan caters for large enterprises that contribute a lump-sum amount or monthly deposits from or on behalf of their employees, in lieu of EOSI. Companies can register for the National Bonds Golden Pension scheme by either investing their employees' end-of-service benefits accumulated as a lump sum or invest a portion. The initiative responds to the dual objective of allowing workers to "bridge the savings gap and better plan for their retirement needs" as well as "support businesses with employee retention efforts, as well as help them to plan their end-of-service financial commitments rather than paying them out of company cash when the benefits fall due".⁴¹

► **Mobility savings accounts**

Saudi Arabia is considering a mobility saving account (MSA) for migrant workers, which would consist of mandatory medium- to long-term privately administered savings account to which the worker or employer could contribute monthly.⁴² It would be linked to a retirement savings scheme, but migrants could also tap into these savings in cases of unemployment (see box 3).

► **Towards a public national provident fund**

Several countries are at different stage of consideration of proposals to replace the EOSI system with national funds to manage social protection benefits for migrant workers. Such funds would collect mandatory employers' contributions and administer benefits to non-national workers, including in case of retirement, death and disability.

A recently approved law (14/2022) in Bahrain requires employers of migrant workers to pay contributions for EOSI into the national Social Insurance Organization, who will become responsible for paying EOSI benefits to migrants at the end of their contract. Details of term of implementation are to be defined by decree. The modalities for application of the reform are currently under discussion and further social dialogue on this matter will take place during the course of 2023.

Oman is also at advanced stage of consideration of a proposal to replace the EOSI system with a national provident fund to manage social protection benefits for migrant workers. The proposed design includes options to convert lump sum benefits into annuities and minimum guarantees on investment returns. Moreover, the option to transfer the accumulated funds and future contributions to the origin countries' social security systems through bilateral agreements is envisaged as future development of the system. The provident fund would be managed by the same public institution that runs the social security system for Omani nationals. Omanis participating in the main pension scheme could also join the provident fund on a voluntary basis to receive complementary retirement benefits. In the context of planned reforms Oman is also extending protection to migrant workers in national social security schemes for maternity, sickness and employment injury insurance.

In Qatar, UAE and Kuwait, relevant national institutions are currently conducting studies and national consultations to assess the current system and identify policy solutions that can alleviate EOSI shortcomings for workers and employers by establishing national EOSI funds.

41. "UAE National Bonds launches Golden Pension Plan for expats, nationals", Arabian Business, 12 October 2022, Available at: [UAE National Bonds launches Golden Pension Plan for expats, nationals - Arabian Business; https://www.thenational-news.com/business/money/2022/10/13/what-is-the-uaes-golden-pension-scheme/](https://www.thenational-news.com/business/money/2022/10/13/what-is-the-uaes-golden-pension-scheme/).

42. World Bank, "The Jobs Agenda for the Gulf Cooperation Council Countries", (2018).

When compared with the policy options advanced in this paper, individual savings accounts and private pension schemes offer weaker protection against social security risks, including because of their overly flexible approach to withdrawals, lack of options for provision of long-term periodical benefits and lack of solidarity in financing minimum adequate benefits. Where products are offered and administered by (several) private-sector financial institutions this also increases transaction costs and complexity from both the worker's and employer's perspectives and greatly reduces the advantages with respect to the enforceability, rights and accountability derived from publicly managed systems. Moreover, it exposes individual workers to investment returns risks, and increased costs due to private sector profit margins and the fragmentation of risk pools. Table 4 highlights key features and main differences across the various approaches (See table 4 and box 5)

► **Table 4. Comparing possible approaches to EOSI reform**

Characteristics	Inclusion in Social security	Enhanced Public provident fund	Individual private pension schemes	Mobility savings account
Membership	Mandatory	Mandatory	Mandatory/ Voluntary	Mandatory
Contribution	Employer and worker	Employer (and worker)	Employer (and worker)	Worker, partially co-financed by employers
Payment	Periodical benefits	Lump sum with annuitization options	Lump sum with annuitization options	Lump sum
Withdrawal options	Only upon traditional contingencies (e.g. retirement, death, disability)	Primarily linked to contingencies; before maturity under prescribed circumstances	Primarily linked to contingencies; Before maturity under prescribed circumstances	Flexible savings to be used once leaving job or country; largely delinked from traditional contingencies
Regulation/ supervision	Public	Public	Public	Public
Administration	Public	Public	Private/market-based	Private/market-based
Alignment with International Social Security Standards	High	Partial	Low	Low

► **Box 5. Can voluntary individual pension and savings accounts replace or provide social security?**

In recent years, individual savings and private pension accounts have been proposed as a means of extending social protection to migrant workers. Under such schemes contributions are credited to a worker's account, which accumulates investment earnings. When the worker retires, the funds in their account must provide some form of periodic benefit, usually through the purchase of an annuity.⁴³ Private pension accounts are typically flexible and optional, but they can also be mandatory. They are generally privately administered, but fall under the regulation and supervision of public agencies.

International experience has shown that pension schemes based on individual accounts place many of the risks on individual workers and do not guarantee the principles of social security.⁴⁴ While private pension savings schemes may complement social security pensions set out in other pension pillars, they should in no way attempt to replace them. Core social security pillars should consist of a mandatory, public, broad and collectively financed social insurance scheme. In the absence of solidarity, individual savings schemes subject workers to longevity risks and financial and institutional risks because of the high transaction and administrative costs associated with private asset management.⁴⁵

Mobility savings accounts MSAs have also been promoted as a portable social protection instrument linked to individual retirement savings schemes. Savings may be withdrawn at the termination of employment and upon leaving the country. Upon retirement, migrant workers may use the savings for security in old age.⁴⁶

In summary, individual pension schemes and MSAs weakly protect against social security risks, including because of their overly flexible approach to withdrawals, lack of options for provision of long-term periodical benefits and lack of solidarity in financing minimum adequate benefits. Where products are offered and administered by (several) private-sector financial institutions this also increases transaction costs and complexity from both the worker's and employer's perspectives and greatly reduces the advantages with respect to the enforceability, rights and accountability derived from publicly managed systems. Moreover, it exposes individual workers to investment returns risks, and increased costs due to private sector profit margins and the fragmentation of risk pools.

43. Hirose, Kenichi, Miloš Nikač and Edward Tamagno, *Social Security for Migrant Workers: A Rights-Based Approach* (ILO, 2011).

44. ILO, "Social Protection for Older Persons: Policy Trends and Statistics 2017–19", Social protection policy paper No. 17 (2018). Available at: https://www.ilo.org/secsoc/information-resources/publications-and-tools/policy-papers/WCMS_645692/lang-en/index.htm.

45. World Bank, "The World Bank Pension Conceptual Framework", World Bank Pension Reform Primer (n.d.). Available at: <https://documents1.worldbank.org/curated/en/389011468314712045/pdf/457280BRI0Box31Concept1Sept20081pdf.pdf>.

46. World Bank, "The Jobs Agenda for the Gulf Cooperation Council Countries" (2018).

► 6. Towards a better future? Three policy options for extending social security to migrant workers through EOSI reform

This section presents three options for the consideration of policymakers and tripartite constituents in the GCC to better protect migrant workers against life contingencies and risks through reforms of EOSI schemes and achieve better alignment with core international social security standard:



These options can be conceived as a progressive roadmap towards EOSI reforms. While options 1 and 2 greatly enhance alignment with core international social security standards, only the full inclusion into national social security systems (option 3) is in line with general social security principles, including the principle of equality of treatment for all workers, embedded in international labour standards.

Cross-cutting all three options, Section 6 of the paper reflects on methods of coordinating social security systems between countries of origin and destination to ensure that acquired rights and rights in the course of acquisition are maintained. In addition to bilateral social security agreements or labour agreements, it proposes establishing a regional social insurance clearing house (SICH) to facilitate the portability and exportability⁴⁷ of social security rights through a multilateral regional mechanism.

47. The terms “portability” and “exportability” are used here to refer to measures aimed at the maintenance of rights in the course of the acquisition and maintenance of acquired rights and payment of benefits abroad.

► Policy option 1. **Standard provident fund**

As an initial step of a progressive reform agenda, countries in the GCC can consider reforming current EOSI arrangements into a provident fund scheme for migrant workers. In fact, this is a direction some countries in the region are currently exploring. Instead of being liable for individual EOSI benefits, employer would pay an equivalent monthly contribution into a publicly managed national provident fund scheme, which would take responsibility for the administration and payment of benefits.

Provident funds are one of the oldest forms of social protection for workers and are especially common in developing countries that have not yet established a more comprehensive social security system. They are a type of collective savings scheme, typically financed through regular social contributions from employers, and sometimes from workers. In the event of a social risk or contingency, namely old age, but some provident funds also cover death, disability and employment injury, the worker may withdraw all savings contributed on their behalf as a lump sum. Contributions are invested on behalf of workers by fund managers, and investment returns (or losses) are applied to individual balances. Provident funds are usually publicly administered but, in some countries, they are run by employers, trade unions and social actors, or by private financial institutions.

While a provident fund would bring advantages some from the perspective of enforceability of social protection rights, this approach still presents significant shortcomings with respect to compliance with core social security standards (table 5).



► **Table 5. Conformity with social security standards: EOSI vs. standard provident funds**

Social security standards	EOSI	Conforms with principle
 <p>General principles</p>	Protection against risks and comprehensiveness in benefits	<p>✗</p> <p>✗</p> <p>Typically, PFs do not offer clear and applicable entitlements in case of natural death, disability and for survivors. Most benefits would be claimed upon leaving the country, instead of individual employment termination, but still delinked from old-age contingency.</p>
	Adequacy of benefits	<p>✗</p> <p>Limited</p> <p>Highly dependent on contribution levels and length of contribution. No certainty on future benefit adequacy because of uncertainty on individual investment choices and life expectancy.</p>
	Predictable and periodical benefits	<p>✗</p> <p>✗</p> <p>Typically, PFs disburse only lump-sum benefits.</p>
	Solidarity in financing and collective risk pooling	<p>✗</p> <p>Limited</p> <p>Investment risks are borne individually and typically do not guarantee minimum benefits.</p>
	Enforceability of rights and accountability	<p>✗</p> <p>✓</p> <p>Provided PFs are publicly managed, enshrined in legislation and functioning/accessible grievance and enforceability mechanisms are in place.</p>
	Responsibility of the State	<p>✗</p> <p>✓</p> <p>Provided PFs are publicly managed and functioning enforceability mechanisms are in place.</p>
 <p>Principles specific to migrant workers</p>	Equality of treatment	<p>✗</p> <p>✗</p> <p>PFs will operate as a parallel system to national social security.</p>
	Maintenance of rights in course of acquisition	<p>✗</p> <p>✗</p> <p>Lump-sum benefits apply.</p>
	Maintenance of acquired rights and provision of benefits abroad	<p>✗</p> <p>Hypothetically yes</p> <p>Where unilateral or bilateral mechanisms are in place to pay lump-sum benefits abroad (including to survivors). In practice no, as lump sum benefits are only paid in countries of destination.</p>

The main advantages of a provident fund derive from the enforceability of rights and compliance. Instead of relying on individual employers' willingness or capacity to pay EOSI benefits, the creation of a dedicated fund under close public oversight would significantly improve guarantees to workers' rights. Individual employers' liquidity constraints, bankruptcy or avoidance of EOSI obligations would no longer represent a risk to workers, as the provident fund would be directly responsible for payment of benefits. Access to information, claims, grievances, and complaints management would all be greatly improved by a single public institution managing the provident fund, and migrant workers and their families could engage directly with it. This would reduce the need for costly and complex litigation actions against individual employers. Such gains are closely related to an increased responsibility of the State in ensuring good management and enforcing a rights-based legal framework.

From the perspective of comprehensiveness and predictability of benefits, provident funds fall short of several core social security standards. Similar to EOSI, provident funds typically provide lump-sum benefits, leaving workers exposed to long-term risks of income insecurity. Usually, provident funds allow for the withdrawal of savings at employment termination and before retirement – even earlier under special conditions – meaning that the scheme does not fulfil its primary function of providing income security in old age, or upon death or disability. The functions of unemployment and old-age protections remain blurred, as the scheme effectively operates as an individual savings account with no relation to any specific contingency.

Since provident funds function essentially as individual saving accounts, they lack fundamental guarantees of benefits adequacy. In fact, in most countries provident funds are used to provide top-up complementary pensions, while core pension entitlements are delivered through collectively financed social insurance schemes. The adequacy of benefits depends largely on the level of contribution paid by employers, and whether any contribution is paid by workers.

Table 6 provides an estimate of equivalent monthly contribution rates that correspond to existing EOSI liabilities across the GCC.⁴⁸ If these rates were paid by employers into a provident fund they would be consistently lower than contribution rates paid by employers into national social security systems for national workers.

► **Table 6. Conformity with social security standards: EOSI vs. standard provident funds**

Country	National contributions to social security (long-term benefits)*		Equivalent contribution. EOSI employer liability as percentage of annual salary**
	Employer	Worker	
 Qatar	10%	5%	6%
 Oman	12%	8%	8%
 Bahrain	12%	7%	8%
 Kuwait	11%	10%	8%
 Saudi Arabia	12%	10%	8%
 UAE	12.5%	5%	8%

* Old age, natural death, natural disability and survivors.
 ** Calculations assume that employees stay long enough to enjoy the higher benefits. E.g. 30 days in UAE per year after 5 years of employment, and where the employee does not resign voluntarily (Kuwait, Saudi Arabia and UAE). Effective equivalent contribution rate is lower, given reduced benefits for workers with short contracts.

48. These correspond to the contribution level that could be paid into a provident fund without increased costs to employers, without considering liquidity implications.

From the perspective of solidarity in financing, compared with EOSI, provident funds provide more collective risk-sharing across workers and sectors, since the employers contributions are pooled under a unified fund management structure. Hence, the fund as a whole, rather than an individual employer, is responsible for financing individual benefits, including making up of any shortfall resulting from a defaulting employer.⁴⁹

Provident funds however lack the fundamental elements of inter-generational solidarity and solidarity between high- and low-income earners. In their standard design, they provide no minimum guaranteed level of benefits, as they function like individual savings accounts. As is typical with defined contributions models, workers bear investment risks individually and there are no mechanisms to mitigate market volatility on benefit levels. Importantly, maintaining dual systems – social security for nationals and provident fund for non-nationals – would undermine solidarity in financing between nationals and non-nationals, with negative implications on the financial sustainability of both systems.

►► Provident funds lack the fundamental elements of inter-generational solidarity and solidarity between high- and low-income earners.

With regards to equality of treatment the creation of a provident fund would not fundamentally overcome structural barriers to equality of treatment, as non-nationals would continue to face different contribution, financing, and entitlements compared to national workers.

The provident fund approach is also inadequate from the perspective of maintaining acquired rights. An important difference with the EOSI model is that benefits would not be typically cashed out at employment termination but contributions from all employers would typically accumulate and be disbursed upon leaving the country. However, because benefits will continue to be paid as a lump sum, like EOSI they fall short of addressing lifecycle contingencies such as disability, old age and death, and acquired rights cannot not be transferred, totalized nor maintained for workers with fragmented careers across multiple countries.

From the perspective of maintaining acquired rights and payment of benefits abroad, while it is feasible to ensure that lump sums are paid abroad to the beneficiary (or their survivor) through either unilateral provisions or bilateral social security agreements, this is typically not the case.

From an employer's perspective, the transition from the current EOSI system to a provident fund would lower the impact on liquidity when benefits are paid at the time of resignation, and may be more efficient in terms of contingency risk management, compared with individual liability, especially for small businesses. On the other hand, the requirement to pay monthly contributions to the provident fund may also negatively affect liquidity: although legal provisions often require that EOSI allocations are accrued and deposited in a company account, it is common practice for companies to use funds booked against future EOSI liabilities as working capital.

49. Note that the EOSI system operates as a "defined benefit" system where there is certainty regarding the amount of benefits due, but poor enforceability mechanisms.

► Policy option 2. Enhanced provident fund model

The adoption of an “enhanced” national provident fund design can ensure progressive alignment with core social security principles, improve migrant workers’ protection and broaden acceptance by stakeholders. While full inclusion into national social security systems (option 3) should remain the ultimate horizon for reforms, GCC countries considering an intermediary step should consider the following key features in the design of an enhanced national provident fund for migrant workers social protection (Table 7):

1. Address a more comprehensive range of risks and contingencies.

In addition to old age, benefits should include natural disability and death of the insured worker. The latter requires reliable mechanisms for the identification and disbursement of benefits to eligible survivors, who will likely reside in countries of origin. Eligibility requirements and conditions for old-age, disability and death benefits should be aligned with those in place for workers covered under national social security systems. In countries where employment injury benefits are financed as an employer liability, and there is no prospect for migrant workers to be covered under national social insurance, the provident fund could be extended to cover employment-related benefits.⁵⁰ For example, the provident fund in Australia provides benefits for death, disablement, terminal illness and income protection in case of sickness or work and non-work-related injury.⁵¹

Allowing workers to withdraw their provident fund savings, outside of conventional social security contingencies, should be avoided in order to preserve the primary objectives of the schemes. In all cases, withdrawals should be limited to specific needs, such as those related to education, health and housing, as in Malaysia or New Zealand.⁵² As a way to address access to finance constraints amongst migrant workers, schemes could instead provide loans to insured members, on special concessional terms.

2. Broaden coverage of migrant workers in different employment situations. An enhanced provident fund design must include all categories of migrant workers, such as those in vulnerable and precarious forms of employment, and establish adequate compliance and enforcement mechanisms. Workers on free visas,⁵³ temporary or part-time workers, and domestic workers should all be included in the system, even though they are currently not all entitled to EOSI benefits.

►► The adoption of an “enhanced” national provident fund design can ensure progressive alignment with core social security principles, improve migrant workers’ protection and broaden acceptance by stakeholders.

50. Note that Saudi Arabia, Bahrain and Oman are taking steps towards including migrant workers in national social insurance systems for employment injury and this should be considered the preferred option.

51. ILO, “Review of International Examples of Relevant Types of Retirement/Provident Funds”, internal report for PASI-Oman, 2019.

52. In the Employees Provident Fund of Malaysia only savings from one limited portion of contributions (Account 2) can be used for a number of non-retirement related expenses, including own or children’s education, building or purchasing a house, medical expenses and performing Hajj, subject to a number of specific requirements. In New Zealand, individuals can withdraw part (or all) of their savings if they are buying their first home, suffer significant financial hardship or become seriously ill (ILO, 2019).

53. Workers on free visas are considered to be in “irregular status”. Part-time and temporary work is only possible in the UAE as of February 2022.

3. Focus on benefit adequacy and solidarity. Adequate benefits will require a higher level of mandatory contributions. In order to achieve benefit levels that are in line with international standards mandatory employer contribution rates should be the same for national and non-national workers, and should be combined with contributions from migrant workers themselves, either on a voluntary or mandatory basis, as in Malaysia and New Zealand.⁵⁴ Ideally, total contribution levels should eventually be aligned with those of national workers participating in national social security systems so to avoid labour market distortions.

To ensure benefit adequacy and introduce additional elements of inter- and intra-generational solidarity, provident funds can be enhanced with minimum return guarantees and minimum benefit guarantees. Such guarantees should be financed collectively by all participants in the fund, with employers (or the government sponsor) taking responsibility for any unfunded liability. For example, in Switzerland the second pension pillar (mandatory employer-sponsored cash balance plan) provides for a minimum return to be credited to the accounts and annuitization (see box 6).

4. Strengthen transparency, compliance and enforcement, including by tightening wage protection mechanisms, given the risk increasing contribution rates will translate into downward pressure on salaries. To ensure compliance, employer contributions could be linked to the wage protection systems many GCC countries have put in place for migrant workers. The payment of monthly contributions could be completed through the banks transferring monthly payroll salaries. Participating banks would transfer the monthly wage to the worker and the employer contribution to the fund. This would allow to monitor payment of contributions and quickly address cases of non-payment of contributions. In addition, to address concern of transparency and risk with misuse of funds, an enhance trust, schemes should establish effective digital channels to access real time information on contributions and entitlement that are specifically tailored to migrant workers' profile.

5. Disentangle benefit entitlements that relate to short-term unemployment protection, from those that relate to retirement and other "long-term" risks.

With an enhanced provident fund, benefit disbursements are not linked to employment termination, at least not until the migrant worker leaves the country indefinitely. Thus, a separate mechanism is required to address the risk of short-term unemployment.

Ideally, unemployment protection can be addressed separately by ensuring that migrant workers participate in national unemployment insurance funds, in place in several of the GCC countries, such as Bahrain. Alternatively, a dedicated portion of provident fund contributions could be allocated to short-term unemployment insurance, which would be cashed out at employment termination, separate from the portion allocated for long-term risks.

▶▶ To ensure benefit adequacy and introduce additional elements of inter- and intra-generational solidarity, provident funds can be enhanced with minimum return guarantees and minimum benefit guarantees.

54. Provident funds in Malaysia and New Zealand receive contributions from both workers and employers on a compulsory basis in Malaysia and on the basis of auto-enrolment with opt-out in New Zealand (ILO, 2019).

6. Enhance predictability of benefits and provision of periodical payments, including upon return in countries of origin. To address the limitation of provident funds, access to periodical benefits is crucial. This can be achieved by offering annuitized benefits in lieu of a lump sum.⁵⁵ For example, some provident funds across the world, such as Singapore (see box 7) or Sweden,⁵⁶ are moving away from lump-sum benefits to mandatory annuity provisions, while others, such as Malaysia⁵⁷ or Australia⁵⁸ provide the option for annuitizing part or all of the benefit received at retirement. Annuities can be offered on a (partial or fully) voluntary or mandatory basis, a preferable option for workers closer to retirement. Introducing annuities will also require establishing a mechanism for transferring periodical payments to eligible survivors in case of death of the insured member. Given the likely preference for lump-sum benefits among migrant workers, at least in the short run, different incentives could be put in place to increase the attractiveness of periodical benefits.

Annuitized benefits must go hand in hand with mechanisms allowing periodical benefits to be payable abroad. This can be achieved either through bilateral agreements with social security administrations in countries of origin, or through private-sector agreements with financial institutions in countries of origin, who could be contracted by the provident fund to administer payments or manage annuitization (more costly).

7. Allow totalization mechanisms to cover the entire period of contributions and maintain rights in the course of acquisition. In addition to the annuitization of benefits, it should be possible for workers with careers spanning multiple countries to accumulate their entitlements or, at least, their contributions. For example, contribution and investment returns accumulated in the provident fund could be transferred to social security institutions in countries of origin, totalized with social security entitlements accrued there. This will be typically achieved through bilateral social security agreements that allow for totalization or the transfer of contributions, or through a mechanism such as the regional clearing house proposed in Section 6.

8. Ease liquidity for (small) businesses, especially during the transition period. Rather than facing EOSI liquidity risks at payout, employers will need to pay monthly contributions to the provident fund, which will affect working capital, especially in the early phase of reforms and for small businesses. This will also crucially depend on the approach taken for the settlement of accrued EOSI rights for past service. To ease the potentially negative effects on businesses, an enhanced provident fund design should contemplate mechanisms to ease liquidity constraints – for example, by providing access to finance on concessional terms during the transition period.

►► To ease the potentially negative effects on businesses, an enhanced provident fund design should contemplate mechanisms to ease liquidity constraints.

55. The fund would typically provide an annuity through a group annuity contract. To enhance the predictability element, conversion could be done annually, so that the pension increased annually.

56. In Sweden, the value of the pension account cumulated in the AP- & provident fund is divided by an annuity divisor that is based on forecasts of future life expectancy. The pension may also include a survivor's benefit for the period of disbursement (ILO, 2019).

57. In Malaysia members of the Employees Provident Fund can take out their savings as a lump sum or on a staggered and basis as required (i.e. members can continue to keep their retirement savings past retirement age and enjoy the annual dividend on their balances) (ILO, 2019).

58. In Australia, retirees can take out all their savings as a lump sum. However, they also get the opportunity to turn some or all their savings into an income stream. The cash component is designed to help settle into retirement and cover income needs and any unexpected expenses for the first 2 years (ILO, 2019).

► **Table 7. Advantages of an “enhanced” provident fund design from perspective of social security standards**

Social security standards		Standard Provident Fund	Enhanced Provident Fund
 <p>General principles</p>	Protection against risks and comprehensiveness in benefits	✗ Typically, PFs do not offer clear and applicable entitlements in case of natural death, disability and for survivors. Most benefits would be claimed upon leaving the country, instead of individual employment termination, but still delinked from old-age contingency.	Extends protection in cases of natural disability or death.* Separates benefits related to short-term unemployment insurance .
	Adequacy of benefits	Limited Highly dependent on contribution levels and length of contribution. No certainty on future benefit adequacy because of uncertainty on individual investment choices and life expectancy.	Aligns contribution rates to the levels envisaged for national workers (employers and employee share).
	Predictable and periodical benefits	✗ Typically, PFs disburse only lump-sum benefits.	Lump sums may be converted into an annuity.
	Solidarity in financing and collective risk pooling	Limited Investment risks are borne individually and typically do not guarantee minimum benefits.	Introduces minimum investment return guarantees and/or minimum benefits.
	Enforceability of rights and accountability	✓ Provided PFs are publicly managed, enshrined in legislation and functioning/ accessible grievance and enforceability mechanisms are in place.	Ensures that PFs are publicly managed, enshrined in legislation, with accessible grievance and enforceability mechanisms in place.
	Responsibility of the State	✓ Provided PFs are publicly managed and functioning enforceability mechanisms are in place.	
	 <p>Principles specific to migrant workers</p>	Equality of treatment	✗ PFs will operate as a parallel system to national social security.
Maintenance of rights in course of acquisition		✗ Lump-sum benefits apply.	Allows contributions to be transferred to social security systems in countries of origin and other totalization mechanisms through bilateral social security agreements (see Section 6).
Maintenance of acquired rights and provision of benefits abroad		Hypothetically yes Where unilateral or bilateral mechanisms are place to pay lump-sum benefits abroad (including to survivors). In practice no, as lump sum benefits are only paid in countries of destination.	Allows payment of annuities in countries of origin through social security or private-sector agreements (see Section 6).

Note: * Includes employment injuries in cases not already covered through other social insurance; inclusion into national social insurance systems is not envisaged.

► **Box 6. Three-pillar pension system in Switzerland**

The Swiss pension system hinges on three pillars: old-age and survivor's insurance, occupational pensions and private pensions.⁵⁹

The first pillar provides basic income security and applies to all individuals working or residing in Switzerland under the scheme *Assurance-vieillesse et survivants* (AVS). Contributions are mandatory and paid equally by employers and employees. Contribution amounts are fixed by law (8.7 per cent in 2020) and the maximum insured annual wage is capped at CHF85,320. This pillar operates as a pay-as-you-go system. A compensation fund managed by an independent public institution ensures payment obligations to beneficiaries can be met despite fluctuations in first-pillar income.

The second-pillar is operated by over 1,500 individual pension funds, jointly funded by employees and employers. This pillar provide old-age, disability and death benefits over and above the AVS. Since 1985, contributions have been mandatory for all employees who receive an annual salary of at least CHF21,330 from the same employer, and voluntary for self-employed workers. At retirement, individuals either can receive their savings as a lump sum or convert the sum into an annuity. The law on occupational retirement, survivors, and disability pension plans stipulates compulsory, and gradually increasing, minimum contribution levels based on four age brackets. In addition to the obligatory contribution levels, employers and employees can make additional voluntary contributions. Second-pillar pension funds are largely free to establish the actuarial parameters that define the accumulation annuitization rates of pension savings. However, the minimum interest rate and minimum conversion rate for the mandatory portion are stipulated by law. In 2018, 90 per cent of Swiss employees had voluntary second-pillar savings, amounting to roughly 60 per cent of all second-pillar assets.

The third pillar applies to individuals' own retirement provisions and contributions are not mandatory.

► **Box 7. The Central Provident Fund in Singapore⁶⁰**

The Central Provident Fund (CPF) covers healthcare, retirement and home ownership. Founded in 1955, the CPF operates a defined contribution system, first designed as a mandatory retirement savings scheme. The fund has since evolved into a comprehensive system that includes saving for retirement, healthcare, financial protection and asset enhancement.

Initially, mandatory contributions from members' monthly wages were channelled into a single account but, over time, this has expanded to four accounts: (1) the Ordinary Account (OA); (2) the Special Account (SA); (3) the Medisave Account (MA); and (4) the Retirement Account (RA). The contribution rate varies according to age, wage band and the employee's citizenship status. The maximum contribution payable is based on a monthly salary ceiling of US\$6,000. Mandatory contributions can be topped up with voluntary contributions.

The OA can be drawn down to purchase homes, service mortgage payments, finance premiums for insurance protection, pay for children's tertiary education, or invest in financial products to grow savings. The SA, introduced in 1977, holds savings primarily for retirement, which cannot be withdrawn before the age of 55. Members can either invest savings with the CPF Board to earn interest, or select a smaller set of lower-risk financial products. Since 2013, it is mandatory for all CPF members to invest their RA savings in life annuities to provide a stream of income from age 65 until death.

In 2019, Singapore hosted around 1.5 million migrant workers, comprising 38 per cent of its labour force according to the Ministry of Manpower. Foreign workers with a work permit fall under the CPF scheme once they become permanent residents of Singapore.

59. McKinsey Switzerland, "Making up lost ground. How Switzerland's second-pillar pension funds can improve their investment performance", 2020. Available at: <https://www.mckinsey.com/-/media/mckinsey/featured%20insights/europe/making%20up%20lost%20ground%20how%20switzerlands%20second%20pillar%20pension%20funds%20can%20improve%20their%20investment%20performance/making-up-lost-ground-full-report.pdf>

60. Benedict. S.K. Koh, "Singapore's Social Security Savings System: A Review and Some Lessons for the United States" (Pension Research Council, Wharton School, University of Pennsylvania, 2014); Ministry of Manpower of Singapore, "Employees Who Require CPF Contributions". Available at: <https://www.mom.gov.sg/employment-practices/central-provident-fund/employers-contributions#:~:text=If%20you%20are%20paying%20the,they%20become%20Singapore%20permanent%20residents.>

► Policy option 3. Including migrant workers in national social security schemes

All GCC countries have in place national social security systems to protect against employment-related risks, such as old age, unemployment, employment injury, disability and death. Mostly, these systems are restricted to nationals, and exclude migrant workers who remain subject to employer-liability mechanisms, such as the EOSI system. There are few noticeable exceptions: in Saudi Arabia and Bahrain, migrant workers participate in the national social insurance system for employment injury and, in Bahrain, migrant workers participate in the national scheme for unemployment insurance. National social security systems also recognize rights to nationals from other GCC countries via the multilateral social security agreement between GCC countries.⁶¹

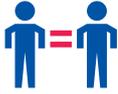
In the GCC, national social security systems are mostly defined benefits schemes⁶² – pay-as-you-go models with generous entitlements compared with global practices and standards, both in terms of benefit adequacy and in terms of retirement conditions. In most cases they receive generous government subsidies, especially for schemes for public servants and uniformed employees. In the context of ongoing demographic transition, the financial burden of underfinanced and overgenerous pension systems has become an increasing concern for countries across the GCC. All GCC countries have, or are embarking on, structural and parametric reforms to improve financial sustainability and inter-generational equity of their pension systems for national workers. A key objective of the reforms is also to reduce the segmentation in social security entitlements between public- and private-sector workers, which hampers labour mobility and lowers the attractiveness of private-sector jobs.

► All GCC countries have in place national social security systems to protect against employment-related risks, such as old age, unemployment, employment injury, disability and death.

61. “The Unified Law on Insurance Protection Extension for Citizens of Gulf Cooperation Council States Working Outside their Countries in Any of the Council Member States” is a multilateral agreement, implemented in 2006. It provides for long-term benefits for old age and retirement, disability, sickness and death of a family member under the social security schemes of GCC Member States. It covers nationals of any GCC Member State, workers employed in another GCC country, individuals subject to the social security legislation of their country of work if they were nationals of that country, and individuals subject to the social security legislation of their country of nationality, if the employment is performed in that country. ILO Social Protection Platform, available at: <https://www.social-protection.org/gimi/gess/ShowWiki.action?wiki.wikiId=938>

62. Eurostat defines defined benefit (DB) schemes as “a pension scheme where the benefits payable to the employee on retirement are determined by the use of a formula, either alone or in combination with a guaranteed minimum amount payable.” Defined contribution (DC) schemes are where the benefits rely on the accumulated contributions from employer and employee made over the working life. The main difference between systems is that the adequacy of benefits is borne by the employee in DC schemes and by the administering entity, or the fund collectively, in DB schemes.

There can be significant advantages with the inclusion of non-national workers in national social security systems in the GCC, including for retirement and other long-term benefits:



Inclusion would align with the principles of equality of treatment and non-discrimination enshrined in ILO core social security Conventions. National schemes offer higher guarantees to all workers in terms of solidarity in financing, benefit comprehensiveness and adequacy of benefits.



From a labour market perspective, aligning contribution rates between migrant and national workers contributes to reducing the pay gap. This can facilitate the transition to a labour market model based on a high-wage/high-productivity paradigm, which will benefit the economy and reduce labour market distortions.



From a societal perspective, opening national social security systems to non-nationals would broaden the risk pool and facilitate solidarity across all segments of society in GCC countries and across generations, curb inequality, and enhance social cohesion and inclusion.



From an institutional perspective, including migrant workers would result in less fragmentation of the institutional architecture of social security systems. This can reduce administrative complexity and improve efficiency because of economies of scale, compared with setting up parallel systems for nationals and non-nationals.

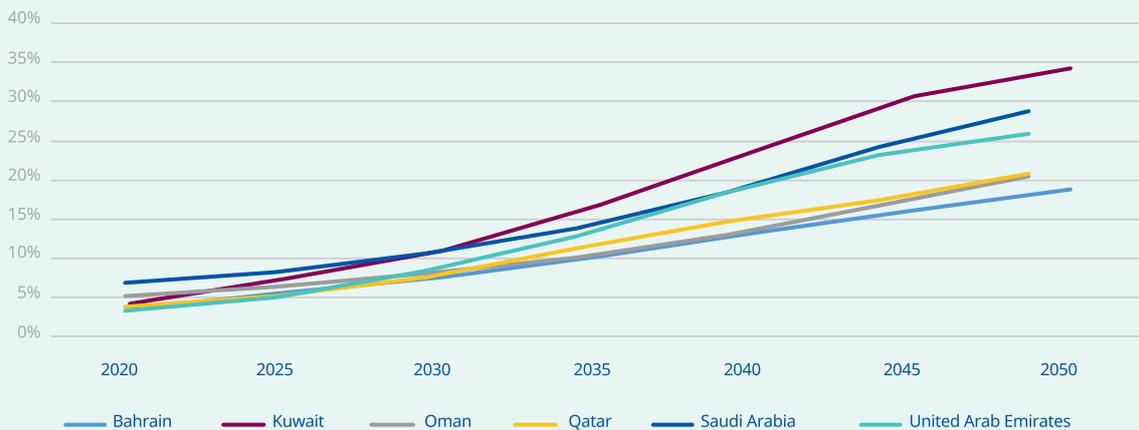


Participating migrant workers in national social insurance schemes can also contribute positively to the financial sustainability of such funds, including to the benefit of national insured members. Broadening the risk pool and insuring a larger share of the working population through a single scheme enhances inter- and intra-generational equity and solidarity, with positive effects for the financial sustainability of pension systems. Given their demographic and risk profiles, migrant workers would positively contribute to the health of national pension system. A similar effect has been observed in many developed countries, where the inclusion of young migrant workers into national social security systems has helped easing the negative impact of ageing on pension sustainability (See Box 8).

► Box 8. Financial implications of including migrant workers in national pension systems

Including migrant workers in social security benefits the financial sustainability of national pensions systems, especially where the population is ageing and migrants represent most of the workforce.⁶³ The old-age dependency ratio in GCC countries is steadily increasing to reach an average of 24 per cent. The ratio refers to the number of persons in old age (65+ years) divided by the number of persons of working age (20–64 years).

Projections of old-age dependency ratio



Countries facing an ageing population have several policy options to maintain the adequacy and sustainability of their pension systems: (1) formalize the informal economy; (2) raise the retirement age; (3) reduce benefits; (4) increase contributions; and (5) include migrant workers in the social security system.⁶⁴ Each policy option has political and social implications. Generally, migrant workers are net contributors to social insurance systems. For example, migrants in Italy in 2016 paid €11.5 billion into the social security system, and added around €130 billion of value or 9 per cent of GDP.⁶⁵ These numbers cannot be directly compared to the GCC situation, since migrants in Italy represent only around 10 per cent of the whole population.

63. United Nations, Department of Economic and Social Affairs, Population Division, World Population Prospects 2019, online edition, rev. 1.

64. ITUC, "Adequacy and Sustainability of Pension Systems in the Context of Demographic Ageing" (n.d.).

65. ITUC (n.d.).

► **Table 8. Including migrant workers in national pension systems: Conformity with social security standards**

Social security standards		Inclusion of migrant workers in national pension systems (NPS)	
 General principles	Protection against risks and comprehensiveness in benefits	✓	NPS provide a broad range of benefits, if separate benefits are in place for unemployment insurance
	Adequacy of benefits	✓	NPS provide general benefits, if parametric and systemic reforms are adopted to ensure long-term financial sustainability
	Predictable and periodical benefits	✓	
	Solidarity in financing and collective risk pooling	✓	NPS are collectively financed, provided that: (a) parametric and systemic reforms are adopted to ensure long-term financial sustainability; (b) a fair mechanism for allocation of government subsidies is established
	Enforceability of rights and accountability	✓	NPS offer administrative and judiciary mechanisms to claim rights
	Responsibility of the State	✓	NPS offer administrative and judiciary mechanisms to claim rights
 Principles specific to migrant workers	Equality of treatment	✓	
	Maintenance of rights in course of acquisition		Depends upon mechanisms for coordination and totalization through social security agreements (see Section 6)
	Maintenance of acquired rights and provision of benefits abroad		Depends upon appropriate unilateral, bilateral or multilateral mechanisms for payment of benefits abroad (see Section 6)

Fully including migrant workers in national social security systems comes with challenges and opportunities in the GCC countries. In pursuing agendas of reform, stakeholders should in particular pay attention to the following key considerations:⁶⁶

1. Accelerate reforms to restore financial sustainability of national pension schemes, while considering the inclusion of migrant workers. It would be problematic to incorporate a large cohort of new workers into an imbalanced system. While this may ease short-term financing challenges through increased contributions, it would lead to an increase in long-term financial liabilities.

66. In addition, matters related to easing liquidity constraints and tightening wage protection mechanism mentioned above for the enhanced provident fund model are also applicable.

Including migrant workers in national pension schemes can pave the way for important parametric reforms, such as the increase in retirement age, using formulas based on career averages and more balanced pension accrual rates, as well as systemic reforms, such as aligning pension systems between public- and private-sector workers.

Similarly, including migrant workers into national social security systems can accelerate the transition towards multi-tiered pension systems, as opposed to the current single pillar pension system design. For example, all workers - regardless of nationality - could participate in a more basic social security system that provides core income security at a lower level than current schemes, and complementary pillars could provide additional income replacement for certain categories of workers. A non-contributory pillar could also be introduced to provide a minimum social protection floor (See box 9).

2. Redefine the role of government financing to national pension systems to focus government subsidies on equity objectives. Pension systems in GCC countries rely heavily on implicit or explicit financial subsidies from government general budget. This will increase in the coming decades as the actuarial imbalance of pension systems is projected to worsen in the absence of radical reforms. In many countries, it may not be politically acceptable to allow migrant workers to enter pension systems that are significantly subsidized from the government.

On the one hand, governments should move away from blanket subsidies to pension systems - which benefit more higher income earners - to more targeted subsidies that enhance equity in pension schemes. These could include the financing of minimum pension guarantees, mechanisms for inflation protection, and pension contribution credits for women, youth or special groups. On the other hand, minimum residency criteria or permanent residency requirements could be linked with eligibility for government-financed features. The gradual introduction of direct and indirect taxation across several countries in the GCC, and the fact that migrant workers will make an increasingly larger contribution to the general fiscal revenue, provide a strong justification.

3. Separate mechanisms for unemployment protection from long-term pension benefits. The EOSI currently performs a dual purpose of providing savings in lieu of old-age, survivor and disability benefits, as well as income support at times of unemployment. Enrolling migrant workers into national pension systems will make employees lose an important source of income security during times of unemployment. It will, therefore, be necessary to establish a separate mechanism to address risks related to short-term unemployment. Ideally, unemployment protection can be addressed separately by ensuring that migrant workers participate in national unemployment insurance funds that are in place in several GCC countries, such as already the case in Bahrain. Ensuring that unemployment insurance benefits are accessible to migrant workers would also require immigration reforms, such as a grace period during which workers could receive unemployment benefit and search for work, in the context of broader reforms to the Kafala system that are being advanced across the region.

4. Provide adequate and fair options of protection for migrant workers exiting national social insurance schemes upon return to countries of origin. In order to avoid unfair cross-subsidization from migrant to national workers, lump-sum withdrawal entitlements for workers exiting national social insurance systems should represent at least the full contributions of workers and employers, plus accumulated investment returns. Moreover, returning workers should be given an option to maintain their participation in national social insurance systems and delay enjoyment of benefits, by converting (part of) the lump-sum compensation into (future) periodical benefits with no or reduced vesting periods.

5. Establish mechanisms for coordination between pension systems in countries of origin and destination. At a minimum, social security institutions in the GCC countries should allow benefits to be paid abroad, through either partner institutions or other arrangements.⁶⁷ Bilateral social security agreements will further facilitate migrant workers to combine periods of eligibility and contributions across multiple countries. Matters of social security coordination could be more effectively managed through a regional clearing house mechanism as proposed in Section 6.

► **Box 9. Covering migrant workers through publicly funded social assistance in GCC countries**

GCC countries can use a variety of measures to ensure universal coverage for migrant workers. Such measures can be financed through contributions (contributory social insurance) or through taxes (tax-financed social assistance). Social protection extension measures encompass a combination of social insurance and social assistance schemes. For example, basic and emergency healthcare for migrant workers can be secured through workers' contributions coupled with publicly financed measures. From the vantage point of equality of treatment, migrant workers should be granted access to social assistance.

Convention No. 102 stipulates that Member States may limit migrant workers' access to social assistance guarantees when financed from public funds. Still, Recommendation No. 202 states that, under the principle of universality, migrant workers should have access to a minimum level of social protection and essential healthcare. However, in practice, such access to social assistance is often conditional of a minimum period of residence.

In terms of old age and disability, multi-pillar pension systems combine different schemes and financing modalities to ensure coverage and adequacy of benefits. In many countries, contributory social insurance pillars are complemented by "Pillar 0" schemes. These are usually publicly financed universal or means-tested pensions, often called the "pension floor". This ensures sufficient income for a life of dignity. This pillar is crucial for the protection of migrant workers, as well as workers in informal employment and other groups de facto excluded from social security, and can reduce the financial burden on contributory Social insurance systems.⁶⁸

Sources: ILO, "Extending Social Protection to Migrant Workers, Refugees and Their Families: A Guide for Policymakers and Practitioners", 2021; ILO, "Securing Social Protection for Migrant Workers and Their Families: Challenges and Options for Building a Better Future", GB.344/POL/1, 2022.

67. Bilateral or multilateral social security agreements are not required to provide for payment of benefits abroad. For example, old-age pension benefits administered by the Jordanian Social Security Corporation can be paid to Jordanian nationals living abroad in the absence of any bilateral agreement.

68. ILO, "The ILO Multi-Pillar Pension Model: Building Equitable and Sustainable Pension Systems". Available at: <https://www.social-protection.org/gimi/RessourcePDF.action?id=55234>



► 7. Tackling social security coordination: A regional social insurance clearing house for migrant workers in the GCC

None of the EOSI reform options presented in the paper is sufficient by itself to ensure that migrant workers have access to long-term social protection benefits in their country of origin. Regardless of the reform approach adopted, migrant workers' effective access to social protection will crucially depend on whether social security coordination mechanisms are in place to allow: a) the enjoyment of periodical old-age, disability and survivors benefits upon return in countries of origin, and b) the totalization of periods of contributions across multiple countries.

Bilateral and multilateral social security agreements are effective policy options for extending social protection to migrant workers and are essential for guaranteeing the portability of entitlements. In 2020, there were 660 social security agreements worldwide, an increase from around 100 in 1980. Such agreements can encourage migration through regular channels, as workers seek employment in the formal economy to benefit from social protection.⁶⁹ Including social protection provisions in bilateral labour agreements can also extend some level of protection to migrant workers. Social protections afforded to migrant workers under bilateral labour agreements depends on national legislation and other relevant agreements between states as well as the particular social security branches and groups of migrant workers covered by the agreement.⁷⁰

660

social security
agreements worldwide
in 2020, an increase from
around 100 in 1980

Currently, there are no bilateral social security agreements between GCC countries and other countries, except for the GCC multilateral agreement. However, GCC countries have concluded several bilateral labour agreements with relevant origin countries, and it would be possible to extend such agreements to address social security coordination, or develop dedicated bilateral social security agreements, if this were in the mutual interest of both parties and there is sufficient political will.

However, establishing such agreements can be politically, legally and administratively complicated. All GCC governments would have to conclude separate bilateral agreements with a significant number of origin countries. Given that migration flows to the Gulf tend to be unidirectional, destination countries may not be motivated to pursue such an approach. Moreover, it may not be possible for countries of origin

to have a reciprocal social security agreement with GCC countries given that the latter do not offer coverage to migrant workers on terms of equality of treatment into national schemes.

Bilateral agreements in their typical form are therefore unlikely to be the means of coordinating social security for migrant workers in the GCC in the short run. Multilateral social security agreements operating at regional level have been successful in extending protection to migrant workers in more effective manner, such as in the European Union and in Latin America, where several regional agreements have been concluded, as well as the multilateral agreement for GCC nationals.

►► Multilateral social
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extending protection to
migrant workers in more
effective manner.

69. ILO, "Securing Social Protection for Migrant Workers and Their Families", 2022.

70. *Ibid.*

Against this backdrop, this section explores the creation of a regional social insurance clearing house (SHIC) as an effective and efficient solution to coordinate social protection rights of migrant workers amongst GCC countries and between GCC countries and countries of origin. Similar to what is currently in place for the implementation of the intra-GCC multilateral social security agreement, the SHIC would provide a platform for multilateral regional coordination on matters of social protection for migrant workers.

Participating GCC countries would delegate to the SICH the negotiation and administration of matters of social security coordination with countries of origin through a single and unified channel, based on a set of commonly agreed principles and objectives.

As a primary focus the SICH would seek to conclude social security agreements with social security institutions in countries of origin. Such agreement would aim to facilitate a combination of the following issues: (a) Payment abroad of annuities or periodical benefits to which migrant workers are entitled under a national provident fund or social security system across all GCC countries in which they have worked; (b) Totalization of periods of contribution across all GCC countries, as well as countries of origin, for purpose of eligibility to long-term benefits; (c) Transfer to social security institutions in countries of origin the contributions or entitlements corresponding to long term benefit that have been accumulated under a national provident fund or social security system across all GCC countries in which they have worked, (d) Payment of regular contributions on behalf of migrant workers into social insurance schemes in countries of origin to the benefit of migrant workers as well as their family members (e.g. for benefits such as health, maternity, and child benefits).

If it is not possible for the SICH to pursue a social security agreement – for example where there is no functioning social security system in the country of origin -, the SICH could also: (a) combine entitlements and contributions paid on behalf of migrant workers in national provident funds or social security schemes across all GCC countries in which they have worked, and (b) administer disbursement of benefits, as either a lump sum or annuity, including via banks or other financial institutions in countries of origin.

For GCC countries that have not reformed their EOSI system, and have no national provident fund or pension system for migrant workers, the SICH could: (a) receive contributions directly from employers (and employees), and administer those into a single individual accounts and (b) administer disbursement of benefits, as either a lump sum or annuity, including via banks or other financial institutions in countries of origin.

Moreover the SICH would collect the data required by social insurance schemes for migrant workers' records and handle data-sharing arrangements with countries of origin. This would also include administering, through a single mechanism, all matters related to identifying eligible survivors in cases where the insured member dies.

The establishment of a regional mechanisms for social security coordination such as the SICH would benefit both countries of origin and destination. For GCC governments, a more effective and streamlined regional mechanism for social security coordination would reduce the administrative burden and cost of developing and maintaining a large number of bilateral social security arrangements. Portability and exportability of social security benefits would also incentivize safe and orderly migration flows and the return of the migrant workers to their home countries. For countries of origin, mechanisms for coordinating social security through the SICH would help national workers access periodical and adequate benefits upon return, and shift the burden from unilateral and publicly financed social insurance schemes.

►► The establishment of a regional mechanisms for social security coordination such as the SICH would benefit both countries of origin and destination.

SYSTEM OF COLLECTION & CONSOLIDATION



collect contributions of migrant workers across all CoDestination institutions



or directly from employers



Combine contributions paid on behalf of migrant workers across countries of destination

CoDestination 1
SS institution

CoDestination 2
SS institution

CoDestination 3
SS institution

CoDestination 4
SS institution

CoDestination 5
SS institution

CoDestination 6
SS institution

Or directly from employers
in CoDestination

Regional
Social Security
Insurance
Clearing
House

CONCLUDING SOCIAL SECURITY AGREEMENTS



ensure totalization of periods of contribution

Personal Social Insurance Number Use

SYSTEM OF PAYMENT

CoOrigin 1
SS institution



pay periodical benefits
abroad via banks or
financial Institutions

CoOrigin 2
SS institution



pay periodical benefits
abroad via social security
institutions

CoOrigin (n)
SS institution

Or financial
institutions
in CoOrigin

AGREEMENTS WITH COUNTRIES OF ORIGIN



pay and remit contributions to social
security institutions in countries of origin

► Box 10. Unilateral schemes of countries of origin

The development and implementation of unilateral measures by origin or destination countries is another option to extend social protection to migrant workers and their families. If the country of employment excludes non-nationals from its social security system because of a lack of bilateral or multilateral social security agreements, or where coverage provided by such agreements is limited, countries may implement contributory or non-contributory measures unilaterally.

Countries may allow nationals working abroad to join or retain membership in a general social protection scheme on a mandatory or voluntary basis. For example, the Philippines provides social security coverage to overseas Filipino workers through voluntary insurance under the social security system (SSS), the supplementary pension savings fund (SSS Flexi-Fund) and the Overseas Workers Programme of the Philippine Health Insurance Corporation (PhilHealth). The SSS provides social security insurance with disability, sickness, maternity, retirement and death (including funeral expenses) benefits.

Schemes may be restricted to certain groups of workers (e.g. self-employed, independent or migrant workers). However, such schemes are limited when compared with schemes that include all workers in a general social protection scheme.

Specific mechanisms, such as a welfare fund, can be used to provide certain social protection benefits and facilitate registration with established general or specific schemes. The Philippines did so in 1977, followed by Bangladesh, Pakistan, Sri Lanka, Nepal and India. However, social protection benefits are often limited in terms of both scope and level.

Unilateral measures cannot substitute for national social security systems in terms of equality of treatment. They are often voluntary, solely financed by workers, exempt employers from liability and provide limited coverage with a limited range of benefits. These schemes are a complementary mechanism of last resort to fill minimum protection gaps for migrant workers and their families.

► 8. Conclusion

Following the COVID-19 pandemic, there is now widespread acceptance that comprehensive social protection systems are essential for social and economic stability, to support recover and build resilience to future crises. Extending social protection to migrant workers and their dependents would benefit individual workers and their families, their communities and broader society, as well as helping maintain economic growth and social cohesion.

While social security schemes for GCC nationals are in line with international social security standards, non-nationals are not equally treated, with sub-standard, limited social protection. Migrant workers are rarely covered by social insurance or social protection assistance programmes while working in a GCC country and may lose their rights and entitlements when moving across borders.

This policy note illustrates the shortfalls of the current EOSI system in light of core international social security standards, especially from the perspectives of comprehensiveness, adequacy, predictability of benefits, and solidarity in financing and the enforceability of rights. EOSI systems do not abide by the principles of equality of treatment, maintenance of rights in the course of acquisition, or provide benefits overseas.

International social security standards provide a valuable compass for orienting further discussion of EOSI policy options. The ratification and implementation of relevant international labour standards would be a seminal step towards ensuring the universal enjoyment of social protection rights. Unilateral measures, including social protection floors, can help address most pressing humanitarian needs of migrant workers and their dependents. However, sustainable changes can only be achieved by reforming national social security systems across the GCC, with a view to progressively removing existing barriers to equality of treatment.

Solutions based on private pensions or individual savings accounts on a voluntary basis, or only for a small cohort of white-collar workers fall short of key international social security standards, including benefit adequacy, predictability and solidarity in financing. They also fail to address the problem of unequal treatment between nationals and non-nationals. A public national provident fund that collects and manages mandatory employer contributions, would guarantee, at least, some improvements with respect to the enforceability of rights and recognition of the State as the guarantor of social security rights, compared to the current EOSI scheme.

This paper recommends that GCC countries consider the adoption of an enhanced national provident fund model as an initial step to ensure progressive alignment with core social security principles. Compared to a traditional provident fund design, it would cover a more comprehensive range of risks and contingencies and a wider range of employment arrangements, including workers who tend to be excluded from the labour codes such as domestic and agricultural workers. It would also deliver improved solidarity through minimum guarantees, higher contribution rates to enhance adequacy, predictability of benefits through annuitization of lump-sum benefits and payment of benefits abroad. One key aspect to consider is to balance flexibility in responding to workers' needs during their working life while preserving income protections against core social security contingencies, especially old age.

►► This paper recommends that GCC countries consider the adoption of an enhanced national provident fund model as an initial step to ensure progressive alignment with core social security principles.

Fully including migrant workers in national systems of social security is the only option that that conforms to social security standards and the international principle of equality of treatment. In considering this route, GCC governments should accelerate reforms to restore financial sustainability to national social security systems, redefine the role of public subsidies to national pension systems, separate mechanisms for unemployment protection from long-term pension benefits and ease liquidity for (small) businesses, especially during the transition period.

Under any scenario, complementary measures to address the practical obstacles to migrant workers' access to social protection, enhance transparency and ensure good governance will also be critically important to build necessary trust in the system. These should include simplified administrative procedures, accessible information in a range of languages, effective complaints and appeal mechanisms, reinforced labour inspection and monitoring, coherence with employment, fiscal, migration and other policies, regularization campaigns and formalization strategies.⁷¹

Finally, the paper recognizes the complexity of ensuring the maintenance of acquired rights and rights in the course of acquisition. Bilateral and multilateral social security agreements, including social security provisions in bilateral labour market agreements, are critical for coordination between origin and destination countries. Standard bilateral agreements will probably not solve social security coordination issues for migrant workers in the GCC in the short run.

The paper explores the idea of creating a regional social insurance clearing house (SICH) as an effective and efficient solution to coordinate social protection rights of migrant workers amongst GCC countries and between GCC countries and countries of origin. Similar to what is currently in place for the implementation of the intra-GCC multilateral social security agreement, the SHIC would provide a platform for multilateral regional coordination on matters of social protection for migrant workers. As a primary focus the GCC-SICH would seek to conclude social security agreements with social security institutions in countries of origin, through a single and unified channel, based on a set of commonly agreed principles and objectives.

GCC countries face a unique window of opportunity for reforming EOSI schemes in light of shortcomings highlighted during the COVID-19 and are now at a crossroads. On the high road, reforms options aiming to progressively extend social protection provisions to migrant workers in line in international social security standards will unlock potential for social and economic transformation in GCC countries and countries of origin. On the low road, further segmentation between migrant and national workers social protection entitlements will deepen structural challenges that hamper GCC development model, and shift the burden of protection onto migrant workers, their families and their countries of origin. The identification of suitable and sustainable reform pathways requires an inclusive process of dialogue that should involve both origin and destination governments, social security institutions, workers, and employers' organizations. Crucially for the success of this process, it should reflect the vantage point of migrant workers, to assess and understand their perceptions, priorities and preferences in exercising their fundamental right to social protection.

►► GCC countries face a unique window of opportunity for reforming EOSI schemes in light of shortcomings highlighted during the COVID-19 and are now at a crossroads.

71. ILO, "Securing Social Protection for Migrant Workers and Their Families", 2022.

► Appendix - Frequently asked questions: Key features of an “enhanced provident fund model” for migrant workers in the GCC

► What risks and contingencies should the provident fund cover?

At a minimum, the provident fund should provide benefits in the case of old age, natural disability and death of insured migrant workers. In countries where employment injury benefits are financed as an employer liability and there is no prospect for migrant workers to be covered under national social insurance, the provident fund could also be extended to cover employment-injury compensation. (see question below on unemployment protection)

► What should be the appropriate level of contributions to the provident fund? Should contributions be mandatory or voluntary?

The system should be mandatory, at least for the portion corresponding to the employer contribution, and in line with mandatory elements of the current EOSI scheme. The recommended level of contributions should be at least equal to the employer contribution for national employees in the national social security system, so to avoid any labour market asymmetry. In addition, voluntary or mandatory contributions from workers should also be permitted, gradually moving to full equality in total social security contribution rates between national and migrant workers.

► Which categories of migrant workers should be covered?

All migrant workers in a regular situation should eventually be covered without discrimination. The provident fund should be extended to also cover workers in more vulnerable forms of employment, such as workers on free visas, temporary and seasonal employees, part-time employees and those employed in the domestic, agriculture, fisheries, tourism and construction sectors, where enforcement of social security obligations is, typically, more challenging. A well-functioning provident fund can act as an incentive to migrate through regular channels to work in the formal economy.

► What should be the key eligibility conditions for provident fund benefits?

Eligibility requirements, conditions and eligibility determination processes for old-age, disability and death benefits should be aligned with those in place for workers covered under national social security systems, at least in terms of retirement age and definition of eligible beneficiaries.

► **What options should be given to migrant workers leaving the country “indefinitely”? Should there be an alternative to lump-sum benefits?**

Instead of receiving a lump-sum benefit, migrant workers should be given an option to either: (a) transfer (part of) their entitlement to the social security system in countries of origin, through mechanisms established via unilateral, bilateral or multilateral social security agreements, such as the proposed SICH; or (b) delay receipt of (part of) their entitlement upon retirement or other contingencies, and opt to receive periodical benefits through annuitization of the benefit. Mandatory conversion of lump sums into periodical benefits could be considered for workers in specific situations (e.g. close to retirement age). For workers changing from one GCC country to another, a SICH could allow entitlements to be totalized across different periods of work and across GCC countries.

Given the likely preference for lump-sum benefits among migrant workers, at least in the short run, incentives could be put in place to make periodical benefits more attractive. For example, pensioners could be given the option to combine a partial lump sum with a pension.

► **Should the provident fund offer any guarantees regarding the benefit levels?**

Effectively, provident funds work like individual saving accounts. However, in order fulfil a minimum level of solidarity across generations, especially given volatility in financial markets, an enhanced provident fund should ensure minimum benefit guarantees. These can take two forms: (a) minimum investment return guarantees (e.g. ensuring investment returns on contributions are at least in line with price/wage inflation levels or a standard/statutory investment return rate); (b) minimum benefit amounts (e.g. ensuring benefits cannot be lower than current EOSI entitlements), or by introducing minimum pensions for periodical benefits or a minimum annuitization factor. Financing such guarantees will require dedicated funds to collectively finance the risk across generations.

Where the provident fund provider offers absolute or relative guarantees of performance, it will need to have enough capital to honour these promises, regardless of economic circumstances. Since the guaranteed return floor must be funded, whether through different, less volatile, asset allocations, or through financial instruments to protect against downside risks or otherwise, those options reduce the expected value of benefits over the long term compared with funds without such a guarantee.⁷² This may be not desirable for provident funds that operate as complementary pillars or as part of multi-pillar systems that also provide a defined benefit and core pillar financed through solidary means. In the case of migrant workers in GCC countries, provident funds would represent the core pillar of a pension system. Hence, the objectives of minimum risk containment and solidarity in financing should take priority over concerns of maximizing investment performance.

► **When should migrant workers be allowed to withdraw from the provident fund?**

Contributions made to the fund should be linked to social security contingencies (e.g. retirement, death, disability) and not to be considered as any other form of savings. The primary purpose of social security should be preserved.

Other provident funds (or provident-like funds) have different types of arrangement for individuals to take out part (or all) of their saving for worthy causes.⁷³ This “leakage” from

72. ILO, “Recommendations on the Establishment of the Workers’ Support and Insurance Fund in Qatar”, 2019.

73. Such as in Malaysia and New Zealand.

core social security objectives will ultimately lead to lower retirement income and has been identified as a key challenge in countries with these types of options. Using some of the funds (under a special set of rules) for a limited set of specific purposes (e.g. repaying mortgages and/or starting a business) could be considered, with the caveat that this will ultimately reduce their retirement income. Hence, any options created for early withdrawals should be approached in a cautious way.

► **Should family members of the insured worker also receive benefits?**

Yes, at least in case of natural death of the insured member before leaving the GCC country. Introducing annuities could also involve mechanisms for transferring periodical payments to eligible survivors in case of the death of the insured member after leaving the GCC country. Both require the establishment of reliable mechanisms for identification and disbursement of benefits to eligible survivors, who will likely reside in countries of origin.

► **What mechanisms should be put in place to ensure exportability and portability of benefits? How should a provident fund coordinate with social security system in countries of origin?**

Offering periodical benefits – through annuitization - must go hand in hand with mechanisms allowing periodical benefits to be payable abroad. This can be achieved either through bilateral agreements with social security administrations in countries of origin, or through private-sector agreements with financial institutions in countries of origin, who could be contracted by the provident fund to administer payments or manage annuitization (more costly).

In addition to the payment of benefit abroad, it should be possible for workers with careers spanning multiple countries to accumulate their entitlements or, at least, their contributions. For example, contribution and investment returns accumulated in the provident fund could be transferred to social security institutions in countries of origin, totalized with social security entitlements accrued there. This will be typically achieved through bilateral social security agreements that allow for totalization or the transfer of contributions, or through a mechanism such as the regional clearing house proposed in this paper.

► **Who should administer the provident fund?**

To effectively protect workers' rights, accountability and access, it is critical that the provident fund is administered by a public institution. Entitlements, obligations and appropriate channels to access information, manage grievances and complaints should be established by law.

In line with international social security standards and best social security practices, such as those established in the International Social Security Association's (ISSA) guidelines, the governance of the institution administering the provident fund should represent both workers and employers contributing to it.

Ideally the provident fund would be administered as a special scheme under existing national social security institutions, such as the scheme proposed in Oman. This would capitalize on existing practices, capacity and expertise, and favour alignment and future deeper integration within a single national social security system.

▶ **What role do private-sector financial institutions play in a provident fund?**

Private financial sector actors, such as banks and other financial institutions, can play an important role in managing the investment side of the provident fund, but should operate under mandate and regulation of the public institution responsible for the administration of the fund. The administration should remain under a public institution and the provident fund should be constituted through one single risk pool.

A model where EOSI contributions would be directly managed separately by (several) private financial institutions differs from the provident fund model proposed here for several reasons: (a) it does not deliver improved accountability to workers, who would remain exposed to risk of non-compliance and dealing with financial institutions with poor enforceability of individual rights; and (b) it would lead to inefficiencies and inequities by fragmenting the risk pool, thereby further reducing solidarity (i.e. different investment returns achieved by different financial providers) and increasing management costs, leading to reduced benefits.

▶ **What happens to past EOSI entitlement?**

The requirement to contribute to the provident fund would apply prospectively from the time the new system is adopted. To gradually phase out pre-existing EOSI rights, a specific plan would need to be developed for employers with long-serving staff, including a mechanism to gradually liquidate past accrued entitlements, or transfer them to the provident fund, with due consideration to liquidity, especially for small businesses.

▶ **What will happen to short-term unemployment protection if the EOSI system is discontinued?**

It will be necessary to establish a separate mechanism to address risks related to short-term unemployment. Ideally, unemployment protection can be addressed separately by ensuring migrant worker participation in national unemployment insurance funds (already in place in several GCC countries). Alternatively, a separate portion of provident fund contributions could be allocated to short-term unemployment insurance, which would be cashed out at employment termination, separate from the portion for long-term risks.

▶ **How can the transition to the new system be facilitated, especially for employers?**

It will be important to introduce mechanisms to mitigate negative cash-flow implications for businesses that use EOSI reserves as working capital. To ease negative economic effects on businesses, an enhanced provident fund design should contemplate mechanisms to ease liquidity constraints; for example, by providing alternative mechanisms to access finance on concessional terms during any transition period.

