

Social Security Agreement & Global Service of NPS

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Social Security
Agreement
&
Global Service

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I

Necessity of SSA



01 | Meaning of SSA

I. Necessity



“Social Security Agreement?”

Social Security Agreement is a **treaty** regulating the relationship between the contracting countries **in the field of social security**.

Its purpose is **to solve the problem of unfavorable conditions** being placed upon foreigners or beneficiaries residing abroad by the public pension system of the countries concerned.

Unfavorable conditions mentioned above are as follows

- **Exclusion from the pension schemes in both countries** (home and host countries)
- **Dual coverage for detached workers or the self-employed working abroad**
- **Failure to meet the minimum eligibility requirements due to divided careers** between their home and host countries
- **Reduced or unpaid pension benefits**

02 | I. Necessity Necessity of SSA



Case of Korea

- **Detached workers : 87 countries, 49,145 workers (as of 2016)**
 - China (13,240), Viet Nam (13,062), USA (2,168), Indonesia (1,777), Cambodia (1,021), Singapore (978), Saudi Arabia (966), Japan (626), others (15,307)
- **Koreans in foreign countries : 194 countries, 7,422,242 people (as of 2017)**
 - China (2,542,620), USA (2,492,252), Japan (818,626), Canada (240,942), Uzbekistan (181,077), Australia (180,004), Russia (169,680), others (797,041)



Unfavorable conditions before the SSA

- Mr. Kim, who has worked for 8 years in the USA and paid USD 122,400 for social security taxes, does not fulfill the minimum coverage period for the US pension and therefore he is ineligible to receive pension.
- Ms. Kim, who had worked at a hospital in Germany from 1970 to 2000, received EUR 1,000 as old-age pension from Germany.
 - After she returned to Korea in 2001, the German pension decreased to EUR 700. (30% being deducted)



02 | I. Necessity Necessity of SSA



Case of Asian countries

- Asians working abroad
 - Viet Nam (500,000), Malaysia (620,000), Indonesia (193,007), Sri Lanka (1,800,000), Thailand (153,264), India (200,000 in USA in the IT industry alone)
 - Asians in foreign countries
 - Viet Nam (4,500,000), Malaysia (1,000,000), Indonesia (4,300,000), Thailand (2,700,000)
- * Source : Questionnaire for Workshop (2017. 6)



Unfavorable conditions before the SSA

- Asian workers have difficulties in receiving pension benefits from foreign countries because their insured periods are usually less than 10 years.
- If one becomes eligible for pension in another country, but returns to his/her home country, the pension can be reduced or unpaid to his/her homeland.



02 | I. Necessity Necessity of SSA



Elimination of Dual Coverage

To reduce the financial burden on detached employees or self-employed persons working abroad who would otherwise have to pay social security contributions in both countries.

Improvement of Benefit Eligibility

To meet the requirements for benefit eligibility through totalization of insured periods and to ensure that foreign workers are treated equally with nationals of the contracting country.

Permission for Overseas Remittance

To guarantee that benefits are remitted overseas without restrictions even if beneficiaries stay or reside in the other contracting country.

Improvement of Investment

To help domestic corporations expand abroad and simultaneously create a business-friendly environment which will encourage more foreign-based multinational companies to invest in Korea.



1 Elimination of Dual Coverage

- A person, employed in Korea (monthly earnings of USD 4,000), is sent by his/her employer to Germany for five years :

Before the SSA

- Public Pension contributions for him/her (per year) : USD 13,392
- Korean Pension contributions (9% of monthly earnings) : USD 4,320
- German Pension contributions (18.7% of monthly earnings) : USD 8,976



After the SSA

- Exemption from German Pension contributions
- USD 8,976 (a year), USD 44,880 (5 years)

* 68,731 detached workers are exempted USD 3.0 billion. (as of 2017)



04 Improvement of Benefit Eligibility

2 Improvement of Benefit Eligibility

- A person has completed 5 years of insured periods under the Korean pension scheme and 9 years under the U.S. Social Security program,

Before the SSA

- No eligibility for the US Old-age pension in spite of the 9 years of contributions to the US pension system



After the SSA

- The insured periods of both countries are totaled, and he/she can receive pension benefits from both countries.
- Old-age pension from Korea (USD 200/month, from 5 year-periods)
- Old-age pension from USA (USD 250/month, from 9 year-periods)

* 3,426 Koreans receive SSA benefits, USD 11.8 million per year



05 | Permission for Overseas Remittance

3 Permission for Overseas Remittance

- A person who had been a resident in Australia and changed his/her residence to Korea

Before the SSA

- The person was not eligible for Old-age pension under the Australian legislation due to his/her residency in Korea.



After the SSA

- The person is allowed to claim and receive an Australian pension while residing in Korea.

Countries that restrict benefits to overseas resident

- Canada, Australia, Netherlands, Denmark : restrict 100%
- Germany : pays only 70% : benefits are not raised
- USA : does not pay survivor's benefits and spouse benefits



Improvement of Investment Environment

4 Improvement of Investment Environment

- The SSA reduces the financial burden on detached employees and employers.
 - The SSA also helps domestic companies expand abroad, and creates a business-friendly environment for the investment of multi-national companies.
- A Canadian company is doing business in Korea with 100 detached workers, the SSA reduces National Pension contributions by USD 442,000 per year.

***ILO C118- Equality of Treatment Social Security Convention(1962) and C157 - Maintenance of Social Security Rights Convention(1982) recommend the Equal Treatment and Establishment of International System(SSA) for Maintenance of Rights in Social Security of the migrant workers.**



II

Types of SSA





01 | Contribution-only Agreement

❖ SSA which provides only for elimination of the dual coverage requirement

- Provisions concerning benefits such as totaling the insured periods, protection for entitlement to benefit, equal treatment, and payment of lump-sum refund are generally not included.

Contribution-only agreement (10 countries)



Iran



U.K



Netherlands



Japan



Italy



Uzbekistan



Mongolia



China



Switzerland



Chile

02 | II. Types Totalization Agreement

❖ SSA which includes provisions on totalization of insured periods between two countries as well as elimination of dual coverage

- In principle, Korea prefers a totalization agreement to a contributions-only agreement for the protection of benefit eligibility.

Totalization agreement (26 countries)



Canada



U.S.A



Germany



Hungary



France



Australia



Czech



Denmark



India



Spain



Turkey



Brazil



Ireland



Belgium



Poland



Slovakia



Bulgaria



Romania



Austria



Finland



Quebec



Sweden



Philippines



Peru



Slovenia



Luxembourg

Multi-lateral Agreement



03 | II. Types

Multi-lateral Agreement



EU-Regulations (1971, 32 Countries)

- To allow free movement across member states and promote sustainability of social security
- Coverage : the law of the income-earning country applies; as an exception, for short-term (less than 2 years) detached workers, home country's law applies
- Totalization of coverage : totalization of periods in member states
- Overseas remittance of benefits : no limits on remittance across member states

Ibero-American Convention (2007, 14 Countries)

- To promote sustainability of social security rights for workers moving across countries
- Coverage : the law of the income-earning country applies; as an exception, home country's law applies to short term (1 yr. +1 yr.) workers
- Totalization of coverage : totalization of periods in member states
- Overseas remittance of benefits : no limits on remittance across member states





III

History of SSA



01 | History of SSA in Korea

Received letter from Korean Chamber of Commerce in NY(1993. 3)

- Proposal for Concluding the Social Security Agreement between Korea and USA
 - Korean worker dispatched to USA were required to pay double social security contribution
 - But, they could not receive any social security benefits from USA because there is no Social Security Agreement between Korea and USA

Composition of Social Security Agreement Promotion Team (1993. 9)

- Composition : Officials of the Ministry of Foreign Affairs, Health and Welfare, Labor and NPS
- Amendment of National Pension Act(1998. 5)
 - Compulsorily covered of foreign workers
- Selection of the priority country for concluding SSAs : NPS designed DREAM analysis method
 - Detached workers, Residents in Foreign countries, Easiness of agreement, Attitude of counterpart, Magnitude of Policy

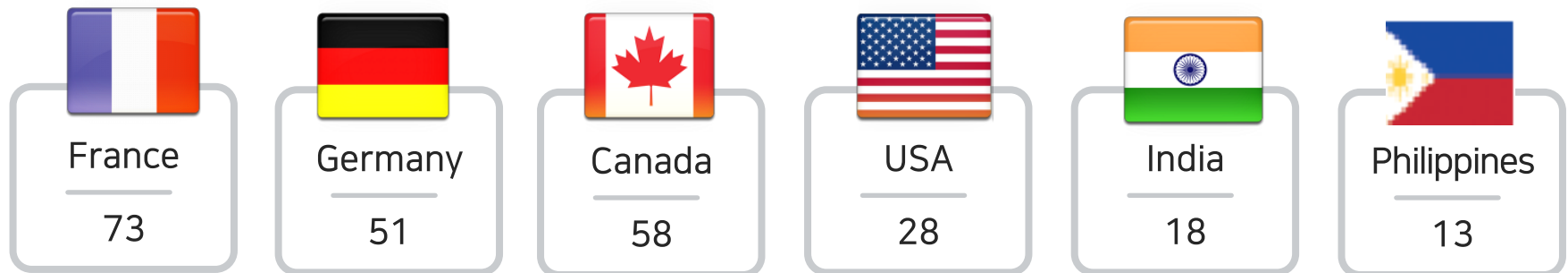


01 | History of SSA

Commencement of the concluding the SSA (1996 ~ 2018)

- 1970s : Iran(1978), 1990s : Canada(1999)
- 2000s : England(2000), USA(2001), Germany/China/Netherlands(2003), Japan/Italy(2005),
- Uzbekistan(2006), Mongolia/Hungary/France(2007), Australia/Czech(2008),
Ireland/Belgium(2009)
- 2010s : Poland/Slovakia/Bulgaria/Romania/Austria(2010), Denmark/India(2011), Spain(2013),
- Switzerland/Turkey/Sweden/Brazil(2015), Quebec(2016), Chile/Finland(2017)
- Signed : Philippines(2005), Peru(2017), Slovenia/Luxembourg(2018)
- Under negotiation : Viet Nam(agreed), Norway, Russia, New Zealand, Uruguay, Croatia, Algeria

SSA in other countries





IV

Global Service of NPS





01 | Meaning of global Service

“What is Global Service?”

Global Service aims to provide **customized service for foreigners including the insured persons and beneficiaries**, to provide information on NPS at the same level of benefits as nationals



**2.18 million
foreigners**



**285,000
Insured persons
from 133 countries**



**8,372 beneficiaries
from 60 countries**

02 | Types of Global Service

❖ NPS provides a full range of services to insured foreign nationals from entry into Korea to return their home country



Entry

Educational services for newcomers to Korea



Stay

- **Foreigner Consulting Center**
- **On-site consulting Service**
- **Multi-lingual websites**



Departure

Lump-sum Refund payment services at the Incheon Airport Service Center



Home country

Lump-sum Refund service through MOUs



02 | Types of Global Service



1 Educational Services

Mission : Giving information on NPS

- NPS staffs and foreign consultants visit 3 educational organizations 4 times a month and provide information on **coverage, contribution, benefits** of the National Pension

2 Foreigner Consulting Center

Mission : Providing the convenience of in-person communication

- 4 International Centers(in Seoul, Ansan, Busan, Incheon) provide counseling on NPS, Claims of pension, issuance of the certificate, etc.
- 9 foreign consultants providing 8 native languages (**English, Chinese, Indonesian, Thai, Filipino, Russian, Mongolian & Uzbek language**)

02 | Types of Global Service



3 On-site Consulting Service

Mission : Solving the constraints of Time and Space to visit the NPS offices

- NPS staff visit the locations with high concentrations of foreign nationals, festivals, and embassies of foreign countries in Korea on Sundays or holidays and operate on-site counseling services

4 Multilingual Website

Mission : Solving the constraints of Time and Space to visit the NPS offices

- Providing website with 5 languages (English, Chinese, Indonesian, Thai, Mongolian language)
- Multilingual Website visitors in 2017 : 224,065 people

02 | Types of Global Service



5 At-airport payment system

Mission : Helping foreigners who are departing Korea

- Provision of a lump sum refund in cash at the Incheon International Airport office of NPS before departing from Korea
- Number of Beneficiaries / Amount in total : 31,423 person / 152 million US\$

6 Payment of Lump-sum Refund through MOU

Mission : Helping departing foreigners without application for a lump-sum refund

- Countries signed MOU : Thailand, Indonesia, Mongolia, Uzbekistan, Sri Lanka, Kyrgyzstan
- Number of Beneficiaries / Amount in total : 12,367 person / 19 million US\$

03 International Cooperation Programs



1 The Annual Training Course on Public Pension

- 5 days training course, co-organized by OECD, UN ESCAP, MOHW, NPS
- 20~25 Government officials & pension professionals from countries in A/P
- Costs are covered by OECD and NPS

2 Study Visit at the NPS

- NPS receives delegates from individual countries to provide tailored training programs in order to meet their needs
- 100 ~ 150 Government officials & pension professionals from 10 countries a year

3 On-Site Consulting Visit by the NPS

- NPS offers on-site, tailored consulting services by sending competent delegates to individual countries

03 International Cooperation Programs



4 Dispatch of Korean Senior Experts

- The Korean government has set up a Korean Senior Experts to dispatch Korean experts to countries around the world
- Costs are covered by the Korean Government

5 Expanding Training Programs

- NPS plans to contribute to the introduction and expansion of the pension scheme around the world by utilizing ASEAN Cooperation Fund, as well as Knowledge Sharing Program and Official Development Assistance Programs

To apply and for inquiries:

Contact the Center for International Affairs
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Thank You

