

## THE SIMULATION EXERCISE

The evidence collected during the project has been applied to concrete cases in order to verify whether discriminations might arise for mobile workers moving from Czech Republic, Hungary, Poland and Romania to Italy, due to the peculiarities of the national social security systems and to the rules for computing mobile workers pensions according to the EU regulations. This aim was achieved by identifying around fifty representative biographies (workers' typologies) of mobile workers moving to Italy from their country of origin, and then (alternatively) coming back or settling down. Biographies differ as regards the time span spent in the different countries and the characteristics of the Italian working period. Entitlement to pension benefits for these representative individuals was simulated and studied, in order to verify, comparatively, which differences emerge among different countries. Moreover, the advantages/disadvantages deriving from the decision of "not moving" was simulated for these representative individuals. Limits to external portability of welfare benefits (i.e. among different countries) was thus identified. The results of the simulations exercise for each participating country can be consulted and downloaded from the project website at the following address:

[WWW.INPS.IT](http://WWW.INPS.IT) > [INFORMAZIONI](#) > [SOCIAL SECURITY ON THE MOVE](#) > [ENG](#) > [SIMULATIONS](#)



DG Employment, Social Affairs and Inclusion

**INPS**  
Istituto Nazionale  
Previdenza Sociale



# SSE-MOVE: SOCIAL SECURITY ON THE MOVE.

Promoting coordination on the transferability  
of welfare benefits within a cluster  
of EU social security institutes

Project co-funded by the European Union  
Agreement reference no. VS/2011/0309

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# **SSE MOVE: Social Security on the MOVE**

**Promoting coordination on the transferability  
of welfare benefits within a cluster  
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***PROJECT HANDBOOK***

***January 2013***





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## Foreword

The present handbook collects country-specific contributions prepared by partners of the SSE-MOVE Project, in particular with regard to Chapter 2 “Country Reports” and Chapter 3 “The mutual learning process”. In order to highlight the respective contributions of each partner these sections have not undergone any revision, including the English translation, by the project applicant (INPS) and they remain under the sole responsibility of the respective project partners. Chapter 1 “Executive Summary and project description” and Chapter 4 “Micro-simulations of representative biographies” have been prepared by the project applicant in collaboration with Fondazione Giacomo Brodolini, scientific coordinator of the SSE-MOVE project.



## 1. Executive summary and project presentation

The SSE-MOVE project, co-financed by the European Commission, Directorate General for Employment, Social Affairs and Inclusion, aims to improve the knowledge on the transferability of welfare benefits for workers (and their relatives) exercising the right of free movement in five EU member states (Italy, Czech Republic, Hungary, Poland and Romania). The action considered in particular **workers moving from Czech Republic, Hungary, Poland and Romania to Italy** – and then alternatively going back to their country of origin or settling down.

The project lasted from November 2011 to January 2013 and has been implemented thanks to a **partnership among institutions from five EU countries:**

- **INPS**, the National Social Security Institution, the **leading project partner**, and **Fondazione Giacomo Brodolini**, scientific coordinator from **Italy**
- **CSSA**, the Czech Social Security Administration and **ERUDICIO** nadacni fond from the **Czech Republic**
- **ONYF**, the Central Administration of National Pension Insurance from **Hungary**
- **ZUS**, the Polish Social Insurance Institution from **Poland** and
- The Faculty and Sociology and Psychology of the **West University of Timisoara** from **Romania**.

Specifically, the project aims were:

- identifying the main obstacles to the implementation of the Regulations (CE) 883/2004 and 987/2009 which could actually hinder the free movement of workers (and their relatives) among partner countries;
- identifying the limitations to the free movement of workers (and their relatives) stemming from the diversity of national social security systems (i.e. incentives/disincentives to workers' mobility due to different entitlement and generosity of benefits across countries);
- fostering mutual learning among project partners, culminating in the identification of best practices and the development of specific intervention strategies on the basis of identified needs and lessons learned;
- ultimately, promoting the coordination among the social security institutions involved in the action, aimed at the improvement and simplification of administrative procedures;
- raising general awareness, stimulating debate and promoting information on the portability of welfare benefits among workers (and their relatives) exercising the right of free movement across partner member states.

As a result of the project, partners and other involved actors increased their knowledge and awareness about the actual portability of welfare benefits across countries and identified the main obstacles which restrain the free movement of workers due to the characteristics of national social security systems and the socio-economic differences between Italy and the countries of origin. Moreover, they have increased their capacity to promote intervention strategies aimed at removing these obstacles. This has been achieved through analysis and research activities, mutual learning and exchange of knowledge on the portability of welfare benefits across countries.



The project was structured into three activity phases:

1. **Building the evidence basis**, by identifying the main obstacles to the portability of welfare benefits for workers exercising the right of free movement across partner countries. This has been achieved mainly through research and desk analysis activities carried out in each partner's country as well as through a simulation exercise based on the identification of a wide range of representative biographies (workers' typologies) of mobile workers moving to Italy from the Czech Republic, Hungary, Poland and Romania. Entitlement to welfare benefits for these representative individuals was simulated and studied in order to verify, comparatively, which differences emerge among different countries.
2. **Improving mutual learning**, best-practice exchange and coordination among social security institutions. A key element of this project was the promotion of mutual learning among partners, through the organization of four peer review meetings (held in Budapest, Prague, Warsaw and Timisoara). These meetings were aimed at: i) actively involving partners and – through them – other relevant stakeholders in a mutual learning process, ii) understanding limitations in each interested country to the portability of social security benefits, iii) identifying best practices and iv) formulating actions and policies for removing these obstacles and fostering the free movement of workers.
3. **Raising awareness**, stimulating debate, promoting information on social security coordination. This phase entailed the set up of the project website, the organization of a final conference in Rome for disseminating the results of the project to a wider audience of social security experts and stakeholders (including policy-makers, social partners, academicians, etc.) and the drafting of this project handbook gathering and summarizing the main outcomes and lessons learned. Thus, the present handbook summarises the main results achieved by the project.

Several outputs were finalised. Firstly, following an agreed common template, partners prepared detailed “State of the Art” Reports on the basic characteristics of their national social security systems and Self Assessment Grids concerning the enforcement of the Regulations 883/2004 and 987/2009 in their countries, where pros and cons of the implementation of these Regulations have been extensively discussed. The State of the Art Reports and the Self Assessment Grids were then summarised in five Country Reports that are presented in Chapter 2 of this Handbook. In particular these Reports, after a short overview of the main characteristics of the national social security schemes, provide an assessment of the enforcement of EU Regulations 883/2004 and 987/2009, followed by some general remarks about the real limitations to the free mobility of workers engendered by different reasons, such as the procedural limits to the portability of social security benefits, economic constraints, interactions between private and public social security scheme and by the inadequacy of the available information.

Secondly, four peer review meetings were organized in Budapest, Prague, Warsaw and Timisoara in the period September 2012 – December 2012. The peer reviews aimed at actively involving partners and other relevant national stakeholders in a mutual learning process concerning current problems for mobile workers and possible actions and policies for improving the coordination between social security institutes. The mutual learning process aimed at the identification of the causes that might determine discriminations against mobile workers in the countries involved in the project, in order to raise awareness on the extent and determinants of such discriminations.



During each peer review the host partner presented to partners and local stakeholders the main findings arising from the national level analysis and research focusing in particular on portability of welfare benefits across EU countries and related obstacles. This was followed by a debate during which solutions to identified obstacles were discussed in the light of partners' national experiences and good practices. The main issues at stake in the field of social security coordination were thus identified and discussed taking into account the specific situation in each country and the specific needs of the mobile workers described in the project deliverables and in the national country reports. A synthesis of the main findings that emerged from the four peer reviews is presented in Chapter 3 of this Handbook.

In light of the key issues emerged during the discussions, and in order to better tackle limitations and suggest possible measures for overcoming them, partners identified three main categories of problems concerning portability of welfare benefits which can be distinguished or classified according to their nature as follows:

- A. Legal aspects: pertaining to national legislation or EU legislation.
- B. Bureaucratic aspects: i.e. issues related to procedures followed by the different countries for tracking mobile workers, such as communication problems (mostly language); existence of specific agreements among institutions. With this respect several suggestions were already made by participants to the peer reviews for example that of creating a list with the contacts of the persons actually in charge for each social security institution of specific issues which can be contacted to receive additional information.
- C. Economic/Financial aspects: incentives/disincentives linked to different rules (especially for pensions; e.g. retirement ages and computation formulas); private pensions schemes; distributive problems.

Concerning these latter aspects, the possibility that economic incentives or disincentives deriving from differences among the national public pension systems could constrain free mobility of workers (and their relatives) from Czech Republic, Hungary, Poland and Romania to Italy has been analyzed in depth by carrying out detailed simulations of expected pension benefits of mobile workers characterized by different individual biographies (i.e. different workers' typologies).

Entitlement to welfare benefits for these representative individuals was simulated in order to verify, comparatively: i) what are the pension prospects of workers moving to Italy (compared to "not moving" workers) from the four interested countries; ii) which differences emerge among countries. The biographies have been identified according to two main criteria: i) the duration of the periods spent working in Italy and in the country of origin; ii) the features of the working career spent in Italy (e.g. wage levels, frequencies of unemployment, periods spent as self-employed). Once these biographies were identified, the computation of the entitlement conditions – taking into account the effects of the Regulations (EC) 883/2004 and 987/2009 and the characteristics of national social security systems – and of the amount of the provided public pension benefits has been carried out.

The methodological assumptions and the results of the micro-simulation exercise are presented in Chapter 4 of this Handbook. In the simulations mobile workers are characterized by "mean" outcomes during the part of the career spent in their country of origin. Conversely, the part of the working life spent in Italy can be characterized by very different performances.



As wages in Italy are on average higher than those paid in the other involved countries, moving to Italy generally means an increase in expected pension benefits (expressed in purchasing power parity values) when the Italian part of the career is successful. However, moving to Italy just before completing the required minimum seniority for individuals from countries where minimum vesting periods exist, is never favourable.

In particular, for both Hungary and Czech Republic the existence of minimum vesting periods greatly affects the amounts of pension benefits received by mobile workers, strongly disadvantaging individuals not completing the required minimum seniority period. For example, due to the formulas for calculating pension benefits for mobile workers, despite the fact that Italian wages are much higher than the ones paid in the country of origin, moving to Italy one year before the completion of the minimum period would strongly reduce total expected pension benefits. This issue, once adequately explained to workers by providing information on how to calculate pension benefits in the case of intra EU countries mobility, might represent a strong economic disincentive to the free mobility of EU citizens.

An important element affecting the decision to move abroad is linked to the individual's expectations concerning the "success" of his/her working life. In fact, the economic reasons behind the decision to migrate depend on the wage premia he/she expects to earn and these premia will also affect the size of the future pension benefits received by the mobile worker. In order to analyze the economic convenience to migrate, in Chapter 4 expected pension benefits of representative workers experiencing different outcomes in the Italian part of the career were compared. The simulations show that, compared to the situation in which the individual does not move from his/her country of origin, and despite the higher levels of Italian mean wages on which the simulations are based, the convenience to move to Italy strongly depends on the "success" of the working life in Italy.



## 2. Country Reports

The aim of the Country Reports presented in this Chapter is to identify and analyse the obstacles to the free movement of workers and citizens that might derive from the different social security arrangements in partner countries. In identifying such obstacles two aspects in particular have been taken into account: the obstacles of procedural nature which limit (notwithstanding the provisions of the Regulation 883/2004) the portability of welfare benefits from one country to another one; the characteristics (in particular, in terms of eligibility and insurance requirements) of social security systems which could harm the mobility of workers. Each Country Report has been prepared by the corresponding national partner/s on the basis of information collected through the State of the Art Reports and the Self assessment grids.

### 2.1. Country Report: Italy<sup>1</sup>

#### 2.1.1. Characteristics of the national social security system

The Italian welfare system provides for the coverage of the following social security branches: old age, early retirement, invalidity, survivors', sickness, unemployment, family, maternity and paternity benefits, as well as for benefits in respect of work injuries and occupational diseases and means tested benefits for individuals and households in need.

Except for the health care system, the Italian system of social protection is not organised according to an universal criterion, because for being entitled to the benefits some requirements have to be fulfilled (e.g. in terms of age, contribution paid and, in some cases, a means test is added).

All workers performing their activity on the Italian territory are compulsorily covered by social security insurance and both employees and self-employed are to be registered with the General Compulsory Insurance Scheme on a mandatory basis. An exception regards professionals (e.g. lawyers, medical doctors, engineers, architects) who are obliged to enrol in a specific fund managed by their professional order.

The Italian social security system is financed both through social security contributions paid by employers and employees and through general tax revenue. In particular, the National Health Service (*Servizio Sanitario Nazionale*) is financed by all people residing on the Italian territory through general taxation and is managed at a regional level.

As regards employees, compulsory contributions (e.g. for pension, unemployment or sickness benefits) are computed as a percentage of earnings and the rates are fixed by legislative provision. The rate applicable in each case depends on the sector, the contractual arrangement, the worker's professional qualification, the number of employees, the location of the business. The employer is responsible for paying both his own and the employee's contributions to the competent social security institution. Contributions are usually paid on a monthly basis.

As regards self-employed (apart from professionals enrolled to their specific private fund, which can establish their rules, according to a framework set by the national law), contributions are calculated by applying the income tax return for the relevant year on the declared total labour

<sup>1</sup> Compiled by INPS and Fondazione Giacomo Brodolini



income. Specific rebates of contribution rates regard self-employed worker's family members actively participating to the activity, farmers, sharecroppers and smallholders.

As regards the public pension system, it has to be highlighted that currently, according to their seniority at the moment of the 1992, 1995 and 2011 reforms, workers are enrolled in three different kinds of schemes – earnings-related (*retributivo*), mixed (*pro rata*) and contribution based (*contributivo*) – deeply differing in terms of the benefit computation formula applied. All three public pension schemes are pay as you go financed.

The 1995 pension reform introduced a new system for calculating the old-age pension: this contribution-related system (so called *contributivo* or notional defined contribution - NDC) wholly applies only to workers insured for the first time after 1 January 1996.

Under this system contributions are paid into each worker's insurance account, calculated on the basis of a defined rate: this is equal to 33% of the gross earnings for employees; 20% for self-employed (but they are going to gradually increase up to 24% in 2018); 27,72% for parasubordinate workers enrolled to the *Gestione separata* (gradually increasing up to 33,72% in 2018). Contributions are accumulated in notional individual accounts and the annual rate of return on the accumulated contributions is set equal to the average nominal GDP growth rate in the previous five years. At the moment of retirement, the accumulated amount is multiplied by a transformation coefficient linked to the age of the worker when the pension is claimed in order to compute the amount of the annuity.

The transformation coefficients depend on the average unisex life expectancy at the retirement age (taking into account the probability to leave a survivor pension) and they are updated every two years in line with the official demographic projections provided by ISTAT, the Italian national statistics institute. Pensions paid under this system cannot be topped up by the minimum pension. A means tested social allowance (*assegno sociale*) can be claimed by eligible elderly individuals when they reach a specified age (currently 66 years old), independently on their previous contribution record.

The earnings-related system (so called *retributivo*) applies to insured workers who had accrued at least 18 years of insurance contributions as of 31 December 1995. For each year of paid contributions, 2% of the average pay is taken into account for pension calculation. Lower rates are applied to earnings above a certain ceiling. The maximum pension is based on forty years of contributions. Anyhow, following the 2011 reform, workers enrolled to *retributivo* will receive a benefit computed according to the NDC rules for the years of seniority following 2012.

A mixed system (called *pro rata*) runs in parallel. For insured persons who had not accumulated 18 years of insurance contributions as of 31 December 1995, the pension is calculated according to the earnings-related system for the portion until such date and according to the NDC system for the portion corresponding to the insurance contributions matured since 1 January 1996.

People enrolled to *retributivo* and *pro rata* are entitled to receive a minimum pension if their pension benefit does not exceed a fixed threshold. The entitlement to the minimum pension is subjected to a means test.

Pension benefits are indexed according to the inflation rate. Pension benefits can be fully combined with employment and self-employment income. Pensions are subject to taxation according to the general taxation rules of personal income. No special reliefs for pensions are provided.



Starting in 1992, an almost “never-ending” series of reforms (1992, 1993, 1995, 1997, 2004, 2005, 2007, 2009, 2010, 2011) has radically transformed the Italian pension system, modifying several basic parameters of the public system – such as the computation formula, the indexation rule, the requirements for being eligible to old-age and early retirement benefits – and attempting at promoting the development of private occupational and personal plans.

As a consequence of the reform processes, the public scheme that is still pay as you go financed, changed from an earnings-related defined benefit formula (the so-called *retributivo*) to a notional defined contribution one (NDC, the so-called *contributivo*); retirement ages significantly rose and further increases are expected in the future due to the automatic link with the life expectancy; the institutional architecture started to change from a single-pillar towards to a multi-pillar configuration, even if the public pillar is currently still largely predominant.

Several major changes have been introduced by the new comprehensive pension reform, introduced by the Monti Government at the end of 2011, with the main aim to obtain immediate savings on pension spending through a significant increase of the retirement age.

In particular, on the one hand, the reform has established that the old-age retirement age for women in the private sector shall increase from 60 to 62 years in 2012, with a gradual increase to up to 66 years in 2018, whereas men’s retirement age shall rise to 66 years in 2012. On the other hand, much stricter limits to early retirement have been introduced. Since 2012 early retirement is possible (with reduced benefits if the individuals retires before 62 years old) only having accumulated 41 years of social contributions (for women) or 42 years (for men).

In line with previous measures, the reform has confirmed that retirement ages and the seniority record for the early retirement will be increased following the increase in life expectancy. Hence, around 2040 (when the first cohorts entirely belonging to the NDC will retire) the effective retirement age will reach 69 and the seniority record for early retirement will be set at 44 years for women and 45 for men.

As regards private pensions, it has to be stressed that since 1993 Italian policy makers favoured the development of funded supplementary pillars in order to compensate retrenchment interventions in the public pension system. Supplementary pillars were introduced on a voluntary basis, they are fully funded and provide defined contributions (DC) pensions only.

The supplementary pillars are organized through three different types of pension institutions: closed (collective occupational) pension funds (CPF), open pension funds (OPF), and personal pension plans (*piani individuali pensionistici*, PIP). Closed funds are set up as not for profit institutions within the framework of collective bargaining between employer and trade unions. Open funds are promoted and managed by banks, insurance and investment companies. They can offer both personal and occupational (i.e. based on a collective enrolment) plans. Since 2000, personal pension plans can be offered also through life insurance contracts (PIP).

Aiming at fostering the development of supplementary pillars through the voluntary devolution of the indemnities (Trattamento di Fine Rapporto, TFR), the 2005 reform (phased in 2007), introduced the “silent consent” formula for the transfer of the latter to supplementary funds: i.e. if a worker does not explicitly disagree in a six months period, his/her TFR flows (not the stock already accumulated by firms) are transferred from firms to pension funds. However, only the choice to devolve it to a fund is irreversible, given that, even after the six months period, workers can always decide to devolve TFR flows to private pension schemes. Furthermore, the reform stated that the TFR can be transferred to any



kind of fund (closed, open and PIP), but additional employers' and employees' contributions set in collective agreements can be paid only to collective funds, thus representing a strong advantage for closed funds.

Consequently the new pension architecture presents a public NDC pillar and a complex system of private pension schemes, though the latter are still underdeveloped in terms of actual coverage and take up rates.

According to the most recent data the take-up rate in private supplementary schemes is still limited: about 2,850,000 individuals were members of closed and open pension funds and the enrolment growth rate in both types of funds has been almost null since 2008. Personal plans based on life insurance contracts (PIPs) seems more appealing, given that currently 1.9 millions of individuals have subscribed a plan, with a growth rate around 10% each year. The total number of individuals enrolled in supplementary schemes, including pre-existent funds, thus amounts to 5.4 million out of slightly less than 23 million employed.

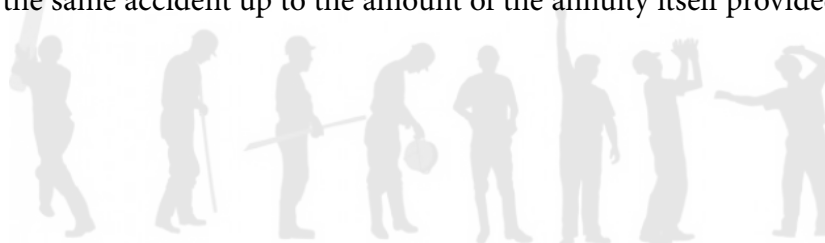
In Italy survivor pensions are paid to certain members of the family of the deceased. There are two typologies of survivors pensions according to the professional status of the decedent at the moment of his/her death: a survivors' pension (*pensione di reversibilità*) is granted if the deceased was receiving a direct pension, and an indirect pension (*pensione indiretta*) if at the time of his/her death the deceased worker was not yet receiving a direct pension but was fully entitled, with regard to insurance and contributions requirements, to receive an ordinary invalidity allowance or disability pension, or to receive the old-age pension. Survivor pensions benefits cover all employees in the private sector, whereas special schemes concern farmers, tenants, self-employed craftsmen and merchants/retailers. No exemptions from compulsory insurance are allowed.

All employed persons and certain categories of self-employed workers (farmers, sharecroppers and smallholders, tradesmen and merchants) are covered for disability insurance and are also entitled to disability pension. As regards self-employed, the rules vary considerably, depending on their professional order. Two typologies of disability benefits are provided: i) invalidity allowance (*assegno ordinario d'invalidità*); ii) disability pension (or incapacity pension, *pensione di inabilità*). For being entitled to these two kinds of benefits five contribution years with at least three during the last five years are needed. In case of occupational invalidity (i.e. when it has been caused by circumstances of employment other than industrial injury), no contribution records are required.

An insured person whose working ability, in occupations suited to his capacity, is permanently reduced to at least two thirds as a result of sickness or infirmity (physical or mental) is considered as invalid for the purpose of invalidity allowance. The disability pension is instead payable to the insured person or beneficiary of the invalidity allowance who is absolutely and permanently incapable of any occupational activity, as a result of sickness or infirmity (physical or mental).

Disability benefits are financed through compulsory social insurance schemes financed by contributions covering employees, with earnings-related pensions depending on contributions and the duration of affiliation. Special schemes for the self-employed are granted. No exemptions from compulsory insurance are allowed.

In case of an accident at work or an occupational disease the *assegno ordinario d'invalidità* can be granted by INPS. However such allowance cannot be paid at the same time as the life annuity in respect of the same accident up to the amount of the annuity itself provided by the National



Institute for Insurance against Accidents at Work (INAIL) that is responsible for providing benefits in respect of accidents at work and occupational diseases.

All employed persons engaged in certain types of occupation or business that according to Italian law can give rise to work injury or occupational disease are insured against these risks and are entitled to benefits in respect of accidents at work. These schemes are then organized through a compulsory social insurance scheme for employees and certain categories of self-employed financed by contributions of employers and self-employed providing benefits in kind and cash benefits. Certain categories of self-employed, such as lawyers and other liberal professions; firemen; military and police forces can be exempted from the compulsory insurance.

Further, in Italy sickness benefits are provided through earnings-related benefits, according to a compulsory social insurance scheme for all employees. There are no specific cash benefits, but these benefits are paid as a form of continuation of the compensation by the employer. There is neither a minimum work period nor a qualifying period required for being entitled to sickness benefits.

The maternity/paternity benefit is provided through a compulsory social insurance scheme for employees with earnings-related benefits. Employed women – or, in some cases, fathers – are obliged/entitled by law to a paid maternity (paternity) five-month leave before and after delivery. Concerning parental leave, both parents (who are in paid employment) are entitled to a total period of up to eleven months of paid leave until a child is 8 years old, at the same time if they wish.

Unemployment benefits schemes are financed by contributions from employers, providing earnings-related benefits. No special unemployment assistance scheme exists, nor means tested unemployment benefits. There is no possibility of voluntary insurance. Self-employed and parasubordinate workers are not covered by the unemployment benefit system (apart from a means tested benefit provided to some, very small, categories of parasubordinate workers).

The reform approved by the Parliament in Summer 2012 strongly modified the unemployment benefit schemes. It abrogated the mobility allowance and changed the duration and the generosity of unemployment benefits. The ordinary unemployment benefit has been replaced by a new benefit, called ASPI (*assicurazione sociale per l'impiego*), provided to individuals insured with the National Institute for Social Security for at least two years and having accumulated at least 52 weeks of contributions in the two years preceding the cessation of the employment. The ASPI will be paid up to 12 months (18 months for people aged over 55) and the replacement rates will be around 75% (60% from the seventh month). Compared to the current level, the maximum gross monthly amount of ASPI will also increase. Moreover, the reduced requirement unemployment benefit has been abrogated too and it will be replaced by the so-called “mini ASPI”, provided to all employees having worked at least 13 weeks before the firing. The mini ASPI amount will be the same of the ASPI, but it will be paid on a monthly base at maximum for 6 months (i.e. for half of the weeks worked in the year prior the firing).

Moreover, there exist two schemes of redundancy payments (ordinary and extraordinary). The ordinary compensation paid by the income supplement fund (*Cassa Integrazione Guadagni*) is intended for employees and managers of industrial enterprises in general and of industrial and craft enterprises in the construction and stone-quarrying sector when they are affected by a reduction or stoppage of activity for temporary difficulties that are a result of temporary market conditions. The extraordinary redundancy pay – authorized by decree of the Ministry of Labour – is intended to preserve the income of employees



of industrial enterprises which have ceased operations for restructuring, reorganization or conversion. This also applies also to commercial enterprises, shipping and transport companies, and travel and tourism agencies with more than fifty employees. The condition for eligibility is that these businesses have had an average of 15 employees over the six months preceding the application for benefit. This allowance cannot be paid for more than 18 months for bankruptcy proceedings, 12 months for business crises and 24 months for restructuring, unless extended as provided by law. The amount of the ordinary and extraordinary redundancy pay is 80% of the total pay the worker would have been entitled to for the hours of work not worked.

As regards protection against poverty risks it has to be pointed out that employees, pensioners and those receiving social security benefits deriving from paid employment are entitled to receive family allowances. The amount of these allowances depends on the size of the family and the income of the household.

No minimum resources means tested benefits are instead provided in Italy at the national level to every individual or household in case of need of socio-economic support. Municipalities, acting in accordance with regional legislation and depending on the available budgetary resources, can devise their own policies of social intervention on their territory. However, as the granting of these benefits falls under the competence of the local authorities, the national law does not provide for general entitlement conditions or requirements. The support may be provided either in cash or in kind (such as interventions by social workers). There are no nationality conditions enforced at a national level; in general, residence in the region or municipality which is granting the benefit is required.

### 2.1.2. Enforcement of the EC Regulation 883/2004 and 987/2009

As known, the new European regulations include a revised version of the general principles, especially as regards the principle of assimilation. In Italy, in order to improve free mobility of workers inside the EU, some actions have already been taken by the administrations in order to identify the actual cases where the application of the principle of assimilation could affect the procedures of granting of benefits under EC Regulations.

Concerning this point the most relevant measures introduced are the following:

- Periods spent in another Member State doing the military service can be accrued as figurative contributions
- Survivor pensions can be provided to sons also when they are studying in another Member State.
- Incomes earned in another Member State are included for computing the income thresholds for being eligible to non contributory means tested benefit provided by the Italian welfare system.
- In some cases, to become eligible to pension benefits the expiry of the working activity in another Member State is considered equivalent to stopping the activity in Italy.

However, other situations need a change of the current law in order to fully satisfy the provisions of Article 5 of Regulation EC no. 883/2004. These situations have been identified and the Ministry of Labour and Social Affairs is analyzing how to introduce these changes.



As known, one of the main objectives of EC Regulation no. 883/2004 and no.987/2009 has been to simplify and modernize provisions concerning the portability of social security rights. These new regulations seems to have achieved this purpose fairly well.

In particular, a major simplification concerns the fact that the new regulations are applied to all EU citizens, independently on their working status. Hence complex definitions for distinguishing employees, self-employed and the different categories of insured people are no longer needed. A further major simplification regards the exportability of unemployment benefits. Moreover, when it will be phased in, the EESSI project will allow to greatly simplify the administrative management of the practices concerning mobile workers. At the moment, in order to deal effectively with the legal and procedural changes that are taking place, Italian administrations have established actions and strategies in order to set up and implement an electronic data exchange system and they have developed a nation-wide synergy and coordination strategy between all social security institutions and the national Access Points. National Access Points identified for Italy are: Ministry of Health for health care; National Institute for Insurance against Accidents at Work (INAIL) for work injuries and occupational diseases; INPS for pension benefits and for unemployment benefits and welfare cash transfers.

Italy, is one of the six EU countries that are testing the new electronic procedures provided in the EESSI project, hence Italian administration are, obviously, fully aware of the results of the tests performed by the six EESSI testing Countries.

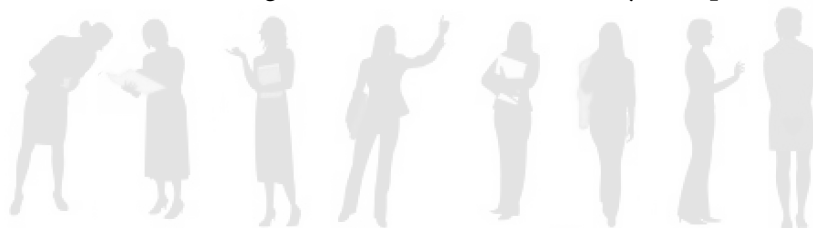
However, at the moment, it is not foreseeable for Italy to join EESSI, both as a whole or sector by sector, because DG Employment commitments, concerning software provisions, technical specificities, structured electronic documents (SED) and business flows have not been satisfied. Furthermore no answers have been given to the observations and suggestions proposed by the six testing countries. Concerning the current transitional phase it has to be pointed out that the coexistence of Eforms and Paper Seds creates some difficulties for staff working on these topics.

At the moment, waiting for the implementation of the electronic SED form, the Italian administrations are still using the old E-series forms instead than starting to use the new forms. The only field of action where the new modules are used is the one concerning income support cash benefits (i.e. unemployment, maternity and sickness benefits and family allowances). However, due to some difficulties in filling in Paper Seds there is the possibility to continue using the old E-series forms, which are the ones adopted for pensions.

### **2.1.3. Limitations to the free mobility of workers**

#### **Procedural limits to the portability of social security benefits vs. economic constraints**

In Italy there are procedural limits to the portability of social security benefits due to partial enforcement of Regulation 883/2004. Furthermore, concerning “economic constraints” it has to be pointed out that the Italian public pension scheme is now based on a notional defined contribution (NDC) formula. The public pension system is then based on actuarial neutrality and, at the individual level, pension rights are the mere outcome of paid contributions. Hence, being the pension system the “mirror” of individual experiences in the labour market and being the computation formula wholly based on a defined contribution method, there are no particular incentives nor disincentives for migrant workers to move to Italy, independently of the phases of



their individual career (e.g. at the beginning, at the end or when a steep wage increase happens), in order to “exploit” the generosity of the pension scheme.

In general, as known, in Italy the common rules ensuring access to social benefits are applied. These rules are based on four principles:

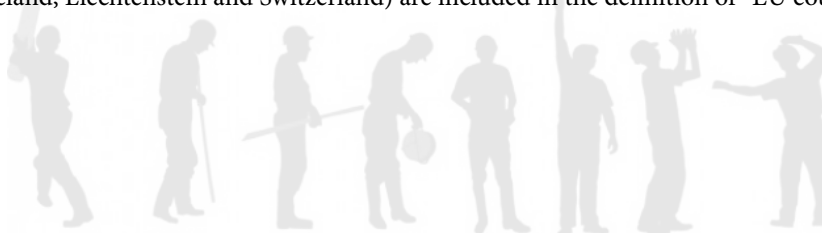
- When moving within Europe, the individual is always insured under the legislation of one single Member State: generally, if he/she is active, it will be the country where he/she works; if he/she is inactive, the country where he/she resides.
- The principle of equal treatment ensures that the individual has the same rights and obligations as nationals of the country where he/she is insured.
- When necessary, periods of insurance acquired in other EU countries can be taken into account towards the award of a benefit.
- Cash benefits can be “exported” if he/she lives in a country other than the one where he/she is insured.
- The individual can rely on the EU provisions on social security coordination in the 27 EU Member States plus Norway, Iceland, Liechtenstein (EEA) and Switzerland (i.e. in 31 countries).

Some slightly different rules concern the various kinds of social security benefits. Sickness cash benefits (i.e. benefits normally intended to replace an income which is suspended due to sickness) are always paid according to the legislation of the country where the individual is insured, regardless of where he/she is residing or staying. When moving to another country of the European Union<sup>2</sup>, whenever certain conditions have to be fulfilled in order to become entitled to sickness benefits, the competent institution (i.e. institution in the country in which he/she is insured) must keep into account periods of insurance, residence or employment that he/she has completed under the legislation of any of the above-mentioned countries. This thus guarantees that people will not lose their sickness insurance coverage when changing employment and moving to another state.

The coordination provisions cover maternity and equivalent paternity benefits. Whenever certain conditions have to be fulfilled in order to become entitled to benefits, the competent institution (i.e. institution in the country in which you are insured) must take account of periods of insurance, residence or employment completed under the legislation of another country of the European Union. As a general rule, cash benefits are always paid according to the legislation of the country where the individual is insured, regardless of where he/she is residing or staying. Benefits in kind (i.e. medical care, medicines and hospitalisation) are provided according to the legislation of the country of residence as if he/she was insured there.

Concerning invalidity benefits, the competent institution of the country where the individual claims an invalidity pension will take account of periods of insurance or residence completed under the legislation of any other EU country, if this is necessary for entitlement to invalidity benefits. Invalidity benefits will be paid regardless of where the individual resides or stays in the European Union. Necessary administrative checks and medical examinations will normally be carried out by the competent institution in the country where the individual resides. Each

<sup>2</sup> In this section the four additional countries where the EU provisions on social security coordination are applied (i.e. Norway, Iceland, Liechtenstein and Switzerland) are included in the definition of “EU countries”.



country applies its national criteria when determining degree of invalidity. Therefore, it may be the case that certain countries will consider a person to have a degree of invalidity of 70%, while others will not consider the same person to be invalid at all under their legislation. This is a result of the fact that the national social security systems are not harmonized, but only coordinated by EU provisions.

As known, EU provisions for old-age pensions exclusively concern state pension schemes and not company, occupational or private ones. They guarantee that:

- In each EU country where the individual has been insured, the insurance record is preserved until he/she reaches the pensionable age in that country.
- Every EU country where he/she has been insured will have to pay an old-age pension when he/she reaches the pensionable age. The amount he/she will receive from each of the Member States will depend on the length of the insurance coverage in each state.
- The pension will be paid wherever the individual resides in the EU.
- The individual should submit his/her claim to the pension insurance institution of the EU country in which he/she lives, unless he/she has never worked there. If this is the case, he/she should apply to the country where he/she last worked.

In general, the rules which apply to pensions for surviving spouses or orphans and death grants are the same as the ones applying to invalidity and old-age pensions. Namely, survivors' pensions and death grants have to be paid without any reduction, modification or suspension regardless of where the surviving spouse resides in the European Union.

The EU provisions on benefits in respect of accidents at work or occupational diseases are very similar to the provisions on sickness benefits. Within the European Union, if the individual resides or stays in a country other than in the one in which he/she is insured against accidents at work and occupational diseases, he/she is normally entitled to receive healthcare there in respect of an accident at work or an occupational disease; benefits in cash will normally be paid by the institution by which you he/she is insured, even if individual resides or stays in another country. Whenever certain conditions have to be fulfilled in order to become entitled to benefits in respect of accidents at work or occupational diseases, the institution where the individual insured must take account of periods of insurance, residence or employment that he/she has completed under the legislation of other countries of the European Union. This guarantees that people will not lose their insurance coverage when changing employment and moving to another country.

As known, characteristics and amounts of family benefits vary considerably from one State to another. It is therefore important for the individual to know which State is responsible for providing these benefits and what the conditions to entitlement are. The country which is responsible for paying family benefits must take into account periods of insurance completed under the legislation of any other country of the European Union, if this is necessary to satisfy the conditions governing entitlement to the benefit; if a family is entitled to benefits under the legislation of more than one country it will, in principle, receive the highest amount of benefits provided for under the legislation of one of these countries. In other words, the family is treated as if all persons concerned resided and were insured in the state with the most favourable legislation.

Concerning unemployment benefits, normally, the Member State in which the individual is



employed is the one responsible for granting the benefits. Special provisions apply to frontier workers and other cross-border workers who have maintained their residence in a Member State other than the one in which they work. Periods of insurance or employment completed in other countries of the European Union can be used to fulfil the contribution conditions. If the individual wants to look for a job in a different country of the European Union, he/she can under certain conditions export these benefits for a limited period of time.

Long-term care benefits also fall under EU social security coordination rules, in the same way as sickness benefits. Long-term care benefits in cash are paid according to the legislation of the state where the individual is insured, regardless of which state he/she is residing or staying in. Long-term care benefits in kind are provided according to the legislation of the state in which the individual resides or stays as if he/she was insured in that state. On the contrary, EU coordination rules apply only to social security, not to social assistance benefits. Hence, some special non-contributory cash benefits are provided exclusively in the country in which the beneficiary resides and are therefore not “exportable”. These benefits are the following:

- Social pensions for persons without means;
- Pensions and allowances for the civilian disabled or invalids;
- Pensions and allowances for the deaf and dumb and for the civilian blind;
- Benefits supplementing the minimum pensions;
- Benefits supplementing disability allowances;
- Social allowance and social increase.

### Interrelation of public with private social security schemes

In Italy pension benefits are wholly portable among the different public pension schemes. Some limits still exist mostly for professionals (e.g. lawyers, architects), who are obliged to enrol to the private pension schemes managed by their professional fund; some problems still exist also for elderly workers, who are enrolled to the old defined benefit scheme due to the fact that before the 1992-1995 reform the public pension scheme was split into several funds for different workers' categories (e.g. managers, postmen, people working to telephone and electric companies).

In these cases, when they move among different funds during their career, workers can put together their contributions (the so called *totalizzazione*) without charges when they have paid contributions for at least 20 years and they have been enrolled for at least 3 years in each different pension fund. When these entitlement conditions are not fulfilled, the workers can decide to rejoin (the so called *ricongiunzione*) their contributions in a single fund. However the *ricongiunzione* is often very costly.

As known, EU rules do not yet guarantee the portability of private supplementary pension rights. Anyway, the internal (i.e. inside each country) portability of supplementary pension benefits is not characterized in Italy by huge drawbacks for different reasons. This happens both because the extent of supplementary pensions is still limited in Italy and, mostly, because supplementary pension benefits are computed by means of defined contribution formulas. Therefore, compared to defined benefit schemes where benefit depends on seniority and it is often very difficult to compute acquired rights when the individual moves from a fund to



another one, it is very easy to compute the sum accumulated in the private fund when the individual has to move to another fund.

Some limitations to the free choice of the fund where paying supplementary contributions exist as regards occupational funds (the so-called closed funds). These funds are managed according to defined contribution formulas, but individuals can enrol to them only when they are employed in specific firms or category of workers. Some limits to the free mobility of workers can then derive from waiting periods (i.e. minimum contributions requirements necessary before claiming for benefits) and vesting periods (i.e. periods of time necessary before a contributor is capable of exercising full rights on his/her assets).

The waiting period for being entitled to receive a supplementary pension amounts to five years of contributions to the fund in Italy. Anyway, in case of unemployment lasting from 12 to 48 months the individual can receive in advance up to 50% of the sum accumulated by the private supplementary fund.

When the unemployment lasts from at least 48 months or the individual suffers from a disability limiting his/her working capacity to less than 1/3 the whole sum accumulated by the fund can be received in advance. The sum accumulated by the occupational fund can be redeemed also when the individual loses the requirements to be enrolled to that fund, i.e. when he/she is no more employed by the firm or the category that manages the closed fund. Anyway, being the closed fund managed according to the defined contribution method, the individual can freely choose to keep her/his contribution in such fund (receiving the accumulated sum once retired).

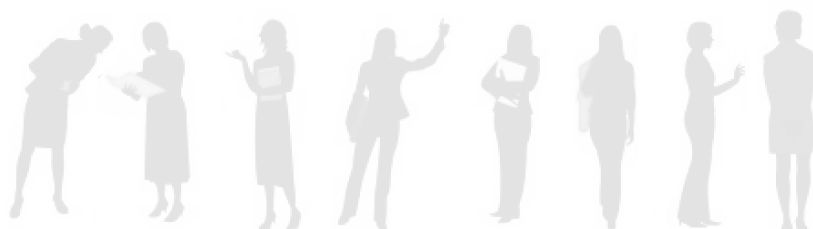
Vesting periods have been reduced by recent reforms: apart from the cases when the individual loses the enrolment requirements (when, as said before, accumulated sums can be wholly redeemed immediately), he/she can freely decide to move their contributions to another occupational or personal fund after at least 2 years of enrolment.

### Quality of available information

The new system of coordination of national schemes highlights the need to provide citizens with accurate and precise information. In this perspective, the Italian National Social Security Institute, added to its website a specific section targeted to migrant workers, including information about benefits entitlements and requirements and showing, in a dedicated subsection, the new EU Regulations and detailed information about the different kinds of benefits which migrant EU workers can be entitled to.

The website section addressed to migrant workers includes also some practical booklets and thematic guidelines that can be downloaded or looked up online. The thematic INPS's website section directed to migrant workers is available at [www.inps.it](http://www.inps.it) following [Home](#) > [Informazioni](#)> [Lavoratori migranti](#).

Furthermore, through the SSE-move project a dedicated project website –hosted within INPS portal - available in different languages (IT, EN, RO, HU, CZ, PL) has been created. In this website entitlement conditions for mobile workers regarding each kind of social security and welfare benefits are explained, also by means of examples. The web page also hosts a section on the individual biographies of mobile workers along with all other deliverables and reports produced



during the project activities. The dedicated project web site also host links to other documents and sites relevant for the implementation of strategies for cooperation and information on social security coordination in partners' countries or across Europe.

## **2.2. Country Report: Hungary<sup>3</sup>**

### **2.2.1. Characteristics of the national social security system**

The Hungarian social security system offers protection against sickness, maternity, old-age, changed working capacity, survivorship, children's education and unemployment.

All persons who are gainfully employed and those of equivalent status are insured against all risks. These persons include those in paid employment (including those in public administration), the self-employed (including members of co-operative societies), numerous groups of persons of equivalent status, persons receiving income subsidy, jobseeker benefit and job-seeker aid.

Everyone is automatically affiliated to a social insurance scheme as soon as he or she begins to work in Hungary and is not exempted from being compulsory insured. Self-employed people register themselves, and employers register their employees, with the competent local office of the taxation and finance office and/or the competent social insurance organisations, as necessary. Employers and employees pay contributions. Anyone who voluntarily subscribes to the social security system can sign an agreement with the competent social security institution.

The major change in the Hungarian social security system affecting nearly 3 million insured people is that according to the relevant Act, as from 3 November 2010, membership in the second pillar has no longer been compulsory. Until 1 March 2011 the Act offered free choice for those compulsorily insured in the 1st and 2nd pillar of the pension system either to remain in the 1st pillar or to stay exclusively in the 2nd pillar on a voluntary basis. In this latter case, the persons remaining only in the 2nd pillar won't acquire any further rights under the 1st pillar after taking the decision, but the rights, they have acquired before, won't be lost. The mandatory system remains dominantly public. Hungary returned to the two-pillar pension system, based on compulsory social insurance system on the one hand and voluntary savings on the other hand.

Economically inactive persons residing in Hungary may voluntarily pay a lump-sum amount in order to be covered against healthcare risks.

There are five main branches of social security in Hungary. Pensions and health services are classified as social insurance. The other three branches are the unemployment insurance, the family support system and the social assistance system which are out of the scope of the social insurance system.

The management, organisation and administration of the Hungarian social insurance system are centralised; whereas services concerning social benefits are decentralised.

### **Pension insurance (old-age pension and survivors' pension)**

Statutory Pension Insurance was comprehensively reformed in 1997. The new act on the social insurance pension entered into force on 1 January 1998. Originally the system consisted of two

<sup>3</sup> Compiled by ONYF



pillars. The reformed first pillar has remained mandatory state pension scheme that is publicly managed and financed on a pay-as-you-go basis. It is currently supervised by the Ministry of Human Resources and managed by the Central Administration of National Pension Insurance (CANPI) and by the pension insurance directorates of the county government offices. The Pension Payment Directorate, a special body affiliated to the Central Administration of National Pension Insurance, is basically responsible for paying all kind of state pensions to the pensioners (i.e. excluding the second pillar pension-type allowances). The mandatory system remains dominantly public.

Until November 2010, the statutory private pension scheme was regarded as the second pillar of the system. The vast majority of insured persons' contribution was paid in the form of membership fee into the private pension funds that agreed to award either one-off payment or monthly pension-type allowance under certain terms of the membership agreement.

As mentioned in the introduction, in 2010 Hungary returned to the two-pillar pension system, based on compulsory social insurance system on the one hand and voluntary savings on the other hand. The rest of the second pillar is voluntary from 3 November 2010, fully funded and run by several authorised and independent private pension funds which are supervised by the Hungarian Financial Supervisory Authority.

The statutory pension insurance covers the following benefits:

- Old-age pension;
- Advanced pension for women with at least 40 years of employment;
- Survivors' pensions;
- Accident related survivors' pensions.

As from 1 January 2012 the invalidity pension scheme has been closed and consequently from this date new invalidity pensions and accident related invalidity pensions (pensions for accident at work or occupational diseases) cannot be awarded. The new benefits substituting the invalidity pensions aim at the reintegration of persons with changed working capacity to the labour market and are focused on the rehabilitation. (See the short description of the new social security branch below)

### **Invalidity insurance**

The disability benefits' system has been reformed with Act CXCI of 2011 on the 'Benefits for persons with changed working capacity and amendments of certain acts' entered into force on 1st January 2012.

In accordance with the aforementioned Act, disability pensions, accident-related disability pensions, rehabilitation annuities, regular social annuities for persons with ill-health, temporary invalidity annuities and health damage annuities for miners shall not be awarded from 1st January 2012 on.

The aim of the disability benefits from one part is to guarantee incomes for those persons who are not able to work because of their state of health. From the other part the aim of the rehabilitation is to reintegrate persons with changed working capacity to the labour market, to prepare them



for employment in a suitable work place and to ensure such employments concerning their working capacity.

The new system of invalidity insurance offers two types of benefits by virtue of the health status and the remaining working capacity of the person claiming for the benefit. The complex rehabilitation procedure aims at the revision of entitlements based on the working capacity of those persons who were in receipt of any benefit on the basis of damaged health until 31 December 2011.

### **Health insurance (benefits in cash and in kind)**

There is only one type of compulsory health insurance system In Hungary. The law on compulsory health insurance provides for the wide range of benefits in kind and cash which are covered by the Health Insurance Fund. The Ministry of Human Resources is responsible for health insurance and the health sector. The Ministry monitors the activities of all insurance providers, the privately managed health insurance funds as well as of the providers of healthcare services in respect of healthcare benefit. The Ministry also investigates complaints relating to the procedures the health insurance agencies follow. The National Health Insurance Fund (NHIF) operates via its Budapest headquarters and the devolved NHIF offices in the country's 19 counties.

The law determines the legal status guaranteeing ipso facto compulsory insurance coverage. Employers are obliged to declare their employees and pay national insurance contributions for them to the competent tax authority, which transmits the data relating to their insurance rights to the competent county-level health insurance funds. Healthcare services can be received from specified healthcare providers, including private providers contracted with the National Health Insurance Fund.

The main services of the health insurance:

- Medical treatment

Everyone who is covered for healthcare is entitled to receive all the care their state of health requires. As a main rule, medical care is free of charge in Hungary. If the treatment is not prescribed by a physician or is not provided through the normal hospital system or if he/she chooses a doctor other than the one allocated by the healthcare system, fees imposed by the care provider will be paid by the patient. The individual might also pay only a certain part of the costs of medicines and medical appliances.

- Medicine

Medicines administered in hospital are free of charge. Otherwise, the NHIF covers part or all of the cost when the medicine prescribed is on the social insurance assistance scheme list. The rules relating to drug approval are fixed by ministerial decree:

- a) standard aid: 80%, 55%, 25%;
- b) increased and maximum aid is dependent upon a NHIF decision

Some medicines in the maximum aid category have been taken off the list for full reimbursement.

- Dental treatment
- Hospital care
- Medical appliances



## Unemployment insurance

The Hungarian unemployment scheme is also insurance-based, with both employers and employees paying a contribution. There are both active and passive labour market measures to promote employment and to provide for the unemployed. Placement services are open to every resident including EEA nationals irrespective of the insurance relationship. The Ministry for National Economy is responsible for the unemployment insurance system. The institutional structure of the Hungarian employment policy system can be divided into two main types: self-governing bodies on the one hand and administrative bodies on the other. The Public Employment Service is the administrative body responsible for the supervision of the employment system. It consists of the National Labour Office, the Regional Labour Centres, the local offices of the Regional Labour Centres and the Regional Labour Force Development and Training Centres. The self-governing bodies are the National Conciliation Council, the Governing Body of the Labour Market Fund, and the Regional Labour Councils.

## Family support system

The Ministry of Human Resources is responsible for family benefits. The family support system is a universal system, meaning that every citizen who meets the entitlement criteria is entitled. Every citizen who has a child up to a certain age may be entitled to various family support benefits. The family support benefits are operated and administered partly by the Hungarian State Treasury and partly the National Health Insurance Fund.

## Social assistance system (means tested benefits)

The local governments are the main actors of the management of the social assistance system. Various social assistance benefits are granted by the local governments. The Ministry of Human Resources is responsible for the supervision. The wide range of social assistance benefits cover various contingencies and play crucial role for those who have not enough resource to live up.

### 2.2.2. Enforcement of the EC Regulation 883/2004 and 987/2009

This section provides an overall assessment of the status of enforcement of Regulations (EC) 883/2004 and 987/2009 on the basis of the information collected through the Self-assessment grid and will list the most relevant procedural changes introduced by the Regulations (such as in terms of communication and exchange of data, application procedures, calculation of benefits, and aggregation of periods).

From the date of entry into force of the new Regulations the Hungarian competent institutions have experienced the complexity of the new coordination regime and have faced the difficulties arising from the parallel application of the new and in certain cases the former Regulations. The application procedures regulated by the new Regulations are not simplified at all and they are overburdened by the legal uncertainties resulting from the less clear wording and interpretation of some provisions. We have welcomed the objectives of simplification and modernisation which are inevitable for the smooth operation of the coordination regime among the 31 countries and hoped to get more instructions on how to implement the most controversial provisions in a uniform way.



We are definitely of the opinion that the simplification would require the common interpretation of one and the same provision in all Member States and the procedures should be transparent resulting from the enhanced cooperation between the Member States. We have experienced the very considerable differences between the performances of the Member States. The countries with which we have the highest number of cases are Germany, Austria and Romania. We know the concerns of these countries regarding the implementation of the Regulations and have learnt a lot about their practices. If we compare the experiences and the method of implementation of our counterparties, we can realize huge differences which certainly do not mean that we refuse any deviance from our practice.

As regards the daily practice of the Member States in the field of implementation of coordination regime we need to stress the importance of common approach to the requirements set in the relevant community law. The basic principles are applied in the same way in all countries but if we take a look at the details, we can reveal that certain provisions are failed to be interpreted and implemented in this way. It may result in the different evaluation of the same insurance history, the unjustified overestimation of the migrant status and the overlapping of benefits provided by the competent Member States. We are in favour of the termination of practices resulting from the less proper interpretation of the legal provisions. To this end the regular liaison body meetings have special importance in our practice but bearing in mind that these meetings do not solve the problems of Community nature. In the framework of the liaison body meetings we always strive for the establishment of common implementation procedures which fit for the practice and the volume of cases between the respective countries and may contribute to the better implementation of the coordination rules. When we introduce special procedures to our partners, we pay considerable attention to the requirements of the Regulations and keep in mind that the procedure, which in one way or another is different from that applied by other Member States, should be easily followed and understood by the insured persons and those involved in the procedure. We welcome the flexibility of our partners and are in favour of the establishment of partnership with other countries as well.

The well-functioning communication between the competent institutions and the liaison bodies is the pre-requirement for the smooth operation of the coordination. Therefore the introduction of the electronic data exchange needs to be highlighted in all countries. If we take the particular provisions of the Regulations into account, we can clearly see that delays in the introduction of EESSI hamper the rights of migrants protected by the coordination regime while most of these provisions presuppose the communication based upon the electronic means and ways. Once EESSI will be operational in all Member States all actors including the competent institutions and the persons concerned can rely on the advantages of flexible and speedy data exchange. The requirements of EESSI introduction provide very considerable impetus in terms of the development of the national record systems as well and thus we perceive it as a positive side effect of EESSI preparation and enablement.

As regards the calculation of benefits and the aggregation of insurance periods in the pension sector we can say that these procedures do not raise any doubts about the common interpretation and implementation in the Member States. As we heard from the representatives of the other social security sectors they faced certain difficulties in the transition from the old Regulations to the new ones which they have tackled successively by now.



### 2.2.3. Limitations to the free mobility of workers

#### Procedural limits to the portability of social security benefits

The portability of social security benefits is one of the main advantages of the social security coordination in the EU. All Member States are committed themselves to implement the provisions of the relevant EU law and to protect the rights of mobile workers and all those persons covered by the Regulations. The portability without any limitations unless it is provided for in the EU law is to improve and facilitate the mobility potential of Europeans. If we take under scrutiny the barriers and obstacles of effective implementation and the protection of rights to portability, we can draw a long list of factors which are blamed for the ineffectiveness of relevant provisions.

The first and most important obstacle we have faced in our practice and identified from the date of our EU accession is the lack of uniform interpretation of principles and some of the core provisions. The coordination regulations contain wide range of procedural provisions which combine and cover the diversity of social security systems being operated in the EU Member states. As we see now the complexity of the coordination regime itself prevents Members States from following the same procedures and answering one and same legal question in the same way. Liaison bodies of the Member States definitely strive for removing the obstacles experienced bilaterally but their results are not channelled into the practice of the broad circle of implementation of social security rules.

By taking a look behind the backgrounds we can fully understand each single Member State's intentions to protect its individual social security system and simultaneously to meet the responsibilities emerging from the membership in the European Union. The balance between protecting national competencies and meeting the requirements of the supranational law is very vulnerable especially if we take into consideration that the room for manoeuvre is restricted by the acquired social security rights of migrant workers and those covered by the Regulations.

As regards the economic constraints we do not see any obstacles to the migration and the benefits of the Hungarian social security system are provided on equal basis and the movement from Hungary to any other EU countries even during the insurance career has no adverse effects on the quality of benefit the person concerned may qualify for. In comparison to other European social security systems the Hungarian system can be defined as very generous in terms of the conditions of getting the benefits abroad. We would like to hereby mention the legal and technical problems related to meeting the requirement of direct payment of benefits abroad. For those who are staying or residing in any other EU Member State the payment of long term benefits especially pensions is possible only indirectly. Let us stress that within the EUR-zone there are no limitations of direct payments while the Hungarian National Bank offers its direct services within this area. The situation is quite different in case of countries which do not belong to the EUR-zone. Our clients living in a non-EUR country are required to choose one of the indirect payment methods which can be a bank account opened in a Hungarian commercial bank or the payment in cash to a person living in Hungary. Currently we are searching for the appropriate legal and technical solution which could offer the same rights in terms of payments for all entitled persons irrespective of the place of stay or residence.

#### Interrelation of public with private social security schemes

The interrelation of public with private social security schemes is of no relevance in Hungary. Private schemes do not play any crucial role in the life of Hungarians and the private schemes



are organised only on a voluntary basis. The private pension scheme which was introduced in Hungary from 1 January 1998, as a result of the Government's efforts aiming at the establishment of a sustainable state pension system, has lost its importance. Upon the termination of payment/transfer of contributions into the private pension funds from 1 October 2010 the members of the pension funds, who have decided to preserve their private pension rights, will be entitled only to a reduced sum of state pension once reached the retirement age provided that they acquired the required insurance periods. Others, who terminated their private pension memberships and stepped back into the statutory state pension scheme, are eligible for a full state pension once meeting its eligibility criteria.

The short history of the Hungarian private pension scheme does not allow us to evaluate the interrelation with the public scheme and effects on the mobility decisions of persons concerned. However, we can add here that the members of the private pension funds didn't consider the cross-border effects too much and the portability issue was not in the focus of their decisions.

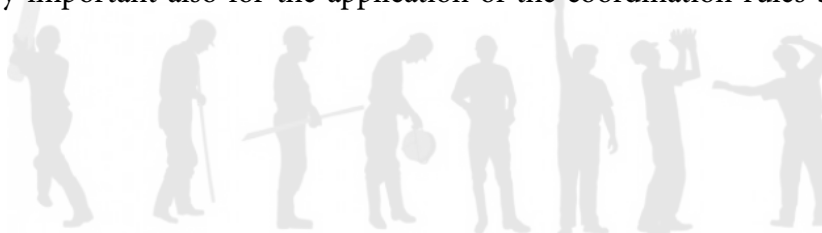
### Quality of available information

The quality and the quantity of information available on the wide range of social security rights and commitments as well as on the benefits which one may qualify for have a great significance. The Hungarian social security institutions have their own communication strategy which is regularly adapted to the changes of the legal situation. The entry into force of the new Regulations has been preceded by a well-designed information campaign led by the competent sectors and partly coordinated by the competent Ministries. The most relevant means of this campaign were:

- media advertisements;
- organisation of information forums for various interest groups (employers, employees, self-governments, pensioners, etc.)
- informative leaflets;
- websites and links to the relevant website of the Commission.

In order to provide complex information on particular individual situations the Health Insurance Fund and the Central Administration of National Pension Insurance created joint information brochures and coordinated their communication activities. We know that the cooperation in providing information is to be kept alive in any period but the capacities and resources allocated to this tasks do not allow us deepen it. In case of law amendments requiring the enhanced cooperation between the competent institutions in Hungary the activities are very well designed and coordinated and the persons concerned do not feel the lack of permanent information.

As regards the information available on the social security system and benefits of other EU Member States we apply a simple but useful information procedure. The basic information on particular countries are regularly updated and uploaded on our website. The main sources of such information are the MISSOC and the information letters provided by our partners on any changes in their system. All claimants and insured persons interested in detailed provisions of any other EU Members States are assisted by our competent institution which helps the person concerned to get the relevant information which might have crucial importance in the decision on the movement to another country, on the claim for any benefits or on the change of the family composition. We have experienced that the claimants are aware of their possibilities to get information on various issues they are interested in and can use different channels in a proper way. It is very important also for the application of the coordination rules by the competent



institutions while the well-informed claimants and insured persons are more cooperative and their attitude towards the international procedures is more positive. Dissemination of information among the persons concerned in the pension sector has a well-functioning channel which is the organisation of pension information/consultation days with partners from other EU Member States. The pension consultation days provide great opportunity for the persons concerned to get acquainted with the details and particularities of his/her individual case by consulting with experts from the countries involved into the consultation. In this regard, Hungary has traditionally good cooperation with Austria and Germany and would like to build up such a good relation with other countries as well.

Concerning the information provided on EU level we have the impression that from time to time more and more persons turn to the sources offered by the Commission or other Community services. The relevance of information provided on EU level is still bigger than that of those provided on national level because the interested persons trust the EU services much better especially if they are not satisfied with the content of information they were received on national level. To this end we find it inevitable to have available up-to-date information on EU level.

### **2.3. Country Report: Czech Republic<sup>4</sup>**

#### **2.3.1. Characteristics of the national social security system**

In the Czech Republic a citizen is entitled to the award of an old-age pension if he has attained pensionable age and amassed the necessary period of insurance. The age for taking retirement is different for men and women – for women it depends on the number of children raised (for persons born in 1977 and later no more valid condition). A condition for entitlement to old-age pension is accumulation of the required period of insurance and attainment of the stipulated age (i.e. retirement age or the age derived therefore or 65 years of age). Insured individuals who attain 65 years of age and failed to accumulate the required period of insurance to be entitled to an old-age pension if they became disabled (regardless of the degree of disability) and accumulated the necessary period of insurance for entitlement to a disability pension or became disabled due to a work-related injury.

Survivors' pensions are widows'/widowers' pension and orphans' pension. Widow's pension is granted in case of a husband's death. Widower's pension is granted in case of a wife's death. A widow (widower) is entitled to a widow's (widower's) pension if her husband (his wife) received a pension or fulfilled the insurance period condition required for an entitlement to a full disability or old-age pension on the date of his (her) death. From this year the period in which the entitlement to a pension arises again when the conditions are met is reduced from 5 years to 2 years from the previous expiration of the entitlement to a widow's or widower's pension.

Orphan's pension is granted only to a dependent child in the case of death of his/her parent (event. adoptive parent) or to a person who substitutes parental care and supported a child at the time of the parent's death because of impossibility of performance for substantial reasons. At the same time the deceased must be a beneficiary of an old-age, disability pension on the date of his/her death or must fulfil the condition of the insurance period for a disability pension or for an old-age pension on the date of his/her death or he/she died due to a work accident. For the

<sup>4</sup> Compiled by ERUDICIO and CSSA



purposes of entitlement to an orphan's pension, "a dependent child" is a child before completion of his/her compulsory school attendance or after the completion up to the age of 26.

A citizen who is disabled in any of the three degrees of disability and has amassed the necessary period of insurance is entitled to a disability pension. The condition of the necessary period of insurance is not required if the disability came about as a result of a work injury (occupational illness). With effect from 2010 there have been fundamental changes in the assessment of entitlements to pensions conditional on long-term poor health and in the way the amounts are determined. The main change is the new definition of disability, consisting in the introduction of three degrees of disability instead of full and partial disability. In connection with this change full disability pension and partial disability pension were replaced by disability pensions of the first, second and third degrees; their amounts depend on an ascertainment of the degree of disability. Another change is the introduction of an age limit for the establishment of entitlement to a disability pension and its continuance.

The amount of unemployment benefits is calculated on the basis of average net income generated by the job seeker in his/her last employment; the benefits amount to 50 % of this income in the first three months and to 40 % of this income in the remaining period. For persons who were self-employed before applying for mediation of employment, the unemployment benefits are calculated on the basis of the last assessment basis for pension insurance premiums and for the contributions to the state unemployment policy. The job seeker is entitled to unemployment relief benefits for no more than 6 months with exception job seekers in the ages of 50 and 55 where a period is extended to 9 months.

Family benefits (Benefits of State Social Support) are provided by Labour Office and its regional branches. Basic principles are residence based (generally to be entitled to any benefit the beneficiary must have permanent residence and also centre of interest in the territory of the Czech Republic), means-tested (as a condition of entitlement for most of benefits the income of beneficiary and persons living with him/her in the same household is assessed) and persons living in the same household are generally assessed together. There are several types of family benefits. Child benefit, parental allowance, birth grant and funeral grant. Maximum amount that caring person may receive for the whole period of taking care of a child (i.e. from birth till the age of maximum four years) is fixed at 220,000 CZK (approx. 8,000 EUR). Amount of monthly payment is determined by a caring person, but it is limited by maximum.

The maternity benefits are provided to employees and self-employed persons from the sickness insurance. There are two maternity benefits: The maternity benefit and compensatory benefit in pregnancy and maternity (this benefit is provided only to employees). A basic condition for entitlement to maternity benefit is participation in insurance (e.g., continuation of insured employment) at the time of commencement of maternity leave (financial assistance during maternity). Parental allowance is provided to employees during the parental leave. A parent who personally and duly cares for a child who is the youngest in the family is entitled to parental allowance. A parent may elect the amount of parental allowance and thus the period of its drawing under the condition that at least one parent in a family is a person participating in sickness insurance. It is a possible accumulation with other state social support benefits like child allowance, housing allowance, foster care benefits, birth grant and funeral grant.

The basic principle of sickness insurance benefits is to provide financial support when a citizen loses his or her earnings temporarily due to illness or maternity leave. Participation in sickness



insurance for employees is mandatory under the law. Participation in sickness insurance for self-employed persons is voluntarily. There are two types of sickness benefits: sickness benefit and attendance allowance (this benefit is provided only to employee) The personal scope of sickness insurance determines who may be insured. Under the Sickness Insurance Act, persons shall be insured if they meet the conditions stipulated for participation in sickness insurances and are active in the Czech Republic. Sickness insurance is usually established by the start of employment and terminated by the end of employment. The precondition for participating in sickness insurance is working in the Czech Republic in a job carried out under a contractual employment relationship or an employment relationship which may establish participation in this insurance, and the scope of employment which is determined by the minimum number of days. An employee will be entitled to sickness benefit from the 22nd calendar day of his or her temporary incapacity to work, for the calendar days. The support period lasts no longer than 380 calendar days from the date of the temporary incapacity to work or quarantine order, unless stated otherwise.

There are three types of minimum resources (means-tested) benefits: Subsistence allowance (Person or a family is entitled to subsistence allowance if its income after deducting adequate housing expenses does not reach the amount of subsistence), housing Supplement (This benefit is provided to persons/families whose income together with housing benefit paid out from state social support scheme is not sufficient to cover housing expenses) and special immediate assistance (It is provided to persons who find themselves in situations that needs to be solved immediately).

### 2.3.2. Enforcement of the EC Regulation 883/2004 and 987/2009

In accordance with Regulation (EC) No. 883/04 and 987/09 on the coordination of social security systems, the CSSA is the liaison body and competent institution for cash sickness benefits and maternity benefits, pensions and determining the applicable legislation; the Access Point for these competencies is in preparation. The CSSA also makes sure 30 bilateral agreements on social security falling under the scope of its activities are implemented, pays out pensions to 75 states (in 2011 – around 66,000 pensions). All figures related to international agenda are increasing year by year.

In the paragraphs that follows a few data and figures are presented

International area:

- liaison body (Headquarters)
- competent institution (CSSA Headquarters - pensions)
- determination of legislation applicable
- institution of the place of residence and the place of stay (DSSAs)
- contact institution for pensions (Headquarters)
- designated institution for recovery and offsetting

Pensions - CSSA decides:

- on benefits according to the domestic legislation and
- on benefits according to the EC Regulations
- in accordance with bilateral agreements on social security
- issues more than 400,000 decisions every year



Length of the procedures on average in national pension cases:

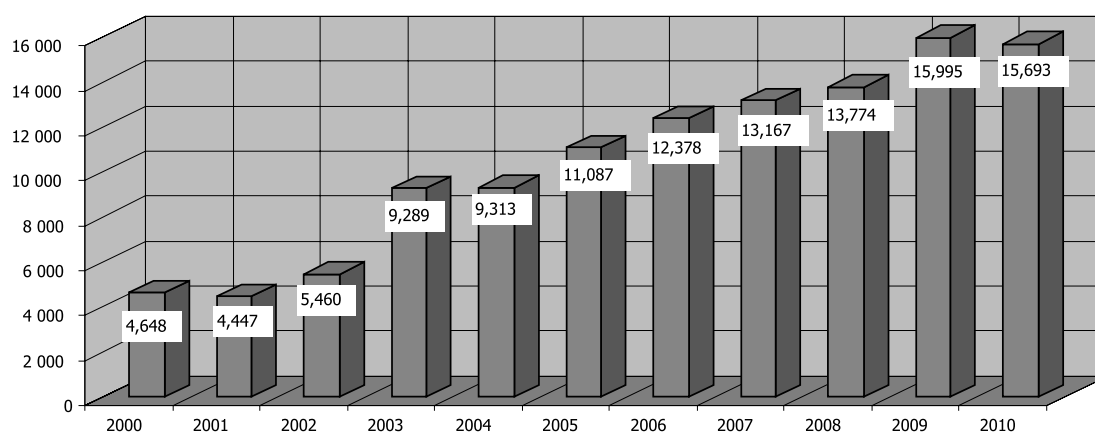
- 53 days old-age pension
- 40 days survivor's pension
- 110 invalidity pension

Lengths of procedures in international pension cases: about 188 days on average 30 bilateral agreements (15 out of EU/EEA area). Almost 67 000 payments to 75 countries.

Tab. 2.1: Number of applications for national pensions in the years 2007 – 2011

2007	2008	2009	2010	2011
244 113	251 396	270 352	224 277	262 803

Fig. 2.1: Applications submitted for international pensions (Source: CSSA evidence)



### 2.3.3. Limitations to the free mobility of workers

#### Procedural limits to the portability of social security benefits

There are many obstacles related to determination of their applicable legislation by migrating workers. Determination of social security system according to the Regulations by migrating workers represents the basic step. Most of the migrating workers wish to stay in the social security system of country, where is located their residence. They know what to expect of this social security system. Regulation 883/2004 in Title II specifies quite strict conditions, which must to be met. Competent institutions assess fulfilling of conditions and issue A1 form, which declares the fact, that social security premium must be paid into the system of EU/EEA Member, whose institution issued A1 form. As well migrating worker is entitled to receive benefits from this system, if the conditions are met. There are four possible situations of migrating workers in general: *lex loci laboris*, posting, simultaneous activities and exceptions.

Many employers as well as workers and self-employed persons seek for most advantageous conditions concerning amount of social security contributions, which they shall pay. They try to circumvent the rules defined in Title II Regulation 883/2004 and related European social security legislation. This undesirable procedure is called forum shopping. In many situations employers force their employee's to obey unlawful procedures. As a result of forum shopping subject many manual workers to social security system which does not entitle them to receive

benefits in the same level as they would receive in the state of residence. Further employee's doesn't know their rights and entitlements resulting from the social security system of non-residence Member state, whose legislation subject. Ignorance of relevant language participates on it in negative way.

We define several reasons of these unlawful activities: 1) vague provisions of some provisions Title II Regulation 883/2004 2) insufficient tools and sanctions which could discourage of these activities and parallel low level of cooperation between competent institutions and 3) false information provided in the request for issuing A1 form and submission of formalized documents (contracts, invoices etc.), which are not true.

- 1) The provision of European social security legislation shall only coordinate social security schemes of Member states. Regulations 883/2004 and 987/2009 lay down basic rules and conditions in general, but in detail let the priority on the national social security legislations. Many conditions stated in Regulations assume that every case will be examined individually and if reasonable, it is not necessary to meet some conditions in strict way. It leads to inconsistent application of regulations in every single Member state. There are institutions, which issue A1 form in all cases without examining regardless of the fact that conditions are not satisfied. This approach is mostly motivated by financial aspect because social security premium will be paid into their system. Secondly, the organization of providing agenda applicable legislation is not well done, the competent institutions are too much decentralized or the competence of particular institutions is fragmented. Last but not least, the clerks are not trained sufficiently in European agenda. These all factors discriminates migrating workers, whose competent institutions strictly require fulfilment of all necessary conditions. If conditions are not met, they refuse request, don't issue A1 form and person subject to social security legislation of Member state, where pursue the activity (lex loci laboris rule). Enforcement of Title II Regulation 883/2004 is not sufficient, because allows unequal assessment of situations migrating workers in Member States. Determination of applicable legislation has many legal financial impacts and it is surprising simple to avoid payments into the right social security system. Pensions, sickness and other entitlements and benefits are very much prejudiced by the procedure of issuing or non-issuing A1 form.
- 2) There are very limited possibilities how to sanction unlawful procedures or behaviour committed by employers, employee's, self-employed persons or institutions according to the Regulations. Concrete sanctions must be enforced mostly according to the national legislation, not Regulations. If the applicants fill in false information or submit false documents what leads to false examination whole situation is competent institution authorized to cancel validity of A1 form and determine that person subject to applicable legislation of another Member state. The validity of A1 form applies until the institution issuing A1 form cancel its validity. Regulations set down conciliation procedure in the cases of different statements competent institutions of two Member states. The aim is to protect migrating persons in these disagreements therefore states the institute of provisional determination of legislation applicable, which using clear rules determines Member state whose legislation applies until the dispute resolves. In fact, both procedures, i.e. conciliation procedure and provisional determination of applicable legislation don't work very well because many institutions don't cooperate correspondingly. There are



many reserves how to ensure that migrating workers will be protected against unlawful activities their employers or insufficient cooperation competent institutions.

- 3) In this section will be mentioned some concrete examples of forum shopping, unlawful activities or avoiding of correct determination applicable legislation which has big impacts on legal certainty of migrating workers and entitlements on social security benefits.
- a. The one of basic posting conditions (Art. 12 regulation 883/2004) is verifiable economic activity of employer or self-employed person on the territory of posted Member state. Some employers want to pay the smallest amount of social security contributions, therefore are looking for the most advantageous social security scheme. Employers make all administrative steps necessary for establishing in the appropriate Member state but in fact any substantial activities are not done on the territory of this Member state. It is only a formal, virtual seat, something like letter box. Therefore must be thoroughly examined, if the activity is in fact done by requiring relevant documents as contracts, invoices or orders. False or insufficient assessment of this condition leads to the fact that many manual workers subject to the unknown social security scheme, which does not provide them benefits in the level which would they get in their state of residence. This practice is very widespread between employers in the EU and is necessary to fight against it.
  - b. In cases of simultaneous activities pursuing in two or more Member States (Art. 13 Regulation 883/2004) exist many discrepancies resulting from different approaches of particular Member States or different national social security legislations.

The fact that e.g. Members of Supervisory Boards, Members of Boards or Executives have in some Member States status of self-employed person and in some Member States status of employee has a fatal influence on the determination of applicable legislation.

The formal conclusion of employment contracts with two or more employers led, till the legislative change effective from 28.6.2012, to the fact that criteria of “pursuing substantial part of activity on the territory of Member State of residence” did not apply and employee subjected to the applicable legislation of the Member State of residence. It was very simple way how to avoid lex loci laboris rule. Thanks the legislative change has been this inappropriate but legal possibility cancelled.

Big administrative burden for all sides pose procedure of provisional determination of applicable legislation according to the Art. 16 Regulation 987/2009. It takes a lot of time and money for applicants, employers and institutions. This procedure is not very effective without triggering of Electronic Exchange of Social Security Information.

Interrelation of public with private social security schemes

Czech pension system consists of two parts – basic pension insurance which corresponds to public social security scheme and supplementary pension insurance fitting into private social security scheme.

Basic pension insurance (also known as the first pillar) is mandatory insurance, defined by benefits and funded on a running basis (PAYG). The system is universal for all economically active individuals who must participate. CSSA administers only this system. Its legal basis is



stated in the Pension Insurance Act effective from 1.1.1996. This act governs the entitlement to a pension, methods of determination of pension amounts and conditions of payment.

Supplementary pension insurance forms so called third pillar which complements the public pension scheme. This system is completely voluntary, i.e. it depends on individual's decision if he or she will join this system irrespective of being economically active. Financing of the system is fully funded, the pension rights are based on client's contributions. This system is supported by state copayments to individuals saved amount. Supplementary pension insurance is administered by private pension funds.

The second pillar, which is usual in EU member states (employer pension schemes), is being prepared in the CR. Introduction of the second pillar should solve problems of financing the public pension scheme (population ageing, rising costs to pensions paid out from the first pillar etc.) Moreover the CR had been one of the last countries in the region to make changes in pension sector.

The second capital-funded pillar of pension system is going to come into effect on 1st January 2013. This pillar will be inseparably connected with continuously-funded first pillar which means that it will be opened only for economically active persons who are also covered by the first pension pillar. Fundamental objective of the reform changes is risk diversification. Newly formed second pillar is referred as "opt-out" and employees 35 and over will have to decide until middle of 2013 whether to join or not, employees under age 35 can choose to join at any time up to age 35. The decision to join is irrevocable. Signing the contract the participant agrees the fact that 3% from 28% pension insurance contributions paid to the public 1st pillar system will be diverted to his individual account and he/she will be required to pay an additional 2%.

It is not possible to evaluate the pension reform because it is not in force yet. In the Czech Republic there is next to Social security also private voluntary schema. Effective August 1, 2009, an amendment to the law on supplementary pension plans prohibits employers from "influencing" their employees' selection of a private pension plan provider. Employers that have established supplementary pension savings plans for employees with a specific vendor or vendors were required to revise these arrangements. Also under the new amendment, employees who switch pension fund providers before five years are subject to a fee.

An employer's contribution to a Supplementary Pension Insurance Fund and/or private life insurance on behalf of an employee is tax deductible to the employer up to CZK 24,000, if benefits are paid after 60 months and not before the employee reaches age 60. An employee is entitled to a tax deduction for his or her own contributions to a Supplementary Pension Insurance Fund, but the deduction only applies to contributions in excess of the first CZK 6,000. The maximum tax deduction is CZK 12,000 (provided the total contribution was a minimum of CZK 18,000).

### Quality of available information

Czech Social Security Administration offers many important information in the area of pension and sickness insurance and determination of applicable legislation on the websites ([www.cssz.cz](http://www.cssz.cz)), Information offices, call centres, Local Social Security Administrations, leaflets or occasionally at the seminars. One of the prior aims of the Czech Social Security Administration is pro-clients approach, therefore many information in many ways are available for persons including migrant workers:

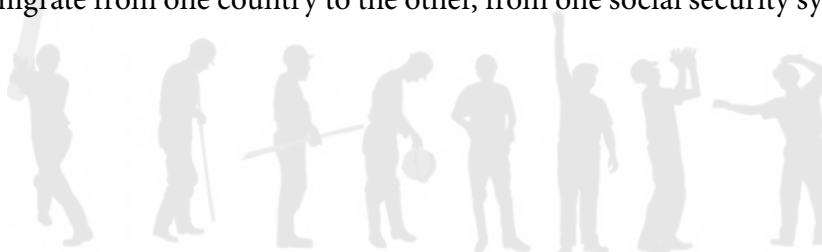


- 1) Websites – you find there all necessary information related to migrant workers in Czech, English, German and French language. The Czech version is most comprehensive part of the websites, English, German and French versions includes nevertheless all necessary information. The basic menu in Czech version comprises section European Union divided into subsections e.g.: Sickness insurance, Pension insurance, Determination of applicable legislation, Forms, The most frequented questions, Typology of life situations or Contacts on foreign institutions. There is a description of all important administrative procedures, which helps to migrant workers in orientation, what to do now or later. As mentioned above, non-Czech languages versions of websites content less information. This fact could be a complication for a person who does not speak Czech language.
- 2) Czech Social Security Administration offers dense network of District Social Security Administrations (92) with well-trained and pro-clients oriented staff able to solve individual situations of migrant workers. Many of these Local branches have modern Information centre. Clients have a possibility to reserve concrete term of proceeding with clerk.
- 3) Call centres for pension and sickness insurance enable to response questions via phone.
- 4) Leaflets – all possible leaflets are available in paper form at the District Social Security Administration as well as on-line on the websites. Special attention is paid to older workers and pensioners. E.g.: Guide for future pensioners is very favourite publication, which informs people how to apply for pension.
- 5) Seminars, consultations – in the border areas near to Germany and Austria are held consultations days for employers and employee's regularly. It helps to enhance orientation in social security matters by migrant workers. Experts from both sides answer concrete questions and solve situations of clients. If some important change concerning determination of applicable legislation was come into force, seminar for employers requesting for exception according to Art. 16 Regulation 883/2004 or employers in transportation was arranged. Many of these activities are very well rated by clients.
- 6) At the level of Czech social security institutions is prepared Guide for migrant workers, which aims to description of all possible situations emerging by migrant workers. It includes concrete administrative procedures in all social security sectors.

In general, the scale of information available for migrant workers is very good in the Czech Republic. They have enough possibilities, where to find information concerning their concrete situations. The basic principle is collaboration of social security institutions on the European as well as national level to simplify migration of workers. There is big difference between particular countries and institutions in compliance of this basic rule. Many institutions do not cooperate with other institutions and worse to clients correspondingly, what all together makes trouble to migrant workers.

### 2.3.4. Conclusions

CSSA would recommend to improve transparency as well as clarity of information provided for to the clients. A more structured and unified information would enable a better orientation for people who migrate from one country to the other, from one social security system to the other.



This could be ensured via the cheapest medium which is web.

Also a permanent monitoring on the side of national authorities and institutions focused on legal and administrative obstacles in concrete cases or when implementing particular provisions of national legislations in concrete situations would assist to the process of a smoother free movement of persons. In such cases, usually more national authorities and institutions are involved and work bodies should be established. Here f.i. the Czech Republic has a very good experience.

The role of SOLVIT seems to be rather important for the clients but still often limited by lack of more expertise. This is caused by the fact that officers implementing SOLVIT have to cover more branches, so specialization on social security often is just one of „many others“. This could be partially avoided by establishing networks with involvement of all relevant institutions and contact persons.

## **2.4. Country Report: Poland<sup>5</sup>**

### **2.4.1. Characteristics of the national social security system**

Please, notice that the Country Report concerns only social security benefits that are administered by the Social Security Institution (ZUS). These are:

- Old-age pensions and early retirement pensions
- Survivor pensions
- Disability pensions
- Maternity and paternity benefits in cash
- Sickness benefits in cash
- Death grants

As a strength of the system may be treated the fact that there is not required any minimum period for purposes of acquire the right to old-age pension from the New system. On the other hand the amount of such a pension depends mostly on the amount of contributions paid to ZUS individual pension account. So, a person who contributes to the system for a short period of time may get a pension but the level of benefit amount may be low. Guaranteed minimum amount of old-age pension refers only to person who has completed at least 20 years of insurance (women) or 25 years of insurance (men) and upon condition that this person resides in Poland (art. 58 of Reg.883/04). For this purpose ZUS takes into account also periods of insurance/residence from the other MSs,

For other cash benefits: pensions (long-term sickness benefits) and sickness allowance (short-term sickness benefits) there is still a very important condition for granting such a benefit: waiting period / the required period of insurance. So the right of these benefits depends on the length of insurance periods completed by the claimant (or completed by a deceased person in respect of survivor pension).

<sup>5</sup> Compiled by ZUS



With regard to short-term sickness cash benefits the length of the waiting period varies depending on whether a person is subject to sickness insurance compulsorily or voluntarily. Simultaneously the national law provisions provide for cases in which either there is the entitlement to benefits without a waiting period or the conditions of inclusion the previous periods of insurance prior to a break in insurance into the insurance period required to acquire the right to the benefits. Also short-term cash benefits in respect of accident of work or occupational disease provided from the so called accidents insurance are granted without the waiting period. The said benefits are payable at the maximum 100% rate of the basis for the assessment of the sickness allowance. What is rather an exception against the laws of other MSs, cash benefits from either the sickness insurance or the accidents insurance are payable, under the specific conditions, also after the termination of insurance. The strength of the system might also be that it provides maternity allowance not only to woman who gave birth to a child but also to such who took a child to be brought up. Under specific conditions there is a possibility for a woman entitled to a maternity allowance to decide how long will she receive the allowance and to share this right with the child's father. There is also autonomous benefit for a father of a child. In regard to cash benefits from the sickness insurance or the accidents insurance, the documents required for acquisition or payment of these benefits issued on the territory of other MS of EU/EFTA are respected and do not have to be translated into Polish. In case when periods completed in Poland are shorter than required, the respective periods from the other EU Member States are taken into account by ZUS. In particular, to the periods of insurance in Poland, which are required under Polish legislation for the entitlement to some of cash benefits in respect of sickness, the Polish competent institution adds also the periods of residence in another MS if the legislation of this other MS makes the acquisition of the said benefits conditional upon periods of residence.

There are also few examples of assimilation of facts concerning awarding pensions. One of them concerns starting date of entitlement to pension. According to the Polish legislation the right to pension starts at the end date of receiving short-term sickness benefits. Under art. 5 of Reg. 883/2004 it refers also to receiving short-term sickness benefits under legislation of other Member States.

The other example of assimilation of facts is the requirement that for certain types of old-age pension a person in order to acquire the right to pension is obliged to stop working as an employee. Under art. 5 of Reg. 883/2004 it refers also to persons being employed in other MSs by the foreign employers.

Certain facts or events that occurred in any MS are treated equally as if they had taken place in Polish territory also in regard to acquiring the rights to cash benefits from either the sickness insurance or the accidents insurance, e.g. facts or events that are the basis for refusal of right to the said benefits under Polish legislation.

However, in Poland there are restrictions on payments of social insurance benefits abroad. If a person entitled to pension resides abroad in other country, usually this residence is not an obstacle to get the right to pension, but payments of benefits may be made only to individual banking account in Poland or to hands of a person residing in Poland authorised by the beneficiary to receiving benefits on behalf of her/him. The situation changes completely if a person resides in EU Member State. Then it is possible for ZUS to make payments of benefits to individual bank account in the bank chosen by beneficiary in the country of residence.



The other important remark on the Polish legislation is that old-age pensions from the first pillar and from the second pillar are actually two parts of basic public pension system. As a matter of fact pension from the reformed old-age pension system consists of two pensions: pension from pay as you go system, and capital system. The second part of pension is based on capital accumulated in open pension funds (OFE) and it supplements the first pillar pension. OFE is not a private system, but the public one. Actually this is a way of financing the second part of pension partly outside the public finances.

There is a big discussion of change of common retirement age in Poland. The actions are taken in order to prepare such a law which: 1. changes retirement age to 67 years (smoothly, on step by step method) 2. provides equal retirement age for men and woman (currently 60 for woman and 65 for men). This changes may influence on individual rights of persons who has worked in Poland and other MSs and who would like to retire.

Coming to the conditions of granting benefits, there is an important condition for receiving early retirement pensions (under common pensionable age), disability pensions, and survivor pensions. A person entitled to such a pension may earn from work, self-employment of civil services but the income may not exceed sums provided by the Polish legislation. This earning levels refers also to the Polish pensioners working abroad, e.g. in other MSs. Beneficiaries are obliged by law to report to ZUS income from work, self-employment of civil services and after each year provide ZUS with certificates confirming this income issued by employers or authorities of a country of work.

Cash benefits in respect of incapacity for work due to sickness (including incapacity for work resulting from accident at work or occupational disease) or maternity (including equivalent paternity benefits) payable under Polish legislation are a surrogate for lost earnings and so they are dependent on the earnings / income. As a rule, the sickness allowance for the period of incapacity for work after the termination of insurance is not payable if the person incapable for work continues gainful activity or has taken up gainful activity constituting a title to sickness insurance, or providing a right to benefits for the period of the disease. The sickness allowance for the period of incapacity for work during the existing insurance is not payable e.g. if the insured person uses the medical certificate contrary to its purpose and performs work.

#### **2.4.2. Enforcement of the EC Regulation 883/2004 and 987/2009**

As we wrote in the Self Assessment Grid, in terms of communication and exchange of data, the cooperation between institutions will not change essentially until the end of the transitional period. We assume that joining EESSI will increase efficiency in regard to: determining the institution competent in a specific case, providing all data necessary to consider the claims, forwarding the correspondence once wrongly addressed, replying and handling the cases in reasonable time-limits.

Following the provisions of AC Decision No E1 we respect both E series forms and paper SEDs. Our institution still issues E series forms and among new documents we already apply SED P1000 and PD documents: P1 and A1. The institutions in other MSs we cooperate with were in advance informed how we are going to proceed during the transitional period. The use of paper SEDs is considered after their final versions are approved and available in official languages of all MSs.



Introducing a public directory of social insurance institutions in the form of an electronic database will enable an easy and common access to contact details of these institutions for both officials/clerks and the insured persons. Before it fully serves its function it is still necessary to clarify the procedures for reporting changes and to ensure the completeness of this database and also ZUS is engaged in this process as the questions on necessary amendments have been already sent to all MSs (see e.g. AC Note No 462/11REV). We apply provisions of AC Decisions No H1, H2, H3, H5, H6, E1, E2, E3 and we contributed in assessment of necessary amendments of AC Decisions No E2, H3 and A1 during their revision process. We also apply AC Note No. 424/10, containing a proposal to share the cost of transactions between the institutions of the MSs while implementing the new European regulations.

Our institution actively participates in works on the implementation of electronic data exchange system within EESSI both on national and European level. In works aimed to set up the national application for electronic data exchange within EESSI there are involved among others employees, who are simultaneously the members of ad hoc groups of the Administrative Commission established to prepare the final versions of SEDs and flows. These AHGs prepared the Guidelines for the use of SEDs and Flows in particular sectors. Our representative participates in TC meetings, too. We analyze TC notes and prepare answers to questionnaires issued by TC. Moreover, we co-ordinate work on EESSI in IT field and Ad hoc Groups on SEDs and flows. Our employees have been systematically trained on the new provisions of European regulations and subsequent changes related to their application ( e.g. resulting from having now regulation No 1231/2010 and Decision No 1/2012 of the Joint Committee concerning Switzerland). They were also learned about the contents of current versions of structured electronic documents and the structure of business flows.

New detailed national procedures and guidelines on how to proceed with particular SEDs and how to handle flows will be prepared for our clerks after the IT infrastructure is prepared and the national application is developed. The respective trainings and live tests are foreseen, too.

The provisions of new European regulations do not provide rules for the aggregation of allowances collection periods. There are no other essential changes in regard to calculation of benefits as this is done on basis of national provisions with fully consistence with the revised general principles of coordination of social security schemes. For the aim of enforcing the provisions of new European regulations we both use our previous experience on implementing Regulation 1408/71 and Regulation 574/72 and agree good or simplified practices to be applied with the liaison institutions of other Member States during the bilateral talks or in writing.

The provisions of the new European regulations even facilitate the application procedures due to the fact that they do not provide for cases of dual applicable legislation, there is no specific set of rules concerning aggregation of periods for seasonal workers ( there is no more a definition of seasonal worker). Moreover, the provision expressly provides that the relevant periods completed under the legislation of another MS are added to the periods completed in the competent MS provided that they do not overlap and additional guidance in this area are given in the AC Decision No. H6. Communication in this realm is held solely between the insurance institutions. The insured person does not receive the document PD in this regard.



### 2.4.3. Limitations to the free mobility of workers

#### Procedural limits to the portability of social security benefits

We do not have procedural limits to the portability of social security cash benefits due to partial enforcement of the Regulation 883/2004.

In the scope of pensions, the right to pension deriving from the national legislation does not depend on citizenship/nationality and residence in Poland. Citizenship or residence does not also affect the entitlement to cash benefits in respect of incapacity for work due to sickness (including incapacity for work resulting from accident at work or occupational disease) or maternity (including equivalent paternity benefits) payable under Polish legislation - all of the mentioned benefits are subject to the coordination of the social security schemes.. The only thing which may be restricted to the territory of Poland is payment of pensions. Under Regulation 883/2004 this payment restrictions are not relevant to beneficiaries residing in EU MSs.

We appreciate that under the provisions of new European Regulations the scope of application of the coordination has been extended for equivalent paternity benefits and retirement benefits. The cash benefits subject to the coordination of social security schemes are payable on basis of legislation of the Member State in which the person concerned is insured even though the person entitled to them resides or stays in a MS other than the competent MS. Cash benefits are exported only to persons to whom the provisions of the European regulations apply. These benefits are not transferred to countries with which Poland has no binding bilateral agreement on social security, but, depending on the disposal of the holder, they may be passed in Poland to a bank account of the holder, by postal mail to the beneficiary's address or into the hands of an authorized person. However, the beneficiary may instruct the bank to make the transfer of benefits abroad.

Furthermore, the right to short-term cash benefits is no longer dependent on the rights to benefits in kind. There is therefore no such possibility that ZUS refuses e.g. sickness benefit to the e.g. Italian national insured in Poland only because s/he did not obtain permission to return to Italy in the course of the disease.

As far as we are concerned the rate of death grant in Poland is one of the highest in Europe.

As described in detail in the State of Art Report, cash benefits in respect of incapacity for work due to sickness (including incapacity for work resulting from accident at work or occupational disease) or maternity (including equivalent paternity benefits) payable by the Polish competent institution are calculated on previous salary/income (as opposed to "flat rate") gained during the current employment/ insurance title. In particular, the amount of the cash benefit/allowance depends on both the basis for assessment of the cash benefit/allowance and the cause of the incapacity for work.

#### Interrelation of public with private social security schemes

The Polish old-age pension system is designed basis on the III pillars concept. First two pillars are part of a public pension system, the third one is own persons pension investments in individual way or in employee pension programs created by employers.

These 3 pillars at the pensionable age shall guaranty social security level adequate to the social



status of a person. In Poland employee pension programs are not popular and only few companies established such programs. It means the economical situation of future pensioners relies in fact on public pension system (I and II pillar). These public pillars are two parts of pensions payments. The right to such pension does not depend on duration of periods of insurance. No waiting period is required to get such pensions. Payments of pensions are made by ZUS together – in one payment to banking account. Also currently ZUS awards these two types of pensions (I+II pillar). The problem may arise when a person contributes to the system for a short time. Then the amount of contributions on individual account in ZUS and in individual register in OFE may be very little. In the end the amount of pension may also be very little and not enough for living. Eventually pensioner may benefit also from social assistance in the place of residence.

### Quality of available information

To this aim availability of sufficient and clear information on the websites of social security institutes in partner countries, the availability of informative leaflets addressed to customers, and so on will be examined and assessed. Such analysis will be carried out separately for each category (and sub-category) of welfare benefits. This task will be carried out mainly in the perspective of workers (and their relatives) moving from Czech Republic, Hungary, Poland and Romania to Italy, and the other way round.

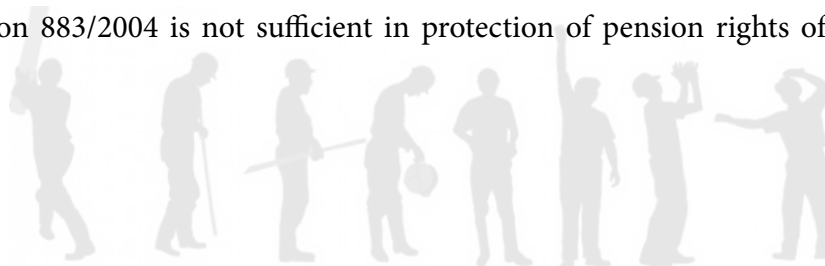
As we wrote in the Self Assessment Grid, detailed information on both cash benefits granted under the Polish law and new provisions of European regulations applied by Social Insurance Institution is available on our institution's website in Polish. Some information is also available in English or German. One may find there also link to information about new European regulations published on the European Commission's website. On our website we also provided the link to the Master Directory of EESSI as well as the supporting searching tool, which enables finding the competent branch office of the Social Insurance Institution by a name of the town or by a postal code (also in English or German). Currently our institution is preparing to launch an electronic question-answer service that allows customers to obtain information about issues covered by provisions of new European regulations applied by our institution. Currently, through another tool, only the questions in the realm of pensions benefits may be submitted electronically by the persons concerned. The informative actions (e.g. "international days of counseling", conferences for contribution payers/ employers) are supported by leaflets available also on our website and in paper in the seats of our branch offices. Brochures and guides on pensions benefits are yet available also in English. Work is ongoing on the preparation of information materials about other benefits administered by the Social Security. We also share paper information materials gained from the AC or our competent authority.

#### 2.4.4. Conclusions

There are no big problems with implementation of EU Regulations 883/2004 and 987/2009. The quality of legal provisions on co-ordination is quite good, so we do not face any crucial legal problems while implementing Regulations, except of application of art. 44 of 987/2009.

The research on national legislation and EU Regulations on co-ordination of social security schemes has shown some problems with exportability of cash benefits within EU and possibility of loss of some social security rights by migrants.

EU Regulation 883/2004 is not sufficient in protection of pension rights of persons moving



within EU from pension systems based on defined contribution (NDC) to systems based on defined benefit (DB) if a person has completed periods shorter than one year in those last systems. These periods may be lost, as NDC systems does not take over these periods under art. 57 of Reg. 883/2004. Also the idea of free movement of persons is weakened by suspension of supplement awarded according to art. 58 of Regulation 883/2004 if a pensioner moves to other Member State which does not provide supplements to minimum pension or if there is no periods in this Member State.

In regard to cash benefits in respect of sickness or maternity we focused on some procedural problems which we have diagnosed and decided to present deeply during the Warsaw Peer Review. The research concerned national obstacles that cause delays in acquiring the said benefits by the insured persons who apply for them while residing/staying in other than competent Member State, as well as the conditions of smooth and effective communication between social security institutions. Eventually, we all agree that foreigners have a limited access to information on social security benefits under national legislation as not all information if any is given in English or other foreign languages. But first of all we notice a great need for strengthened cooperation between social security institutions, both on operational and liaison level. Here, we would recommend to create a net of personal contacts in all specific areas in order to fasten the procedures of awarding benefits and other administrative cooperation.

## **2.5. Country Report: Romania<sup>6</sup>**

### **2.5.1. Characteristics of the national social security system**

This section is a summary of the information collected in the State of the Art Report highlighting strengths and weakness of the Romanian social security system.

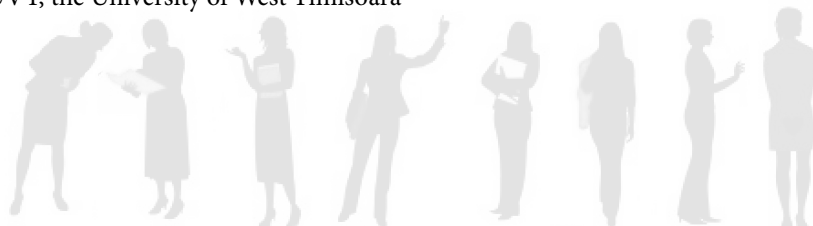
- Old-age pensions and early retirement pensions

Pensions are the most important social insurance benefit given within the public system. To obtain a retirement pension, two conditions must be fulfilled: i) The standard retirement age; ii) The achievement of the minimum contribution. According to the Art.53 of Law nr.263/2010, regarding the unitary system of public pensions, the standard age for retirement is 63 for women and 65 for men. Between January 2011 and December 2014 the contribution period for women will rise from 28 years to 30, and for men from 33 years to 35 years. At the end of this period, the gradual increase of the completed contribution period is being continued only for women, from 30 years to 35, until 2030. Under the new legislation governing the unitary public pensions system, people who have been operating in particular, special, or other work conditions, benefit of retirement age reduction. In the case of persons who have made contribution periods in special work conditions, the reduction of the standard retirement age is between 1 and 8 years, depending on the number of years worked in these conditions. The minimum contribution period for granting the reduced retirement, in these special conditions, is of 6 years.

Likewise, the standard retirement age is also being deducted in the case of people who have evolved in special work conditions, namely:

- a) In mines, for the personnel who work underground for at least 50 % of the normal work months.

<sup>6</sup> Compiled by UVT, the University of West Timisoara



- b) Research activities, exploration, mining or nuclear raw materials processing, areas I and II of radiation exposure.
- c) National defence activities, public order and national security, provided by the classified legislation, issued by the entry into operation of the actual law.
- d) In civil aviation, for the crew (as foreseen in Annex 1 of the law).
- e) Activities and units, specified in the 2 and 3 Annexes of the law.
- f) Artistic activities specified by law.

Also for people who work in the national defence domain, public order and national security and other work conditions (different or special). In this situation, the reduction of the retirement age is between 1 and 13 years, according to the achieved contribution period, in these work conditions. The minimum reduction is 1 year and it applies to persons who achieved the contribution period, under special conditions or other work conditions, of minimum 2 years. The reduction of the retirement age operates under the conditions of a complete contribution, required by law, for persons who worked in jobs assigned to special conditions, such as those provided in Art nr. 30. People who worked in national defence, public order, national security and other work conditions (different and special), benefit of retirement age deduction, if they achieve the minimum contribution period required by Law (Annex No 5), in addition to the complete contribution. Reductions of the standard retirement age, and those under different legislation can be cumulated without a total deduction of more than 13 years. In these conditions, the deducted retirement age can't be less than 50 years for women and 52 for men and 45 years for people who worked in national defence, public order and national security.

Exceptions to the above regulations are listed below:

I. Persons, who have worked at least 20 years in mines, in the underground, for at least 50 % of the normal work months, benefit of 20 years deduction from the standard age retirement. The standard retirement age can't be less than 45 years.

II. People, who had a minimum of 20 years of contribution in the following jobs, benefit of 15 years deduction from the standard retirement age: dancer (ballet), dancer, acrobat, juggler, clown, circus rider, wild animal trainer, opera and operetta lead singer, wind instruments player, stunt. The standard retirement age can't be less than 50 years. However, in the case of ballet dancers and acrobats, the retirement age can't be less than 40 years for women and 45 for men.

III. People who carried out research activities, exploration, mining or nuclear raw materials processing, areas I and II of radiation exposure and completed a contribution period of at least 15 years in the first radiation exposure area or at least 17 years in the second area, benefit of a retirement pension, regardless of age.

The complete contribution period is: i) 22 years and 6 months for those who have worked in the first area of radiation exposure; ii) 25 years and 6 months for those who have worked in the second area of radiation exposure.

- Cumulative Pensions And Wages

In the public pensions system, the age limit pension can be cumulated, under the law, with revenues for which insurance is mandatory. Although, with the exception inserted by the Law



nr 239/2009, the age limit pension can be cumulated with wage income derived from activities in the public sector, only if the pension's net level is lower than the average gross salary, used at the substantiation of the State social insurance.

The net pension means the quantum resulting after deducting, by law, of the health insurance contribution and the income tax, where appropriate.

If this by law disallowed situation occurs, the person has the obligation to choose, within 15 days of the occurrence – for one or the other source of income, in order to avoid undue pension collection. In these conditions, payment of the pension is suspended and the formalities and the documents needed in this procedure are the ones provided in the Instructions for the application of Act nr 329/2009. (See the Ministry of Labour Order No. 1730/2009, posted on the site, at the Public Pensions Legislation domain, Other Normative Acts category)

- Survivor pensions

The Act nr 341/2004 – The gratitude law, to the heroes, martyrs and fighters who have contributed to the victory of the Romanian Revolution of December 1989, and to those who gave their lives or suffered because of the anti-worker communist rebellion, from Brasov, in November 1987.

- Disability benefits

According to the Act nr 448/2006 for the Protection and Promotion of the disabled Person's Rights, republished and the GD nr 1665/2008 regarding the update of the social performance quantum, provided at art nr 58, paragraph 4 of Act No 448/2006.

The following benefit of monthly allowance, regardless of the incomes:

- An amount of 202 lei for an adult with severe disability
- An amount of 166 lei for adults with accentuated handicap

The personal complementary monthly budget, regardless of the incomes:

- An amount of 91 lei for adults with severe disability
- An amount of 68 lei, for adults with accentuated handicap
- An amount of 33.5 lei for a medium disabled adult

- Unemployment benefits

The unemployed person is the one who fulfills the following conditions:

- Is looking for a job since 16 years old or over and until the retirement conditions
- Health and physical and mental capacities make him able to work;
- There is no job, no income or fulfils incomes from authorized activities, which are lower than the reference social indicator of unemployment insurance and stimulate employment in force, of 500 RON;
- is available to start work in the next period, if they will find a job.
  - registered unemployed – the person who meets the conditions listed above and is recorded at the employment agency in whose jurisdiction he resides or, where appropriate, to another employment service provider, which operates under the terms of law, in order to obtain a job.

The unemployment benefit is being given to the unemployed according to the contribution period, as follows:



- a) 6 months, for those with a contribution period of at least one year;
- b) 9 months, for those with a contribution period of at least 5 years;
- c) 12 months, for those with a contribution period longer than 10 years.

The amount of the unemployment benefit is granted according to the contribution period as follows:

- 75% of the reference social indicator, on the date of calculation, for people with a contribution period of at least one year;
- The amount provided above, plus an amount calculated by applying the average gross monthly basic salary for the last 12 months of contribution period, of a differenced percentage rate, according to length of employment.

The differenced percentage rates according to the contribution period, mentioned above, are:

- a) 3%, for a contribution period of at least 3 years;
- b) 5%, for a contribution period of at least 5 years;
- c) 7% for those with a contribution period of at least 10 years;
- d) 10%, for a contribution period of at least 20 years;

For people who have been insured under a contract of unemployment insurance, to determine the amount calculated by applying a percentage, depending on the contribution period, the monthly income, declared in the unemployment insurance contract will be considered.

- Family benefits

In the application of the Law 277/2010, on Family Support Allowance, to ensure the best conditions for the start of the application process, approval and payment of family benefit, Wednesday, January 19, 2011, the Government approved the Decision no. 38/19.01.2011 for approving the methodological norms for applying Law no. 277/2010 on Family Support Allowance, published in the Official Monitor, no. 56/21.01.2011, Part I.

The following can benefit from family support allowance:

1. Families whose members are Romanian citizens, living in Romania;
2. Families and single persons who are not Romanian citizens, if they find themselves in one of the following situations:
  - a) Are citizens of an EU Member State, EEA nationals, Swiss Confederation or other countries, in the period in which they have the domicile or, if applicable, residence in Romania, under the law;
  - b) Are foreign nationals or stateless persons, who have been granted protection;
  - c) Stateless persons who have their domicile or, if applicable, residence in Romania, under the law.

The family support allowance is granted based on income and number of children in the family.

- Maternity and paternity benefits



The Emergency Ordinance, No 124 from 27 December 2011, published in Official Monitor on December 30, brings some changes that apply to the provisions of the two decrees, 148/2005 and 111/2010, which regulate parental allowances.

- Sickness benefits

The Sick leave is governed by Ordinance No. 158/2005. The Temporary disability leave is defined as the time the employee is in a state of temporary work inability and proves this with a medical certificate issued under the law, by competent medical authorities.

During the temporary disability leave, the employee does not receive a salary, but is granted a sickness benefit, throughout its duration. The Temporary disability leave is also known as medical leave, and also, the sick leave.

The due allowance for the sick leave shall be mandatory granted and it's not subject to prior approval of the employer. Being entitled to sick leave is a right granted by law. Temporary disability leave can't be confused with physical or mental incapacity - it is ascertained by a physician in occupational medicine - and can't be confused with the inability to work - which can lead to retirement due to illness. All employees benefit of sick leaves if in the last 12 months preceding the month in which sick leave is granted they had a minimum contribution period of one month.

- Minimum resources (means-tested) benefits

Law No. 416/2001, regarding guaranteed minimum income, consolidated in 2009. Families and single persons, Romanian citizens, are entitled to a guaranteed minimum income, as a form of social security. The guaranteed minimum income is provided by monthly social aid, as established by law. Establishment of minimum income is based on the principle of social solidarity, in a national social policy.

- Private Pension Schemes

The Private Pension System, Pillar II of Romania is a system of "hybrid defined contribution". According to the classification of the Organization for Economic Cooperation and Development (OECD) and World Bank, the system of "defined contribution" is characterized by, upon accession, voluntary or as the effect of the obligation stipulated in the law, only the contribution value in system is known, with no promise or guaranteed results on the benefits, meaning the final amount of the guaranteed value, used to obtain a private pension. In Romania, the system is hybrid because it has provided an absolute guarantee, namely the diminished amount of paid contributions, by transfer penalties and legal fees.

By comparison, countries like the Baltic's, Hungary, Russia or Mexico, do not impose any guarantees, regarding the performance of Pillar II funds. Romania, Slovakia and the Czech Republic, for Pillar II are the only countries where legislation on private pension system provides an absolute guarantee of the amount of net contributions. Also, Romania is one of the few countries that require actuarial reserves of the pension administrators. The two laws which underlie the Private Pension System in Romania are: Law No. 204/2006 on optional pensions, with subsequent amendments and Law No411/2004 on private pension funds, republished, with subsequent amendments.



### 2.5.2. Enforcement of the EC Regulation 883/2004 and 987/2009

Major changes to the Regulation (EC) No. 883/2004 and its implementing Regulation No. 987/2009 on pensions. As of January 1, 2007, Romania's EU accession, Romania applies the EU provisions on social security regulations. In relations between Member States the provisions of Regulations (EEC) No. 1408/71 and 574/72, have been applied, until April 30, 2010, replaced as of May 1, 2010, by Regulation (EC) No. 883/2004 of the European Parliament and the Council from April 29/ 2004 on social security systems and Regulation (EC) No. 987/2009 of the European Parliament and Council from September 16/2009, laying down the procedure for implementing Regulation (EC) No. 883/2004. In relation to Member States of the European Economic Area and Switzerland, the provisions of Regulations (EEC) No. 1408/71 and 574/72 are currently applied.

As of May 1, 2010, in the coordination of social security systems, Romania will apply the provisions of Regulation (EC) No. 883/2004 of Parliament and Council, as amended by Regulation (EC) No. 988/2009 and the implementation of Regulation No. 987/2009. The new regulations will apply in Romania's relations with the 26 Member States of the EU, old regulations provisions, Regulations (EEC) No. 1408/71 and 574/72 are still in force, in relations with the European Economic Area and Switzerland.

According to Decision No.H1 of the Administrative Commission for the Coordination of Social Security, on the transition from the Regulations (EEC) No. 1408/71 and No. 574/72 to Regulations (EC) No. 883/2004 and No. 987/2009, applications submitted before the entry into force of new regulations continue to be governed by the law applicable to them at the time of their introduction, and the provisions of these regulations apply only to applications filed after the entry into force.

According to Decision No.E1 of the Administrative Commission for the Coordination of Social Security Systems, covering the period of transition, to settle the claims for pension rights being submitted under Regulation (EEC) No. 1408/71, the information exchange is based on procedures included in Regulation (EEC) No. 1408/71 and Regulation (EEC) No. 574/72, including the use of related forms of series E 200.

### The Transition

Regarding the pensions, the exchange of information between the institutions involved will be done through electronic data exchange. During the transition period, over the next two years, after the entry into force of new regulations, Romania will continue to use E forms, until the entry of a specialized electronic application for structured electronic documents (SED). In all cases, in the transition period, any institution accepts relevant information, contained in any document issued by another institution, even if it is based on a format, content or stale structure. In Romania, the necessary documents, for establishing pension rights are those provided in the rules for applying Law No. 19/2000 on public pension and social insurance, as amended, approved by The Ministry of Labour and Social Solidarity, 340/2001, as amended and supplemented. Inter-institutional collaboration, general principles and inform applicants of benefits. The principle of assimilation should not interfere with the summation of the insurance periods, the periods completed in other Member States will be considered only by the application of that principle.



## Features of the new regulations

There were no significant changes in Regulation (EC) No. 883/2004, in the regulation of pension benefits, the granting of benefits being made with the same basic principles of Regulations 1408/71 and 574/72 (equal treatment, summation of insurance periods for granting benefits, maintenance of rights in course of acquisition and pro-rata temporis of pensions, export benefits). Community grant pension rights will be under the same conditions, in the manner provided under the provisions of Regulations 1408/71 and 574/72.

However, if some additional conditions apply (in addition to completion of insurance periods), like the age required for the benefit or a change in the number of children to be taken into consideration, new calculation must be done automatically. The Parental benefit period has a distinct approach, which refers to any period which is considered under the pension legislation of a Member State or which explicitly supplements a pension, because a person has raised a child, regardless of the method used to calculate these periods and whether they are cumulated during child-raising or retroactively recognized. For granting the community pension, the applicant provides all available relevant information and documents, relating to periods of insurance (institutions, identification numbers), the employment (employers) or independent activity (nature and place of work) and residence (address) that could be carried out under other legislation, and the duration of these periods. In case the applicant requests the postponement of the retirement benefits, under the legislation of one or more Member States, it needs to specify in its request, in accordance with which legislation is he requiring a postponement. In the case of death grants, the same provisions as in Regulations 1408/71 and 574/72 apply.

### 2.5.3. Limitations to the free mobility of workers

In terms of the special rules, applicable in international detach, the innovations are:

a) In the case of employees:

- Setting a maximum initial detach of 24 months (to the limit of 12 months, established under the old regulations)
- The institution extended detach has been eliminated;
- Incorporating more aspects from the European Court of Justice, already included in the Instructions for the application in the public pension and social security, and other benefit rights of the Council Regulation No. 1408/71/EEC, on the application of social security schemes to employed persons, independent workers and their families, moving within the Community, adopted on 14 June 1971 and Council Regulation No. 574/72/CEE, establishing detailed rules for applying Council Regulation No. 1408/71/EEC, on the application of social security schemes to employed persons, independent workers and their families, moving within the Community, adopted on March 21, 1972, approved by CNPAS's President Decision No 112/01.04.2009, published in the Official Monitor, No. 355/27.05.2009, amended by CNPAS's President Decision 135/04.12.2009, published in Official Monitor, No. 913/24.12.2009;

Clarification of terms and expressions:

i. The phrase “normally engaging work in a Member State” is based on an employee who must conduct significant activities (substantial), normally based in a Member State.

i.i In the case of people recruited for detach, the condition that the person concerned to be a



subject of the legislation of the Member State of establishment of his employer, for at least one month, immediately before the start of detach has been imposed.

i.i.i. Authorizing a new detach period can only be done after a period of two months from the end of the previous maximum detach period.

b) In case of independent workers

- Setting a maximum initial detach of 24 months (from the 12 months limit, set under the old regulations);
- The institution for detach extension has been eliminated.

Clarification of terms and expressions:

i. The one who is usually self -employed” is based on an independent worker who habitually carries on significant activities in the Member State of establishment.

Likewise, to prove that they normally operate individually, in the territory in which he is registered, a self-employed person must have practiced at least 2 consecutive calendar months in that State, prior to detach.

i.i. The independent worker must carry out a “similar activity” in the Member States involved and this term is clarified: in order to conduct a “similar” independent activity, the actual nature of that activity is taken into account, rather than classifying an activity as employed or independent.

When carrying out professional activities in two or more states:

C.1. Being employed in two or more States refers to the situation of employed persons who:

- Simultaneously exercise a separate activity in one or more Member States, regardless of duration or nature of such activities, while maintaining an activity in another Member State. Determining the timing of the work is crucial, establishing whether the activity is: a) Permanent, with an ad – hoc or temporary character; b) He continuously pursues alternative activities, except for small ones, in two or more Member States, regardless of frequency and regularity of the alternation. The person who is habitually employed in two or more Member States shall submit to:

C.1.1. Legislation of the residence, where they perform a substantial part of the activity in a Member State or whether it depends on several undertakings or several employers whose office or place of business is located in different Member States. To determine if the employer carries out a significant part of its activities in a Member State, the next shall be considered: working time and / or wages to detached workers.

C.1.2. It is subject to the legislation of the Member State in which the office or place of business enterprise is being situated, or employer whose employee is, if the person does not carry out a substantial part of its activities, in the Member State of residence.

C.1.3. A person who acts as an employed person in two or more Member States, for an outside the EU established employer, and if the person resides in a Member State without pursuing substantial activity there, that person will be subject to the legislation of the Member State of residence.

C.2. Being self-employed in two or more states, refers to a person engaged simultaneously or alternately in one or more separate independent activities, whatsoever, in two or more Member States.



C.2.1. The person who normally pursues an independent business in two or more states, is governed by the laws of the Member State of residence, when exercising a substantial part of its activities in that Member State. Determining the timing of the work is crucial, establishing whether is permanent, with an ad - hoc or temporary character. “Significant independent activity” means that a significant proportion of all self-employed person’s activities are conducted in that State, without necessarily being the most important activities. In order to assess significant self-employment activities, the following criteria are being considered: turnover, working time, number of services, income. It is considered that a person has significant activities in a state if at least 25% of the above criteria are met.

C.2.2. The person who normally pursues an independent business, in two or more states, is governed by the laws of the Member State which is located in the focus of its activities, if not residing in one of the Member States in which he is carrying out some substantial business. In determining the applicable law, the competent institutions are considering the estimated situation of the next 12 months.

A person employed as a clerk in a Member State and is employed and self-employed in one or more Member States is a subject of the legislation of the Member State of which the administration is committed. In the case of European Communities staff, the term of contract staff is used, and the right to choice is maintained. For the personnel employed in diplomatic missions or consular offices, domestic staff of the officials of such missions, there is no possibility of choice on the law applicable to them, being treated according to general principles. In relation with Member States of the European Economic Area and Switzerland the provisions of Regulations (EEC) No. 1408/71 and No. 574/72 will apply. The beneficiaries of pensions granted under the laws of one or more Member States and residing in another Member State, may be exempted, at their request, of the application of the law of the residence, provided they are not subject to the laws of that State due to their activity as an employed or self employed.

#### 2.5.4. Conclusions

Romania’s EU accession has meant, on one hand, that a series of strict and new economical and social rules needed to be adopted, which profoundly interfered with social security system and, on the other hand, implementation in practice of these regulations. This fact was decisively passed on social policies, on the way in which Romania had and should identify strategies, in order to address the issue of social security, in relation to the required standards. On the other hand, the Romanian government has strengthened the ability to take and develop institutional capacities and administrations, in relation to the community acquis, but the consolidation and strengthening process and especially the development of structures, must be strengthened and accelerated.

No doubt, in the social field, especially in social security, clear progress has been achieved, both in the legislation domain and development of institutional structures, but this process should on one hand, continue, and on the other hand, adapting to new realities should definitely be accelerated.

Although the Romanian welfare system is not particularly attractive, especially in relation to the amount of benefits, we can say that a modern system is being built up. Major social risks are covered, even if, we emphasize, the amount of benefits is not up to a similar level, to that of most EU member states.



From the analysis of Romanian social security settlements, the Romanian legislation is largely in line with the Community norms. Romania is, from a legal perspective, prepared to apply the Community regulations. Likewise, the efforts to develop the administrative capacity will continue to be developed. Even if positive developments have been registered, the situation should not stagnate at this level.



### 3. The mutual learning process

The mutual learning process aimed at identifying, validating and discussing those elements that might represent obstacles to the free mobility of workers in the countries involved in the project, in order to raise awareness on the extent and determinants of such obstacles.

The mutual learning process was fostered through the organization of four peer reviews during which the host partner presented the main findings arising from the national level analysis and research focusing in particular on portability of welfare benefits across EU countries and related obstacles. This was followed by a debate during which solutions to identified obstacles were discussed in the light of partners' national experiences and good practices. The main issues at stake in the field of social security coordination were thus identified and discussed taking into account the specific situation of each country and the specific needs of the mobile workers described in the project deliverables and in the national country reports (see Chapter 2).

Most of the issues raised throughout the mutual learning process are country specific and relate to the features of the national social security systems. For this reason they are presented separately for each country involved in the project.

#### 3.1. Hungary

The first peer review meeting was held in Budapest on 6<sup>th</sup> September 2012. The presentation of the Hungarian case by ONYF highlighted some key issues relating to specific situations/examples which can affect the free movement of workers. These issues do not engender a real disadvantage or penalty on entitlement to benefits, but highlighting them could help to accelerate the case handling processes and to better understand the features of the Hungarian social security system.

In the paragraphs that follow a succinct overview of these issues is provided

- A person who is in receipt of a pension awarded in another Member State, has a Hungarian residence, is entitled to health care benefits according to a certificate (S1; E121) issued by its insurance institute and has also been performing gainful activity of minor importance in Hungary (e.g. has been a university lecturer), gets into a discriminated situation due to the application of Regulation (EC) No 883/2004.. Pursuant to Article 11 3(a) of the EC Regulation Hungarian legislation is applicable, thus the pensioner on own right has the obligation to pay social security contribution when being employed and according to their certificate issued by the foreign insurance institute the right to health care benefits terminates as well.
- The construction of the definition of “residence” pursuant to Article 11 of Regulation (EC) No 987/2009 and particularly when applying Article 17 of the Regulation (EC). How can be ‘residence’ determined by virtue of Article 11 with respect to those who have more residence in the EEA area and the residence in the territory of the competent M.S. does not enable to acquire a certain entitlement?
- The issue of family members’ entitlement, with particular focus on the lack of spouse’s derivative entitlement under Hungarian legislation.
- Practical problems with respect to the application of Article 27 (8) of Regulation (EC)



No 987/2009 under which the competent Member State shall accept certificates on incapacity for work issued in another Member State.

- From 1 January 2012 in Hungary, disability or rehabilitation benefit shall be awarded for the persons with changed working capacity if she or he had been insured in any EU/EEA Member State for at least 1095 days within 5 years before submitting the claim. The amount of the benefit is not depend on the gained service period because it is calculated from the average monthly earnings. So that in case of this type of benefit the advantages of long service period can't be proven because it's enough to fulfill a minimum level. The message of these benefits is completely different from the previous benefit determined for person with lost working capacity. Until 2012 getting disability pension meant something definitive, from this date the new type of benefit is not meaning "pension", so the calculation of it can also differ from the calculation of the pension. After the change the calculation method is more similar to the calculation of unemployment benefit or sickness benefit.
- A person receiving pension from any EU/EEA member state and working in Hungary is considered as pensioner in Hungary so that he/she doesn't gain any service period after the starting date of the payment. In several cases the consequence of this is that the person won't be able to gain enough service period for early retirement pension, or to the 'women's 40 years'. They will only be entitled to old age pension when they reach the retirement age. But, on the other hand, if Hungary would distinguish migrant workers then it would be discrimination. The clients has to decide if he/she wants pension from another Member State which has lower pensionable age comparing to Hungary and acquire no more service period in Hungary. Therefore a person who is working parallel with the pension reimbursement can apply for a special pension increment.
- In Hungary one of the entitlement conditions of the own right pensions is that the client has to terminate the insurance based legal relationship in Hungary or in any EU/EEA Member State. It often makes the situation that the client has to give up an earning with probably higher amount for a benefit with probably lower amount risking that the foreign labors relation will terminate. Requesting pension is always the decision of the clients. To make the right decision the Hungarian pension authorities should be able to predict the amount of pension and with the knowledge of it the client could decide if he/she give up his/her job.
- The data exchange between the Member States' competent institutions takes a lot of time which eventuate clients without any benefit and any eligibility for health care. This problem may be solved by the EESSI, but until now there is a need for a solution for faster and procedurally official data change. From the discussion about this point it emerged that some solutions have already been implemented and the competent institutions are using them in special cases (fax/e-mail). However the "quality" of these data change has to be raised.
- In case of the claim for survivors' benefit of divorced parents' it can happen that the survivor family doesn't know the important information about the deceased person which is essential for the settlement of the claim because of living separately for a long time (sometimes in different Member States). The purchasing of evidence is often fail, because of the geographical distance and the lack of the communication. This problem seems to be solved in Hungary, as from 2013 data reconciliation process has been started



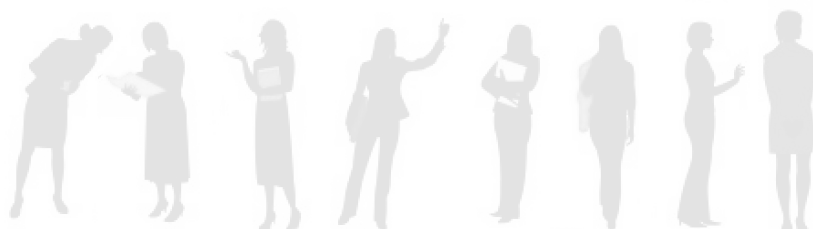
by the pension insurance directorates for those who was born between 1955 and 1959. If the social security data of them has been clarified then a decision will be issued and the data itself will be ready for later requirements (e.g. survivor pension claims). Afterwards, the next interval (born between 1960 and 1964) will be started.

- Because the population register systems of the EU/EEA Member States are not connected to each other, to avoid the unauthorized payments the persons receiving benefit but living beyond Hungary have to certify that they are still alive. In every Member State there are different regulations for shipping postal matters so that it can happen that the delivery note of data checking-up form does not contain if the recipient receives the postal matter or not, and if not what is the reason. The payment of the benefit could be suspended because of a delivery fail. After the certification of existing the retained amounts will be paid out but this situation makes undue administration for the client (and for the clerk as well). Unfortunately not all Member State have the same postal delivery system so the unnecessary payment suspension will occur in some cases. To avoid difficulties of living the Hungarian Pension Reimbursing Directorate is reacting as soon as the clients indicates the unnecessary suspension of payment.
- As more and more clerk in the public sector speaks at least one foreign language, the communication is strengthening without any special agreements. The case handlers should always be open to use a foreign language in an international process if information is required to assess an international case.

### 3.2. Czech Republic

The second peer review meeting was held in Prague on 11<sup>th</sup> October 2012. The presentation of the Czech case by CSSA highlighted some key issues, concerning the following topics:

- Forum shopping – i.e. unlawful activity aiming to avoid the correct determination of applicable legislation which has relevant impacts on legal certainty of migrating workers and entitlements on social security benefits such as formal economic activity in the state of establishment (employer, self-employed persons) or residence (employee, self-employed persons) in the case of assessment conditions stated in the Art. 12 or 13 Regulation Nr. 883/2004.
- Vague definition of provisions in the Regulations: Regulation Nr. 883/2004 and Nr. 987/2009 lay down basic rules and conditions in general, but in detail they let the priority on the national social security legislations. Many conditions stated in the Regulations assume that every case will be examined individually and if reasonable, it is not necessary to meet some conditions in strict way. It leads to inconsistent application of regulations in every single Member State. E. g: posting conditions in Art. 12 Regulation Nr. 883/2004 and Decision Nr. A2 – a minimum of two months self-employed activity in the posting state, economic activity of employer.
- Low level of cooperation between competent institutions: many migrant workers find in unpleasant situation because low level of cooperation between competent institutions. E.g.: conciliation procedure according to Art. 5 Regulation Nr. 987/2009 and Decision Nr. A1. Not all institutions accept the rule, that any document (especially A1 form) is valid until the issuing institution cancels its validity.



- Provisional determination of applicable legislation according to Art. 16 Regulation Nr. 987/2009: big administrative burden for all sides pose procedure of provisional determination applicable legislation according to the Art. 16 Regulation 987/2009. It takes a lot of time and money for applicants, employers and institutions. This procedure is not very effective without triggering of Electronic Exchange of Social Security Information.
- Different national legislation related to determination status of person: the fact that e.g. Members of Supervisory Boards, Members of Boards or Executives have in some Member States status of self-employed person and in some Member States status of employee has an influence on the determination of applicable legislation and lead to problems. However, rules are set down by CEU in EU countries (institutions) the national definitions are not known. It caused that the respective institutions have to continuously check the content of the national definition meaning.
- Formal self-employed activity (in fact illegal employment): many companies employ people in illegal way, it means that these people start self-employed activity, but in fact work only for one company-employer. These employers are also not obliged to pay social security insurance for such persons. State budgets are losing lot of finance; illegal employees are in very weak position to their factual employers. This abuse represents many social risks.
- Payments of Pensions abroad: “Certificate of Living” and frequency of sending engender problems with payments abroad regarding the need to send the confirmation at specified intervals. The necessity of verification of form (signature) by foreign authority which can be imposed a charge.
- Medical assessments: questions concerned international cooperation and problems in case that claimant has not a general practitioner, costs on translation and making out of medical reports, differences in national legislations–need of some additional medical examination.
- Issues connected with pension benefits: Concurrence of particular types of periods or period of the care for child and how to prove it in time delay. How to share information regarding concurrence of pensions and income from depended work and how to proceed (consequences with social insurance payments and/or taxes).

From the discussion by partners, three main key problems appearing in most of participant countries were identified 1) formal self-employed activity (in fact illegal employment), 2) forum shopping and 3) low level of cooperation between competent institutions.

- 1) Formal self-employed activity decrease legal certainty and entitlements for benefits by concerned persons. On the other hand ensures them possibility of earnings at least minimum of income. Without this problematic type of self-employed activity would these workers require for unemployment benefits probably. It is important decision of state policy, how to find practical balance between positive and negative aspects of formal self-employed activity from point of view persons, employers and public budgets. It is a very actual topic in the Czech Republic (and in Italy too). Financial sanctions have been set for employers from the 1<sup>st</sup> of January 2011. They are pleading for easing these measures, which would be probably cancelled in the 2013.
- 2) Forum shopping tends to choose the most favourable social security scheme in contradiction to the rules for the determination of applicable legislation according to the



coordination regulations. The participants of Peer Review put emphasis on the careful assessment of all conditions set in the Title II Regulation 883/2004. In the disputable cases it is necessary to use the dialogue or conciliation procedure to assure of correction incorrect results of applicable legislation.

- 3) Low level of cooperation between competent institutions. Higher and more quality level of mobility of workers in the EU cannot be reached without flexible and punctual cooperation.

### 3.3. Poland

The third peer review meeting was held in Warsaw on 15<sup>th</sup> November 2012. The presentation of the Polish case by ZUS and the following discussion highlighted some key issues, that can be distinguished as legal or procedural problems.

#### Legal problems

- a) Establishing Pensions in the light of art. 57 of EU Regulation 883/2004. No possibility of taking into account foreign periods shorter than one year for purposes of calculating amount of pensions from defined contribution system was pointed out. According to the Polish legislation a pension from new old-age pension system does not depend on periods of insurance, but it depends only on the amount of contributions paid to the Polish system. This system is stated in Part 2 Annex VIII of Regulation 883/2004. According to art. 57 par 4 of Regulation 883/2004, this article shall not apply to schemes listed in Part 2 of Annex VIII. It means that if a person has a right to Polish pension from a new system it is not possible to add periods lesser than one year completed in other Member States. So if a person has completed period lesser than one year in Italy and according to Italian legislation this period does not give a right to pension in Italy, then a person loses this period with respect to pension rights. But if he/she is receiving a pension from Polish old pension system she/he would have this short period included in amount of the Polish pension. So, the right laid down in art. 57 of EU Regulation 883/2004 depends on national legislation. This seems to be indirect discrimination of pensioner (migrant worker). Maybe Art. 57 should be changed in order to provide equal treatment of beneficiaries.
- b) Art. 58 of EU Regulation. Possibility of receiving supplement to pension dependently on pensionable age and state of residence has been stressed. According to art. 58 of Regulation 883/2004, a recipient of benefits to whom this chapter applies may not, in the Member State of residence and under whose legislation a benefit is payable to him/her, be provided with a benefit which is less than the minimum benefit fixed by that legislation for a period of insurance or residence equal to all the periods taken into account for the payment in accordance with this chapter (old-age, invalidity, survivors). The competent institution of that Member State shall pay him/her throughout the period of his/her residence in its territory a supplement equal to the difference between the total of the benefits due under this chapter and the amount of the minimum benefit. In Poland there is such a supplement. So if a person fulfils above mentioned requirements, then he/she may get supplement to the Polish pension. The

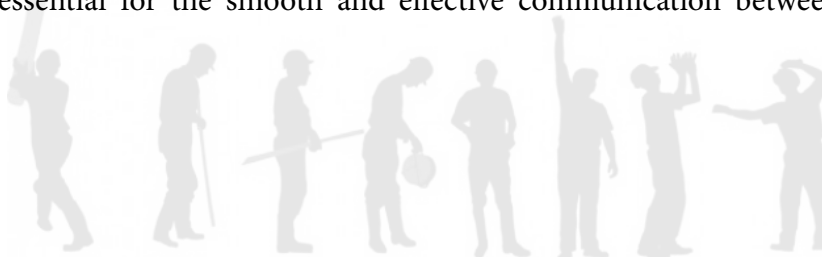


problem is that such a minimum stated in par 1 is not provided by legislations of all the Member States. So if a person who got this supplement (awarded for time of being resident in Poland -according to art. 58) changes country of residence and moves to the other Member State whose legislation does not provide such minimum, then a person loses supplement in the first Member State and does not acquire any new supplements in new MS of residence. So, according to which MS a Polish pensioner chooses to live in, he/she may receive supplement to minimum or not. It limits free movement of persons within EU.

- c) No qualifying insurance periods for acquiring right to old-age pension and problem of minimum pension amount. The rights to Polish pension from a new pension system does not depend on the length of periods of insurance. According to the Polish legislation the pension may be awarded to a person who previously was insured in Poland (for any period of time) and reaches pensionable age. So conditions to acquire right to pension are very favourable. The benefit value depends on the amount of contribution collected on individual account in ZUS. But if a person collected a very small amount of contribution because he/she was shortly covered by Polish insurance, then the amount of pension may be under minimum income for existence. The Polish system does not guarantee any minimum pension if a person has less than 20 years of contributory and non-contributory periods for women and 25 for men. So it means that even if there is no requirement of periods to get a pension, there is a necessity to have sufficient length of periods to get minimum pension. If a person whose pension amount is lower than pension minimum lives in Poland and has sufficient length of periods (taking into account Polish periods and periods of insurance/residence from other Member States) to get minimum, then according to art. 58 for the time of residence in Poland this person may get supplement to pension to Polish minimum pension amount. But if this person decides to leave Poland she/he may lose this supplement because according to art. 58 it is given by Member State of residence. If the new country of residence does not provide such a supplement, then a person will receive only amount of Polish pension deriving from pure calculation of pension (without supplement).
- d) Taxation of pensions and its impact on amount of total benefits from Member States. The rules of taxation of pensions may differ in each Member State. So if a pension is taxable in different Member States with different percentages then this fact may impact on the income of a person and on the decision of the pensioner to move or not to another State. This field is not coordinated by coordination of social security systems, but it is subject of tax legislation, but as a matter of fact it may have influence on personal decisions of pensioners in which country to live in.

### Procedural problems

- a) The European Regulations set coordination, not harmonization of social security systems. There might be national obstacles that cause delays in acquiring the sickness or maternity benefits by the insured persons who apply for them while residing/staying in another competent Member State.
- b) It is essential for the smooth and effective communication between social security



institutions that the requesting institution formulates its claim/request/information clearly so there is no doubt how to deal with it.

- c) It is essential for the smooth and effective communication between social security institutions that the competent institution or the institution of place of residence is easily and clearly established. The current functionality of EESSI Master Directory doesn't ensure it in all cases. Some additional tools or information is needed to support it.
- d) Foreigners have a limited access to information on social security benefits under national legislation as not all information if any is given in English or other foreign languages.

### 3.4. Romania

Finally, the fourth peer review meeting was held in Timisoara on 10<sup>th</sup> December 2012. After the presentation of the Romanian case a lively discussion among the Partners and some Romanian stakeholders followed. The main questions emerged in the debate are the following:

- ✓ What kind of good practices in administrative cooperation under Regulation 883/2004 emerged in order to strengthen cooperation between institutions? Which of these are implemented in Romanian Social Insurance Institution?
- ✓ Is it better to have this kind of practices provided in Administrative Commission decisions? Should Institution not be enforced to apply any good practices? Should it be an issue regarding institutions of Member States?

From the discussion it emerged that a direct communication between partner institutions should be strengthened and some examples were given: occasions when Romanian institution representatives have filed several times questions to partners from Italy and no feedback was given regarding the rights of migrant workers who came back to Romania from Italy. The entitled person came to the Timisoara office and asked for his rights, he was asked to complete forms and to return for an answer. As a result the person made several trips to the Romanian offices getting angry with the clerks. Knowing exactly whom the Romanian authority should contact from the partner institution would make things much easier; this solution was already made applicable between Italian and Polish partners.

The Hungarian partners presented a situation which is quite frequent. Romanian citizens getting residence in Hungary ask there for their benefits. The Hungarian authorities have difficulties getting information from the Romanian counterparts about the benefits the same person receives in Romania and so some people get benefits in both countries committing fraud. The Romanian partners explained that regardless of the country the Romanian citizen had his residence all Romanian offices in charge has all the information about its residents using the data for the identity card and is able to inform the Hungarian authorities about the correct situation so that fraud can be avoided.

Another aspect was presented by the Romanian partners and it refers to the maternal leave and the maternity benefits. It is known by the authorities that attempted fraud is common. Namely, private employees together with employers raise artificially the salary during pregnancy of the employee which leads to a much higher level of benefits received by the future mother.



### 3.5. Overview

In general, the four peer reviews highly increased the common knowledge of the National Social Security Institutes about the characteristics of National welfare systems of the five countries partners and the limitations that could be met by mobile workers.

In light of the key issues emerged during the discussions, and in order to better tackle limits and suggest possible measures for overcoming these, partners noticed that three kinds of problems concerning mobility are present and these problems can be distinguished or classified according to their nature as follows:

- A. Legal aspects: pertaining to i) internal legislation; or ii) EU legislation.
- B. Bureaucratic aspects: i.e. issues related to procedures followed by the different countries for tracking mobile workers, such as communication problems (mostly language); existence of specific agreements among institutions. With this respect several suggestions were already made by participants to the peer reviews for example that of creating a list with the contacts of the persons actually in charge for each social security institution of specific issues which can be contacted to receive additional information.
- C. Economic/Financial aspects: incentives/disincentives linked to different rules (especially for pensions; e.g. retirement ages and computation formulas); private pensions schemes; distributive problems. These aspects are the main focus of the simulation exercise presented in the next final Chapter of this handbook.



## 4. Micro-simulations of representative biographies

### 4.1. Introduction and aims

As already mentioned, the SSE-MOVE project on the basis of the qualitative evidence collected through the Country Reports and during the mutual learning process (see Chapters 2-3) aimed at verifying whether, apart from the rules specified in the EU Regulations 883/2004 and 987/2009, economic incentives or disincentives deriving from differences in the national public pension systems could constrain free mobility of workers (and their relatives) moving from Czech Republic, Hungary, Poland and Romania to Italy.

This aim has been achieved by identifying in the first place a set of representative biographies, or workers' typologies, of mobile workers moving to Italy from their country of origin and alternatively coming back or settling down. Secondly, entitlement to welfare benefits (entitlement conditions and amount of the provided public pension) for these representative individuals was simulated – taking into account the effects of the Regulations (EC) 883/2004 and 987/2009 and the characteristics of national social security systems – in order to verify, comparatively: i) what are the pension prospects of workers moving to Italy (compared to those that are “not moving”); and ii) which differences emerge among countries.

The biographies have been identified according to two main criteria: i) the duration of the working periods spent in Italy and in the country of origin; ii) the characteristics of the working career spent in Italy concerning for example wage levels, frequency of unemployment, periods spent as self-employed.

This chapter is organized as follows: section 4.2 discusses the main rules of EU Social Security Coordination concerning pensions, while section 4.3 briefly reviews the main rules of the pension systems of the five partner countries needed for carrying out the representative workers' simulations. Section 4.4 discusses the methodological assumptions chosen for running the simulation exercise. As we have explained individual biographies selected for the simulation show different levels of “success” of the part of the working career spent in Italy; the characteristics of the selected scenarios for the working life spent in Italy are presented in section 4.5. According to national and EU rules, computing simulations of expected pensions of mobile workers shall follow different steps since independent and pro-rata benefits (potentially) paid by each State have to be computed before summing the partial pensions paid by each State. As regards a specific scenario concerning the Italian part of the career, in section 4.6 the steps followed for computing benefits for mobile workers are shown. Finally, in section 4.7 the results of the expected pension benefits for individuals characterized by different biographies and moving from Hungary, Czech Republic, Poland and Romania to Italy are presented. In order to compare results among countries, the ratio between the pension benefit and the national minimum pension has been used as the indicator of the adequacy of the expected benefit.

### 4.2. The main rules of EU Social Security Coordination concerning pensions

The entitlement to retirement and the amount of the pension benefit of individuals that have spent their working career in different EU Member States is regulated by the following specific rules:



### A. Entitlement to old-age pension

The legislation of most Member States makes eligibility to the old-age pension conditional upon:

1. completion of a minimum insurance period, and
2. reaching of a statutory retirement age.

Concerning the former, for the purposes of establishing entitlement to an old-age pension under the legislation of the States where an individual has been insured, the principle of aggregation of periods applies. The institutions of these States have to take into account the periods of insurance or residence completed in any other Member State if this is necessary for entitlement to an old-age pension under their legislation.

Concerning the statutory retirement age the main problem is linked to the fact that pensionable ages vary greatly between Member States. It is therefore possible that a person who has worked in different Member States does not reach at the same age the required retirement age in all the States where she/he has been insured. When this is the case, only the Member States whose conditions for entitlement to old-age pension (including having reached pensionable age) are fulfilled – where appropriate after application of the principle of aggregation of periods, including those periods completed under the legislation of the Member State(s) whose conditions are not fulfilled (yet) – will proceed to calculate the amount of pension due. When performing this calculation the periods completed under the legislation(s) whose conditions have not been satisfied are not taken into account when this would result in a lower benefit. As the pensionable age is reached in the other State(s), this State (or these States) will also proceed to calculate the amount of pension due. At this point, the State(s) which is (are) already paying a pension must recalculate it.

### B. Computation of the benefit

The total old-age pension that the individual receives once retired is made up of pensions provided by the States where the individual has been insured.

Once an individual's entitlement to old-age pension under a State's legislation is established – for which purpose the principle of aggregation of periods can be applied – she/he receives a pension from each of the States in which she/he was insured. These “partial” pensions are calculated according to a *pro-rata* system.

The formula for computing the individual pension benefit in the States under whose legislation the individual was insured for old-age, differs depending on whether or not the minimum insurance period in a single Member State has been respected.

Those States where the individual qualifies for entitlement to old-age pension on the basis of national law without resorting to the principle of aggregation of periods (i.e. he/she has been insured in that State for a period not lower than the minimum insurance period) will calculate two benefits:

1. a national or independent benefit, i.e. the pension to which the individual would be entitled by virtue of national legislation alone, without taking into account periods of insurance or residence completed in the other Member States;
2. a pro-rata pension, calculated following this procedure:



- i. firstly, a theoretical pension is computed, i.e. the pension that would be due from the State concerned if all periods of residence or insurance completed under the legislation of all the States in which the individual was resident or insured had been completed in that State; in other words, the pension that the person would receive from the State concerned if she/he had worked her entire career there;
- ii. on the basis of this theoretical pension, each State will calculate a pro-rata pension, by applying to the theoretical amount the ratio between the duration of periods completed in the State concerned and the total duration of periods of insurance under the legislation of all Member States concerned.

These two pensions will then be compared and the retiree will receive the highest of the two.

Conversely, those States where the individual qualifies for entitlement to old-age pension only by resorting to the principle of aggregation of periods (i.e. he/she has been insured in that State for a period lower than the minimum insurance period) will only pay the pro-rata pension.

It should be pointed out that the pro-rata calculation shall not apply to schemes providing benefits in respect of which periods of time are of no relevance to the calculation (i.e. pension benefits that do not depend on seniority), subject to such schemes being listed in part 2 of Annex VIII (Article 52(5) of Regulations No 883/2004 and No 987/2009). In such cases, the person concerned shall be entitled to the benefit calculated in accordance with the legislation of the Member State concerned, independently on having fulfilled the minimum insurance period.

Concerning this latter point it has to be stressed that the new Italian notional defined contribution public pension scheme (*contributivo*) – which applies to all individuals that have started to work after January 1<sup>st</sup> 1996 – is not listed so far in part 2 of Annex VIII, maybe because this scheme does not apply yet to retiring individuals<sup>7</sup>. Since in the defined contribution scheme the benefit depends solely on the total contribution paid, regardless of the length of the insurance period, it would not be appropriate to compute a pro-rata pension. As a consequence, in the following simulations the part of the pension benefit concerning the Italian working career will be computed by means of the ‘independent benefit’ rule only.

### **4.3. The main rules of national pension systems for carrying out simulations**

#### **4.3.1. Italy**

Since 1992 the Italian pension system underwent a radical and gradual transformation through a series of reforms that have changed the founding parameters of the public pension system – such as the computation formula, the indexation rule, the requirements for being eligible to old-age and early retirement benefits – and that have attempted to promote the development of private occupational and personal plans. As a consequence of the reform process, the public

<sup>7</sup> The pension benefits of individuals having a seniority lower than 18 years at 31/12/1995 will receive a *pro rata* pensions, based on the *contributivo* scheme for the years worked from 1/1/1996 and on the old earnings related scheme (*retributivo*) for the previous years. Furthermore, according to the last pension reform of December 2011, also individuals having more than 18 years of seniority at 31/12/1995 (entirely remained enrolled to the earnings related scheme) and not still retired will receive a *pro rata* benefit based on the notional defined contribution formula for the periods worked after 1/1/2012.



scheme, that is still a pay-as-you-go system, changed from an earnings-related defined benefit formula (the so-called *retributivo*) to a notional defined contribution one (NDC, the so called *contributivo*); retirement ages significantly rose and further increases are expected in the future due to the automatic link with life expectancy; the institutional architecture started to change from a single-pillar towards to a multi-pillar configuration, even if the public pillar is currently still largely predominant.

Several major changes have been introduced by the recent reform passed by Mario Monti's government at the end of 2011, with the main aim to obtain immediate savings on pension spending through a significant increase of retirement age. In particular, the reform has established that the old-age retirement age for women in the private sector shall increase from 60 to 62 in 2012, and then gradually to 66 between 2013 and 2018, whereas the male retirement age shall rise to 66 in 2012. In line with previous reforms it has confirmed that retirement ages and the seniority record for early retirement shall increase in parallel to increases in life expectancy. Hence, in 2040 (when the first cohorts entirely belonging to the NDC will retire) the old-age retirement age will reach 69.

As already mentioned, according to their seniority at the time of the 1992, 1995 and 2011 reforms, workers are enrolled in three different kinds of schemes – earnings-related (*retributivo*), mixed (*pro-rata*) and notional defined contribution (NDC - *contributivo*) – deeply differing about the benefit computation formula. All three public pension schemes are pay as you go financed. The micro-simulations presented in this chapter only concern individuals enrolled exclusively under the NDC scheme that applies only to workers insured for the first time after January 1<sup>st</sup> 1996.

Under this system contributions are paid into each worker's insurance account, calculated on the basis of a defined rate: this is equal to 33% of gross earnings for employees and 20% for self-employed. Contributions are accumulated in notional individual accounts and the annual rate of return on the accumulated contributions is set equal to the average nominal GDP growth rate in the previous five years. At the moment of retirement, the accumulated amount is multiplied by a transformation coefficient linked to the worker's age when the pension is claimed in order to compute the amount of the annuity.

The transformation coefficients depend on the average unisex life expectancy at the age of retirement and they are updated every two years in line with the official demographic projections provided by ISTAT, the national statistics institute. In 2044 at 69 years of age the transformation coefficient is expected to equal 5.62, whereas currently it amounts to 6.45. Pensions paid under this system cannot be topped up by the minimum pension. Elderly can receive a means tested social allowance (*assegno sociale*) when they reach a specified age (currently 66 years old), independently of their previous contribution record. Currently, the *assegno sociale* amounts around to 5,746 Euros per year.

### 4.3.2. Hungary

The main scheme of the Hungarian pension system is a pay as you go public pension system. The public pension scheme computation formula is a defined benefit earnings-related one (on net earnings of the entire career, revaluated according to the national wage growth rate), with a long vesting period (20 years). The formula advantages short and very long durations. Parallel to this scheme, a privately funded defined contribution scheme also exists, but it has a marginal and declining role, especially after the 2011 reform.



The standard retirement age for men is 62, but will reach 65 by 2021. In spite of this increase, in the simulation period old-age standard retirement age will differ between Italy (around 69 in 2040-2045) and Hungary (65). Twenty years of seniority are needed for a full old-age pension and 15 years for a partial old-age pension (partial means that it does not constitute eligibility to the minimum pension). The minimum pension amount is currently HUF 28,500 (around 108 Euros per month).

Pensions are computed following a defined benefit rule, i.e. the benefits depend on the reference earnings – the average of the net wages earned since 1988 – and on the number of insurance years. Therefore, the pension amount is expressed as a percentage of the revaluated average monthly income of the individual earned since 1988, net of personal income taxes and social security contributions. Specifically, life cycle earnings are revaluated by the growth of net average earnings up to one year before the retirement and the average of these adjusted earnings is multiplied by a rate pertaining to the number of service years the person has acquired (for example, this rate is 80% for 40 service years). If someone retires after the standard retirement age, he/she will be entitled to a bonus of 0.5 per cent of the pension benefit for each additional 30 day periods.

The multiplying factor depends on individual seniority and favours both short and very long career. The brackets for computing this factor are the following:

- ✓ 3.3% for the first 10 years of insurance period;
- ✓ 2% for each of the insurance years between 11-25;
- ✓ 1% for each of the insurance years between 26-36;
- ✓ 1.5% for each of the insurance years between 36-40;
- ✓ 2% for each of the insurance years after 40 years.

### 4.3.3. Czech Republic

To be entitled to an old-age pension, insured person has to fulfil two conditions – reaches the retirement age and completes compulsory insurance period. Retirement age has been gradually increasing since 1996 – for men and women borned after 1977 now exists a simple formula: the base is 67 years, to this number are added two months for each year between the year of birth and 1977. Insurance period has been also gradually increasing since 2010: from 25 years to complete to the date of retirement age to 35 years after 2018 (resp. 15 years when the age of 65 was reached to 20 years).

All the Czech pensions are composed of two parts – basic and percentage assessment. The amount of the basic assessment is same for all pensioners and is set as 9% of average wage. The minimum flat-rate pension amounts to CZK 2330 per month in 2013. The percentage assessment is based on the length of recipients insurance period and his/her income during economically active life. Minimum amount is stated by the law as CZK 770 per month.

Therefore, in Czech Republic a traditional defined benefit (DB) earnings-related scheme exists, with a very long vesting period (30-35 years), also because a flat rate basic amount is guaranteed. The reference earnings in the DB formula is computed as the average of the last 30 years earnings, revaluated according to the national wage growth rate. Even if the recent reform has significantly



increased retirement age, an old-age retirement age lower than in Italy will prevail in the future (e.g. respectively 67 versus 69 in 2044).

#### 4.3.4. Poland

As of 1999 two old-age pension schemes have been operating in parallel in Poland: i) the pension scheme operating under the earlier rules, and ii) the pension scheme operating under the new rules (i.e. according to a notional defined contribution - NDC - scheme) for persons born after 31 December 1948. From 1 January 2009, the right to old-age pension under the new rules is acquired if a single condition is met, relating to the achievement of the statutory retirement age (60 years for women and 65 for men) that is significantly lower than the Italian one. The simulations presented in this chapter only concern individuals belonging to the new scheme.

The old-age pension under the new rules is based on a notional defined contribution scheme, i.e. on a close correlation of the benefit amount with the amount of contribution actually paid during the whole working life, revaluated according to a notional rate. The amount of the NDC pension is determined by dividing the calculation basis by the average life expectancy for people of the age at which the insured person decides to retire. The basis of assessment for the old-age pension is the total value of contributions paid by the insured person up to the end of the month preceding the one in which he/she becomes eligible for the old-age pension.

Pension contributions are subject to revaluation based on a fixed indexation rate. The indexation rate is understood as an average annual index of consumer goods and services in the preceding calendar year, increased by at least 20% of the real growth of the average monthly earnings in the preceding calendar year. The indexation rate increase is subject to annual negotiations within the framework of the Tripartite Commission for Socio-Economic Affairs.

Contributions to old-age pension insurance (19.52%) are financed by employers and employees in equal parts. If the insured person is a member of an Open Pension Fund, a part of the contribution to his or her old-age pension insurance is transferred by ZUS to the Open Pension Fund selected by the person insured (currently it equals 2.3%). The statutory minimum pension currently amounts to PLN 728.18 (185 Euros).

Compared to Italy, it has to be pointed out that both countries now apply a public NDC scheme, i.e. a scheme where individual pensions strictly depend on accumulated contributions. Therefore the pension scheme is going to become a sort of mirror of labour market outcomes, being neutral with respect to macroeconomic and demographic trends. Contrarily to Italy in Poland there is no predefined indexation rate on accumulated contributions. Further differences concern the contribution rate, much lower in Poland than in Italy (19.52% versus 33%), and the fact that no change in the life expectancy coefficient is applied in Poland for individuals retiring beyond 65 years of age.

#### 4.3.5. Romania

A person who is insured in the public pension system is entitled to an old-age pension when he/she meets both the standard retirement age and the minimum contribution period conditions. Even after the recent reforms, there is still a difference in men's and women's retirement ages: from July 2011 to January 2015 men's retirement age will go up from 64 years and 1 month to 65



years, for women it will increase from 59 years and 1 month of July 2011 to 63 years on January 2030. In spite of this, men and women are subject to an identical minimum contribution period which will increase from 13 years and 2 months on 1 July 2011 to 15 years on 1 January 2015. The difference between the full contribution periods for men and women is also upheld: for men it will increase from 33 years and 2 months on 1 July 2011 to 35 years on 1 January 2015, for women it will increase from 28 years and 2 months on 1 July 2011 to 35 years on 1 January 2030.

The old-age pension in the public pillar is computed on a monthly basis using a point system. Hence, the benefit depends on the length of the contribution period and on earnings, as well on the pension point value (which is constant for all pensioners). The pension point value is adjusted annually by 100% of the inflation rate plus 50% of the real growth rate of the average gross earnings of the previous year. Currently the pension point value is RON 732.80 (173 Euros). The monthly minimum pension currently amounts to around 85 Euros.

The amount of the old-age pension is calculated as the annual average score multiplied by the pension point value. Therefore, the Old-Age Pension (OAP) formula for monthly benefit is computed according to the following formula:

$$(1) \text{ OAP} = \text{PPV} * \text{AAS}$$

where PPV is the Pension Point Value, amounting to 170 Euros in 2011 and AAS is the Annual Average Score, that is equal to the sum of the annual scores divided by the full contribution period, i.e.:

$$(2) \text{ AAS} = \sum \text{AS} / \text{FCP}$$

where AS is the Annual Score, that is equal to the sum of the monthly scores obtained during one year divided by twelve:

$$(3) \text{ AS} = \sum \text{MS} / 12$$

FCP is the Full Contribution Period and MS is the Monthly Score that is equal to the person's monthly gross earnings divided by the average gross earnings:

$$(4) \text{ MS} = \text{RE} / \text{AGE}$$

where RE is the Reference earnings and AGE is the national Average Gross Earnings.

Therefore, for a “mean worker” (i.e. a worker earning the average wage during the whole career, as the one considered in our simulations) the pension formula can be expressed as:

$$(5) \text{ OAP} = (\text{PPV} * \text{Seniority}) / 35$$

The Romanian public pensions scheme is then based on a point system founded on the pension point value, on individual earnings and on seniority (divided by the “full pension seniority”), with a relatively short vesting period (15 years). Retirement age is going to increase but will remain nonetheless significantly lower than in Italy (in 2044 65 versus 69).

#### ***4.4 The assumptions of the micro-simulations***

In order to simulate the expected pension benefits of the representative individuals retiring in future years and spending their working life both in the country of origin (i.e. Hungary, Czech Republic, Poland and Romania) and in Italy some assumptions have been made. These assumptions concern: i) the features of the individual working life; and ii) the macroeconomic trends.



The “individual” assumptions considered in the simulations are the following:

- The representative individuals start to work in 2000 when they are 25 years old
- Their careers differ by the length of the periods spent in the four country of origins and in Italy and by the characteristics of the working life spent in Italy
- In the country of origin they are always employed and earn the mean wage, whereas in Italy the working career can be characterized by different scenarios (see section 4.5).
- Early retirement is not considered: individuals always retire when they meet the requirements for receiving an old age pensions (i.e. when they reach the age of 69 in Italy).
- When individuals decide to go back to their country of origin, the Italian component of the pension is paid when they reach the age of 69.

The “macroeconomic” assumptions considered in the simulations are the following:

- Simulations are based on historical macro data up to 2012 and on the official Ageing Working Group (issued by the European Commission) projections up to 2050.
- Wages and pensions are expressed by means of purchasing power parities (PPP) so as to be comparable among countries.
- Inflation is not considered (i.e. only real values are considered, in constant 2007 prices).
- Mean real wages move according to the GDP real growth, starting from the values recorded by EU-SILC 2008 data.
- Only pensions paid by public pillars are simulated.
- The amounts of pension benefits are expressed in terms of PPP and through the ratio between the amount of the pension and the social benefit (i.e. the minimum pensions), both expressed in PPP. Minimum pensions are based on the 2012 values and are then indexed in line with the real GDP growth rates.

Furthermore, some specific assumptions concern national cases. As regards Italy and Poland no minimum vesting periods apply, being the systems NDC (pensions depend on the effective contributions, not on seniority). Therefore, when computing pensions in Italy and Poland for mobile workers only the independent benefit is computed (see section 4.2). It has to be pointed out that, while in Italy the revaluation rate on contributions is explicitly linked to the GDP growth, in Poland no clear rules emerge. Actually the revaluation rate is based on the inflation rate increased by at least 20% of the real growth of wages, and this increase is subjected to annual negotiations. Therefore in the Polish case three sets of simulations have been carried out according the assumption of the revaluation rate guaranteed on individual contributions:

1. Full real GDP growth indexation;
2. Half of real GDP growth indexation.
3. 1/5 of real GDP growth indexation.

As regards Hungary, a minimum vesting period amounting to 20 years is considered in the simulations, whereas in Czech Republic a minimum vesting period amounting to 30 working years is considered.



Concerning Romania, where a minimum vesting period of 15 working years is applied, two sets of simulations have been carried out according to the typology of indexation of the pension point value:

1. Pension point values are indexed by half of the real GDP growth rate.
2. Pension point values are indexed by the real GDP growth rate.

Furthermore, having assumed that during the Romanian part of the career the representative individuals are always employed earning the average wage, the correction for monthly scores and average earnings is not applied in our simulations. Also in case of independent benefit, the pension amount is computed taking into account the full contribution period (35 years).

#### ***4.5. Scenarios for the working career in Italy***

The simulation exercise assumes that mobile workers are characterized by “mean” outcomes during the part of the career spent in their country of origin, while the part of the working life spent in Italy can be characterized by different performances. As regards the success of the Italian part of the career, five different scenarios have been considered:

- A. The individual is an employee, earns 75% of the Italian average wage and is never unemployed.
- B. The individual works as a self-employed paying the minimum contribution (this minimum contribution at is going to be increased in real terms up to 2018).
- C. The individual is an employee, earns 75% of the Italian average wage but she/he experiences frequent unemployment or inactivity spells (without paying figurative contributions): i.e. every five years he/she does not work for one year.
- D. The individual is an employee, earns 40% of the Italian average wage – as if he/she worked on a part-time basis – but she/he is characterized by frequent unemployment or inactivity spells (without paying figurative contributions): i.e. i.e. every five years he/she does not work for one year.
- E. The individual is an employee, earns 40% of the Italian average wage – as if he/she worked on a part-time basis – and is never unemployed.

Besides the different scenarios the Italian part of the working career, individual biographies differ according to the number of years spent in the country of origin and in Italy. In the following sections we consider individuals starting to work in the country of origin and then moving after some years (i.e. 5, 10, 15, 20, 25, 30 years) to Italy, and in some cases going back to their country in the final part of the career (i.e. for the last 5, 10, 15 years), then retiring at a lower age (but receiving the Italian share of the pension some years later, i.e. when they are 69). As a benchmark we consider individuals who have remained in their country of origin for their whole working life. In order to highlight the potential impact of minimum vesting periods on the pension benefits earned by mobile workers, in the case of Hungary and Czech Republic we compare the benefits received by mobile workers having moved to Italy one year before reaching the minimum vesting period (i.e. 19 years of seniority in Hungary, 29 in Czech Republic).



#### 4.6. *The methodological steps for computing benefits*

In this section we present the results concerning the expected pension benefits (expressed in PPP) of Scenario A, i.e. of individuals moving to Italy and working as employees, earning 75% of the mean wage and never being unemployed (tables 4.1-4.7 in annex). As previously noted, in order to take into account different interpretations of the revaluation formula on past contributions, for Polish workers three sets of simulations are presented. They differ by the rate of return on pension contributions (tables 4.3-4.5 in annex). Furthermore, two different sets of simulations are carried out for the Romanian case, according to different mechanisms of indexation of the annual pension point values.

Pension benefits are firstly computed in Euros (starting from national values converted through the current bilateral exchange rates) and then converted in PPP according to the current PPP exchange rates.

As stated in section 4.2, the amount of the pension benefit for mobile workers is computed in two steps:

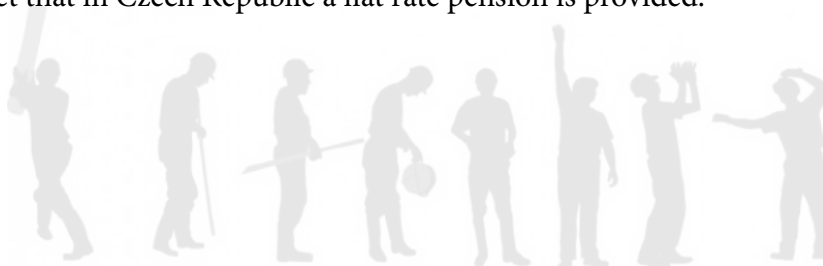
- a) For each period spent in a different country an independent benefit and a pro-rata benefit are computed.
- b) The total pension is computed summing, for each country, the highest between these two benefits.

As the Italian wages are on average higher than those paid in the other countries involved in the simulations, in Scenario A (where the Italian career is successful) moving to Italy almost always increases expected pensions (expressed through purchasing power parities values), as it can be evinced by comparing biographies differing by the number of years spent in Italy. However, some exceptions emerge as regards countries where national minimum vesting periods exist and these exceptions refer to the biographies of individuals that move to Italy only just completing the required seniority (e.g. after 19 years in Hungary or 29 years in Czech Republic).

Actually the independent benefit can be taken into account only when the minimum vesting period requirement has been satisfied. Values in italics in the tables 4.1-4.7 in annex show that the individual does not satisfy the minimum period requirement; then, the independent benefit formula cannot be applied and the share of pension can be only based on the pro-rata scheme (usually less favorable). Therefore in Hungary, Czech Republic and Romania the independent benefit formula does not apply when the total seniority in these countries is, respectively, lower than 20, 30 and 15 years (see tables 4.1-4.2 and 4.6-4.7 in annex).

The specific assumptions used in our simulations – i.e. the hypothesis that in the country of origin representative workers are always “mean” workers – imply that in Romania independent and pro rata benefits coincide. This is due to the pension benefit formula that takes as the benchmark the average earning (see section 4.3.5).

Conversely, for both Hungary and Czech Republic it has to be stressed that the existence of minimum vesting periods greatly affect the amounts of pension benefits for mobile workers, strongly disadvantaging individuals not completing the period, being the pro-rata benefit much less generous than the independent benefit. Such much lower generosity is linked to the fact that the return on years of seniority is decreasing throughout the duration of the career in Hungary and to the fact that in Czech Republic a flat rate pension is provided.



In particular it has to be pointed out that – despite the fact that Italian wages are much higher than the ones paid in the origin country – moving to Italy one year before the completion of the minimum period does not increase total expected pension (see pension values in the biographies 19+26 and 20+25 in Hungary and 29+16 and 30+15 in Czech Republic; tables 4.1 and 4.2 in annex). This outcome – if adequately explained to workers by means of clear and transparent information on how to compute pension benefits in case of intra EU countries mobility - might represent a strong economic constraint to free mobility of EU workers.

#### **4.7. *The results of the micro-simulations***

A crucial element in the decision of moving abroad is the expectation the each worker has concerning the success of her/his working life. In fact, the economic motivations to migrate depend on the wage premia the individual expects to earn. These premia will also affect the size of the future pension benefit received by the mobile worker. In order to analyze economic convenience to migrate, it is then interesting to compare expected pension benefits (expressed in comparison with the minimum pension the individual can receive at the age of 69 in the country of origin or in Italy) according to the different scenarios regarding the Italian part of the working life (tables 4.8-4.14 in annex). Again, in the Polish and Romanian cases, respectively, three and two sets of simulations are carried out.

Compared with the scenario according to which the individual always remains in the country of origin (see the last row of tables 4.8-4.14 in annex), and despite the higher levels of Italian mean wages on which the simulations are based (according to the values surveyed in EU-SILC 2008), the convenience to move to Italy strongly depends on the success of the Italian part of the career.

For an Hungarian mobile worker, moving to Italy increases pension prospects only in Scenarios A and C (table 4.8 in annex), while a Czech worker acquires the right to a higher pension if he/she does not move in all those cases in which the Italian part of the career is unsuccessful (Scenarios B, D and E; table 4.9 in annex).

Expressed in PPPs the difference between Polish and Italian mean wages is not particularly high (also considering that the Polish GDP growth trend for the coming years is more favorable than the Italian one). Hence, the increase of pension benefits projected in the most favorable Scenarios A and C is lower than in the other countries. However, concerning expected pensions the convenience to move for a Polish worker largely depends on the indexation formula applied in their NDC scheme. Considering the less convenient case (table 4.12 in annex), not moving is always a better solution if the worker expects to have a very unsuccessful career in Italy (e.g. Scenarios B, D and E).

Finally, as regards Romania, the large gap between Italian and Romanian wages implies that, even when the mobile worker should incur into an unsuccessful career in Italy, he/she would still expect a higher pension higher compared to the worker who has not moved. the same conclusion would apply if the Romanian pension point values were indexed according to a rule more favorable than the one currently applied (tables 4.13-4.14 in annex).





## **Statistical Annex to Chapter 4**

Notes: data elaborated  
by Fondazione Giacomo Brodolini



Tab. 4.1: Expected pension benefit for a Hungarian migrant worker at 69. Scenario A.

Biography	HU amount (Euro)		IT amount (Euro)		HU amount (PPP)		IT amount (PPP)		Total Pension (PPP)	Seniority	Retirement age
	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit			
5+40	1,333	812	21,015	n.a.	2,072	1,262	20,887	n.a.	22,149	45	69
10+35	2,666	1,625	18,373	n.a.	4,143	2,525	18,261	n.a.	20,786	45	69
15+30	3,474	2,437	15,884	n.a.	5,399	3,787	15,787	n.a.	19,574	45	69
19+26	4,120	3,087	13,821	n.a.	6,403	4,797	13,737	n.a.	18,534	45	69
20+25	4,282	3,250	13,301	n.a.	6,654	5,050	13,220	n.a.	19,874	45	69
25+20	5,090	4,062	10,654	n.a.	7,910	6,312	10,589	n.a.	18,499	45	69
5+31+5	2,542	1,550	16,259	n.a.	3,950	2,409	16,159	n.a.	18,568	41	65
10+21+10	4,082	3,100	10,950	n.a.	6,344	4,817	10,884	n.a.	17,228	41	65
15+16+10	4,853	3,875	8,461	n.a.	7,541	6,022	8,409	n.a.	15,950	41	65
5+21+15	4,082	3,100	10,899	n.a.	6,344	4,817	10,832	n.a.	17,177	41	65
41+0	6,355				9,875	9,875			9,875	41	65
45+0	7,311.6				11,371				17,684	45	69

Tab. 4.2: Expected pension benefit for a Czech migrant worker at 69. Scenario A.

Biography	CZ amount (Euro)		IT amount (Euro)		CZ amount (PPP)		IT amount (PPP)		Total Pension (PPP)	Seniority	Retirement age
	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit			
5+40	2,732	1,078	21,015	n.a.	4,416	1,743	20,887	n.a.	22,630	45	69
10+35	3,584	2,156	18,373	n.a.	5,794	3,485	18,261	n.a.	21,747	45	69
15+30	4,448	3,233	15,884	n.a.	7,191	5,228	15,787	n.a.	21,014	45	69
20+25	5,323	4,311	13,301	n.a.	8,606	6,970	13,220	n.a.	20,190	45	69
25+20	6,190	5,389	10,654	n.a.	10,008	8,713	10,589	n.a.	19,302	45	69
29+16	6,886	6,251	8,501	n.a.	11,133	10,107	8,449	n.a.	18,556	45	69
30+15	7,059	6,467	7,962	n.a.	11,412	10,456	7,914	n.a.	19,326	45	69
5+31+7	3,804	2,587	16,259	n.a.	6,151	4,182	16,159	n.a.	20,342	43	67
10+21+12	5,462	4,742	10,950	n.a.	8,832	7,667	10,884	n.a.	18,551	43	67
15+16+12	6,301	5,820	8,461	n.a.	10,187	9,410	8,409	n.a.	17,819	43	67
5+21+17	5,468	4,742	10,899	n.a.	8,841	7,667	10,832	n.a.	18,500	43	67
43+0	8,982				14,523				14,523	43	67
45+0	9,666				15,629				15,629	45	69

Tab. 4.3: Expected pension benefit for a Polish migrant worker at 69. Scenario A. Case A: full revaluation of contribution according to the GDP growth

Biography	PL amount (Euro)		IT amount (Euro)		PL amount (PPP)		IT amount (PPP)		Total Pension (PPP)	Seniority	Retirement age
	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit			
5+40	1,373	n.a.	21,015	n.a.	2,289	n.a.	20,887	n.a.	23,176	45	69
10+35	2,747	n.a.	18,373	n.a.	4,578	n.a.	18,261	n.a.	22,839	45	69
15+30	4,120	n.a.	15,884	n.a.	6,867	n.a.	15,787	n.a.	22,654	45	69
20+25	5,494	n.a.	13,301	n.a.	9,156	n.a.	13,220	n.a.	22,376	45	69
25+20	6,867	n.a.	10,654	n.a.	11,445	n.a.	10,589	n.a.	22,034	45	69
30+15	8,241	n.a.	7,962	n.a.	13,734	n.a.	7,914	n.a.	21,648	45	69
5+31+5	2,747	n.a.	16,259	n.a.	4,578	n.a.	16,159	n.a.	20,738	41	65
10+21+10	5,494	n.a.	10,950	n.a.	9,156	n.a.	10,884	n.a.	20,040	41	65
15+16+10	6,867	n.a.	8,461	n.a.	11,445	n.a.	8,409	n.a.	19,854	41	65
5+21+15	5,494	n.a.	10,899	n.a.	9,156	n.a.	10,832	n.a.	19,989	41	65
41+0	11,262				18,770				18,770	41	65
45+0	12,361				20,602				20,602	45	69

Tab. 4.4: Expected pension benefit for a Polish migrant worker at 69. Scenario A. Case B: revaluation of contribution according to 0.5 of GDP growth

Biography	PL amount (Euro)		IT amount (Euro)		PL amount (PPP)		IT amount (PPP)		Total Pension (PPP)	Seniority	Retirement age
	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit			
5+40	786	n.a.	21,015	n.a.	1,310	n.a.	20,887	n.a.	22,197	45	69
10+35	1,656	n.a.	18,373	n.a.	2,760	n.a.	18,261	n.a.	21,022	45	69
15+30	2,615	n.a.	15,884	n.a.	4,359	n.a.	15,787	n.a.	20,145	45	69
20+25	3,658	n.a.	13,301	n.a.	6,096	n.a.	13,220	n.a.	19,316	45	69
25+20	4,773	n.a.	10,654	n.a.	7,955	n.a.	10,589	n.a.	18,544	45	69
30+15	5,940	n.a.	7,962	n.a.	9,901	n.a.	7,914	n.a.	17,814	45	69
5+31+5	2,053	n.a.	16,259	n.a.	3,421	n.a.	16,159	n.a.	19,580	41	65
10+21+10	4,145	n.a.	10,950	n.a.	6,908	n.a.	10,884	n.a.	17,792	41	65
15+16+10	5,104	n.a.	8,461	n.a.	8,506	n.a.	8,409	n.a.	16,915	41	65
5+21+15	4,451	n.a.	10,899	n.a.	7,419	n.a.	10,832	n.a.	18,251	41	65
41+0	8,668				14,447				14,447	41	65
45+0	9,711				16,185				16,185	45	65

Tab. 4.5: Expected pension benefit for a Polish migrant worker at 69. Scenario A. Case C: revaluation of contribution according to 0.2 of GDP growth

Biography	PL amount (Euro)		IT amount (Euro)		PL amount (PPP)		IT amount (PPP)		Total Pension (PPP)	Seniority	Retirement age
	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit			
5+40	601	n.a.	21,015	n.a.	1,001	n.a.	20,887	n.a.	21,888	45	69
10+35	1,308	n.a.	18,373	n.a.	2,181	n.a.	18,261	n.a.	20,442	45	69
15+30	2,136	n.a.	15,884	n.a.	3,560	n.a.	15,787	n.a.	19,347	45	69
20+25	3,082	n.a.	13,301	n.a.	5,137	n.a.	13,220	n.a.	18,357	45	69
25+20	4,137	n.a.	10,654	n.a.	6,896	n.a.	10,589	n.a.	17,484	45	69
30+15	5,272	n.a.	7,962	n.a.	8,787	n.a.	7,914	n.a.	16,700	45	69
5+31+5	1,876	n.a.	16,259	n.a.	3,126	n.a.	16,159	n.a.	19,286	41	65
10+21+10	3,787	n.a.	10,950	n.a.	6,311	n.a.	10,884	n.a.	17,194	41	65
15+16+10	4,606	n.a.	8,461	n.a.	7,677	n.a.	8,409	n.a.	16,086	41	65
5+21+15	4,224	n.a.	10,899	n.a.	7,039	n.a.	10,832	n.a.	17,872	41	65
41+0	7,946				13,243				13,243	41	65
45+0	9,106				15,176				15,176	45	69

Tab. 4.6: Expected pension benefit for a Romanian migrant worker at 69. Scenario A. Case A: pension point values indexed by half of the real GDP growth rate

Biography	RO amount (Euro)		IT amount (Euro)		RO amount (PPP)		IT amount (PPP)		Total Pension (PPP)	Seniority	Retirement age
	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit			
5+40	367.0	367.0	21,015	n.a.	705.8	705.8	20,887	n.a.	21,593	45	69
10+35	734.1	734.1	18,373	n.a.	1,411.6	1,411.6	18,261	n.a.	19,673	45	69
15+30	1,101.1	1,101.1	15,884	n.a.	2,117.5	2,117.5	15,787	n.a.	17,904	45	69
20+25	1,468.1	1,468.1	13,301	n.a.	2,823.3	2,823.3	13,220	n.a.	16,043	45	69
25+20	1,835.1	1,835.1	10,654	n.a.	3,529.1	3,529.1	10,589	n.a.	14,118	45	69
30+15	2,202.2	2,202.2	7,962	n.a.	4,234.9	4,234.9	7,914	n.a.	12,148	45	69
5+31+5	718.1	718.1	16,259	n.a.	1,381.0	1,381.0	16,159	n.a.	17,540	41	65
10+21+10	1,436.2	1,436.2	10,950	n.a.	2,762.0	2,762.0	10,884	n.a.	13,646	41	65
15+16+10	1,795.3	1,795.3	8,461	n.a.	3,452.5	3,452.5	8,409	n.a.	11,861	41	65
5+21+15	1,436.2	1,436.2	10,899	n.a.	2,762.0	2,762.0	10,832	n.a.	13,594	41	65
41+0	2,944.3				5,662.1				5,662	41	65
45+0	3,303.2				6,352.4				6,352	45	69

Tab. 4.7: Expected pension benefit for a Romanian migrant worker at 69. Scenario A.  
Case B: pension point values indexed by the real GDP growth rate

Biography	RO amount (Euro)		IT amount (Euro)		RO amount (PPP)		IT amount (PPP)		Total Pension (PPP)	Seniority	Retirement age
	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit	Independent benefit	Pro rata benefit			
5+40	461.4	461.4	21,015	n.a.	887.4	887.4	20,887	n.a.	21,774	45	69
10+35	922.9	922.9	18,373	n.a.	1,774.8	1,774.8	18,261	n.a.	20,036	45	69
15+30	1,384.3	1,384.3	15,884	n.a.	2,662.2	2,662.2	15,787	n.a.	18,449	45	69
20+25	1,845.8	1,845.8	13,301	n.a.	3,549.6	3,549.6	13,220	n.a.	16,769	45	69
25+20	2,307.2	2,307.2	10,654	n.a.	4,437.0	4,437.0	10,589	n.a.	15,026	45	69
30+15	2,768.7	2,768.7	7,962	n.a.	5,324.4	5,324.4	7,914	n.a.	13,238	45	69
5+31+5	883.4	883.4	16,259	n.a.	1,698.8	1,698.8	16,159	n.a.	17,858	41	65
10+21+10	1,766.8	1,766.8	10,950	n.a.	3,397.6	3,397.6	10,884	n.a.	14,281	41	65
15+16+10	2,208.5	2,208.5	8,461	n.a.	4,247.0	4,247.0	8,409	n.a.	12,656	41	65
5+21+15	1,766.8	1,766.8	10,899	n.a.	3,397.6	3,397.6	10,832	n.a.	14,230	41	65
41+0	3,621.9				6,965.1				6,965	41	65
45+0	4,153.0				7,986.6				7,987	45	69

Tab. 4.8: Expected ratio between old age pension and minimum pension at 69 in Hungary.

Biography	A: always 75% mean wage employee without interruptions		B: always self-employed paying the minimum contributions		C: always 75% mean wage employee with 20% of interruptions		D: always 40% mean wage employee with 20% of interruptions		E: always 40% mean wage employee without interruptions	
	% of HU min. pens.	% of IT min. pens.	% of HU min. pens.	% of IT min. pens.	% of HU min. pens.	% of IT min. pens.	% of HU min. pens.	% of IT min. pens.	% of HU min. pens.	% of IT min. pens.
5+40	6.51	2.63	3.40	1.37	5.28	2.14	3.00	1.21	3.64	1.47
10+35	6.11	2.47	3.44	1.39	5.04	2.04	3.04	1.23	3.60	1.46
15+30	5.75	2.33	3.48	1.41	4.83	1.95	3.10	1.25	3.59	1.45
19+26	5.44	2.20	3.48	1.41	4.70	1.90	3.18	1.29	3.56	1.44
20+25	5.84	2.36	3.95	1.60	5.06	2.05	3.61	1.46	4.03	1.63
25+20	5.43	2.20	3.92	1.59	4.81	1.95	3.65	1.48	3.98	1.61
5+31+5	5.45	2.21	3.02	1.22	4.56	1.85	2.77	1.12	3.24	1.31
10+21+10	5.06	2.05	3.45	1.40	4.45	1.80	3.24	1.31	3.57	1.44
15+16+10	4.68	1.90	3.47	1.40	4.22	1.71	3.29	1.33	3.53	1.43
5+21+15	5.04	2.04	3.37	1.36	4.44	1.80	3.24	1.31	3.56	1.44
41+0	2.90	1.17	2.90	1.17	2.90	1.17	2.90	1.17	2.90	1.17
45+0	3.34	1.35	3.34	1.35	3.34	1.35	3.34	1.35	3.34	1.35

Tab. 4.9: Expected ratio between old age pension and minimum pension at 69 in Czech Republic.

Biography	A: always 75% mean wage employee without interruptions		B: always self-employed paying the minimum contributions		C: always 75% mean wage employee with 20% of interruptions		D: always 40% mean wage employee with 20% of interruptions		E: always 40% mean wage employee without interruptions	
	% of CZ min. pens.	% of IT min. pens.	% of CZ min. pens.	% of IT min. pens.	% of CZ min. pens.	% of IT min. pens.	% of CZ min. pens.	% of IT min. pens.	% of CZ min. pens.	% of IT min. pens.
5+40	5.98	2.85	3.18	1.52	4.87	2.32	2.80	1.33	3.39	1.61
10+35	5.75	2.74	3.35	1.60	4.78	2.28	2.94	1.40	3.46	1.65
15+30	5.55	2.65	3.51	1.67	4.72	2.25	3.11	1.48	3.55	1.69
20+25	5.34	2.54	3.64	1.74	4.64	2.21	3.26	1.55	3.63	1.73
25+20	5.10	2.43	3.74	1.78	4.54	2.16	3.41	1.62	3.71	1.77
29+16	4.90	2.34	3.82	1.82	4.48	2.14	3.54	1.69	3.76	1.79
30+15	5.11	2.43	4.09	1.95	4.69	2.23	3.91	1.86	4.13	1.97
5+31+7	5.38	2.56	3.19	1.52	4.55	2.17	2.90	1.38	3.34	1.59
10+21+12	4.90	2.34	3.45	1.65	4.35	2.08	3.19	1.52	3.48	1.66
15+16+12	4.71	2.25	3.61	1.72	4.29	2.05	3.35	1.60	3.58	1.70
5+21+17	4.89	2.33	3.09	1.48	4.34	2.07	3.16	1.51	3.47	1.66
43+0	3.84	1.83	3.84	1.83	3.84	1.83	3.84	1.83	3.84	1.83
45+0	4.13	1.97	4.13	1.97	4.13	1.97	4.13	1.97	4.13	1.97

Tab. 4.10: Expected ratio between old age pension and minimum pension at 69 in Poland.

Case A: full revaluation of contribution according to the GDP growth

Biography	A: always 75% mean wage employee without interruptions		B: always self-employed paying the minimum contributions		C: always 75% mean wage employee with 20% of interruptions		D: always 40% mean wage employee with 20% of interruptions		E: always 40% mean wage employee without interruptions	
	% of PL min. pens.	% of IT min. pens.	% of PL min. pens.	% of IT min. pens.	% of PL min. pens.	% of IT min. pens.	% of PL min. pens.	% of IT min. pens.	% of PL min. pens.	% of IT min. pens.
5+40	3.35	2.75	1.82	1.50	2.75	2.26	1.62	1.33	1.94	1.60
10+35	3.30	2.71	1.99	1.64	2.77	2.28	1.79	1.47	2.07	1.70
15+30	3.28	2.69	2.16	1.77	2.82	2.32	1.97	1.62	2.21	1.82
20+25	3.24	2.66	2.31	1.90	2.85	2.35	2.14	1.76	2.34	1.93
25+20	3.19	2.62	2.44	2.01	2.88	2.37	2.31	1.90	2.47	2.03
30+15	3.13	2.57	2.57	2.11	2.90	2.39	2.47	2.03	2.60	2.13
5+31+5	3.00	2.46	1.80	1.48	2.55	2.09	1.67	1.37	1.91	1.57
10+21+10	2.90	2.38	2.10	1.73	2.60	2.14	2.00	1.65	2.16	1.78
15+16+10	2.87	2.36	2.27	1.87	2.64	2.17	2.18	1.79	2.30	1.89
5+21+15	2.89	2.38	1.91	1.57	2.59	2.13	1.99	1.63	2.16	1.78
41+0	2.71	2.23	2.71	2.23	2.71	2.23	2.71	2.23	2.71	2.23
45+0	2.98	2.45	2.98	2.45	2.98	2.45	2.98	2.45	2.98	2.45

Tab. 4.11: Expected ratio between old age pension and minimum pension at 69 in Poland.  
Case B: revaluation of contribution according to 0.5 of GDP growth

Biography	A: always 75% mean wage employee without interruptions		B: always self-employed paying the minimum contributions		C: always 75% mean wage employee with 20% of interruptions		D: always 40% mean wage employee with 20% of interruptions		E: always 40% mean wage employee without interruptions	
	% of PL min. pens.	% of IT min. pens.	% of PL min. pens.	% of IT min. pens.	% of PL min. pens.	% of IT min. pens.	% of PL min. pens.	% of IT min. pens.	% of PL min. pens.	% of IT min. pens.
5+40	3.21	2.64	1.68	1.38	2.60	2.14	1.48	1.21	1.80	1.48
10+35	3.04	2.50	1.73	1.42	2.51	2.06	1.53	1.25	1.81	1.49
15+30	2.91	2.39	1.79	1.47	2.46	2.02	1.60	1.32	1.85	1.52
20+25	2.79	2.30	1.87	1.53	2.41	1.98	1.70	1.40	1.90	1.56
25+20	2.68	2.20	1.94	1.59	2.38	1.95	1.80	1.48	1.97	1.62
30+15	2.58	2.12	2.02	1.66	2.35	1.93	1.92	1.58	2.04	1.68
5+31+5	2.83	2.33	1.63	1.34	2.38	1.96	1.50	1.23	1.74	1.43
10+21+10	2.57	2.11	1.78	1.46	2.27	1.87	1.68	1.38	1.84	1.51
15+16+10	2.45	2.01	1.85	1.52	2.22	1.82	1.76	1.44	1.88	1.54
5+21+15	2.64	2.17	1.66	1.36	2.34	1.92	1.74	1.43	1.91	1.57
41+0	2.09	1.72	2.09	1.72	2.09	1.72	2.09	1.72	2.09	1.72
45+0	2.34	1.92	2.34	1.92	2.34	1.92	2.34	1.92	2.34	1.92

Tab. 4.12: Expected ratio between old age pension and minimum pension at 69 in Poland.  
Case C: revaluation of contribution according to 0.2 of GDP growth

Biography	A: always 75% mean wage employee without interruptions		B: always self-employed paying the minimum contributions		C: always 75% mean wage employee with 20% of interruptions		D: always 40% mean wage employee with 20% of interruptions		E: always 40% mean wage employee without interruptions	
	% of PL min. pens.	% of IT min. pens.	% of PL min. pens.	% of IT min. pens.	% of PL min. pens.	% of IT min. pens.	% of PL min. pens.	% of IT min. pens.	% of PL min. pens.	% of IT min. pens.
5+40	3.16	2.60	1.63	1.34	2.56	2.10	1.43	1.18	1.76	1.44
10+35	2.96	2.43	1.64	1.35	2.43	2.00	1.44	1.19	1.72	1.42
15+30	2.80	2.30	1.68	1.38	2.34	1.92	1.49	1.22	1.73	1.42
20+25	2.65	2.18	1.73	1.42	2.27	1.87	1.56	1.28	1.76	1.45
25+20	2.53	2.08	1.78	1.47	2.22	1.83	1.65	1.36	1.81	1.49
30+15	2.41	1.99	1.85	1.52	2.19	1.80	1.76	1.45	1.88	1.55
5+31+5	2.79	2.29	1.59	1.31	2.34	1.92	1.46	1.20	1.70	1.40
10+21+10	2.49	2.04	1.69	1.39	2.19	1.80	1.59	1.31	1.75	1.44
15+16+10	2.33	1.91	1.73	1.42	2.10	1.72	1.64	1.35	1.76	1.45
5+21+15	2.58	2.12	1.60	1.32	2.29	1.88	1.68	1.38	1.85	1.52
41+0	1.91	1.57	1.91	1.57	1.91	1.57	1.91	1.57	1.91	1.57
45+0	2.19	1.80	2.19	1.80	2.19	1.80	2.19	1.80	2.19	1.80



Tab. 4.13: Expected ratio between old age pension and minimum pension at 69 in Romania.  
Case A: pension point values indexed by half of the real GDP growth rate

Biography	A: always 75% mean wage employee without interruptions		B: always self-employed paying the minimum contributions		C: always 75% mean wage employee with 20% of interruptions		D: always 40% mean wage employee with 20% of interruptions		E: always 40% mean wage employee without interruptions	
	% of RO min. pens.	% of IT min. pens.	% of RO min. pens.	% of IT min. pens.	% of RO min. pens.	% of IT min. pens.	% of RO min. pens.	% of IT min. pens.	% of RO min. pens.	% of IT min. pens.
5+40	7.12	2.58	3.63	1.32	5.74	2.08	3.17	1.15	3.91	1.42
10+35	6.49	2.35	3.49	1.27	5.28	1.92	3.03	1.10	3.68	1.33
15+30	5.90	2.14	3.35	1.22	4.86	1.76	2.92	1.06	3.47	1.26
20+25	5.29	1.92	3.17	1.15	4.42	1.60	2.79	1.01	3.26	1.18
25+20	4.66	1.69	2.96	1.07	3.96	1.44	2.65	0.96	3.03	1.10
30+15	4.01	1.45	2.74	0.99	3.48	1.26	2.51	0.91	2.79	1.01
5+31+5	5.78	2.10	3.05	1.11	4.75	1.72	2.75	1.00	3.30	1.20
10+21+10	4.50	1.63	2.69	0.98	3.82	1.38	2.46	0.89	2.82	1.02
15+16+10	3.91	1.42	2.54	0.92	3.39	1.23	2.34	0.85	2.62	0.95
5+21+15	4.48	1.63	2.60	0.94	3.80	1.38	2.42	0.88	2.82	1.02
41+0	1.87	0.68	1.87	0.68	1.87	0.68	1.87	0.68	1.87	0.68
45+0	2.09	0.76	2.09	0.76	2.09	0.76	2.09	0.76	2.09	0.76

Tab. 4.14: Expected ratio between old age pension and minimum pension at 69 in Romania.  
Case B: pension point values indexed by the real GDP growth rate

Biography	A: always 75% mean wage employee without interruptions		B: always self-employed paying the minimum contributions		C: always 75% mean wage employee with 20% of interruptions		D: always 40% mean wage employee with 20% of interruptions		E: always 40% mean wage employee without interruptions	
	% of RO min. pens.	% of IT min. pens.	% of RO min. pens.	% of IT min. pens.	% of RO min. pens.	% of IT min. pens.	% of RO min. pens.	% of IT min. pens.	% of RO min. pens.	% of IT min. pens.
5+40	7.18	2.60	3.69	1.34	5.80	2.10	3.23	1.17	3.97	1.44
10+35	6.61	2.40	3.61	1.31	5.40	1.96	3.15	1.14	3.80	1.38
15+30	6.08	2.21	3.53	1.28	5.04	1.83	3.10	1.12	3.65	1.33
20+25	5.53	2.01	3.41	1.24	4.66	1.69	3.03	1.10	3.50	1.27
25+20	4.95	1.80	3.26	1.18	4.26	1.54	2.95	1.07	3.33	1.21
30+15	4.36	1.58	3.10	1.12	3.84	1.39	2.87	1.04	3.15	1.14
5+31+5	5.89	2.14	3.16	1.14	4.85	1.76	2.85	1.03	3.40	1.23
10+21+10	4.71	1.71	2.90	1.05	4.02	1.46	2.67	0.97	3.03	1.10
15+16+10	4.17	1.51	2.80	1.02	3.65	1.32	2.60	0.94	2.88	1.04
5+21+15	4.69	1.70	2.81	1.02	4.01	1.45	2.63	0.96	3.03	1.10
41+0	2.30	0.83	2.30	0.83	2.30	0.83	2.30	0.83	2.30	0.83
45+0	2.63	0.96	2.63	0.96	2.63	0.96	2.63	0.96	2.63	0.96





