PORTABILITY OF SOCIAL SECURITY AND HEALTH CARE BENEFITS IN THE UNITED KINGDOM

Johanna Avato

Human Development Network – Social Protection and Labor
The World Bank

Background study

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The UK Social Security System and Migration

The UK is a major immigrant receiving country in the OECD hosting about 4.8 million foreign nationals. Additionally, it has almost 1.8 million citizens residing outside the UK. Thus, UK legislation on the portability of social security and health care benefits is a very relevant issue to a lot of migrants. The UK has different provisions for many countries in this context which classify the degree to which nationals from these countries, or going to these countries, are treated with respect to their social security entitlements. There are roughly four different categories: the countries of the European Economic Area (EEA), countries having concluded a reciprocal social security agreement (SSA) with the UK, countries which have a bilateral SSA with the UK that is

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1 The numbers are from the year 2000.
2 The European Economic Area (EEA) is made up of all European Union countries - Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden plus Iceland, Liechtenstein and Norway.
The UK is also part of the EEA. UK includes England, Scotland, Wales and Northern Ireland and excludes the Channel Islands or the Isle of Man.
Gibraltar is treated as another EEA country by the UK. Other EEA countries treat Gibraltar as part of the UK.
Switzerland is not a member of the EEA, but as the result of an agreement with the EU that came into force on 1 June 2002, the majority of EU rules on social security also cover Switzerland. However, EU rules do not apply to Swiss nationals going to or coming from Iceland, Liechtenstein or Norway or nationals of these countries who are going to or who are coming from Switzerland.
subject to several restrictions and all other countries. The provisions made for these
groups touch upon the coverage of benefits for migrants coming and leaving the UK,
thus, they define what benefits can be claimed by whom.

In general, the UK has benefits based on contributions to the National Insurance System
which include the state pension, bereavement and widow benefits, incapacity benefits,
contribution-based jobseeker allowance, statutory sick pay and maternity allowance. And
non-contributory benefits which comprise the industrial injuries disablement benefit and
reduced earnings allowance, attendance-, disability living- and carer’s allowance, child
benefit and guardian’s allowance, income-based jobseeker’s allowance, income support,
pension credit and finally housing and council tax benefits and winter fuel payments.
Obviously, not all of these benefits are exportable to other counties and some can only be
claimed by immigrants in the UK under certain conditions. Also, health care benefits are
treated separately and are much less exportable as the National Health Service (NHS) is
tax-funded.

**Portability of Benefits**

The most comprehensive system of handling portability social security and health care
benefits is among EEA countries. This means that within the EEA most contributory
benefits (mostly long-term benefits such as public pensions and survivor benefits) are
fully portable and thus paid as if the person lived in the UK. Further, all periods of
contribution that had been paid in various EEA countries (and countries with a bilateral
SSA) are included for totalization and calculating the replacement rate for the pension.
Each country pays its share and the UK benefits are paid directly to the person’s bank
account inside or outside the UK. People coming from an EEA country to the UK have
access to all benefits subject to the same eligibility as UK residents.

With respect to health care UK nationals are reimbursed by the NHS for treatment abroad
for periods where they still pay contributions in the UK. Once they work in another EEA
country for longer and contribute to its social security system, they are covered by the
host health care system.

The UK has concluded several reciprocal SSAs with non-EEA countries which grant
migrants similar privileges as to migrants within the EEA. These countries are Barbados,
Bermuda, Bosnia-Herzegovina, Croatia, FYROM, Israel, Jamaica, Jersey and Guernsey, Mauritius, Serbia and Montenegro, Philippines, Turkey and the USA. If a person goes to one of these countries to live there she can receive all of her state pension, bereavement and widow benefits. Other contributory benefits can generally be obtained for up to 26 weeks. Non-contributory benefits can usually not be paid abroad except for the industrial injuries disablement benefit. Also, child benefits, disability living and attendance allowance can be paid for few weeks during temporary stays.

The countries where the SSA is more restricted applies to Canada, Japan, New Zealand and South Korea – and all but New Zealand are Double Contribution Conventions (DCC). These agreements are similar to the other with respect to totalization rules. The restriction applies to the portability of the benefits. The state pension and some other benefits are usually increased over time but for people emigrating to the respective countries the benefits will only be paid out at a frozen rate determined by the time the person had left the UK. This means that these benefits will not have a so-called ‘uprating’ and are consequently, despite of being exportable, not portable.

Special provisions exist for Australia because the agreement with the UK has ended in 2001. Therefore, claims that had been paid out during the agreement are continued to be paid as before while more recent claims are treated like non-agreement countries. Separate arrangements apply from 1 March 2001 to protect those people who would have relied on the agreement for their benefits. For persons who live permanently in the UK, these arrangements can allow periods of residence in Australia before 6 April 2001 to count towards periods for which UK National Insurance contributions were paid.

People going to countries which do not have an agreement with the UK are able to claim benefits - mainly pension and bereavement benefits - for each year they contributed to the UK social security system but the same rule of no upratings applies and there is obviously no consensus on double contributions. Therefore, the pension and bereavement benefits are, exportable but not portable.

With respect to health care outside the EEA, the UK has also concluded several bilateral agreements which mostly allow reimbursement of emergency care and hospital treatments in the country abroad by the NHS. This applies to Armenia, Azerbaijan,
Bosnia, Croatia, Georgia, Gibraltar, Serbia and Montenegro, Kazakhstan, Kirgizstan, Macedonia, Moldova, New Zealand, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan and residents of Anguilla, Australia, Barbados, British Virgin Islands, Channel Islands, Falkland Islands, Iceland, Isle of Man, Montserrat, St. Helena, Turks and Caicos Islands. In countries other then these – including some countries having concluded a bilateral SSA - UK residents are not covered by the NHS even for temporary visits.

For people coming to the UK, access to free hospital treatment depends on how their residency is classified. Anyone who is deemed to be ordinarily resident in the UK is entitled to free NHS hospital treatment. “Ordinarily resident” is a common law concept interpreted as “someone who is living lawfully in the UK voluntarily and for settled purposes as part of the regular order of their life for the time being, with an identifiable purpose for their residence here which has a sufficient degree of continuity to be properly described as settled” (House of Lords 1982). Anyone who is not ordinarily resident is subject to the National Health Service (Charges to Overseas Visitors) Regulations 1989.

The concept of habitual residency is also the basis for access to benefits for all people coming to UK. Thus, legal immigrants staying to live and work in the UK can have access to contributory and non-contributory benefits if they satisfy the qualifying conditions just as UK nationals (and residents). However, any periods of contributions or qualifying circumstances before immigration do not count into assessing eligibility in the UK unless the person comes from the EEA or countries with reciprocal SSA or, for certain non-contributory benefits, also from Morocco, Algeria and Tunisia.

Numbers on Social Security Benefits Paid Abroad

The scope of pensions paid to recipients is quite large. In 2006, the UK had an average caseload for state pensions of 11,671,137 from which 1,041,977 (or 9%) were located outside the UK. Of these pensioners 32% lived in EEA countries, 17% lived in countries having concluded a bilateral social security agreement with the UK, 19% were in Canada, New Zealand, Japan and South Korea, another 23% in Australia. Cases in countries where no agreements exist, amount to 8%. Interestingly, Australia is the single country with the most cases while the agreement with the UK has not yet been renewed. The
average yearly amount of state pension sent outside the UK and the average number of cases in 2006 are shown in table 1.

Table 1: UK State Pension by recipient countries, 2006

<table>
<thead>
<tr>
<th></th>
<th>Average caseload (thousands)</th>
<th>Average weekly amount per case (£)</th>
<th>Approximate yearly amount (£) (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>11,671,137</td>
<td>87</td>
<td>52,836,640</td>
</tr>
<tr>
<td>UK</td>
<td>10,629,160</td>
<td>92</td>
<td>50,693,200</td>
</tr>
<tr>
<td>EEA</td>
<td>338,202</td>
<td>51</td>
<td>897,869</td>
</tr>
<tr>
<td>SSA</td>
<td>177,375</td>
<td>44</td>
<td>405,289</td>
</tr>
<tr>
<td>SSA restricted</td>
<td>201,353</td>
<td>27</td>
<td>287,659</td>
</tr>
<tr>
<td>Australia</td>
<td>241,410</td>
<td>30</td>
<td>380,083</td>
</tr>
<tr>
<td>Other</td>
<td>83,455</td>
<td>38</td>
<td>172,537</td>
</tr>
</tbody>
</table>

Note: total average amount is the weighted average of the respective country groups

Source: DWP, own calculation

Looking at the average weekly amount given to a person in the various countries shows a large variation in the amount paid. Pensioners in the UK received 91.71 pounds per week on average while weekly pensions sent abroad were only 39.28 pounds on average. Recipients in countries from the EEA received 51.05 pounds and in countries with reciprocal SSA 43.79 pounds on average. Pension claims from countries with restricted SSA were paid with 27.45 pounds; from Australia with 30.28 pounds on average and from other countries with 38.49 pounds per week. This combination clearly shows that pensions paid to people in the UK are much higher. The first reason for this is obviously that the UK only contributes to the pension of people abroad according to their time of contribution to the UK pension system. Secondly, and looking at the specific country groups, the numbers reflect the UK policy that pensions are not increased once exported.

Note that the weekly average of the country groups is the weekly average of each country weighted by its caseload.
to another country with the exception of EEA countries and countries having a SSA with the UK. From table 1 we can see that the no-upratings policy affects almost half of the cases.

Other benefits were paid abroad in a much lower scope. Detailed information for every country or even group of countries is not available; nevertheless, aggregates for 2006 are shown in table 2. Only 3% of the average yearly amount of widow benefits and 2% of bereavement benefits were sent abroad. For incapacity benefits and carer’s allowance it was even less.

Table 2: Other Benefits paid to recipients outside the UK, 2006

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Caseload</th>
<th>Average weekly amount per case (£)</th>
<th>Approximate yearly amount (£) (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Widow Benefits</strong></td>
<td>Total</td>
<td>115,008</td>
<td>78</td>
</tr>
<tr>
<td></td>
<td>Abroad</td>
<td>8,315</td>
<td>37</td>
</tr>
<tr>
<td><strong>Bereavement Benefits</strong></td>
<td>Total</td>
<td>57,503</td>
<td>84</td>
</tr>
<tr>
<td></td>
<td>Abroad</td>
<td>1,878</td>
<td>55</td>
</tr>
<tr>
<td><strong>Incapacity Benefits</strong></td>
<td>Total</td>
<td>1,724,350</td>
<td>84</td>
</tr>
<tr>
<td></td>
<td>Abroad</td>
<td>11,340</td>
<td>79</td>
</tr>
<tr>
<td><strong>Carer's Allowance</strong></td>
<td>Total</td>
<td>458,930</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Abroad</td>
<td>110</td>
<td>45</td>
</tr>
</tbody>
</table>

Source: DWP, own calculation

The numbers above are published by the Department of Work and Pensions (DWP) and the DWP, the Department of Social Development and the Department of Health all also provide extensive information about the procedure to claim benefits in general, and when moving abroad and getting UK benefits specifically. All information is accessible online and in local offices.

Conclusion

From a wider perspective, and referring to the different regimes identified for the portability of social security benefits, the UK has many migrants covered by the first
regime, thus by social security agreements. Further, those migrants who are theoretically classified in regime II not only have access to social security and health care but are also ensured to receive the benefits they contributed for upon return to their home country (or emigration in general). Thus, the UK is certainly among the nations having recognized the need to manage portability given rising international migration flows. However, there are still many countries sending large numbers of migrants to the UK, e.g. India and South Africa, which have no social security agreement with the UK. Policy makers of both sides may want to look into options to improve social protection for these migrants.

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4 Regime I: Access to social security benefits and advanced portability regulated by bilateral agreements between the migrant-sending and receiving country.  
Regime II: Access to social security benefits in the absence of bilateral agreements.  
Regime III: No access to portable social security benefits  
Regime IV: Undocumented but also legal migrants who participate in the informal sector of the host country.