**Social Protection**  in **Pakistan**

Traditionally, **Pakistan's social protection** system included several **social** assistance programs (Bait-ul Maal and Zakat) of limited coverage. As in all other South Asian countries, **Pakistan** implements a pension program for civil servants and private sector workers

**Deﬁnition of Social Protection, Social Security and Safety Nets**

Before going into detail of social protection standard deﬁnition, it is signiﬁcant to distinguish terms, safety nets, social protection and social security which are distinct from each other in their role, scope and coverage. The term social security implies the provisions of protection provided to members of society through various assistance schemes to balance decrease in earnings from work, as a result of natural calamities and unidentiﬁable problems such as death of the bread winner, old age, sickness, partial disablement and maternity (Shepherd A., Marcus, R., & Barrientos, A. 2004).

The provisions of social security are usually for workers who are employed in formal sector and have social assistance, social insurance and health insurance measures. Therefore, social security is a component of social protection schemes. On the other hand, safety nets are mostly short-term and ad-hoc emergency schemes such as food support, employment Program, cash transfer, social welfare and care services to avoid people to fall below the poverty line (Irfan, M. 2007 & Nasim, A. 2014). Social Protection schemes are designed to decrease the intensity of risks during economic crises which can aﬀect the people severely. The contemporary deﬁnition of social security is based on the Social Security (Minimum standards) Convention 1952 No 102 of International Labor Organization (ILO) which speciﬁes the three fundamental components of security that a state is required to provide and address as a matter of policy for its citizens (ILO, 2000);

1. “*To oﬀ set contingencies arising out of income deprivations, either completes cessation*

*of income earning opportunities or reduction in incomes. The ﬁrst category would include*

*contingencies such as unemployment, invalidity, old age and the death of a breadwinner. The*

*later will include categories such as sickness, maternity (or paternity), employment injury,*

*etc.*

2*. Provision of health care;*

*3. Beneﬁts for families with children; these will include provision for education as well*

*as child support or other child related beneﬁts”.*

The main concept of social security encompasses three signiﬁcant characteristics such as livelihood protection, health related provisions and beneﬁts for family with children. Most importantly, it is solely the state’s responsibility to extend and monitor these assistance measures for its citizens through statutory schemes or programs. The statutory schemes or programs are mostly tax-ﬁnanced by the employers as well as employees in many countries, and the beneﬁts are granted in case of any emergency. This social security concept is not complete without addressing the fundamental structural features and recurrent dynamics in developing countries. In the wake of these structural features the underdeveloped countries are experiencing two most inﬂuential concerns such as pre-domination of unorganized informal sector

and existence of widely distributed poverty (Sayeed, A. 2004). The formal sector employees fall within the purview of these statutory provisions and exclude the informal or unorganized sector, because usually it is dealt through registered public and private establishments.

Similarly, the World Bank (WB) has also focused to support the social protection programs since 2000. The WB strategy is mainly based on the concept of Social Risk Management which is contributed by Holzmann and Jørgensen in 2000 (Holzmann R. and Jørgensen S. 2000). Mostly social protection progams are designed as safety nets (ad-hoc or short time interventions), and are ineﬀ ective to increase the expected outcome, since these programs are not initiated in time and do not have trickledown eﬀ ect to the targeted populace. On the other hand, the safety nets designed before the occurrence of any calamity has positive impact during any crisis, it can be further adopted as an essential part of social protection policy.

Conceptual understanding of Social Protection in Pakistan

Pakistan is one of the few developing countries that stipulate social security as an explicit fundamental right in their constitution. Article 38 (a) (d) & (e) of the Constitution of Pakistan, 1973 states (GoP 1973):

*“The State shall provide for all persons employed in the service of Pakistan or otherwise, social security by compulsory social insurance or other means; provide basic necessities of life such as food, clothing, housing, education and medical relief, for all such citizens, irrespective of sex, creed, caste, or race, as are permanently or temporarily unable to earn their livelihood on account of inﬁrmity, sickness or unemployment; reduce disparity in the income and earnings of individuals*.

Historically, the social protection programs in Pakistan have been considered as an ad-hoc or interim interventions to the circumstances rather than a part of social protection policy framework or were advocated by the international donor agencies (Jamal, H. 2010 & Pakistan Economic Survey. 2009). Apparently, the commitment made in the Constitution remained largely unfulﬁlled for its citizens. It has two reasons; ﬁrst, it requires huge resources to achieve such challenging commitment which is a problem in underdeveloped countries including Pakistan. Secondly, in the countries where constitutional violations are considered a norm, although, the promises rights and privileges to its citizens (Sayeed, A. 2004). The social protection has been restricted for the public and formal nonagricultural sector in the country. However, the social protection schemes for private sector were introduced in 1970s during populist reforms at that time. Many of the schemes are functional to date along with new schemes but the ambition to increase the coverage of such schemes for larger section of workforce in informal economy has been ignored. (See Annex - A)

Existing Social Protection Programs in Pakistan

The National Social Protection Strategy (NSPS) of Pakistan speciﬁes the social protection as “...a set of policies and program interventions that address poverty and vulnerability by contributing to raising the incomes of poor households, controlling the variance of income of all households, and ensuring equitable access to basic services. Social safety nets, social insurance (including pensions), community programs (social funds), and labor market interventions form part of social protection” (Finance Division, GoP. 2007). The strategy was adopted by the Government of Pakistan in 2007 with three overarching objectives:

1. To patronage chronically destitute households;

2. To provide protection against inauspicious shocks;

3. To encourage investment in human and physical capitals.

The Constitution of Pakistan protects the fundamental right of Social Protection of its citizens. Several social security and social assistance programs are being carried out in order to fulﬁll the commitment of this constitutional provision and are playing a key role in country’s poverty alleviation strategy.

**Social Security**

Most of the social security schemes are designed for the employed labor force and the retirees of the formal employment sector. The existing schemes mainly provide beneﬁts in case of emergency, for instance illness, invalidity, old age, maternity, and injury at workplace. A concise introduction of these programs is given below.

i) **Government Servant Pension Fund:**

The scheme was started in 1954. It covers the government servants from all government departments who complete their service at least 25 years or reach the age of 60 years. It covers two important aspects of beneﬁts such as Pension and Provident fund (The Pension Act. 1871. 1947).

The old age pension is provided by the government funds whereas the provident fund is deducted at source on monthly basis from the salary of the employees. The scheme was initiated for the workers of government departments under the colonial inherited act named ‘The Pension Act’ 1871.

ii) Provincial Employees Social Security Scheme:

The Provincial Employees Social Security Scheme for the workers from formal private employment sector was introduced in March 1967 under “Employees Social Security Ordinance, 1965”. Initially, the scheme exclusively covered the textile industry workers with the main objective to provide protection against illness, work related injuries, maternity, invalidity and death. However, the scheme was expanded for workers from diﬀerent commercial and industrial establishments and later on in 1970 the scheme was further expanded on provincial basis and termed as “Employees Social Security Institutions (ESSI)”. ESSIs are managed by the provinces and are providing health services and temporary cash beneﬁts. The health facilities are provided to the workers at diﬀerent levels from ﬁrst aid to hospitals where the workers can receive free treatment and free medicines under these schemes. Cash beneﬁts are also rendered in some circumstances e.g. sickness beneﬁt, maternity beneﬁt, *iddat* beneﬁt (for widows), injury beneﬁt, disablement gratuity, disablement pension, death grants and rehabilitation beneﬁt etc under this

scheme (Employees Social Security Ordinance. 1965).

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**iii) Public Sector Benevolent Funds and Group Insurance:**

This scheme was purely initiated for the employees working in public sector in 1969 under the “Federal Employees Benevolent Fund and Group Insurance Act, 1969”. The scheme is providing beneﬁts under nine diﬀerent schemes for the employees of Federal government and their children. The schemes cover monthly benevolent grant (Death during services/ invalid retirement), Sum Assured (paid to the family of employee in case of his death during service), marriage grant, burial charges, farewell grant, lump sum grant (in case of 80% disability declared by the medical board), education stipend (for two children of the employee from Metric to PhD), reimbursement of semester/ annual fee and cash awards for employees children on Essay writing competition. The scheme is ﬁnanced by the contribution of federal government employees (Federal Employees Benevolent Fund and Group Insurance Act. 1969. 2010).

**iv) Workers Welfare Funds (WWF):**

The WWF was founded in 1971 for the workers from those industrial establishments which are registered with the Fund through the promulgation of “The Workers Welfare Fund Ordinance, 1971”. The private sector industrial establishments are required to deposit two percent of computable income exceeding hundred thousand rupees in one ﬁscal year. The fund obligates

the establishments to deposit a contribution equivalent to 5 percent of the proﬁt of company to Workers Participation Fund after distribution of workers share under the “The Companies Proﬁts (Workers Participation) Act, 1968”. The Act is applicable to those establishments which have a minimum number of 50 or more workers, or have capital of Rs. 2 million or ﬁxed assets amounting to Rs. 4 Million or more. The fund can be spent for numerous purposes such as building of houses for workers, medical facilities, tricycle for disable workers, grant of fund for marriage of daughters, grant

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(The Workers Welfare Fund Ordinance. 1971. 2008).

**v) Workers Children Education Ordinance**:

The ordinance was promulgated in 1972 to provide education for the workers children from all registered establishments employing 10 or more workers. Workers Welfare Fund has given the ﬁnancial support for the construction of schools which are then controlled by the provincial

administrative boards. The funding comes from an Education Cess, a tax given by the employers amounting to Rs. 100 (One hundred) per worker per annum (The Workers Children Education Ordinance. 1972. 2012). It is pertinent to mention here that Government of the Punjab Province has abolished this Cess.

**vi) Employees Old Age Beneﬁ ts Institutions (EOBI):**

The scheme was introduced for the beneﬁt of workers from formal employment sector employing 10 or more workers under “Employees Old Age Beneﬁts Act, 1976”. This scheme is mainly providing old age pension, invalidity pension and death grant. The act is based on 7

% accumulative contributions by the employers (6%) and (1%) from employees salary respectively. The scheme provides old age beneﬁts to the registered employees. EOBI

is an autonomous institution and functioning under the Ministry of Labor, Manpower

and Overseas Pakistanis. The institute is administered by a Board of Trustees which is comprised of 19 representatives from government, labor unions, and employers.

**Social Assistance Schemes**

The aim of Social Assistance Schemes is to provide assistance through cash or in-

kind. These schemes target, particularly, those who do not fall in the domain of labor

market and are believed to be poor. There are several schemes and institutions that

are providing cash or in kind assistance in Pakistan, however, Zakat 2 and Pakistan Bait-

ul-Mall 3 (PBM) are the two most signiﬁcant public institutions which are providing support in cash or kind to the destitute and help in rehabilitation of needy wretched individuals. A recent initiative of cash grant to poor and needy is Benazir Income Support Program (BISP) with similar objective to provide unconditional cash grant to the poorest household female heads. However, their ﬁ nancing mechanism and target groups are diﬀerent from preceding schemes. These programs are discussed below.

**i) Zakat:**

The department of Zakat is well established and committed for the transfer of cash to the poor in Pakistan. The program is exclusively based on individual’s contribution and administered by the Government of Pakistan since 1980 under “Zakat and Ushr Ordinance, 1980”. The government has established Provincial

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Zakat Councils, district and tehsil councils, and Local Zakat Committees (LZC’s). The

LZC’s are the lowest level of Zakat committees; the committees are also responsible to decide eligibility of the receiver. The Zakat budget is distributed in two diﬀerent ways e.g. 25 percent is distributed through other institutions and 75 percent Zakat is distributed thought LZC’s (Jamal, H. 2010). This ﬁnancial assistance is disbursed under diﬀ erent programs such as; ﬁnancial assistance (Guzara Allowance), educational scholarships, healthcare assistance, support to leprosy patients, Eid Grants and marriage assistance etc.

The 18th constitutional amendment devolved the subject of Zakat to the provinces and federal areas. However, the Council of Common Interest (CCI) was assigned the duty of collection and distribution of Zakat between federal and provincial level through Federal Ministry of Religious Aﬀairs and Inter-faith Harmony till the next award of National Finance Commission (NFC) under the approved CCI formula. The ministry distributed Rs. 4778.18 million among the federally administered areas and provinces during the year 2014-2015 (Pakistan Economic Survey. 2015).

ii) Paksitan Bait-ul-Mall (PBM) is an autonomous body which was constituted

in 1992 under the “Pakistan Bait-ul-Mall Act, 1991”. The main objective of PBM is to provide ﬁ nancial assistance to those people who are either not eligible or have been excluded from the domain of Zakat. The Program is providing assistance to minorities and certain sects of Muslims. The funds are mainly provided by the Federal Government to continue its services. It also receives funds from diﬀerent public and private authorities such as Provincial Governments, Central Zakat Fund, National and International Organizations, NGO’s and voluntary private contributions (Pakistan Bait-ul-Mal Act. 1991). The program distributes finances among the needy under diﬀ erent categories which includes Food Support programs

(FSP), Financial Assistance to individuals, Support for Children through National Center for Rehabilitation of Child Labor and Institutional Rehabilitation (Grant to Non-Governmental Organizations) (Barrientos, A. 2006). PBM also provide funds to support orphans, vocational training, educational scholarships and outreach program for deprived parents. Dowry (Jahez) package is also given to orphan girls as well as supply of wheel chairs, hearing aids and artiﬁ cial limbs to needy persons are part of PBM support activities.

**iii) The Benazir Income Support Program (BISP) was launched in October 2008**

as a major component of National Social Protection Strategy (NSPS) (The Benazir Income Support Act. 2010). The objective of the program is to oﬀ er monthly cash transfer to the poorest female heads of families and the establishment of safety net programs, supported by transparent and eﬀ ective targeting and delivery mechanisms.

The main focus of the scheme is to mitigate the negative impacts of economic and food crises and inﬂ ation on poor particularly women with cash assistance amounting to Rs. 1000 whose monthly income is less than Rs. 6000 (Jamal, H. 2010 & Pakistan Economic Survey. 2009). The long term objectives of this Program is eliminating extreme poverty and empower women to achieve universal primary education goal in pursuance of achieving Millenium Development Goals (MDGs).

The program is considered to be a platform to provide ﬁnancial assistance to the vulnerable population recognized on the basis of poverty scorecard and is also considered to be an exit strategy (Pakistan Economic Survey. 2008-2009). The exit strategy comprises of providing training to one of the vulnerable family members to maintain its livelihood. The Pakistan Economic Survey (2008-2009) reported that BISP shall serve other social assistance programs such as conditional cash transfer and health insurances. The main target of BISP was to bring 5.5 million families under this program by the end of 2012-2013 (Planning Commission. 2014). Thus, the expected target was set to cover 90 percent of the poorest, which are 20 percent of the total population, under social safety net in 2012-2013 (Ibid). The program is spending under

four diﬀerent components which include Waseela-e-Rozgar (Technical & Vocational Training), Waseela-e-Haq (Microﬁnance), Waseela-e-Sehet (Life and Health Insurance)

and Waseela-e-Taleem (Primary Education) (BISP. 2017).

In order to achieve the target, the budgetary allocation was increased from Rs. 75 billion in 2013-2014 to Rs. 97 billion during 2014-2015. Similarly, the program expects to increase its coverage from 4.6 million beneﬁ ciaries to 5 million during the ﬁ nancial year 2014-2015 (Pakistan Economic Survey. 2015). BISP has further increased its budget allocation to the tune

of Rs. 115 billion in 2016-17 with its coverage extended to 5.3 million families (BISP. 2017).

**Social Protection Schemes in Pakistan: assessment of existing programs**

Abstract

Social protection is regarded as a basic human right guaranteed in several International Covenants and Treaties. The Constitution of Pakistan exclusively stipulates the provision of social security for all citizens of the country. The aim of the study is to explore and evaluate the social protection schemes with regards to its coverage, scope and outreach. The country has number of social security schemes that are being carried out by provincial and federal governments for the welfare of workers like old age benefits, disablement, health and medical facilities. However, these schemes have failed to extend their benefits to home based, part-time, temporary or contract and agricultural workers. This paper attempts to highlight the shortcomings of existing social protection programs that are obstructing their benefit distribution and limiting their outreach. It underlines the challenges faced by the implementing agencies. This paper also suggests some improvements in the structural design of social security mechanism with special focus on the scope, coverage, outreach and effective delivery mechanism. Since, the proper allocation of resources and effective implementation of these schemes can ensure the assistance and welfare of the targeted population.

Keywords: social protection schemes, welfare, social security, assessment, Pakistan.

Introduction

It is evident from the literature review that the term social protection is interchangeable

with social security. The term was ﬁrst coined by the United Nations (UN). Generally,

Social protection can be described as a provision that [

“*society provides to individuals and households through public and collective measures to guarantee them a minimum standard of living and to protect them against low or declining standards of living arising out of a number of basic risks and needs.” (Pakistan Business Council, 2011).*

The concept of social security is enshrined in Article 22[[1]](#footnote-1) 1 of the Universal Declaration of Human

Rights which speciﬁes that every member of society is entitled to have social security

(United Nations, 1948). Social protection schemes provide basic level of assistance

to those whose earning capacity is interrupted due to “contingencies” such as sickness, work injury, disablement and old age. Beside the feature of sustenance to the beneﬁciaries, the social protection schemes play a signiﬁcant role in balancing the essentials of demand and services and therefore overall employment level in national economy.

Eﬀective social protection policies and initiatives increase increase employment opportunities, shorten the loss of human capital, and protect people from falling into poverty consequent to financial or economic crises (Khan, A. 2013). Simultaneously, successful protective measures shape a signiﬁcant component of social policy and encourage societal cohesion (Kabeer & Sarah, 2010).

The aim of this study is to identify the modalities of a complete social protection scheme for the employed labor and poor population in Pakistan. Particularly, the primary objectives of this descriptive study are to:

• Assess the number of poor population and their socio-economic conditions;

• Assess and evaluate the existing policies and programs of social protection

including social assistance and social security schemes and their outreach;

Suggestions about policy changes to increase the outreach of existing schemes

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1. Universal Declaration of Human Rights § 22 states that “*Everyone though national eﬀ ort and international co-operation and in accordance with the organization and resources of each State, of*

   *the economic, social and cultural rights indispensable for his dignity and the free development of*

   *his personality”..* [↑](#footnote-ref-1)