

Social Protection for Workers: Mind the Gap

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Social protection is generally understood to be a set of public policy actions that address poverty, vulnerability and exclusion. The term broadly implies support to the poor and vulnerable through social assistance and social insurance programmes.

Though SP is often used interchangeably with social security and social safety nets, these are subsets of social protection. Social security and social safety nets may feature similar products and services; they differ substantially from each other in terms of concept and aims. Social safety nets primarily include benefits in cash and in kind such as cash transfers food-related programs price and other subsidies, and public works programs etc. Social security offers unemployment insurance, retirement income, disability income, access to healthcare, nutrition, housing, and other payments to all employed persons and their dependants. It also includes labour market intervention establishing minimum wage, abolition of child labour, elimination of forced labour; amendments and implementation of labour legislation.¹

Social security is rights-based, emphasising a framework of collective social responsibility as it establishes that people derive their individual rights from social security.² Social safety nets are based on the premise that poor have to be facilitated to allow them to manage (economic) risks and prevent them from resorting to measures that undermine their assets. The main objective of safety nets is to create conducive environment for the acceptance of market-based reforms and ensure political stability. While both social security and social safety nets offer protection, they represent a markedly different approach in terms of individual life cycle. Social security covers old-age, maternity and childcare benefits, safety nets concentrate on existing labour force and to a limited extent on children.³ The two, therefore, cannot be interchanged as protection mechanisms. Though social security nets are important, especially in times of economic downturns, to ensure sustainability for the vulnerable, social security continues to be a preferred mode of protection for its broad and right-based scope.

Social Protection Programmes in Pakistan

There are a number of social protection schemes pursued by the state, some of them specifically targeting employed population while others focusing on the disadvantaged. However, due to its limited scope, this paper will give greater coverage to national level schemes specific to workers only.

The Poverty Reduction Strategy Paper II identifies and divides the government's social protection strategies along the lines of direct and indirect provisions: direct provisions include employment-based guarantees (such as Employees' Old Age Benefit Institution, Workers' Welfare Fund and provincial social security benefits); direct transfers (Zakat, Pakistan Bait-ul-Mal and now Benazir Income Support Programme); and market-based interventions

¹ The State of Pakistan's Economy, Special Section: An Introduction to Social Protection, State Bank of Pakistan, 2008, at

www.sbp.org.pk/reports/quarterly/fy08/Third/Special-Section-08.pdf

² Dr. Asad Sayeed and Farhan Sami Khan, 'Beyond Safety Nets: Provision of Comprehensive Social Security in Pakistan', PILER, 2000

(microfinance). Indirect provisions include the provision of the minimum wage; lifeline tariff on electricity; and food subsidies.⁴ Pakistan Poverty Alleviation Fund also features as an important contribution outlining measures to encourage community participation for enhanced income-generation and social uplift activities. For the purpose of this study, we will focus on the direct transfers identified by the PRSP, for their impact on the working class.

Before a review of social protection system is undertaken, it is important to understand the dynamics of Pakistan's economy and the labour market. A look at emerging issues should also help explain the significance of social protection allowing space for a clearer analysis.

Pakistan's Labour Market

Pakistan has a population of 169.9 million as at end-June 2009.⁵ The total labour force of the country is 53.72 million, out of which, 50.79 million are employed while 2.93 million persons are unemployed, resulting in an unemployment rate of 5.5 per cent. The three main sectors of the economy are agriculture, industrial and the services sector. The services sector has a dominant share in the Gross Domestic Product at 53.8 per cent while the agriculture sector's share stands at 21.8 per cent and that of the industrial sector is 18.2 per cent.⁶ In terms of employment, 45 per cent of the labour force is employed by the agricultural/forestry/fishing sector, 13 per cent by the manufacturing sector, 6.6 per cent by construction, 16.5 per cent by the wholesale/retail sector and 11.2 per cent by the community/social and personal services.⁷

Pakistan's economic structure is largely tilted towards the informal sector, which accounts for 73 per cent of the employment in main jobs outside agriculture sector.⁸ The size of the informal economy is roughly 30 per cent.⁹ The sector is more dominant in the rural areas (75 per cent) compared to the urban centres (71 per cent), where there is greater concentration of formal activities at 29 per cent.¹⁰ As the informal sector is totally linked to the private sector, the private sector makes a significant contribution to the economy. In Pakistan today, over 77 per cent of the commercial banking sector, 100 per cent of the textile and telecommunications sector, and a significant part of the cement, sugar, automobile and fertilizer industries are in the private sector. The Sector's contribution to the GDP at current factor cost is estimated at an overwhelming 84 per cent.¹¹

A vast majority of jobs in the private sector are generated in small enterprises sector comprising 1-4 people. This sector engages almost 95 per cent of the total (employed) labour force. On the other hand, Pakistan has an insignificant "medium" sector that employs only 5 per cent of the labour force.¹² Public sector employment – once a source of employment for a significant part of the workforce - in the wake of reforms, adjustments and down-sizing has declined over the years. Today, it constitutes less than 10 percent of the employed labour force (5.81mn).¹³ Pakistan's 650,000 strong armed forces,¹⁴ are not counted in the labour force survey.

⁴ Poverty Reduction Strategy Paper (PRSP)-II, GoP, Finance Division

⁵ Pakistan Economic Survey 2009-10, Chapter 'Population, Labour Force and Employment'

⁶ Pakistan Economic Survey 2008-09, Chapter 'Growth and Investment'

⁷ Labour Force Survey 2008-09, Section 'Employed: Major Industry Division'

⁸ Pakistan Economic Survey 2009-10, Chapter 'Population, Labour Force and Employment'

⁹ SBP Working Paper Series, 'The Size of Informal Economy in Pakistan', No 33, May 2010

¹⁰ 'Private Sector Assessment Pakistan', Asian Development Bank, December 2008

¹¹ Ibid

¹² Ibid

¹³ Sustainable Economic Growth, Employment and Human Resource Development, Ministry of

The wage structure in Pakistan is highly irregular characterised by lack of implementation of the minimum wage (now at Rs 7,000). According to the Labour Force Survey 2008-09 the white collar-ness of an industry division seems to positively influence the size of the wage. The average monthly wages of employees in the agricultural sector (employing 45 per cent of the total labour force), was Rs 5,601 while wholesale, retail trade employee earned an average wage of Rs 5,914. Manufacturing sector wage rate, at Rs 6,769, and construction sector at Rs 6,510 were marginally above the prevailing minimum wage of Rs 6,000 last year.¹⁵

Current Issues of the Economy

Pakistan's decisive shift to liberalisation in the 1990s followed the nationalisation drive of the state in the 1970s and the aid-driven economy of the 1980s. The post 1999 military-led government of General Musharraf too pursued a supply side economic model, supported by foreign aid, private investments and a preference for services-sector-led capital economy at the cost of the agriculture and the manufacturing sectors. Since the political government took office in 2008, Pakistan's economy continues on the liberalisation path, with the IMF and international aid agencies playing an instrumental role in determining the direction of the economic development and growth. However, the need for state intervention for public welfare and social protection has come to take up significant space in economic discourse and seeks to influence policy-making exercises and the direction of public provisions.

Apart from the state's role, there are a host of issues that directly influence the economy, its direction and the status of labour in the country. Key issues include poverty, compromised social indicators, poor law and order and energy crisis.

Poverty: There have been varied estimates on poverty in Pakistan, but there has been a general consensus that 30-35 per cent of the population could be counted as "poor" based on various definitions of the term. Some estimates suggest that poverty stands at 38 per cent. This translates into 65 million out of 170 million people living below the poverty line.¹⁶

Social Indicators: Pakistan ranks 141 out of 182 countries on the Human Development Index.¹⁷ The 'Human Poverty Index' value of Pakistan is 33.4 per cent and the country ranks 101st among 135 countries.¹⁸ State's expenditure on health constitutes 3.5 per cent of the annual budget and is 0.54 per cent of the GDP.¹⁹ The meagre health spending translates into a \$4 per capita as

Labour, Manpower and Overseas Pakistanis, March, 2007 at:

http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_089941.pdf

¹⁴ Active Military Manpower at <http://www.globalfirepower.com/active-military-manpower.asp>

¹⁵ Labour Force Survey 2008-09, Table 30

¹⁶ Shahid Javed Burki, 'Need for a new paradigm', Dawn, April 27, 2010

¹⁷ Human Development Report 2009, 'Pakistan', at

http://hdrstats.undp.org/en/countries/country_fact_sheets/cty_fs_PAK.html

¹⁸ The HPI measures the proportion of people below certain threshold levels in each of the dimensions of the human development index. These include: living a long and healthy life, having access to education, and a decent standard of living.

¹⁹ Pakistan Economic Survey 2009-10, Chapter 'Health and Nutrition'

national public expenditure on health. Thus private sector accounts for 75.6 per cent of healthcare expenditure.²⁰ Social health insurance covers only 5 per cent of the population but represents about 40 per cent of federal and provincial governments spending on health.²¹ Similarly, expenditure on education too accounts for only 2 per cent of GDP in 2009-10. Net Enrolment Rate (NER), defined as the number of students aged 5-9 years that are enrolled in a primary school divided by the number of children in the age group for that level of education is 57 per cent (2008-09).²²

Law and Order: Law and order and terrorism remain paramount deterrence to the economic development of the country. In year 2009 alone, a total of 2,586 terrorist, insurgent and sectarian-related incidents were reported from across the country killing 3,021 people and injuring 7,334 individuals.²³ The direct and indirect cost to the economy due to terrorism since 2005 stands at Rs 43 billion. In year 2009-10, it totalled \$11.5 billion up from \$8.6 billion in 2008-09. This includes loss of exports, foreign investment, privatization, industrial output, and tax collection, etc.²⁴

Energy Crisis: Another important challenge faced by the country's economy is the power crisis. The energy shortage that intensified in the last few years was fuelled by the rise in demand for commercial electricity caused by a higher economic activity, subsidised energy supply and growth in the use of electrical appliances in the last decade. The rise in growth was not matched by expansion in generation capacity. The share of public sector expenditure on power sector, which averaged at 28% in the 1980s, fell to 3% in the current decade. The cost to the economy due to power crisis is serious, leading to a slowdown in economic activity and job losses. The cost of industrial power outages in year 2009 came down to 2.5 per cent of the GDP causing 535,000 jobs losses in this period alone.²⁵

The economic meltdown, the spate of terrorism, the expansion of an increasingly privatised and informal structure of the economy, the state's declining role in economic regulation as well as in social protection has marginalised Pakistan's working class to a great extent, leaving them vulnerable to market imperfections and fluctuations. As we will see below, the labour market structure remains outside the government's regulation regime, while labour laws and their implementation order too do not favour the working class. A poor social security regime thus has adverse impact on workers' welfare in the backdrop of deficits in the social and the economic structures and the non-regulation of the labour market.

Constitutional Provisions for Social Security

²⁰ 'Social Health Insurance: can we ever make a case for Pakistan?' by Farina Gul Abrejo, Babar Tasneem Shaikh Department of Community Health Sciences, Aga Khan University, Karachi, Vol. 58, No. 5, May 2008

²¹ Asian Development Bank. Technical Assistance to the Islamic Republic of Pakistan for the Developing Social Health Insurance Project. Islamabad 2005, cited in 'Social Health Insurance: can we ever make a case for Pakistan?' by Farina Gul Abrejo, Babar Tasneem Shaikh Department of Community Health Sciences, Aga Khan University, Karachi, Vol. 58, No. 5, May 2008

²² Pakistan Economic Survey 2009-10, Chapter 'Education'

²³ Pakistan Security Report 2009 by Pakistan Institute of Peace Studies

²⁴ Pakistan Economic Survey 2009-10, Chapter 'Growth and Investment'

²⁵ 'State of the Economy: Pulling bank from the Abyss', Chapter 'Infrastructural Shortages: Cost to the Economy', Third Annual Report, Institute of Public Policy, Beaconhouse National University, 2010,

Pakistan's constitution outlines social security as a basic right of the citizens and marks state's role in establishing institutions to fulfil this constitutional guarantee. Pakistan is one of the few underdeveloped countries that recognises social security as an explicit citizenship right. Article 38 of the Constitution of Pakistan binds the state to "...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; (and) reduce disparity in the income and earnings of individuals..."

Pakistan has also ratified ILO Convention 18 on Workmen's Compensation (Occupational Disease), Convention 19 on Equality of Treatment (Accident Compensation), and Convention 118 on Equality of Treatment (Social Security). All these conventions require the state to ensure provisions for safety at work and compensation in case of occupational diseases and death, extend relevant branches of social security (medical care; sickness benefit; maternity benefit; invalidity benefit; old-age benefit; survivors' benefit; employment injury benefit; unemployment benefit; and family benefit) to its workforce; and maintain non-discrimination in extension of related benefits.

National Legislation

The country follows a set of legislation, few of which were inherited from colonial rule, dealing with social security. Key legislation covering the provision include:

The Provincial Employees' Social Security Ordinance (PESSO), 1965: This comprehensive piece of legislation provides cash and in-kind benefits for employment injury, sickness, maternity, death, invalidity and *iddat*. Being a provincial ordinance, the PESS is applicable to employees on the provincial level only. Those covered include regular and contract employees, skilled, unskilled, supervisory, clerical, and manual workers. The PESSO, however, excludes persons in the service of the State including armed forces, police and railway servants, and the employees of the local council, municipal committee, cantonment board or any other local authority. Under the current law, employees drawing salary up to Rs. 10,000 are liable to be registered under the PESSO.

The Workmen's Compensation Act, 1923: This Act is applicable on establishments not covered by the PESSO. Under this law, workers are entitled to compensation for work injury, occupational disease, invalidity and death. The present rate of compensation in case of death and invalidity is Rs. 200,000.

The West Pakistan Maternity Benefit Ordinance 1958: The Act applies to the whole of Pakistan and provides for 12 weeks of paid maternity leave for women employed in an establishment, whether industrial, commercial, or otherwise. The Mines Maternity Act 1941 while providing for the same for women, prohibits the employment of or work by pregnant women in a mine during specified period before and after childbirth. Both these acts are however, not applicable in establishments that follow PESSO.

Employees Old-Age Benefits Act, 1976: Under this law the employees of selected private sector industries/establishments are entitled to Old-Age Pension, Old-Age Grant, Invalidity Pension, and Survivors pension. The Act covers non-government establishments that include

construction industry, factories, mines, road transportation services, hospitals, clubs, hostels, organisations and not-for-profit messes, as defined in the related acts.²⁶

The presence of formidable constitutional provisions and legislation is neither matched by the political will to implement laws, nor have there been adequate efforts to protect and promote the interest of workers and the marginalised in the successive economic programmes and policy directions adopted by the state. Pakistan's labour laws and policy orders have been generally exclusionary and selective, with restricted scope and coverage. The social security services, as will be studied in detail in the latter part, too are characterised by limited outreach and deficits in designs.

Social Protection Facilities/Schemes

Employee Old Age Benefit Scheme:

The social security scheme for private sector employees under the EOBI Act 1976, covers industries or commercial establishments with five or more employees, with an option of voluntary registration for organisations with less than five employees. The scheme requires employers to pay 6 per cent of lower basic salary of the employees while the employees contribute 1 per cent of the salary. The government makes no contribution to the scheme. Minimum pension rate is Rs 2, 000 a month. According to the EOBI website, there are 48,377 active registered employers and 2,164,160 active insured persons. However, the number of beneficiaries is just 358,230.²⁷

Workers Welfare Fund (WWF) in Pakistan:

The Workers Welfare Fund was established in 1969, followed by the Workers Welfare Fund Ordinance 1971 to make provisions for regular source of income for the fund. This ordinance is applicable to industries that earn Rs. 100,000, employ more than 50 workers, have paid-up capital of over Rs 2 million or fixed assets worth Rs 4 million. Such industries are required to pay 2 per cent of their income to the fund.

The fund administered by the federal tripartite board is used for: (i) construction of houses that are sold to workers, (ii) marriage grant to workers for marriage of their daughters, (iii) scholarship for workers' children, and (iv) construction of educational institutions and hospitals; death grant, ambulance service, water supply schemes, tricycles for the disabled, and provision of sewing machines etc.. Qualified workers include those who fit the definition of 'Workman' outlined in the IRA 2008, in addition to having registered with the EOBI or the PESSI. The workers are also required to have at least three years of association with any industrial unit to avail the WWF. Workers also contribute under the 'Workers Participation Fund'.²⁸

The industries/establishments currently covered by the WWF include: factories, workshops and establishment producing articles employing electrical, mechanical, thermal, and nuclear or any other form of energy transmitted mechanically; mine or quarry or natural gas or oilfield

²⁶ Employees' Old-Age Benefits Act, 1976

²⁷ EOBI, Database Statistics as on 24.05.2010 on <http://www.eobi.gov.pk/pice/database-stat.htm>

²⁸ Pakistan Institute of Labour Education and Research, 'Institutions for Social and Financial Protection for the Workers,' Afzal Bela, 2010 (Document in Urdu)

employees; a section of transport services; and any concern engaged in the growing of tea, coffee, rubber or cinchona.

In terms of coverage, the record of the WWF is no better than the EOBI. According to the figures provided by the WWF Office, 2,456,212 workers have benefitted from the products and services of the WWF over a period of forty years from 1971 to March 2010.²⁹

Provincial Employees Social Security Institutions (ESSI):

Introduced in March 1967, the Employees Social Security Institutions was reorganised on a provincial basis in July 1970. The Board of Trustees in the Provincial Employees Social Security Institution (PESSI) include representatives of employers, workers, and Government. The scheme covers contingencies such as sickness, maternity, work injury, invalidity and death benefits. The ESSI is applicable to industrial and commercial establishments employing 10 or more employees (except Balochistan where it applies to five workers or more). The coverage is provided to the employees of these establishments drawing monthly wages up to Rs. 10,000. The ESSI is funded through contribution of employees at 7 per cent of the wages of secured workers. Apart from the different number of worker thresholds, the coverage of the PESSI is similar to the EOBI in that they exclude government workers, the armed forces and other nominated industries.

Workers Children Education Scheme:

Established in 1972, this scheme provides free education to two children of a worker up to any level. Applicable to establishments of ten or more employees, the scheme is financed through the contribution paid by employers at the rate of Rs. 100 per worker per annum. The scheme is managed by the Provincial Social Security Institutions.

Pension for Government Employees:

Permanently employed public servants, and those in the armed forces, and the police receive pensions and other benefits under the regulations pursued by the respective governments. Government servants are entitled to receive pension and other benefits such as provident fund on retirement, at the age of 60 or earlier after 25 years of pensionable service. However, contract employees hired by the government are not entitled to any social benefits.³⁰

Private Sector Pension Plans:

Private sector pension plans are uncommon, though they are promoted by multinationals. These defined benefit plans are employer-funded on the basis of actuarial recommendations. These offer benefits in the form of life annuities for the retiree and reduced contingent pensions for the spouse and minor children. The pensions accrue at the rate of 1 per cent to 3 per cent of basic pay for each completed year of covered service. Contributions to these plans are tax deductible, subject to a maximum of 20 per cent of salary earned by members.³¹

Direct Income Transfers

²⁹ See Annexure

³⁰ Mohammad Irfan, 'Poverty and Social Safety Nets: A Case Study of Pakistan', Pakistan Institute Of Development Economics Islamabad, Jul 2003

³¹ Ibid

Direct income transfers are not specifically targeted at workers, but are meant to serve the needy. Four institutions comprise the major sections for direct income transfers: Zakat, the Pakistan Bait-ul-Mal (PBM) the Benazir Income Support Programme (BISP) and the Punjab Food Support Scheme.

Zakat:

The Zakat and Ushr Ordinance in 1980 made Zakat deduction at the rate of 2.5 per cent on the value of specified financial assets a compulsory exercise once a year for Sunni Muslims. Zakat is disbursed under different programmes, such as: financial assistance (*guzara* allowance), educational stipends (generally directed at Madrassahs), healthcare, Eid grant, assistance to leprosy patients, national level health institutions, and marriage assistance. A total of Rs.768.7 million was disbursed under different Zakat programmes during July-March FY 2009-10, marking a reduction of 46 per cent compared to Rs. 1.421 billion during the same period in FY 2008-09. The number of beneficiaries too recorded a decrease of 25 per cent, from 538,050 during July-March in the previous financial year to 404,124 during the same period of the current financial year.³² The amount distributed constitutes 0.005 per cent of GDP in 2009-10.

Issues: About 25 per cent of the Zakat budget is given through institutions while the remaining 75 per cent is disbursed directly to individuals through Local Zakat Committees.³³ Being tax-financed social transfers, Zakat would appear to have real redistributive potential. Its tax-based feature also lends itself to a permanent and earmarked source of revenue, ensuring sustainability. Furthermore, due to the nature of the Zakat system the burden of contribution falls mostly on upper income households. Therefore, Zakat has the potential of playing a strong redistributive role.³⁴

Evaluations, however, suggest that Zakat has failed as both a redistributive and a risk management mechanism. This failure appears to stem from the same parochial social relationships which fragment access to informal social protection within the community. Various studies indicate corruption, patronage, exclusion, and distortions in the Zakat machinery. The issue of patronage is particularly serious. A study by the Social Policy and Development Centre (2000) observed that procedures involved in identifying eligibility for Zakat lent itself to 'some patronage at the local level'. The Zakat department relies heavily on political persons for identification of the needy, and those with connections with political figures such as a nazim, MNA or MPA get easy access to Zakat funds, even if they do not strictly fall in the category of the deserving. It has also been observed that the religious identity of the potential beneficiaries creeps in as a factor influencing the distribution. Shias, recent converts to Islam, and other sects biased against on religious grounds do face discrimination by the Zakat officials.³⁵ There are issues with information system as well. A World Bank/Gallup study in the

³² Pakistan Economic Survey 2009-10, Chapter 'Poverty'

³³ Poverty Reduction Survey Programme

³⁴ Syed Mohammad Ali, 'Creating efficient safety nets in Pakistan', <http://www.opfblog.com/8455/creating-efficient-safety-nets-in-pakistan-%E2%80%94syed-mohammad-ali/>

³⁵ 'Beyond Risk Management: Vulnerability, Social Protection And Citizenship In Pakistan', Journal Of International Development J. Int. Dev. 22, Wiley Interscience, 1-19 (2010),

2006 concluded that of those that needed assistance but did not apply for it, more than 25 per cent did not know where to go (for information and access to the funds).³⁶

Pakistan Bait-ul Maal:

Established in 1992, the Pakistan Bait-ul Maal aims to provide assistance, mainly cash stipends, to those groups, primarily religious minorities, who are excluded from the Zakat programme. It is funded through federal grants as well as smaller grants from the provincial and local governments, national organisations, international agencies and voluntary donations. The PBM runs programmes encompassing food support, child support, rehabilitation of child labour, vocational training, support to medical centres, and others.³⁷ It is largely dominated by the Food Support Programme which provides a bi-annual cash transfer to poor households.³⁸ However, the size and contribution of the PBM has declined in recent years. It started with Rs 6 million in 1992 benefitting 25,000 individuals and went up to Rs 5.52 billion disbursed in FY 2007/08 to around 2 million households.³⁹ However, in year 2009-10, the PBM disbursed an amount of Rs. 1.65 billion relative to Rs. 2.7 billion incurred in the corresponding period of FY 2008-09, marking a decrease of 38.9 per cent. The number of beneficiaries has declined by 22.8% from 1,437,569 during July-March FY 2008-09 to 1,110,264 over the same period in the current financial year.⁴⁰ According to the Economic Survey of Pakistan 2009-10, the decline in disbursements and number of beneficiaries is caused by the merger of the Food Support Scheme, a major component of the Pakistan Bait-ul Mal into the Benazir Income Support Programme since FY 2008-09.

Issues: One problem with Bait-ul-Maal is its limited coverage as it targets religious minorities and others who are unable to benefit from Zakat. Furthermore, like Zakat, Bait-ul-Maal suffers from a culture of patronage where political and social influence determines the distribution. This restricts its outreach. The Bait-ul Maal is financed through grants. There is no identifiable and permanent source of income for the scheme, making it vulnerable to fiscal shocks. The amount transferred is extremely limited too. For instance, Rs 1.65bn distributed this year to 1,110,264 amounts to Rs 1,500 per person. In recent studies, it has been estimated that Zakat and the Pakistan Bait-ul Maal add just 4 per cent to the incomes of the households bordering on the poverty line and meet less than 40 per cent of the incomes of the 20 per cent poorest households.⁴¹

The Benazir Income Support Programme (BISP):

³⁶ Heltberg R. 2005. 'Preliminary Findings from the Social Safety Net Survey 2005. Phase 1: World Bank/Gallup' Presented at DFID/ADB Workshop on Social Protection Sept. 26–27th, Islamabad, cited in 'Beyond Risk Management: Vulnerability, Social Protection And Citizenship In Pakistan', *Journal Of International Development J. Int. Dev.* 22, Wiley Interscience, 1–19 (2010),

³⁷ PRSP, Pg 69

³⁸ Beyond Risk Management: Vulnerability, Social Protection And Citizenship In Pakistan, Naila Kaberi*, Khawar Mumtaz And Asad Sayeed, *Journal Of International Development, J. Int. Dev.* 22, Wiley Interscience, 1–19 (2010)

³⁹ PRSP, Pg 69

⁴⁰ Pakistan Economic Survey 2009-10, Chapter 'Poverty'

⁴¹ Syed Mohammad Ali, 'Creating efficient safety nets in Pakistan',

<http://www.opfblog.com/8455/creating-efficient-safety-nets-in-pakistan-%E2%80%94syed-mohammad-ali/>

The BISP is a cash transfer programme targeted at families that have a monthly income of less than Rs 6,000 (minimum wage 2008). An amount of Rs 2,000 is disbursed every alternate month to the nominated women of the targeted household. Other eligibility criteria includes: Computerised National ID Card; possession of no or less than 3 acres of agricultural land or up to 3 *marlas* residential property; no family member in government service; the applicant should not be beneficiary of any other programme; and should not possess a foreign account or a passport. The BISP is a part of current expenditure of the annual budget.⁴²

The budget allocation for the year 2010-11 is Rs 50 billion, while it was 70 billion targeting 5 million households in year 2009-10.⁴³

At the time of its launch in 2008, the BISP applicants were required to apply through forms distributed by members of the national assembly in their respective constituencies. However, this system was criticised for its potential for political patronage, issues with verification process and the ID cards conditionality. The beneficiary-identification through parliamentarians was stopped in mid-2009 as the IMF asked the government to adopt a World Bank-devised methodology of identifying the deserving families, preconditioning it with its \$7.6 billion loan for Pakistan. With a \$60 million World Bank loan, the government has initiated a survey using 'Poverty Scorecard' to identify the poor families. A total of 100 points are allocated based on responses to such questions, and the families with scores under 16 points are identified as "deserving". The survey has been completed in 15 districts, while it is underway in 20 others.⁴⁴

Issues: So far, the BISP has received a positive response from the public. Since the old system involving legislators has been abandoned, issues of patronage and corruption have, to some extent, been addressed. However, there have been reservations regarding the Poverty Scorecard being developed. Experts argue that the Scorecard is using the 1994 database which might lead to inaccuracies while ignoring new impoverished regions. At least 37 per cent beneficiaries of the scheme are suspected to be non-poor due to the flawed methodology of the survey. There have also been apprehensions that the involvement of notables and elected representatives in data collection exercise may politicise and negatively influence the beneficiaries' selection process.⁴⁵

Punjab Food Support Scheme (PFSS):

The Punjab Food Support Scheme (PFSS) was initiated in 2008 as a provincial programme. It was originally designed to provide food stamps for the poorest households, but has now been

⁴² Haider Mehtab, 'Benazir programme pushed out of PSDP', The News, March 29, 2009

⁴³ Presentation, 'Regional Workshop on Social Assistance & Conditional Cash Transfers' ADB Headquarters, Manila, July 2009 at: <http://www.adb.org/documents/events/2009/high-level-social-assistance/Zia-Benazir-Income-Support.pdf>

⁴⁴ Syed Mohammad Ali, 'The Politics Of Poverty Alleviation', Daily Times, March 16, 2010, http://dailytimes.com.pk/default.asp?page=2010\03\16\story_16-3-2010_pg3_

⁴⁵ Syed Mohammad Ali, 'The Politics Of Poverty Alleviation', Daily Times, March 16, 2010, http://dailytimes.com.pk/default.asp?page=2010\03\16\story_16-3-2010_pg3_

converted into a cash grant of Rs 1,000 per household per month along the lines of the BISP. The total cost of the scheme is estimated at Rs 10.8 billion for the year 2008-09.⁴⁶ The subsidy is directed at households that do not have a bread-earner; widows, orphans, and the destitute; chronically sick and/or disabled persons; elderly persons who have been abandoned by their family; and the poorest of the poor segments of the society with marginal income.

Issues: A major flaw of the programme is that it relies on local government officials (district and union councils) and political appointees to propose an initial list of beneficiaries. This could lead to corruption and patronage as in the case of Zakat and Bait-ul-Maal, wasting state resources and depriving the deserving section of the population from benefitting from the programme.

Other Programmes

Pakistan Poverty Alleviation Fund:

Under the PPAF, the government provides funds to civil society organizations for development of projects forming partnership following a set criteria. The PPAF is sponsored by the Government of Pakistan and funded by the World Bank and other leading donors. As of April, 2010, it had a resource base of US\$ 1,062.79 million (Rs. 79,709.25 million).⁴⁷ Credit and enterprise development is the largest component of the PPAF accounting for 76 per cent of cumulative disbursements followed by community physical infrastructure (15 per cent); capacity building assistance (6 per cent); social mobilization grants (2 per cent) and health & education had a share of 1 Per cent. By the end of FY 2009, cumulative disbursements for core operations stood at Rs. 42,933 million.⁴⁸

According to its Director's Report, by the end of June 2009, the PPAF funding had been disbursed in to about 141,000 community organizations/groups in urban and rural areas of 124 districts of the country. This exercise involved 77 partner organizations of which 12 were focusing exclusively on women.

People's Rozgar Programme (PRP):

This is a programme to facilitate access of the unemployed to credit to enable them to start a useful business. A total of Rs. 104.7 billion has been allocated for a period of five years under the current PRP. The maximum financing limit is up to Rs. 200,000, which is disbursed through the National Bank of Pakistan (NBP). Support is extended through Interest Rate Subsidy (6 per cent), Credit Loss Sharing (up to first 10 per cent of total credit loss) and Life/Disability Insurance, while the NBP is offering a set of schemes under the PRP.⁴⁹

⁴⁶ 'Pakistan: Punjab Government Efficiency Improvement Program', Asian Development Bank, 2009, at <http://www.adb.org/Documents/SPRSSs/PAK/41666-PAK-SPRSS.pdf>

⁴⁷ PPAF Introduction at <http://www.ppaf.org.pk/>

⁴⁸ Director's Report and Financial Statement, PPAF, June 2009 at: <http://www.ppaf.org.pk/db/Directors%27%20Report%20and%20Financial%20Statements%20June%202009.pdf>

⁴⁹ Poverty Reduction Strategy Paper II

The trickle down effect of PRP is extremely limited, as identified by the PRSP report that indicates 65 beneficiaries for Rs 4.9 billion disbursed through the Programme in 2006-07 and 13 beneficiaries for 2.33 billion in year 2007-08.⁵⁰

Microfinance:

Microfinance is an expanding industry in Pakistan. By 2008, the sector had reached more than 1.7 million savers, and had a clientele of almost 1.6 million borrowers, of which nearly half were female.⁵¹ Though the private sector is very active in the provision of microfinance, the government has aligned the Pakistan Poverty Alleviation Fund with the evolving microfinance landscape in the country. On cumulative basis, the PPAF financed 3,000,000 microcredit loans, of which 46 per cent were extended to women, according to its 2009 Financial Statement. Cumulative disbursement amounted to Rs 6.949 billion in 2009.⁵²

Microfinance has usually been subjected to criticism for its inability to address poverty. High interest rates, funding-base from donors that eventually influences the policy direction and inadequate institutional specialisation has prevented microfinance from extending sufficient benefits to the poor.

Subsidies:

Apart from the broad schemes, successive governments have used subsidies as a tool to protect the poor from bearing the burden of rising costs of essential items. Subsidies on wheat, sugar, fertilisers and utilities have been extended by the state on a regular basis.

The state's preference for this form of social protection is reflected in the highest share of subsidies in 'Safety Nets' budgets during the recent years. According to the Economic Survey of Pakistan 2009-10, the Safety Nets Budget includes: Social Security and Welfare, Food Support Programme, Peoples Work Programmes, Natural Calamities and Low Cost Housing. Subsidies claimed 91% of the Safety Nets Budget in 2007-08, 79 per cent in 2008-09, and around 77 per cent in Jul-March 2009-10.⁵³ Drawn from public funds, subsidies are non-targeted in the sense that there is no discrimination between the beneficiaries. In social terms, such an approach benefits rich more than the poor as the former, enjoying higher disposable income, ends up spending less on subsidised items.

The state has also established 745 franchise utility stores, acting as price moderators that provide items for daily use at a comparatively lower price than the market.

The Benazir Zari Card Scheme (BZCS):

The Benazir Zari Card Scheme (BZCS) offers institutional credit to farmers of up to Rs 500,000. The Agri-Credit product enables access to quality inputs at reasonable prices. The Scheme is

⁵⁰ Poverty Reduction Strategy Paper-II, 'Chapter 5 - Pillar II: Protecting the Poor and the Vulnerable' Table 5.1, Pg 66

⁵¹ Poverty Reduction Strategy Paper-II

⁵² Director's Report and Financial Statement, PPAF, June 2009 at:

<http://www.ppaf.org.pk/db/Directors%27%20Report%20and%20Financial%20Statements%20June%202009.pdf>

⁵³ Economic Survey of Pakistan 2009-10, Chapter 'Poverty'

expected to benefit 3.8 million farmers in its initial stages, and aims to implement a structure of institutional credit replacing the passbook system.

Public Works Programme [Currently titled People's Work Programme (PWP), previously Khushal Pakistan Programme]: The PWP has been recently revived for small development schemes covering basic areas such as: provision of electricity, gas, farm-to-market roads, and water supply. The programme targeting rural unemployed/landless haris, envisages serving the dual purpose of providing employment and improving infrastructure. The programme design engages the local communities to identify relevant projects.⁵⁴

The Benazir Employees Stock Option Scheme (BESO):

Through the BESO Scheme, employees of the state-owned entities will be given 12% shares, worth more than Rs. 110 billion free of cost. So far, 22,745 employees have been given shares certificates in five entities namely Heavy Mechanical Complex (HMC), Oil & Gas Development Company Limited (OGDCL), Pakistan Petroleum Limited (PPL), Sui Northern Gas Pipeline Limited (SNGPL) and Pakistan State Oil (PSO).⁵⁵ The government states that the distribution of shares among its workers would create motivation and raise their stakes.

The Benazir Green Tractors Scheme:

Launched in 2009, the scheme envisages the supply of 20,000 tractors to farmers over a period of two years, with a subsidy of Rs 0.2 million per tractor.

The National Internship Program:

Offering cash for work to fresh but unemployed graduates, the year-long National Internship Program includes placement for applicants with various government organizations according to their qualifications and broader academic disciplines for a period of one year.

Issues with Social Security Schemes

Social security remains an under-represented and low priority item in the economic order of the country and as a part of the state's interaction with the workers or citizens. This is not only reflected in its minimal budget allocation, but also in the structure and the outreach of these programmes where deficits such as restricted coverage, limited scope and systemic weaknesses prevent a major section of the population from benefitting from these facilities.

Low Budget Spending

The Economic Survey of Pakistan 2009-10 maintains 'Pro-Poor Spending' as separate head counting 'Market Access and Community Services', 'Human Development', 'Rural Development', 'Safety Nets' and oddly 'Governance' as five major areas of spending. This Pro-Poor Spending has undergone a mixed trend in the last few years as it was 4.89 per cent of the GDP in 2006-07,

⁵⁴ PRSP, Chapter 5 - Pillar II: Protecting the Poor and the Vulnerable, Pg 73

⁵⁵ '22,745 Employees Given 12 Percent Shares In Five Entities', Business Recorder, Jan 22, 2010 at <http://www.brecorder.com/index.php?id=1011156>

9.7 per cent in 2007-08, 7.46 per cent in 2008-09 and 4.3 per cent in 2009-10. Social security and welfare is a part of the pro-poor spending falling under the 'Safety Nets' area.

Tracing 'Social Security and Welfare' as a part of the budget and the GDP allows a better understanding of the government's spending priorities. A look at related figures demonstrates that the state does not favour social protection as an important means for welfare. In the federal budget 2007-08, the 22.5 billion earmarked for social protection comprised merely 1.5 per cent of the budget. In 2008-09, it was 1.45 per cent of the budget followed by an even lower percentage of 1.107 in 2009-10. The share of social security and welfare in the GDP remained low at 0.23 per cent of the GDP in 2007-08, 0.288 per cent in 2008-09, and 0.18 per cent in 2009-10. The minimal spending on social security not only reflects low government interest in this important area, it also goes on to influence the quality of social security products, their outreach and the delivery capacity of the respective departments. These deficiencies are manifested in low coverage, inadequate provisions, design flaws, and inability of the government to make these institutions efficient.

Coverage

The existing social security programmes are highly exclusionary in terms of the beneficiaries covered. Large sections of the workforce remain unprotected. The two general and most comprehensive social security schemes, the PESSI and the EOBI, do not cover workers from the agriculture sector, the self-employed, and the informal economy, and those establishments that employ less than ten (PESSI or five (EOBI) workers.⁵⁶

The agriculture sector is not covered by any legislation and provisions pertaining to labour in Pakistan. Similarly, the small and medium scale sectors too have not been protected by any social security provisions. Informal labour, which constitutes 73 per cent of the non-agriculture labour force and includes construction, transport, wholesale and retail sectors, home-based workers, daily wage labourers, and domestic help among others too remains outside the ambit of social security provisions.

Even the tilt in favour of the formal sector fails to offer adequate coverage to the related sections. For instance, according to the EOBI website out of 2,164,160 active insured persons, the number of beneficiaries is just 358,230.⁵⁷ The PESSI too is limited in its coverage. In terms of workers (excluding dependents) covered under the PESSI, the available data shows that about a million workers in the whole country employed in 41,498 establishments benefitted from the Social Security Institution.⁵⁸ Together, the EOBI and the PESSI cover merely 5 per cent of the total workforce of 53 million.

The Workers Welfare Fund is restricted in the same manner. According to the figures provided by the WWF Office, 2,456,212 workers have benefitted from the products and services of the WWF during the period of 1971 to March 2010. The Scheme provided 60,001 houses to

⁵⁶ Dr. Asad Sayeed and Farhan Sami Khan, 'Beyond Safety Nets: Provision of Comprehensive Social Security in Pakistan', PILER, 2000

⁵⁷ EOBI, Database Statistics as on 24.05.2010 on <http://www.eobi.gov.pk/pice/database-stat.htm>

⁵⁸ Mehmud, Nausheen, and Nasir, Zafar Ali; 'Pension and Social Security Schemes in Pakistan: Some Policy Options', Pakistan Institute of Development Economics Working Paper, 2008: 42

workers, gave 52,395 workers educational facilities, provided 1,251,599 workers health benefits and 129,916 workers marriage grants. In total, it covered merely 4.5 per cent of the labour force in the last 40 years.

Registration

One major reason behind the restricted scope and delivery capacity of social security schemes in Pakistan is loopholes in the system that allow easy escape for those evading extra cost. The EOBI Scheme covers industries/establishments with five employees, the WWF covers those that employ more than 50 workers, and the PESSI is applicable to commercial setups employing 10 or more workers. This means that even those establishments with one worker less than the minimum requirement remain outside the ambit of these schemes. Furthermore, the absence of a self-registration system for workers promotes under reporting on the part of the employers, since the responsibility of employees' registration lies with them.

The design of the schemes places the onus of financial contribution as well as resource mobilisation in terms of set up, time and energy on the employer, making registration with these schemes an unattractive proposition. Many establishments that are covered by the law are either not registered or if registered, the full strength of the workers are not covered.⁵⁹

Looking beyond the element of evasion, enforcing coverage remains a problem since employers have repeatedly contested the compulsion for providing updated list of workers. In case of the PESSIs, many employers provide the number of workers and the appropriate payment, but have refused to submit lists of workers covered citing continued staff turnover.⁶⁰

It has been repeatedly suggested that the workers should have the right to register themselves in cases where employers fail to get them registered. The right to self-registration of workers from the formal, informal and the self-employed sector will ensure expansion of benefits of the current social security schemes to a larger section of the workforce.

Another restricting feature of the ongoing social security institutions is the provincial nature of some of the schemes. The PESSIs are regulated and run under provincial management; hence the beneficiaries are able to obtain the services only if they are physically present in the province of their registration. The employees are required to update their registration in case they move to another province. The government is considering provincialising other social security schemes following the 18th Amendment

⁵⁹ Abdul Hameed Haad, 'Social Protection in Pakistan' at actrav.itcilo.org/english/calendar/2003/A3-2912/.../Pakistan_APFOL.doc

⁶⁰ Mehmud, Nausheen, and Nasir, Zafar Ali; 'Pension and Social Security Schemes in Pakistan: Some Policy Options', Pakistan Institute of Development Economics Working Paper, 2008: 42

that authorises greater provincial autonomy. Such a move would not only restrict social security schemes, these could negatively impact inter-provincial movement of labour.

Design Flaws

One important deficit with the design of the social security system that promotes greater contribution from employer compared to employees is that such a system takes away sense of ownership from the workers. Since employees are not made to contribute towards their own benefit, the sense of participation of workers towards their own welfare is not created.⁶¹

Lack of Systematic Targeting

The exclusionary nature of the social security schemes is augmented by a system of selected targeting that favours better-off formal sector workers including civil servants and state enterprise workers, given their low tax base. At the same time, jobs that are particularly vulnerable to accidents and work-related injury such as the construction and the transport sectors get little coverage. Furthermore, excessive employment security for formal sector workers promotes informality and reduces employment prospects for the poor and the marginalized groups.⁶²

Adequacy

The real value of pensions received by the beneficiaries is extremely low and this becomes even more challenging in the face of spiralling inflation. Fixed in nominal terms, the adjustment in the pension rates are hardly adequate to keep up with the rising cost of living. The minimum pension offered by the EOBI, for instance is Rs. 2,000. This amount is extremely limited in the backdrop of expanded household expenditure (estimated to be Rs. 8,583 nationwide according to a study⁶³). For government servants, pensions are fixed according to the length of the service. There is no provision for indexation of the payment with the rising cost of living which leads to erosion of real content over time.⁶⁴

Organisational Deficiencies

Organizations implementing social safety programs are involved in multiple activities outside their core competency, for instance running schools, hospital, training centre etc. Though the legislation allows investment of funds, such practices have led to the allegations of corruption both in the EOBI and the WWF. For instance, the EOBI's recent move to participate in a tender bid to construct and operate the Rs. 17 billion Karachi-Hyderabad Motorway (M-9) raised concerns regarding relevance and transparency.⁶⁵

⁶¹ Dr. Asad Sayeed and Farhan Sami Khan, 'Beyond Safety Nets: Provision of Comprehensive Social Security in Pakistan', PILER, 2000

⁶² Strengthening social protection in Pakistan

⁶³ FAFEN Household Expenditure Pattern Study, April 2010

⁶⁴ Mehmud, Nausheen, and Nasir, Zafar Ali; 'Pension and Social Security Schemes in Pakistan: Some Policy Options', Pakistan Institute of Development Economics Working Paper, 2008: 42

⁶⁵ Usman Manzoor, 'TIP questions EOBI-NHA deal on Karachi Motorway', The News, May 21, 2010

The involvement of social security bodies in construction and other activities also lead to duplication of other ministries' work. The Workers Welfare Fund constructs and operates schools and hospitals, which is a replication of the line ministries' work.

There have also been reservations about the lack of effective monitoring and evaluation mechanisms pertaining to these schemes. Weak internal review; absence of third party validation, assessment of benefits to the intending beneficiaries, and regular audits; limited data base and followup actions restrict improvements, expansions and an understanding of issues related to these schemes.

Cumbersome Processes

Poor management of the systems and official transactions has led many stakeholders to call for improved procedures at the EOBI and other social security institutions. In the past, there have been complaints from employers and employees against harassment at the hands of the EOBI staff, poor maintenance of records, and evasion and manipulation.⁶⁶ Inconsistencies in payments and time-consuming bureaucratic procedure with regards to claiming of benefits have also been raised as major issues by workers, hindering their access to the schemes.

High Administrative Cost

Though the latest figures on administrative costs related to each institution is unavailable, high administrative per capita cost has been an issue highlighted in a number of studies.⁶⁷ Such costs eat into the funds reserved for workers. In the Federal Budget 2010-11 documents, the administrative cost of social protection that falls under Current Expenditure is alarmingly high at Rs. 916 million out of Rs. 1,463 million in 2010-11 and Rs. 3,866 million out of Rs. 4,384 million in 2009-10.⁶⁸

Revamping Social Protection in Pakistan

The existing social protection apparatus has failed to benefit workers and even non-workers due to its limited coverage, design flaws, inadequate provision and low budget allocation by the government that restrict the proper development of these schemes. Upcoming developments such as provincialising the social security schemes are further likely to complicate the situation compromising the access of the beneficiaries to these schemes.

In the past, the state had constituted several taskforces and committees to make recommendations for improvement in the social security systems in Pakistan. The proposals of these committees and those from experts in research papers and policy outlines pertain to expansion in the scope and coverage of the schemes; enhancing tax base of the country to fund social security; consolidation of existing schemes to create one-window operation and promoting greater contribution from employees to encourage ownership. A brief explanation of the proposed reforms is given below.

- There should be a system of self registration of workers with social security institutions. This should reduce dependency of workers on employers for registration

⁶⁶ Mohammad Irfan, 'Poverty and Social Safety Nets: A Case Study of Pakistan', Pakistan Institute Of Development Economics Islamabad, Jul 2003

⁶⁷ See Mohammad Irfan, 'Poverty and Social Safety Nets: A Case Study of Pakistan', Pakistan Institute Of Development Economics Islamabad, Jul 2003, and Nausheen Mehmud, Zafar Maureen Nasir, 'Pensions and Social Security Schemes in Pakistan', Pakistan Institute of Development Economics, Working Papers, 2008:42

⁶⁸ Budget in Brief 2010-11

and should also encourage workers participation and commitment to pursue their own welfare. A system of self-registration and self-payment should also promote expansion in coverage, while also allowing workers to move from one sector to the other, without compromising their interest.

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- Social security schemes should cover agriculture labour, self-employed, daily wage earners and all sections of the informal economy.
- A 2002 Taskforce on Labour Welfare had made some useful suggestions regarding upgradation of the social security apparatus in the country. The Taskforce had proposed the establishment of a National Social Security Institution (NSSI) and National Pension Institution (NPI). According to the proposal, the NSSI should be mandated to universalise the social security system for all workers across all sectors of the economy either through employer's contributions or through self-contribution. The secured workers would be issued a national security card to entitle access to social security institutions. A national, as opposed to a federal institution, was proposed to ensure provincial autonomy stays intact. Similarly, the NPI was proposed to be responsible for handling old-age pensions and related matters. It was suggested that the Pension Institution should work on the patterns of the EOBI but with universal coverage of all workers.
- The 2002 Taskforce on Labour Welfare had also suggested the establishment of a National Labour Welfare Authority to oversee the work of the NSSI and the NPI. The proposed Institution was envisaged to act as an autonomous body - with representation from the policy makers, legislators and the civil society - capable of underwriting the security of benefits under the NSSI and the NPI. It was also suggested that the labour levies be collected by the Labour Welfare Authority to create space for one-window operation for the convenience of the stakeholders.
- Countries with a low per capita income such as Pakistan, have always expressed reservation that a lower tax base and a much larger base of claimants restrict source of funding for social security. Pakistan's current tax base stands at 10 per cent of the GDP. The Country's debt-to-GDP ratio, which touched 61 per cent just recently, leaves the economy more dependent on external finances. Understandably, public welfare remains a compromised agenda in a scenario where donors' priorities shape economic agenda. An overhaul in tax collection systems and base is indeed needed to promote resource availability for public welfare and social security programmes from internal sources.
- The existing schemes should be redesigned to enable workers to commit greater contribution to the schemes compared to employers. Workers' payment towards the scheme will enhance sense of participation enabling employees to exercise some control and say over the nature and magnitude of benefits. Furthermore, excluding the employers from making direct contributions will address their genuine grievance that such schemes add to their operational cost. The government would also be in a better position to direct taxes on employers, which it is currently unable to due to employers' resistance on the grounds of a high business cost.
- The organisational deficits of all social security institutions need to be addressed. Currently, there are issues related to corruption, delayed payments, inefficiencies, overlapping in programmes, duplication of mandate and functions, and redundant products and services. These need to be addressed to enable these institutions to serve the existing beneficiaries in a more organised manner.

Conclusion

Pakistan is one of the few underdeveloped countries that outlines social security as an explicit citizenship right and marks state's role in establishing institutions to fulfil this constitutional guarantee, as enshrined in Article 38 of the Constitution. Though a number of legislation have been developed in this regard followed by the establishment of related institutions, the coverage of social security schemes remains extremely limited. Schemes targeting workers including the EOBI, the WWF, the PESSI, and the Workers Children Education Scheme offer pensions, grants, low-cost housing, medical benefits while also covering contingencies such as sickness, maternity, work injury, invalidity and death benefits to varying degrees. However, together these schemes cover only around 5 per cent of the total labour force.

The social security schemes for labour remain narrow in terms of their design, scope, adequacy and organisational and systemic deficiencies. The government's budget allocation for social protection too has been on a decline, standing at 0.18 per cent of the GDP in 2009-10. None of the social security programmes cover the agricultural sector, the informal sector, the self employed, wholesale and retail sectors, home-based workers, and daily wage labourers. These employ the bulk of labour force in the country. The exclusion of these sectors from the existing schemes restricts state's capacity to deliver on its constitutional obligations and ILO commitments regarding social protection.

In the face of deteriorating economy, rising poverty and spiralling inflation, the restricted scope and outreach of social protection schemes negatively impacts the wellbeing of labour. The need for revamping the social security apparatus is therefore imperative. Extension of social security schemes across all economic sectors, system of selfregistration, consolidation of services for one window operation, creation of sustainable source of funding for social security and promoting greater contribution from employees to encourage ownership are some of the key starting steps that need to be taken to rebuild social security institutions and strengthen systems to deliver on public welfare.