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**STRENGTHENING SOCIAL PROTECTION SYSTEMS
FOR
WORKERS**

By

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ABSTRACT¹

Social protection is a basic right which is guaranteed under various International Conventions and Treaties. The Constitution of Pakistan also stipulates provision of social security to all who work. The country has a number of institutions to cater for welfare, old-age pension and medical coverage of the working community. These institutions are providing a variety of services to the workers, however, it is criticized that they have so far been unable to cover the workers engaged in informal economy, home based workers, domestic workers, agriculture workers and contract workers. This paper attempts to highlight the importance of social protection for the working community. While focusing on social security services in the province of Punjab, the paper also points out important provisions of different workers' welfare schemes and Employees' old-age. In the end, the paper underpins the challenges in the field of social security and suggests means and ways to improve the scope, coverage and service delivery of social security scheme.

Key Words: Social security, medical coverage, benefits, welfare

1. INTRODUCTION

Social protection consists of policies and programs designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, and enhancing their capacity to manage economic and social risks, such as unemployment, exclusion, sickness, disability and old age² (UN, 2010). In the views of Norton Andy, et al (2001), Social Protection deals with both the absolute deprivation and vulnerabilities of the poorest and also with the need of the current non poor for security in the face of shocks and life cycle events. The response may be governmental or nongovernmental or may involve a combination of institutions from both sectors within social protection sector; there are two general kinds of actions;

¹. The authors appreciate Mr. Saeed Ahmed Nawaz and the expert form ILO for their valuable comments.

² United Nations Research Institute for Social Development, 2010

- (a) Social assistance which encompasses public actions which are designed to transfer resources to groups deemed eligible due to deprivation.
- (b) Social insurance which is Social Security i.e. finance by contribution and based on the insurance principles i.e. individuals or households protect themselves against risk by combining to pool resources with a larger number of similarly exposed individuals or households (Van Ginneken, 1999).

It is believed that social protection in general and social security in particular tackles multiple dimensions of poverty and deprivation (decent work, education, health care, food security and income security). The social protection can play a fundamental role in creating more inclusive and sustainable development path ways and in its absence, people especially the most vulnerable are subjected to increase risk of sinking below the poverty line or remain trapped in poverty for generation³ (UN, 2012). Social insurance or Social Security is also a human right, a social and political necessity for creating social cohesion, thereby helping to ensure social peace and social inclusion, and an economic necessity as social security schemes contribute to sustainable growth by raising labour productivity and empower people to find decent jobs⁴.

During the present financial and economic crisis social protection systems have shown their potential to strengthen households' capacity to cope, as well as to mitigate the social and economic fallout of the crises. Social protection can play a fundamental role in creating more inclusive and sustainable development pathways by liberating people from the fear of poverty and deprivations and by helping to break the inter-generational cycle of poverty. For the workers, the significance of social protection has increased many times due to the changing work organization and increase in the informal economy. The present paper is an attempt to analyze the existing social protection mechanism for workers in Pakistan. It highlights the legal as well as enforcement gaps in the social security scheme of the province of Punjab. In

³ United Nations System Task Team Agenda, 2012

⁴ United nations Declaration of Human Rights

the end, the paper also suggests means and ways to overhaul the existing social security mechanism.

2. International Conventions

2.1. Universal Declaration on Human Rights 1948

“Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort 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”, Article 22.

2.2. International Covenant on Economic, Social and Cultural Rights 1966

“The States parties to the present Covenant recognize the right of everyone to social security, including social insurance”, Article 9.

2.3. ILO Conventions

(a) Philadelphia Declaration 1944

“Specifically refers to the International Labour Organizations’ (ILO) obligation to further “...the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care”.

(b) Social Protection Floor (SPF)

The SPF is described as “nationally defined sets of basic social security guarantees that should ensure, as a minimum that, over the life cycle, all in need have access to essential health care and to basic income security which together secure effective access to goods and services defined as necessary at the national level”⁵. It is an effort for a more coordinated design and implementation of social and labour policies in order to guarantee a basic set of social rights, services and facilities that every person should enjoy, which could be granted through:

1. Cash transfers, such as: a social pension,

⁵ Source: <http://www.ilo.org/gimi/gess/ShowTheme.do?tid=2485>.

2. Cash transfers - conditional and non-conditional,
3. Universal access to health care,
4. Food support - free meals in schools, food stamps, vouchers and coupons,
5. Skills development of the unemployed;
6. Subsidies - food, electricity, transport, and
7. Other programmes

A universal recognition of the importance of SPF is witnessed from the Millennium Development Goals (MDGs) summit. The outcome document, adopted by the General Assembly by consensus on 22 September 2010, considered the social protection floor concept to be among successful policies and approaches.

(c) Social Security (Minimum Standards) Convention, 1952 (No. 102)

The Convention lays down the minimum standard for the level of social security benefits and the conditions under which they are granted. It covers the nine principal branches of social security, namely; medical care, sickness, unemployment, old age, employment injury, family, maternity, invalidity and survivors' benefits. The other two important Conventions of ILO in supplementation of Convention No. 102 are:

- Equality of Treatment (Social Security) Convention, 1962 (No. 118)
- Maintenance of Social Security Rights Convention, 1982 (No. 157)

These instruments provide for certain social security rights and benefits for migrant workers, who face the problem of losing entitlements to social security benefits which they enjoyed in their country of origin. There are other instruments which covers employment injury, family benefits, maternity benefits, invalidity benefits and survivors' benefits; like, Convention No. 130 (Dental care and medical rehabilitation), Convention No. 168 (Unemployment benefits), Convention No.128 (periodical payment) Convention No. 121 (same as 102 plus some type of care at workplace) and Convention No. 183 (Maternity benefits).

(d) ILO’s Recommendation No. 202

The most recent instrument on social security is ILO’s Recommendation No. 202. The Recommendation was adopted in 2012 during 102nd Session of International Labour Conference (ILC) and strengthened:

- establishing and maintaining of social protection floors as a fundamental element of national social security systems (*horizontal dimension*); and
- pursuing strategies for the extension of social security that progressively ensure higher levels of social security to as many people as possible, guided by ILO social security standards (*vertical dimension*).

3. Constitution of Islamic Republic of Pakistan

Article 38 (a) (d) (e) of the Constitution of Islamic Republic of Pakistan makes it obligatory for the State to raise standard of living, provide basic necessities of life and reduce disparities in the income and earnings of the individuals (Constitution of Pakistan, 1973). It ensures social protection through Article 38, (sub- sections a-d), that holds the state responsible for the “well-being of people”, for “social security by compulsory social insurance”, the provision of “basic necessities of life” to the indigent, the disadvantaged, and the socially excluded. Article 38 (d) and (e) requires: “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.

4. Social protection schemes for workers

4.1. The Employees’ Old Age Benefit Act, 1976

The Employees Old Age Benefits Act, 1976 provides for a benefit package for insured employees over age 55 (for men) and 50 (for women). 'Employees' Old Age Benefits Act, 1976' is a federal law and provides old-age pension, survivors' pension, disability pension and death grant. Under the Act, employees are protected against 7 % contribution of their wages. Employees contribute just 1 % whereas the rest 6 % is contributed by the employer. The registered employees under the scheme are provided old-age pension and other benefits on attaining the requisite qualifications criteria.

4.2. Workers' Welfare Fund Ordinance, 1971

Under 'Workers' Welfare Ordinance, 1971', wherever the law is applicable, the employers are required to deposit 2 % of their annual income for the welfare of their workers. They are also required to deposit to the Fund the left over amount of the undistributed profit under 'Companies Profits (Workers' Participation) Act, 1968'. Workers' Welfare Fund, through Provincial Workers' Welfare Boards, is responsible to initiate welfare schemes out of that fund for the workers of industrial and commercial establishments. At present, free education is provided to the workers' children up to higher secondary level in the schools established by Workers' Welfare Board. Talent scholarships are awarded to the workers' children for higher studies. Marriage Grant equal to rupees one hundred thousand is awarded on the marriage of each daughter of the workers and the lady workers on their marriage. Death Grant of rupees five hundred thousand is paid to the family of the deceased a worker. Besides, labour Colonies have been established out of the Workers' Welfare Fund where eligible workers are allotted flats, plots and houses free of cost through computer draw in a transparent manner.

4.3. Provincial Employees Social Security Ordinance, 1965

Provision of health facilities to the workers and their dependents is covered under Provincial Social Security Laws. 'The Provincial Employees Social Security Ordinance, 1965' requires the employers to contribute 6 % of the wages of their employees (having wages up to Rs. 10000) to the Punjab Social Security Institution. The benefits and facilities are provided to the

working community in the event of sickness, injury, maternity, death or matters ancillary thereto. In addition to providing comprehensive medical treatment, manifold cash benefits are also provided to the secured workers and their families including parents. The detail of the benefits is as under:

(a) Medical Facilities

These facilities include comprehensive medical treatment in the Social Security Hospitals and the facilities not available in these hospitals are arranged through other hospitals at the cost of Punjab Employees Social Security Institutions (PESSI) wherever those be available. In case, the required facilities are not available within the country the same are managed abroad to cater to the health requirements of the secured persons.

(b) Cash Benefits

The cash benefits being provided by Punjab Employees Social Security Institutions (PESSI) are as under:-

(i) Sickness Benefits

This is a sort of compensation paid to the secured worker during illness. During the period a worker remain unable to perform duties, he is paid 75% of the wages under the Social Security Scheme.

(ii) Injury Benefits

The injury benefit is also a cash benefit like sickness benefit and its ratio of payment is 100% of the wages drawn by the worker.

(iii) Iddat Benefit

This is also a cash benefit being paid by Punjab Employees Social Security Institutions (PESSI) to the working women for the period during which she observes iddat remaining off duty. This is also 100% compensation against wage loss.

(iv) Maternity Benefit

A working lady is allowed 12-weeks complete rest with full pay to as maternity benefit.

(v) Gratuity

In case of physical loss during working hours with a percentage from 5 to 20% onetime compensation is awarded to the workmen against such miner physical loss.

(vi) Disablement Pension

On sustaining some employment injury by a worker beyond 20% up to 66% a partial disablement pension is paid, whereas beyond 66% physical loss total disablement pension equal to last pay drawn is awarded to the affectee.

(vii) Survivor's Pension

Upon death of a worker as a result of employment injury his family is awarded survivor's pension equal to last pay drawn.

(viii) Artificial Parts

Punjab Employees' Social Security Institution (PESSI) also provides artificial aids to the disable secured workers to reduce their miseries and to improve their working capacity with a view to rehabilitate such workers.

(ix) Funeral Grant

The funeral grant equal to last pay drawn is paid on the death of a worker and Rs. 5,000/- on the death of his dependant.

(x) Financial Assistance

Punjab Employees Social Security Institutions (PESSI) also provides financial assistance to the workers under certain circumstances for their settlement and rehabilitation to minimize their miseries.

(xi) Free Education of Secured Worker' Children

The medical colleges affiliated with Punjab Employees Social Security Institutions (PESSI) hospitals are required to provide free MBBS Education to the workers' children. This year nine such children were referred in three medical colleges affiliated with Punjab Employees Social Security Institutions (PESSI) hospitals at Lahore, Faisalabad and Islamabad.

5. Issues and Challenges

Though the Social Security Scheme has been in operation for many years, it has not achieved its full potential. Its coverage has remained almost static over the last more than ten years. The Government intends to improve and intensify the implementation of the scheme through following steps:

- i) Implementing social security scheme on the basis of geographical coverage instead of establishment-based approach.
- ii) Expanding scope of social security medical services to cover prevention of illness and promotion of good health.
- iii) Improving the entitlement conditions for seasonal labour.
- iv) In cases where the social security hospital has no facilities for treatment, the worker shall be referred to any public/private hospital and the respective Social Security Institution will bear all costs of treatment.
- v) Providing medical facilities to the retired registered worker from the Social Security Scheme.
- vi) Removing lacunas in the Social Security Ordinance and removing difficulties experienced in its implementation.

The major issues with regard to social security are: i) benefits from the system bypass majority of the employed, ii) numerous institutions at the federal and provincial levels are involved, without any visible cooperation and coordination, iii) no provision for transfer of benefits in case of termination by the EOBI, iv) gross neglect in developing a universal pension system.

Extending labour protection to the country's large and diverse informal economy is a major challenge. The informal economy supports millions of people across a large geographic area, undertaking a wide variety of low-paid, low-productivity jobs, under working conditions that are frequently harsh and unhealthy. The EOBI has recently introduced voluntary registration of the self-employed and those employed in the informal sector. It has also opened its registration for workers in the carpet weaving sector. However, the number of registration remains insignificant. Similarly, the schemes of Workers' Welfare Fund are restricted only to the permanent workers. Workers of

informal sector, home based workers, contract workers and agriculture workers are excluded from these schemes.

The existing schemes of social protection are criticized on the ground that outreach is limited, these are targeted, there are overlapping and sustainability is the major area of concern for all these schemes.

6. Recommendations of the Taskforce

In order to facilitate employers, improve efficiency of labour welfare schemes and extend coverage and scope of these schemes a Task Force was constituted in 1999. The Task Force deliberated upon following half a dozen labour welfare laws and equal number of agencies to administer them.

- a. "The Employees' Old-Age Benefits Act, 1976.
- b. The Workers Welfare Fund Ordinance, 1971.
- c. The Companies Profits (Workers Participation) Act, 1968.
- d. The West Pakistan Employees' Social Security Ordinance, 1965.
- e. The Excise Duty on Minerals (Labour Welfare) Act, 1967.
- f. The Workers' Children (Education) Ordinance, 1972".

For the collection of these levies Federal and Provincial governments have their own agencies. The agencies, at times, allegedly become irritants for the industrial and business undertakings. The large number of agencies also leads to pilferage and evasion. The Task Force underpinned the presence of multiple levy collection agencies which was deeply resented by the employers because considerable amount of their time and energies were being lost in dealing with these agencies. Some of the recommendations of the Task Force were as under:

- i) For the collection of cess under all welfare schemes at the federal level "one window" system should be enforced by making necessary amendments in "the Employees' Old-Age Benefits Act, 1976". Similarly, for all the collections at the provincial level "one window" facility should be established in the

provinces, by making necessary amendments in the “Provincial Employees Social Security Ordinances”.

ii) The medical facility provided by the Social Security Scheme should be made more accessible and effective.

iii) In order to overcome the complaints against officials of Social Security and EOBI, self-assessment scheme be introduced in both the institutions.

iv) Old practice of inspection under these schemes should be replaced with joint inspection involving local chambers of commerce and industry.

v) The amount of penalties in case of violations of payment of social security amount should be reduced.

vi) Discretionary powers of inspecting staff should be restricted to a minimum level.

vii) Labour welfare schemes should be extended to agriculture and informal sector workers also.

viii) Necessary measures for extension in coverage and scope of benefits accrued from different social protection schemes should also be taken.

ix) In order to handle corruption in the system, adjudication should be referred to the labour courts.

x) Excise duty on minerals should be repealed and mines labour be given coverage under social security scheme⁶.

The Task Force also proposed restructuring and capacity building of different agencies involved in the enforcement of these laws and schemes⁷.

7. A Way forward

After 18th Amendment in the Constitution of the Islamic Republic of Pakistan, the subject of labour has been devolved to the provinces. Consequent upon this amendment, further legislation for strengthening social protection for working class is to be made by the provinces. The work done at the national level may be taken as a starting point and all existing social protection laws for the workers may be reviewed in the light of ground realities. Efforts must

⁶ The above portion of the paper heavily relies on the reports of Task Force on Labour Levies.

⁷ Globalization, Changing work organization and Labour Relations: A case study of Pakistan-a Ph.D Thesis by Mr. Javaid Iqbal Gill.

be made to extend the scope and coverage of these schemes to workers of informal sector, home based workers, contract workers and agriculture sector workers are not covered. The families of the expatriate Pakistani workers should also be brought into the ambit of social security scheme. The enforcement mechanism may be made so effective and transparent so that loopholes can be addressed and the benefits of the schemes should reach to the actual workers. The other issues requiring special attention of the authorities are poor service delivery, poor collection, corruption and administrative snags.

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