Social Protection in Pakistan

Policy Brief by Sustainable Development Policy Institute

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1. Background

Pakistan has a large number of poor and vulnerable people exposed to unexpected risks like natural disasters, ill health and unemployment. The social protection mechanisms in place for the poor include Zakat, Baitul Mal, citizen’s damage compensation, labour market programmes, and Benazir Income Support Programme (BISP). For public and private employees, there exist social protection and assistance programmes at the federal and provincial levels. Most of these programmes are marred by operational inefficiencies, which adversely affect the desired results.

According to a report of Asian Development Bank titled ‘Social Protection Index: Assessing Results for Asia and Pacific’, Pakistan spends less than 3 per cent of its GDP for the protection of its poor population. With such a low spending, the country’s score on Social Protection Index (SPI) is 0.047, which is lower than the South Asian average, i.e. 0.061.

Owing to the low spending, there is a lack of awareness about existence and availability of social protection programmes. Moreover, the procedural complexity make it difficult for the vulnerable groups, including women and workers employed in informal sector, to access unemployment, health, or education-related benefits because they are not ‘poor enough’ to qualify for social assistance. This ‘missing middle’ is at a higher risk of falling into poverty in case they suffer from an economic, health or environmental shock.

In Pakistan, since social insurance tends to dominate the overall social protection spending of the government, therefore the benefits of protection mechanisms are not well-distributed and most part of it goes to men and the non-poor. The poor associated with the informal sector may not fully benefit from these programmes. They are instead provided with programmes that are fragmented, inadequate, and not well-targeted.

Contrary to social insurance, allocation of funds is very limited for labour market programmes such as funds for work schemes and skills development. This partially causes rise in youth unemployment in the country. The economy and job market suffers from critical skills gap and a huge number of women workers remain unable to enter to the formal labour market.

2. Public Sector Interventions

Pakistan Muslim League Nawaz (PML-N) government, which has taken over after general elections in May 2013, expressed a strong resolve to reform the social protection mechanism in line with its manifesto. It has initiated a youth employment programme besides announcing technical and vocational training programmes for the youth. Loan schemes for small businesses are also being designed.
In its first five months in the office, the government has vowed to continue and further strengthen the previous government’s social protection programmes, including BISP. A move to increase the monthly pensions particularly for the life line block is under consideration. A comprehensive Prime Minister’s Programme for Youth, which comprises six sub-schemes is also underway. These schemes include Qarz-e-Hasna (Micro interest-free loans), Small Business Loans, Youth Training, Skills Development, Provision of laptops, and reimbursement of tuition fee of students from the less developed areas.

The federal government has hinted towards taking a multipronged approach for fighting poverty. It aims to reduce the incidence of poverty through generating jobs under the infrastructure development programmes. The private sector will be encouraged to launch labour intensive ventures. In order to ensure food security, the government intends to support prices for staple food items while seeking parliamentary approval by adding a new article about ‘Right to Food’ in the Constitution.

The argument of increased private sector-led job creation is also important for the areas affected by insurgency and natural disasters. The western parts of Balochistan and Khyber Pakhtunkhwa continue to face external security threats. There is a likelihood that this threat may intensify after the NATO exit from Afghanistan and US drone strikes. Bringing the segments of population living in these volatile western belts of the country in a secure social protection net is important from the humanitarian perspective.

As the federal government plans for revamping social protection, the provincial government in Khyber Pakhtunkhwa led by Pakistan Tehrik-e-Insaf (PTI) shares a similar approach through its manifesto. It also pledges to establish a welfare state in Pakistan. More popular programmes of the previous provincial government, including cash support, conditional transfers (e.g. stipends programme) and food support, are likely to continue. The government in the Punjab already has several of these programmes and lately introduced the transportation facilities that exclusively target the poor. It is understood that people throng from far-flung destinations to seek livelihoods on a daily basis and such initiative may reduce their transactions cost.

3. Evaluation of Social Protection

A recent study by Sustainable Development Policy Institute (SDPI) conducted for United Nations Development Programme (UNDP) analyses the social protection and assistance programmes in some targeted areas after evaluating them on pre-determined criteria. The basic aim of this study was to assess the efficiency of these programmes and to see whether they could be extended to RAHA\(^1\) for sustainable support provision to a wide range of

\(^1\)Refugee Affected and Hosting Areas.
deserving people that include the poor, women-led households, internally displaced persons, physically-challenged people, Afghan migrants and others. This policy brief shares findings from the inquiry based on primary and secondary information in the study.

Social Insurance
Though contributory in nature and available to the formal sector workers, it targets both the employed labour force and retirees. Typically, these programmes provide benefits in contingencies of sickness, maternity, old age, and work-related injury. Presently, there are four programmes running under the federal government, but the benefits of these programmes are confined to federal government employees only. These programmes include: Pension-cum-Gratuity Scheme for public sector employees, public sector benevolent funds and insurance, Workers Welfare Fund, and Employee’s Old-Age Benefits Institution (EOBI). Among these, only EOBI is accessible to all the workers in the formal sector of economy while rest of the programmes are limited to the federal government employees.

Social Assistance
Social assistance programmes are non-contributory in nature. They have been designed to extend financial or in-kind help to those who are unable to earn their livelihood. Funding for these programmes usually comes from various channels, including the state, NGOs, and development partners. A number of social assistance programmes are running for the last many years, most significant of which are BISP, Zakat and Pakistan Bait-ul-Mal. These programmes are federally driven with national coverage.

Other social assistance programmes in the country include: citizens’ damage compensation programme (under Cabinet Division), a number of subsidies including wheat subsidy, the Ramazan package and commodity subsidy via the Utility Stores Corporation, National Internship Programme and the recently introduced Prime Minister’s Programme for Youth. Under labour market programmes, Peoples Works Programme is perhaps the most significant.

4. Policy Options

Going forward it is important for the government to take into account the serious challenge posed by the current levels of unemployment, reduced purchasing power, and the vulnerabilities faced by the poor, women and marginalized. The social insurance and assistance programmes should demonstrate flexibility and respond to the risks faced by the poorest of the poor. Below we highlight a few options for social protection reforms.

- The social protection programmes only benefit government employees. They should be comprehensively expanded to cover the unprotected vulnerable groups, who are at greater
risk of falling into severe poverty as a result of reduced job creation, low economic growth, increased intensity of conflict and environmental disasters (e.g. floods).

- Social insurance programmes accrue benefits disproportionately to male population and the non-poor. For not having access to social insurance programmes, poor, disabled and disadvantaged, especially those in informal sectors, receive lesser benefits. Additional insurance instruments can be developed under BISP to take account of informal and agriculture sector workers. The targeting of these is already available under the poverty scorecard data collected under BISP.

- Labor market programmes are not a priority in the country. This negligence is adding to the already rising youth unemployment, critical skills gaps and hindering a large number of women from entering into the formal labour market. Although the recently announced Prime Minister’s Program for Youth is a decent addition, it lacks targeting efficiency. It is important to first assess the extent of youth bulge requiring assistance and conduct a mapping of skills gaps. The private sector should be invited to play a signaling role so that the youth might receive employable skills, which can benefit economic growth and welfare in future.

- Through innovative initiatives, including employment guarantee schemes and construction of basic infrastructure that can spur local area growth, social protection programmes can be used to mitigate rising underemployment. Sustainable employment opportunities can in fact lessen the long-term burden on the government budget allocated for social protection. Equally important is to realize that public sector cannot continue to finance such schemes. Ultimately, local area growth should attract private investment.

- Social protection and social assistance programmes should be integrated and target-oriented. These should enhance people’s capacities to cope with financial shocks, natural and man-made disasters. This requires a stringent and effective monitoring system at federal and sub-national levels. The managers of social protection programmes should be asked to demonstrate results-based management with clear key performance indicators.

- Social protection programmes should also have a ‘vulnerability preventive’ angle instead of focusing only on lending help to the already poor. This can be done through micro-insurance schemes. Such schemes can particularly be useful in mitigating the impact of variable weather patterns and natural disasters affecting crops, dairy farms and small-scale businesses. Examples of vulnerability prevention are already available from several Latin American economies.

- Existing social protection programmes are overlapping and thinly distributed. Expanding protection coverage requires from the state to mobilize additional resources through widening the tax base, improving tax administration and by improving public expenditure management. At the same time, the multiplicity of programmes for the same targeted population can be addressed through improved coordination between the federal and provincial governments.
The government collects substantial amount of money in Zakat, Bait ul Mal and private sector contributions. It is important that public sector funds management should be reformed on corporate lines. A large part of these funds has recently faced depreciation in its real value for not being invested in risk-free assets.

Finally, the grievance redressal mechanisms are weak across most of the social protection programmes. There are decent examples, including disaster management authorities, Rescue 1122 and some initiatives under BISP, which exhibit good models for addressing people's grievances. It is expected that these examples will be replicated across other social protection programmes as well.