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We Are All Made Poor Here: Adequacy of Social Protection Programs in Pakistan

Abstract

This paper aims at discussing adequacy of social protection programs in the Pakistan and need and importance of overarching social protection system owing to pervasiveness of mass poverty and vulnerability. The country got its independent status from Britain colonization in 1947. After seven decades of the independence, living conditions of masses are miserable and vicious circle of poverty is persisting. The problem of poverty and marginalization gets worse in the absence of comprehensive social protection. Risk reduction and management is subject to availability of reliable and adequate social protection which has not been given so far to the masses of Pakistan. Materialistic thinking and effects of globalization have broken down traditional social guarantor, the family, and hence is an emerging trend of individualism in the country. In the modern times, state should come forward and play its due role of provision of adequate social protection to the needy and poor. It will be instrumental in building resilience and addressing economic vulnerability of billions of people living in Pakistan. The paper concludes that stake holders at public and private organizations should redefine and restructure the policies and plans for provision of adequate social protection benefits to the poor and vulnerable people in Pakistan.

Key words: Social Protection, Poverty, Vulnerability, Pakistan.

Introduction

With the advent of 21st of century, the concept of social protection has attracted attention of researchers and policy makers globally and in the Pakistan as well in the wake of massive poverty and vulnerability. After more than 70 years of independence, Pakistan still hosts large number of poor and vulnerable people who are prone to unforeseen economic risks and shocks such as diseases, disabilities and unemployment. Recognizing the need and importance of social protection, researchers and policy makers have given it central importance as an instrument for overcoming poverty and vulnerability particularly in developing countries including Pakistan¹. In the last one decade or so, Government of Pakistan has also recognized significance of social protection for addressing household poverty and

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vulnerability and has taken several concrete steps of provision of effective social protection to its citizens².

Globally, there is no unanimous definition of social protection because it varies with change in context, that is why the term is being used alternative with social safety nets and social security, although it is right based and should be public funded. From broader perspective, social protection can be described as needs and necessities that society provides to individuals and households through public and collective measures to guarantee them a minimum living standard for protection against low or deteriorating standards of living resulting out of inability to cope independently with basic needs and risks. It can be stated that social protection is an umbrella term which comprises of two separate and distinctive state sponsored programs known as social insurance and social assistance³. By notion, social protection is not the same, but it is closely related with several social indicators such as availability to free and quality education, access to food and health services and availability of safe drinking water etc. In the wake of existence of mass poverty and increasing vulnerability, it seems important to describe that social protection is one of the important policy initiatives for poverty reduction and ensuring socio-economic equality in the society⁴.

The constitution of Pakistan (1973) promises that the state would be responsible for helping and enabling people to meet their basic needs such as food, shelter, education and health. It also enshrines just and humane conditions of work (Article 37-38) together with developing a social security system that covers infirmity, sickness and unemployment. In addition to it, the constitution of Pakistan also prohibits all forms of slavery, forced labour and child labour (Article-11), It promises guarantee for provision of social protection to all its citizens without discrimination. (Article 38, d and e clause), 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 and race, as are permanently or temporarily unable to earn their livelihood on account infirmity, sickness or unemployment (p. 16)⁵.

Pakistan started social protection benefits for public sector employees after independence (social insurance in 1954) and private sector in formal sector (EOBI in 1976). Likewise, Zakat and Bait ul Mal system came into existence in 1980 for supporting poor and marginalized individuals and families. But overall, the country failed to keep its constitutional commitment of providing social protection to all of its citizen. During 2003-2007, economic grow was as high as 7 per cent, this much growth rate provided enough financial space to the government for introducing and financing first ever National Social Protection Strategy (NSPS) in 2008⁶. In the same year, a flagship social protection program named as Benazir Income Support Program (BISP) was launched with wider coverage and targeting women as in line with NSPS⁷. The Table 1 shows detail of social protection programs in Pakistan.

The paper has been divided into five main sections, after introduction, second section takes a brief account of global history of social protection, section three

discusses relationship between poverty, vulnerability and social protection followed by effectiveness of social protection programs in Pakistan in section four. Last section is based on discussion and conclusions drawn from the current paper.

A Brief of Social Protection History

From beginning, social protection has been provided in informal way by the family member, neighbourers, relatives and friends. The informal ways of social protection included charity, welfare activities and private transfers through family and friends. But with the passage of time, as its need emerged, social protection system started to be institutionalized through state interests and initiatives. The origin of modern-day social protection can be traced in the Europe in 1880s, from where this idea got attention in several other countries. By that time, social protection included both cash and in kind for those who were out regular income due to any reason such being aged, disable or ill. The appearance of social protection system in the last quarter of 19th century and start of 20th century is attributed to certain socio-economic and political factors. The major socio-economic factors include onset of industrialization instead of agriculture and consequently emergence of rapid urbanization. Political factors include creation of new states and replacement of government system from kingdoms and monarchies to democracy⁸.

Globally, Germany first time in the history introduced mandatory pension scheme in 1889⁹. This scheme aimed at giving income support to elderly, ill and/or disables who had lost their routine source of income due to disease, disability or old age. The pension model introduced by Germany was Pay-As-You-Go (henceforth PAYG), which has been subject to extensive discussion by researchers and policy makers around the world. However, none of the countries fully adopted this model until 1910 except Austria. Parallel to this, in 1891 Denmark came up with another pension model known as revenue financed mean tested system which was later adopted by New Zealand in 1898, Australia and UK in 1908. The mean tested system of the pension was introduced in USA in the 1920s. Meanwhile, the Great Britain was supporting its elderly citizen over 70 years after they could pass a character test, the benefits given by the British government were three times higher than being given in Germany¹⁰.

Table 1. Schematic View of Social Protection in Pakistan

Instrument	Starting Year	Benefits	Source of Funding
1. Social Insurance			
Government Servants Pension Fund (for government employees)	1954	Old Age pension Provident Fund	Employees contribution Budgetary expenditures
Provincial Employees Social Security Schemes	1967	Health Services Cash Support	Employees contribution
Public Sector Benevolent Funds and Group Insurance	1969	Benevolent Fund Group Insurance	Employees contribution
Workers Welfare Funds (for workers of registered establishment)	1971	Cash Support, In-kind Support, Housing facilities	Employees contribution Employers' contribution
Workers' Children Education Ordinance (for workers of registered establishment)	1972	Free education of Children of workers	Employers' contribution
Employees Old-Age Benefits Institutions (for workers of registered establishments)	1976	Old age pension, Invalidity pension, Survivor's pension	Employers' contribution Budgetary Expenditure
2. Social Assistance			
Zakat (for poor, needy and destitute population)	1980	Cash Support	Private contribution
Bait ul Mal (for poor, needy and destitute population)	1992	Cash support In kind support	Federal budget Private contribution
Benzir Income Support Program (BISP) (for poor, needy and destitute population)	2007	Cash support	Federal budget
3. Labour Market Interventions			
Tameer-e-Watan Program (TWP)	2013	Wages	Federal budget
People's Rozgar Program (for unemployed population, especially youth)	2006	Credit with subsidized interest rate	Federal budget
Micro finance		Small loans	Credit line by donors NGOs and private sector

Source: Sayyed (2004) & Jamal (2010) **Poverty and Vulnerability in Pakistan**

Poverty remains one of the core social problems for developing countries and Pakistan is not an exception¹¹. Since many households in Pakistan have just crossed poverty line, so proportion of vulnerable households is high and further increasing which puts them in risk of again becoming poor. Vulnerability is defined as if per capita consumption of a person remains between one and two poverty lines which fluctuated between Rs 1,777 to Rs 3,554 monthly. Based on this definition, nearly 3 quarters of the population are either poor or vulnerable to poverty even with a small economic shock¹². Poverty line is taken as a benchmark and individuals/household living below that level are considered as poor. Although recent national and international reports indicate poverty reduction in Pakistan but even today, 25 percent and 37 percent poor households are living in urban and rural areas respectively¹³.

Social protection is meant for building capability of the poor and vulnerable people for risk reduction and management. In return, it puts positive impact on reducing poverty and removing social inequalities from the society. Based on this role of social protection to society, Government of Pakistan needs to make it as must part of its policy due to following reasons: First, these programs are key for bringing social justice and economic growth. Second, lack of provision of social protection to the citizens would reflect failure on the part the state for providing basic human rights in promised in the constitution. Finally, although some of social protection initiatives require handsome budget, many of them have nominal cost but maximum benefits for the citizens and the state¹⁴.

Effectiveness of Social Protection Programs

Worldwide, nearly 166 countries have social protection programs in one or other form for financially supporting their citizens who are out of regular income¹⁵. Pakistan is one of the country that shows constitutional commitment for provision of adequate social protection to its citizens for living with a minimum standard. Researchers have noted that there is dearth of empirical evidence on social protection in the context of Pakistan^{16,17}. A survey of online literature reveals that most of available stuff on social protection programs in Pakistan (except BISP) is based on working papers and annual reports produced by national and international development agencies discussing existing programs, policies and suggesting future strategies^{18,19}.

Despite existence of mass poverty and vulnerability in the Pakistan, it spends merely 0.2 per cent of its GDP collectively on all social protection programs including civil and military pensions. That is why, only 2.3 per cent of the elderly population in Pakistan is covered under any such program as compared to 24.1 percent in India, 25.2 % in Sri Lanka, 33.4 percent in Bangladesh whereas as Nepal is covering 62.5 per cent of its elderly population²⁰. Some of the reports illustrate that social protection programs in Pakistan are effective instrument for mitigating poverty and vulnerability, but larger part of available literature describes that the benefits provided through social protection programs are inadequate and insufficient for meeting the basic needs of beneficiaries. Some field evidences show that inadequacy of social protection programs have compelled many households to put their under-age children for earning some money²¹.

In the context of Pakistan, social protection measures have proven to be ineffective for increasing economic growth and provision of basics of human life to the poor

and needy. It has been noted that social protection programs did not overcome social inequalities prevailing in the society, rather social stratification has deepened due to fragmented and duplicative nature of social protection programs. Also, most of the social protection programs in the Pakistan place more focus on urban population than rural, this structural practice has added to sufferings of rural poor²².

In the Pakistan, a bigger share (77.4%) of social protection funds goes to social insurance (pensions) whereas 19.9% of the funds were spent on various social assistance programs. The share of labour market is very little (2.8%)²³. Social protection instruments in Pakistan are contributing for provision of basics of human life but yet there is much room for improvement in term of making the programs efficient and all encompassing. Policy objectives of social protection not only includes poverty alleviation but also ensuring socio-political stability and maintaining social order²⁴.

Although there is significant and recognized role of social protection in poverty reduction but in the Pakistan, few concrete initiatives have been taken with the aim of poverty reduction and risk management. One of the reasons was thinking on the part of policy makers that family and community would always be there for extending informal help for meeting needs of those who are out of earning due to any reason²⁵. While comparing public and private sector social insurance programs, it is generally perceived that former category receives substantial benefits than latter. Similarly, Employees Old Age Benefits Institution (EOBI) caters only small number of employees from private sector and benefits provided are too scarce to meet the basic needs of the beneficiaries²⁶.

Changing Social Context and Social Protection

Recent decades have witnessed a massive trend of nuclear family system in Pakistan and now children are less interested in taking care of their elderly parents as compared to traditional cultural practice. That is why, currently out of earning family members including elderly are more susceptible to socio-economic problems particularly poverty. This situation calls for comprehensive social protection programs in the country for taking care of vulnerable individuals and households²⁷. The breakdown of traditional joint family system and its replacement with nuclear family system have changed social structure of the Pakistan and role of the family is shrinking day by day. In addition to it, influx of materialism and modernism has shattered traditional family role of social protection for its members. Similarly, emerging trend of urbanization has also weakened role of family institution in supporting non-earning members in case of illness, disability and old age. The shift in family role requires the state to take lead and design all-inclusive social protection programs in the wake of massive poverty and vulnerability in the country²⁸.

Discussion and Conclusion

Pakistan is one of the developing countries that makes constitutional promise for provision of social protection for all its citizens irrespective of sex, caste, colour and creed. Although, there are also some solid achievements through social safety nets but as a whole social protection programs in Pakistan are still struggling to

achieve their objectives mainly due to insufficiency of financial resources, administrative flaws and poor targeting mechanism. Soon after independence, the country undertook its first social insurance program in 1954 for public servants but till date, coverage of collectively all social protection program is very low and majority of population (poor and vulnerable to become poor) is deprived of any such program. Overall, coverage of all social protection programs in the Pakistan is caters just 2.3 percent of elderly population.

Not to talk about developed nations and welfare states where there is universal pension system for everyone (whoever is out of income) known as social pension, Pakistan is not covering all of its population living below poverty line. The country spends very low percentage of its GDP on social protection programs as compared to its neighbouring countries in the South Asia. Informal labour force especially those engaged in agriculture, construction, transportation and home-based workers out of coverage of social protection programs except *Zakat*, *Bait ul Mal* and other informal transfers in the form of *Sadqa* and *Fitrah* by family and community philanthropists.

In Pakistan, recent years have witnessed considerable reduction in poverty, but still large number of people are living on the edge and are vulnerable to even minor economic shocks such as ailment and/or natural disasters including floods and earthquakes. In addition to it, economy of Pakistan could not generate adequate number of jobs especially female labour force remains out of the economic activities as compared to regional and global trends. This situation leads towards further deprivation and vulnerability. In the given scenario, BISP is an effective anti-poverty instrument, but it is not covering all the poor in the country²⁹ (World Bank, 2014).

In the context of Pakistan, having joint family system in place, there was hardly need for formal and specialized social protection programs because institution of the family was adequately fulfilling all the basic needs of its members. However, with the emergence of industrialization and urbanization, joint family system is rapidly getting replaced with nuclear family arrangement and there is more need for overarching social protection programs than ever. The traditional familial ties and social bonding within the family members and neighbourhood are deteriorating day by day which creates need for state sponsored formal social protection program for addressing poverty and vulnerability in the modern era.

Reports show that recently there has been reduction in poverty ratio in the country, but these households living on edges are inclined to again falling below the poverty line. In the Pakistan, major chunk of allocated budget goes to the social insurance program in the form of civil and military pension. It is also believed that major percentage of social protection budget goes to the non-poor (especially retired civil and military officers), whereas household already poor or vulnerable to poverty are totally deprived of formal social protection benefits. Research studies show that health related expenditures are one of the major factors pushing household below the poverty line, because facilities in public sector health are very scarce and poor in quality³⁰. Although, current Government has introduced *Sehat Insaaf* Card system which would decrease financial burden on the poor and

vulnerable households, but it would take ample time in becoming fully operational.

While experiencing fair economic growth rate by that time, in 2008 Government of Pakistan launched one of the largest social protection programs under the title of BISP. Although this program is relatively well administered as compared to the previous ones, but amount given to the beneficiaries is very little (PKR 4,800 quarterly). Though current Government has announced to increase this amount to PKR 5,500 but keeping in view current inflation rate and resultant price hike, this amount remains insufficient to meet basic needs of poor households. Because in many cases, BIPS amount would be only main source of income for already poor household. Similarly, *Zakat* and *Bait ul Mal* are important social safety nets operative in the country but their coverage is very low, targeting mechanism is poor and benefits are fragmented and duplicative in nature. It is worth mentioning that in an Islamic country like Pakistan, only small percentage of eligible household/individuals pay *Zakat* which keeps this program's coverage limited.

Under ILO Social Protection for All, international community is making moving for universal pension system whereas developing countries including Pakistan are facing financial restraints for running their existing limited pension programs. Currently, Pakistan is passing through demographic transformation in term of longevity and ageing and needs more overarching programs for provision of social protection. But federal and provincial governments are under constant financial pressure from international donor agencies for cutting down budget allocation for pension and other such benefits. Any such move in Pakistan would further deepen already prevalent vicious circle poverty and vulnerability.

In the wake of given scenario, government needs to pay special attention to social protection programs for supporting its poor and vulnerable population for making them more resilient and empowered.

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