

Social Protection in Pakistan

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Brief Overview of Social Protection in Pakistan

- There was no emphasis on social protection in the first decade of Pakistan's existence.
- In the wake of high economic growth and increasing concern on income inequality, the government introduced a minimum wage and a pension scheme in the private sector.
- The 1970s saw a number of social insurance schemes introduced, aimed at redistributing income within the formal private sector.

Brief Overview of Social Protection in Pakistan

- 1980s saw the initiation of the first social assistance in Pakistan – the Islamically mandated *Zakat*.
- *Zakat* was to be distributed based on the Islamic precepts – amongst Muslim destitutes and widows.
- It was administered through a Zakat tax and was thus self financing.
- The scheme was considered restrictive and exclusionary

Brief Overview of Social Protection in Pakistan

- Another Social Assistance was introduced in the early 1990s – the Pakistan Baitul Maal (PBM).
- This was a cash transfer like Zakat but did not have the exclusionary element that Zakat did.
- PBM was also financed through the taxation system and was thus the first genuinely redistributive social protection program in the country.

Brief Overview of Social Protection in Pakistan

- The real thrust on Social Protection started in the 2000s.
- The Global increase in food and fuel prices as well as the transition to democracy in Pakistan created a consensus amongst political parties with regard to the need of a comprehensive social protection program.
- In 2008, the Benazir Income Support Program (henceforth BISP) was launched.
- This Unconditional Cash Transfer Increased the Social Protection allocations in Pakistan three fold in one go.

Federal Schemes for Social Assistance

Programme	Targeting Mechanism	Budget	Beneficiaries
Benazir Income Support Programme (BSIP)	Targeted	Rs.97.8 billion ¹	5.25 million
Microfinance	Self-targeted	Rs.20 billion ²	500,000 ³
Pakistan Bait-ul-Mal	Targeted	Rs.2 billion	1,117,249 ⁴
Wheat Subsidy	Geographical targeting	Rs.1.1 billion	N.A.
Utility Stores	Non-targeted	Rs.6 billion	N.A.
Prime Minister's Low Income Housing Scheme - Apna Ghar	N.A.	Rs.60 billion ⁵	500,000 ⁶
Minimum Wages	N.A.	N.A.	N.A.
National Disaster Management Authority (NDMA)	Geographical targeting	Rs0.067 billion ⁷	N.A.
Zakat	Targeted	Rs.4.05 billion	404,124 ⁸
Prime Minister's Scheme for Provision of Laptops	Targeted	Rs.4 billion	100,000 in 2013-14
Prime Minister's Fee Reimbursement for Poor in Less Developed Areas	Targeted	Rs.1.2 billion	30,000 in 2013-14
Prime Minister's Youth Business Loan Scheme	Targeted	N.A.	100,000 in 2013-14
Prime Minister's Youth Training	Targeted	Rs.4 billion	50,000 for 2013-14

Source: Pakistan Economic Survey 2013-14, the 2014-15 budget documents & various other sources

¹ Denotes allocation for the period 2014-15

² Denotes increase in Gross Loan Portfolio from 2012 to 2013

³ Denotes increase in active borrowers from 2012 to 2013

⁴ Represents beneficiaries in 2010

⁵ Denotes budget for 2014-15

⁶ Denotes number of households that will potentially benefit when the scheme is completed

⁷ Denotes budget for 2010-11

⁸ Represents beneficiaries in 2010

Federal Social Assistance Schemes

- As we see in the previous slide, the social assistance profile is dominated by BISP, which accounts for 49% of all social assistance expenditure and 65% of beneficiaries.
- The share of both Zakat and PBM has been declining in both absolute and relative terms.
- The Youth Loan Scheme has been introduced by the Present Government is expected to grow in the near future.

Federal Schemes for Social Insurance

Programme	Targeting Mechanism	Budget	Beneficiaries
Employees Old Age Benefits (EOBI)	Targeted	Rs.13.1 billion(1)	5,442,870 (2)
Worker Profit Participation Fund	Targeted	N.A.	N.A.
Workers Welfare Fund	Targeted	Rs.13.5 billion	N.A.
Compensation to those affected by terrorism	Targeted	Rs.1.4billion	N.A.

Source: Pakistan Economic Survey 2013-14, the 2014-15 budget documents & various other sources

^[1] Denotes budget for 2012

^[2] Denotes beneficiaries for 2012

Federal Social Insurance Schemes

- Social Insurance Schemes cater to formal sector enterprises that employ 10 or more workers
- Financing for them Comes from Employer Contributions mainly and in some cases through payroll deductions also.
- The most important and far reaching of them is the pension scheme (EOBI) that has more than half a million beneficiaries

Provincial Schemes

Social Assistance

Programme	Government	Targeting Mechanism	Budget	Beneficiaries
Rural Support Program for Poverty Reduction	Sindh Government	N.A.	Rs.1.3 billion	N.A.
Grant of State Land to Landless Peasants	Sindh Government	Targeted	N.A.	5000 (1)
Benazir Bhutto Shaheed Youth Development Program (BBSYDP)	Sindh Government	Targeted	N.A.	4116
Technical Education and Vocational Training Authority	Punjab Government	Non-Targeted	Rs.2 billion (2)	N.A.
Punjab Vocational Training Council	Punjab Government	Targeted	Rs.1 billion (3)	N.A.
Chief Minister's Self Employment Scheme	Punjab Government	Non-Targeted	Rs.2 billion (4)	350,000

Social Insurance

Provincial Employees Social Security Institutions	Provincial Governments	Targeted	1.74 billion (5)	56895
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^[1] denotes beneficiaries for the fiscal year 2009-10

^[2] Denotes budget allocation for 2014-15

^[3] Denotes budget allocation for 2014-15

^[4] Denotes budget allocation for 2014-15

^[5] Figure from 2010 - <http://www.adb.org/Documents/Reports/Consultant/37008-PAK/vol1/chap2.pdf>

Source: Provincial budget documents 2014-15 and various other sources

Provincial Social Protection Mapping

- Important to note that provincial schemes are concentrated in the provinces of Punjab and Sindh
- Paradoxical as the above two provinces are the most urbanized and more developed than Balochist and and Khyber Pakhtunkhwa.
- Most Concentration is on Vocational Training.
- In Social Insurance, all provinces run the Social Security Institutes that operate hospitals for workers.

Evaluations of Social Insurance Programs

- All Social Insurance Programs cater to Formal Sector Employees
- Only 26.2% of all workers in the non-agricultural labour force are employed in the formal sector.
- Moreover, roughly two thirds of those in the formal sector are irregular employees and hence outside the remit of these schemes.
- Makes these schemes extremely restrictive.

Evaluation of Utility Stores

- Utility Stores (US) is the only universal scheme and the only generalised food subsidy in the country.
- Provides subsidy on essential food items through a network of 5000 plus stores throughout the country.
- Because there is no quantitative rationing, there is arbitrage and most goods are cornered by middlemen and the non-poor

Zakat and PBM

- As mentioned earlier, Zakat outlays are declining over time and PBM's allocations have been reduced to 1/3rd of what they were before 2008.
- Also both programs have arbitrary targeting methods.
- Benefits are also low: Around PKR 500/month (US \$ 50).

Design of BISP

- Since BISP is the largest Social Protection Program in Pakistan, important to analyse it in greater detail.
- It is an Unconditional Cash Transfer with Monthly Benefit of Rs. 1500 (between 2008 and 2013, benefit was Rs. 1000/month).
- It is targeted at women aged 15 and over belonging to the poorest households.
- Targeting, since 2010-11, is through a poverty scorecard carried out across the country.

Evaluations of BISP

- There have been a number of Evaluations carried out of BISP by donors and local researchers.
- Evaluations have been around 4 Areas:
 - i) Effectiveness of Targeting
 - ii) Impact of the Cash Transfer on Food and Nutrition of Households

Targeting Effectiveness of BISP

- Beneficiaries have generally had lower per capita consumption expenditure compared to non-eligible households
- Another survey shows that the process of the poverty census was generally in line with stipulated processes
- Two thirds of beneficiaries were satisfied with the Payments Mechanism
- 56% of beneficiaries however complained about receiving late transfers

BISP-Impact on Food and Nutrition

- 80% of beneficiaries prioritized food expenditure from the transfer
- Another Study found there to be a statistically significant increase in food expenditure as a result of the BISP cash transfer
- Qualitative data indicates that women beneficiaries prioritized households' and particularly the children's quality of food intake.

Outreach of Social Protection to the Working Poor

- We will analyse labour market related data using BISP beneficiaries as it is the largest SP program and with specific targeting.
- For labour market outcomes, we have used the Household Income and Expenditure Survey Data as it has expenditure data which enables us to divide it into quintiles and it has detailed information on labour force variables also.

Outreach of Social Protection to the Working Poor

- Table 1 provides a quintile based estimate of women aged 15 and above. Since women in that age cohort are BISP beneficiaries
- We expect that BISP beneficiaries will be in the lowest quintile.
- In 2010-11, BISP had 2.6 million beneficiaries. Since there were 6.5 million women in the lowest quintile, BISP was reaching roughly one third of the poorest women.

Table 1: Female population aged 15 years and above in 2010-11

Quintile Highest to Lowest	Females aged 15 years and above
1	9,624,133
2	8,659,877
3	7,794,410
4	7,370,209
5	6,551,079
Total	39,999,708

Source: HIES 2010-11

Contribution of Social Protection to Incomes of the Poor

- HIES data gives us the proportion of Household Income that comes from public sector sources.
- For the lowest quintile, close to one fourth of their income comes from public sources (Table 2). It can be safely assumed that the bulk of this assistance is from BISP.

Table 2: Public transfers as a percentage of total income

Quintile Highest to Lowest	Share %
1	0.0
2	18.3
3	9.7
4	16.3
5	24.7

Source: HIES 2010-11

Impact of Social Protection on Labour Force Participation

- To check if SP has an impact on LFP , we have taken LFP by quintile pre BISP (2005-06) and for 2010-11 in Table 3.
- We see that LFP has declined for both males and females during this period. Also, it has declined across all quintiles.
- As such, the decline cannot be attributed to BISP benefits that women of the lowest quintile receive.

Table 3: Labour Force Participation by gender

	2005-06		2010-11	
Quintile Highest to Lowest	Males aged 15-60 years	Females aged 15-60 years	Males aged 15-60 years	Females aged 15-60 years
1	71.1	10.4	69.3	10.6
2	76.1	17.7	73.1	12.3
3	81.4	23.4	78.1	17.4
4	83.9	28.1	81.8	22.9
5	89.3	35.8	86.2	30.1
Total	79.0	21.5	76.5	17.6

Source: HIES 2005-06 and 2010-11

Impact of Social Protection on Child Labour

- By raising the income and expenditure profile of the household, SP is expected to reduce the incidence of Child Labour.
- Table 4 shows significant decline in child labour across all quintiles but the highest decline is in the lowest quintile.
- Still, in an environment where LFP is declining for all categories, this cannot be attributed to SP.

Table 4: Labour Force Participation for population aged 10-14 years

Quintile Highest to Lowest	2005-06	2010-11
1	4.1	3.4
2	7.9	2.8
3	10.9	6.6
4	17.8	7.8
5	21.0	9.0
Total	11.2	5.7

Source: HIES 2005-06 and 2010-11

Way Forward: Social Insurance

- Except for the Pension Scheme, other social insurance interventions should be abolished. There are no perceptible benefits for workers and creates a disincentive for employers to hire workers formally.
- The Pension Scheme should be Consolidated. Make it open to the entire population and make it contributory.

Way Forward: Rationalize Minimum Wage

- Pakistan has a national minimum wage which is periodically revised.
- Minimum Wage Needs to be Disaggregated. Should be Occupation Specific and for piece rate work also.
- There is no active enforcement mechanism for the minimum wage. A complaint system at the district level should be created.

Way Forward: Food Subsidy

- As mentioned before, Provision of food subsidy through the Utility Stores is hugely inadequate.
- Quantitative Rationing needs to be introduced; either through
 - i) Linking it to the BISP scorecard. Can be given either to BISP beneficiaries or to a larger cohort if resources permit.
 - ii) Issue ration cards and universalise the scheme.

Way Forward: BISP

- BISP has been an important and successful instrument for Social Protection.
- It should be consolidated and expanded.
- Important that it remains an Unconditional Cash Transfer for another 5 years. Once it is established on firm foundations and benefits of UCTs are realized, CCTs can be gradually introduced.

Way Forward: Nutrition and Maternal Health Interventions

- Pakistan's maternal health and nutrition indicators are particularly alarming
- To redress this imbalance, a voucher scheme for pregnant mothers should be introduced, either nationally or in some provinces. Vouchers should be provided at the ante natal, delivery and post natal stages.
- School meals should be introduced. There was a pilot done on school meals earlier but was abruptly abandoned. Through a better design, it should be re-introduced.