

DRI's COVID-19 Policy Brief Series

COVID-19 AND THE ROAD TO SOCIAL PROTECTION IN SINDH

DECEMBER 2020



This publication is a part of Democracy Reporting International's COVID-19 Policy Brief Series aimed to improve and strengthen parliamentary oversight of the government's COVID-19 response by providing technical input to parliamentarians on key policy areas.

SUMMARY

The COVID-19 pandemic has dealt a severe blow to global economies and Pakistan is no exception. The country has the ninth largest workforce in the world with 65.5 million people. However, only 4.4 million of them are entitled to social protection benefits which deprives the rest of their “constitutionally guaranteed” entitlements. The rising number of unemployed and out-of-work daily wage labourers paints a bleak picture of the workforce of an already poor country. People associated with the informal sector and those earning daily wages in urban and rural areas have suffered the most during the pandemic. According to some estimates, 19 million people have lost their source of income due to COVID-19 and its economic

impact. This is projected to double the number of 50 million people already living below the poverty line if urgent measures are not taken to provide social protection to those adversely affected by the situation. In Pakistan's south-eastern Sindh province, 96.7% of the labour force is without necessary financial assistance since only 0.5 million out of the total 15 million workers in Sindh are registered for social protection. The Prime Minister's COVID-19 Relief Fund's cash transfers of PKR 12,000 for workers losing their jobs has only benefited 1.1 million workers in the province until now. Meanwhile, a similar relief scheme announced by the Sindh administration has not been rolled out due to the lack of required data.

KEY RECOMMENDATIONS



Emergency relief for workers affected by the pandemic

The Sindh Social Security Institution (SESSI), Employees Old-Age Benefits Institution (EOBI) and Worker Welfare Fund (WWF) should be requested to urgently provide relief to workers affected by the pandemic such as paying an unemployment allowance to them and substituting wages where applicable. The relief programme could also include arrangements for COVID-19 testing along with treatment and vaccination for workers and their families. To this end, the funds already available with the above schemes should be utilized, as per the proposal of the Employers Federation of Pakistan.



Ensure parliamentary oversight

The Standing Committee on Labour and Human Resources in Sindh should ensure political support and effective oversight of all provincial labour welfare and social protection institutions. This may involve:

- Seeking briefings from the labour welfare and social protection institutions as well as conducting hearings that include trade unions, employers and experts to get their input on the universalization of social security in the province.
- Supervising the use of social protection allocation amounting to PKR 32 billion in the current budget to ensure timely release of funds and its judicious spending on those affected by the pandemic.
- Seeking explanation on any delay in the commissioning of the assessment and feasibility report on SESSI and Sindh WWF.



Amendments in Sindh Social Security Act

The Standing Committee on Labour and Human Resources, along with the Standing Committee on Parliamentary Affairs, should amend the Sindh Social Security Act 2016 in consultation with experts and stakeholders to include unemployment/ job loss allowance for registered workers.



Consolidation of existing social protection schemes

The Sindh government should consolidate existing social protection schemes by merging SESSI, WWF, EOBI and develop two streams. The first one should expand the current model of contributions made by employers by changing the payment system. Instead of paying on the basis of the number of employees, these companies should pay on the basis of the earned profit. The second stream should cover informal workers and give them an option to self-register. This stream could then be financed through a matching grant provided by the government.



Reform legislative and administrative structures

Introduce reforms in social protection and labour welfare institutions by amending laws, particularly with reference to payment of wages and unemployment benefits. Address legal anomalies wherever required. Initiate organisational and administrative reforms.



Enhance the tax-base

A lower tax base and a much larger base of claimants restrict government funding for social protection. Pakistan's current tax base contributes 9.5% to the GDP. A low tax base leads to greater demand for foreign funding to manage poverty alleviation schemes which reduces the chances of achieving universal social protection. Tax revenues must be increased with greater financial transparency, delivery of services and trust building between the state and its citizens.

INTRODUCTION

Much like the rest of the world, the coronavirus pandemic has also affected Pakistan's working classes. While the final statistics on job losses in the wake of the outbreak are yet to be compiled and confirmed, the government announced in May 2020 that about 18 million people were in danger of losing their jobs due to the stringent measures adopted to defeat the pandemic¹. Experts fear this could double the number of 50 million people who already find themselves below the poverty line.

The strict lockdown imposed by the government of Pakistan's south-eastern province of Sindh from March 23 to May 1, 2020, resulted in a complete shutdown of business activities. This negatively impacted the lives and livelihoods of millions of workers, particularly in the sprawling seaside metropolis of Karachi which hosts 70% of the country's industrial and services sectors. While the impact of the second wave is yet to be ascertained, the country's fragile economy has not come out of the shock from the first one.

In this context, it is important to discuss how a comprehensive social protection system can be put in place in Sindh that may mitigate the impacts of recurring crises on a regular and sustained basis. The ideal outcome will be a significant improvement in the government's

response during the ongoing pandemic as well as in other future emergency situations.

The blueprint for social protection was laid down in Pakistan during the 1960s and '70s through the establishment of contributory labour protection mechanisms, such as Employees Old Age Benefits Institution (EOBI), Employees Social Security Institutions (ESSIs) and Worker Welfare Fund (WWF). However, despite the passage of over four decades, social protection remains out of reach for a vast majority of the country's citizenry.

Over the past several years, the government policies have drifted towards non-contributory initiatives that largely target marginalized groups. These initiatives are mostly funded by foreign aid or bank loans. In order to develop a widespread and sustainable universal social protection programme, contributory mechanisms based on state levy and financial inputs from partners, including the beneficiaries, are crucial. This policy brief presents an overview of the current social protection mechanisms available in Pakistan, highlights the implementation challenges, and proposes recommendations to expand the coverage by addressing the existing constraints to universalize social protection in Sindh province.

UNIVERSAL SOCIAL PROTECTION – THE CONCEPT

Universal social protection is defined as the provision of economic security and essential social services to all members of society throughout their life cycle to help them

deal with life contingencies such as the current pandemic which has led to great losses of lives and deprived millions of their livelihoods.

The universal social protection (USP) aims to ensure equitable access to all people and protect them throughout their lives against poverty and risks to their livelihoods and well-being through a nationally defined social protection system of policies and programmes.

Social protection floor are the minimum standards of a dignified life where one can keep one's feet on the ground and not fall in to the pit of adversity, or abyss of poverty, under any crisis. Universal social protection is achieved and sustained through contributory schemes as well as non-contributory financial pathways.

The concept of social protection, recognized as one of the most significant social achievements of the 20th century, was enhanced to embrace all citizens in response to the asymmetrical globalization process which has widened inequalities between rich and poor within countries and has led to development gaps across the global south and the north. It refers to the provision of economic security and essential social services to all citizens—women, men,

children—accessible to them throughout their life cycles (childhood, youth, adulthood, old-age) and life contingencies (childbirth, sickness or injury, handicap or disadvantage, wars and pandemics). Social protection is considered a fundamental human right and according to International Labour Organisation (ILO), it is the central element of any welfare programme that must be built into national policies and laws.

¹ <https://tribune.com.pk/story/2213164/pakistans-virus-fatality-rate-much-lower-countries-asad-umar>

The ILO has, therefore, called upon all states to set up universal social protection floors at national levels 'containing basic social security guarantees that ensure universal

access to essential health care and income security' (ILO, 2012)². These are defined as:

Access to essential health care, including maternity care



Basic income security for persons of active age, who are unable to earn a sufficient income, particularly in cases of illness, unemployment, maternity and disability



Basic income security for children, providing access to nutrition, education, care and other necessary goods and services



Basic income security for the elderly³

SOCIAL PROTECTION MECHANISMS

Universal social protection can be achieved and sustained through contributory mechanisms ranging from schemes supported by employers, workers, individual citizens, and state tax levy; to non-contributory financial pathways where the full amount is paid either by the state or other providers.

Non-contributory schemes do not require direct financial contribution from the beneficiaries while the contributory mechanisms are built around contributions from beneficiary stakeholders (i.e. the state, employers, workers, individuals). There are four categories of social protection mechanisms:



Social insurance

Contributory schemes (private or state-run) to provide compensatory support during illness, injury, disability, death, maternity/paternity, unemployment, old age, and shocks affecting livestock/crops. In Pakistan, private or group insurance by corporations fall in this category. The state does not provide this support universally to all citizens unlike countries in the global north where universal health insurance is fully or partly paid by the state.



Social assistance

Non-contributory social protection schemes are often targeted towards vulnerable groups. State-led initiatives under this category include programmes like the Benazir Income Support Programme or Ehasaas Kafalat programme. These are supplemented by informal poverty alleviation measures, often grounded in theological reasoning, and carried out directly by citizens through zakat. Between these two spaces lie the efforts by philanthropic organisations that channelise donor, individual and community funds to the poor to provide healthcare and meet their basic needs.



Social and healthcare services

Non-contributory services are geared especially towards vulnerable segments that face distinct social risks such as domestic violence, abuse, homelessness, exploitation and social exclusion. Some initiatives in this category include Darul Aman or shelters for women and old-age shelters provided by charity organisations and Bait ul Maal for minorities support funded through taxes levied. Pakistan also provides free immunization, primary healthcare, family planning and disease prevention through Lady Health Workers' programme.



Labour market protection programmes

Contributory schemes in many countries, both in global north and south, include social security, insurance, medical benefits and pensions provided to workers. In Pakistan, public sector workers are provided with civil service pensions. The EOBI, PESSI, WWF are a few schemes that provide benefits only to registered workers in the minuscule formal sector. Laws related to minimum wage floor and other labour conditions meant to protect labour also come under this category.

² <https://www.ilo.org/global/topics/dw4sd/themes/sp-floor/lang-en/index.htm>

³ Mapping Social Protection Systems in Pakistan, 2019, ILO-Pakistan, https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-islamabad/documents/publication/wcms_737630.pdf

Empirical literature reveals that even though cash transfers do have a poverty-reduction effect, there is little evidence to suggest they bring about social inclusion and economic growth. The critics also question sustainability of cash transfers and whether social transfer programs funded by international donors contribute to building state capacity. They also allege that the design and implementation of such programmes can be negatively impacted by corruption, favouritism and other political motives.⁴

Contributory policies and programmes built upon levied taxes and contribution from the beneficiaries are more sustainable in the long run and have the potential to serve as a tool for equitable distribution of resources within the socio-political system. The success of contributory policies, however, depends upon a robust taxation system operated transparently wherein taxes are allocated adequately to the social protection budgeting. A blend of the two mechanisms—contributory and non-contributory have the potential to result in achieving universal social protection.

THE PAKISTAN CONTEXT

Pakistan is a signatory to the Universal Declaration of Human Rights (1948) as well as the International Covenant on Economic, Social and Cultural Rights (1966) which enshrine the right of universal social security. The country has ratified several ILO labour conventions including the eight core labour standards that are basic to labour protection. The Pakistan Constitution recognizes the dignity of its citizens as an inviolable right (Article 14). Pakistan is also committed to the UN 2030 Agenda and has adopted its 17 Sustainable Development Goals in 2016. The four global goals directly related to social protection are: SDG 1 (no poverty), SDG 3 (good health), SDG 5 (gender equality) and SDG 10 (reducing inequalities).⁵

Though Pakistan started off with the rights-based approach for social protection in the 1960s onward, and put in place several contributory schemes for employees' benefits and old-age pension (i.e. EOBI, ESSI, WWF) over the decades, the social protection policy by the successive governments

tilted towards assistance to the marginalized through non-contributory, tax-financed benefits. The last policy document "Pakistan 2025: One Nation One Vision" defines social protection narrowly as a 'means of strengthening marginalized people's capabilities to mitigate and manage their risk and vulnerability'.⁶ Vision 2025 does not talk about strengthening the contributory programmes which presently have a very narrow coverage.

According to the ILO Social Protection Report 2017-2019, Pakistan spends a measly 0.2% of its GDP on social protection.⁷ An ADB country specific (2012) report, states social protection expenditure in Pakistan is dominated by spending on social insurance which accounts for 77.4% of all social protection expenditure. Social assistance schemes for poor get 19.9% and just 2.8% is allocated to labour market programmes. Most of the expenditure is spent on insurance and health care for government and formal sector employees and army personnel.

0.2%

of the GDP in Pakistan is spent on social protection



77.4%

social insurance

19.9%

social assistance for poor

2.8%

labour market programmes

According to the ILO Social Protection Report 2017-2019

⁴ Dodlova M. et al, Non-contributory Social Programs in Developing Countries, Published online 2017 Nov 3. doi: 10.1016/j.dib.2017.10.066 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5709306/>

⁵ <https://www.sdgpakistan.pk/web/sdgs>

⁶ <https://www.pc.gov.pk/uploads/vision2025/Vision-2025-Executive-Summary.pdf>

⁷ https://www.ilo.org/wcmsp5/groups/public/-/dgreports/-/dcomm/-/publ/documents/publication/wcms_604882.pdf

COVID-19 AND THE CASE FOR UNIVERSAL SOCIAL PROTECTION

The uncertainty related to the second wave hovers over export industry, which demonstrated early signs of recovery after the lockdown. The manufacturing sector has gradually adapted to post-COVID context by seizing new avenues such as shifting to production of masks, gloves and allied accessories required to fight the pandemic the world over⁸. However, reduced consumption due to incomes losses, uncertain job prospects and disrupted life has deeply affected the domestic market which is the backbone of the economy.

The impact of Covid-19 induced economic slowdown has subsequently been passed on to the workers in the shape of job losses. The employers who retained the workers paid reduced wages during the lockdown⁹. The most hard-hit were those working in the informal sector and on daily wages, both in urban and rural areas. According to a study, around 4 million people are working on a daily wage basis in the city of Karachi alone.¹⁰ With no assets or savings to fall back on in times of crisis, the daily wage earners have suffered the most.

The final figures of job losses due to pandemic outbreak are yet to be calculated and confirmed, but the government in May 2020 estimated that as many as 18 million people may lose their jobs due to Covid-19 related measures¹¹. This would double the number of 50 million people that are currently living under the poverty line.

With 65.5 million workers, Pakistan has the ninth largest workforce in the world. Female workers, however, constitute 14.7 million or 22% which, on the other hand, is the lowest in the region. Out of the 65.5 million, a major chunk (38.5%) works in the agriculture sector without any legal and social protection. The remaining 61.5% is further divided into formal and informal sectors. An overwhelming majority or 72% of non-agriculture labour force is categorized as informal sector workers, comprising 29 million whereas only 28% or 11 million are in the formal sector¹².

It is no surprise that the informal sector is also the most vulnerable to shock. There is no data of the workers on contractual jobs or those on daily wages as employers do not maintain their details. The establishments in the informal sector, by design do not maintain documentation and often do not abide by laws. ***Working conditions are often poor and in many cases workers are deprived of their rights and entitlements. They are compelled to work for longer hours, at low wages, in poor health and safety arrangements, having no proof of employment and no registration with any of the government's existing labour welfare or social protection schemes.***

PANDEMIC AND THE RESPONSE IN SINDH



⁸ <https://www.geo.tv/latest/321785-pakistans-exports-increase-by-72-amid-covid-19-pandemic>

⁹ <https://tribune.com.pk/story/2253368/over-54-pakistanis-face-pay-cuts-or-layoffs>

¹⁰ <https://www.dawn.com/news/1544172>

¹¹ <https://tribune.com.pk/story/2213164/pakistans-virus-fatality-rate-much-lower-countries-asad-umar>

¹² Figures based on latest Pakistan Labour Force Survey (2017-2018)

The first case of COVID-19 in Pakistan was detected on 26 February 2020 followed by a gradual increase in positive testing and a rising number of deaths. The country recorded 69,496 cases and 1483 deaths by end of May 2020¹³. Sindh has remained the most affected province. The numbers peaked during May-July but then started declining as a result of strict lockdowns and other measures taken by the federal government and particularly by the Sindh provincial government,¹⁴ which was the first province to impose lockdown and take other strict measures to curtail the spread of the virus¹⁵. By end-December 2020, with second wave in full swing, the country already had 480,000 confirmed cases and over 10,000 casualties on account of COVID-19¹⁶.

Of the total positive cases in the country, almost half are recorded in Sindh with the majority of cases being reported in the megacity of Karachi¹⁷, which is also the worst affected¹⁸. The health crisis and economic fall-out of the measures taken to curtail the spread of virus have negatively impacted the life and livelihoods of millions of people.

Lockdown was first imposed in Sindh from March 23, 2020. Karachi the country's largest industrial zone accounted for 30% of total exports. Due to the lockdown, out of 2700 factories in the city less than 50 were operational on the first working day after the lockdown¹⁹. According to an estimate,

around 4 million people are working on a daily wage basis in Karachi alone.

With the onset of the pandemic, in March 2020, the federal government announced a Rs.1.3 trillion package for the COVID-19 affected economy. The 10% of this was specified for social protection, while the rest was reserved for subsidies and other incentives. The provincial governments also launched various fiscal measures for vulnerable groups. However, during this time of multi-layered crisis, Pakistan's federal as well as provincial, transitional, democratic structures did not work in unison. One of the reasons is the lack of alternatives to in-person parliamentary discussions on the emerging crisis and the response to it. The leadership was left with no option to provide political support or to carry out effective oversight of the federal or provincial governments' actions to counter the pandemic outbreak.

This critical juncture has highlighted the gap of a comprehensive and sustainable social protection system in the province of Sindh to mitigate the impacts of recurring crises. The ideal outcome should be a significant improvement, expansion in coverage and strengthening of the existing social protection mechanisms so as the government can successfully respond to the ongoing pandemic and also address future contingencies and emergencies.

IMPACT OF CRISIS AND SIGNIFICANCE OF UNIVERSAL SOCIAL PROTECTION

Sindh province is expected to experience the highest increase in multi-dimensionally vulnerable populations due to the high population density in the province, overcrowding and higher dependency ratio, particularly in Karachi where approximately 60 percent of the population lives in informal settlements with limited or no access to clean water and sanitation. Similarly, the majority of the population living in rural areas has an even lower socio-economic status, with a high prevalence of poverty and meagre access to social protection, health and decent work opportunities²⁰.

The most vulnerable to shock and the hardest hit from the COVID-19 crisis are the informal sector workers. It is crucial that the province of Sindh tackle informality which excludes the majority of people from accessing opportunities of productive growth in economic realm and deprive them of entitlements at work. Low wages, long work hours, lack of

health and safety provisions characterize work conditions in the informal sector.

Establishments operating in the informal economy do not register workers neither maintain records and often do not abide by the laws. Having no proof of employment and no registration with any of the government's existing labour welfare or social protection schemes, the informal sector workers cannot access any benefits.

In comparison, workers engaged in formal, registered, tax compliant businesses and units are legally covered under labour protection schemes. However, the data of these institutions reveal that out of the 28%, or 11.2 million formal sector employees, only 4.4 million workers are registered with Provincial Employees Social Security Institutions (PESSIs) and Employees Old Age Benefit Institution (EOBI).

¹³ https://reliefweb.int/sites/reliefweb.int/files/resources/pakistan_situation_report_20200531.pdf

¹⁴ For details: <https://COVID.gov.pk/stats/pakistan>

¹⁵ <https://www.dawn.com/news/1542901>

¹⁶ For details: <https://COVID.gov.pk/stats/pakistan>

¹⁷ Ibid

¹⁸ <https://COVID.gov.pk/stats/sindh>

¹⁹ Shafi et al., Impact of Covid-19 on MSEs in Pakistan, July 2020, <https://www.sciencedirect.com/science/article/pii/S2590051X20300071>

²⁰ Ibid

It indicates that more than 60% of the so-called formal sector labour force is deprived of social benefits, much needed in a crisis such as the pandemic²¹. One of the reasons behind low ratio of social protection coverage of the formal sector employees is that the majority of workers are hired through third part contracting system.

It is pertinent to note that recently announced social assistance emergency schemes by the federal and provincial governments are not trickling down to the needy workers for various reasons, including lack of data on the workforce, particularly in the informal sector.

The federal government in May 2020 launched the COVID-19 Relief Fund under the Ehsaas programme and announced a cash transfer of Rs. 12,000 for workers losing jobs, however, the programme could only reach out to 1.1 million workers across the county by the end of the year²².

The current crises necessitate the government to introduce a comprehensive social protection scheme for workers, across the board, aimed at protecting them from slipping below the poverty line, and particularly in the times of crises such as the pandemic outbreak. This scheme may include wage substitute and income loss support.

MECHANISMS IN SINDH

The Sindh Employees Social Security Institution (SESSI) established in 1970, and now functioning under the Sindh Employees Social Security Act 2016, is a contributory scheme under labour protection. For every registered worker, the respective establishment contributes 6% of the worker's minimum wage to the SESSI. The scheme covers contingencies such as sickness, maternity, work injury, invalidity and death benefits.

The SESSI is applicable to industrial and commercial establishments employing five or more people. However, the number of registered workers as of 2020 remained as low as 632,000²³. This is only 2.1% of total labour force in the province, 6.7% of the province's non-agriculture labour force and 21% of 3 million workers categorized as formal sector workers in the province²⁴.

The SESSI passed its budget of over Rs. 6 billion in July 2020. The old template was followed despite the fact that a large number of workers have been affected due to the lockdown and needed financial support in this time of crisis. Though the SESSI allocates over 60% of its budget on the provision of medical services, the scheme is neither providing any testing facilities to the registered workers and their families nor extending medical services related

to COVID-19 at its facilities.

It is ironic that some of the social protection mechanisms put in place in Pakistan at the federal level in the 1960s and 1970s, have not been adequately devolved to the provinces even after ten years of the passage of the 18th Constitutional Amendment 2010. EOBI is a case in point. The institution has not been devolved and remains a controversial issue between the federal and provincial governments even during the pandemic²⁵. The province enacted the Sindh Workers Welfare Fund (Sindh WWF) Act 2014 with a view to administer autonomously its funds from the Workers Welfare Fund established through an ordinance in 1971. However, due to legal and administrative lacunae, it is yet to be made functional²⁶.

It is against this backdrop that both employers and workers' representatives in Sindh are demanding 'Universalization of Social Security' or 'social security for all', which may begin with registration of all entitled workers with the social security scheme which has the potential to double the existing number of registered workers in few months. This could be followed by establishment of an unemployment fund to support workers who have lost their jobs and incomes.

²¹ Calculations based on Labour Expert Iftikhar Ahmed's news article- <https://www.thenews.com.pk/tns/detail/652670-social-protection-for-labour>

²² For details: [https://www.pass.gov.pk/SliderDetailWerFf65%5ES23d\\$gH6f6f3229-fc89-4d16-9e3d-be2fe16b66c30ecFf65%5ES23d\\$Pd](https://www.pass.gov.pk/SliderDetailWerFf65%5ES23d$gH6f6f3229-fc89-4d16-9e3d-be2fe16b66c30ecFf65%5ES23d$Pd)

²³ For details: <https://www.sessi.gov.pk/>

²⁵ <https://www.dawn.com/news/1596898>

²⁶ <https://www.dawn.com/news/1274910>

²⁷ As narrated by Mr. Karamat Ali, member Sindh Tripartite Labour Standing Committee & Member Governing Body SESSI.

SINDH GOVERNMENT'S INITIATIVES AND GAPS

In early 2019, the government of Sindh formed a three-member cabinet committee to materialize the commitment to universalize of social security. The committee later inducted three members from the trade unions and civil society. The committee decided to conduct a review of the existing social security schemes (SESSI & Sindh WWF) and undertake a feasibility study. However, despite passage of almost two years, neither the study has been outsourced nor the committee has made any significant progress²⁷.

The Sindh government established a Social Protection Strategy Unit (SPSU)²⁸ and appointed a renowned economist as Coordinator of the unit. The Unit has short- and long-term objectives to expand and consolidate various social protection initiatives. Following the allocation of Rs. 34 billion in the budget for the year 2020-2021 on account of pro-poor "social protection and economic sustainability initiatives", the government of Sindh announced that the allocated fund is meant to support those affected by the coronavirus. The fund envisioned Rs. 20 billion cash transfer to the pandemic affected workers through the SPSU and the rest as soft loans and subsidies²⁹.

However, by mid-December, neither any cash transfer scheme was launched by the Sindh provincial government nor any official explanation has so far been made available on disbursement of rest of the allocated budget.

Meanwhile, the Employers Federation of Pakistan demanded that the workers losing their jobs during the pandemic should be paid from the amount deposited with the labour welfare institutions such as Sindh ESSI and Sindh WWF. Alternatively, the collection of contribution on account of these schemes should be suspended so that employers

use this money for payment of these schemes. Earlier the provincial government used to provide a matching grant equal to the contribution by the employers and the employees, but that grant allocation is also not available currently.

Legal and procedural loopholes are other hurdles in the way of extending social protection to the needy. For example, the Sindh Assembly passed the Sindh Home-Based Workers Act in 2018 and the Sindh Department of Labour and Human Resources recently signed an MoU with a local trade union for registration of workers³⁰. However, the labour experts alert that till the amendment is not made in the Sindh Social Security Act 2016, home based workers will not be able to get benefits of the social security scheme anyway³¹.

Then, there is the challenge of financing universal social security schemes. Economic experts believe that various models need to be evaluated before drawing a suitable proposal to ensure sustainability. The first step in the right direction would be a merger of existing labour welfare schemes such as Sindh ESSI, Sindh WWF, EOBI in a single scheme with two streams—one expanding on the current model of contributions paid by employers with slight changes of payment on the basis of company profit rather than number of workers, while the other stream covers most vulnerable workers in the informal economy such as daily wagers and home-based women workers with an option of self-registration where matching grant is provided by the government. This would help in building a credible database of workforce and a systematic support mechanism in the times of any national crisis.

²⁸ For details: <https://www.devex.com/organizations/social-protection-unit-spu-125990>

²⁹ <https://tribune.com.pk/story/2253977/sindh-govt-initiates-pro-poor-social-protection-initiative>

³⁰ <https://www.dawn.com/news/1589856>

³¹ Shafique Ghauri, president Sindh Labour Federation

CHALLENGES AND BARRIERS

Despite the presence of legislative and administrative structures for social welfare at federal and provincial levels; the realization of universal social protection has remained elusive due to a number of challenges. Foremost has been the low priority and lack of political will on the part of successive governments to ensure equitable access to all people and protect them against poverty, risks to livelihoods and well-being. While COVID-19 has provided an urgency and priority to this agenda and the 'government is determined to prepare and implement all-inclusive social protection policies that have transparent and manageable targeting system'³², the following barriers persist nevertheless:

Low budget spending



Insufficient allocation of resources to social protection is a key constraint. A recent comparative study of the provinces revealed that Sindh has demonstrated relatively better structural and institutional performance vis-à-vis provision of social protection provision but needs to enhance its fiscal budget allocations. According to a disaggregate analysis of the country, Sindh is in a better position for creating fiscal space for social security and welfare but fund utilization is an issue³³.

Coverage and registration



The existing SESSI program is highly exclusionary in terms of its coverage. It does not provide any protection to workers from the agriculture sector, the self-employed, and the workers in the informal economy. Furthermore, loopholes in the registration system allow easy escape for those evading extra costs. The onus of financial contribution as well as resource mobilisation rests on the employer, making registration an unattractive proposition.

Conflict over devolution of social protection mechanisms



The EOBI, Sindh WWF and other social protection mechanisms were conceived and rolled-out in the pre-devolution period. After the 18th Constitutional Amendment these were devolved to the provinces. However, despite the passage of a decade, the administration of these social protection schemes has not been handed over to the provinces owing to the unresolved issues of distribution of resources.

Design flaws and inadequacy of benefits



SESSI encourages greater contribution from employer compared to employees which creates a lesser degree of ownership among workers. Since employees are not made to contribute towards their own benefit, the sense of participation of workers is not created. The lower contribution also results in lower value of benefits received by the beneficiaries.

Governance and administrative issues



Social security programs are involved in multiple activities outside their core competency. Though the legislation allows investment of funds, such practices have led to the allegations of corruption. Lack of effective oversight and transparency, weak monitoring and evaluation mechanisms, inefficient internal review process, absence of third-party validation and audits, as well as limited worker database pose hurdles in efficient and result-based functioning.

Lack of coordination among mechanisms



The main labour protection institutions, EOBI, PESSI, Sindh WWF and the Labour Department lack coordination despite having the same goal and mission of providing security and welfare to the beneficiaries. There is no formal mechanism to lateral sharing of data to collectively expand the social protection outreach within the province.

Human resources, capacity and infrastructure constraints



Many issues related to governance of these programmes have sprung from politically motivated recruitment instead of merit-based induction of qualified personnel. This compounds inefficiency since most personnel are often not well-trained in their specific fields. Furthermore, due to inadequate financial allocation of resources, some key departments like Information Technology (IT) lack adequate infrastructure which is vital in order to expand the coverage of these schemes.

³² Pakistan Economic Survey 2019-2020, http://www.finance.gov.pk/survey/chapter_20/15_Social_Protection.pdf

³³ Mustafa & Nishat, Dynamics of social protection: A disaggregate analysis for Pakistan, *Business & Economic Review*: Vol. 11, No.1 2019 pp. 31-54

RECOMMENDATIONS

SHORT-TERM ARRANGEMENTS

1 Emergency relief for workers affected by the pandemic

The Sindh Social Security Institution, Employees Old-Age Benefits Institution and Worker Welfare Fund should be requested to urgently provide relief to workers affected by the pandemic such as paying an unemployment allowance to them and substituting wages where applicable. The relief programme could also include arrangements for COVID-19 testing along with treatment and vaccination for workers and their families. To this end, the funds already available with the above schemes should be utilized, as per the proposal of the Employers Federation of Pakistan.



2 Ensure parliamentary oversight

The Standing Committee on Labour and Human Resources in Sindh should ensure political support and effective oversight of all provincial labour welfare and social protection institutions. This may involve:

- Seeking briefings from the labour welfare and social protection institutions as well as conducting hearings that include trade unions, employers and experts to get their input on the universalization of social security in the province.
- Supervising the use of social protection allocation amounting to PKR 32 billion in the current budget to ensure timely release of funds and its judicious spending on those affected by the pandemic.
- Seeking explanation on any delay in the commissioning of the assessment and feasibility report on SESSI and Sindh WWF.



3 Amendments in Sindh Social Security Act

The Standing Committee on Labour and Human Resources, along with the Standing Committee on Parliamentary Affairs, should amend the Sindh Social Security Act 2016 in consultation with experts and stakeholders to include unemployment/ job loss allowance for registered workers.



LONG-TERM ARRANGEMENTS:

1 Consolidation of existing social protection schemes

The Sindh government should consolidate existing social protection schemes by merging SESSI, WWF, EOBI and develop two streams. The first one should expand the current model of contributions made by employers by changing the payment system. Instead of paying on the basis of the number of employees, these companies should pay on the basis of the earned profit. The second stream should cover informal workers and give them an option to self-register. This stream could then be financed through a matching grant provided by the government.



2 Reform legislative and administrative structures

Introduce reforms in social protection and labour welfare institutions by amending laws, particularly with reference to payment of wages and unemployment benefits. Address legal anomalies wherever required. Initiate organisational and administrative reforms.



3 Enhance the tax-base

A lower tax base and a much larger base of claimants restrict government funding for social protection. Pakistan's current tax base contributes 9.5% to the GDP. A low tax base leads to greater demand for foreign funding to manage poverty alleviation schemes which reduces the chances of achieving universal social protection. Tax revenues must be increased with greater financial transparency, delivery of services and trust building between the state and its citizens.

