Special Section: An Introduction to Social Protection

1. Introduction

The idea of Social Protection (SP) relates with the concept of a welfare state. The purpose of SP (see **Box 1** for goals of SP) is to promote dynamic, cohesive and stable societies through increased equity and security in the face of shocks and life cycle events.[1] In order to ensure basic livelihood standards for all citizens, developed countries started to promote social assistance and social insurance programs since the beginning of 20th century. Developing nations followed this lead and despite their limited resources have been trying to provide relief to their citizens through various social protection initiatives. SP[2] is argued to be necessary in order to:

- ensure social justice and equity and hence making growth more efficient and equitable
- protect citizens against risk (including financial crises)
- promote investment in human capital for poor households and communities
- enable people to take economic risks to pursue livelihoods
- compensate for declining effectiveness of traditional and informal systems for enhancing livelihood security

Box 1: Goals of Social Protection

The **United Nations** Economic and Social Commission for Asia and Pacific (UNESCAP) describes SP as 'the mix of policies and programmes aimed at reducing poverty and vulnerability for individuals unable to work owing to chronic illness, permanent disabilities or old age, and to protect the majority of the population against some of the unexpected downturns of life (sickness, unemployment, depth of breadwinner, etc.).

The **World Bank's** Social Protection & Labor Sector has mission to assist WB country clients to alleviate poverty and promote equitable and sustainable growth through expanding opportunities, providing security and enhancing equity.

According to Asian Development Bank **(ADB)**, "Social protection consists of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risk, enhancing their capacity to protect themselves against hazards and interruption/loss of income".

The realization by countries that government intervention was required to provide decent standard of living to their citizens and ensure inclusive growth, has made social protection programs an integral part of socioeconomic development. Social protection tools are one of the key measures used by the governments to protect their citizens against recent high global commodity prices.

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[1] Source: Norton A., T. Conway, and, M. Foster (2001), "Social Protection Concepts and Approaches: Implications for Policy and Practice in international Development". Working Paper 143, Center for Aid and Public Expenditure, Overseas Development Institute, London, UK.

[2] Ibid

Despite being a developing country with limited resources, the government of Pakistan is aware of the significance of social protection programs. Inclusion of pro poor programs in the Medium Term Development Framework (MTDF 2005-10) and Poverty Reduction Strategy Paper is a reflection of that awareness.

This special section provides an insight into various mechanisms of social protection and briefly discusses the SP initiatives introduced in Pakistan.

2. Mechanisms of Social Protection

Social protection mechanisms are classified into two main categories: (i) Informal Social Protection (ISP) and (ii) Formal Social Protection (FSP).

ISP is provided to individuals or groups by themselves, family, relatives, neighbors, non-governmental organizations, and community based groups. On the other hand, FSP is provided by government to the poor and vulnerable segments of the society. Following is a brief explanation of mechanisms through which informal and formal social protection is extended.

A. Informal Social Protection

Instruments of ISP mainly include use of savings, sale of assets, loans, and remittances among family, neighbors, and friends.[3] Besides these personal arrangements, there are a few institutionalized informal mechanisms like credit cooperatives, rotating savings and credit associations (ROSCAS) and group lending.

Credit cooperatives borrow from bank and lend to its members. ROSCA[4] is the mechanism where groups pool their funds that go to one member by lot or bidding every period. Group lending involves lending to a group that becomes mutually responsible to pay back. These mechanisms with their limited outreach have proved to be effective to an extent in providing social protection especially in developing countries.[5]

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[3] See, Skoufias, E., and A. R. Subsuming (2004), “Consumption Insurance and Vulnerability to Poverty: A Synthesis of the Evidence from Bangladesh, Ethiopia, Mali, Mexico and Rusia. Social Protection Discussion Paper No. 401. The World Bank, Washington, DC.
[4] ROSCAS are very popular in Asia (e.g., India, Pakistan, Republic of Korea; Taipei, China).
[5] Sipahimalani-Rao, V. (2006), “Income Volatility and Social Protection in Developing Asia”, ERD Working Paper No. 88, Asian Development Bank.

B. Formal Social Protection

Formal social protection mechanisms involve public programs designed to support the poor and vulnerable segments of the population against shocks. These shocks may be natural (earthquake, floods etc), social (death in a family, injury, health problem), or economic (crop failure, unemployment, high inflation).

There are four major forms of FSP: a) social safety nets; b) social security; c) human development and child protection; and, d) microfinance (see **Table 1**).

Table 1: Social Protection in Pakistan

Type of SP	Instruments	Objectives
a) Social Assistance/Safety Nets	Cash transfers; food related programs; price and other subsidies; public works programs	Safety nets protect individuals from falling below a given standard of living.
b) Social Security	Social insurance: unemployment insurance; health insurance; funeral assistance and disaster insurance Labor market intervention establishing minimum wage; abolition of child labor; elimination of forced labor; changes and implementation of labor legislation	These interventions focus on instruments that can prevent employed people falling into poverty. These programs also aim at promoting decent working conditions as declared by International Labor Organisation (ILO) mission statement*.
c) Human Development and Child Protection Measures	Targeted fee waivers and exemptions, and life line tariffs; school feeding programs; child care and child nutrition; micro-nutrient supplementation programs; and, child support grants.	Certain kind of shocks make the poor people to take their children out of school, reduce their food consumption or limit health services to their children. So these instruments are designed to prevent those shocks from destroying human capital.
d) Microfinance	Microcredit, savings, micro-insurance	Income and consumption smoothening, protection against shocks

* ILO's main aims are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue in handling work-related issues.

a) Social Safety Nets: Social safety nets or social assistance programs are noncontributory[6] transfers to prevent poor from falling below a certain living standard. These programmes are helpful in reducing income inequality.

[6] Receiver of assistance is not required to contribute for getting the benefit.

Instruments of social safety nets include cash transfers, food related programs, price and other subsidies, and, public works programs.

Cash Transfers: Cash transfers are regular or occasional assistance in the form of cash to increase real income of those facing risk of falling into poverty in absence of any support. In certain cases, cash transfers are made conditional that the receivers will bring change in their social behavior towards education, health, savings, environment or gender related issues depending on the nature of the implemented program by donor.

Effectiveness of this instrument depends on appropriate selection of needy, the choice of payment modalities and adequate infrastructure for implementation. The major supporting point of cash transfers is the cost efficiency as it does not require transportation, storage or monitoring problems as embedded in kind transfers.

Food-related Programs: Food-related programs are designed to ensure a minimum food consumption of the receivers or to ensure certain level of livelihood of the poor households in the wake of a shock. These transfers usually constitute targeted food transfers to individuals or households, food stamps[7] and price subsidy on food items used by poorest population.

Price and Other Subsidies: Price or tax subsidies are provided to change or protect certain consumption pattern of certain commodities. These subsidies are preferred by government due to ease in administration as compared to other transfers. However, these untargeted subsidies are costly and have incidence of benefits proportional to purchases which may benefit the wealthier population. These subsidies are more beneficial for poor if provided on inferior goods for which consumption declines with increase in incomes.

Public Work: Programs: These public interventions are made to provide employment to unskilled workers through projects like construction of canals, dams, roads and reforestations. Besides enhancing income through employment creation, these projects also provide infrastructure for economic growth. In designing such projects, ensuring quality of the asset and its second round employment generation capacity are considered as one of the important aspects for policy makers.

[7] A Federal program which supplements the food-purchasing ability of low-income households through the distribution of coupons which can be used to purchase food for human consumption. Source: www.lmic.state.mn.us/datanetweb/healthDemDefs.html

b) Social Security

Social Insurance: Social insurance schemes are contributory programs, where beneficiaries pay a certain fee over a period of time in order to be eligible for financial assistance later on. In some cases contributions are supplemented by the state. Social insurance programs generally comprise of unemployment insurance, health insurance, pension schemes, and insurance against the loss in case of a disaster.

Labor Market Intervention: Labor market instruments are designed to prevent employed people falling into poverty. These instruments include establishing minimum wage standards, abolition of child labor; elimination of all forms of forced labor, and changes and implementation of labor legislation to safeguard the laborers from exploitation.

c) Human Development and Child Protection Measures

These measures are designed to save human capital by preventing poor people from taking children out of school in case of any shock. These measures may include targeted fee waivers and exemptions, lifeline tariff/social tariff[8], school feeding programs[9], child care and child nutrition, micro-nutrient supplementation programs and child support grants.

User fee exemptions/subsidized health insurance cover chronically poor groups (children, older people, pregnant women, and disabled people) and are suitable in presence of well established administrative system.

d) Microfinance

Microfinance[10] is the provision of financial services (credit, savings, insurance) to low-income and self-employed mainly those ignored by formal financial sector. These services can help poor people to increase their incomes and smoothening of their consumption patterns. The saving component can play a part of buffer to absorb shocks, and can also provide assistance in financing investments. Similarly, micro-insurance protects poor people from unanticipated incidents like crop failure, injury, and health shocks.

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[8] Lifeline tariff/Social tariff is a pricing strategy designed to provide minimal amounts of water at low prices to households.

[9] School feeding programs ensure that food contains nutrients missing in children's daily diet. These programs are helpful in reducing poverty if rates of school attendance are high and majority of children do not miss school due to hunger.

[10] The term microfinance got prominence in the literature with the success of Grameen Bank established by Dr. Muhammad Younas.

3. Social Protection in Pakistan

Social Protection was initiated in Pakistan in the decade of 1970's when the very first Employee Social Security Scheme was introduced to provide medical services and cash allowances to public sector employees and their dependants. Other schemes like the Workers Welfare Fund Scheme and the Workers' Children Education Ordinance were also initiated during the early 70s. In 1976, the Employees Old Age Benefits Institution (EOBI) was established as a federal scheme to provide old age benefits, and survivor's pensions as well as old age grants. Targeting the lowest segments of the society, Zakat and Ushr Ordinance was promulgated and implemented in the 80's at federal as well as at the province and district level. Bait ul Mal was established in the beginning of 90's to provide assistance to the needy not covered by Zakat especially the minorities. According to an estimate 7 million[11] households are eligible for Zakat but the coverage is only one tenth of the needy population.

All the above mentioned programs were unable to produce desired impact of poverty alleviation due to problems in their implementation. The government of Pakistan is spending almost 1.4 percent of GDP [12](FY 2005-06) on SP; it is lower than its neighboring countries like India (4.7 percent) and Sri Lanka (3.1 percent).

Though it is important to target poor and vulnerable population without disturbing macroeconomic stability of the country but it will be a great challenge for the government due to limited fiscal space. However due to its commitment to the social uplift of its citizens, the government of Pakistan continues to introduce social protection programs, formulation of National Social Protection Strategy currently in process being one of them.

Due to the complex nature of issues faced by the country a multi pronged approach regarding social protection programs will be more effective in improving the socioeconomic status of the country. The multi pronged approach can ideally comprise of short term measures like targeted transfers (ration cards, cash transfers) supported by proper identification of poor and vulnerable, transparent delivery system, an efficient allocation of resources and ensured access to the poor. In the medium to long-run, sustainable pro-poor employment creating projects can be initiated in collaboration with donor agencies. A well structured and coordinated social protection framework will indeed help Pakistan in improving the socioeconomic indicators of the country.

[11] Chapter IV, Responses to Poverty, "Poverty in Pakistan: Issues, Causes and Institutional Responses", *Asian Development Bank Report*, 2002

[12] "Pakistan Social Protection in Pakistan, Managing Household Risks and Vulnerability", Report No. 35472-PK, Human Development Unit, World Bank