

**SOCIAL PROTECTION
RESOURCE CENTRE
DIALOGUE SERIES**

**OLD AGE WELLBEING
IN PAKISTAN:
FUTURE OF EOBI**

SPEAKERS & TOPICS



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Topic:

Salient Features of the Demographic
Profile of Old Age in Pakistan and the
emerging trends from the Universal Old Age
Benefits perspective



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Topic:

Reforming EOBI to better meet the
evolving challenges of Old Age Well Being
in Pakistan



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Topic:

Reforming EOBI for the future challenges
of Old Age Well Being in Pakistan: the Trade
Unions' Perspective



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Topic:

Critical Review of existing Social
Protection measures and programmes to
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OLD AGE WELLBEING IN PAKISTAN: FUTURE OF EOBI

1. PURPOSE

Social Protection Resource Centre (SPRC) is a think tank dedicated to promote universal social protection in Pakistan. Being a premiere think tank dedicated on policy research and advocacy for social protection, SPRC has created an alliance of like-minded national and international organization under the ambit of Pakistan Alliance for Social Protection (PASP). SPRC has initiated the advocacy related activities in which SPRC Policy Dialogue Series is a key initiative. This series aims to provide quality and knowledge-based insight of eminent professionals and policy advisors on various issues related to social protection.

SPRC has started debate on much ignored issue of social protection for persons of old age and care for people with severe disabilities. In the first episode of the policy dialogue the focus has been placed on the old age welling in Pakistan and the role of federal institution i.e., Employees Old age Benefit Institution (EOBI). To understand the achievement of the old age wellbeing it is vital to understand the future role of the EOBI because it is key institution established by the government to provide old age benefits particularly provision of the pension to the old age citizens.

2. SESSION PROCEEDINGS

2.1 SPEAKERS RECOMMENDATIONS

MR MUHAMMAD NIZAMUDDIN in his introductory remarks praised SPRC for being the first institute which has started working for the pension systems of old age population. Regarding the significant role of EOBI he said that any organization which has ten plus employees has to be registered with EOBI. He mentioned that the current government has increased the pension rate by PKR 2000 per month even though the available funds might not be sufficient but, the main question arises that how will such programmes be funded by EOBI? In addition to employers' contribution how will the money be raised for EOBI?

In Pakistan, proportion of old age people is not very large. It is only about 7%. According to the recently available projections by National Institute of Policy Survey (1998-2035), around 13 – 14 million people in Pakistan are of 60 plus age. While, the working age population is 40 million people out of only 5 percent are covered under the pension system of EOBI. Thus, two issues need to be addressed; first, to cover the Non-EOBI members of the workforce and second, to enhance the reach of the EOBI.

He highlighted another major issue regarding the structure of the work force in Pakistan and said that unlike many other countries, in Pakistan a greater share of the work force is engaged in the informal sector where there is no age limit and old age citizens tends to work beyond their retirement age. Thus, there is a need for policy intervention in terms of extending the official age limit from 60 to 76 years for retirement as well.

Dr Nizam also emphasised upon the need to rethink the EOBI role in line with establishing a Universal Pension System in Pakistan. He suggested that a system can be developed with the use of technology and the already established NADRA's framework in order to reach the working population efficiently. The mechanism developed would also include connecting the workers with banking system to facilitate them in the form of easy access to their allotted funds. Moreover, the Ehsaas programme has to see how it can restructure, reorganize the EOBI's infrastructure.

On a similar note, he recommended to establish Pakistan Association for Retired Persons to protect their rights and give discounts to reach all older persons in Pakistan. Hopefully, with SPRC we can start this process and start association of all older persons in Pakistan.

MS AJEEBA ASLAM highlighted the importance of the social protection in light of Article-38 of the constitution. She said that although Pakistan has a huge proportion of younger population but it is also one of the top 15 countries having more than ten million old age citizens and like many poor countries the older people faces challenges such as employment opportunities, health issues and earning a decent income. Due to which the Labour force participation declines distinctly in older age. For instance, nearly 40 per cent of them earns little to no income, while a further 28 per cent have average monthly incomes of less than PKR 10,000 (USD 65). Similarly, the situation of older women is even more precarious, with two-thirds having no income at all.

She further highlighted that only 2.75 million people, or about a quarter of the population aged 60 and over, receive old age pensions in Pakistan. A recent survey by the British Council highlighted the gender bias within the pension system, with sixty per cent of older men are more likely to receive pensions than older women. On the other hand, providing for older people's basic needs is considered as families' responsibility.

The Ehsaas is also the first social protection initiative, besides the old age pensions, to recognize the elderly as a target; "Income security for old-age people" is one of the five "Social security measures" under Ehsaas. Even though the Ehsaas at the moment only includes incremental changes to existing programs (EOBI and Pakistan Bait-ul-Mal), that offers a framework for more ambitious initiatives.

She mentioned in relevance to the Ehsaas provincial strategy (Ba-himmat Buzurg Program) that Pakistan's social protection system falls short in providing income security in older age.

Moreover, the informal sector remains mostly uncovered due to huge level of unemployment and in the informal nature of livelihoods.

To add further to the misery, the tax funded targeted social protection schemes is not designed to protect older people from falling into poverty. Some schemes, such as the BISP, are targeted at the household-level, meaning that any benefit to older people is contingent on intra-household resource distribution dynamics.

MR AZHAR HAMEED said that in 1976 when EOBI was formulated it had a tripartite arrangement based on which the institution was regulated. Such an arrangement included the employee, employer and the regulator. The beneficiary as per the arrangement was supposed to be the employee however, over the time challenges such as speed money, rent seeking opportunities, and extortion etc. has ripped the beneficiary of its due right.

EOBI as an institution primarily deals with the formal sector, which is around 20 percent (14million people) of the total work force of 65.1 million (according the Labour Force Survey 2017-18) While the remaining 80 percent remains in the informal sector.

He also commented on the post 18th amendment consequences regarding the maintenance of old age pension system and supported the argument that it should be maintained at the federal level instead of provincial level.

On a similar note, he said that luckily due to efforts it was decided in March 2020 that EOBI would be maintained at federal level and the decision was supported by 3 provinces. He said that it is very important for any amendment since it will also bring some meaningfully changes within the ambit of old age benefit institution.

He also shared insight about the key restructuring programme for transformation of EOBI such as EOBI Transformation Initiative (ETI), which if implemented, will potentially change the face of EOBI. ETI has eight segments and the pillar around which everything revolves is the creation of mass awareness. The mass awareness programme would basically ensure that people in the formal and informal sector will be able to register themselves with EOBI. He also praised the role of PASP in creating awareness and advocacy at the forefront in the private sector where EOBI can collaborate and probably built upon in terms of creating awareness.

In his expert opinion, he was of the view that in order to draw any fruitful outcome from the philosophy of old age benefit, the top management needs to have a certain level of compassion in this regard. He further added that Ageing or becoming old should be a privilege.

He highlighted another problem faced by EOBI such as the contribution collection. In 2005 it was decided on the basis of the Minimum Wage Rate (MWR) i.e., 1 percent by employee and 5 percent by employer, the contributions were collected. However, the problem surfaced after the Court's decision against this amendment in 2016. Resultantly, around 50 percent of the employers/organizations went back to the contribution rates of 2005. When the MWR was 3000 (contribution was PKR 170). Currently the MWR is PKR 17500 on which the total contribution amounts to PKR 780 (5 percent is PKR 650; 1 percent is PKR 175). Thus, in past 4 -5 years about 100 billion rupees of contribution has been depleted because of the court order. While looking at investment portfolio of EOBI, that's a serious shock in terms of contribution thus it needs to be addressed as soon as possible.

Currently, there are four bands/slabs; 170, 480, 780 and 1050 in ICT but the majority of contribution is collected at PKR 170 and 480. It should also be noted that the government has made the Minimum Wage rate as the bench mark for the pension pay out which is far more than then contribution collected.

It was mentioned that EOBI is a resilient organization with a net worth of PKR 360 billion plus. The organization's achieved a surplus of 18 billion last year and even amid the Covid crises it generated contribution collection in excess of PKR 21 billion.

MR ZAHOOOR AWAN said that the initiative that PASP has taken for the social protection is very important for the era of globalization in the 21st century.

He backed the EOBI stance on the issue of donation and raised the question that in the post 18th amendment scenario how will it operate? He said that contrary to the data provided by EOBI, currently the data that ILO has on social security states that there are less than 2 million registered workforces in Pakistan. Because of which the provinces have a grave situation to deal particularly with that of Balochistan and KP. On the basis of this data we opposed against the policy of devolution of EOBI. Regarding the support for the decision to handle EOBI at federal level, he said that it was not easy to pass this bill from KP assemble and Balochistan but at the same time it is very important to keep EOBI operational under the federal level. Because EOBI's total coverage in Sindh amounts to 42 percent in Sindh and 43 percent in Punjab, 8 percent in KP and 7 percent in Balochistan.

He said that the huge issue that we face is how to decrease the ratio of migrant worker. Because maintaining the insurable employment for migrant worker is only possible through a National institute. Thus, there should be consensus among provinces about the status of EOBI and social protection in Pakistan. Provinces should cooperate with federal government to let EOBI work under federal umbrella. Only a national institute can provide benefit to the worker migrating from one province to other.

Apart from that, if left to only two provinces then this scheme will remain limited to only those provinces. For instance, in AJK there is no active scheme of EOBI. Today, even in Gilgit we do not have any such scheme and no data are available except for the old data. There is no institution to facilitate the workers. The question arises that whether the workers from those areas are not eligible to get the benefits of the social protection system?

Thirdly, from the perspective of contribution the role of government is non-existent. Even in the 5% to 1% contribution, on behalf of the private employer and the employee, the government's contribution is invisible. The point here is that even if the government has no contribution in facilitating the formal sector but it should play its part while facilitating the informal sector.

For instance, keeping in view initiatives such as Ehsaas, we suggested that importance should be given to agriculture worker in the corporate agriculture sector. We advised to impose a levy on a wheat's packet which would be received by the social protection institutes so that the agriculture worker get registered in the corporate agriculture.

Another important factor is that the number of EOBI inspectors should be increased and they should be facilitated along with their capacity building trainings. Similarly, the online registration should also be observed critically for improvement.

3. CRITICAL QUESTIONS

- What can we do to enrol those working in the informal sectors as contributory or non-contributory members to the beneficiary committees?
- The people in Pakistan do not retire at 60 they work till 80. What else can we do to ensure a healthy life style. How can we help them apart from development of pension system?
- What should be minimum wage rate and age of pension?
- How do we resolve the data related issue along with institutional issues and wellbeing issues?
- How to address the grievances mechanism to facilitate the beneficiary?

4. COMMENTS BY PARTICIPANTS

Dr Mehtab Karim said that being a beneficiary of old age security after retiring from Agha Khan University I think EOBI's role is very important and a lot needs to be done. First of all, we don't know anything about how beneficiaries are feeling? Secondly, in the case if some old age people are not taking their pension amounts over longer period of time where is that money going? Similarly, from my colleagues PKR 130 are being deducted every month irrespective of the seniority level of their jobs which is very unfair for the government and the amount should be raised by at least 5 percent.

Dr Minhaj talked about integration of demography and economics in light of which he discussed two things; First, the social structure of old age and then there is demographic age structure. Since, we know that Pakistan is passing through demographic transition we do not know the denominators i.e., the demographic landscape of Pakistan. We all know about the number of people registered with EOBI which is a numerator. Censuses are not done although it should have been done on ten-year basis. We do not have any census data and even when we did a census it was made controversial. So, what he suggested that we need to develop a sociological and demographical landscape for old age. It's a broader thing on which we can add laws, policies, coverage etc., but first we should have common denominator.

He further said that the most of the people who are operational have less ability to use data. This is happening with the LFS which was a good survey for 19th Century and I have been trying very hard with PBS particularly but as an individual we cannot do anything. As a group the first thing is, we work on a regular basis to influence policy, it should not be a one time shot rather a continues effort to engage with operational people. Because thing will not change unless if both the operational and research people are not combined in their effort.

Dr Aliya H. Khan said that there are a lot of issues related to aging which require attention of social protection thinkers. Currently, the full coverage of EOBI is limited. There are a lot of issues with the data of old age people that are not highlighted under the EOBI. We need to aware ourselves who collected data. We have some senior citizens who are not registered with another organization but they are eligible for old age benefit. The gender composition of retirees also very skewed. She said ILO was interested to doing work for the retirement of women. It is difficult task to get data on private sector gender decomposition. She also suggests that we have institutional issues, data issues and wellbeing issues and sometime our people don't have information's about the channel through it get registrations so there is need to classify all these issues.

Ms Rabia Razzaque said that if it has been decided that EOBI will work at federal level, then there is need to take amendments through which we decide that what should be minimum wage rate. She also talked about data sharing between the institutions. It will help in expansion of coverage under the EOBI.

Dr Ikramul Haq commented that in 2019, a bill titled, Maintenance and Welfare of Old Parents and Senior Citizens, was introduced in Senate. In the Preamble, it says: "The Constitution of Pakistan establishes a society based on democratic values, social justice and fundamental rights and seek to improve the quality of life of all citizens."

High-powered Commission was constituted to lay down policy framework and monitor its implementation. A similar bill was passed by the Sindh Assembly in 2016. Another bill for Islamabad Capital Territory was also in the offing. Unfortunately, these bills didn't see the light of the day. Other provinces went through similar exercises, Khyber Pakhtunkhwa in 2015, Baluchistan in 2017 and Punjab in 2013. But senior citizens continue to wait for their implementation in letter and spirit. Any policy or law without implementation is equal to zero. Pakistan is a signatory to the Madrid International Plan of Action on Ageing (MIPAA) adopted by the Second World Assembly on Ageing in April 2020. But, will the old, weak and physically-challenged persons in the Islamic Republic of Pakistan ever be treated according to the principles of independence, participation, care and self-fulfilment as enshrined in the UN Charter? Perhaps one day, when the motherland has rulers who instead of remaining engaged in perpetual political fighting and keeping their eyes on the next elections will think of the present and the next generations.

Dr Ikramul Haq also commented that Social Welfare Department's first old age home was established in 1975 under the name of "Aafiat" in Lahore. Later, 5 more Old Age Homes were established in the districts of Multan, Rawalpindi, Narowal, Sahiwal and Toba Tak Singh. These homes are providing quality services including shelter, food, health care and recreational facilities to old and infirm persons of the society. All such Institutions have the capacity to accommodate total 300 old and infirm persons (50 residents per institution) at a time. They say that Punjab's Social Welfare Department (SWD) has failed to maintain six old age homes because of the negligence of government officials, said a report issued by the Directorate General Monitoring & Evaluation (DGM&E). Where is this report? Have any speaker read it and evaluated the reasons?

In line with Dr Ikramul Haq comments regarding the establishment of Social Welfare Department's first old age , Ms Sadia Abdullah commented that there is a bill named "Maintenance and welfare of old parents and citizen bill" for the years 2017 and 2019. The bill covers Establishment of Old age homes and Senior Citizen card for other benefits etc. She asked if Someone would like to put some light on its implementation?

Ms Ambreen asked a question regarding the role of EOBI in tackling those companies in the private sector where the employees' contracts of those workers working there for past 14-20 years are renewed on annual basis instead of giving them the status of permanent staff member due to which they cannot have an access to the EOBI's services.

Mr Azhar Hamed responded to the question and said that the contract workers are covered under the EOBI's Act. Even if the organization do not register them directly and do it through a third-party contractor then its ultimately the responsibility of the organization. Those contractors that are registered with us if do not pay for it then the organization will be responsible in this case too. Thus, all the contract workers even the daily wagers are covered under EOBI.