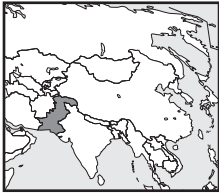


PAKISTAN

Social security remains a distant reality for most



Pension and retirement savings schemes are few in number and underutilized, because the majority of workers are not salaried employees, but rather self-employed. Although the two-tiered health care system includes a public system, it is poorly funded and faced with severe shortages. There is no public support system for children and adolescents, many of whom are victims of child labour. The growth of the informal economy has led to declining tax revenues and greater poverty and insecurity for workers.

Indus Development Foundation
Aijaz A. Qureshi

A highly limited pension system

In Pakistan the only existing pension scheme is exclusively for public sector employees. The government workers covered by the scheme can retire at the age of 60 and receive a pension for the remainder of their lives. In the event that the beneficiary dies before reaching retirement age, the pension is passed on to the family. In some cases, the children of old age and survivor's pension recipients have their education costs covered up to the college level.

Some companies also offer pension schemes in which the employer and employee each contribute a certain percentage of the worker's salary to an account on a monthly basis. When the worker retires, the accumulated contributions plus the interest earned on them are paid out in a lump sum.

The current pension system was developed at the time Pakistan became an independent country in 1947. This system emanates from the days of British rule over the Indian sub-continent (of which Pakistan formed part) which lasted close to a century.

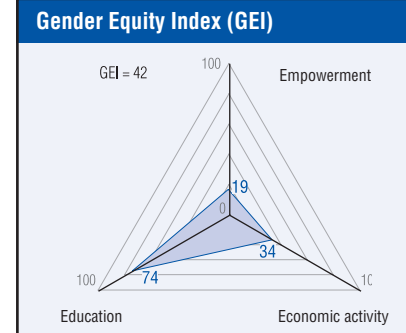
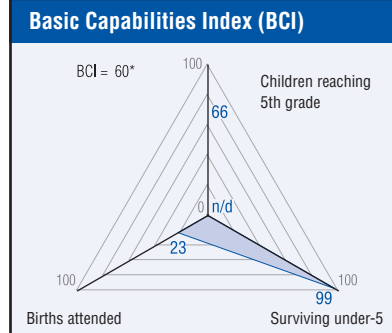
The retirement savings tools currently available are not many in number, and even the few that exist are underutilized. The reason for this is the fact that the majority of workers are not salaried employees, but rather self-employed. As a result, the concept of a regular income is a distant reality for the working population, and so is the possibility of a pension scheme.

The majority of the country's population lives below the poverty line, and the elderly typically live with the younger generations of their families. They have few opportunities for employment, and depend on their children not only for food, but for medicines and other basic needs.

The government has recently attempted to introduce voluntary pension schemes for the future generations. In the words of the government, it is essential to promote long-term savings by the younger generations, especially since pensions have not only a social impact but an economic impact as well.

Privatization continues despite public protest

The privatization process began in the 1980s, and more than 100 privatizations have taken place in the past 15 years. The majority of them have involved



small productive units which were sold to a handful of private enterprises. With no full legal coverage or support, many of them collapsed, leaving thousands of workers in the lurch.

Successive governments have shown interest in selling off major enterprises such as banks, electric supply corporations and steel mills. There has been considerable anti-privatization mobilization, with demonstrations taking place throughout the country, but in spite of this, the privatization process has been accelerated since 1999. Even so, the International Monetary Fund (IMF) has expressed concern over the purported slowness of the privatization process.

In 2005, despite widespread public opposition, the auctioning off of state-operated companies was nonetheless put into practice, and even progressed to the actual transfer of ownership. The greatest public concern arose over the auctioning of the country's steel mills, and following a petition filed in the Supreme Court of Pakistan, the auction was deferred.

However, another of the country's biggest public companies, the Karachi Electric Supply Corporation (KESC), was successfully privatized in 2005, and this has created considerable problems with regard to power supply to this important provincial capital (which is also the country's largest city).

The auction of KESC had initially been planned for 2004, but eventually took place in February 2005, when 73% of the company's stock was successfully bid on by a joint venture formed by the Kanooz Al Watan Group of Saudi Arabia and Siemens Pakistan.

The successful bid was in the amount of PKR 20.24 billion (USD 336.2 million). However, the sale was cancelled when payment did not arrive by the established deadline, and the privatization of the company was postponed once again. On 22 August 2005, Hassan Associates, the second highest bidder at the first auction, agreed to pay PKR 20.24 billion, and on 29 November, KESC was transferred to a joint venture formed by Hassan Associates and the Al-Jomaih Holding Company of Saudi Arabia.

Meanwhile, in June 2005, 26% of the stock of the state-owned Pakistan Telecommunications Company Limited (PTCL) was put up for auction. This represented the largest transaction ever in terms of the monetary amount involved. The auction had originally been planned for 10 June, but had to be postponed until 18 June because of the opposition raised by the trade union representing the PTCL workers. A company from the United Arab Emirates, Etisalat, put up the winning bid, offering PKR 155.16 billion (USD 2.58 billion) for 26% of PTCL stock and management rights. Once again, however, payment was not made on time due to an impasse in negotiations following the auction. On 29 October, the government's Privatization Committee announced that the privatization process would start afresh. In the end, the pending issues were resolved and Etisalat successfully completed its purchase of a 26% stake in PTCL on 12 March 2006.

Public health system still inaccessible for the very poor

Pakistan has a two-tiered health care system, comprising a public system made up of government hospitals (known as Civil Hospitals), Basic Health Units and Rural Health Centres, and a private system,

* One of the BCI components was imputed based on data from countries of a similar level.

which includes large privately owned hospitals. The public health system is markedly inferior to the private system due to the lack of state funds allocated to the health sector – a mere 0.4% of GDP – and poor management.

Successive governments have launched a variety of health campaigns and expanded immunization programmes with the goal of eradicating the most prevalent infectious diseases, such as malaria and tuberculosis. Over the past 60 years, innumerable health sector slogans have been trumpeted, including Health For All By 2000. The results achieved, however, have been minimal.

Pakistan is a poor country, where roughly a third of the population lives below the poverty line. The incidence of poverty is even greater in rural areas. Despite the existence of a public health system, even the government-run hospitals charge fees from their patients. For their part, the private hospitals charge exorbitant fees that very few can afford.

The public health sector also faces severe shortages of trained personnel. There is only one doctor for every 1,254 people, one dentist for every 20,839, and one nurse for every 2,671.¹ Doctors in public hospitals are also required to work longer hours than those employed in private hospitals. To make matters worse, there has been a ban on the recruitment of doctors for several years, which has made the situation even more critical.

As a consequence, the country's alarming health indicators come as no surprise. For every 1,000 babies born in Pakistan, 70 of them die as newborns and 60 mothers die during childbirth. Meanwhile, the majority of deaths among children are due to curable and preventable diseases.

No public support for children and adolescents

Despite the great need, there is no established public support system for children and adolescents. A small number of private organizations working on humanitarian grounds have established centres to provide support for children and youth. In many cases, the young people they serve are given some form of employment training and prepared for work in the private sector in the large cities. Other centres provide care for children and adolescents who have lost their parents.

The largest of all the private humanitarian organizations working in Pakistan is the Edhi Welfare Centre, which has its head office and various centres in Karachi, the capital city of Sindh province.

The government has recently begun to publicly address the idea of establishing schemes for adolescents. There are teenagers and even younger children who are poor, orphans or runaways working

TABLE 1. Basic indicators

Total population (thousands), 2004	154,794
Adult literacy rate (% ages 15 and older), 2004	49.9
GDP per capita (PPP USD), 2004	2,225
Life expectancy at birth (years), 2000-2005	62.9
People undernourished (% of total population), 2001-2003	23
Population without sustainable access to an improved water source (%), 2004	9
Probability at birth of not surviving to age 60 (% of cohort), 2000-2005	28.3
Urban population (% of total), 2004	34.5
Population under age 15 (% of total), 2004	38.9
Population ages 65 and older (% of total), 2004	3.8
Ratio of estimated female to male earned income	0.29

Source: UNDP, Human Development Report 2006.

in factories and brick kilns, with no legal or official protection of any kind.

A few private organizations and semi-government organizations have established micro-credit systems for youth which have begun to achieve positive results, but so far these are negligible.

Growing informal economy means more poverty, less security

Since 1973, the informal sector of the economy has been growing at a faster rate than in previous years. There has been a clearly marked relationship between the expansion of the informal economy and tax evasion, and the rapid growth of the informal sector is a major reason for the budget deficit, given the decline in tax revenue income.

At the same time, government expenditure has grown in line with the overall growth of the economy – in the formal and informal sectors combined – because although the informal economy generates losses in tax revenues, it increases the demand for public services, thus further exacerbating the budget deficit.

The money sent home by emigrant workers also forms part of the informal economy, since most of these remittances are not accounted for and taxed.

The other face of the informal economy is the child labour which is used in coal mines, tanneries, brick kilns, carpet factories, deep sea fishing, rag picking and other dangerous occupations.

The growth in the informal economy has also led to a rise in poverty. There is no government support for people working in the informal sector, who are totally deprived of the protection of any kind of legal instruments.

Millions of Afghan refugees

In recent decades, Pakistan has been a major destination country for asylum seekers. Millions of people immigrated here from Afghanistan during mid-1980s as a result of the Afghan war. The US government provided considerable resources for the reception and settlement of Afghan refugees, who gradually scattered throughout various regions and cities around the country. The government has given them full protection.

Besides the Afghan refugees, people from various South Asian and Asian-Pacific countries have immigrated to Pakistan. Because the country is not a signatory of the 1951 UN Convention relating to the Status of Refugees, there is no legal system to ensure that the principles of the UN High Commission on Refugees are followed in the treatment of asylum seekers. There has recently been a decline in the number of immigrants due to the political changes in countries like Afghanistan, Iran and Iraq.

On the other hand, sizeable numbers of Pakistanis have also gone abroad, above all to the United States, the United Kingdom and other developed European countries. While many emigrate for economic reasons, some have left the country because of the political situation. ■

¹ <server.kbri-islamabad.go.id/index.php?option=com_content&task=view&id=613&Itemid=46>