



**EMPLOYERS'  
FEDERATION  
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**International  
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Organization**

# **A Business Case for Employers' Investment in Social Security in Sindh**

**Prepared by  
Employers' Federation of Pakistan**

**SOCIAL SECURITY  
BENEFITS**

Name	Age	Date	Location
Occupation	Address	Zip	
Note your idea			Order



## Table of Contents

<b>Introduction .....</b>	<b>5</b>
<b>Objective of the Research.....</b>	<b>5</b>
<b>Methodology .....</b>	<b>6</b>
<b>CHAPTER I.....</b>	<b>7</b>
<b>Social Security and International Labour Standards .....</b>	<b>7</b>
<b>Definition of Social Security.....</b>	<b>7</b>
<b>International Labour Standards on Social Security.....</b>	<b>7</b>
<b>CHAPTER II .....</b>	<b>9</b>
<b>Social Security Law in Pakistan &amp; SESSI ACT 2016.....</b>	<b>9</b>
<b>Social Security Law in Pakistan .....</b>	<b>9</b>
<b>Main Features of SESSI Act 2016 .....</b>	<b>9</b>
<b>SESSI STRUCTURE AND COMPLIANCE .....</b>	<b>11</b>
<b>Chapter III.....</b>	<b>13</b>
<b>Theories of Return on Social Investment.....</b>	<b>13</b>
<b>Chapter IV .....</b>	<b>14</b>
<b>Employers Testimonies based on survey of EFP Member organization seeking their feedback on SESSI.....</b>	<b>14</b>
<b>1. Survey Based Employers’ Testimonies.....</b>	<b>14</b>
<b>2. Analysis of Employers’ Testimonies .....</b>	<b>24</b>
<b>Chapter V.....</b>	<b>25</b>
<b>Findings of Returns on Investment in Social Security .....</b>	<b>25</b>
<b>Conclusion.....</b>	<b>30</b>
<b>Way Forward.....</b>	<b>31</b>



## **Introduction**

The establishment of systems of social insurance in the early 1900s, their subsequent development into generalizes systems of social security, and their more recent revolution into nearly universal system of social protection have been among the central features of social development in the 20<sup>th</sup> Century. The International Labour Organization since its beginning in 1919 has actively supported and promoted this process. The progress has also been made possible by the strong economic growth of the past 100 years, the consolidation of participatory democracies and the development of effective international and domestic public institutions which provided the framework for these social programs.

The improvement of social protection system in Pakistan including mandatory social insurance has been the focus of Government policies. The Federal and Provincial Social Security Laws apply to workers employed in Industrial sector and makes it mandatory for employers to pay social security contribution to the employee's social security intuitions established by Government. In return workers are entitled to medical and cash benefits including sick leave, maternity allowance, pensions, death allowance and compensation for work related accidents and occupational diseases. Out of 10.6 Million workers in the formal sector only 1.7 Million workers are covered under the Provincial ESSIs.

There is dearth of research work on the social security schemes in Pakistan. There is hardly any evidence available on the implications of social security on performance of enterprises. A strong need is felt for a research to find out whether social security compliance has any return for employers and whether or not a business case can be built to incentivize enterprises to register their workers with social security in order to get benefits that can result into business sustainability.

It is generally assumed that companies with better working conditions have better productivity but there is a lack of research to prove that social security coverage contributes to increased enterprise productivity. It is in this background that the current study is being undertaken to build a business case for employers' investment in Social security benefits particularly employment injury in the Pakistani context.

## **Objective of the Research**

The objective of this research will be to study the impact of social security benefits on enterprise performance in the Province of Sindh. An attempt will be made to determine return to employers for paying social security coverage of workers.

The research will have two components:

- i. Quantitative
- ii. Qualitative

The quantitative component will focus on generating empirical evidence on savings from prevention of litigation, reputational damages, bankruptcies etc.

The qualitative component will include descriptive information on the satisfaction level of employers and workers with the social security framework currently available in the Province of Sindh.

The overall focus of research will be to highlight a business case in favor of all against current social security benefits by the enterprises.

## **Methodology**

The methodology includes desk review and collection of information from enterprises through a questionnaire survey and telephonic interviews. The companies have been randomly selected for questionnaire survey and telephonic interviews. Attempts have been made to seek records of employers on expenditures related to health and employment injury benefits. Interviews with Provincial SESSI officials were also held. Brief case studies have been presented to support the findings of the study and its analysis.

For the purpose of research, the study has been spread over the following four Chapters:

### Chapter I

Social Security and International Labour Standards

### CHAPTER II

Social Security Law in Pakistan & SESSI ACT 2016

### Chapter III

Theories on Return on Social Investment

### Chapter IV

Employers Testimonies based on survey of EFP Member organization seeking their feedback on SESSI

### Chapter V

Findings of Returns on Investment in Social Security

# **CHAPTER I**

## **Social Security and International Labour Standards**

### **Definition of Social Security**

Social security is the result achieved by a comprehensive and successful series of measures for protecting the public from the economic distress that, in the absence of such measures could be caused by the stoppage of earnings in sickness, unemployment or old age and after death; for making available to the same public medical care as needed and for subsidizing families bringing up young children.

This is the definition implicit in the ILO Convention C102 namely social security (Minimum standard convention 1952).

### **International Labour Standards on Social Security**

The following Seven Conventions have been adopted by ILO;

- i. Social Security Minimum Standards Convention 1952 (No. 102)
- ii. Employment Benefit Convention 1964 (No. 121)
- iii. Invalidity and Survivors Benefit Convention 1967 (No. 128)
- iv. Medical Care and Sickness Benefits Convention 1959 (No. 130)
- v. Employment promotion and protection against Unemployment Convention 1988 (No. 168)
- vi. Maternity Protection Convention 2000 (No. 183)
- vii. Equality of Treatment Social Security Convention 1962 (No. 118)
- viii. Pakistan has only ratified ILO Convention No. 118 related to Equality of Treatment (Social Security) Convention, 1962.

These Conventions on social protection indicate the general standards in the instruments which include contingencies to be covered, persons to be protected, benefit level and financing.

The ILO Convention 102 is the flagship of all Social Security Conventions which define the nine classical branches of Social Security (Medical Care, Sickness Benefit, Unemployment Benefit, Old Age Benefit, Employment Injury Benefit, Family Benefit, Maternity Benefit, Invalidity Benefit, Survivors Benefit).

While setting minimum standard for each, it provides that it is the general responsibility of the state for the due provision of benefits and the proper administration of the institutions and services concerned in securing the provision of the benefits.

## **CHAPTER II**

### **Social Security Law in Pakistan & SESSI ACT 2016**

#### **Social Security Law in Pakistan**

The major law on social security is the Provincial Employees Social Security Ordinance 1965 which was promulgated on 17th May 1965.

The objective of this law, according to its preamble is to introduce a Scheme of Social Security for providing the benefits to certain employees or their dependants in the event of sickness, maternity, employment, injury or death and for matters ancillary thereto.

Ever since its promulgation as a federal law many amendments have been made in this enactment.

After devolution of labour to the Provinces, as a result of 18th Constitutional Amendment, the Federal Law remained a valid law applicable in all the Provinces.

Any amendment in the Law could be made only by the Provinces through provincial assembly.

Sindh is the only province which promulgated Sindh Employee Social Security Act 2016 whereas other Provinces retained the provisions of PESSO 1965.

#### **Main Features of SESSI Act 2016**

SESSI Act 2016 was promulgated on 12<sup>th</sup> April 2016. It applies only to such areas, classes of persons, industries or establishments, from such date or dates and with regards to provisions of such benefits which the Government may by notification specify in this behalf.

“Employer” means the owner of the industry, business, undertaking or establishment in which an employee works and includes any agent, manager or representative of the owner;

“Employee” means any person to do any skilled or unskilled, supervisory, clerical, manual or other work under a contract of service or apprenticeship, but does not include persons in the service of the state, armed forces, police force, railways, defence organizations etc. and any person employed on wages exceeding the wages determined by the government under Section 75.

Provided that an employee shall not cease to be an employee for the reason that his monthly wages exceed the wages determined under section 75;

The general direction and superintendence of the affairs of institution shall be managed by Governing Body comprising of 10 members out of which 8 persons will represent employers and secured persons (4 each) and 2 representing government.

The employer shall pay to the institution in respect of every employee a contribution at the rate 6% provided that no contribution shall be payable on so much of an employee's wages as determined by the Government under section (71).

Wages means remuneration for service paid or payable to a secured person not being less than remuneration based on the minimum rate of wages declared under the Minimum Wages Ordinance 1961.

Under Section 21 of the act an employer may opt for the Self-Assessment Scheme. Under section 2 (27) Self-Assessment Scheme means a scheme of social security benefits, effective from the 1 July, 2001, with no intervention through checking by any staff member of the Institution, in respect of employees secured under this Act and the employer undertakes to pay a contribution in respect of them at the fixed rate of six percent of the lower wage limit determined under section 75 per month per secured employee;

The benefits provided under the law includes (a) sickness benefits (b) maternity benefits (c) death grant (d) medical care during sickness and maternity (e) medical care of dependants (f) injury benefits (g) disablement pension (h) disablement gratuity (i) Survivor's pension (j) medical care in case of employment injury.

Every employer of a domestic servant shall be liable to provide at his own cost to the domestic servant medical care to the extent mentioned in section 75 which defines the extent of medical care.

If any complain, question or dispute arises, the matter shall be decided by the institution by notifying decision in writing giving reasons for the decision, provided that the question or dispute relates to demand or assessment of social security contribution, the complainant shall deposit 25% of the demand or assessment to the institution.

Any person aggrieved by a decision of the institution may appeal to the appropriate Social Security Court.

The Governing Body shall review the wage limit and the rates of contribution and benefit provided under this ordinance in the light of any changes in wage levels or living cost.

The Government may after considering the report and recommendation of the Governing Body, enhance or reduce the wage limit or the rates of benefits payable under this ordinance.

No employer shall dismiss, discharge or reduce or otherwise punish an employee during the period in which the employee is in receipt of sickness benefit, maternity benefit, injury benefit or medical care. No notice of dismissal or discharge or reduction given to an employee during the above period shall be valid or operative.

Any official of the Institution may require employer to furnish to him information, enter any establishment at any reasonable time for checking of records.

If an employer fails to maintain record or to submit return, the contribution shall be assessed on the basis of such evidence as the institution may find at the factory for this purpose.

The number of annual inspections shall be restricted to only one which shall be notified to the establishment in advance and shall at the maximum be restricted to last two years.

If any employer fails to pay the contributions payable by him under section 20, the amount so payable shall be increased but in case shall such increase exceed 50% of the amount due. The amount of contribution due, together with the increase may be recovered as arrears of land revenue

## **SESSI STRUCTURE AND COMPLIANCE**

### **Break Down of Secured Employees and ESSI Staff in the Provinces**

The following table gives a broad idea of number of secured organizations, secured employees and ESSI staff in all the four Provinces of Pakistan.

<b>Categories</b>	<b>Punjab</b>	<b>Sindh</b>	<b>KP</b>	<b>Balochistan</b>
<b>Total Staff</b>	8,260	2,249	865	307
<b>Paramedical Staff</b>	6,857	1261	783	36
<b>Admin Staff</b>	1,196	790	27	36
<b>Inspection Staff</b>	207	198	55	36
<b>Secured Organizations</b>	80,703	19,497	6,290	327
<b># of Orgs. (per Inspector)</b>	390	98	114	9
<b>Secured Employees</b>	1,055,058	638231	102,395	15,410
<b>Secured Employees Vs Orgs.</b>	8%	3%	6%	2%

*Reference: An ILO research on Social Security*

The numbers and figures were collected during assessment study (2020),

the actual number may be collected from respective ESSIs.

### Social Security Coverage Vs Total Population & the Formal Sector

The following table shows the social security coverage as compared to total population and total formal sector's worker eligible for social security:

Province	Population (million)	Employed Persons (million)	Total Formal Sector Workers		ESSI Coverage (data as of Oct 2020) (B)	% covered (B/A)
			Employed	Eligible for SS (A)		
KP (<=17,500)	31m	07m	1,050,814	310,345	102,395	33%
Punjab (<=22,000)	114m	37m	5,658,316	3,379,454	1,055,058	31%
Sindh (<=22,500)	50m	14m	3,070,859	1,513,319	638,231	42%
Baluchistan (<=15,000)	10m	2.5m	491,028	76,528	15,410	20%
<b>Total</b>	205m	60.5m	10,271,017	5,279,646	1,811,094	34%

*Reference: An ILO research on Social Security*

The above tables indicate that in the Province of Sindh 638,231 employees from 19,497 organizations are covered under social security

The number of workers covered under Social Security in Sindh are only 42% of total formal sector workers eligible for social security. Thus, there is a wide gap between the employees covered as compared to those eligible under social security.

The reason may be attributed to lack of interest of organizations in the social protection provided by SESSI or the lack of workers' interest in deriving benefits from the services provided by SESSI.

## Chapter III

### Theories of Return on Social Investment

*The following theories of Return on Social Investment are relevant to be considered in the context of social security:*

**Resource Based Theory:** According to the resource-based view, superior financial performance may be a result of management treating its employees as valuable assets (Barney, 1991). This view emphasizes the development, use and protection of existing competencies, thus pointing to potential gains associated with protecting the workforce.

**Social equity theory:** the social setting and effective coordination among workers and between management and workers explains improvements in productivity (Buchele and Christiansen, 1999).

**Human Resource-Based View:** It identifies three broad categories of practices:

A) empowerment enhancing B) Motivation Enhancing C) Skill Enhancing

Motivation-enhancing practices such as provision of health care and other employee benefits, performance-linked pay, and incentive plans have been found to affect business outcomes through higher effort levels as employees are adequately rewarded for their performance (Stajkovic and Luthans, 2003.)

Social security provision thus belongs to the “motivation-enhancing practices”, and may play an important role in terms of improved firm performance. Evidence in this regard has however been limited mostly to industrialized countries (Subramony, 2009; Coucher et al., 2014).

Pakistan provides an interesting case for studying impact of social protection on enterprise performance. The Social Security Act has been envisaged to introduce the Scheme of Social Security to a limited fraction of formal workers in the industrial sector and provides benefit to certain employees and their dependants in the event of sickness, maternity, employment injury, death etc.

Social Security Scheme, implemented in its true spirit with the quantity and quality of services promised in the Law, would produce model enterprises demonstrating positive impact of employees’ social protection on enterprise performance.

Pakistan is the only country where the Law provides a bundle of around 10 benefits to secured employees in return for a modest contribution from the employers who secure their employees under the Law.

## Chapter IV

### Employers Testimonies based on survey of EFP Member organization seeking their feedback on SESSI

#### 1. Survey Based Employers' Testimonies

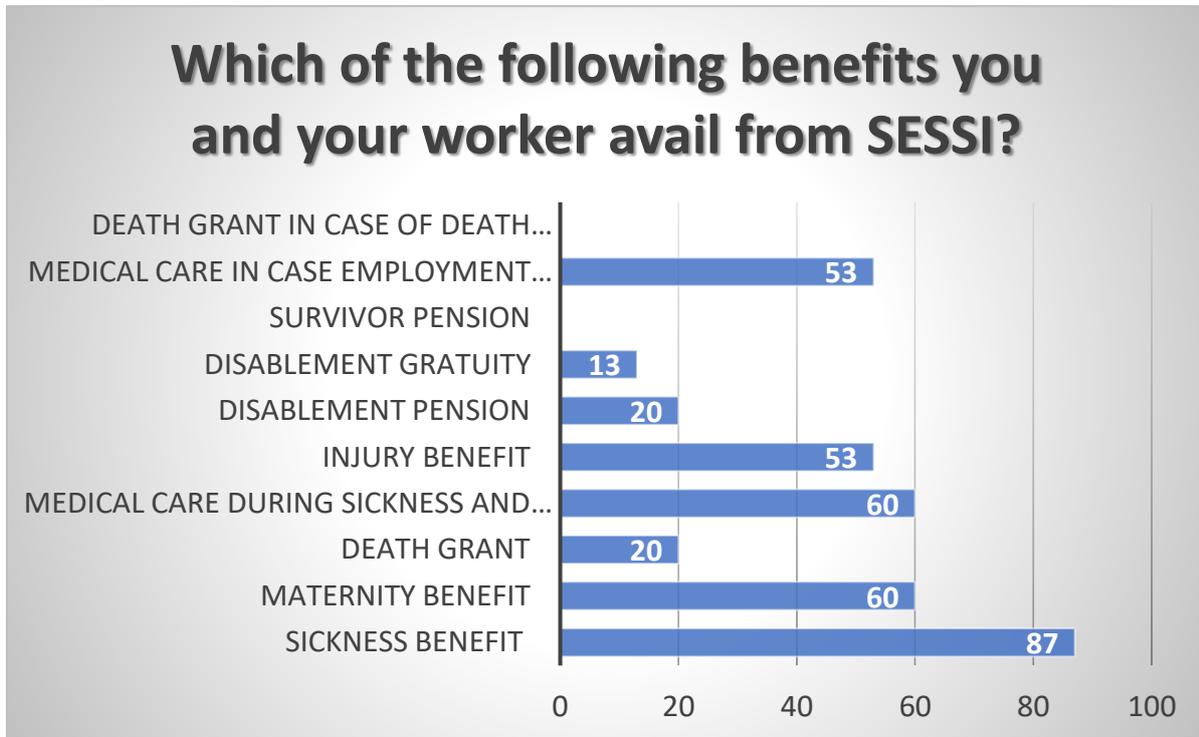
Employers' Federation of Pakistan conducted a survey of 50 plus member organizations seeking their feedback on SESSI and its services. Some of the findings from this Survey which are given below speak loud and clear about their testimonies:

##### i. Response to question on SESSI Benefits

*The followings were the response to the question as to the SESSI benefit availed by their workers:*

BENEFITS	UTILIZATION PERCENTAGE
Sickness Benefit	87%
Maternity Benefit	60%
Death Grant	20%
Medical Care during sickness and maternity	60%
Injury Benefit	53%
Disablement Pension	20%
Disablement Gratuity	13%
Survivor Pension	-
Medical Care in case employment injury	53%
Death Grant in case of death while in receipt of injury benefit or total disablement pension	-

Graphical representation of response to the Question:

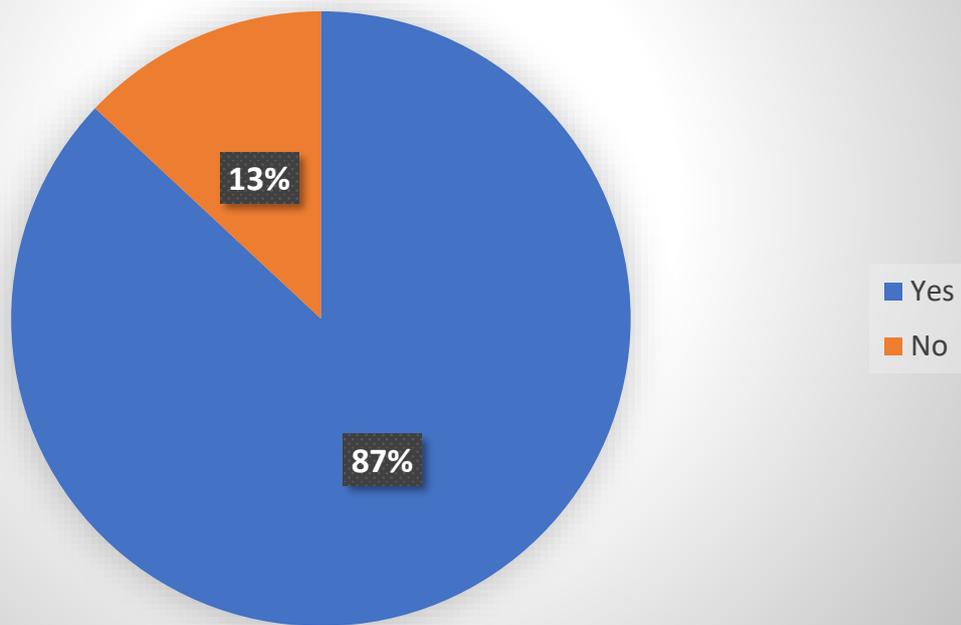


#### **Observatory Note**

- More Than 50% of the Respondent Companies availed Sickness Benefits, Maternity Benefit & Medical Care During Sickness, Maternity and Employment Injury.
- The most availed benefits (87% of the respondents) is the sickness benefit.
- The above statement has two implications:
  - I. Company saves substantial amount of money which it would have otherwise incurred on account of payment to its workers for high rate of sickness, maternity cases & Medical Care
  - II. The sickness benefit is easy to avail by the workers and therefore contributes to high absenteeism.

ii. Response to Question on Additional Benefits

**Do you provide additional benefits to employees in addition to benefits provided by SESSI?**

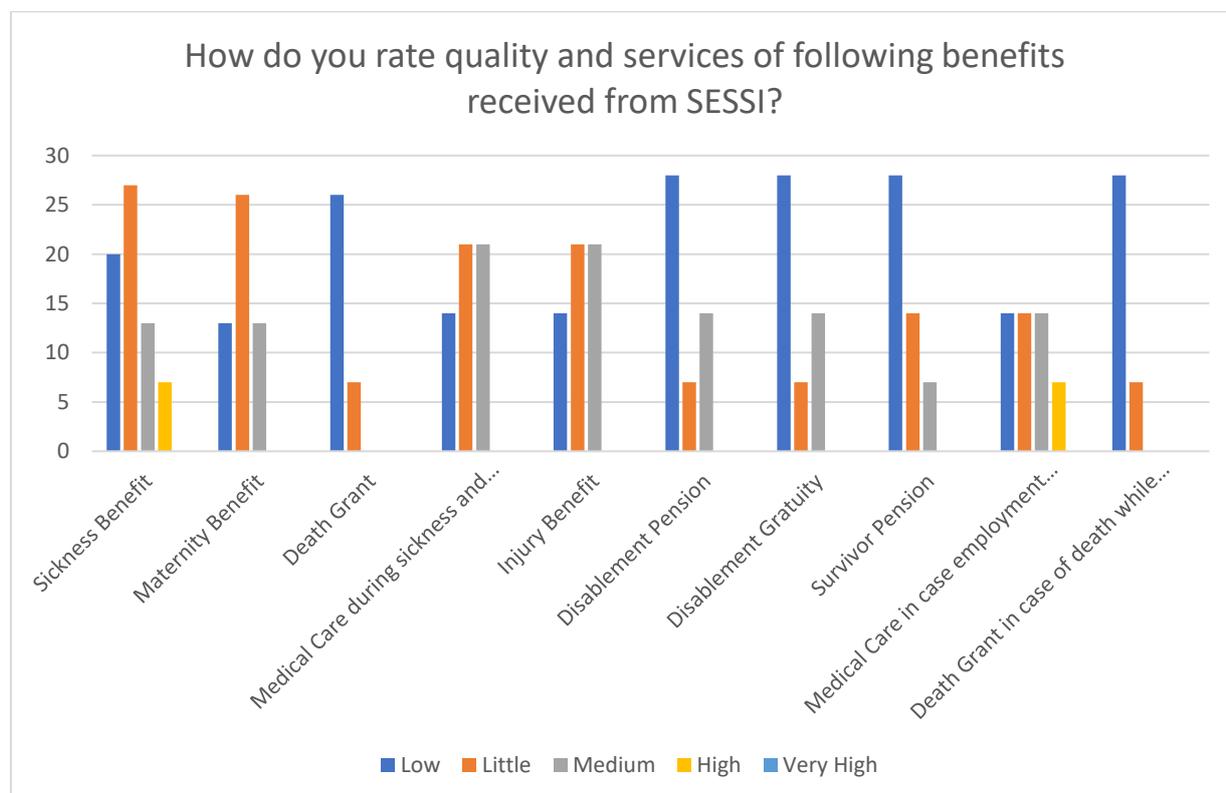


**Observatory Note**

- 87% of the enterprises indicated that they provide benefits to employees in addition to SESSI benefit.
- 13% of the enterprises indicated that they provided additional benefits due to unsatisfactory services from SESSI.
- One of the member organizations (hospital) employing 2,800 secured employees (all registered in social security) paying monthly contribution of Rs. 3 Million informed that only 3 of their employees were availing social security benefit and that is for their Dependant parents.
- The above reflection on social security performance is alarming.

### iii. Response to Question on Rating of SESSI Quality of Service

SESSI Benefits	Poor	Below Average	Average	High	Very High
Sickness Benefit	20	27	13	7	-
Maternity Benefit	13	26	13	-	-
Death Grant	26	7	-	-	-
Medical Care during sickness and maternity	14	21	21	-	-
Injury Benefit	14	21	21	-	-
Disablement Pension	28	7	14	-	-
Disablement Gratuity	28	7	14	-	-
Survivor Pension	28	14	7	-	-
Medical Care in case employment injury	14	14	14	7	-
Death Grant while receiving benefit	28	7	-	-	-

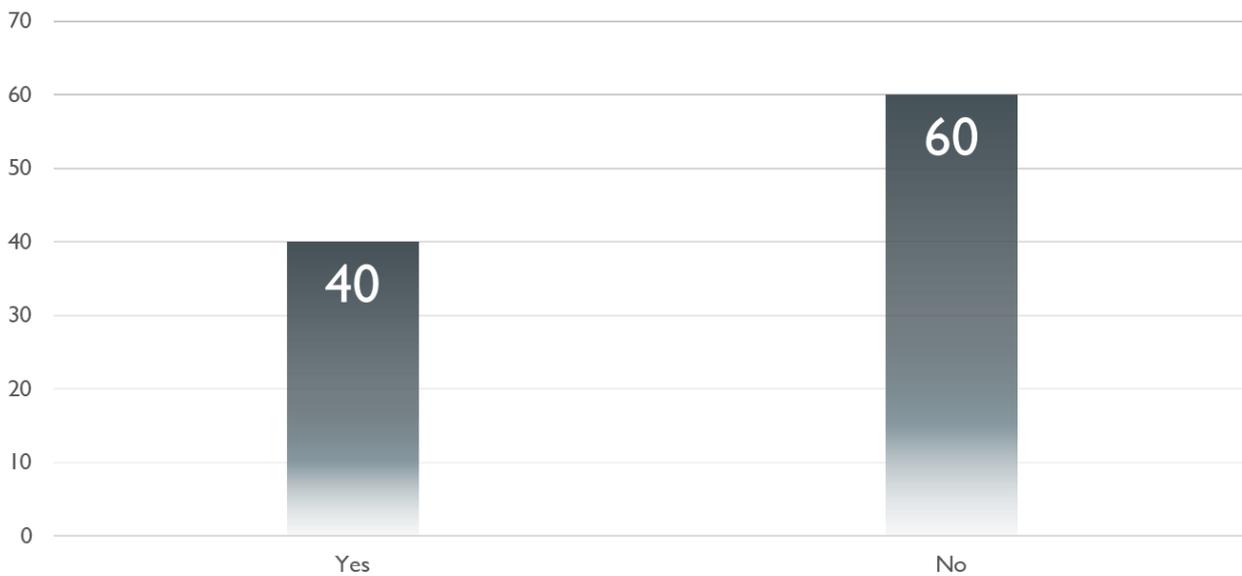


### Observatory Note

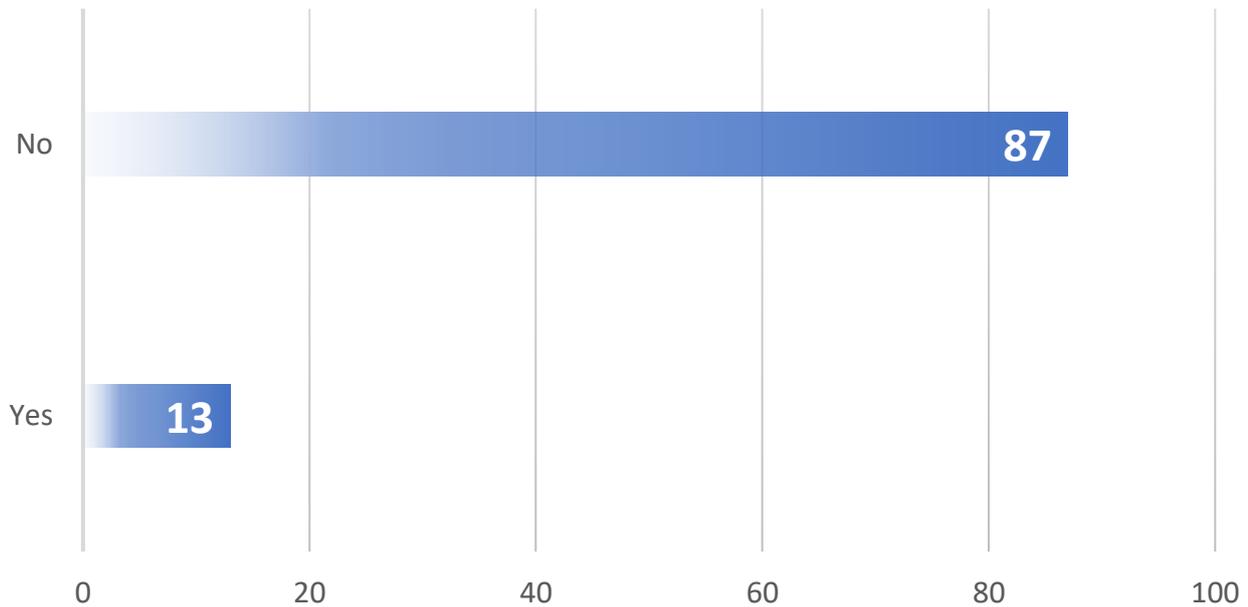
- 21% of the organizations indicate average to high percentage of satisfaction from quality of service provided by SESSI in terms of sickness benefit, injury benefit and medical care during sickness, maternity and employment injury.
- The percentage of satisfaction level in terms of SESSI quality of service needs to be substantially improved so that organizations may be attracted favorably towards social security coverage.

#### iv. Response to Question on Employment Injury Benefit & Workers Satisfaction

### DID SOME OF YOUR EMPLOYEES GET EMPLOYMENT INJURY BENEFITS (LAST 2 YEARS)?



## ARE YOUR WORKERS SATISFIED WITH THE BENEFITS OFFERED BY SESSI?



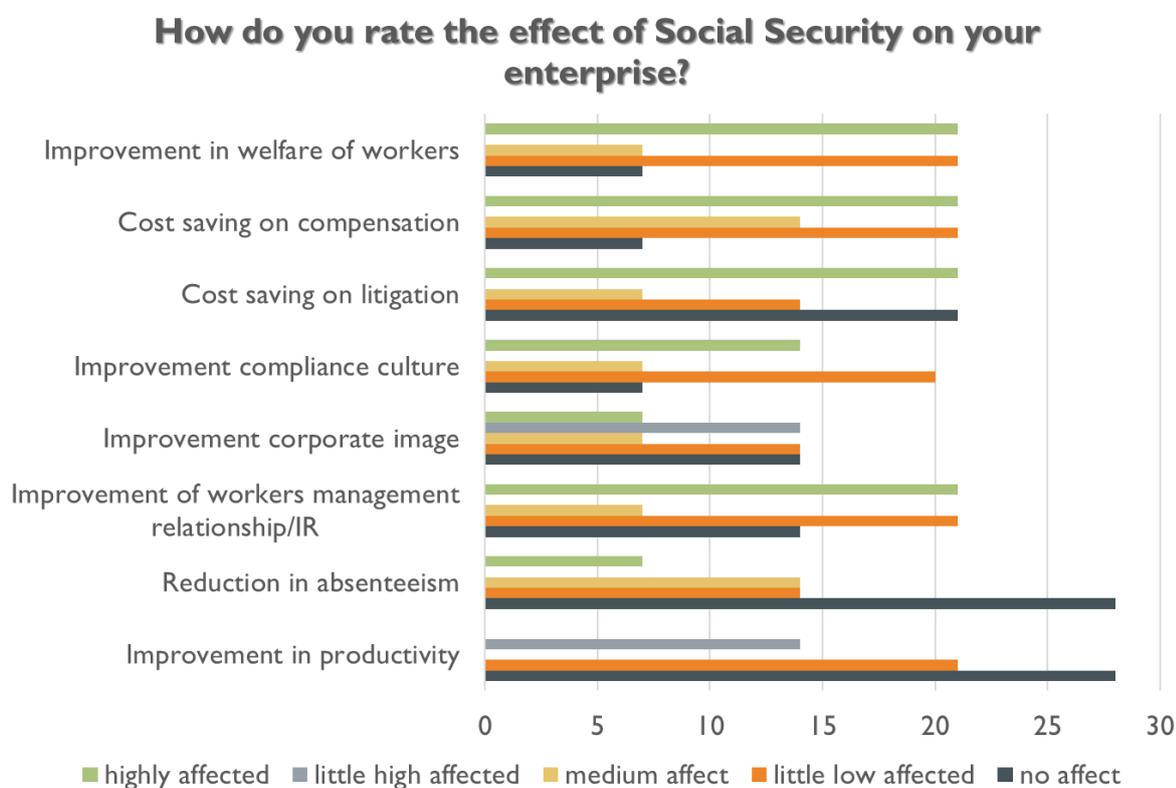
### Observatory Note

- 40% of the Enterprises indicated that their workers availed employment injury benefit in the last 2 years.
- 13% of the enterprises indicated that their workers were satisfied with benefits provided by SESSI.
- Both the areas demand substantive improvement in the facilities, processes, procedure documentation etc. which can make the social security institution attractive to the organization and their workers.

**v. Response to Question on Rating the Effect of Social Security on Enterprises**

Areas of Impact	No Impact	Low Impact	Some Impact	High Impact	Very High Impact
Improvement in productivity	28	21	-	14	-
Reduction in absenteeism	28	14	14	-	7
Improvement of workers management relationship/IR	14	21	7	-	21
Improvement corporate image	14	14	7	14	7
Improvement compliance culture	7	20	7	-	14
Cost saving on litigation	21	14	7	-	21
Cost saving on compensation	7	21	14	-	21
Improvement in welfare of workers	7	21	7	-	21

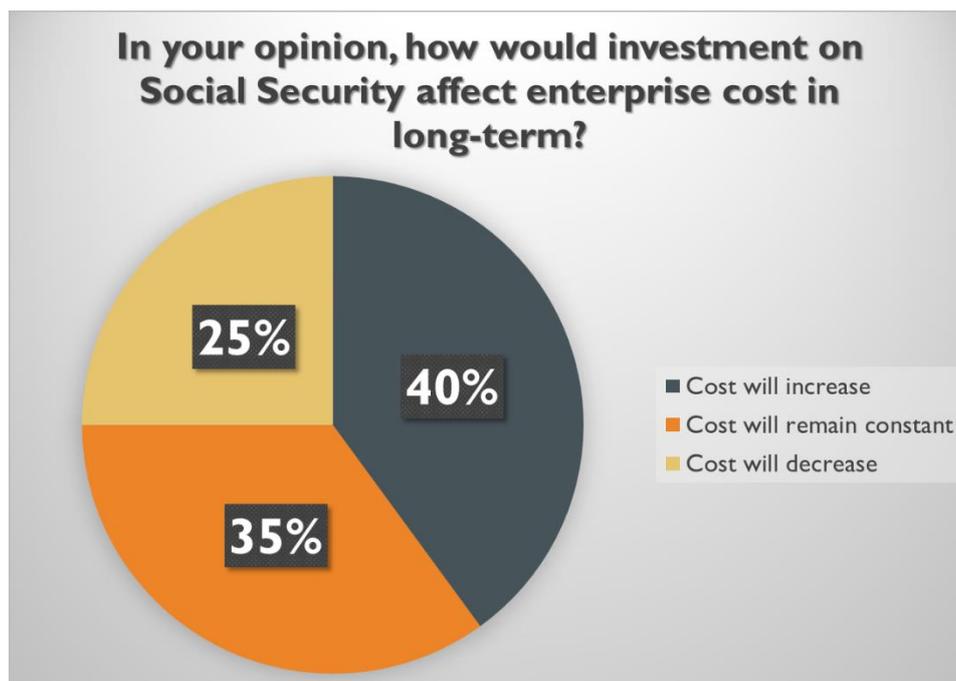
**Graphical Representation of Response to Question on Rating the Effect of Social Security on Enterprises**



### Observatory Note

- 21% of the Organizations have indicated that the impact of Social Security Benefits ranges from high to very high in terms of improvement of workers management relationship/ IR, improved corporate image, cost saving on litigation, cost saving on compensation and improvement in welfare of workers.
- 49% of the enterprises indicate that there is low or no impact on improvement in productivity.
- 42% of the enterprises indicate that social security has low or no impact on reducing absenteeism
- The above responses on the one hand show positive impact of social security in terms of corporate image building, Industrial Relations Management, employee welfare and litigation cost while on the other hand social security has no impact on improving productivity and absenteeism. As such there is a need for practices which can help in enhancing the employee motivation and enterprise performance.

#### vi. Response to the Question about Effects of Investment on Social Security on Enterprise Cost in The Long Term



### **Observatory Note**

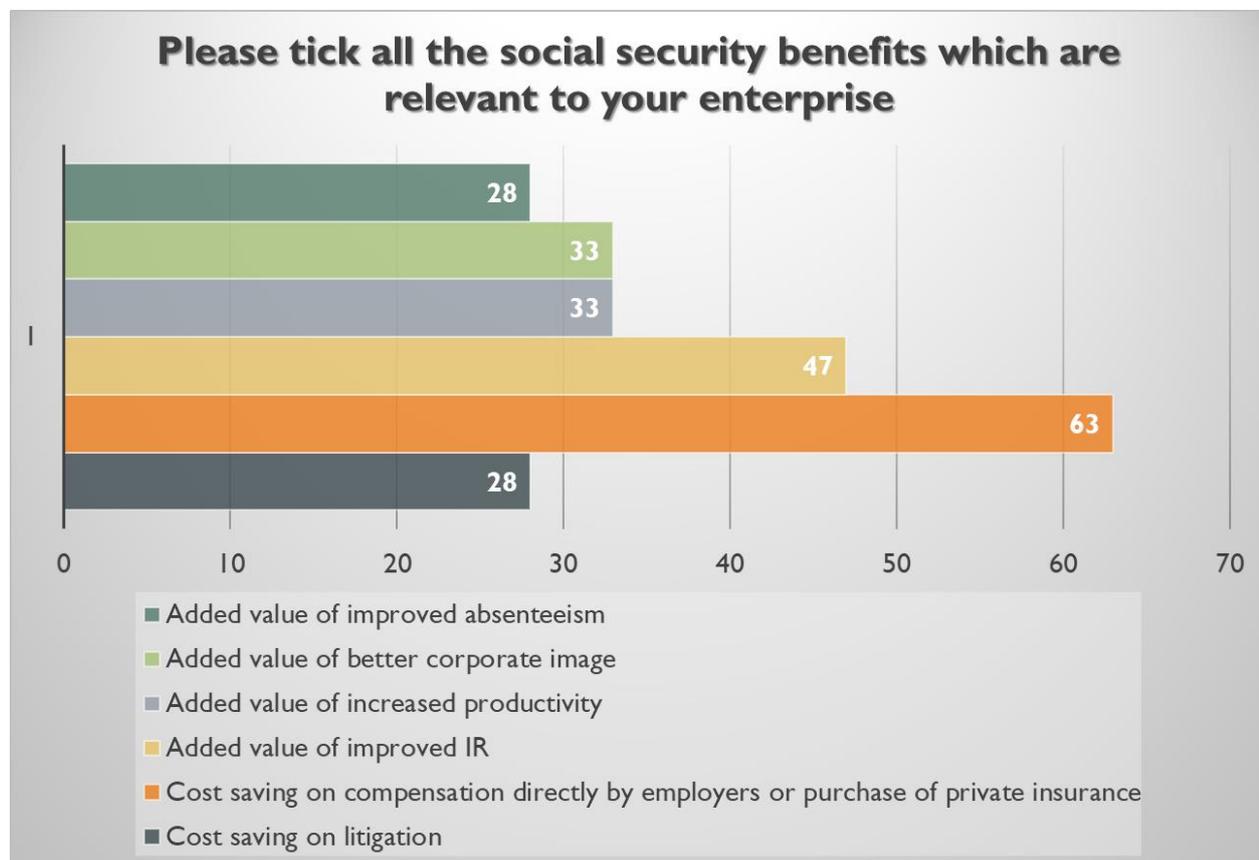
- 25% of the enterprises indicated that their cost will decrease as a result of investment on social security.
- 35% of the enterprises indicated that cost will remain same.
- Thus 60% of the Enterprises are of the opinion that their cost will either decrease or will remain constant as a result of investment in social security.
- 40% of the enterprises however indicated that their cost will increase because they have to incur additional expenses over and above investment in social security scheme on health and injury insurances since the benefits received from social security are not satisfactory.

#### **vii. Response to Question Regarding Relevance of Social Security Benefits to the Enterprise**

*In response to the question regarding how much social security benefits were relevant to the enterprise, the following responses received are summarized in percentages:*

<b>Relevant Areas</b>	<b>Response in Percentage</b>
Cost saving on litigation	28
Cost saving on compensation directly by employers or purchase of private insurance	63
Added value of improved IR	47
Added value of increased productivity	33
Added value of better corporate image	33
Added value of improved absenteeism	28

## Graphical Representation of Response to Question Regarding relevancy of Social Security Benefits to the Enterprise



### Observatory Note

- 63% of the responding companies indicate that social security benefits are relevant to them because they save cost on account of direct compensation or purchase of private health insurance.
- 47% of the respondents find the benefits relevant because of their added value to improved industrial relation.
- 33% of the respondents find social security benefit relevant because of value addition due to increased productivity and better corporate image.

## 2. Analysis of Employers' Testimonies

- The above analysis of Employers' testimonies indicates a mix picture of responses from companies on Social Security related issues. In spite of reservations shown by companies on different accounts, it is encouraging to observe that 50% of the respondent companies are availing 3 core social security benefits i.e. sickness benefit, maternity benefit and medical care during sickness, maternity and employment injury.
- 21% of the organizations indicate average to high percentage of satisfaction from quality of service provided by SESSI. Although this percentage of satisfaction level is not sufficient, there is a positive sign that the level of satisfaction can improve if quality of service by SESSI is improved.
- The most predominant barrier in the way of the high acceptance level of social security scheme seems to be the bureaucratic structure, poor governance, complicated procedure and service inefficiency. These areas need to be promptly addressed by the SESSI in order to increase its acceptance level by the contributing organizations.
- 21% of the organizations have indicated high to very high impact of social security in terms of improvement in workers-management relationship, Industrial Relations and corporate image. These organizations also feel high impact of Social Security Benefits in terms of cost saving on litigation, compensation and improvement in workers welfare.
- 60% of the enterprises are of the opinion that their cost will either decrease or remain constant as a result of investment in social security.
- 63% of respondents indicated that Social Security Benefits are relevant to them because they save cost on account of direct compensation or purchase of private health insurance.
- 80% of the respondents find Social Security Benefits are relevant because of added value in terms of industrial relations management, increased productivity and better corporate image.
- The survey findings do provide sufficient need to develop business case for social security compliance in the province of Sindh.

## Chapter V

### Findings of Returns on Investment in Social Security

As mentioned earlier, there is no research available on the subject of Calculation of Return on Investment by enterprises in social security. This is also one of the reasons that no aggressive campaign has been undertaken to promote social security scheme among industrial and commercial establishment and to foster wide workers coverage by attracting secured workers towards the benefits offered by social security scheme.

An attempt has been made to develop a cost benefit analysis based on interviews with representatives of around 10 companies who were asked to share the average cost incurred by them on Social Security Scheme and the benefits derived from it. On the basis of this information a cost benefit analysis has been prepared for a model company employing 100 secured workers and availing average benefits on conservative cost basis from social security service package offered by SESSI. The consolidated cost-benefit analysis is produced below:

Cost	Description	Total (Rs)
Cost Benefit Study of Social Security incase of a company employing 100 secured workers	Contribution paid @ 6% of minimum wage of Rs. 17,500 for 100 workers (17500x0.06x12x100)	1260000
<b>Benefits</b>		
Sickness Benefit	One month in a year per worker availed by 20% of the workers annually (17500x20)	350000
Maternity Benefit	Maternity benefit including medical care availed once in a year by 10% of the workers at an average cost of 30000 per case (30000x10)	300000
Medical Care of Dependants	Medical Care of Dependants availed by 40% of workers @ Rs 2000 per month (2000x12x40)	960000
Injury Benefit	Availed by 20% of workers for one month of absence due to injury (17500x20)	350000
Death Grant	Death Grant to 3% workers on an average in a year @ Rs 15000 per person (15000x3)	45000
Disablement Pension (for total partial disablement)	Availed by 2% of workers on an average @ Rs 17500 per month (17500x12x2)	420000
Survivors Pension incase of Employment Injury	Availed by 2% workers @ Rs 17500 per month (17500x12x2)	420000
Disablement Gratuity for minor disablement	Availed by 5% workers in a year @ Rs 17500 (17500x5)	87500
Survivors' Pension incase of Death	Availed by One Widow and 2 sons of 1 worker @ 1/5 of 1 month Salary (7000x12)	84000
<b>TOTAL</b>		<b>3016500</b>
<b>Cost Benefit Ratio (1 : 2.93)</b>		<b>2.3940476</b>

The table indicates that for every Rs. 1/- invested by an enterprise in social security, it gets a benefit of Rs. 2.39/-.

The cost benefit analysis is supported by case studies of some individual companies which are summarized below:

**Company: A**

**Sector:** Textile and Garments

**Number of Secured Employees registered with Social Security:** 1175

**Average monthly social security contribution paid:** 1.164 Million

**Social Security benefits availed:** Sickness benefit, maternity benefit medical care during sickness, maternity and employment injury

**Major comments/ Observations/ Recommendations:**

- Other employers should register their employees with SESSI
- Social security benefits result in added value in terms of improved industrial relations and better corporate image.
- The impact of social security cost per employee is very high.
- It is high cost being paid to SESSI in return benefits are very difficult to get.
- Condition of SESSI hospital is pathetic.
- For emergency and in case of serious injury, treatment is not provided. It takes long time and effort to get benefit from this institution.
- Employees complain about the behavior of staff and non-availability of medicine

**Company: B**

**Sector:** Automobile

**Number of Secured Employees registered with Social Security:** 1289

**Average monthly social security contribution paid:** 1. Million

**Social Security benefits availed:** Sickness benefit, maternity benefit, injury benefit and medical care during sickness and maternity.

**Major comments/ Observations/ Recommendations:**

- 100% of employees are registered with SESSI
  - Only 2 employees received injury benefits in the last 2 years
  - The company is satisfied with the disbursement mechanism for injury benefit
  - Workers are not satisfied with the benefits offered by SESSI because SESSI is paying less amount of salary during sickness and injury
  - The company would recommend other employers to get their employees registered with SESSI
- The effect of social security on the enterprise has been rated as the highest in the following areas:
- a. Improvement in Workers Management Relationship
  - b. Improvement in Corporate Image
  - c. Improvement in compliance culture
  - d. Improvement in Workers Welfare
  - e. Cost Saving on litigation
  - f. Cost saving on Compensation

**Company:** C

**Sector:** Textile and Garments

**Number of Secured Employees registered with Social Security:** 1052

**Average monthly social security contribution paid:** 0.96 Million

**Social Security benefits availed:** Sickness benefit, maternity benefit, injury benefit, medical care in case of sickness, maternity and employment injury, disablement pension, disablement gratuity.

**Major comments/ Observations/ Recommendations:**

- 100% employees are registered
- The services provided by SESSI need to be improved for achieving workers satisfaction
- The company finds social security benefits as relevant because it saves company cost on compensation

**Company: D**

**Sector:** Textile and Garments

**Number of Secured Employees registered with Social Security:** 1052

**Average monthly social security contribution paid:** 0.96 Million

**Social Security benefits availed:** Sickness benefit, maternity benefit, injury benefit, medical care in case of sickness, maternity and employment injury, disablement pension, disablement gratuity.

**Major comments/ Observations/ Recommendations:**

- 100% employees are registered
- The services provided by SESSI need to be improved for achieving workers satisfaction
- The company finds social security benefits as relevant because it saves company cost on compensation

**Company: E**

**Sector:** Food and Beverages

**Number of Secured Employees registered with Social Security:** 2,396

**Average monthly social security contribution paid:** 2.2 Million

**Social Security benefits availed:** Sickness benefit, maternity benefit, injury benefit, medical care during of sickness, maternity and employment injury, disablement pension.

**Major comments/ Observations/ Recommendations:**

- 100% employees are registered with the SESSI
- Workers are not satisfied with the services provided by SESSI.
- Social Security Benefits are relevant to the company because of added value in improved Industrial Relations
- Social Security Benefits affecting the enterprise in terms of productivity, absenteeism, corporate image, compliance culture, litigation and compensation cost and workers welfare have been rated as the lowest on a scale of 1-5.

**Company:** F

**Sector:** Food and Beverages

**Number of Secured Employees registered with Social Security:** 1,628

**Average monthly social security contribution paid:** 1.4 Million

**Social Security benefits availed:** Medical care during of sickness, maternity and employment injury, Disablement pension

**Major comments/ Observations/ Recommendations:**

- Company provides additional benefits to employees in addition to benefits provided by SESSI because services provided by SESSI is not satisfactory.
- Workers were not satisfied with the benefits offered by SESSI
- Social Security Benefits were relevant to the enterprise in terms of added value of improved productivity, IR and better corporate image.

**Company:** G

**Sector:** Textile and Garments

**Number of Secured Employees registered with Social Security:** 8,500

**Average monthly social security contribution paid:** 7 Million

**Social Security benefits availed:** Sickness benefit, maternity benefit, injury benefit, medical care, Iddat leaves, Survivor's pension.

**Major comments/ Observations/ Recommendations:**

- In one case, SESSI approved 20 lac Rs for treatment of a cancer patient
- SESSI helps improve corporate image.
- Business orders depend on Social Security Law Compliance
- Buyers acknowledge company's efforts in compliance of social protection measures for their workers

## Conclusion

As mentioned, while discussing theories of Return on Social Investment, the social security provisions belong to the motivation enhancing practices and may play an important role in terms of improved firm performance. This study is one of the earliest attempts for studying impact of social security benefits on enterprises in the Province of Sindh.

The most important part of the study is the employers' testimonies based on the survey of EFPs member organizations seeking their feedback on SESSI. In the first glance the feedback may look negative particularly when it highlights that enterprises and workers are not satisfied from social security benefits. It implies that enterprises are not benefited by the motivation enhancing practices which are supposed to be nurtured by application of a scheme like social security. Employers have to incur additional expenses to provide social security benefits over and above the benefits provided by the Social Security Institution. On the other hand, workers showed their detachment and dissatisfaction with social security benefits provided to them through their employers because of the overall poor quality of service and pathetic condition of hospitals and dispensaries managed by SESSI.

Very few enterprises acknowledged the receipt of injury benefit from Social Security Institution. Others indicated that they provide treatment to workers in private hospitals in case of injury during employment. This surely is not a happy commentary on the performance of SESSI which is supposed to introduce and nurture motivation enhancing practices and attract the interest and satisfaction of the employers and workers in order to increase its massive coverage.

Having said that, the study also reflects on the positive aspects of social security benefits to enterprises. If more than 50% of the companies availed sickness benefits, maternity benefits and medical care, if 21% of the organizations indicate average to high percentage of satisfaction from quality of services provided by SESSI, if 40% of the enterprises indicated that their workers availed employment injury benefit in the last two years, if 13% of the employers indicated that their workers were satisfied with benefits provided by SESSI, if 21% of the organizations feel that the impact of social security is high in terms of improvement in workers management relationship and industrial relations, corporate image and cost saving on litigation, compensation and workers welfare, if 25% of the enterprises indicate that their cost decreases as a result of investment in social security, if 63% of the companies indicate that social security benefits are relevant to them because it saves cost on account of direct compensation or purchase of private health insurance, if 33% of the enterprises find that social security benefits are relevant because of value addition due to increased productivity and better corporate image then there is surely a positive business case for social security compliance in the Province of Sindh. If SESSI

improves its quality of service and its corporate governance model, there is no reason why employer and workers in the Province of Sindh find themselves attracted towards promoting social security coverage to the mutual advantage of the stakeholders.

The findings of return on investment in social security presented in chapter 5 in the form of consolidated cost and benefit analysis in a medium enterprise and the observations sought during interviews with some model companies testify that there is a sufficient case to promote social security compliance which goes in the favor of employers and workers in the Province of Sindh.

## **Way Forward**

Because of the limitation of time and scope of this study, the findings cover a narrow canvas, it is important to widen the scope of such research studies so as to cover the other 3 Provinces of Punjab, KP and Balochistan. It is also important to identify best practices in nurturing social security compliance culture in organizations throughout the country even if they are located in small Island of success. It is also important for any such study that the top management of SESSI is involved in extending its support to the study which unfortunately was lacking in the current study. Employers Federation of Pakistan is an advocate of compliant culture and is ready to support any initiative which can unfold a positive approach in promoting employee welfare which in turn is directly linked with improvement in enterprise performance and productivity.



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