

# ► Simplify Social security

Pocket book for effective compliance with and the enforcement of social security laws in Pakistan

Pocket book



June 2021

This pocket book was developed as part of the ILO-UNDESA project, 'Achieving the SDGs and ending poverty through universal social protection', supported by the United Nations Peace and Development Trust Fund





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Printed in Pakistan

# ▶ Simplify

## **Social security**

Pocket book for  
effective compliance with  
and the enforcement of  
social security laws in Pakistan

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# Acknowledgements

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**Simplify social security** is the first-ever awareness raising and capacity building instrument developed to improve the enforcement of social security laws in Pakistan. The publication was developed with the technical assistance of the International Labour Organization (ILO)-United Nations Department of Economic and Social Affairs (UNDESA) project, 'Achieving the SDGs and Ending Poverty through Universal Social Protection', funded by the United Nations Peace and Development Trust Fund.

Several officials and representatives of social security institutions, labour sector professionals, and representatives of employers' and employees' organizations contributed to the development of this resource. Focal persons from United Nations agencies, including the ILO, were extremely supportive – providing the data, information, feedback and insights that led to the development of this tool.

The publication was developed under the supervision of ILO Pakistan. Rabia Razzaque coordinated the inputs, in collaboration with experts, including Mariko Ouchi, Senior Social Security Specialist. The team of consultants comprised Tahir Manzoor and Shahzad Bukhari, who compiled the facts and figures, technically designed this publication, and conducted capacity building sessions with staff members from social security institutions across Pakistan's four provinces. The final version of the pocket book was edited by Ruya Leghari, ILO Consultant.

We hope that this publication will support the institutionalization of the effective application and enforcement of social security laws in Pakistan.

# Acronyms and abbreviations

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<b>BESSI</b>	Balochistan Employees' Social Security Institution
<b>ESSIs</b>	Employees' Social Security Institutions
<b>ILO</b>	International Labour Organization
<b>KPESSI</b>	Khyber Pakhtunkhwa Employees' Social Security Institution
<b>PESSI</b>	Punjab Employees' Social Security Institution
<b>PKR</b>	Pakistani Rupee
<b>SESSI</b>	Sindh Employees' Social Security Institution
<b>SOPs</b>	Standard Operating Procedures
<b>UN</b>	United Nations



# Session 1

## Introduction



# Session 1

## Introduction

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### About the pocket book

This **Simplify social security pocket book** is exclusively designed for the officials and staff of Employees' Social Security Institutions (ESSIs) in Pakistan. It covers the provisions of the Provincial Employees' Social Security Ordinance, 1965 – Pakistan's social security law – and regulations issued under the Ordinance. This pocket book will help ESSIs and their staff to:



#### ► Understand

that demand for the social security system can be increased through greater awareness among employees and employers to safeguard employees' rights.



#### ► Prove

that improved, informed, timely and quality service delivery can enhance employees' and employers' trust in ESSIs, and increase their membership.



#### ► Determine

how well-prepared, structured and systematic ESSIs can play an important role in maintaining the rule of law and protecting employees.



### Read before you start!

You are either a new or existing employee/staff member/officer/inspector at an Employees' Social Security Institution. You should:

- Review all parts of this pocket book, i.e. the evolution, structure, systems, processes and procedures of ESSIs and the step-by-step guide to inspection.
- Carefully review the Social Security Ordinance and related social security inspection procedures and notifications.
- Assess yourself in terms of your role before reaching the 'Knowledge, skills and attitudes' section of Session 6 for social security inspectors/officers.
- List all of your questions on ESSIs and your role in your institution, and try to find the answers in this resource package.



This pocket book can also help to achieve uniformity in the philosophy, processes and procedures of provincial ESSIs. This resource aims to benefit:

- ▶ ESSIs officers and management, by serving as a performance monitoring tool for their staff and departments;
- ▶ ESSI staff, by providing an orientation on key issues;
- ▶ employees and their representatives, by enhancing their awareness;
- ▶ employers and their representatives, by offering a yardstick against which they can measure the compliance of their enterprises; and
- ▶ United Nations agencies, by helping them to measure the impact of the Provincial Employees' Social Security Ordinance, 1965, and the alignment of national standards with International Labour Standards.



# Session 2 Evolution of ESSIs in Pakistan



# Session 2

## Evolution of ESSIs in Pakistan

---

### Establishment of ESSIs

In 1965, the Government of Pakistan enacted the West Pakistan Social Security Ordinance, also known as the [Provincial Employees' Social Security Ordinance, 1965](#). This established four provincial Employees' Social Security Institutions (ESSIs) to provide services related to employment injury benefits and healthcare to all employees and their dependent family members.

These four institutions are the Punjab Employees' Social Security Institution (PESSI), the Sindh Employees' Social Security Institution (SESSI), the Khyber Pakhtunkhwa Employees' Social Security Institution (KPESSI) – formerly known as North-West Frontier Province (NWFP) – and the Balochistan Employees' Social Security Institution (BESSI).

In essence, the Provincial Employees' Social Security Ordinance is a piece of legislation that introduced a social security scheme to provide benefits to certain employees and their dependants on different occasions. Pakistan's first social security scheme was introduced in its rudimentary form for industrial and other employees when the Ordinance became part of the statute book. The scheme was launched on 1 March 1967, with the assistance of the International Labour Organization (ILO).





Sindh and Khyber Pakhtunkhwa were the first provinces to adopt the Ordinance, followed by Punjab and Balochistan. Both Sindh and Punjab revised the law slightly to suit their provincial laws and arrangements. In 1970, the four provincial social security institutions were reorganized.



### Remember!

Social security for employees is just not a programme, a scheme or a form of spending – it is a social contract and constitutional obligation from **GENERATION TO GENERATION**, which is respected and carried forward by social security institutions through their spirit and mandate.

► **Table 2.1. Adoption of social security laws**

Province	Title	Adopted in	Sections	Last revised/ amended
 <b>Punjab</b>	Punjab Employees' Social Security Ordinance	1974	84	2013
 <b>Sindh</b>	Sindh Employees' Social Security Act	1970	86	2018
 <b>Khyber Pakhtunkhwa</b>	Khyber Pakhtunkhwa Employees' Social Security Ordinance	1970	82	1976
 <b>Balochistan</b>	Balochistan Employees' Social Security Ordinance	1989	82	1989

Source: Data collected from all four provincial Employees' Social Security Institutions.

## Structure of ESSIs

Employees' Social Security Institutions are governed by a Commissioner with a team of health professionals, including doctors, administrators, field directors and inspection staff. The number of staff and health professionals varies from province to province, as table 2.2 shows.

Table 2.2. Staff of provincial Employees' Social Security Institutions

Province	Total staff	Medical/ paramedical staff	Administrative/ management staff	Inspection staff
<b>Punjab</b>	8,260	6,857	1,196	207
<b>Sindh</b>	2,249	1,261	790	198
<b>Khyber Pakhtunkhwa</b>	442	369	37	36
<b>Balochistan</b>	311	154	108	49

Source: These figures were collected during the assessment study (2020).

Analysing data on the coverage of employees by provincial ESSIs, compared to the total size of the eligible work force across Pakistan’s provinces, reveals considerable gaps.

As the table below shows, just 1.8 million employees engaged in the formal economy are covered by social security. This is just 32 per cent of the total number of employees (5.2 million) in the formal economy, who are all eligible for social security, including those earning up to a certain threshold defined by each province.

► **Table 2.3. Eligibility and registration of employees by province**

Province	Population	Employed persons	Total employees in the formal economy		ESSI coverage (data as of October 2020) (B)	% covered (B/A)
			Employed	Eligible for social security (A)		
<b>Punjab (&lt;=22,000)</b>	114 million	37 million	5,658,316	3,379,454	1,055,058	31%
<b>Sindh (&lt;=22,500)</b>	50 million	14 million	3,070,859	1,513,319	638,231	42%
<b>Khyber Pakhtunkhwa (&lt;=17,500)</b>	31 million	7 million	1,050,814	310,345	102,395	33%
<b>Balochistan (&lt;=15,000)</b>	10 million	2.5 million	491,028	76,528	15,410	20%
<b>Total</b>	205 million	60.5 million	10,271,017	5,279,646	1,811,094	32%*

\*Note: Average percentage of the provincial total.

## Funding sources of ESSIs

All provincial Employees’ Social Security Institutions are primarily funded by ‘private sector contributions’. Provincial governments collect 6 per cent of the wage bill for each secured (registered) employee from registered enterprises. These benefits are then distributed to secured employees in the form of health services, treatment and insurance against workplace injury, deaths and disabilities.

# The Social Security Ordinance at a glance

For the rest of this document, we will refer to the Provincial Employees’ Social Security Ordinance, 1965 as the ‘Social Security Ordinance’, for the sake of simplicity. The Ordinance has eight key chapters (see Table 2.4 for an overview). It is important for all social security officials to be familiar with these chapters. Important definitions are given below for quick reference.

► **Table 2.4. Chapters of the Social Security Ordinance**



## ► Chapter I Introduction

This chapter covers the title and definitions of the Ordinance.

## ► Chapter II Organization

This chapter covers the roles, responsibilities, power and functions of the ESSI’s management, governing body, medical officer, commissioner, vice-commissioner, officers and staff. It also covers formation, suppression and resignation procedures, hiring, firing and allowances, among other issues.

## ► Chapter III Contributions

This chapter covers the amount and payment of contributions, as well as employees’ entry and records, the recovery of contributions, arrears, revenue and the cessation ('extinguishment') of claims to contributions.

## ► Chapter IV Finance and audit

This chapter covers the Employees’ Social Security Fund, security reserves, investments, loans, budgets, accounts, audits and annual reports.

## ► Chapter V Benefits

This chapter covers cash and medical care, sickness and cash benefits for secured (registered) employees, as well as the establishment of medical and other institutions.

## ► Chapter VI Determination of questions and claims

This chapter covers protocols for claiming benefits, the assessment of claims, legal procedures and the power of social security courts.

## ► Chapter VII Offences and penalties

This chapter covers offences, prosecutions and penalties.

## ► Chapter VIII Miscellaneous

This chapter covers contributions, tax exemptions and the role of ESSI staff as public servants.



## Please review

Your provincial Social Security Ordinance/Act before moving ahead. Session 7 is the most important chapter for social security inspectors and field officers. It covers registration, contributions, service provision and inspection-related information.

Make a list of questions under each chapter to obtain answers from your peers and senior officials.

## Important terms and definitions

No.	Term	Definition
1	Chairman	Chairperson of the governing body.
2	Commissioner	Commissioner of the Employees' Social Security Institution.
3	Confinement	Labour resulting in the birth of a living child, or labour after 26 weeks of pregnancy resulting in the birth of a child, whether alive or dead.
4	Contribution	The sum of money payable to the Employees' Social Security Institution by an employer with respect to an employee.
5	Dependant	An employee's "wife or wives or a needy invalid husband and any unmarried children under the age of 21 years."
6	Disablement	A condition caused by an employment injury which, as certified by a medical practitioner authorized for the purpose as provided in the regulations, has permanently reduced or is likely to permanently reduce a secured (registered) employee's earning capacity. Disablement is considered 'minor' when the loss of earning capacity is less than 20 per cent, 'partial' when the loss of earning capacity ranges from 21 per cent to 66 per cent, and 'total' where the loss of earning capacity is in excess of 66 per cent.
7	Domestic servant	Any person working full-time in connection with the work of any household for any consideration, whether in cash or in kind.

No.	Term	Definition
8	Employee	<p>Any person employed, whether directly employed or employed through any other person for wages or other consideration, to perform any skilled, unskilled, supervisory, clerical, manual or other work in, or in connection with, the affairs of an industry or establishment. Employees are subject to a contract of service or apprenticeship, whether written or oral, expressed or implied. Employees do not include persons who are:</p> <ul style="list-style-type: none"> <li>▶ in the service of the State, including members of the armed forces, the police or railways;</li> <li>▶ employed in any undertaking under the control of any defence organization or railway administration;</li> <li>▶ in the service of a local council, municipal committee, cantonment board or any other local authority;</li> <li>▶ in the service of their father, mother, wife, son, daughter, or spouse; or</li> <li>▶ employed for a wage that exceeds the wages determined by the Government under Section 71 of the Social Security Ordinance.</li> </ul> <p>However, an employee does not cease to be an employee if their monthly wage is increased and exceeds the minimum wage determined by the Government under Section 71.</p>
9	Employers	In the case of works executed or undertakings carried on by any contractor or licensee on behalf of the State, the contractor or licensee working for the State, and in every other case the owner of the industry, business, undertaking or establishment in which an employee works and includes any agent, manager or representative of the owner.
10	Employment injury	A personal injury to a secured person caused by an accident or an occupational disease specified in the regulations, arising out of, and in the course of, his/her employment.
11	Establishment	An organization, whether industrial, commercial, agricultural or 'other'.
12	Fund	The Employees' Social Security Fund set up under Section 28 of the Social Security Ordinance.



No.	Term	Definition
13	<b>Governing body</b>	The governing body of the Employees Social Security Institution.
14	<b>Government</b>	The Provincial Government of Punjab, Sindh, Khyber Pakhtunkhwa or Balochistan.
15	<b>Industry</b>	Any business, trade, undertaking, manufacturing or calling of employers that includes any calling, service, employment, handicraft, industrial occupation or avocation of employees.
16	<b>Institution</b>	The Employees' Social Security institution, established under Sections 1, 2 and 3 of Chapter II of the Social Security Ordinance.
17	<b>Medical Advisor</b>	The Medical Advisor appointed under Section 15 of the Social Security Ordinance.
18	<b>Medical Board</b>	A board consisting of two or more medical practitioners, appointed under Section 17 of the Social Security Ordinance.
19	<b>Medical practitioner</b>	A person practising medicine and with the qualifications outlined in the regulations of the Social Security Ordinance.
20	<b>Member</b>	A member of the governing body prescribed by the rules of the Social Security Ordinance.
21	<b>Prescribed registered trade union</b>	A trade union registered under the Trade Unions Act, 1926 (XVI).
22	<b>Regulations</b>	Regulations made under the Social Security Ordinance.
23	<b>Rules</b>	Rules made under the Social Security Ordinance.
24	<b>Secured person</b>	A person with respect to whom contributions are or were payable under the Social Security Ordinance (also known as a 'registered' employee).
25	<b>Self-assessment scheme</b>	A scheme of social security benefits, effective from 1 July 2001 <sup>1</sup> , with respect to employees secured under the Social Security Ordinance. <sup>2</sup>

<sup>1</sup> Effective dates may differ in provincial Ordinances.

<sup>2</sup> Voluntary forms of self-regulation, including auditing and monitoring, can be a complement to improve compliance. However, such initiatives are not a substitute for public labour inspection and should not exempt member States from taking the necessary measures in this regard, nor should they take the place or be taken as an excuse for reducing the capacity and frequency of public labour inspection visits (§ 495 ILC.106/III/1B, Working together to promote a safe and healthy working environment).

No.	Term	Definition
	Self-assessment scheme (continued)	When enterprises opt for self-assessment, their records may not be checked by any ESSI staff member. As part of the scheme, an employer undertakes to pay a contribution per month per secured employee at the fixed rate of 6 per cent of the wage limit determined by the Government under Section 71.
26	Sickness	A condition that requires medical treatment or abstention from work on medical grounds.
27	Social security area	An area to which the of the Social Security Ordinance has been applied.
28	Social security court	A court constituted under Section 60 of the Social Security Ordinance.
29	Strike and lockout	These terms have the same meaning that is respectively assigned to them in the Industrial Disputes Ordinance, 1959 (LVI).
30	Wages	<p>Remuneration for services, paid or payable in cash or in kind to a secured person, which cannot be less than remuneration based on the minimum wage rates declared under the Minimum Wages Ordinance, 1961 (XXXIX), without taking into account deductions for any purpose, under a contract of service or apprenticeship, expressed or implied. Wages are deemed to include any 'dearness' allowance or other addition with respect to the cost of living, as well as any payment by an employer to a secured person with respect to any period of authorized leave, illegal lockout or legal strike. Wages do not include any:</p> <ul style="list-style-type: none"> <li>▶ payment for overtime work;</li> <li>▶ sum paid to an employee to defray special expenses entailed by the nature of his/her employment;</li> <li>▶ gratuity payable upon the 'discharge' of an employee; or</li> <li>▶ sum paid as a bonus by the employer.</li> </ul>

No.	Term	Definition
31	Week	A period of seven days, commencing at midnight on Sunday night.



If our field is ‘to advance’, we must – without displacing creativity and aesthetics – make sure our terminologies are clear.”

► **Jef Raskin**



# Session 3

## How to get registered



# Session 3

## How to get registered

---

### Who can be registered?

The following people can and cannot be secured (registered) under the Social Security Ordinance<sup>3</sup>:



#### Can be secured

Any person employed, whether directly or through any other person, for wages or otherwise to perform any skilled, unskilled, supervisory, clerical, manual or other work in, or in connection with the affairs of, an industry or establishment, under a contract of service or apprenticeship, whether written or oral, expressed or implied.



The employer shall, in respect of every employee, whether employed by him directly or through any other person pay to the Institution a contribution at such times.

▶ **Section 20: Amount and payment of contributions**, Social Security Ordinance



#### Cannot be secured<sup>1</sup>

- ▶ State servants/civil servants
- ▶ Members of the armed forces
- ▶ Members of the police force
- ▶ Railway servants
- ▶ Persons employed by a defence organization
- ▶ Persons employed by a railway administration
- ▶ Persons employed by a local council
- ▶ Persons employed by a municipal committee
- ▶ Persons employed by a cantonment board
- ▶ Persons employed by any local authority
- ▶ Any relation (father, mother, son, daughter, wife or husband) of the persons listed above

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<sup>3</sup> Government of Pakistan, Provincial Employees' Social Security Ordinance, 1965, Chapter III, Section 20, 2nd para.







## Remember!

According to the Social Security Ordinance<sup>4</sup>, the term ‘employee’ means any person employed, whether directly or through any other person, for wages or otherwise, to perform any skilled, unskilled, supervisory, clerical, manual or other work in, or in connection with the affairs of, an industry or establishment, under a contract of service or apprenticeship, whether written or oral, expressed or implied.

## How to get registered?

Pakistan's labour force comprises 61.7 million people – the ninth largest national work force in the world. Only a tiny proportion of formal economy employees are covered by the country's social security system. As discussed in Chapter 2, administrative data shared by Employees' Social Security Institutions indicates that, on an average, 32 per cent of eligible employees in the formal economy are covered by provincial ESSIs.

► **Table 3.1. Secured enterprises and employees, October 2020**

				
Categories	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan
Enterprises registered with ESSIs	80,703	19497	6,290	327
Employees registered by ESSIs	1,055,058	638,231	102,395	15,410
Percentage of total provincial employees registered by enterprises	8%	3%	6%	2%
Lower slab (ceiling) for eligibility	17,500	17,500	10,000	15,000
Upper slab (ceiling) for eligibility	22,000	22,500	17,500	15,000



**The secured employees in this table are the only eligible category of employees, as their salaries range from the minimum wage to PKR 22,500. They represent a very small proportion of employees overall.**

<sup>4</sup> Government of Pakistan, Provincial Employees' Social Security Ordinance, 1965, Chapter I, Preliminary definitions (8).

Although a provision on modification and the review of wage limits exists in the Social Security Ordinance,<sup>5</sup> establishments continue to contribute 6 per cent of each employee's pay. Different wage ceilings apply in different provinces. These range from PKR 10,000 to PKR 17,500.

Employees' Social Security Institutions also have a 'once covered, always covered' strategy. This means that a person secured at any stage of her/his employment, whatever the 'slab' (wage ceiling) of their salary, remains secured throughout her/his employment, even if their wage is increased or raised to more than the maximum wage slab mentioned above.



“If an employer fails to observe rules of safety or hygiene prescribed by or under any enactment applicable to his establishment, the Commissioner may, subject to rules, by order in writing, increase the employer's rate of contribution provided that such increase shall not exceed twenty per cent of the contribution otherwise payable.

► **Section 26: Increase of contributions where safety rules not observed,** Social Security Ordinance

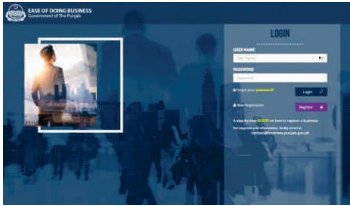
## Registration and contribution collection system

All provincial Employees' Social Security Institutions have a standard registration and contribution collection system in place. To improve the 'ease of doing business', Punjab and Sindh provide additional support to enterprises in terms of online registration and contributions. This has simplified the registration of enterprises, as well as improving the transparency of the system. While Balochistan and Khyber Pakhtunkhwa are still operating manually, their future vision is to initiate online services.

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<sup>5</sup> Government of Pakistan, Provincial Employees' Social Security Ordinance, 1965, Section 71.

## Punjab Employees' Social Security Institution



[register.business.punjab.gov.pk](http://register.business.punjab.gov.pk)

## Sindh Employees' Social Security Institution



[www.sessi.gov.pk/login.php](http://www.sessi.gov.pk/login.php)

## Khyber Pakhtunkhwa Employees' Social Security Institution



Manual registration, contribution and arrears collection system

## Balochistan Employees' Social Security Institution



Manual registration, contribution and arrears collection system

**Arrears collection systems at the Punjab Employees' Social Security Institution and the Sindh Employees' Social Security Institution are still operated manually.**

## Employers' responsibilities

Every employer is responsible for<sup>6</sup>:

- ▶ the regular payment of their contribution;
- ▶ providing a list of employees, as per Schedule I of the Social Security Ordinance;
- ▶ facilitating ESSIs officials to check/inspect required books and records; and
- ▶ the payment of their due contributions or arrears.

<sup>6</sup> Government of Pakistan, Provincial Employees' Social Security Ordinance, 1965, Section 20.

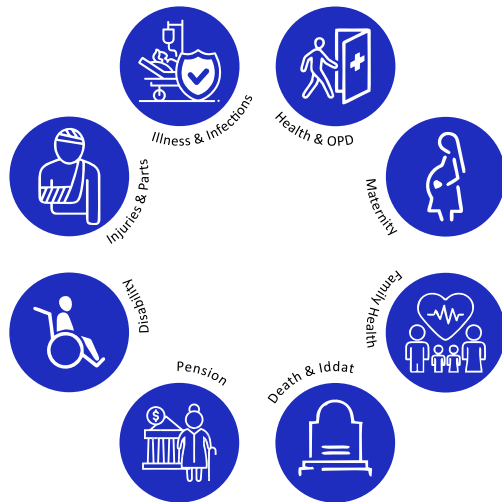


## ESSIs' coverage and provision

The Constitution of 1973 affirms the State's commitment to social security. Article 38(c) specifies that *"the State shall provide for all persons employed in the service of Pakistan or otherwise, social security by compulsory social insurance or other means."*

Provincial Employees' Social Security Institutions offer eight types of benefits<sup>7</sup> to secured<sup>8</sup> employees:

- ▶ sickness benefits;
- ▶ maternity benefits;
- ▶ injury benefits;
- ▶ disablement pension;
- ▶ disablement gratuity;
- ▶ survivor's pension; and
- ▶ a death grant in case of death while in receipt of an injury benefit or total disablement pension.



In addition, the Employees Old-Age Benefits Institution Act was passed in 1976.



### Note:

**The Punjab Employees' Social Security Institution also provides scholarships to 'high achiever' children of secured employees for their higher education.**



We have to design a (health) service delivery system by actually talking to employer and asking, 'What would make this service better for you?' As soon as you start asking, you get a flood of answers.

▶ **Paul Farmer**

<sup>7</sup> Government of Pakistan, Provincial Employees' Social Security Ordinance, 1965, Chapter V: Benefits.

<sup>8</sup> Employees who are registered under ESSIs.



## Cash benefits<sup>9</sup>

- ▶ Sickness benefits
- ▶ Injury benefits
- ▶ *Iddat* benefits
- ▶ Maternity benefits
- ▶ Gratuity
- ▶ Disablement pension
- ▶ Survivor's pension
- ▶ Artificial limbs
- ▶ Funeral grant
- ▶ Financial assistance



## Health benefits<sup>10</sup>

- ▶ Comprehensive medical treatment in social security hospitals
- ▶ Medical care during sickness and maternity
- ▶ Medical care of dependants
- ▶ Medical care in the case of employment injury

Provincial Employees' Social Security Institutions either have their own health facilities or they have referral arrangements with renowned health facilities in the provinces. The provision of services may vary across different ESSIs. Standard health services provided by ESSIs include:

- |                        |                                                              |                       |
|------------------------|--------------------------------------------------------------|-----------------------|
| ▶ Medicine             | ▶ Neonatology                                                | ▶ Dermatology         |
| ▶ General Surgery      | ▶ Dental surgery                                             | ▶ Psychiatry          |
| ▶ Cardiology           | ▶ Otorhinolaryngology (ear, nose and throat (ENT) treatment) | ▶ Radiology           |
| ▶ Gynaecology          | ▶ Ophthalmology (eye treatment)                              | ▶ Physiotherapy       |
| ▶ Paediatrics          | ▶ Family planning services                                   | ▶ Blood bank          |
| ▶ Orthopaedics         |                                                              | ▶ Laboratory services |
| ▶ Financial assistance |                                                              | ▶ Vaccination         |

<sup>9</sup> Punjab Employees' Social Security Institution, "PESSI".

<sup>10</sup> Punjab Employees' Social Security Institution, "PESSI".



Every employer of a domestic servant shall be liable to provide at his/her own cost to the domestic servant medical care.

► **Section 55A: Medical treatment of domestic servants,**  
Social Security Ordinance



#### **Indirect benefits for secured employees**

Secured (registered) employees are also entitled to indirect benefits from other associated institutions:

- death grants through Benevolent Funds;
- education grants, death grants, marriage grants, hajj grants and housing schemes through the Workers' Welfare Fund (WWF);
- marriage grants through Pakistan Bait-ul-mal and Benevolent Funds; and
- old-age benefits through the Employees' Old-Age Benefits Institution.



# Session 4 Enforcement by ESSIs



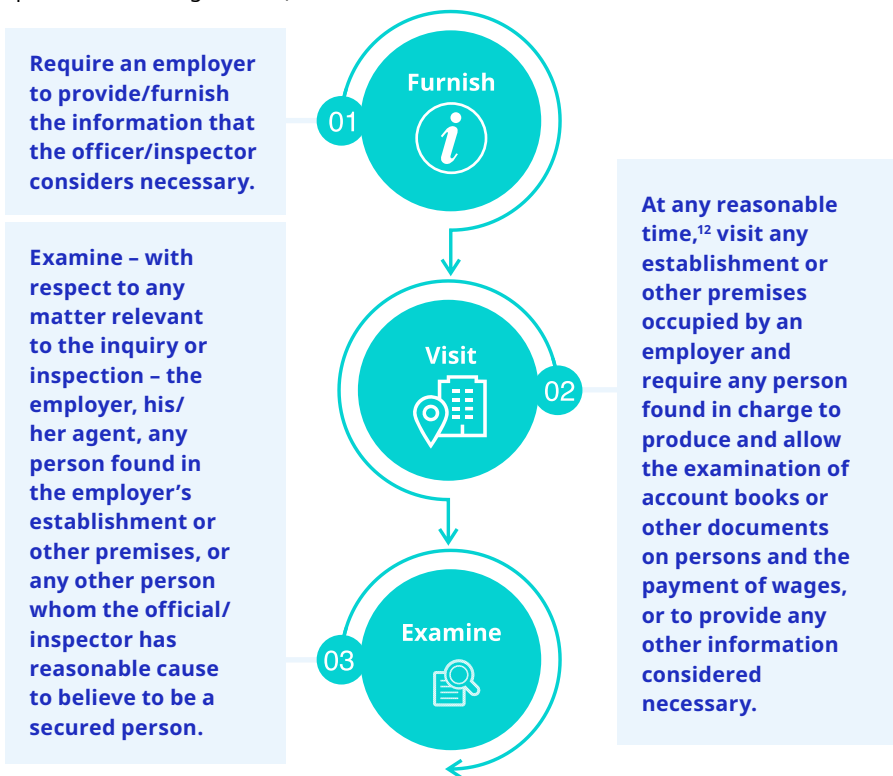
# Session 4

## Enforcement by ESSIs

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### How to ensure compliance with the law

For the purpose of compliance under the Social Security Ordinance<sup>11</sup>, any authorized official from a provincial Employees' Social Security Institution may require an employer to provide information that is considered necessary for the purpose of an inquiry or inspection. A social security officer/inspector (authorized by a certificate in the form specified in the regulations) can:



<sup>11</sup> Government of Pakistan, Provincial Employees' Social Security Ordinance, 1965, Section 22.

<sup>12</sup> According to ILO Convention No. 81, article 12: "Labour inspectors provided with proper credentials shall be empowered: (a) to enter freely and without previous notice at any hour of the day or night any workplace liable to inspection."

## Inspection audit by the size of an establishment

Establishments are inspected based on their size, which is calculated by the number of employed employees. Officials or teams are notified by competent authorities to inspect establishments.<sup>13</sup> The size of an establishment is recognized as 'small' if fewer than 100 employees are employed. 'Medium-sized' establishments are those with more than 100 but fewer than 300 employees. 'Large' establishments have a workforce of 300 employees or more. Every functioning establishment should be inspected once a year by the provincial Employees' Social Security Institution.<sup>14</sup>

## Professional ethics of ESSI inspection staff

It is the duty of officials to practise their profession in line with the keystone of integrity, and to discharge all of their duties with impartiality and fairness. It is their duty to interest themselves in the welfare of employees and enterprises, and to apply their specialist knowledge for everyone's benefit. The values that should be adhered to at all times are:

- ▶ knowledge and competence, honesty and integrity, courtesy and respect, objectivity, neutrality and fairness, commitment and responsiveness, and consistency between personal and professional behaviour. It is also important to:

Ensure <b>secrecy and confidentiality</b> in all matters <sup>15</sup>	Not <b>demand</b> or relate to irrelevant documents, books or records
Remember that establishments which opt for <b>self-assessment</b> <sup>16</sup> should not be visited	Be <b>neutral and professional</b> , even if the establishment fails to comply or cooperate
Conduct <b>evidence-based</b> assessments of establishments	Avoid <b>unnecessary</b> visits; only visit an enterprise when specified by the law <sup>17</sup>
Provide ample time for establishments to provide the <b>required data</b>	Remember that you are there to facilitate <b>compliance</b>

<sup>13</sup> In some provinces where formal industrial activity is limited, social security officials are designated to conduct inspections due to their availability and workload.

<sup>14</sup> The ESSI inspection team may include a social security officer (SSO) or team, as the case may be.

<sup>15</sup> Article 15c of ILO Convention No. 81 states that an inspector: "*shall treat as absolutely confidential the source of any complaint bringing to their notice a defect or breach of legal provisions and shall give no intimation to the employer or his representative that a visit of inspection was made in consequence of the receipt of such a complaint.*"

<sup>16</sup> As per Section 20A of the Social Security Ordinance, any establishment can opt for a 'self-assessment scheme' for a period of two years, under notification by the authorized and concerned social security officer. Under Section 22(4), during this period, these establishments cannot be visited by any ESSI staff for the purpose of checking the employer's books, records or other information. However, remember that voluntary forms of self-regulation are not a substitute for public labour inspection (see footnote 2 above).

<sup>17</sup> Consult each province's Social Security Ordinance/Act for specific information on inspection visits.



## Remember!

Trust takes years to build, seconds to break, and forever to repair. Whether friendship or relationship, all bonds are built on **trust**.

## Offences and penalties

The following offences<sup>18</sup> may lead to penalties or court proceedings:

Failing to pay contributions	Making a false statement	Providing and producing false documents
Providing false information	Attempting to recover money or deducting from a secured person	Failing or refusing to submit any return
Obstructing any ESSI official from carrying out their duties	Concealing information to evade payment	Non-compliance as per the Ordinance's rules and regulations



[...] he shall, without prejudice to any action to which he may be liable under Section 23 or Section 70 or any other provision of this Ordinance, be punished with imprisonment which may extend to three months, or with line-up to ten thousand rupees but not less than two thousand rupees or with both.

► **Section 66: Offences, Social Security Ordinance**

<sup>18</sup> Government of Pakistan, Provincial Employees' Social Security Ordinance, 1965, Chapter VII: Offences and Penalties, Section 66: Offences.

## Grievance mechanism under ESSIs

Any secured person (or her/his employer) may raise a question with respect to a dispute<sup>19</sup> about the rate of wages, the rate of payable contributions, a secured person's employment status, or any benefit, including its amount and duration. For the purposes of the Social Security Ordinance and its provincial variants, social security courts<sup>20</sup> are constituted, by notification, for any social security area specified in the notification. Notices can be issued in the case of the following discrepancies:

- ▶ when an establishment fails to produce its record for inspection;
- ▶ when two written notices are issued to an enterprise;
- ▶ when a 'show cause notice' (in case of no response to written notices) is issued, indicating the nature of discrepancies or failures reported by an ESSi officer; and
- ▶ failure to produce records after the issuance of a 'show cause notice', in which case proceedings can be initiated under Section 66 of the Ordinance.

Employers can also respond to these notices through **social security courts** presided over by a judge who has been appointed by the provincial government. Judges are responsible for taking **decisions on complaints, questions and disputes**. The most common complaints received by ESSIs are:

- ▶ delays in the provision of a card, or the confiscation of a card;
- ▶ registration issues;
- ▶ a mismatch in terms of the number of employees;
- ▶ the miscalculation of a contribution amount, or the inaccurate assessment of liabilities;
- ▶ allegations of discrimination;
- ▶ non-availability of benefits (injury, death and maternity benefits); and
- ▶ concerns about employees' claims related to: compensation, gratuity, pensions, *Iddat* and maternity benefits, dependants' pension, medical treatment and survivor's pensions, etc.

Any enterprise or establishment aggrieved by a decision of a provincial Employees' Social Security Institution has the right to appeal, (under Section 59 of the Social Security Ordinance) to the appropriate social security court.

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<sup>19</sup> Government of Pakistan, Provincial Employees' Social Security Ordinance, 1965, Sections 57 and 58.

<sup>20</sup> Government of Pakistan, Provincial Employees' Social Security Ordinance, 1965, Chapter VI: Determination of Questions and Claims, Section 60: Constitution of Social Security Court.



A decorative graphic on the left side of the slide consists of three overlapping triangles. The largest is a dark blue triangle pointing right. Overlapping its top-right corner is a smaller cyan triangle pointing right. Overlapping its bottom-left corner is a red triangle pointing right.

# Session 5

## Related and relevant laws, standards and Conventions



# Session 5

## Related and relevant laws, standards and Conventions

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### International Labour Standards on social protection

There are several up-to-date ILO Conventions<sup>21</sup> and Recommendations<sup>22</sup> on social protection. These cover the vulnerabilities that people face throughout the course of their lives. The Social Security (Minimum Standards) Convention, 1952 (No. 102) is the flagship Convention on social security. It is the only international instrument, based on basic social security principles, that establishes globally-agreed minimum standards for all nine branches of social security.

### ILO Conventions and Recommendations related to social security

Up-to-date ILO social security standards are comprised of:

- ▶ The [Social Security \(Minimum Standards\) Convention, 1952 \(No. 102\)](#) covers all nine branches of social security and sets minimum standards for these branches: medical care; sickness benefits; unemployment benefits; old-age benefits; employment injury benefits; family benefits; maternity benefits; invalidity benefits; and survivors' benefits.
- ▶ The [Income Security Recommendation, 1944 \(No. 67\)](#) and the [Medical Care Recommendation, 1944 \(No. 69\)](#) envisage comprehensive social security systems and the extension of coverage to all and lay the foundations for the Social Security (Minimum Standards) Convention, 1952 (No. 102). According to the Income Security Recommendation, 1944 (No. 67), income security schemes should relieve want and prevent destitution by restoring, up to a reasonable level, income which is lost by

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<sup>21</sup> Conventions are instruments which, upon ratification, create legal obligations for ILO Member States. Recommendations are not open to ratification; instead, they provide guidance on policy, legislation and practice. Both kinds of instrument are adopted by the International Labour Conference.

<sup>22</sup> ILO, "[International Labour Standards on social security](#)". For details on all Conventions, visit the ILO's official website: ILO, "[Up-to-date ILO Social Security Conventions and Recommendations](#)".

reason of inability to work (including old age) or to obtain remunerative work or by reason of the death of a breadwinner. Income security should be organized, as far as possible, on the basis of compulsory social insurance, where provision for needs not covered by compulsory social insurance should be made by social assistance, particularly for dependent children and needy invalids, aged persons and widows.

- ▶ The [Social Protection Floors Recommendation \(No. 202\)](#) provides guidance for the establishment and maintenance of social protection floors and their implementation within strategies for the extension of social security aiming at achieving comprehensive social security system.

Other up-to-date Conventions and Recommendations, adopted after Convention No. 102 (1952), set out higher standards for particular branches of social security. Drawn up on the model of Convention No. 102, they offer a higher level of protection, both in terms of the population covered and of the level of benefits, as follows:

- ▶ The [Medical Care and Sickness Benefits Convention, 1969 \(No. 130\)](#) and the [Medical Care and Sickness Benefits Recommendation, 1969 \(No. 134\)](#) makes provision for medical care and sickness benefit; It emphasises on two contingencies: the need for medical care of a curative nature and, medical care of a preventive nature and; incapacity for work resulting from sickness and involving suspension of earnings, as defined by national legislation
- ▶ The [Employment Promotion and Protection against Unemployment Convention, 1988 \(No. 168\)](#) and the [Employment Promotion and Protection against Unemployment Recommendation, 1988 \(No. 176\)](#) relates to unemployment benefit; and requires ratifying states to declare as a priority objective a policy designed to promote full, productive and freely chosen employment by all appropriate means, including social security. Such means should include, inter alia, employment services, vocational training and vocational guidance.
- ▶ The [Invalidity, Old-Age and Survivors' Benefits Convention, 1967 \(No. 128\)](#) and the [Invalidity, Old-Age and Survivors' Benefits Recommendation, 1967 \(No. 131\)](#) covers old-age benefit, invalidity benefit and survivor's benefit; The contingency covered under this convention includes incapacity to engage in any gainful activity, to an extent prescribed. which incapacity is likely to be permanent or persists after the termination of a prescribed period of temporary or initial incapacity.
- ▶ The [Employment Injury Benefits Convention, 1964 \(No. 121\)](#) and the [Employment Injury Benefits Recommendation, 1964 \(No. 121\)](#) makes provision for employment injury benefit; emphasises that national legislation concerning employment injury benefits shall protect all employees, including apprentices, in the public and private sectors, including co-operatives, and, in respect of the death of the breadwinner, prescribed categories of beneficiaries.

- ▶ The [Maternity Protection Convention, 2000, \(No. 183\)](#) and the [Maternity Protection Recommendation, 2000 \(No. 191\)](#) cover maternity benefit and features provision of health protection, maternity leave, leave in case of illness or complications, benefits, employment protection and non-discrimination and provisions for breastfeeding mothers.
- ▶ The [Equality of Treatment \(Social Security\) Convention, 1962 \(No. 118\)](#), the [Maintenance of Social Security Rights Convention, 1982 \(No. 157\)](#) and the [Maintenance of Social Security Rights Recommendation, 1983 \(No. 167\)](#) provide reinforced protection to migrant employees, their families and survivors.

## Conventions on social protection ratified by, and in force in, Pakistan<sup>23</sup>

Convention

**18**

Ratified: 30  
September 1927

### Workmen’s Compensation (Occupational Diseases) Convention

**Pakistan has accepted branches (C) and (G)**

The [Convention](#) concerns the compensation payable to employees incapacitated by occupational diseases or, in case of death from such diseases, to their dependants, in accordance with each country’s general principles.

### Equality of Treatment (Accident Compensation) Convention

The [Convention](#) concerns the equal treatment of national and foreign employees in terms of the compensation due to them for accidents and injuries.

Convention

**19**

Ratified: 30  
September 1927

Convention

**118**

Ratified:  
27 March 1969

### Equality of Treatment (Social Security) Convention

The [Convention](#) provides reinforced protection to migrant workers, their families and survivors.

<sup>23</sup> For information on Pakistan’s up-to-date ratifications, see: ILO, “[Ratifications for Pakistan](#)”.

## Labour Inspection Convention

This governance **Convention** requires ratifying states to maintain a system of labour inspection for workplaces in industry and commerce; states can make exceptions with regard to mining and transport. It sets out a series of principles respecting the determination of the fields of legislation covered by labour inspection, the functions and organizations of the system of inspection, recruitment criteria, the status and terms and conditions of service of labour inspectors, and their powers and obligations. The labour inspectorate has to publish and communicate to the ILO an annual report indicating the general functioning of its services on a number of issues.

**Convention  
81  
Ratified:  
10 October 1953**

## Key national and provincial labour laws

ESSI staff, officials and inspectors should be aware of laws that are directly or indirectly associated with the workplace environment.<sup>24</sup> The following five labour laws are the backbone of Pakistan's formal economy. Most of these have provincial variants that apply in specific provinces.

### **Factories Act, 1934**

The **Act** concerns the regulation of labour in Pakistan's factories. It includes definitions and specifies the role of labour inspections, restrictions on working hours, holidays with pay, special provisions for adolescents and children, penalties and procedures.

The **Ordinance** specifies hours and other conditions of work and the employment of persons employed in shops and commercial, industrial or other establishments, as well as related matters.

### **Shops and Establishments Ordinance, 1969**

<sup>24</sup> Provincial ESSI staff may obtain their provincial (adopted) laws from their Labour and Human Resource Department or their official ESSI website.

**Hazardous Occupation Rules, 1963**

The **Rules** seek to protect employees from risks that arise from occupational hazards, promote safe and healthy working environments that cater to employees’ physiological and psychological needs, and addresses related matters. While OSH-related provisions have existed in other laws, OSH laws were only adopted as of 2017 with the first provincial law on occupational safety and health in Sindh, followed by Punjab's law on the subject in 2019.

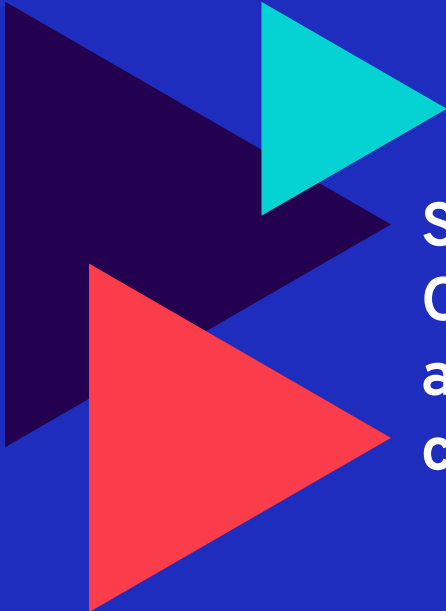
The **Ordinance** makes provisions for the payment of maternity benefits to women employees and addresses other related matters incidental, such as women’s employment before and after giving birth.

**West Pakistan Maternity Benefits Ordinance, 1958**

**Identifying discrimination in the workplace**

Inspectors should look out for any discrimination with regard to the registration of employees and their access to information on social security. Factors to consider when identifying discrimination in the workplace

Dismissal and grievances	Discipline	Employment contracts and conditions
Working hours	Payment and benefits	Maternity and paternity benefits
Leave and holiday compensation	Representation in trade unions	Promotions and transfers
Training and capacity building	Recruitment and termination	Representation in decision-making
Retirement	Pensions	A conducive environment



# Session 6 Orientation, advocacy and communication



# Session 6

## Orientation, advocacy and communication

### Awareness, advocacy and communication

The prime responsibility of Employees' Social Security Institutions is to provide social security benefits to employees in order to protect employees, in line with the Social Security Ordinance. In doing so, they must strive to ensure that enterprises and their employees are registered. They are also responsible for raising awareness of social security benefits and outreach services.

**International Labour Organization**

2030 Agenda Sub-Fund • UNDESA  
SUSTAINABLE DEVELOPMENT GOALS

gottschalk  
ILO PAKISTAN

PAKISTAN AGENCY FOR DEVELOPMENT COOPERATION

**Social Security Registration**  
It's as easy as 1-2-3 ...

**Social Security Registration**  
It is a legal entitlement- Give it today!  
It is a Win-Win for all.

- 1 Employer pays the monthly contribution @ 6% of employee salary.
- 2 Employees get their Social Security Card.
- 3 Registered Employees are entitled to get all benefits of healthcare, accidental coverage, disability pension and financial support to family in case of employee's death on job.
- 4 Social security mitigates risks to workplaces in case of crises and pandemics.

"I am not registered and therefore not secured. I am not satisfied and this affects my performance."

"I am registered and therefore secured. I am satisfied and can perform much better."

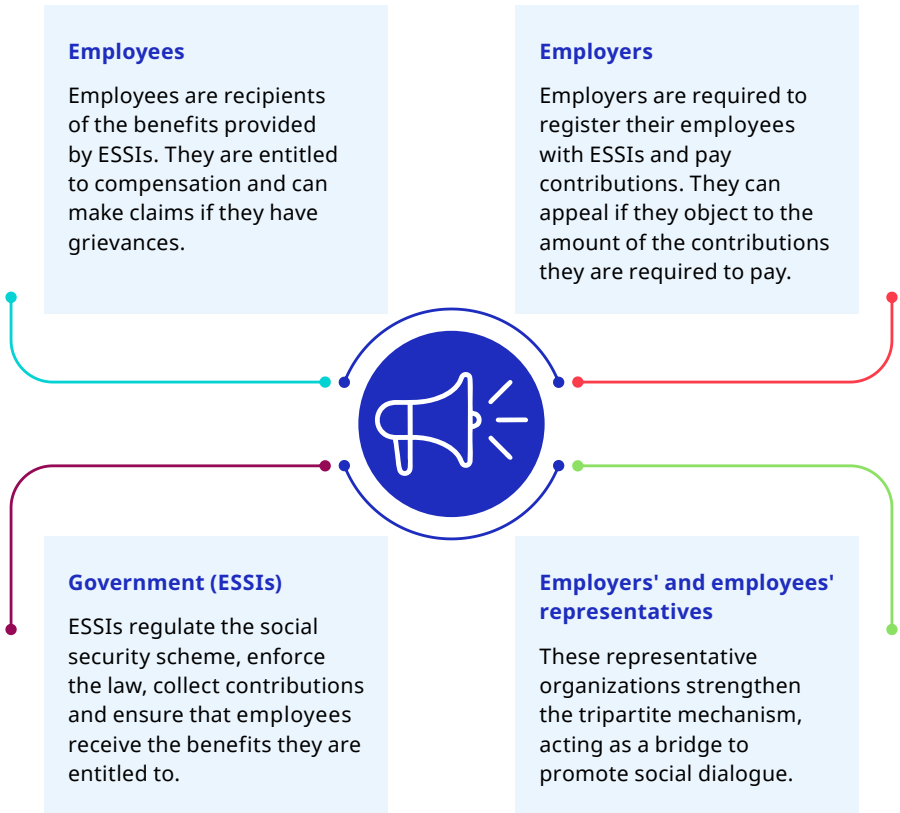


Social security staff and inspectors advise employers on social security benefits, returns on contribution, eligibility criteria, compensation, claims, promotions and other available support services, such as employment benefits.

Social security field staff inform employees about the outreach facility network, the referral and affiliation system, and cash and health benefits – such as sickness, maternity, disability and family benefits, death grants and pensions.

ESSI officials also investigate, advocate for and safeguard employees' right to benefits by reviewing their cases, researching legislation for claims and suggesting the appropriate course of action. Social security officers also determine the aspects of a specific benefit that should be provided in specific circumstances, such as injury, death or disability.

► **Figure 6.1. Responsibilities and entitlements of different stakeholders in the social security system**



## Suggested communication tools

Social security staff can use a number of tools to convey information to different audiences. These tools include:

SMS communication	Orientation sessions	Seminars
Flyers and pamphlets	WhatsApp communication	Website
Banners and posters	Facebook	Focus group discussions

## A good first impression

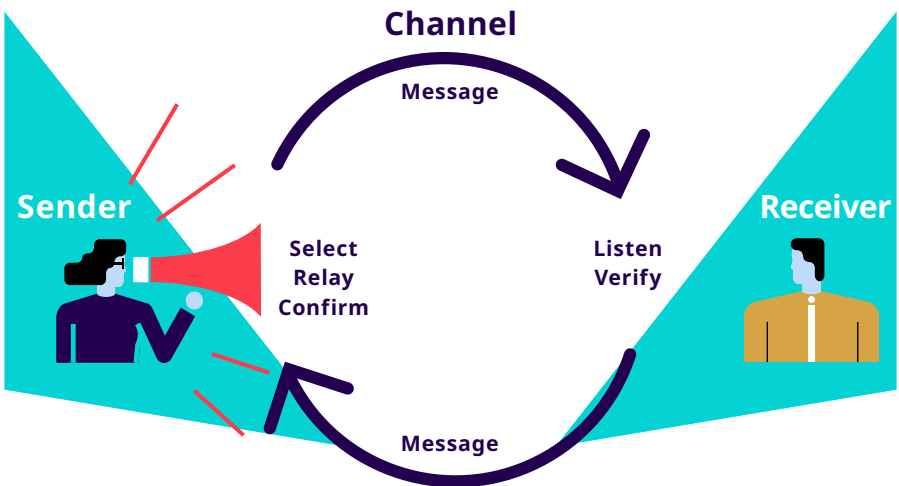
It takes just a quick glance – maybe three seconds – for someone to evaluate you when you meet them for the first time. In this first instant, the other person forms an opinion about you based on your appearance, body language, demeanour, mannerisms and dress. To create a good first impression, one needs to be:

Clean and hygienic	Turned out appropriately	Genuine and humble
Open and confident	Smiling and friendly	Courteous and attentive
	Prepared and on time	

## Communication skills

Communication skills are one of the most important tools for social security officers and inspectors. Convincing different stakeholders – with different sets of beliefs, mindsets, diverging views and interests – is challenging. An effective officer or inspector should possess excellent communication skills and use them in practice. Your message to any recipient should be:

- ▶ clear, simple, direct and to the point;
- ▶ acknowledged – ensure that you receive a response or confirmation;
- ▶ coherent – make sure that your message does not conflict or contradict other messages or parts of the same message;
- ▶ convincing – persuade recipients of your message's content or argument; and
- ▶ transparent – make sure that your message and intentions are easily understandable.



## Verbal communication

- ▶ Explain your message to clarify what you are saying, obtain more information, and demonstrate that you are paying attention to the person you are speaking to.
- ▶ Reinforce your message by using encouraging words.
- ▶ Paraphrase to show that you understand the viewpoint of the person you are speaking to.

- ▶ Empathize with others.
- ▶ Summarize to cover the most important facts.
- ▶ Validate other speakers by acknowledging the significance of what they communicate.
- ▶ Rephrase or present your message in another way.
- ▶ Encourage the person you are speaking to, showing an interest in what they say and encouraging them to share their real thoughts and feelings.

## Non-verbal communication

Facial expressions	Body language and posture	Gestures
A face can show enthusiasm, energy, approval, confusion, boredom or displeasure. The eyes, in particular, can express joy, sadness, anger or confusion.	Body language can convey a sense of warmth, openness, rejection or inflexibility.	Gestures are part of communication but they vary across cultures and regions, so it is important to be careful and avoid misinterpretation.
Eye contact	Language and modulation	Personal space
Eye contact can demonstrate interest, affection or hostility.	<i>How</i> we say what we say – in terms of the tone, pace and the volume of our voices – truly matters.	Maintaining an adequate distance from other people is essential to make them feel comfortable.

## Knowledge, skills and attitudes

In addition to communication skills, social security staff, officers and inspectors require other skills and competencies to deal with different audiences and take forward the core mission of Employees’ Social Security Institutions.

The following knowledge, skills and attitudes are recommended:



## Knowledge

### Social security law

Pakistan's legislation on social protection for secured persons and the provision of cash and medical benefits includes the Social Security Ordinance and its provincial variations.

#### Did you know?

Provisions on social security coverage are also included in the Punjab Domestic Workers Act, 2019.

### Government social security programmes and initiatives

The Government of Pakistan, at the national and provincial levels, provides social protection to citizens. Its social protection programmes and schemes fall into three broad categories: social insurance, social assistance, and labour policies and programmes. These are a combination of contributory and non-contributory programmes and schemes.

#### Did you know?

*Ehsaas* is Pakistan's largest national social security and poverty alleviation programme. It focuses on four complimentary streams: good governance; human capital development, safety nets, and jobs and livelihoods.

### Related and relevant laws

ESSI officers and inspectors should be aware of other laws directly or indirectly associated with the workplace environment. The implementation of labour laws and social security laws often depends on, or complements, other related laws.

#### Did you know?

Social security contributions are calculated on the basis of the minimum wage. Therefore, it is important to know about the provisions of provincial Minimum Wage Acts.

### International Labour Standards

The International Labour Standards provide overarching guidance to ILO Member States on the formulation of systems, policies and laws in line with ILO Conventions and Recommendations.

It is important to be aware of the relevant International Labour Standards that Pakistan has ratified, as well as those that have not been ratified but can be followed to improve the effectiveness of social security systems.

#### Did you know?

The Social Security (Minimum Standards) Convention, 1952

(No. 102) is the ILO's flagship Convention on social security. It establishes minimum standards for all nine branches of social security. While Pakistan has not yet ratified the Convention, its ingredients exist in provincial social security legislation.



## Skills and competencies

### Investigating social security applications

Investigate the eligibility of employees who apply for social security benefits by examining documents, interviewing the employees, and researching related legislation.

### Protecting the interests of clients

Protect the interests and needs of employers and employees by taking necessary actions, and researching all possibilities, to ensure that they obtain all required benefits.

### Provision of necessary documents

Provide access to, and information, on the necessary documentation that client needs to process, and inform them about regulations and procedures.

### Transparency of information

Ensure that required or requested information is provided clearly and completely, in a manner which does not explicitly withhold information, from the public or requesting parties.

### Responding to enquiries

Respond to enquiries and information requests from other organizations and members of the public.

### Administering appointments

Accept, schedule and cancel appointments.

### Advising on social security benefits

Advise employees on government-regulated benefits that they are eligible for, such as cash benefits, health benefits, family benefits, and social security benefits from other schemes.

### Applying technical communication

Explain technical details and returns on investments to stakeholders, or any other interested parties, in a clear and concise manner.


<b>Research and development</b>	<b>Interpersonal communication</b>
Use professional research and interview methods and techniques to gather relevant data, facts or information in order to gain new insight.	Develop and use the communication skills necessary to engage effectively with stakeholders.
<b>Assertiveness</b>	<b>Analytical skills</b>
Be able to confidently and vigorously state and defend your opinion.	Develop and use the analytical skills required to perform your roles and responsibilities, including assessing organizations' safety performance.
<b>Making the right decisions</b>	<b>Open-mindedness</b>
Develop and use the decision-making skills necessary to exercise judgment based on all available information.	Be able to accept new ideas or different viewpoints.



## Attitudes

ESSI staff, officers and inspectors should acknowledge:

How management systems work, in order to evaluate how an ESSI ensures compliance with legal requirements on an ongoing basis.	The legal framework of ESSIs and its intention to ensure that organizations meet legal requirements.	ESSI oversight techniques for enrolling an organization in the social security net.
How the performance framework and indicators of ESSIs are developed and used in a management system.	The human performance, limitations and understanding of factors that may influence the working of ESSIs.	How the sensitivity of confidential issues should be maintained to prevent the inadvertent disclosure of specific ESSI data.



# Session 7

## Inspection and record-checking





# Session 7

## Inspection and record-checking

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### Spirit and philosophy of inspection at ESSIs

Inspecting establishments to ensure that employees are included in the social security system is the core responsibility of provincial Employees' Social Security Institutions. They are also responsible for ensuring compliance with, and the promotion, supervision and enforcement of, social security legislation. This is essential to encourage more establishments and employers to register their employees with ESSIs, to reduce gaps in coverage, and to increase the number of secured employees in Pakistan.

### Authority of authorized ESSI officials

Recall what a social security officer or inspector – authorized by a certificate in the form specified by the regulations – can do (see Session 4, 'How to ensure compliance with the law').<sup>25</sup>

### Types of inspection visits

In general, there are four types of inspection visits used to ensure establishments' compliance with social security law:

1	2	3	4
Routine visit	Follow-up visit	Reactive visit	Special visit
An annual inspection to check compliance with the law, advise enterprises on how to comply with legal provisions, and inform them about social security schemes.	A visit to determine the extent to which an enterprise has responded to the outcome of an earlier routine visit.	A visit to investigate a complaint or seek clarification on data or notices.	A visit in response to a national or local programme that provides orientation about a new schemes and benefits provided by the Employees' Social Security Institution.

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<sup>25</sup> Government of Pakistan, Provincial Employees' Social Security Ordinance, 1965, Section 2.

## Preparing for an inspection visit

Inspectors can improve their work and contribute to an effective, participatory compliance system through their knowledge and preparation. An inspector may need to answer the following nine questions when planning an inspection:

1. Have you collected all of the necessary background information and data?
2. What type of inspection visit is this (routine, follow-up, reactive, or special)?
3. What supportive document will be required for this visit (previous visit report, notification, objection, notices, etc.)?
4. Have you collected the necessary tools and gadgets for the inspection (e.g. video recorder, audio recorder, camera, stationery, bag, visiting cards, ESSI brochure and reports, newsletters, materials on new schemes, etc.)?
5. Have you checked (requested) the required transport for this visit?
6. Have you ensured your physical health and safety, especially during pandemics (e.g. face mask, sanitizer, gloves, helmets, safety shoes, reflective vest, ear plugs, goggles, etc.)?
7. Do you have the enterprise's address and the contact person's information?
8. Did you communicate about your visit with the enterprise's representative?
9. What type of enterprise are you going to inspect (i.e. the nature of the business, categories of employees, history of the enterprise, general attitudes of the owner and staff, etc.)?

## Facilitating compliance

Inspections are difficult. They become easier and more effective when inspectors remember the following tips:

- ▶ Explain what enterprises' obligations are under the law, and convince enterprises of the benefits they will reap from an inspection visit.
- ▶ Highlight the benefits of securing enterprises' employees with Employees' Social Security Institutions. Use examples and case studies to illustrate the ultimate return that enterprises will gain from this investment.
- ▶ Inform enterprises' management about the role, responsibility and legal authority of inspectors to inspect their premises – for the benefit of employees and enterprises.
- ▶ Politely inform the management about the consequences of obstructing an inspection, such as legal proceedings which are ultimately not in their favour.

- ▶ **If you know your job, no one can beat you.**

## Roles of ESSI inspectors

Inspectors need to be mindful of their two main functions in relation to enterprises, based on the Labour Inspection Convention (No. 81):

- ▶ First, they must provide technical advice to employers and employees.
- ▶ Second, they must enforce compliance with the law.

Well-trained inspectors can easily handle both roles. Their specific approach should be determined by policies and instructions. These may vary from one jurisdiction to another and may also vary over time.



### Remember!

If you properly investigate an enterprise, help them understand what they really need to do, and mentor them about the process, there are few chances that they will not comply with the law.

## Inspection stages



### Pre-inspection:

1

- ▶ Selecting establishments for inspection
- ▶ Screening background information

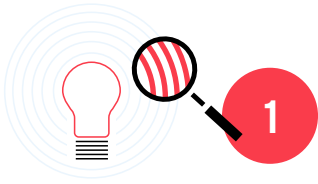
2

- ▶ Information about selected establishments
- ▶ List of documents required from the establishment
- ▶ Preparing and carrying an ESSI brochure to disseminate

3

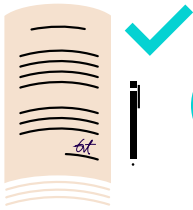
- ▶ Scheduling the inspection visit<sup>26</sup>
- ▶ Notifying the establishment

<sup>26</sup> As a general rule, inspection visits should be unannounced. Legal requirements for prior notification to employers about an inspection visit, or requiring consent for inspections from other government agencies, are not compatible with the provisions of ILO Conventions No. 81 and No. 129 (cf article 12, 1(a): "*labour inspectors shall be empowered to enter freely and without prior notice.*")



## During inspection:

- 1
  - ▶ Relationship-building
  - ▶ Introducing and briefing the enterprise about the inspection visit
  - ▶ Requesting documents
- 2
  - ▶ Conducting the inspection
  - ▶ Reviewing documentation
  - ▶ Collecting and verifying evidence
- 3
  - ▶ Debriefing on the inspection's findings
  - ▶ Explaining ways forward
  - ▶ Concluding the inspection visit



## Post-inspection

- 1
  - ▶ Compiling data and evidence
  - ▶ Seeking legal assistance and clearance
  - ▶ Finalizing and submitting the inspection report to the competent authority
- 2
  - ▶ Conveying the inspection's results to the employer
  - ▶ Issuing a clearance certificate or, in cases of non-compliance for further investigation, a notification
  - ▶ Following up
- 3
  - ▶ Meeting with relevant team members on follow-up requirements
  - ▶ Internal briefing on ways forward
  - ▶ Concluding the inspection process

## Details of each inspection stage

Bear the following details and mind about the stages of inspection or record-checking for establishments/enterprises:<sup>27</sup>

Pre-inspection	
Scheduling an inspection visit	The establishment should be notified of each inspection in advance. If possible, the date and time of the inspection visit should be mutually agreed. <sup>28</sup>
Inspection audit standard	<p>Before planning an inspection, be sure of what issues are under your jurisdiction, control and authority, based on your provincial notifications. For example, know which inspector (an assistant director or a deputy director) is authorized to inspect which level of enterprise ('small' enterprises with fewer than 100 employees, 'medium-sized' enterprises with 100–300 employees, or 'large' enterprises with 300 or more employees). Follow the 'Inspection/Audit Standard by Size of Establishment' to avoid any confusion. However, note that these Standard Operating Procedures (SOPs) are not standardized in all of Pakistan's provinces.</p> <p>The inspection team at the ESSI head office should randomly select at least five units from each directorate, each with more than 300 employees, and check their records every year.</p> <p>The deputy director (administration), in consultation with the social security officer and area officer, should maintain a schedule to inspect all functioning units during the financial year. The Area Officer is solely responsible for conducting inspections of all the functioning establishments in his/her allocated area.</p>
Special task inspection	Special task inspections of different establishments, assigned by the vice-commissioner or commissioner, will be carried out by the commissioner's inspection team at the head office when directed to do so. Inspections of establishments by the commissioner's inspection team cannot be dealt with by local directorates for record-checking without obtaining prior permission/approval.

<sup>27</sup> The Standard Operating Procedures and flow of inspection stages is derived from Standard Operating Procedures by the Punjab Employees' Social Security Institution of 7 July 2017.

<sup>28</sup> As a general rule, as noted above, inspection visits should be unannounced. Legal requirements for prior notification to employers about an inspection visit, or requiring consent for inspections from other government agencies, are not compatible with the provisions of ILO Conventions No. 81 and No. 129.

## During inspection

### Inspection data collection and management

Discrepancies noted by a field officer during a field visit should immediately be reported to the officer In charge of the concerned office. Support evidence, if any, should be provided to obtain the necessary orders to proceed further. The report should be entered in the Diary Register and included in the establishment's file.

### Conducting an inspection

The area officer or team, as the case may be, should conduct the inspection in an appropriate manner in order to address discrepancies, including those related to the concealment of salaries and wages.

### Record-checking

Important records to check include:



Attendance sheet



Wage slips



Balance sheet



Cash book



Tax returns



Vouchers

An establishment's records should not be requested for more than two preceding financial years at a time. If an assessment is developed, under Section 22(3) of the Social Security Ordinance, it should not cover a period beyond the last two years. If it is essential to check earlier records, the prior approval of the director general at the ESSI's head office must be obtained by providing a valid justification.

The records of establishments that remit centralized contribution payments to their projects or employees, and which are deployed or work within the territorial jurisdiction of other directorates, can only be checked by the commissioner's inspection team.

Record-  
checking  
(continued)

The director of the directorate where a centralized payment contribution is being remitted should provide the details of the establishment to the director general (headquarters), and must ensure that the record-checking of such establishments or their projects is not finalized at the local level.

Special consideration should be given to accurately detecting, assessing and recovering the contributions for each and every employee who falls within the ambit of social security scheme.

Failure to  
comply

If a unit checked by an officer or team fails to comply with the instructions above, the officer/team members will be held jointly responsible. They will be proceeded against under the rules.

If an establishment objects to exorbitant booked arrears (C-4), their written request to this effect should initially be examined by the social security officer .. If necessary, a team of officials should check and verify the establishment's records and offers recommendations for deciding the fate of the booked arrears (C-4), for the final approval of the concerned director. These officials are:

- ▶ the deputy director (administration);
- ▶ the deputy /additional director (finance and audit);
- ▶ the social security officer ; and
- ▶ the assistant director/inspector (area).



**Remember!**

Employees' social security is a social insurance programme. That means that social security is a 'contract' that says, 'as a society, we will look out for you and your family.'

**Employees' Social Security Institutions are the guardians of this contract.**

## Post-inspection

### Post-inspection

The officer in charge should issue a notice listing the discrepancies that require rectification, as reported by field officers, and the remittances of social security contributions, in line with the spirit of the law.

### Record-checking

The Area Officer or team should sign the records they have checked to avoid the subsequent replacement of these records. Try to enclose a photocopy of this record along with the inspection report/record-checking report so that figures can be cross-checked by the commissioner's inspection team during their visit.

### Assessment report

The following basic information should be mentioned in each assessment report:

- ▶ the name and address of the establishment;
- ▶ the date and notification number/registration number;
- ▶ the date of the assessment report;
- ▶ the date of the last inspection;
- ▶ the nature of the business/economic activity;
- ▶ the number of shifts;
- ▶ the details of employment levels;
- ▶ whether the unit is seasonal or not;
- ▶ the number of employees reported by the Area Officer/team after a physical inspection;
- ▶ details of efforts made to produce a record (details of the letter and 'show cause' Notice issued should be mentioned);
- ▶ reasons why the assessment is required;
- ▶ the period of the assessment; and
- ▶ basic details about the assessment being made.

Reports that physical count employees will also be considered to be inspection reports.



**Assessment report (continued)**

The Area Officer should consider these reports along with record-checking/assessment reports to determine the performance of an establishment.

Reports of routine visits are not considered to be inspection reports. However, annual checking reports will be subject to random cross-checks by the commissioner’s inspection team.

**Verification of the assessment report**

If an employer objects to the assessed amount and provides supporting documents within the time stipulated, the Director concerned should refer the case for verification/record-checking of the complainant establishment to determine actual liability for the assessed amount, as follows:

No.	When an assessment is developed by:	The record-checking team should include:
1.	i. Social security officer/ area social security officer	i. Deputy director (administration) ii. Social security officer iii. Audit officer iv. Assistant director/inspector (area)
2.	i. Assistant director/ inspector (area) ii. Audit officer iii. Social security officer	i. Deputy director (administration) ii. Deputy /additional director (finance and audit) iii. Social security officer iv. Assistant director/inspector (area)
3.	i. Deputy director (administration) ii. Deputy/additional director (finance and audit) iii. Social security officer iv. Assistant director/ inspector (area)	i. Deputy director (inspection) at headquarters ii. Deputy director (administration) iii. Deputy /additional director (finance and audit) iv. Social security officer v. Assistant director/inspector (area)

**Essential inspection record**

The following information should be included in the inspection/record-checking report of each establishment:

Registration #	_____			Date of Inspection	_____
Establishment Name	_____				
Address	_____				
Contact No.	_____			e-mail	_____
Nature of Business	_____				
# of Shifts	Unit Type	Seasonal	Not Seasonal	Period of Record Checking	
_____	_____	_____	_____	_____	
<b>Detail of Machinery</b>					
_____					
<b>Detail of Employment Level</b>					
_____					
<b>Detail of Record books of Accounts</b>					
_____					

**Entry of assessment reports**

The assessment report should be developed by the concerned officer or team, as the case may be, bearing in mind the employment level of the establishment. The assessment report should be entered in the Diary Register. It should also be entered in the relevant page of the C-5 Register (in the remarks column) and in the Detection Register immediately after a demand notice is issued for the recovery of the assessed amount.

**Demand notice**

The demand notice for the recovery of the assessed amount should be issued after approval of the assessment report submitted by the area officer or team.

**Notice**

The employer against whom an assessment is made should be served with a notice for payment within a period of seven days. The employer may submit an objection against the assessed amount. The final amount must be recovered through a legal process.

As noted above, if an employer objects to the assessed amount and provides supporting documents within the time stipulated, the concerned director should refer the case for the verification/record-checking of the complainant establishment in order to determine its actual liability for the assessed amount.

If an employer appeals against the assessed amount and provides supporting documents after the time stipulated in the assessment notice, the director concerned should refer the case to the director general at headquarters. The director general may, after considering the facts reported, refer the case to the team mentioned above, or constitute a team of officers to verify/check the records of the complainant establishment in order to determine actual liability for the assessed amount, based on the merits of the case.

Notice  
(continued)

If an establishment fails to raise an objection about the assessed amount deposited, a written notice is issued, followed by two reminder notices and a show cause notice indicating the amount.

After these notices are issued, the case for the recovery of the assessed amount will be referred to the director/assistant collector (Grade 1) to initiate recovery proceedings under the Land Revenue Act, 1967, as provided under Section 23(2) of the Ordinance. The initiation a prosecution will also begin under Section 66 of the Ordinance (also see Chapter III: Contributions, Section 23, for details).

If the assessment is not contested by the employer within the due timeframe, the competent authority can initiate recovery. This amount must be realistic. Some variation in the assessment of liabilities is allowed (at most, 15–20%). In the case of an exorbitant assessment, if it is subsequently found to be exorbitant, the Reporting Officer or team will be held accountable. Provincial ESSIs may use their own 'Employees' Efficiency & Accountability' tools for this purpose.



## Disclaimer!

This pocket book is a new tool, developed with the technical support of the ILO and UNDESA as part of the 'Achieving the SDGs and ending poverty through universal social protection' project.

A similar inspection checklist or inspection stages may also exist in your institution, using a different form or standard. This pocket book attempts to standardize the stages, steps and activities required for an effective social security inspection system. There may be variations in the titles, designations, levels of authority and sequence of activities. These can be adapted and aligned with provincial notifications. This document should be treated as a model structure for undertaking social security inspections.

**Although all of the steps are aligned with the sections of the Social Security Ordinance, 1965, and the provincial Ordinances that derive from it,, we recommend customizing and obtaining a proper notification before using this tool.**

Provincial ESSIs may use this pocket book in line with their preferences and respective provincial Social Security Ordinances/Acts.

## **Simplify social security: Pocket Book for effective compliance with and the enforcement of social security laws in Pakistan**

This pocket book is a new exclusively designed capacity building tool for the officials, staff and inspectors of Provincial Employees' Social Security Institutions in Pakistan. It can also be used as a self-compliance tool by employers, as well as for awareness raising by employees and their representatives. The pocket book was developed as part of the ILO-UNDESA project, 'Achieving the SDGs and ending poverty through universal social protection', supported by the United Nations Peace and Development Trust Fund.

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