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## **An Overview of the Social Insurance in Pakistan**

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### **Introduction:**

### **Social Insurance**

Social insurance is a set of insurance programs that are administered by a government. Just like private sector insurance, they provide benefits upon the occurrence of certain insured events. For example, unemployment insurance provides benefits if an insured person becomes unemployed. Additionally, just like private sector insurance programs, only citizens that contribute to a social insurance program are eligible to receive benefits from the program.

Representative Smith explains to the town hall participants that it's important to note that social insurance programs are not poverty or public assistant programs because the entitlement to benefits is not necessarily based upon need. In fact, some beneficiaries of Social Security retirement benefits are very wealthy. Benefits are based upon contributions made to the program by citizens and the occurrence of



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qualifying events. On the other hand, public assistance programs, such as food stamps, are based upon need.

### **An overview of Social Insurance in Pakistan:**

Every country economy consists of Government sector, Private sector and Semi government sector and Pakistan is no exception. It is very obvious that there is great difference between the developed countries and developing countries and the rules and regulations and more importantly the implementation of the rules is different significantly among both kinds of countries.

For Pakistan on one hand, it is developing country and interestingly it is Islamic country which differentiates it with the rest of developing world. Just like other developing countries, here in Pakistan there is enough room available for the improvement in the workers laws and their benefits such as social insurance is one of them.

In fact in Pakistan social security and social insurance is a big challenge not for the general public but for government also. we do have very different corporate culture like

Seith Corporate Culture

Established Corporate Culture

Mixed Culture

### **Seith Culture**



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The term “Seith” is a local term which comes from our native language which means the owner of the firm we called him/her Seith. As our economy has sound private sector most of the private firms follow the seith culture in which the famous quote “Boss is Always Right” applied. In this culture all the rules comes from the owner and he is the only one man who can do whatever he/she wants. In this culture there is no concept of social insurance at all and if someone wants to invest in social insurance he/she supposed to do by its own pocket and there is no contribution from the owner. Basically due to high unemployment and poor law and regulations implementation, Seith always exploit the workers. And more important here is that if someone wants to go ahead to take his/her rights like social insurance, the Seith could fire him/her without any solid reason.

### **Established Corporate Culture:**

This categories includes some firms from the sophisticated countries and majority of the firms in this category are multinational firms. As these firms working in the poor regulated environment, they do take some advantage of this poor regulation but at least they are providing the some basic necessities of the workers and also offers them the social insurance. Unfortunately the number of firms in this category are not dominant as compared to the private sector size. But its still blessing to our economy and society that we have such good firms which are the benchmark for rest of the firms in the economy.



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### **Mixed Culture:**

Due to above stated well firms, there are some local firms that have the mixed culture. As it becomes the need of the time, as the firms take the advantage of the such kind of facilities by publicizing these points to let their customers know that they are not here only for profits but also value their employees and facilitate them which are ultimately from us. Due to this need firms are adapting some of the good things and trying to change their traditional and complex Seith culture with the well reputed culture. The good thing is this as with the passage of time our government is also trying to force the labor laws strictly; the number of firms in this category is getting up and up day y day.

### **Government Sector:**

The government sector is quite different from the private sector not only in respect of social insurance but also in the working style and efficiency. Although the government sectors is quite prestigious sector in Pakistan and everyone wants to get job in the government sector because of the many benefits. In government sector, once someone get the job it means that no one can fire him till the age of 60 until some extra ordinary cases not happen. In government the performance of the employee is not matter at all this is the reason our economy has rich private sector and government privatized so many governments firms. As far as social insurance is concerned, some of the government firms provides the social insurance and remaining provide other

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extra facilities which compensate it. But as compared to the private sector this sector is much better in terms of employee benefits and Government sector also give lump sum amount the time of retirement and monthly after the retirement.

### **Semi-Government Sector:**

The semi government sector of Pakistan is quite big, as other sectors of the Pakistan semi government sector is also having some problems and there is strong need to address the labor rights in this sector. Just like government sector, this sector also facilitate their employees with different benefits like, medical allowance and travelling allowance but do not pay the social insurance for their employees. The reason behind this is the same as this is partially controlled by the private investors and they do not want to share their profits with the employees in terms of social insurance.

### **Religious Issue and Social Insurance:**

The biggest reason why Pakistan do not have the social insurance for the different sectors of the economy is the religion which is ISLAM. As Pakistan is Islamic country and all the rules and regulations of the country always prepared in the light of Islam. In Islam, everything that is fixed in terms of future fixed income is not acceptable for the Muslim. This is reason why in Islam interest is prohibited. There are so many controversial arguments for the insurance in the country. Although some few firms are offering the social insurance and some individuals do have insurance but it is

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discouraging in our country. Due to this prohibition of Islam we do not have government enforcement for the social insurance laws and there are no laws available for the firms to provide insurance for their employees.

Although there are so many laws are available for the safety work environment of the labor, health work environment but not a single law for the insurance. Although this insurance helps the people, it is not only impossible to pass this insurance rule from the cabinet of Government but it is impossible to defend these rules in Pakistan.

Following are the some Islamic theories for the interest and insurance

Insurance of one's life or possessions is haraam and is not permitted, because it involves gharar (buying/selling something where it is not known whether what is being bought/sold will actually be achieved/delivered, or in what specific quantity, thus putting one's money at undue risk to being lost) and riba (usury, interest). Allaah has forbidden all transactions that are based on riba, and all transactions which involve deceit, as a mercy to this ummah, and to protect them from that which may harm them. Allaah says (interpretation of the meaning):

*Reference From Holy Quran whereas ALLAH has permitted trading and forbidden Riba[al-Baqarah 2:275]*

And it was narrated in a saheeh report that the Prophet (peace and blessings of Allaah be upon him) forbade deceit. And Allaah is the source of strength. Abdullah b. Dinar narrated that he heard Ibn Umar (Allah be pleased with them) saying : A man

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mentioned to the Messenger of Allah (may peace be upon him) that he was deceived in a business transaction, whereupon Allah's Messenger (may peace be upon him) said : When you enter into a transaction, say : There should be no attempt to deceive.

*Book 10, Number 3663: (Kitab-Al-Buyu- Book of Transactions)*

If what is meant by submitting your papers to the insurance company is that you have health insurance, or intend to take out health insurance, you should note that this insurance is haraam, as is so-called life insurance, because the insurance policy in both cases involves ambiguity and a kind of gambling. This has been stated by the scholars in their fatwas.

*It says in Fataawa al-Lajnah al-Daa'imah (15/297):*

A - It is not permissible for the Muslim to insure himself against sickness, whether that is in a Muslim country or in a kaafir country, because that involves ambiguity and a kind of gambling.

B - It is not permissible for a Muslim to insure his life or all or some of his physical faculties, or to insure his wealth, possessions, cars and the like, whether that is in a Muslim country or in a kaafir country, because these are kinds of commercial insurance, which is haraam because it involves ambiguity and a kind of gambling.

Shaykh Ibn Uthaymeen (may Allaah have mercy on him) said: Insurance means that a person pays a certain amount to the company each month or each year against an accident that may happen to the thing insured.



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It is known that the one who pays insurance is losing in all cases, and the insurance company may win or lose, because if the accident is very serious and costs more than the money paid by the customer, the company will lose, but if it is minor and costs less than the money paid by the customer, or if no accident happens at all, then the company will win and the customer will lose.

This kind of contract - i.e., contracts in which a person may win or lose - is regarded as a kind of gambling which Allaah forbids in His Book and mentions alongside drinking alcohol and worshipping idols.

Based on this, this kind of insurance is haraam. I do not know of any kind of insurance based on ambiguity that is permissible, rather all kinds are haraam, because of the hadeeth of Abu Hurayrah (may Allaah be pleased with him) who said that the Prophet (peace and blessings of Allaah be upon him) forbade transactions based on ambiguity.

*And Shaykh Ibn Uthaymeen said:*

Life insurance is not permissible, because if the angel of death comes to the one whose life is insured, he cannot refer him to the insurance company. So this is a mistake and foolish misguidance, and it involves depending on this company instead of Allaah, because the person is depending on the company, if he dies, to take care of his heirs, which means depending on someone other than Allaah.

This is akin to gambling, indeed it is gambling in a real sense, and in His Book Allaah





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mentions gambling alongside shirk, divination with arrows and alcohol.

In the case of insurance, a man may pay money for years and years, and he may lose it, but if he dies soon the company may be the loser. All contracts in which there may be gains or losses are kinds of gambling.

*From Fataawa 'Ulama' al-Balad al-Haraam, p. 652, 653.*

If you are forced to take out insurance and there is an accident, it is permissible for you to take from the insurance company the same amount as the payments you have made, but you should not take any more than that. If they force you to take it then you should donate it to charity.

*Reference From Hadith:*

We advise you to fear Allaah and to turn to Him and make a lot of du'aa', for anyone who turns to Him will never be disappointed. And we remind you of the words of the Prophet (peace and blessings of Allaah be upon him): Whoever is stricken with poverty and turns to people for help, his needs will never be met, but whoever is stricken with poverty and turns to Allaah, Allaah will send him provision sooner or later.