

# GROWING SOCIO-ECONOMIC INEQUALITIES IN PAKISTAN

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## **Abstract**

*Socio-economic inequalities are universal and have many facets and dimensions. It may encapsulate subjective conceptions about reward systems or it may focus on the objective distribution of income or consumption. Although, sociological imagination emphasizes both the conceptions but this paper focuses on the dispersion of distribution of income. Poverty and inequality in Pakistan are reported to have increased in recent years and this growing inequality is generally linked with a slowing of economic growth and skewed distribution of resources. These growing socio-economic inequalities pose serious challenge to policy makers and will become an important social issue in future. Accordingly, it should be addressed more seriously now rather than later.*

## **Introduction**

Social inequalities are universal and manifest themselves in different forms in different societies. Inequalities in income, health, education, and status and power are examples. Social inequality can be defined in different ways. It may encapsulate subjective conceptions about reward systems or it may focus on the objective distribution of incomes or consumptions. Sociological imaginations emphasizes both the conceptions, however in this paper, inequality is conceptualized as the dispersion of distribution regarding income, consumption, or some other welfare measures of populations.

In the midst of historical process of industrialization in some parts of the world, the last two hundred years have witnessed many changes in patterns of social inequality around the globe (Beteille 1972). Regional, racial, national, and religion-based inequalities have plagued the world communities. The English and parts of non-English speaking West along with Japan in the East and Australia in the South comprise

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the developed world, while the rest of the mother earth formed the developing nations. Such a global socio-economic divide has influenced the nature of inequalities along several dimensions like income, wealth, education, health, opportunities, etc.

The distinct feature of today's socio-economic inequalities lies in its wide spectrum of manifestation and increasing visibility.

### ***Increasing Visibility of Inequality***

The inequalities are more complex, more distinct, and more visible now than in the past. New dimensions of inequality are becoming relevant and the measures like life opportunities, distribution of happiness, and active life expectancy at birth provide useful techniques of analysis. Distribution of social capital and the availability of social networks are being analyzed to assess their impacts on the health of populations (Wilkinson 1995).

### ***Inequality, Poverty, and Welfare***

Inequality is usually studied along with poverty and welfare. Inequality is a broader concept than poverty and welfare, as poverty generally deals with populations that are below a certain poverty line and require welfare assistance, while inequality covers all the members of a population in terms of the distribution of resources. In other words, poverty relates to welfare policies but inequality encompasses the whole socio-economic fabric of society. Inequality demands more serious and comprehensive analysis than poverty because it covers the whole spectrum of society and has strong linkages with socio-political stability.

### ***Population Growth and Inequality***

The link between population growth and poverty/inequality is widely acknowledged, but the direction of the cause and effect relationship is not certain. The relationship may actually be coincidental. There is some evidence, however, to support that population growth must slow down before economic development can occur (Weeks 1992, Government of Pakistan 1994). It is further explained that both the rate of population growth and the size of population may influence economic development in a country. According to UNFPA, rapid population

growth in Pakistan is a cause of poverty in Pakistan. The report said: "a high population growth rate (in Pakistan) is one of the factors in the conditions that create poverty" (UNFPA 2001). However, the maldistribution of resources remains the fundamental factor of growing inequalities.

### ***Increasing Significance of Inequalities***

Worldwide, people are becoming more aware and conscious about the existing and newly emerging socio-economic inequalities (Hamilton and Hirszowicz 1993). Both media and the growth of social inequalities are the fundamental reasons for their increasing significance around the globe. People are becoming more vocal about the widening gap between the rich and the poor. Accordingly, policy makers and researchers are also increasingly analyzing the linkages among the socio-economic measures of inequality, poverty, and welfare. The expanding horizon of international and local media, the availability of micro-economic data from various surveys of households, the increasing social and political pressure coupled with growing academic interest are some of the major factors of 'new' interest in the study of social inequalities.

Inequalities can be studied in the form of their real existence and can also be studied in people's consciousness. Real and perceived social inequalities are its two very important facets. Inequalities create conflict and the resolution of conflict results in change. The existence of inequalities does not create conflict unless they are perceived to persist and consciously felt. If people are not cognizant about the prevailing inequalities, they will not react to them and social conflict will not emerge.

Acceptance and social approval of inequalities determine their impact on societies. Their existence may prompt approval, indifference, despair, or conflict. If inequalities are socially accepted and approved, there are little chances to create social conflict, and societies will remain traditional and peaceful. The traditional, primitive, tribal, and religious societies are examples. On the other hand, if people did not tolerate/accept the existence of inequalities, they are likely to react, and

social conflict is likely to emerge. The consequential resolution of conflict will bring social change in pertinent societies.

Worldwide, inequalities are no longer considered legitimate and people are becoming more and more apprehensive about the justification of the growing inequalities. Social or group consciousness about inequalities is growing worldwide and in Pakistan as well. That is why there is more social conflict across the world societies. The air-crashes into World Trade Centre New York and Pentagon Washington DC can be taken as extreme examples of socio-economic disparities worldwide.

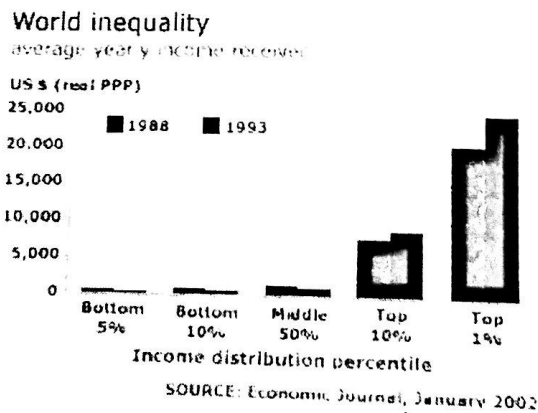
Moreover, recent empirical work re-examines the link between inequality and growth. Capitalistic mode of production/structure depends upon the growth of socio-economic inequalities to keep fuelling the engines of economic growth. Capitalism has been growing unhindered after the collapse of USSR (Russia) in 1991, and accordingly the gap between the rich and the poor has also been widening concurrently. This line of argument is being challenged now, and people have started asserting that more equal distribution of assets, such as land, will result in higher growth rates. Secondly, poverty reduction is becoming a major component of social and public policy worldwide, and redistribution impacts, like 'safety net programs' and 'social expenditures', are increasingly being examined. Thirdly, more and more empirical studies scrutinize the impact of inequality (independent of poverty) on health outcomes like morbidity, mortality, and violence. Several studies (especially in the USA and the Scandinavia) to analyze the links between social capital and health are good examples (Baum 1999, Kawachi 1999, Judge *et al.* 1998, Wilkinson *et al.* 1996).

In summary, understanding the linkages between inequality and the growth of an economy is used to understand the process of development. Some of the recent intellectual and empirical questions about inequality include: (1) Do more equal societies grow faster than the unequal ones; (2) What are the linkages between income distribution and poverty; (3) Are more unequal societies likely to be more violent; (4) Does inequality have a direct and independent influence on health

outcomes like morbidity, mortality, and violence; and finally (5) How do gender roles and public policy influence intra-household inequalities/ In the context of the growing significance of socio-economic inequalities, this paper aims to review the magnitude and trends of inequalities in the world and in Pakistan. The data used for this paper come from published secondary sources.

### ***Global Magnitude and Trends of Inequalities***

Globalization has given impetus to the growing public consciousness about socio-economic inequalities. During the last two decades, capitalism had been burgeoning and increased the dispersion of distribution of income and wealth. It has made the world more unequal. The rich had become richer and the poor the poorer. Figure 1 shows percentiles of income distribution during 1988-93 worldwide. It may be noted that the income of the bottom 65 percent of the people have declined while those of the top eleven percent have increased (especially of the top one percent).



\*The first three figures in this paper are taken from an article published by the BBC

*Figure 1: Percentiles of Income Distribution during 1988-95 worldwide.*

The gap is so wide that the income of the richest one percent of the people (50 million households) is more than the income of 60 percent of the people (2.7 billion households) at the bottom of the income distribution spectrum. This figure is shocking and shows that only one

percent of the world's population controls the bulk of world's resources. It may be noted that these data are for the year 1988-93 and the skewing of resources have continued since then and the inequality picture is likely to have worsened now. There are no serious efforts in place to address these growing inequalities, however, it seems that the world has become more conscious about this fact after the September 11 attacks in New York and Washington.

According to modernization theory of economic development, the fruits of economic growth 'trickle down' to poor segments of populations. This theory seems to have failed and the poor did not benefit from economic growth. The world economy is reported to have grown by five percent during 1988-93 and all the gains of world's economic growth have gone to the rich, rather than reaching the poor. Figure 2 shows the income received by rich and poor countries (thousands of NP per capita US dollars) between 1996 and 1997. The data show that the gains of economic growth during the last three-four decades have gone to the richest, while the incomes of those at the bottom have actually (in real terms) declined. The graph clearly shows the widening gap between the incomes received by rich and poor countries.

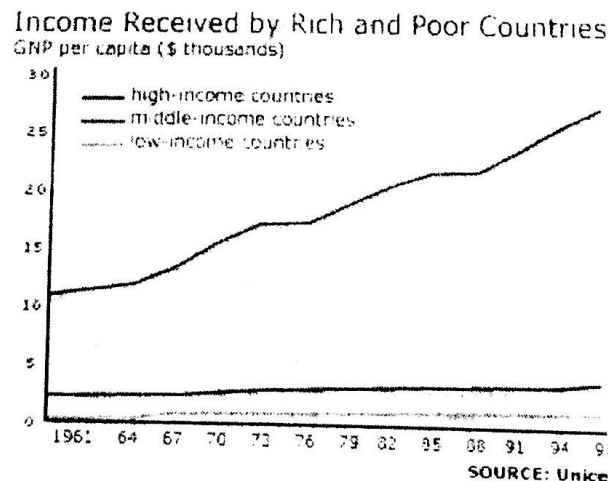


Figure 2: Income received by rich and poor countries in terms of GNP per capita (thousands of US dollars) between 1961 and 1997\*



The location of poverty and inequality worldwide is also of interest. Geographic distribution of resources has long been debated in the literature. The North-South dialogue about economic relations has continued for decades. The climates of geographic regions have also been used to justify the differential distribution of income and resources. All these theories have provided defective justifications to brush aside the impact of burgeoning capitalism. The figure 3 shows the proportions of the poor (people who earned less than one US dollar a day) across various regions of the world. The data show that more than two-fifths of the world's poor live in South Asia followed by 24.3 percent in Sub-Saharan Africa, and 23.2 percent in East Asia and the Pacific. These data show that poverty is concentrated in Asia and Africa. The question arises why? The answer is complex, but has to be found in the world system, and not in simplistic explanations about geographic or climatic conditions.

It may be noted, however, that the proportion of the poor in Sub-Saharan Africa is greater than that in South Asia. The very large population base in South Asia makes the number of poor population high and consequently its proportion in the world remains elevated. Pakistan being part of South Asia is also a victim of growing socio-economic inequalities. Therefore, the growth of inequalities in this country can easily be attributed to globalization of capitalization.

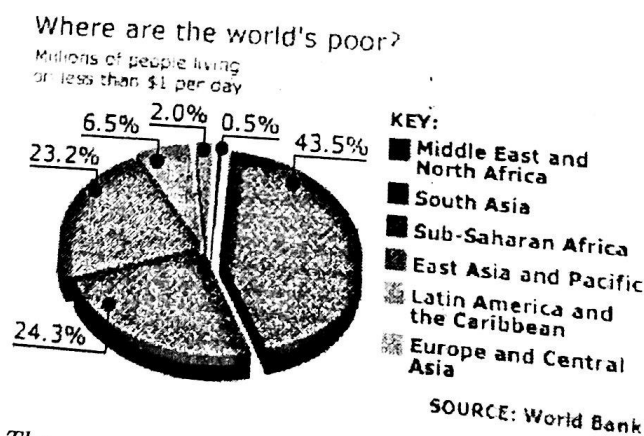


Figure 3: The proportions of the poor (people who earned less than one US dollar a day) across various regions of the world\*

From the above discussion and data, it may easily be inferred that inequality-trends prevail worldwide, and Pakistan is no exception. In the context of growing capitalism, Pakistan has experienced similar patterns of income and wealth distribution. Poverty and inequality in Pakistan are reported to have increased in recent years (MHDC 1997, MHDC 1999). Due to the growing visibility of poverty and its projection in the country, recent policy attention towards its alleviation has been underlined and welcomed (Gazdar 1999). The increase in poverty is linked with a slowing of economic growth in Pakistan and also to maldistribution of income/wealth. Various summary-measures are used to show income inequalities.

The Gini coefficient is the most popular statistical indicator of inequality (Government of Pakistan 2002). The Gini coefficient varies from zero (complete equality) to one (complete inequality), so that the more unequal the income distribution, the higher the Gini coefficient. It is an aggregate measure of inequality. Table 1 shows Gini coefficients of the household income distribution in Pakistan from 1986-87 to 1996-99. The data clearly show that inequality has been growing since the mid-1980s, the Gini coefficient increasing from 0.346 in 1986-87 to 0.410 about a decade later. The major increase in poverty occurred between 1987-88 and 1990-92. The reflections of the decade of 1990s show that Pakistani economy did not show any impressive growth. The decade was volatile and politically unstable. The crash of Karachi Stock Exchange, Coop Sandals (corrupt and fraudulent operations of cooperative companies) and the continuing high inflation contributed towards increasing the gap between the rich and the poor.



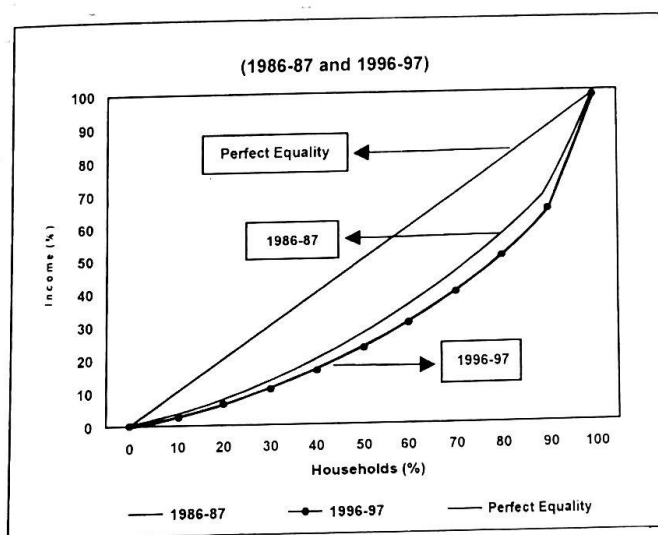
*Table 1: Household income distribution in Pakistan*

Year	Household Gini Co-efficient
1970-71	0.330
1971-72	0.345
1979	0.373
1984-85	0.369
1985-86	0.355
1986-87	0.346
1987-88	0.348
1990-91	0.407
1992-93	0.410
1993-94	0.400
1996-97	0.400
1998-99	0.410*

*Source: Government of Pakistan 2002**\*Economic Advisor's Wing*

According to the Pakistan Household and Expenditure Survey of 1990-91, 34 percent of households in Pakistan could be classified as poor (World Bank 1995). Growing inequality in the household income distribution is also evident from the Lorenz curve in Figure 3. It also shows that inequality has increased since 1986-87. The straight line shows complete inequality of income and more the data line is away from the straight line, more is the inequality. The figure shows that between 1987-87 and 1996-97, the Lorenz Curve shifted further away from the straight line and indicates the growth of income inequalities in the country. These data show that Pakistan has perfectly followed the path of growing inequalities worldwide. The US data also show the growing income inequalities there. According to a US report, the value of Gini Index inclined from 0.340 in 1969 to 0.456 in 1998 (Bresler

2000). Pakistan being part of the world system, the growing income inequalities is understandable but the Government of Pakistan seems to be inattentive to the gravity of the situation. These growing socio-economic inequalities have created several social issues and have contributed in the polarization of Pakistani communities.



Source: Government of Pakistan (2000)

Figure 4: Lorenz Curve, showing changing household income inequality between 1986-87 and 1996-97.

According to the 1997 Human Development Report for South Asia, the disparity between economic growth and social development is greater in Pakistan than in most other countries (MHDC 1997). For example, real per capita income (in terms of purchasing price parity dollars) in Pakistan is about 75 percent greater than in India, but Pakistan lags behind on most social indicators, including literacy and mortality (MHDC 1997). Table 2 shows a summary of key indicators for nations in the region and the developing countries overall. Similarly, with the exception of small countries like Sri Lanka and the Maldives, Pakistan's GNP and GDP per capita are the highest in the region, but it has the worst under-five mortality, 135 deaths per thousand live births.

Table 2: Comparative socio-economic profile of Pakistan in South Asia

	India	Paki- stan	Bang- ladesh	Nepal	Sri Lanka	South Asia (Wtd. Avg.)	Deve- loping Coun- tries
Population (In millions) 2000	1014	138 <sup>a</sup>	129	24	19	1326 <sup>b</sup>	4867
Annual population growth rate 1995-00 (%)	1.7	2.6	1.6	2.7	1.1	1.8	1.8
GNP per capita (US\$)							
1973	130	130	80	90	230	126	880
1999	440	470	370	220	820	438	1240
Real GDP PC-PPP \$ <sup>c</sup>							
1960	617	820	621	584	1389	648	790
1995	1422	2209	1382	1145	3408	1531	3068
1999	2248	1834	1483	1237	3279	1997	3530
People in poverty (%) 1990							
Urban	38	20	56	19	15	37	NA
Rural	49	31	51	43	36	47	NA
Life expectancy at birth 1997							
1960	44	43	40	38	62	44	46
1999	63	65	59	58	74	63	63
Population with access to health services (%)							
1995	85	55	45	NA	93	78	80
Population per doctor							
1980	2520	2910	6730	32710	5520	3720	4500
1992-95	2083	1923	5555	20000	4348	2273	1282
Infant mortality/1000 live births							
1960	144	139	151	212	90	144	137
1999	70	84	58	75	17	70	63
Crude death rate (per 1000 live births)							
1960	6	7	6.7	6	5.4	6.1	6
1999	3	4.8	3	4.3	2.1	3.2	2.9
People with disabilities as % of total population 1992	0.2	4.9	0.8	3.0	0.4	0.83	2.6
Illiterate adults as % of total adult population 1995	48	62	62	72	10	51	29
Public expenditure on education as % of GNP 1995	3.5	2.7	2.3	2.9	3.1	3.5	3.6
Public expenditure on health as % of GDP 1997	0.7	0.8	1.2	1.2	1.4	0.8	2.0

Source: MHDC 1999, 2001

Notes:

Population figures for 1990, 1995, and 2000 are taken from UN: Age and Sex Distribution of Population: The 1994 revision, (Medium variant). The population growth rate has been calculated by using the formula  $\{[(\text{new value}/\text{old value})^{1/n}] - 1\} * 100$ .

- According to the 1998 Census of Pakistan, the total population of the country is 131 million with an annual growth rate of 2.6 percent.
- The South Asian figures include Bhutan and the Maldives.
- The real GDP per capita in Purchasing Price Parity dollars.

NA Data not available

Reported under-five mortality from the 1996-97 Pakistan Fertility and Family Planning Survey (PFFPS) (Hakim *et al.* 1998) is below the

MHDC figure, but still higher than in other regional countries, as is mortality among children aged 1-4 years:

In Pakistan, 41 children aged 1-4 years die per thousand live births, which is the highest rate in South Asia. Pakistan's proportion of illiterate adults is equaled by Bangladesh and surpassed only by Nepal. In short, Pakistan is a classic example of economic growth without commensurate social development.

According to the 1997 Human Development Report for South Asia, the disparity between economic growth and social development is greater in Pakistan than in most other countries (MHDC 1997, MHDC 2001). For example, GNP per capita income in Pakistan continue to be greater than in India (US\$ 470 in Pakistan and US\$ 440 in India), but the real per capita income (in terms of purchasing price parity dollars) in Pakistan has declined compared to that in India.

According to MHDC 1997, real per capita income of Pakistan in 1995 was 55 percent greater than that in India. In 1999, this edge of Pakistan was lost and its income is 22 percent lower than that in neighbouring India. These data clearly show that inequality and poverty has increased in Pakistan (see Table 2). These figures may be debated as statistical artifacts but several reports indicate that inequality is on the increase in Pakistan (MHDC 1999, Government of Pakistan 2000, 2002).

### ***Conclusion and Recommendations***

Socio-economic inequalities had been growing in the world and also in Pakistan. The income gap between the rich and the poor has widened significantly. The income gap has also heightened social differentiation along racial, religious, and geographic lines. The visibility of inequalities has also increased and people do not approve their existence as they used to do in the past. The equalities are not considered legitimate anymore. People resent these growing dispersions of distribution regarding income and wealth. Social conflict is the ultimate consequence of these burgeoning inequalities and warrants corrective measures to lessen the inequalities. The Government of Pakistan is advised to focus more on structural measures to stop the growth of

inequalities. The welfare measures (like food and monetary assistance to the poor) to help the poor are temporary and symptomatic and do provide relief to the poor. They are good and should continue, but more emphasis should be placed on modifying structural conditions whereby inequality and poverty is prevented from occurring.

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