

# **ANALYSIS OF TRENDS SINCE 2007-08 IN KEY ECONOMIC AND SOCIAL INDICATORS**

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By

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## **ANALYSIS OF TRENDS**

The key messages which emerge from the analysis of trends and synergies among the three surveys – Household Integrated Economic Survey (HIES), Pakistan Social and Livings Standards Survey (PSLM) and Labor Force Survey (LFS) – over the period, 2007-08 to 2010-11, are as follows:

### **Stagnation in Real Household Incomes**

Over the three year period, the average household income in real terms has increased cumulatively by three percent, at about one percent only per annum. This is a reflection of the low rate of economic growth and only a modest increase in employment. The floods of 2011 have clearly also impacted on rural incomes, which have risen cumulatively by only one percent.

### **Rising Household Income Inequality**

Inequality has continued to increase during the last three years. Overall, the lowest two quintiles of households have suffered a drop in their real incomes, while significant increases have been recorded in the case of upper income households. This also implies that the incidence of poverty must have increased during the last three years.

### **Some Expansion in Social Protection**

Gift assistance on average per household has increased from Rs 104 to Rs 525 per month and is concentrated mostly in the two bottom quintiles. This could be a reflection of the cash relief after the floods to affected families or of religious contributions (**Zakat**). Also, it is possible that in 2010-11 sample households may have had some access to income supplements from the Benazir Income Support Program (BISP).

### **Narrowing of Regional Income Inequality**

A significant development is the narrowing of income differentials among provinces. While the province of Sindh, with the highest income, has experienced a drop due possibly to the floods and dislocation of economic activity in Karachi caused by the target killings, the province of Balochistan, with the lowest household income, has witnessed an exceptional increase in income of over 11 percent. This probably reflects the greater priority attached to development in the province through the favourable formula for transfers under the 7th NFC Award and the **Aghaz-e-Haqooq** package.

### **Dissaving by the Poor to Sustain Consumption Expenditure**

Households in the lowest quintile have become net dissavers in an effort to maintain consumption levels in the presence of high inflation. While real income has fallen, consumption expenditure is up by almost 5 percent. The issue, however, is whether this can be sustained before many poor households fall into the debt trap.

### **Share of Food Expenditure rises at the expense of Clothing and Housing**

The share of food in expenditure has risen for all income groups in the face of rapidly increasing prices. This has implied a decline in shares of other forms of expenditure, especially on apparel, textiles and footwear and rent.

### **The 'Demographic Dividend' has led to fast Expansion in the Labor Force**

The rate of entry into the labor force has become faster as the share of young population is increasing. Consequently, the annual rate of increase in the labor force during the last three years is estimated at 2.8 percent, with the absolute increase of 1.5 million per annum. As opposed to this, employment growth has been 2.5 percent, and resultantly the unemployment rate is rising.

### **Employment Growth slows down**

The employment growth rate between 2007-08 and 2010-11 of 2.5 percent represents a significant fall from the growth rate between 2001-02 and 2007-08. This reflects the sharp decline in the GDP growth rate. However, a relatively high level of employment elasticity has been achieved by the emergence of greater underemployment, rather than open unemployment, as indicated by the large share of unpaid family workers and workers who are able to get only part-time work (of less than 40 hours per week). The latter now constitute almost 30 percent of the employed.

### **Absence of Structural Transformation of the Labor Force**

As development proceeds, it can be expected that the share of the agricultural sector will decline while that in industry and services increases. But this is not happening in Pakistan. In fact, the share of employment in agriculture has been increasing over the last decade. During the last three years, it increased by 0.5 percentage points. This testifies to rising levels of underemployment in the rural areas and a failure on the part of the modern sector to absorb the increment to the labor force.

### **The Formal Sector is Pro-Cyclical while the Informal Sector is playing a Counter-cyclical role**

Outside the agricultural sector, the formal sector (establishments with employment above 10 people) has shown little employment growth of only one percent in three years, reflecting the slowdown in the economy. As opposed to this, the informal sector is acting as a 'cushion', with relatively rapid growth in employment of almost seven percent especially in sectors like wholesale and retail trade, small-scale manufacturing and construction. But income per worker in the informal sector is falling and more than half the poor in the country are working poor.

### **Rising Unemployment, especially among Youth**

While the overall unemployment rate has shown a modest increase from just over five to six percent, the unemployment rate of youth (aged 15-29 years) is not only relatively high but has also shown a bigger increase from under seven percent to almost

nine percent. The failure to absorb the rapidly expanding labor force of youth could promote militancy and lead to higher levels of crime.

### **Some Evidence of Improvement in Indicators of Gender Equality**

While there is little or no improvement in literacy rate of males (aged 10 years and above), there has been some increase, of two percentage points, in the literacy rate of females, although a large gap (of 13 percentage points) still persists. The encouraging development is the rapid expansion in female employment of over 18 percent during the last three years as compared to about five percent in the case of males. But labor force participation rates of females remain low and a large part of the employment is in the form of unpaid family work.

### **Slow Progress in Human Development and on the MDGs**

During the last three years, the overall literacy rate and both primary and secondary enrolment rates have shown only marginal improvement. Simultaneously, real household income has risen slowly and there is evidence that poverty has increased. With less than five years to the terminal date for the MDGs, it is clear that Pakistan will fail to achieve most of the targets.

### **Modest Expansion in Health Services**

There has been an increase in coverage of the immunization program by eight percentage points between 2007-08 and 2010-11. But even now almost one fifth of the children are not covered. The immunization rate is particularly low in Balochistan. Pre-natal consultations are being undertaken by almost 62 percent of pregnant women but post-natal consultations are much less frequent at about 28 percent only. The incidence of diarrhea among children has remained, more or less, unchanged.

### **Decline in the Coverage and Quality of Residential Services**

The coverage of piped water in households has actually declined, while the percentage of households with electricity and gas has increased somewhat, but there has been a visible decline in the quality of service with high level of loadshedding. This also reflects the severe contraction in real Federal and Provincial ADP allocations for economic and social services in recent years.

### **Growing Levels of Dissatisfaction with Economic Conditions**

Given the stagnation or fall in real household incomes, declining levels of nutrition and food security, rising unemployment and underemployment and deterioration in the quality of public services, it is not surprising that a high and increasing proportion of households have reported dissatisfaction with their economic situation (compared to the year before the survey). Two years ago this percentage was 33 percent which has increased to 43 percent in 2010-11, while the percentage who have reported an improvement has fallen from 22 to 17 percent.

## HOUSEHOLD INTEGRATED ECONOMIC SURVEY (HIES)

The HIES is conducted periodically throughout Pakistan. In 2010-11 the national sample size was 16341 households in 2010-11, compared to 15512 in 2007-08. The HIES is part of the PSLM. The findings are presented in 25 major tables for households separately in five consumption quintiles.

Enclosed are the tables that have been prepared to determine the major trends between 2007-08 and 2010-11. These are as follows:

- Table 1.1: Change in Real Household Income
- Table 1.2: Change in Real Consumption Expenditure by Households
- Table 1.3: Change in Consumption Patterns of Lower Income Households in Pakistan
- Table 1.4: Change in Consumption of basic food items by lower income households
- Table 1.5: Change in Sources of Income of Households in Pakistan

**Table 1.1**  
**Change in Real Household Income**

	(Rs per month)			
	2007-08	2010-11		Percentage Change
		Nominal	Real*	
<b>Average</b>	<b>14456</b>	<b>21785</b>	<b>14875</b>	<b>2.9</b>
lowest 20%	7812	11386	7775	-0.5
next 20%	9910	14274	9747	-1.6
next 20%	11172	16841	11499	2.9
next 20%	13227	20784	14192	7.3
highest 20%	24659	37728	25762	4.5
Rural	12626	18713	12777	1.2
Urban	17970	27664	18890	5.1
Punjab	14601	22859	15609	6.9
Sindh	14819	20606	14070	-5.1
K-PK	14044	20130	13745	-2.1
Balochistan	11375	18534	12656	11.3

\* Nominal income has been deflated by the Consumer Price Index with the base year of 2007-08. The index value is 1.4645.

**Table 1.2**  
**Change in Real Consumption Expenditure**  
**by Households**

		(Rs per Month)		
	2007-08	2010-11		Percentage Change
		Nominal	Real	
<b>Average</b>	<b>12660</b>	<b>19336</b>	<b>13203</b>	<b>4.3</b>
lowest 20%	7485	11503	7855	4.9
next 20%	9209	14268	9743	5.8
next 20%	10445	16537	11292	8.1
next 20%	12235	19014	12983	6.1
highest 20%	19866	29902	20418	2.8
Rural	11128	16919	11552	3.8
Urban	15601	23595	16360	4.9
Punjab	12611	19070	13022	3.3
Sindh	12718	20103	13727	7.9
K-PK	13472	19577	13368	-0.8
Balochistan	10656	18183	12416	14.0

**Table 1.3**  
**Change in Consumption Patterns of Lower Income Households**  
**in Pakistan**

	(Percentage)								
	Share of Expenditure on								
	Food, Beverages and Tobacco	Apparel, Textile and Footwear	Transport and Communications	Cleaning, Laundry and Personal Appearance	Recreation and Entertainment	Education	Rent	Fuel and Lighting	Miscellaneous
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>Bottom 20%</b>									
2007-08	55.32	6.77	3.89	4.06	0.20	1.38	9.16	8.64	10.56
2010-11	59.24	5.65	3.89	4.02	0.17	1.49	8.541	8.42	8.62
<b>Change</b>	<b>3.92</b>	<b>-1.12</b>	<b>0.00</b>	<b>-0.04</b>	<b>-0.03</b>	<b>0.11</b>	<b>-0.65</b>	<b>-0.22</b>	<b>-1.94</b>
<b>Next 20%</b>									
2007-08	53.07	6.34	4.59	3.81	0.34	1.92	10.60	8.40	10.93
2010-11	57.41	5.61	4.44	3.83	0.24	1.85	9.47	8.27	8.94
<b>Change</b>	<b>4.34</b>	<b>-0.73</b>	<b>-0.15</b>	<b>0.02</b>	<b>-0.10</b>	<b>-0.07</b>	<b>-1.13</b>	<b>-0.19</b>	<b>-1.99</b>

**Table 1.4**  
**Change in Consumption of basic food items by**  
**lower income households**

(per capita per month)

Item	Unit	Lowest 20% of Households			Next 20% of Households		
		2007- 08	2010- 11	% change	2007- 08	2010- 11	% change
Wheat and wheat Flour	Kg	7.08	6.99	-1.3	7.68	7.80	1.6
Rice and rice flour	Kg	0.69	0.74	7.2	0.87	0.97	11.5
Milk, fresh & boiled	Ltr	3.73	3.43	-8.0	5.07	4.83	-4.7
Vegetable ghee	Kg	0.59	0.60	1.7	0.67	0.73	9.0
Vegetables*	Kg	2.58	2.71	5.0	3.07	3.41	11.1
Sugar mill/desi	Kg	1.01	0.97	-4.0	1.21	1.18	-2.5

\* On items which account for more than 3 percent of food expenditure

\*\* Potato, tomato, onion and other vegetables combined

**Table 1.5**  
**Change in Sources of Income of Households in Pakistan**

(Rs per Month)

	2007-08	2010-11		Percentage Change
		Nominal	Real	
<b>Total</b>	<b>14456</b>	<b>21785</b>	<b>14875</b>	<b>2.9</b>
Wages and Salaries	5729	8646	5904	3.1
Crop Production	1923	2625	1792	-6.8
Livestock	879	1677	1145	30.3
Other Non-Agri Activities	2273	3305	2257	-0.7
Property <sup>a</sup>	416	680	464	11.5
Owner Occupational Houses	1550	2137	1459	-5.9
Social Insurance Benefits	267	394	269	0.7
Gifts Assistance	104	525	358	244.2
Foreign Remittances	623	1017	694	11.4
Domestic Remittances	585	691	472	-19.3
Other Sources	103	88	60	-41.7

<sup>a</sup> rented property

## **PAKISTAN SOCIAL AND LIVING STANDARDS MEASUREMENT SURVEY (PSLM)**

The PSLM is aimed at measuring progress towards the Millennium Development Goals. The PSLM of 2010-11 has a sample size of 76546 households and presents findings at the national, provincial and district levels. The size of the sample in 2007-08 was much smaller at 15512 households, implying the possibility of larger sampling or non-sampling errors. Also, data from this survey has been presented only at the national and provincial levels, and not at the district level. Therefore, in view of some lack of comparability between the two surveys data from the 2006-07 and 2008-09 PSLMs has also been analysed to get a more reliable indication of the underlying trends.

The tables from PSLM reports which have been prepared to identify the major trends are as follows:

- Table 2.1: Change in Literacy Rate (10 years and over)
- Table 2.2: Gross Primary and Secondary Enrollment Rate, Pakistan
- Table 2.3: Net Primary and Secondary Enrolment Rate, Pakistan
- Table 2.4: Percentage of Children Fully Immunized (Age cohort 12-23 months)
- Table 2.5: Pre-Natal Consultation – Women Aged 15-49 Years
- Table 2.6: Post-Natal Consultation – Women Aged 15-49 Years
- Table 2.7: Incidence of Diarrhea in Children age Under 5 Years (during last 30 days)
- Table 2.8: Change in Perception of the Economic Situation of the Household Compared to the Year before the Survey



**Table 2.1**  
**Change in Literacy Rate**  
**(10 years and over)**

	(Percentage)		
	2007-08	2010-11	Change
<b>Total</b>	<b>56</b>	<b>58</b>	<b>2*</b>
Male	69	69	0
Female	44	46	2*
<b>Punjab</b>	<b>59</b>	<b>60</b>	<b>1</b>
Male	70	70	0
Female	48	51	3*
<b>Sindh</b>	<b>56</b>	<b>59</b>	<b>3*</b>
Male	69	71	2
Female	42	46	4*
<b>K-PK</b>	<b>49</b>	<b>50</b>	<b>1</b>
Male	68	68	0
Female	33	33	0
<b>Balochistan</b>	<b>46</b>	<b>47</b>	<b>-5*</b>
Male	66	60	-6*
Female	23	19	-4

\* Significant difference at the 5% level.

**Table 2.2**  
**Gross Primary and Secondary Enrolment Rate, Pakistan**

	Percent Change						
	2006-07	2007-08	2008-09	2010-11	07-08	08-09	09-11
<b>Primary</b>							
Male	99	97	99	100	-2.02	2.06	1.01
Female	81	83	83	83	2.47	0.00	0.00
Overall	91	91	91	92	0.00	0.00	1.10
<b>Secondary</b>							
Male	57	59	59	59	3.51	0.00	0.00
Female	44	48	46	48	9.09	-4.17	4.35
Overall	51	53	53	54	3.92	0.00	1.89

**Table 2.3**  
**Net Primary and Secondary Enrolment Rate, Pakistan**

	2006-07	2007-08	2008-09	2010-11	Percent Change		
					07-08	08-09	09-11
<b>Primary</b>							
Male	60	59	61	60	-1.67	3.39	-1.64
Female	51	52	54	53	1.96	3.85	-1.85
Overall	56	55	57	56	-1.79	3.64	-1.75
<b>Secondary</b>							
Male	20	18	21	22	-10.00	16.67	4.76
Female	16	17	18	19	6.25	5.88	5.56
Overall	18	18	20	20	0.00	11.11	0.00

**Table 2.4**  
**Percentage of Children Fully Immunized**  
**(Age cohort 12-23 months)**

	2006-07	2007-08	2008-09	2009-10	Percent Change		
					07-08	08-09	09-11
Pakistan	76	73	78	81	-3.95	6.85	3.85
Punjab	83	76	85	86	-8.43	11.84	1.18
Sindh	65	67	69	75	3.08	2.99	8.70
NWFP	76	74	73	77	-2.63	-1.35	5.48
Balochistan	54	57	43	56	5.56	-24.56	30.23

**Table 2.5**  
**Pre-Natal Consultation – Women Aged 15-49 Years**

	2006-07	2007-08	2008-09	2010-11	Percent Change		
					07-08	08-09	09-11
Pakistan	53	56	58	62	5.66	3.57	6.90
Urban	73	74	77	78	1.37	4.05	1.30
Rural	45	50	50	55	11.11	0.00	10.00
Punjab	56	59	61	65	5.36	3.39	6.56
Sindh	56	59	60	64	5.36	1.69	6.67
Khyber	46	48	49	52	4.35	2.08	6.12
Balochistan	31	39	36	43	25.81	-7.69	19.44

**Table 2.6**  
**Post-Natal Consultation – Women Aged 15-49 Years**

	2006-07	2007-08	2008-09	2010-11	Percent Change		
					07-08	08-09	09-11
Pakistan	24	21	25	28	-12.50	19.05	12.00
Urban	38	33	37	38	-13.16	12.12	2.70
Rural	18	16	21	24	-11.11	31.25	14.29
Punjab	22	20	25	28	-9.09	25.00	12.00
Sindh	31	24	29	34	-22.58	20.83	17.24
Khyber	22	20	23	23	-9.09	15.00	0.00
Balochistan	17	10	15	18	-41.18	50.00	20.00

**Table 2.7**  
**Incidence of Diarrhea in Children age Under 5 Years**  
**(during last 30 days)**

	(Percentage)		
	Pakistan		
	Male	Female	Total
2006-07	11	11	11
2007-08	10	11	10
2008-09	11	10	11
2010-11	12	11	11

**Table 2.8**  
**Change in Perception of the Economic Situation of**  
**the Household Compared to the Year before the Survey**

(Percentage)

	Much Worse and Worse	Same	Better and Much Better	Total <sup>a</sup>
<b>Pakistan</b>				
2008-09*	33	44	22	100 <sup>a</sup>
2010-11	43	40	17	100
Change	10	-4	-5	
<b>Pakistan (Urban)</b>				
2008-09	33	43	24	100
2010-11	42	40	17	100
Change	9	-3	-7	
<b>Pakistan (Rural)</b>				
2008-09	33	45	22	100
2010-11	43	40	17	100
Change	10	-5	-5	
<b>Punjab</b>				
2008-09	32	43	25	100
2010-11	44	38	18	100
Change	12	-5	-7	
<b>Sindh</b>				
2008-09	37	50	13	100
2010-11	39	47	13	100
Change	2	-3	0	
<b>K-PK</b>				
2008-09	32	34	34	100
2010-11	40	39	21	100
Change	12	5	-13	
<b>Balochistan</b>				
2008-09	27	56	16	100
2010-11	50	38	12	100
Change	23	-18	-4	

<sup>a</sup> Row totals may not add up to 100 due to rounding off and because of the response 'don't know'.

\* The 2007-08 PSLM did not undertake a survey of change in perceptions of the economic situation.

## LABOR FORCE SURVEY (LFS)

The Labor Force Survey (LFS) is routinely used to study changes in the employment situation in the country. The relevant information are collected from a national representative sample of about 36000 households spread over four quarters of the year in order to capture seasonal variations. The analysis focuses on changes in employment and unemployment during the period 2007-08 and 2010-11.

The following tables have been constructed:

- Table 3.1: Change in Employment by Sex, Age and Location
- Table 3.2: Change in Unemployment Rate by Sex, Age and Location

**Table 3.1**  
**Change in Employment by Sex, Age and Location**

	2007-08		2010-11		Percentage Change
	% of Employed	Number Employed (000)	% of Employed	Number Employed (000)	
<b>Total</b>	<b>100.00</b>	<b>50750<sup>a</sup></b>	<b>100.00</b>	<b>54603<sup>a</sup></b>	<b>7.6</b>
<b>Sex</b>					
Male	79.57	40382	77.51	42323	4.8
Female	20.43	10368	22.49	12280	18.4
<b>Age</b>					
10-14 years	5.46	2771	4.56	2490	-10.1
15-29 years	39.00	19793	38.72	21142	6.8
30-59 years	49.54	25142	51.24	27979	11.3
60 Years and above	6.00	3045	5.48	2992	-1.7
<b>Location</b>					
Punjab	59.01	29948	59.92	32718	9.3
Sindh	24.97	12672	24.81	13547	6.9
K-PK	11.67	5923	11.24	6137	3.6
Balochistan	4.34	2203	4.03	2201	-0.1
<b>Location</b>					
Urban	29.76	15103	29.70	16217	7.4
Rural	70.24	35647	70.30	38386	7.7
<b>Sector</b>					
Agriculture	44.60	22635	45.10	24626	8.8
Manufacturing	13.00	6598	13.70	7481	13.4
Construction	6.30	3197	7.00	3822	19.5
Whole sale and Retail Trade	14.60	7410	16.20	8846	19.4
Transport, Storage and Communication	5.50	2791	5.10	2785	-0.2

	2007-08		2010-11		Percentage Change
	% of Employed	Number Employed (000)	% of Employed	Number Employed (000)	
Community, Social and Personal Services	13.70	6953	10.80	5897	-15.2
Others <sup>a</sup>	2.30	1166	2.10	1147	-1.7
<b>Sector</b>					
Agriculture	44.60	22635	45.10	24626	8.8
Formal	15.07	7648	14.38	7852	2.7
Informal	40.33	20467	40.52	22125	8.1
<b>Employment Status</b>					
Employers	0.90	457	1.4	764	67.3
Own Account Workers	34.20	17357	34.9	19056	9.8
Contributing Family Workers	28.90	14667	27.7	15125	3.1
Employees	36.00	18270	36.0	19657	7.6

<sup>a</sup> based on latest population estimates in the Pakistan Economic Survey.

**Table 3.2**  
**Change in Unemployment Rate by Sex, Age and Location**

	2007-08	2010-11	(Percentage)
			Percentage Change
<b>Total</b>	<b>5.2</b>	<b>6.0</b>	<b>0.8</b>
<b>Sex</b>			
Male	4.3	5.1	0.8
Female	8.5	8.9	0.4
<b>Age</b>			
10-14 years	9.0	10.3	1.3
15-29 years	6.6	8.7	2.1
30-59 years	2.6	2.6	0.0
60 years and above	12.5	12.0	-0.5
<b>Location</b>			
Punjab	5.5	6.1	0.6
Sindh	3.1	5.1	2.0
K-PK	8.6	8.1	-0.5
Balochistan	2.8	3.0	0.2
<b>Location</b>			
Urban	6.3	8.8	2.5
Rural	4.7	4.7	0.0