CHAPTER 1

1.1   Introduction

This report presents household Income and consumption expenditure data for the year 2005-06. The format of the report is almost the same as of the Household Integrated Economic survey (HIES) that were conducted during the years 2001-02 and 2004-05. In this report all the variables have been presented by consumption quintiles. In the following chapter-2 the main findings of the report are summarised; in chapter 3, the concepts and definitions that are used in the report are explained and in chapter 4, the sample design is outlined. After that, twenty five major tables are presented. The methodology of consumption quintiles is explained in Appendix-A.

1.2   Recent Developments in HIES

There has been some developments in HIES during the 1990s, and it is important that readers should aware of some of these. The HIES has been conducted, with some breaks, since 1963. In 1990 HIES questionnaire was revised in order to address the requirements of a new system of national accounts. The four surveys of 1990-91, 1992-93, 1993-94 and 1996-97 were conducted using the revised questionnaire. In 1998-99 and 2001-02, the HIES data collection methods and questionnaire were changed to reflect the integration of the HIES with the Pakistan Integrated Household Survey (PIHS). The HIES 2004-05 was conducted as part of first round of PSLM Survey covering 14708 households taken as sub-sample of the 77,000 households of PSLM Survey. The current round of HIES has been carried out covering 15453 households.

1.3   Data Collection Methods:

Prior to 1998-99, the data of HIES surveys was collected by male enumerators using public transport where only male household members could be interviewed. From the year 1998-99 the income and consumption data of the HIES Survey is being collected by adopting team approach of both male and female enumerators. Female enumerators in each field team interview the female household members and male enumerators collect the data from the male respondents.

1.4   Questionnaire Design:

The household income and consumption part of PSLM questionnaire with some improvements has been used during the current year. In order to obtain the better quality of data from the female respondents, the relevant parts of consumption expenditure of food and non-food items have been included in the female part of the questionnaire. Whereas, information which is considered to be answered better by the male household respondents are included in the male part of the questionnaire.

The structure of the new PSLM/HIES questionnaire used is shown in the following table 1.4.A

TABLE 1.4.A   STRUCTURE OF PSLM/HIES QUESTIONNAIRE FOR THE YEAR 2005-06

MALE HOUSEHOLD QUESTIONNAIRE	FEMALE HOUSEHOLD QUESTIONNAIRE
1:HOUSEHOLD INFORMATION A: Male household roster B: Employment 2: EDUCATION A: Literacy B: Formal Education 5. HOUSING 6. HOUSEHOLD EXPENDITURE C: Non-durable yearly expenditure D: Durable yearly expenditure 7: OWNERSHIP OF DURABLE ITEMS 8: TRANSFERS RECEIVED AND PAID OUT 9: ASSETS A: Land and Buildings B: Financial Assets and Liabilities 10: AGRICULTURAL SHEET A: Land, crop products B: Livestock 11:NON-AGRICULTURAL ESTABLISHMENT	1: HOUSEHOLD INFORMATION A: Female household roster B: Employment 2: EDUCATION A: Literacy B: Formal Education 3: HEALTH A: Diarrhoea B: Immunisation C.Reproductive Health module 4: MARRIAGE AND MATERNITY HISTORY A: Pregnancy History B: Maternity History C: Family Planning D: Pre and Post Natal Care E: Women in Decision Making F: Miscellaneous Information 6: HOUSEHOLD EXPENDITURE A: Non-durable fortnightly expenditure B: Non-durable monthly expenditure

CHAPTER 2

2.1   Main findings

This chapter present the key results of the 2005-06 data set and compares them with the HIES data (2001-02 and 2004-05). Specific sections examine changes in average household size; the percentage of employed people and their employment status; main sources of income; consumption patterns; the level of savings; and the consumption of the major food items. These results are given in a summarised form, whereas the main tables in the main body of the report provide more detailed desegregation. In addition, this chapter provides review on the key findings; and investigates the implications of these changes for people's welfare i.e. the impact on the poor and on the rich.

In the main tables of this report the key distributions are examined across five standardised per capita consumption expenditure quintiles. Each quintile contains 20 % of the total sample households.   For example, in the first quintile contain lowest twenty percent of the total households and in the second quintile the next better of twenty percent of the total households and so on in the fifth quintile it contain the richest 20 % of the total households. The quintile approach provide a better distributional and welfare analysis for the reasons that each quintile contain twenty percent of the households with respect to their welfare standard, quintiles are calculated by per capita consumption expenditure.

2.2   Household size

The national average household size is 6.83 members. It is slightly higher than the average household size calculated for the year 2004-05, however, it is on lower side compared to 2001-02. (See table-2.2 A).

TABLE 2.2.A AVERAGE HOUSEHOLD SIZE, 2005-06

AREA	Average Household Size		
	2001-02	**2004-05**	**2005-06**
Total	6.96	6.75	6.83
Urban	6.87	6.63	6.65
Rural	7.00	6.80	6.93

See table 1 in the main body of this report for further desegregation.

The average household size is disaggregated by quintiles. The average household size shows decreasing trend from 1st quintile to the 5th quintile. It gives understanding that the richest household have comparatively small family size than the middle class income and poor households. (See table 2.2.B)

TABLE 2.2.B AVERAGE HOUSEHOLD SIZE BY QUINTILES, 2005-06

AREA	Quintiles					
	1st	2nd	3rd	4th	5th	Total
Pakistan	8.74	7.89	7.10	6.35	5.19	6.83
Urban	9.12	8.79	7.69	6.84	5.20	6.65
Rural	8.67	7.62	6.88	6.07	5.17	6.93

See table 1 in the main body of this report for further desegregation.

Analysing further we observe the differences in household size between rural and urban areas and between provinces. The differences of household size between rural and urban areas are statistically significant. Household size in all the Provinces except Punjab has increased in 2005-06 (see table 2.2.C).

TABLE 2.2.C HOUSEHOLD SIZE BY URBAN/RURAL AREAS AND BY PROVINCES.

AREA	2004-05	2005-06
Total	**6.75**	**6.83**
Urban	6.63	6.65
Rural	6.80	6.93
Punjab	6.55	6.46
Sindh	6.71	7.02
NWFP	7.71	7.96
Balochistan	6.88	7.51

See table 1 in the main body of this report for further desegregation.

2.3.   Employed persons and other income earners

In this subsection, the distribution of income earners across the total population is presented and disaggregated by employment status.

Table 2.3.A shows that comparing the results of 2005-06 with the HIES 2001-02 the number of earners per household have decreased both in urban and rural areas. The numbers of earners are further disaggregated by provinces, which show that numbers of earners in rural areas are higher than the urban areas. Among provinces high number is in Sindh where earners are 2.20 in 2005-06 and the second high percentage is reported in Punjab. However NWFP is only province where earners have increased from 1.83 in 2001-02 to 1.97 in 2005-06.

TABLE 2.3.A AVERAGE NUMBERS OF EARNERS PER HOUSEHOLD

AREA	2001-02	2005-06
Total	**2.13**	**2.07**
Urban	1.96	1.91
Rural	2.21	2.16
Punjab	2.07	2.05
Sindh	2.49	2.20
NWFP	1.83	1.97
Balochistan	2.06	1.94

See table 6 in the main body of this report for further desegregation.

2.4. Income earners by employment status

In table 2.4.A the household earners are disaggregated by employment status. We see that self employed have increased slightly in 2005-06 however, paid employees, have increased significantly from 41.06% in 2001-02 to 45.43% in 2005-06. It has also been observed that unpaid helper in rural areas have substantially decreased compared to the last survey results.

TABLE 2.4.A PERCENT DISTRIBUTION OF EARNERS BY EMPLOYMENT STATUS

EMPLOYMENT STATUS	2001-02			2005-06		
	Urban	Rural	Total	Urban	Rural	Total
Employer	1.65	0.73	0.99	1.78	0.72	1.06
Self-employed	20.52	29.05	26.75	21.87	29.97	27.39
Unpaid helper	11.45	34.55	28.33	10.28	29.58	23.47
Paid employee	62.23	33.26	41.06	62.22	37.58	45.43
Not econ. Active	4.16	2.41	2.88	3.85	2.09	2.65

See table 6 in the main body of this report for further desegregation.

2.5. Consumption, income and savings

In table 2.5.A the pattern of consumption expenditure of households is explained among urban and rural areas and by quintiles. It shows that level of consumption expenditure in urban areas is higher than the rural areas. Further analyses by quintiles reveals that average consumption expenditure of the richest class in urban areas are more than three time higher than the lowest income class and two and half time more than the same income class living in the rural areas. Consumption expenditures have increased by 16% in 2005-06 as compared to 2004-05 which are almost same both for rural and urban areas.

TABLE: 2.5.A AVERAGE MONTHLY HOUSEHOLD CONSUMPTION EXPENDITURE BY QUINTILES AND AREAS

QUINTILES	AVERAGE MONTHLY CONSUMPTIOHN EXPENDITURE PER HOUSEHOLD					
	2004-05			2005-06		
	URBAN	RURAL	TOTAL	URBAN	RURAL	TOTAL
1st	5621	5086	5171	6364	5877	5954
2nd	6752	6384	6458	8392	7232	7501
3rd	7994	7239	7440	9346	8275	8564
4th	9830	8381	8856	10999	9677	10161
5th	17043	11819	14619	19923	14542	17624
TOTAL	**12079**	**7712**	**9121**	**13997**	**8945**	**10583**

See table 15 in the main body of this report for further desegregation.

In table 2.5.B, if we analyse the average household income by urban/rural and by quintiles, we see that different income class households have the same pattern likewise the expenditure pattern. Among total households 20% households of highest income level, are having the average income more than three & half times than the lowest

income level of 20% households in urban areas and nearly less than three times than the households in rural areas, which are having the same income level. The income ratio between urban and rural households is also on the same pattern as is observed for expenditure pattern. Rural income has increased by 37.8% which is primarily due to the reason that in 2004-05 income particularly in rural areas was not collected in the detailed format usually adopted for HIES

TABLE: 2.5.B AVERAGE MONTHLY HOUSEHOLD INCOME BY QUINTILES AND AREAS

QUINTILES	AVERAGE MONTHLY INCOME PER HOUSEHOLD					
	2004-05			**2005-06**		
	URBAN	**RURAL**	**TOTAL**	**URBAN**	**RURAL**	**TOTAL**
1st	6203	5446	5567	6497	6768	6725
2nd	7239	6588	6719	8571	8339	8393
3rd	8549	7104	7488	10108	9670	9788
4th	10462	8273	8990	10747	11924	11493
5th	19233	12658	16182	21954	19277	20811
TOTAL	**13371**	**7929**	**9685**	**14968**	**10929**	**12326**

See table 11 in the main body of this report for further desegregation.

Table 2.5.C reveals the per capita consumption expenditure in urban/ rural areas and by quintiles. The average individual expenditures for the richest class in urban areas are more than five times than the poor class. If it is analysed on similar lines for rural areas we see it is four times more than the poor class. The average per capita expenditure are almost the same for poor in rural and urban areas whereas for rich class it is high in urban areas than the rural areas, which gives understanding that more wealth is concentrated in urban areas than in the rural areas.

TABLE 2.5.C PER CAPITA MONTHLY CONSUMPTION EXPENDITURE BY URBAN/RURAL AREAS AND QUINTILES, 2005-06

Quintiles	2004-05			2005-06		
	Urban	**Rural**	**Total**	**Urban**	**Rural**	**Total**
1ST	606	596	598	691	672	675
2ND	857	848	850	945	937	939
3RD	1075	1067	1069	1202	1182	1188
4TH	1431	1397	1410	1580	1550	1562
5TH	3142	2403	2816	3672	2643	3234
TOTAL	**1825**	**1138**	**1356**	**2042**	**1252**	**1518**

See table 22 in the main body of this report for further desegregation.

2.6. Income sources

While analysing household income and consumption expenditure we need to consider the different sources of income of both the rich and poor. In table 2.6.A the percentage of the income earned from different sources is compared with the last 2001-02 data. . Comparison with 2004-05 has not been made as data in this year on income sources was not collected in detail as usually obtained in HIES format.

In general, the trend of major income sources towards the total household income has shown changing pattern in some of the sources over the period from 2001-02 to 2005-06. If the income sources are analysed, we see that wages and salaries has always remained the significant role towards the total household income and particular in urban areas it has increased from 43.91% to 48.81%. However, agricultural activities (crop) as usual, have the largest contribution in rural areas and there is significant increase from 22.94% to 34.08%. The third major source of income remain the non agricultural activities i.e. business and services sector in overall and it has decreased from 18.32% to 11.52% over the period from 2001-02 to 2005-06. There after the major source of income both in urban and rural areas is owner occupied dwelling from where the imputed income is derived. This source has a considerable contribution in urban areas than the rural areas.

The percentage share of income from foreign remittances has increased from the period 2001-02 to 2005-06; particularly in rural areas from 3.13% to 5.08%.

TABLE 2.6.A PERCENTAGES OF MONTHLY HOUSEHOLD INCOME SHARES BY SOURCE AND AREAS

INCOME SOURCES	2001-02			2005-06		
	Urban	Rural	Total	Urban	Rural	Total
Wage and salaries	43.91	26.33	33.46	48.81	25.57	35.33
Crop	1.90	22.94	14.41	4.45	34.08	21.63
Livestock	1.28	13.53	8.56	1.05	10.56	6.56
Non-agr. Activities	25.42	13.49	18.32	17.92	6.89	11.52
Property	3.17	2.70	2.84	4.19	3.29	3.67
Owner occupied dwelling	14.66	6.52	9.82	15.76	5.89	10.04
Social insurance benefits including Pension	2.41	1.44	1.83	1.82	0.90	1.28
Gift and assistance	1.99	3.16	2.69	0.49	1.34	0.98
Foreign remittances	3.12	3.13	3.12	3.51	5.08	4.42
Domestic remittances	1.83	5.43	3.97	1.75	5.34	3.84
Other income	0.31	1.40	0.96	0.23	1.08	0.72

See table 11 in the main body of this report for further desegregation

2.7.   Consumption pattern

The consumption expenditure pattern for different commodity groups shows consistent trend from 2001-02 to 2005-06. While food expenditure share is relatively high compare to all other commodity groups at Pakistan level but has decreased over the period from 2001-02 to 2005-06.The share level of other commodity groups particularly Transport and Communication, Education, Housing and misc. have gone up in 2005-06 over 2004-05.

Further analysis reveals that Apparel, footwear, cleaning / Laundry has gradually decreasing trend towards the consumption share from 2001-02 to 2005-06. (See Table 2.7.A).

TABLE 2.7.A PERCENTAGE OF MONTHLY CONSUMPTION EXPENDITURE BY COMMODITY GROUPS

COMMODITY GROUPS	2001-02			2004-05			2005-06		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Food, drinks & tobacco	38.85	54.42	48.30	40.01	54.53	48.33	35.17	49.56	43.05
Apparel, textile, foot-wear	5.63	7.23	6.60	5.27	6.49	5.97	4.90	6.42	5.73
Transport& communication	4.36	3.56	3.87	6.23	4.44	5.20	7.12	5.39	6.17
Cleaning & laundry	3.73	3.85	3.80	3.75	3.65	3.69	3.54	3.61	3.58
Recreation& entertainment	0.77	0.27	0.47	0.67	0.13	0.36	1.04	0.32	0.65
Education	5.52	2.39	3.62	4.31	1.97	2.97	5.20	2.41	3.67
Housing (rent & other costs)	21.49	7.88	13.23	20.10	7.69	12.99	22.74	8.94	15.19
Fuel & lighting	7.55	8.09	7.88	7.48	8.07	7.82	7.39	8.41	7.95
Miscellaneous	12.10	12.31	12.22	12.17	13.04	12.67	12.91	14.94	14.02

See table 15 in the main body of this report for further desegregation

2.8. Monthly household consumption expenditure on major food items

Table 2.8.A shows the percentage share of expenditure on major food items. Out of the total food expenditure 17 food items contribute 82.41 per cent at overall. In rural areas it has 84.33 per cent and in urban areas these items have 79.11 per cent share. If it is compared with the same 17 food items for the year 2004-05 we see that overall expenditure level has gone up slightly at urban level and declined for rural areas. For food items major share of consumption expenditure is incurred on wheat, milk, vegetables, and sugar almost equally in urban and rural areas.

TABLE 2.8.A PERCENTAGE MONTHLY EXPENDITURE ON 17 MAJOR FOOD ITEMS, 2005-06

FOOD ITEMS	2004-05			2005-06		
	Urban	Rural	Total	Urban	Rural	Total
Wheat	12.47	17.79	15.91	12.38	17.68	15.72
Rice	3.05	3.43	3.29	3.39	3.55	3.49
Pulses	2.19	2.45	2.36	2.30	2.37	2.35
Vegetable ghee	5.05	7.14	6.40	4.82	6.95	6.16
Tea	2.35	2.60	2.51	2.40	2.52	2.48
Milk (fresh)	16.91	17.63	17.38	19.68	18.75	19.09
Butter	0.31	1.55	1.12	0.35	1.48	1.06
Mutton	3.40	1.38	2.09	3.63	1.67	2.39
Beef	5.47	4.29	4.70	3.93	2.99	3.34
Chicken	4.43	2.99	3.50	4.09	3.31	3.60
Fish	0.94	0.75	0.81	0.88	0.64	0.73
Fruits	5.06	3.24	3.95	4.87	3.22	3.83
Vegetables	9.02	9.71	9.47	8.18	8.94	8.66
Salt	0.23	0.21	0.22	0.30	0.19	0.24
Spices	3.27	3.07	3.15	2.27	1.86	2.01
Sugar	3.93	5.36	4.86	5.47	7.36	6.66
Gur	0.19	0.82	0.60	0.17	0.85	0.60
Total	**78.27**	**84.41**	**82.32**	**79.11**	**84.33**	**82.41**

See table 16 in the main body of this report for further disaggregation.

Further disaggregation of expenditure on major food items by quintiles shows the consumption pattern among different income classes according to their needs and preferences. Among the food items, the lowest income class accorded more priority to wheat, milk, ghee, and vegetables, sugar, whereas the richest class have different priority. They spend more on milk, wheat, vegetables, fruits, mutton, beef, sugar and chicken etc. The poor spend 87.73% of the total food expenditure on these seventeen major food items, while the rich class spend 76.66 %, which means that they have different preferences for consumption expenditures. (See Table 2.8.B).Per capita monthly consumption in quantity reveals that wheat is significantly less consumed in urban areas as compared to rural areas. (See Table 2.8. C)

TABLE 2.8.B PERCENTAGE MONTHLY EXPENDITURE ON MAJOR FOOD ITEMS BY QUINTILES, 2005-06

FOOD ITEMS	QUINTILES					
	1st	2nd	3rd	4th	5th	TOTAL
Wheat	23.75	20.73	17.86	15.03	9.83	15.72
Rice	4.35	3.81	3.70	3.42	2.97	3.49
Pulses	2.64	2.55	2.52	2.42	1.99	2.35
Vegetable ghee	8.72	8.00	7.06	6.26	3.84	6.16
Tea	2.48	3.04	2.84	2.64	2.43	2.05
Milk	15.73	17.74	19.03	20.15	20.22	19.09
Butter	0.42	0.76	1.08	1.26	1.29	1.06
Mutton	0.63	0.77	1.18	2.02	4.70	2.39
Beef	2.43	3.20	3.43	3.48	3.57	3.34
Chicken	2.46	3.02	3.17	3.69	4.46	3.60
Fish	0.60	0.68	0.77	0.69	0.79	0.73
Fruits	1.89	2.50	3.10	3.83	5.54	3.83
Vegetables	10.30	9.65	9.09	8.70	7.34	8.66
Salt	0.24	0.22	0.19	0.19	0.28	0.24
Spices	1.82	2.00	1.99	2.11	2.02	2.01
Sugar	8.15	7.76	7.45	6.75	5.12	6.66
Gur	1.12	0.93	0.66	0.56	0.27	0.60
Total	**87.73**	**87.36**	**85.12**	**83.2**	**76.66**	**81.98**

See table 16 in the main body of this report for further desegregation.

TABLE 2.8.C PER CAPITA MONTHLY CONSUMPTION OF MAJOR FOOD ITEMS, 2005-06

FOOD ITEMS	UNIT	2004-05			2005-06		
		Urban	Rural	Total	Urban	Rural	Total
Wheat	Kg	6.88	8.81	8.20	6.68	8.91	8.16
Rice	Kg	0.93	1.08	1.03	1.02	1.03	1.02
Pulses	Kg	0.25	0.25	0.24	0.27	0.26	0.27
Vegetable ghee	Kg	0.58	0.71	0.67	0.56	0.71	0.66
Tea	Grams	74.25	71.4	72.31	74.62	70.03	71.57
Milk (fresh)	Ltr	6.17	6.91	6.67	6.31	6.40	6.37
Butter	Grams	14.08	58.75	44.58	14.89	53.67	40.62
Mutton	Kg	0.13	0.05	0.07	0.11	0.05	0.07
Beef	Kg	0.39	0.30	0.33	0.23	0.17	0.19
Chicken	Kg	0.32	0.18	0.23	0.27	0.19	0.22
Fish	Kg	0.08	0.05	0.06	0.06	0.04	0.05
Fruits	Kg	1.19	0.67	0.84	1.36	0.81	0.99
Vegetables	Kg	4.33	4.12	4.19	3.51	3.57	3.55
Salt	Kg	0.31	0.35	0.33	0.23	0.47	0.39
Sugar	Kg	1.21	1.36	1.31	1.10	1.34	1.26
Gur	Kg	0.06	0.23	0.17	0.03	0.15	0.11

See table 23 in the main body of this report for further disaggregation.

Further analysis of consumption pattern is presented in table 2.8.D, where household consumption expenditure on fuel and lighting is disaggregated into eight different components. We can see that major share of expenditure in urban areas is incurred on electricity and gas. In rural areas the main source of energy apart from electricity is firewood.

TABLE 2.8.D HOUSEHOLD EXPENDITURE ON FUEL AND LIGHTING (PERCENTAGE)

FUEL ITEMS	2004-05			2005-06		
	Urban	Rural	Total	Urban	Rural	Total
Firewood	7.54	32.14	22.08	6.39	30.14	20.15
Kerosene	0.84	4.22	2.84	0.58	2.55	1.72
Charcoal	0.01	0.13	0.08	0.00	0.01	0.01
Coal	0.00	0.16	0.09	0.01	0.14	0.08
Dung cake	0.77	5.47	3.55	0.88	6.78	4.30
Gas	23.89	5.31	12.91	24.10	7.49	14.48
Electricity	63.05	41.66	50.41	64.00	39.98	50.08
Others	2.19	10.90	8.03	12.90	4.05	9.17

See table 18 in the main body of this report for further disaggregation.

Disaggregation by quintiles shows that the rich households mostly use electricity and gas whereas the poor prefer lower cost products such as firewood, dung cake and others (agricultural waste, candles, matches and electric items). (See Table 2.8.E)

TABLE 2.8.E PERCENTAGES OF HOUSEHOLD EXPENDITURE ON FUEL AND LIGHTING BY QUINTILES, 2005-06

FUEL AND LIGHTING	QUINTILES					
	1ST	2ND	3RD	4TH	5TH	TOTAL
Firewood	34.29	30.05	26.19	20.86	9.68	20.15
Kerosene	3.97	2.74	2.51	1.58	0.48	1.72
Charcoal	0.00	0.02	0.02	0.00	0.01	0.01
Coal	0.07	0.15	0.12	0.10	0.04	0.08
Dung cake	7.60	6.01	6.29	4.51	1.79	4.30
Gas	3.94	8.18	10.30	14.79	21.28	14.48
Electricity	34.42	40.29	43.60	49.12	61.27	50.08
Others	15.73	12.56	10.99	9.49	9.05	9.17

Data is further disaggregated in Table 18 by items and by provincial and urban/rural breakdown.
Further detailed tables are presented in the main body of this report

CHAPTER   3

Concepts and definitions

In this chapter the major concepts and definitions used in the report are outlined, and divided into four main parts. The first part consists of definitions of the household and its members, the second part covers concepts and definitions of employment status, income, financial and assets transactions, the third part covers consumption expenditure, and the fourth education.

3.1   Definition of household and household members

Household: A Household may be either a single person household or a multi-person household. A single person household is one where the individual makes provision for own food and other essentials of living, without combining with any other person and has no usual place of residence elsewhere.

A multi-person household is a group of two or more persons who make some common provision for food or other essentials of living and which has no usual place of residence elsewhere. The persons constituting the group may pool their incomes and have a common budget to a greater or lesser extent; they may be related or unrelated or a combination of both. The general criterion to be used in identifying the members of a multi-person household relates to whether they live and eat together and have no usual place of residence elsewhere.

Head of the household: If a person lives alone, that person is considered as the head of the household. If a group of persons live and eat together as defined above, the head of the household is that person who is considered as the head by the household members. In practice, when husband, wife, married and unmarried children form a single household, the husband is generally reported as the "head". When parents, brothers and sisters comprise a household, either a parent or the eldest brother or sister is generally reported as the head by the household. When a household consists of several unrelated persons either the respondent or the eldest household member is selected as the "head". In special dwelling units the resident person in-charge (e.g. manager) may be reported as the "head".

Household members: Household members are all such persons or group of persons in a household who normally live and eat together and consider the living quarter/space occupied by them as their usual place of residence. Such persons may be related or unrelated to each other. All such persons who normally live and eat in the household and are present at the time of enumeration and those who are temporarily absent for reasons such as, visiting, travelling in connection with business, attending schools/ colleges/ universities/ polytechnics/ other educational institutions, admitted in hospitals, outside tours etc., are treated as household members. Visitors, purely temporary boarders and lodgers, transients, servants and guests, etc. who consider their usual

place of residence to be elsewhere but are found staying with the sample household are not household members.

Absent household members such as migrant workers in the Middle East, are not considered to be part of the household and their income (as far as made available to the household) is included as remittances received. As these persons are not present, consumption expenditures also do not include expenses on their account.

Family members include husband, wife/wives, unmarried sons and daughters and other direct dependents such as parents, unmarried sisters, brothers, separated/divorced sisters and daughters. Other related persons, servants, boarders and lodgers who have no other place of residence elsewhere and who live and eat within the household with or without payment are considered members of the household, but not members of the family.

3.2 Employment status, income, financial and other transactions

Employed persons. A person is considered employed if he/she worked for at least one hour during the month preceding the interview or, even if did not work in the last month, he/she had a job or ran an enterprise such as shop, business, farm or service establishment during the last year.

Employment status. Employed persons are divided in the following categories: employer, paid employee, self-employed and own account worker, unpaid family helper, and agricultural labourers (owner cultivator, share-cropper, and contract cultivator). An employer is a person who owns an enterprise and works himself as well as employs individuals for pay to help him/ her in his/her enterprise but may have others working for him/ her without pay. An employee is a person who works for others in exchange for wages and a salary that is paid in cash or in kind. A self-employed or own account worker is a person who, though owning an enterprise, does not employ any person for pay, to help him/ her in his/ her enterprise but may have others working for him/her without pay, such as family helpers. The self-employed are divided into two categories:

- Those who run their own business or enterprise themselves without the help of any other person.
- Those own account workers who run their own business, enterprise with the help of unpaid family helpers only.

Unpaid family helper is a member of the family who works for the family enterprise without being paid. Although they are not paid, their efforts result in an increase in the household income; therefore they are considered employed persons.

Earners are all those persons aged 10 years and above who provide the household with material return, in cash or in kind. Earners are divided into two categories, economically active and not economically active. All employed persons are included amongst the economically active. Pensioners and those who receive incomes from renting buildings and land (i.e. landlords) are classed as not economically active.

Industry divisions represent the activities of the firm, office, establishment or department in which a person is employed or the kind of business in which he/she works. Industry divisions are divided into: agriculture/fishing; mining and quarrying; manufacturing; electricity/gas and water; construction; trade/hotels and restaurants; transport and storage; finance and real estate; community services; and other activities not defined.

Major occupation groups describe the nature of work usually undertaken by an individual. Where a person performs more than one occupation during the year the main occupation is recorded. Main occupational groups are: legislators/senior officials and managers; professionals; technicians and associate professionals; clerks; service workers/shop and market sales workers; skilled agriculture and fishery workers; craft and related trade workers; plant and machine operators and assemblers; elementary occupations; and armed forces.

Household income is the sum of monetary income and income "in kind". Household income consists of receipts, which, as a rule, are of a recurring nature and are received regularly by the household or by individual household members usually at annual or at more frequent intervals. Household income is derived from the following main sources: employees' salaries, wages and other related receipts from employers; operating surplus from non-agricultural and non-financial sector enterprises employing less than 10 persons; operating surplus from agriculture; withdrawal of entrepreneurial income for proprietors engaging ten or more persons in the sectors mentioned above; and income from personal investment (rent, interest and dividends) and royalties. For the purposes of household surveys it is convenient to include as income, bonuses and gratuities, pensions, social security benefits, tuition fees, other subsidiary sources, receipts from Zakat, usher, scholarships, and other periodical receipts like domestic and foreign remittances, alimony, inheritance or trust funds.

Household income in cash includes all money receipts such as wages, salaries, rent from land and property, income from self-employment, gifts, and assistance.

Household income "in kind" includes wage payments in kind, goods and services transferred free of charge by an enterprise (including farm products) to an employee and to the household of the owner or part owner of the enterprise; it also includes the value of home production that is consumed within the household (e.g. agricultural products, livestock products etc.). Where an employee buys from his employer, for his household consumption, goods and services at concessionary/subsidised prices and thus obtains a significant advantage, the value of these concessions/subsidies is also taken into account as income "in kind". Remittances in kind, gifts and assistance, Zakat and other transfers in kind are considered income "in kind". The estimated net rental value of owner occupied housing is in principle also treated as income "in kind" and, as is the estimated gross rental value to the occupier of rent-free housing, whether obtained as wages "in kind" or otherwise.

Imputed income is the estimated value at current market prices of the goods and services received by the household for which no cash payment is made. Imputed income includes the estimated value of home produced goods consumed by the household, rent from owner occupied and rent free dwellings, gifts and assistance received in kind and wages and salaries paid in kind free of cost by the employers.

Disposable income is defined in the System of National Accounts (SNA) as the income from all sources after netting for all current transfers (which include taxes) received and paid. It is equivalent to final consumption plus savings. In exceptional circumstances disposable income may be negative: current expenditure in those cases has to be met from the net disposal of assets.

Operating surplus for establishments run by households has generally been calculated from the special agricultural and non-agricultural modules in the questionnaire. The alternative is to use respondent's own self-reported estimate of operating surplus, however, this estimate is liable to reporting errors.

A detailed worksheet was filled for household members who were engaged in agricultural activities either through cultivation of land or keeping livestock and/or inland fishery. With regards to those household members engaged in the agricultural sector, no restriction is set on the number of persons engaged in the unit. Furthermore, for all household members who were engaged as owner-proprietor of a business in the non-agricultural and non-financial sectors with less than 10 employees, a detailed worksheet for economic activity was completed. The number of persons engaged in the unit is calculated as the sum of all own-account workers, unpaid-family workers and employees. All units whether registered or unregistered, using power or not, are included if the unit engages less than 10 persons.

Wages and salaries are the earning of employees in cash or in kind from one or more jobs.

Income from farming (self-employed) is the operating surplus derived from crop farming, including rent from land and agricultural equipment.

Income from livestock (self-employed) is the operating surplus derived from livestock products.

Income from other activities (self-employed) is the operating surplus derived from commercial and industrial activities, including rent from building and machinery.

Property income consists of interest and dividends from savings/deposits and receipts from rent of land and buildings, if these amounts are not reported in the worksheets for the agricultural or non- agricultural establishments. In fact, rental income from buildings, plants, or machinery reported in the worksheets is included in the operating surplus.

Social benefits includes pension and social security benefits, such as sickness benefit, unemployment benefit, family and maternity benefit, invalidity benefit, etc. They all constitute recurrent cash payments from various types of employment schemes.

Net sales of property are calculated as sales minus purchases of land, buildings (including major improvements), livestock, machinery and equipment. The value of major improvements and renovations is deducted from sales along with purchases.

Net sales of other assets includes sales minus purchases of stocks, shares and other securities; withdrawal from deposits minus savings added to deposits; sales minus purchases of gold, silver and precious metals (including jewellery), and the sale of durable items. Also cash transfers for dowry and inheritance have been considered as asset movements and added to the net sale of assets (cash expenses minus values received). Finally, to this aggregate were also deducted those amounts that households reported as 'losses of cash'.

Net borrowing consists of two parts, the value of loans obtained minus the loans repaid (including interest/profit) and the difference between the values of loan given out minus repayments on such loan received. Net borrowing is net loans obtained minus net loans given out.

Net capital transfers receipts consists of property received as gift, inheritance, etc., minus property given away, lost or destroyed.

Net change in cash balances is the net change of cash kept in hand or in current accounts with the banks. This variable is derived as a residual. It is calculated as net savings (household income minus expenditures) minus receipts other than income, that is, income from liquidation of assets, net capital transfers received and increases in borrowing.

3.3   Consumption expenditure

Household expenditure: household consumption expenditure refers to all money expenditure by the household and individual members on goods intended for consumption and expenses on services. Also included is the value of goods and services received "in kind" or "own produced" which are consumed by the household.

Paid for and unpaid for: For household income and expenditure purposes, household consumption expenditure is classified into two main categories: "paid" and "unpaid" expenditure. The expenditure on consumption items is reported under columns, "paid and consumed" and "unpaid and consumed".

Paid and Consumed: For the purpose of household income and expenditure, the category of "paid and consumed" refers to i). all *cash* payments or ii). purchases on *credit* or iii). under *barter* (exchange) arrangements with other goods and services by the

household to obtain goods and services which were consumed during the reference period.

Unpaid and Consumed: Unpaid and consumed expenditure refers to the market value of goods and services received as "income in kind" by the household or individual members of the household. The unpaid and consumed expenditure is classified into three sub-categories:

- Wages and salaries in kind consumed
- Own produced and consumed
- Receipts from assistance, gifts, dowry, inheritances and other sources

"Wages and salaries in kind consumed" category includes wages and salaries paid "in kind" like food, clothing and housing provided free of charge by the employer, either at the work place or consumption out of the workplace. In addition to the income "in kind" received by the employees, this category includes similar other facilities. Therefore, other consumption items like free telephone, car and domestic servants are to be included if applicable. The valuation of these consumed items should be based on current local market value.

"Own produced and consumed" category refers to the items and value of items produced for commercial or non-commercial purposes by the household/ non-financial unincorporated enterprise and utilised in its own consumption such as food grains produced and used by farm households, shoes made and used by shoe makers, net rental value of owner occupied housing, small amounts of vegetables produced, knitting wearing apparel, etc. during the reference period. The commodities consumed do not necessarily have to be produced during the reference period.

"Receipts from assistance, gifts, dowry, inheritances and other sources" category relates to commodities consumed during the reference period obtained by means of assistance, gifts (nazrana etc.) and other sources like remittances in kind from relatives, dowry in kind, presents from relatives, etc. Again they should be valued at current local market prices.

Indirect taxes are included in household consumption expenditures, such as sales taxes and payments made for (consumption) of goods and services. Payments made for commercial expenditures are excluded e.g. expenditure on diesel to operate vans for commercial purposes are not included.

Durable Goods: Durable goods include those items with a life expectancy of one year or more such as furniture, fixtures, clocks, wrist watches, television, radio, cutlery, kitchen utensils, etc.

Non-Durable Goods: Non-durable goods include those items with a life expectancy of less than one year such as food, clothing, fuel and lighting, footwear, medicines, etc.

Accommodation expenses include the amounts paid for renting accommodation, the rental value of rent – free accommodation and the estimated rent of owner-occupied dwellings at current market prices. Housing expenditure also includes expenses incurred on repairs, re-decoration and minor improvements of the dwellings, insurance, water and conservancy charges and other housing expenses.

Per capita consumption is calculated by dividing the total consumption of the households by the number of household members.

Taxes are not classified as household consumption, but in a separate expenditure category. Taxes, fines and fees included within the expenditure categories of the household are: house and property tax; license fees for TV/VCR, fire arms and driving license; registration and renewal fees for car, motorcycle and scooter; fines, choolah tax, birth and marriage taxes, pet keeping taxes, etc.

3.4   Education

Literacy is defined as the percentage of literate population aged 10 years and above over the total population aged 10 years and above. Literate people are those able to read a newspaper with understanding, to write a simple letter and perform simple sums.

No formal education describes the situation where an individual never attended school.

CHAPTER 4

SAMPLE DESIGN

4.1   Universe:

The universe of HIES Survey consists of all urban and rural areas of all four provinces as defined by the Provincial Governments. Military restricted areas have been excluded from the scope of the survey.

4.2   Sampling Frame:

Separate sampling frames have been used in the survey for urban areas and rural areas as under.

Urban area:

FBS has developed its own urban area frame. All urban areas known as cities/towns of the urban domain of the sampling frame have been divided into small compact areas known as enumeration blocks (E.Bs). Each enumeration block comprises about 200-250 households. Each Enumeration block has been divided into low, middle and high income group, keeping in view the status of the living of majority of households. This frame has been updated during 2003 and used for drawing samples from the urban areas. There are 28000 enumeration blocks in all urban areas of the country.

Rural areas:

With regard to the rural areas, the lists of villages/mouzas/dehs according to population Census, 1998 have been used as sampling frame. In this frame, each village/mouza/deh is identifiable by its name, Had Bast number and Cadastral map etc. There are 50,588 mouzas/villages/dehs in the rural sub-universe of the survey

4.3   Sample size and its Allocation:

In view of the variability for the characteristics for which estimates are prepared, population distribution, field resources available and reliability constraints a sample size of 15,453 households was considered appropriate to provide reliable estimates of key characteristics at the National/provincial level with urban/rural breakdown. The entire sample of households ((SSUs) has been drawn from 1109 Primary Sampling Units (SSUs) out of which 531 are urban and 578 are rural. This sample size has been considered sufficient to produce estimates of key variables at national and provincial level at 95% level of confidence with 5% to 7% margin of error.

The number of sample primary sampling and secondary sampling units covered in the survey are as follows:

Province/Area	Sample PSUs			Sample SSUs		
	Urban	Rural	Total	Urban	Rural	Total
Punjab	240	244	484	2790	3892	6682
Sindh	140	132	272	1666	2107	3773
NWFP	88	119	207	1049	1901	2950
Balochistan	63	83	146	735	1313	2048
TOTAL	531	578	1109	6240	9214	15453

4.4   Stratification Plan:

Stratification scheme is adopted keeping in view the geographical level of estimates to be built-up and to control the variation in the under study characteristics of the survey population. The detail of the scheme is as under.

Urban Area:

With respect to the urban areas each of Karachi, Lahore, Gujranwala, Faisalabad, Rawalpindi, Multan, Sialkot, Sargodha, Bahawalpur, Hyderabad, Sukkur, Peshawar, Quetta and Islamabad being large size cities have been treated as independent stratum. Each of these cities has further been sub-stratified according to low, middle, high-income groups based on the information collected in respect of each enumeration block. After excluding the population of large sized cities the remaining urban population in each defunct administrative division in all provinces has been grouped and treated as an independent stratum.

Rural Area:

In the rural areas, the population of each district in Punjab, Sindh and N.W.F.P Provinces has been grouped together to constitute a stratum. For Balochistan province each of defunct administrative Division has been taken as a stratum.

4.5   Sample Design:

A two-stage stratified sample design has been adopted for this survey.

Selection of primary sampling Units (PSUs).

Enumeration blocks in the urban domain and mouzas/dehs/villages in rural domain have been taken as primary sampling units (PSUs). Sample PSUs from each ultimate stratum/sub-stratum have been selected by probability proportional to size (PPS) method of sampling scheme. In this survey population of rural areas and households for urban areas have been adopted as measure of size for selecting Primary Sampling Units (PSUs) from the strata/ sub-strata formed in urban and rural sub-universes of the survey.

Selection of Secondary Sampling Units (SSUs):

Households within each sample Primary Sampling Units (PSU) have been considered as secondary sampling units (SSUs). 16 and 12 households have been selected from each sample village and enumeration block respectively by random systematic sampling scheme with a random start.