

# CHAPTER 1

## 1.1 Introduction

This report presents household Income and consumption expenditure data for the year 2007-08. The format of the report is almost the same as of the Household Integrated Economic Survey (HIES) which was conducted during the years 2001-02, 2004-05 and 2005-06. In this report all the variables have been presented by consumption quintiles. In chapter-2 the main findings of the report are summarised. Chapter 3 explains the concepts and definitions used in the report and in chapter 4, the sample design adopted for the survey is outlined. After that, twenty five major tables are presented. The methodology for computation of consumption quintiles is explained in Appendix-A.

## 1.2 Developments in HIES

HIES has been conducted, with some breaks, since 1963. There have been some developments in HIES during the 1990s, and it is important that readers should be aware of some of these. 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, the HIES data collection methods and questionnaire were revised to reflect the integration of HIES with the Pakistan Integrated Household Survey (PIHS). After this HIES was conducted as an Integrated Survey with PIHS in 2001-02 and PSLM in 2004-05, and 2005-06. In the current round of HIES 15512 households have been enumerated.

## 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 comprising of both male and female enumerators. In each field team female enumerators interviewed the female household members while male enumerators collected 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 reference year. In order to obtain 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 PSLM/HIES questionnaire used is shown in the following table 1.4

**TABLE 1.4 STRUCTURE OF PSLM/HIES QUESTIONNAIRE FOR THE YEAR 2007-08**

MALE HOUSEHOLD QUESTIONNAIRE	FEMALE HOUSEHOLD QUESTIONNAIRE
<p>1:HOUSEHOLD INFORMATION A: Male household roster B: Employment</p> <p>2: EDUCATION A: Literacy B: Formal Education</p> <p>5. HOUSING</p> <p>6. HOUSEHOLD EXPENDITURE C: Non-durable yearly expenditure D: Durable yearly expenditure</p> <p>7: OWNERSHIP OF DURABLE ITEMS</p> <p>8: TRANSFERS RECEIVED AND PAID OUT</p> <p>9: ASSETS A: Land and Buildings B: Financial Assets and Liabilities</p> <p>10: AGRICULTURAL SHEET A: Land, crop products B: Livestock</p> <p>11:NON-AGRICULTURAL ESTABLISHMENT</p>	<p>1: HOUSEHOLD INFORMATION A: Female household roster B: Employment</p> <p>2: EDUCATION A: Literacy B: Formal Education</p> <p>3: HEALTH A: Diarrhoea B: Immunisation C.Reproductive Health module</p> <p>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</p> <p>6: HOUSEHOLD EXPENDITURE A: Non-durable fortnightly expenditure B: Non-durable monthly expenditure</p>

## CHAPTER 2

### 2.1 Main findings

This chapter presents the key results of the 2007-08 data set in comparison with the HIES data (2004-05 and 2005-06). 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 here 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 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, the first quintile contains 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 and the fifth quintile contains the richest 20 % of the total households. The quintile approach provides a better distributional and welfare analysis for the reasons that each quintile contain twenty percent of the households with respect to their welfare standard.

### 2.2 Household size

The national average household size is 6.58 members, which is lower than the average household size observed for the year 2004-05 and 2005-06 (See table-2.2 A).

TABLE 2.2.A AVERAGE HOUSEHOLD SIZE, 2007-08

AREA	Average Household Size		
	2004-05	2005-06	2007-08
Total	6.75	6.83	6.58
Urban	6.63	6.65	6.31
Rural	6.80	6.93	6.72

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

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

**TABLE 2.2.B AVERAGE HOUSEHOLD SIZE BY QUINTILES, 2007-08**

AREA	Quintiles					Total
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	
Pakistan	<b>8.57</b>	<b>7.61</b>	<b>6.83</b>	<b>6.08</b>	<b>4.99</b>	<b>6.58</b>
Urban	9.11	8.26	7.30	6.37	4.93	6.31
Rural	8.46	7.41	6.65	5.92	5.06	6.72

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

Further analysis reveals that differences exist in household size between rural and urban areas and among provinces. The differences of household size between rural and urban areas are statistically significant. Household size in all the Provinces except Balochistan has decreased in 2007-08 (see table 2.2.C).

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

AREA	2005-06	2007-08
<b>Total</b>	<b>6.83</b>	<b>6.58</b>
Urban	6.65	<b>6.31</b>
Rural	6.93	<b>6.72</b>
Punjab	6.46	6.33
Sindh	7.02	6.50
NWFP	7.96	7.63
Balochistan	7.51	7.75

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

### **2.3. Employed persons and other income earners**

In this sub-section, the distribution of income earners across the total population is presented which has been disaggregated by employment status.

Table 2.3 shows that comparing the results of 2007-08 with the HIES 2005-06, the number of earners per household have been decreased both in urban and rural areas. The number of earners is further desegregated by provinces, which show that number of earners in rural areas is higher as compared to the urban areas. Among provinces high number is in Sindh where average number of earners per household is 2.08 in 2007-08 followed by Punjab province 2.00.

**TABLE 2.3 AVERAGE NUMBER OF EARNERS PER HOUSEHOLD**

AREA	2005-06	2007-08
<b>Total</b>	<b>2.07</b>	<b>2.00</b>
Urban	1.91	<b>1.84</b>
Rural	2.16	<b>2.08</b>
Punjab	2.05	<b>2.00</b>
Sindh	2.20	2.08
NWFP	1.97	1.86
Balochistan	1.94	1.87

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

## 2.4. Income earners by employment status

In table 2.4 the household earners are disaggregated by employment status. It has been observed that paid employees have significantly increased in 2007-08 i.e. from 45.43% in HIES 2005-06 to 50.66% in 2007-08. It has also been observed that unpaid helpers in rural areas have been substantially decreased (i.e. 24.49 percent) as compared to the last survey results (27.39 percent).

**TABLE 2.4 PERCENT DISTRIBUTION OF EARNERS BY EMPLOYMENT STATUS**

EMPLOYMENT STATUS	2005-06			2007-08		
	Urban	Rural	Total	Urban	Rural	Total
Employer	1.78	0.72	1.06	1.06	0.43	0.62
Self-employed	21.87	29.97	27.39	16.94	27.98	24.49
Unpaid helper	10.28	29.58	23.47	10.11	26.60	21.39
Paid employee	62.22	37.58	45.43	68.15	42.57	50.66
Not econ. Active	3.85	2.09	2.65	3.75	2.43	2.85

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 as compared to rural areas. Further analysis by quintiles reveals that average consumption expenditure of the richest class in urban areas are more than two and half times higher than the lowest income class and three times more than the same income class living in the rural areas. Consumption expenditures have increased by 20% in 2007-08 compared to 2005-06.

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

QUINTILES	AVERAGE MONTHLY CONSUMPTION EXPENDITURE PER HOUSEHOLD					
	2005-06			2007-08		
	URBAN	RURAL	TOTAL	URBAN	RURAL	TOTAL
1 <sup>st</sup>	6364	5877	5954	8251	7343	7485
2 <sup>nd</sup>	8392	7232	7501	10038	8960	9209
3 <sup>rd</sup>	9346	8275	8564	11289	10118	10445
4 <sup>th</sup>	10999	9677	10161	12938	11833	12235
5 <sup>th</sup>	19923	14542	17624	21341	18051	19866
<b>TOTAL</b>	<b>13997</b>	<b>8945</b>	<b>10583</b>	<b>15601</b>	<b>11128</b>	<b>12660</b>

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

In table 2.5.B, the analyses of the average household income by urban/rural and by quintiles, indicates 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 times as compared to 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

ratios between urban and rural households have on the same pattern as is observed for expenditure pattern. Rural income has increased by 17.28%.

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

QUINTILES	AVERAGE MONTHLY INCOME PER HOUSEHOLD					
	2005-06			2007-08		
	URBAN	RURAL	TOTAL	URBAN	RURAL	TOTAL
1 <sup>st</sup>	6497	6768	6725	8744	7639	7812
2 <sup>nd</sup>	8571	8339	8393	11019	9577	9910
3 <sup>rd</sup>	10108	9670	9788	11872	10901	11172
4 <sup>th</sup>	10747	11924	11493	13239	13219	13227
5 <sup>th</sup>	21954	19277	20811	26164	22808	24659
<b>TOTAL</b>	<b>14968</b>	<b>10929</b>	<b>12326</b>	<b>17970</b>	<b>12626</b>	<b>14456</b>

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 observe that it is four and half 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 as compared to rural areas.

**TABLE 2.5.C PER CAPITA MONTHLY CONSUMPTION EXPENDITURE BY URBAN/RURAL AREAS AND QUINTILES, 2007-08**

Quintiles	2005-06			2007-08		
	Urban	Rural	Total	Urban	Rural	Total
1 <sup>ST</sup>	691	672	675	906	868	874
2 <sup>ND</sup>	945	937	939	1216	1208	1210
3 <sup>RD</sup>	1202	1182	1188	1547	1522	1529
4 <sup>TH</sup>	1580	1550	1562	2032	1998	2011
5 <sup>TH</sup>	3672	2643	3234	4334	3566	3984
<b>TOTAL</b>	<b>2042</b>	<b>1252</b>	<b>1518</b>	<b>2472</b>	<b>1655</b>	<b>1923</b>

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 different sources of income of both rich and poor. In table 2.6 the percentage of the income earned from different sources in 2007-08 has been compared with the data of 2005-06.

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 2005-06 to 2007-08. If the income sources are analysed, it is observed that wages and salaries have always played significant role towards the total household income. Particularly in urban areas it has increased from 35.33% in 2005-06 to 39.63% in 2007-08. However, in rural areas there is significant decrease in agricultural activity (crop)

from 34.08% in 2005-06 to 21.51% in 2007-08. It could be mainly due to the negative growth in crop production in 2007-08 as compared to 2005-06. The second major source of income remained the non agricultural activities i.e. business and services sectors. Overall income from this source has increased from 11.52% to 15.73% over the period from 2005-06 to 2007-08. The next major source of income both in urban and rural areas is owner occupied dwellings from where the imputed income is derived. This source has a considerably high contribution in urban areas than in rural areas.

The percentage share of income from foreign remittances has decreased in 2007-08 as compared to the period 2005-06. The data reveals that in urban areas it decreased from 3.51% to 2.74%.

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

INCOME SOURCES	2005-06			2007-08		
	Urban	Rural	Total	Urban	Rural	Total
Wage and salaries	48.81	25.57	35.33	51.00	31.21	39.63
Crop	4.45	34.08	21.63	2.21	21.51	13.30
Livestock	1.05	10.56	6.56	1.23	9.67	6.08
Non-agr. Activities	17.92	6.89	11.52	19.98	12.59	15.73
Property	4.19	3.29	3.67	2.94	2.84	2.88
Owner occupied dwelling	15.76	5.89	10.04	15.01	7.55	10.72
Social insurance benefits including Pension	1.82	0.90	1.28	2.24	1.57	1.85
Gift and assistance	0.49	1.34	0.98	0.44	0.93	0.72
Foreign remittances	3.51	5.08	4.42	2.74	5.48	4.31
Domestic remittances	1.75	5.34	3.84	1.89	5.65	4.05
Other income	0.23	1.08	0.72	0.32	1.01	0.71

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 2005-06 to 2007-08. While share of food expenditure is relatively high as compared to all other commodity groups at Pakistan level, it has also increased over the period from 2005-06 to 2007-08.

Further analysis reveals that consumption expenditure in apparel, textile, and footwear has shown decreasing trend since 2004-05 while consumption expenditure on transport & communication, recreation & entertainment and education has shown slightly increasing trend as compared to 2004-05. (See Table 2.7).

**TABLE 2.7 PERCENTAGE OF MONTHLY CONSUMPTION EXPENDITURE BY COMMODITY GROUPS**

COMMODITY GROUPS	2004-05			2005-06			2007-08		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Food, drinks & tobacco	40.01	54.53	48.33	35.17	49.56	43.05	37.85	48.87	44.22
Apparel, textile, foot-wear	5.27	6.49	5.97	4.90	6.42	5.73	4.71	6.06	5.49
Transport& communication	6.23	4.44	5.20	7.12	5.39	6.17	6.55	5.92	6.18
Cleaning & laundry	3.75	3.65	3.69	3.54	3.61	3.58	3.77	3.49	3.60
Recreation& entertainment	0.67	0.13	0.36	1.04	0.32	0.65	1.09	0.42	0.70
Education	4.31	1.97	2.97	5.20	2.41	3.67	5.26	2.94	3.92
Housing (rent & other costs)	20.10	7.69	12.99	22.74	8.94	15.19	22.11	9.99	15.10
Fuel & lighting	7.48	8.07	7.82	7.39	8.41	7.95	6.82	8.09	7.55
Miscellaneous	12.17	13.04	12.67	12.91	14.94	14.02	11.85	14.23	13.23

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 contributed 81.83 per cent. In rural areas these items contribute 83.92% whereas these items share 78.11 % in urban areas. If it is compared with the same 17 food items for the year 2005-06 we see that overall expenditure level has gone down slightly at both urban and rural areas. For food items major share of consumption expenditure is incurred on wheat, milk, vegetable ghee, and vegetables which almost share 52 % out of 81.83%.

**TABLE 2.8.A PERCENTAGE MONTHLY EXPENDITURE ON 17 MAJOR FOOD ITEMS, 2007-08**

FOOD ITEMS	2005-06			2007-08		
	Urban	Rural	Total	Urban	Rural	Total
Wheat	12.38	17.68	15.72	12.07	16.55	14.93
Rice	3.39	3.55	3.49	4.21	4.28	4.25
Pulses	2.30	2.37	2.35	2.25	2.41	2.35
Vegetable ghee	4.82	6.95	6.16	6.76	9.81	8.71
Tea	2.40	2.52	2.48	1.87	2.04	1.98
Milk (fresh)	19.68	18.75	19.09	19.87	20.58	20.33
Butter	0.35	1.48	1.06	0.39	1.49	1.09
Mutton	3.63	1.67	2.39	2.55	1.12	1.64
Beef	3.93	2.99	3.34	3.73	2.90	3.20
Chicken	4.09	3.31	3.60	4.47	3.45	3.82
Fish	0.88	0.64	0.73	0.95	0.54	0.69
Fruits	4.87	3.22	3.83	4.71	3.27	3.79
Vegetables	8.18	8.94	8.66	7.81	7.95	7.90
Salt	0.30	0.19	0.24	0.22	0.20	0.20
Spices	2.27	1.86	2.01	2.07	1.76	1.88
Sugar	5.47	7.36	6.66	4.09	5.14	4.76
Gur	0.17	0.85	0.60	0.09	0.43	0.31
<b>Total</b>	<b>79.11</b>	<b>84.33</b>	<b>82.41</b>	<b>78.11</b>	<b>83.92</b>	<b>81.83</b>

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



Further desegregation 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, sugar and vegetables. Whereas, the richest class have different priorities. They spend more on milk, wheat, vegetables, fruits, mutton, beef, sugar and chicken etc. The poor spend 68.52% of the total food expenditure on these five major food items, while the rich class spends 46.42 %, 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, 2007-08**

FOOD ITEMS	QUINTILES					TOTAL
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	
Wheat	22.77	19.48	17.23	14.35	9.35	14.93
Rice	4.30	4.60	4.16	4.36	4.06	4.25
Pulses	2.67	2.62	2.51	2.44	1.98	2.35
Vegetable ghee	12.84	11.20	10.33	8.80	5.26	8.71
Tea	2.31	2.33	2.19	1.97	1.59	1.98
Milk	17.24	18.89	20.12	21.33	21.48	20.33
Butter	0.50	0.74	0.98	1.29	1.37	1.09
Mutton	0.38	0.46	0.76	1.09	3.43	1.64
Beef	2.55	3.21	3.48	3.50	3.06	3.20
Chicken	2.66	3.00	3.43	3.92	4.73	3.82
Fish	0.63	0.61	0.59	0.56	0.88	0.69
Fruits	1.82	2.44	3.09	3.71	5.50	3.79
Vegetables	9.25	8.60	8.38	8.00	6.81	7.90
Salt	0.22	0.21	0.20	0.20	0.20	0.20
Spices	1.71	1.88	1.88	1.95	1.88	1.88
Sugar	6.42	5.75	5.30	4.66	3.52	4.76
Gur	0.51	0.44	0.39	0.25	0.17	0.31
<b>Total</b>	<b>88.78</b>	<b>86.46</b>	<b>85.02</b>	<b>82.38</b>	<b>75.27</b>	<b>81.83</b>

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, 2007-08**

FOOD ITEMS	UNIT	2005-06			2007-08		
		Urban	Rural	Total	Urban	Rural	Total
					6.50		
Wheat	Kg	6.68	8.91	8.16		8.36	7.75
Rice	Kg	1.02	1.03	1.02	0.90	0.89	0.89
Pulses	Kg	0.27	0.26	0.27	0.24	0.24	0.24
Vegetable ghee	Kg	0.56	0.71	0.66	0.58	0.73	0.68
Tea	Grams	74.62	70.03	71.57	69.14	66.93	67.66
Milk (fresh)	Ltr	6.31	6.40	6.37	6.45	7.01	6.83
Butter	Grams	14.89	53.67	40.62	18.80	60.26	46.65
Mutton	Kg	0.11	0.05	0.07	0.09	0.04	0.06
Beef	Kg	0.23	0.17	0.19	0.24	0.18	0.20
Chicken	Kg	0.27	0.19	0.22	0.31	0.21	0.25
Fish	Kg	0.06	0.04	0.05	0.08	0.05	0.06
Fruits	Kg	1.36	0.81	0.99	1.26	0.72	0.90
Vegetables	Kg	3.51	3.57	3.55	3.64	3.59	3.60
Salt	Kg	0.23	0.47	0.39	0.22	0.23	0.23
Sugar	Kg	1.10	1.34	1.26	1.25	1.36	1.32
Gur	Kg	0.03	0.15	0.11	0.02	0.10	0.08

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

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 on fuel and lighting 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	2005-06			2007-08		
	Urban	Rural	Total	Urban	Rural	Total
Firewood	6.39	30.14	20.15	6.48	29.80	20.91
Kerosene	0.58	2.55	1.72	0.24	1.73	1.16
Charcoal	0.00	0.01	0.01	0.01	0.01	0.01
Coal	0.01	0.14	0.08	0.00	0.05	0.03
Dung cake	0.88	6.78	4.30	0.74	6.10	4.05
Gas	24.10	7.49	14.48	24.02	9.53	15.05
Electricity	64.00	39.98	50.08	64.08	40.87	49.71
Others	12.90	4.05	9.17	4.43	11.93	9.06

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

Desegregation 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, 2007-08**

FUEL AND LIGHTING	QUINTILES					TOTAL
	1 <sup>ST</sup>	2 <sup>ND</sup>	3 <sup>RD</sup>	4 <sup>TH</sup>	5 <sup>TH</sup>	
Firewood	31.27	29.65	27.73	22.52	10.33	20.91
Kerosene	2.85	1.86	1.49	1.07	0.31	1.16
Charcoal	0.04	0.00	0.00	0.00	0.01	0.01
Coal	0.04	0.04	0.03	0.05	0.01	0.03
Dung cake	6.54	6.05	4.52	4.39	2.15	4.05
Gas	4.93	7.81	11.52	16.30	21.69	15.05
Electricity	36.48	41.59	44.18	47.77	60.46	49.71
Others	17.85	12.99	10.54	7.88	5.04	9.06

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 either be 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 the person 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 or 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 industry divisions 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 consumed by the household or individual members which were received as "income in kind" by the household or individual members. 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 amount 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 licenses; 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 who are 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 15,512 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 1113 Primary Sampling Units (PSUs) out of which 532 are urban and 581 are rural PSUs. 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 PSUs and SSUs covered in the survey are as follows:

**TABLE 4A: PROFILE OF THE SAMPLE OF PSLM SURVEY 2007-08**

Province/Area	Sample PSUs			Sample SSUs		
	Urban	Rural	Total	Urban	Rural	Total
Punjab	240	244	484	2768	3868	6636
Sindh	140	131	271	1672	2093	3765
NWFP	88	118	206	1049	1888	2937
Balochistan	64	88	152	766	1408	2174
<b>TOTAL</b>	<b>532</b>	<b>581</b>	<b>1113</b>	<b>6255</b>	<b>9257</b>	<b>15512</b>

#### **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 city has 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 administrative division's in all provinces have 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 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 Unit (PSU) have been considered as Secondary Sampling Unit (SSU). 16 and 12 households have been selected from each sample village and enumeration block respectively by random systematic sampling scheme with a random start.

## Appendix A: Consumption quintiles

Consumption quintiles are used to distinguish the population according to their welfare: poorest households are grouped together into the 1st quintile, those with higher consumption into the 2nd quintile, and so on. Five quintiles rank the population from the poorest 20% to the richest 20%. The main aim of quintile is to analyse how social and economic indicators change in relation to people's welfare. For instance, the government wants to know whether poorer households have access to basic services (immunization, schools, safe water etc.) or whether there are significant differences between the poor and the rich. Furthermore, policy makers are interested to know how consumption patterns and income sources of poorer households are different from those of richer households. Estimates by quintiles describe distributional differences, thus representing an important tool of analysis.

Quintiles are calculated for the four provinces together (Punjab, Sindh, NWFP and Balochistan) so that the first quintile contains in it households from all provinces with the same welfare. However, if one province is relatively richer than others its population will not be evenly distributed in each quintile, but mostly concentrated in the higher quintiles. In fact, only at the overall level each quintile contains 20% of the population, but in urban areas, where people usually are richer, upper quintiles contain higher population percentages, and the opposite is true in rural areas (see table 2 and 3).

Consumption expenditure is used as a proxy to assess people's welfare. Expenditure is calculated at the household level but it is adjusted by household size( see table 4) and its composition. This adjustment is necessary to assess a proper ranking of households. Reasons can become clear with some examples. Imagine two households both with a monthly consumption expenditure of Rs. 3000. However, it would be wrong to say that both households enjoy the same welfare without considering their household size and composition. For instance, one household may be composed of one single individual whereas the other of five people.

**TABLE 1:-RANGES OF PER CAPITA CONSUMPTION EXPENDITURE FOR CONSUMPTION QUINTILES**

Quintiles	1 <sup>ST</sup>	2 <sup>ND</sup>	3 <sup>RD</sup>	4 <sup>TH</sup>	5 <sup>TH</sup>
<b>Ranges of Per Capita Consumption Expenditure</b>	Upto Rs.1067	Rs. 1068 To Rs. 1358	Rs. 1359 To Rs. 1724	Rs. 1725 To Rs 2398	Rs. 2399 And above

The following tables summarise some important information about quintiles:-

**TABLE 2. DISTRIBUTION OF NUMBER OF HOUSEHOLDS BY PROVINCE, REGION AND QUINTILES**

REGION AND PROVINCE	1 <sup>st</sup> QUINTILE	2 <sup>nd</sup> QUINTILE	3 <sup>rd</sup> QUINTILE	4 <sup>th</sup> QUINTILE	5 <sup>th</sup> QUINTILE	OVERALL
<b>URBAN AREAS</b>	<b>545</b>	<b>813</b>	<b>1,054</b>	<b>1,380</b>	<b>2,463</b>	<b>6,255</b>
Punjab	218	293	419	597	1,241	2,768
Sindh	102	207	275	384	704	1,672
NWFP	90	150	195	263	351	1,049
Balochistan	135	163	165	136	167	766
<b>RURAL AREAS</b>	<b>2,032</b>	<b>2,025</b>	<b>2,014</b>	<b>1,863</b>	<b>1,323</b>	<b>9,257</b>
Punjab	736	687	769	894	782	3,868
Sindh	517	550	493	369	164	2,093
NWFP	291	415	467	410	305	1,888
Balochistan	488	373	285	190	72	1,408
<b>OVERALL</b>	<b>2,577</b>	<b>2,838</b>	<b>3,068</b>	<b>3,243</b>	<b>3,786</b>	<b>15,512</b>
Punjab	954	980	1,188	1,491	2,023	6,636
Sindh	619	757	768	753	868	3,765
NWFP	381	565	662	673	656	2,937
Balochistan	623	536	450	326	239	2,174

**TABLE 3. PERCENTAGE OF POPULATION BY PROVINCE, REGION AND QUINTILES**

REGION AND PROVINCE	1 <sup>st</sup> QUINTILE	2 <sup>nd</sup> QUINTILE	3 <sup>rd</sup> QUINTILE	4 <sup>th</sup> QUINTILE	5 <sup>th</sup> QUINTILE	OVERALL
<b>URBAN AREAS</b>	<b>10.20</b>	<b>15.23</b>	<b>18.12</b>	<b>23.12</b>	<b>33.34</b>	<b>100</b>
Punjab	10.43	13.63	17.15	23.65	35.14	100
Sindh	7.96	16.26	18.85	23.07	33.86	100
NWFP	11.19	19.21	20.35	23.73	25.52	100
Balochistan	23.70	21.59	21.62	15.26	17.83	100
<b>RURAL AREAS</b>	<b>24.89</b>	<b>22.26</b>	<b>20.83</b>	<b>18.41</b>	<b>13.61</b>	<b>100</b>
Punjab	23.20	18.86	20.13	20.34	17.47	100
Sindh	31.85	28.64	20.82	13.63	5.06	100
NWFP	18.01	25.05	24.21	19.75	12.97	100
Balochistan	42.09	28.78	17.42	9.15	2.55	100
<b>OVERALL</b>	<b>20.07</b>	<b>19.95</b>	<b>19.94</b>	<b>19.96</b>	<b>20.09</b>	<b>100</b>
Punjab	19.18	17.21	19.20	21.38	23.03	100
Sindh	20.70	22.86	19.90	18.03	18.50	100
NWFP	16.88	24.09	23.58	20.41	15.04	100
Balochistan	36.93	26.76	18.60	10.87	6.84	100

**TABLE 4. AVERAGE HOUSEHOLD SIZE BY PROVINCE, REGION AND QUINTILES**

REGION AND PROVINCE	1 <sup>st</sup> QUINTILE	2 <sup>nd</sup> QUINTILE	3 <sup>rd</sup> QUINTILE	4 <sup>th</sup> QUINTILE	5 <sup>th</sup> QUINTILE	OVERALL
<b>URBAN AREAS</b>	<b>9.11</b>	<b>8.26</b>	<b>7.30</b>	<b>6.37</b>	<b>4.93</b>	<b>6.31</b>
Punjab	8.27	7.64	7.13	6.47	5.15	6.28
Sindh	10.36	8.94	7.33	6.05	4.46	6.04
NWFP	9.86	9.04	8.02	7.04	5.48	7.23
Balochistan	11.58	9.03	8.00	6.80	6.25	8.17
<b>RURAL AREAS</b>	<b>8.46</b>	<b>7.41</b>	<b>6.65</b>	<b>5.92</b>	<b>5.06</b>	<b>6.72</b>
Punjab	7.94	6.80	6.44	5.88	5.05	6.35
Sindh	9.11	7.67	6.30	5.10	4.41	6.97
NWFP	9.96	9.01	7.76	6.91	5.41	7.71
Balochistan	8.56	7.80	6.69	6.05	5.72	7.59
<b>OVERALL</b>	<b>8.57</b>	<b>7.61</b>	<b>6.83</b>	<b>6.08</b>	<b>4.99</b>	<b>6.58</b>
Punjab	7.98	6.98	6.61	6.06	5.09	6.32
Sindh	9.31	8.05	6.72	5.63	4.46	6.50
NWFP	9.94	9.01	7.79	6.94	5.43	7.63
Balochistan	8.98	8.05	7.06	6.33	6.10	7.75

### Data quality

After data collection, all questionnaires were analyzed at the headquarters of the Federal Bureau of Statistics in Islamabad. In order to reduce measurement errors, data entry programs used included a number of in built consistency checks, which alerted the data entry operators of inconsistencies, allowing the operators to immediately correct data entry mistakes.