

Appendix C: 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 analyze 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 all provinces households 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 1 and 2).

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 and its composition. The 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 by one single individual whereas the other by five people.