

The Standard of Living in Pakistan --- Better or Worse?

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In a democracy there is scarcely any public question of greater importance than the standard of living of the common people. It is essential to know the actual level of this standard of living, and whether it is improving or deteriorating. There can be two types of standards of living. One is the standard of living of the society as a whole, and the other is the standard of a group within the society. It is perfectly possible for the standard of the society as a whole to be improving, while that of one or more groups within the society is declining. Moreover, if the distribution of economic power in the society is very unequal, it may happen that the group, the standard of which is declining may constitute a very large proportion, even a majority, of the total population.

Our aim is to explore that standard of living of the average household (the wage earner), taking into account the following factors. First, indices of price levels are almost always based on the prices of articles most of which do not enter directly into the budget of the wage-earner's family. The increase in prices in recent years has affected different classes of commodities very differently, and that the commodities, the prices of which have fallen rapidly are those which belong to the category of luxuries, while those articles, the prices of which have risen at a rate greater than the average, are the necessities of life, which constitute the major part of the workingman's expenditure. Second, an index of wage levels is likely to be meaningless because of the extreme difficulty in arriving at anything like an average of wages.

Uncertainty as to the course of the standard of living of the wage-earner's family has been due to the lack of a basis of measurement, of a "yardstick", which would represent in actual commodities, the elements in the workingman's standard, and which could be applied, in connection with the prices of those commodities at different times and places, to test the relative level of the standard of living of different groups.

There are two elements in every standard of living—income and expenditure. As for income, in the case of the wage earner's family it consists primarily of wages. For practical purposes, the fluctuations in the

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wages of any class of workers represent the fluctuations in the income of the families in that class. The problem of expenditure is not so simple. The items included are numerous and varied, and not the same for any two families in any two years. Yet the yardstick demands that there be a definite list of commodities which enter into the budget of the average family, and constitute the major portion of its expenditure. The first step in this is to make such a list of commodities. This list will be divided into two main categories, necessities, and luxuries. The items included in the first category—food, clothing, shelter, heat and light—are fairly uniform for all families in a given working class. The task is to make a budget of necessities which will come as near as possible to representing the actual expenditure of the ordinary family. This is the standard budget. The next step is to determine the cost of this standard budget at two different times; then to deduct this cost from the total income of the family at each date. Finally, a comparison of the proportion of total income which remains to be expended for luxuries will indicate the relative levels of the two periods.

For the data, we have used the *Household Integrated Economic Survey* (1996-97) published in Sept. 1999. According to the Survey, the average monthly income per household totals Rs. 5770. The survey results indicate the percentage of consumption expenditure on necessities and luxuries. Table I shows the percentage and the costs involved.

Table -I:

| Commodity Groups | Percentage | Total Cost |
|------------------|------------|------------|
| I. Necessities | | |
| Food | 49.31 | 2845.2 |
| House Rent | 13.07 | 754.1 |
| Clothing | 8.11 | 467.9 |
| Fuel & Lighting | 6.88 | 397.0 |
| Total | 77.37 | 4464.2 |
| II. Luxuries | 22.63 | 1305.8 |
| Grand Total | 100 | 5770.0 |

We have done another exercise to make a general estimate of the cost of specific items included in each of the four categories of necessities at 1996-97 prices. Table II shows the “standard” monthly budget of a “standard” family in the case of food.

Table-II: Monthly Household Expenditure and per Capita Consumption of Food Items

| Commodity | Per Capita Monthly Consumption (kg) | Per cent | Cost (Rs.) |
|----------------|-------------------------------------|------------|-------------|
| Wheat Flour | 10.19 | 20.95 | 460 |
| Rice | 1.16 | 4.78 | 105 |
| Pulses | 0.73 | 3.69 | 81 |
| Milk | 7.32 litres | 25.36 | 557 |
| Butter | 45.44 grams | 1.64 | 36 |
| Vegetable Ghee | 1.29 | 10.43 | 229 |
| Mutton | 0.15 | 2.78 | 61 |
| Beef | 0.38 | 5.33 | 117 |
| Chicken | 0.16 | 1.91 | 42 |
| Vegetables | 5.33 | 12.66 | 278 |
| Sugar | 1.02 | 7.01 | 154 |
| Tea | 66.32 grams | 3.46 | 76 |
| TOTAL | | 100 | 2196 |

Since few unskilled wage-earners are home owners, the item of shelter for families of this class reduces to a question of rent. It is taken for granted that apartments will be weather proof, and sanitary according to prevailing standards. According to the survey, the average monthly expenditure per household in Pakistan is estimated at Rs. 677.

The clothing budget is even more difficult to prepare. It is impossible to see how any family can clothe itself in the amount allotted for that purpose. According to the Survey¹, the average monthly expenditure on Apparel, Textile and Footwear per household comes to Rs. 420. The distribution is as follows:

¹ p.346

Table-III:

| | Items | % | Rs. |
|----|--|----------|------------|
| 1. | Clothing and its accessories 227.39 | 54.14 | 227.39 |
| 2. | Readymade and second hand garments (durable) 55.99 | 13.33 | 55.99 |
| 3. | Tailoring services, etc 53.93 | 12.84 | 53.93 |
| 4. | Footwear (durable) 76.69 | 18.26 | 76.69 |
| 5. | Shoe repair services, etc. 6.0 | 01.43 | 6.0 |

There remains the matter of fuel and light. There are thirteen items. According to the Survey, average monthly expenditures per household are Rs. 356². The distribution is given in Table IV. Firewood and electricity are the two most important items. Gas comes next, used for cooking.

Table-IV:

| Sr. No. | Item | Percentage | Rs. |
|----------------|------------------|-------------------|---------------|
| 1 | Firewood | 30 | 106.89 |
| 2 | Kerosene oil | 5.7 | 20.30 |
| 3 | Charcoal | .03 | .09 |
| 4 | Coal | .07 | .25 |
| 5 | Dung-cakes | 5.46 | 19.47 |
| 6 | Gas(Pipe) | 7.86 | 28.01 |
| 7 | Gas(Cylinder) | 2.69 | 9.58 |
| 8 | Electricity | 35.92 | 127.99 |
| 9 | Match Box | 1.8 | 6.43 |
| 10 | Candles | 0.14 | .50 |
| 11 | Bagasse | 0.34 | 1.14 |
| 12 | Agri Waste | 7.51 | 26.77 |
| 13 | Electrical Items | 2.48 | 8.83 |
| | Total | 100 | 356.28 |

² p. 351 & 366

The above discussion shows a standard budget of the necessities of life, as used by a workman's family with an income of Rs. 5770. The family could have bought the commodities listed, at the prices current at the stores with Rs.3649, and have 37% or Rs. 2121 left over for luxuries.

The next step is to see what exactly these same commodities would have cost under like conditions in 1993-94. The method employed in comparing prices between 1996-97 and 1993-94 is as follows: The cost in 1996-97 is divided by the index for 1996-97, giving the cost at the basic figure 100. This is then multiplied by the index for 1993-94, which gives the cost in 1993-94.

The Economic Survey shows combined consumer price index for 1996-97 at 189.18 and for 1993-94 at 135.14 with base 1990-91= 100. This shows that consumer prices increased by about 40 %. So the cost of these items in terms of 1993-94 prices comes to 2607. As regards the monthly income of a standard household, according to the *Household Integrated Economic Survey* was Rs. 3915 in 1993-94. In order to arrive at the final comparison of the standard of 1993-94 and 1996-96, it is necessary to subtract from the total income Rs.3915 the sum of Rs.2607, which covers the expenditures of the family in 1993-94. There remains a balance of Rs.1308 or 33% to be spent on luxuries.

It is evident, then, that on the basis of the test adopted at the outset—the relative proportion of total income leftover for luxuries, the working families of 1993-94 enjoyed a lower standard of living than those of 1996-97. It might perhaps seem, at first sight, in the light of what was said about the relatively larger increase in the prices of luxuries than of necessities, that the family in 1996-97 could purchase less in satisfaction of luxuries than the family in 1993-94 with its 33%. This may be true as the items of expense which are included under luxuries include outgo for doctors, medicine, dentistry, religion, education, saving, recreation, insurance, etc., items that are regarded as mere necessities by more well-to-do families, and with reference to which there is the probability that the cost has increased faster than average prices.

The writer is well aware that the foregoing data does not prove that the labourers's family was better off in 1996-96 than in 1993-94. Nothing statistical is proved if there is a single estimate, a single approximation, a single gap in the demonstration, a single chance of error. But he does believe that they furnish very strong evidence in support of the proposition.

It is probable that a more exhaustible study of prices actually current in 1993-94 might necessitate some minor modifications in various items of the budget. It does not seem possible that it would materially affect the general conclusions.

References

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