

More than 734 million people around the globe live in extreme poverty, surviving on less than US\$1.90 daily, while a handful of billionaires get richer by the day. Realizing the need to address inequality in Pakistan, Prime Minister Imran Khan launched the Ehsaas strategy in 2019, an overarching umbrella to create a welfare state by lifting up marginalized communities and regions. This has become even more important lately, as the COVID-19 pandemic is globally plunging vulnerable groups deeper into poverty, unemployment, and food and housing insecurity.

In line with these global and national concerns, the Pakistan National Human Development Report (NHDR) 2020 explores the state of inequality in the country, highlighting some key insights that can help alleviate inequality in income, human development, and outcome.

### Inequality has created two different Pakistans of the 'Haves' and 'Have Nots'

The idea of the two different Pakistans evokes images of the country's richest and poorest groups; a low-income child who is forced to earn an income instead of attending school, for example, over a well-off child who has access to the best education, and later, ample choices amongst meaningful job opportunities. At the same time, the country's geographical boundaries have also come to define inequality, creating two different Pakistans at a regional level; a young woman from rural Balochistan, for example, might have her life path decided for her, while a woman from urban Punjab can have a far better chance at achieving her dreams.

### The richest 20 percent of Pakistan's population holds almost half the national income

While it has been declining since the mid-2000s, income inequality is still

high in Pakistan. This disparity becomes even more pronounced when we compare the country's richest group to its poorest. In Pakistan, the richest 20 percent has almost 50 percent of the country's income, after adjusting for underreporting. The poorest quintile only has access to 7 percent of this income. This highlights the huge inequality that separates the rich from the poor, impacting their health, education, and opportunities.

### The richest groups live at a high human development level, while the poorest live at a low human development level

The NHDR 2020 reveals that Pakistan had a Human Development Index value of 0.570 in 2018–2019, categorized as medium human development. The HDI value of the richest 20 percent of Pakistan's population is 0.698, falling in the high human development category. In contrast, the HDI value of the poorest 20 percent is just 0.419, corresponding to the low human development category. For all intents and purposes, Pakistan's richest and

poorest groups virtually live in two different Pakistans.

### Where one lives in Pakistan crucially determines one's life outcomes

Interprovincial income inequality has been rising in the country since 1999. The 7th NFC Award's larger share to the two relatively underdeveloped provinces of Balochistan and Khyber Pakhtunkhwa has been unsuccessful in bridging the gaps in per capita income across the country's provinces.

In terms of human development, Sindh is ahead of Pakistan's other provinces, followed closely by Punjab. Khyber Pakhtunkhwa ranks third, and has experienced the greatest growth in human development since 2006. Balochistan ranks fourth, and has made the smallest improvement in its HDI value since that period. In this sense, the fault lines of the two different Pakistans are also based on the country's geographic regions, critically determining the life outcomes of its residents.

### The three Ps of Power, People, and Policy drive inequality in Pakistan

Inequality is a cross-cutting phenomenon, affecting people's ability to live the lives they deserve. It is the product of a broad range of structures, processes, and actions. Based on this understanding, the NHDR 2020 identifies three primary drivers of inequality in Pakistan: Power, People, and Policy.

### Power: Privileges, such as tax breaks and special incentives, are worth four times the amount spent on social protection

'Power' as a contributor to inequality refers to the groups that make use of loopholes, networks, and policies for

their benefit. Preferential treatment such as favourable pricing, lower taxation, and preferential access to land and capital are generally enjoyed by the corporate sector, the feudal class, high net worth individuals, large traders, state owned enterprises, the military establishment, and exporters. Overall, the total privileges enjoyed by Pakistan's most powerful groups amounted to PKR 2,660 billion in 2017–2018, equivalent to 7 percent of the country's GDP. The corresponding cost of social protection programmes estimated by Pasha (2019) was PKR 624 billion. Therefore, diverting just 24 percent of these privileges to the poor could double the benefits available to them.

### People: Discrimination in Pakistan is the 'hidden face' of inequality

People are contributors to inequality in terms of how they treat a community or individual based on sociocultural markers. Such differences in treatment are often expressed as bias or discrimination against vulnerable social groups, which impacts their income, access to opportunities, and general quality of life. This ultimately exacerbates inequality.

The NHDR 2020 conducted focus group discussions and an Inequality Perception Survey with marginalized groups across the country. The results showed that Pakistan's upper classes and business owners appear content with their access to public utilities, education, and health care. On the other hand, women, persons with disabilities, workers, refugees and displaced persons, and the transgender community all expressed dissatisfaction with basic services and the lack of employment opportunities. They believed that they were not treated equally in society. This reveals the 'sociocultural' aspect of inequality that is often ignored, and which must be changed if true societal equality is to be achieved.

### Policy: Three big ideas to redress inequality

Policy is the third driver of inequality identified in the NHDR 2020. It refers to policies that are either ineffective, skewed towards the country's privileged groups, or are poorly implemented. These can drive inequality by depriving people of their fair share of rights and opportunities.

To address this, we must focus on three major domains in light of the NHDR 2020's findings.

**Reducing privileges by strengthening governance mechanisms:** This will require strengthening the judicial system and governance mechanisms in Pakistan. It will involve wide-ranging tax reforms, the elimination of subsidies, changes in the pricing policy, and measures to ensure equitable access to land and capital.

**Spending more on human development and social protection:** The funds gained by reducing privileges must be redistributed to create opportunities for the country's most vulnerable groups. This can be done by increasing public expenditure in the critical areas of health and education, as well as expanding social protection by realigning and strengthening the Ehsaas programme. This will lay the necessary foundation for expanding human capabilities in the country.

**Improving conditions of work and providing employment:** While direct assistance for the marginalized is crucial, it

is equally important to empower people by providing decent work for all, and across all sectors. This will require enhancing the rights of workers, raising the minimum wage and ensuring its full coverage, increasing non-marginal work opportunities for women, and leveraging Pakistan's youth bulge to advance technology-led development.

### On the path to an equal Pakistan

While structural change and programmatic interventions are crucial to alleviate inequality, changing people's attitudes towards marginalized groups is equally important. This can be done through advocacy and outreach, engaging different communities to create a 'culture of empathy' whereby people are treated equally, despite their context or background.

This report makes key suggestions for how to achieve a more equal Pakistan. But the realization of these suggestions depends on the actions taken by the readers of this report. This includes the media who can disseminate its recommendations, academics who can improve upon the ideas outlined, policymakers who can translate the NHDR's recommendations into actionable policy, and the people of Pakistan, who can extend tolerance and acceptance towards those who are different, in fundamental ways, from themselves. Together, we can move away from the two different Pakistans – of the Haves and Have Nots – and build a more inclusive, equal nation.



## The three Ps of inequality: Power, People, and Policy

# MESSAGING BRIEF