Third Annual International Conference: Challenging Linearity

Nov 17th, 11:50 AM - 1:20 PM

Analyzing household income inequality: A subgroup decomposition of generalized entropy measures

Jazib Mumtaz
Economist, FPCCI Policy Research Unit, jazibkhan222@gmail.com

Sayed Irshad Hussain
Assistant Professor, SZABIST Karachi

Follow this and additional works at: https://ir.iba.edu.pk/esdcber

Part of the Family, Life Course, and Society Commons, Income Distribution Commons, and the Inequality and Stratification Commons

Recommended Citation

This document is brought to you by iRepository. For more information, please contact irepository@iba.edu.pk.
Analyzing Household Income Inequality: A Subgroup Decomposition of Generalized Entropy Measures

Jazib Mumtaz, Economist
FPCCI Policy Research Unit

Sayed Irshad Hussain, Assistant Professor
SZABIST Karachi.

Email: jazibkhan222@gmail.com

Abstract

Analyzing Income disparities across populations has remained to be the foremost objective for policymakers. The extent of inequality can be measured for a certain group of households which provides information on the homogeneity of the various groups. Information derived through household analysis helps policymakers to design interventions. Inequality analysis over time over a different group of the population can also be carried out for a particular economy. Another aspect through which inequality can be assessed is the comparison of different dimensions such as health provisions, education, and cash transfers. Analysis of income sources and consumption categories also helps the government to focus on social welfare. This paper aims to analyze income inequality in Pakistan across two periods and indicate its main determinants. Microdata was obtained from Household Income Expenditure Survey HIES for the year 2001-02 and 2018-19. Generalized entropy measures have been used to decompose income inequality at the subgroup level. Six household characteristics are identified for analyzing their contribution to income inequality. The study proves that education level, nature of employment, asset ownership, and gender contribute significantly to income inequality. The study further indicates that changes in income distribution for the bottom of the population through paid employment, female income, and asset ownership could impact income inequality. The study's results can be used to assess policy impact on social welfare and help policymakers design targeted interventions, develop efficient taxation, and create a sustainable model for inclusive growth.

Keywords: Inequality, Households, Decomposition, Entropy Measure