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# HOUSEHOLD INCOME DISTRIBUTION PATTERN UNDER STRUCTURAL ADJUSTMENT PROGRAMME: THE CASE OF UYO METROPOLIS

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## ABSTRACT

In this paper, the income distribution pattern of households of various socio-economic classes were examined. Factors of interest were; occupational groups and educational level of household head. Drawing from the responses of ninety sampled households in Uyo Metropolis, the paper reveals that there is increasing income disparity among self-employed than wage earners, and among households whose head have above secondary education than those without up to secondary education. In addition, in neither of the groups nor in the whole study area is the income distribution near equality.

Concluding, the paper recommends greater attention to education and other institutional arrangements in national policies in order to reduce the gap between the low and high income earners in the society.

## INTRODUCTION

Enlarged income enables consumers to demand for more nutritious foods and non-food goods and services. However, recent agitation for increase remuneration by workers in both public and private enterprises in Nigeria could be an indication that all is not well with the household's purchasing power - the income. The thinking among researchers is that this is not unconnected with the prevailing economic circumstances under the Structural Adjustment Programme (SAP).

Given the battered nature of the Nigerian economy, the government in 1986 decided to move from "austerity alone to austerity with structural adjustment" in order to achieve rapid economic recovery. The Structural Adjustment Programme combined exchange rate and trade policy liberalization (the structural policies) which aimed at revitalising the non-oil economy, with tight fiscal and monetary policies (the stabilization policies). Even though SAP is said to have revived growth, that growth has been insufficient to compensate for the very large drop in purchasing power associated with the collapse of international oil markets and the burden of servicing external debt. With GDP estimated to be growing at 5 percent per annum, population at 3 percent and per capita income at 2, Zanini (1994) observed that it would take 30 years for income to recover to their 1980 level. He further pointed out that the urban middle class (in particular Civil Servants and workers in import substituting industries) has indeed borne the full consequences of the economy's adjustment to the downturn in oil markets, the collapse of foreign exchange earnings and the wastefulness of much government's expenditure programme. This confirms various research findings which maintain that there is disparity in income distribution among socio-economic groups in Nigeria (Essang, 1971; Aboyade, 1973; Derek, 1973; Afilaka, 1981).

It has been the major objective of the national government to create a just and egalitarian society and full opportunities for all citizens. That this objective is yet to be achieved is not debatable. And, it is possible that mass poverty co-exist with a higher per capita income where skewed distribution of income prevents the majority of the population from attaining optimum standard of living. This calls for the need to study more closely the dynamic nature of households income and its distribution especially under the present economic situation. Empirical evidence of income distribution pattern will be fundamental to policy makers in understanding the interrelationship that exists between income distribution, effective demand, remunerative prices for products of the different sectors and the process of general economic development.

## **OBJECTIVES OF THE STUDY**

The general objective of the study is to examine the income distribution pattern in Uyo Metropolis of Akwa Ibom State under the SAP. The specific objectives are to

- (i) Assess the degree of equality of the size distribution of income in Uyo Metropolis.
- (ii) Investigate the distribution of income among socioeconomic classes and,
- (iii) Make policy recommendations within the context of this research on how income can be improved and the welfare of the citizenry enhanced.

## **METHODOLOGY**

### **Sample Design and Data Collection**

Multistage stratified random sampling was adopted for the survey. The study area was stratified into cells of high, medium and low density areas representing low, middle and high income areas respectively.

The first stage sampling were the streets which were chosen alternately. The second sampling unit was the household which were selected by simple random procedure. In accordance with the objective of the survey which was to obtain cross-sectional data relating to income distribution, questions were designed to cover household income, occupation and educational level of household head. In all ninety (90) questionnaires were completed with unseable information and were thus employed in the analysis.

#### Analytical Techniques:

##### (i) The Lorenz or Gini curve.

In determining the extent of inequality in income distribution, the Lorenz and Gini Coefficient were used. The cumulative proportion of income recipients was plotted from 0 to 100 on the horizontal axis of the diagram and the cumulative proportion of total income received on the vertical axis (Fig. 1). When the relevant observations have been connected, Lorenz or Gini Curve was obtained. The Gini coefficient measure the deviation of the Lorenz curve from the Line of Perfect equality.

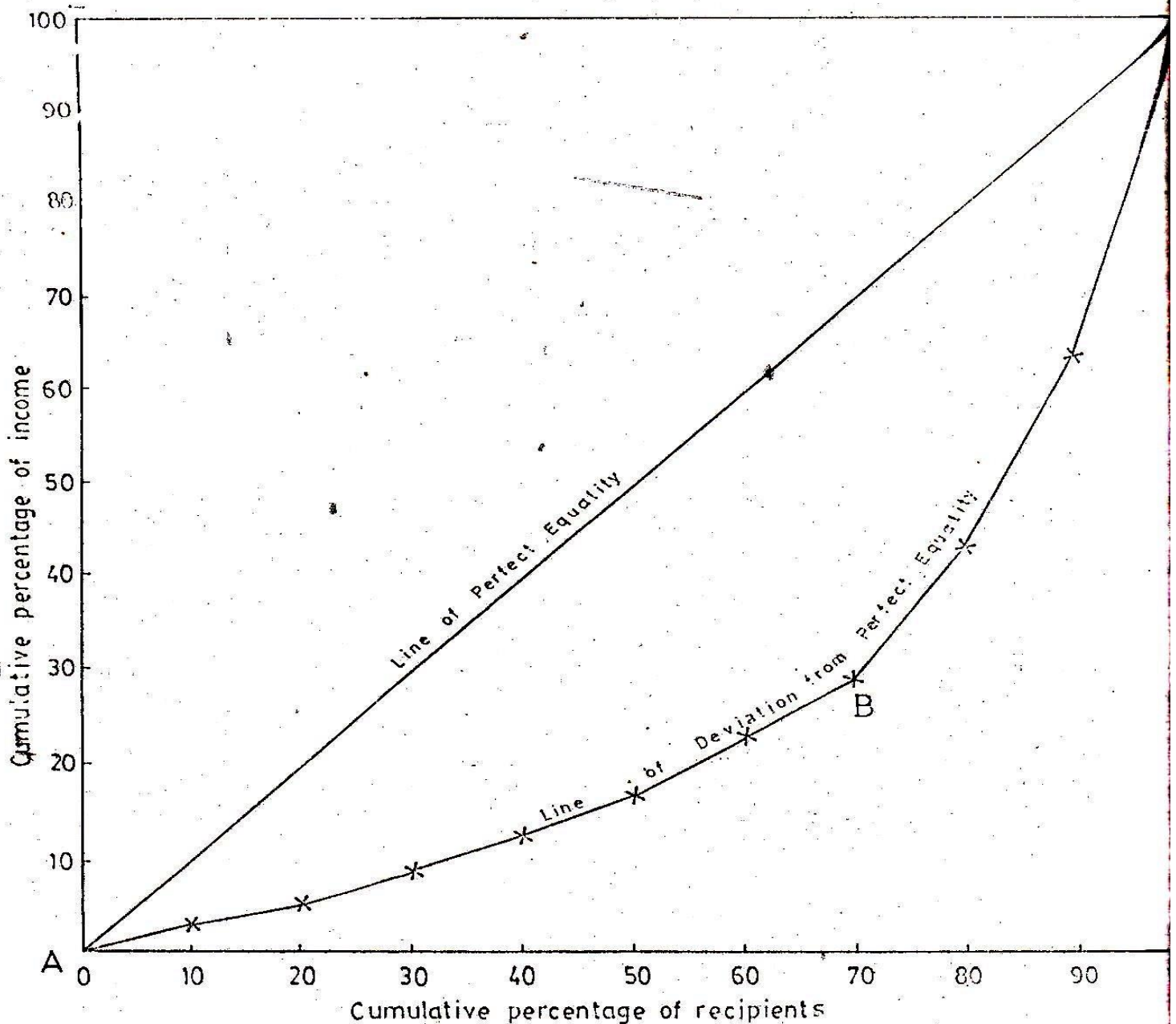


Fig. 1 Lorenz Curve of Income Distribution

It is given by the formula

$$G = 1 - (X_{i+1} - X_i)(Y_{i+1} + Y_i)$$

Where,

G = Gini coefficient or Gini ratio  
 $X_i$  = Share of recipients in the i-th group  
 $Y_i$  = Share of recipients of the i-th group

(i = 1, 2, 3 ... n).

## RESULTS AND DISCUSSION

### Equality of the Size Distribution of Income:

The size distribution of income is presented in Table 1. It considers the cumulative percentage of recipients (households) and income in the whole study area. The poorest 10 percent of the households control 2.35 percent of the total income earned by the entire households in Uyo metropolis. The poorest 50 percent control 21.53 of the total income. This implies that half the population of the households control 21.53 percent of the total income earned by all households in the area. The richest 10 percent earn 28.11 percent of the total income of the households in the area. This shows that the distribution of income in this area is highly unequal, and controlled by few rich households. This is also shown by a relatively high Gini ratio of 0.4008 calculated for the area.

### Distribution of Income Among Socio-economic Classes:

The socio-economic variables considered are occupation and education level of household heads. The poorest 10 percent of self employed and wage earner households control 2.88 and 2.64 percent of the total income in each occupational class respectively. The poorest 50 percent control 35.06 percent among the self employed and 23.12 percent among the wage earners while the richest 10 percent earn 16.69 percent among self employed and 25.37 among wage earners. The Gini ratio for self employed and wage earners were found to be 0.2342 and 0.3884 and the median income are N3250.00 and N2250.00 respectively. It is clearly shown that a greater inequality of income exist among wage earners with a few of them engaging in other businesses to supplement it. Since wage earners are less diversified with respect to their income, the risks of income fluctuation is greater.

More diversification of sources of income of the self-employed households explains why annual incomes of households in this group is more stabilized. Since the self employed are subjected to similar economic condition, adverse economic policies or situation will affect all households. Similarly, a favourable economic climate will increase household income. Assuming that all self-employed households are engaged in similar enterprises

under the same economic environment, then any adverse or good effects on income will affect all households to the same extent. This therefore explains why the Lorenz Curve for this group shows better income distribution pattern than that for wage earners (Fig. 1.2)

Inequality of income may also arise due to differences in educational attainment (Aboyade, 1973). Table (3) presents the cumulative percentage of income and recipients based on educational attainment of household which is classified into those that have none or up to secondary education and others that have above secondary education. The poorest 10 percent of the households earn 2.35 of income among the households whose head have none or up to secondary education while the same percentage of recipients control 2.57 percent of income among those with above secondary education. Comparatively, the poorest 50 percent in the later group control a greater share of income (25.78%) than the former (19.98%). Interestingly, the richest 10 percent of recipients with up to secondary education control as much as 34.15% of the total income in the area whereas the same proportion of recipients among those with above secondary education control only 26.81 percent of the total income. This means that there is greater income disparity among households whose heads have up to secondary education. Quite a large proportion of total income in the area goes to a few rich households. This increasing disparity is confirmed by a relatively high Gini ratio of 0.4332 for households with up to secondary education and a low Gini ratio of 0.3418 for those with above secondary. The diverging income distribution among the former group as compared to the later could be explained by the fact that while individuals with above secondary education are in the main civil/public servants with not very beefy pay package, those with none or lower academic qualifications are mainly craftsman e.g. motor mechanics, traders, etc. who are favoured by the current national economic policies which tend to encourage private endeavours.

## **IMPLICATIONS OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

The declining contributions of employment to household income and the increasing contribution of non-paid employment to incomes has a serious implication. When workers become aware of this, they will gradually and continuously withdraw their services in preference to self employment. This will aggravate the problem of efficiency in the public/civil service and increase private practice - a phenomenon which is fast gaining ground in the Nigerian society. Such continued inefficiency could lead to low productivity. To check imminent collapse of the national economy which such low productivity can bring about, there is need for increased remunerations for employees of both government and private concerns. In addition, government should put in place policies that would improve the real income of the workers.

The widening income inequality arising from the differences in educational attainment calls for concerted efforts toward enhancing education of the people. The private sector as well as Government must pay serious attention to the role of education and other institutional arrangements in the attempts to solve the problem of inequality of income distribution. In this way, the diverging gap between the low and high income earners can be bridged or reduced to a comfortable minimum.

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TABLE 1 CUMULATIVE PERCENTAGE OF FARMER'S AND INCOME

CUMULATIVE PERCENTAGE OF RECIPIENTS	CUMULATIVE PERCENTAGE OF INCOME FOR THE WHOLE AREA
10	2.35
20	5.45
30	9.36
40	14.79
50	21.53
60	30.12
70	40.80
80	54.50
90	7.189
100	100.00
MEDIAN INCOME:	2300.00
GINI RATIO	0.4008

Source: Computed from Survey Data, 1993.

TABLE 2 CUMULATIVE PERCENTAGE OF INCOME AND RECIPIENTS CLASSIFIED BY OCCUPATIONAL GROUP

CUMULATIVE PERCENTAGE OF INCOME

CUMULATIVE PERCENTAGE OF RECIPIENTS	SELF EMPLOYED	WAGE EARNERS	WHOLE STUDY AREA
10	2.88	2.64	2.35
20	6.84	5.75	5.45
30	13.06	10.11	9.36
40	22.47	15.57	14.79
50	35.06	23.12	21.52
60	45.00	31.12	30.11
70	56.00	43.09	40.79
80	69.66	56.08	54.49
90	83.31	74.63	71.88
100	100.00	100.0	100.00
MEDIAN INCOME (N)	3250.00	2250.00	2300.00
GINI RATIO	0.2342	0.3884	0.4008

Source: Computed from Survey Data 1993.

TABLE 3 CUMULATIVE PERCENTAGE OF INCOME AND RECIPIENTS CLASSIFIED BY EDUCATIONAL LEVEL

CUMULATIVE PERCENTAGE OF INCOME

CUMULATIVE PERCENTAGE OF RECIPIENTS	SELF EMPLOYED	WAGE EARNERS	WHOLE STUDY AREA
10	2.35	2.57	2.35
20	6.50	7.38	5.45
30	10.26	12.00	9.36
40	15.15	18.78	14.79
50	19.98	25.78	21.52
60	27.84	35.96	30.11
70	36.09	45.42	40.79
80	50.56	59.32	54.49
90	63.87	73.19	71.88
100	100.00	100.00	100.00
MEDIAN INCOME (N)	1500.00	3500.00	2300.00
GINI RATIO	0.4332	0.3418	0.4008

Source: Computed from Survey Data 1993.



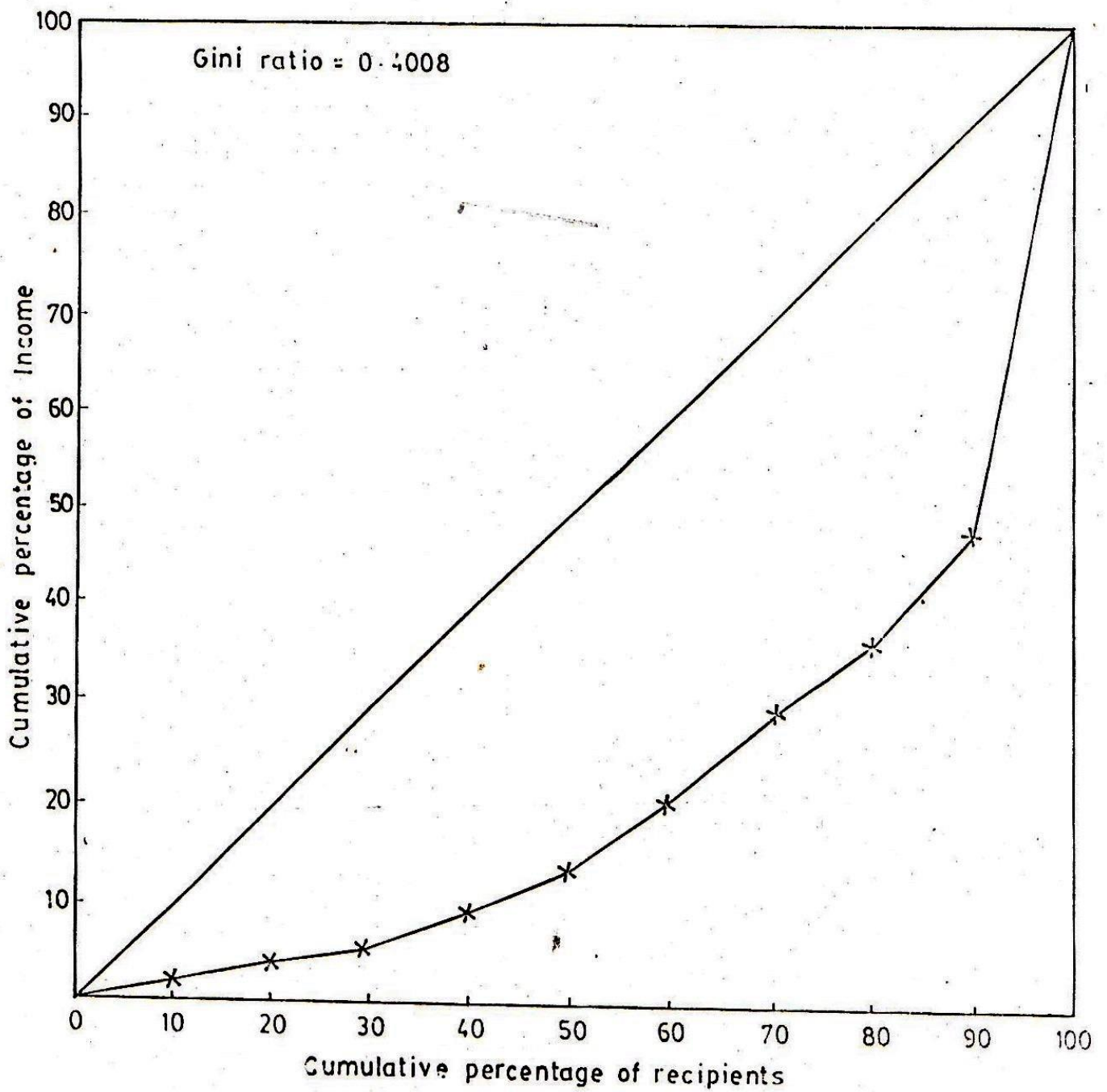


Fig. 1.1 Lorenz Curve of Income Distribution for the whole Area of Study

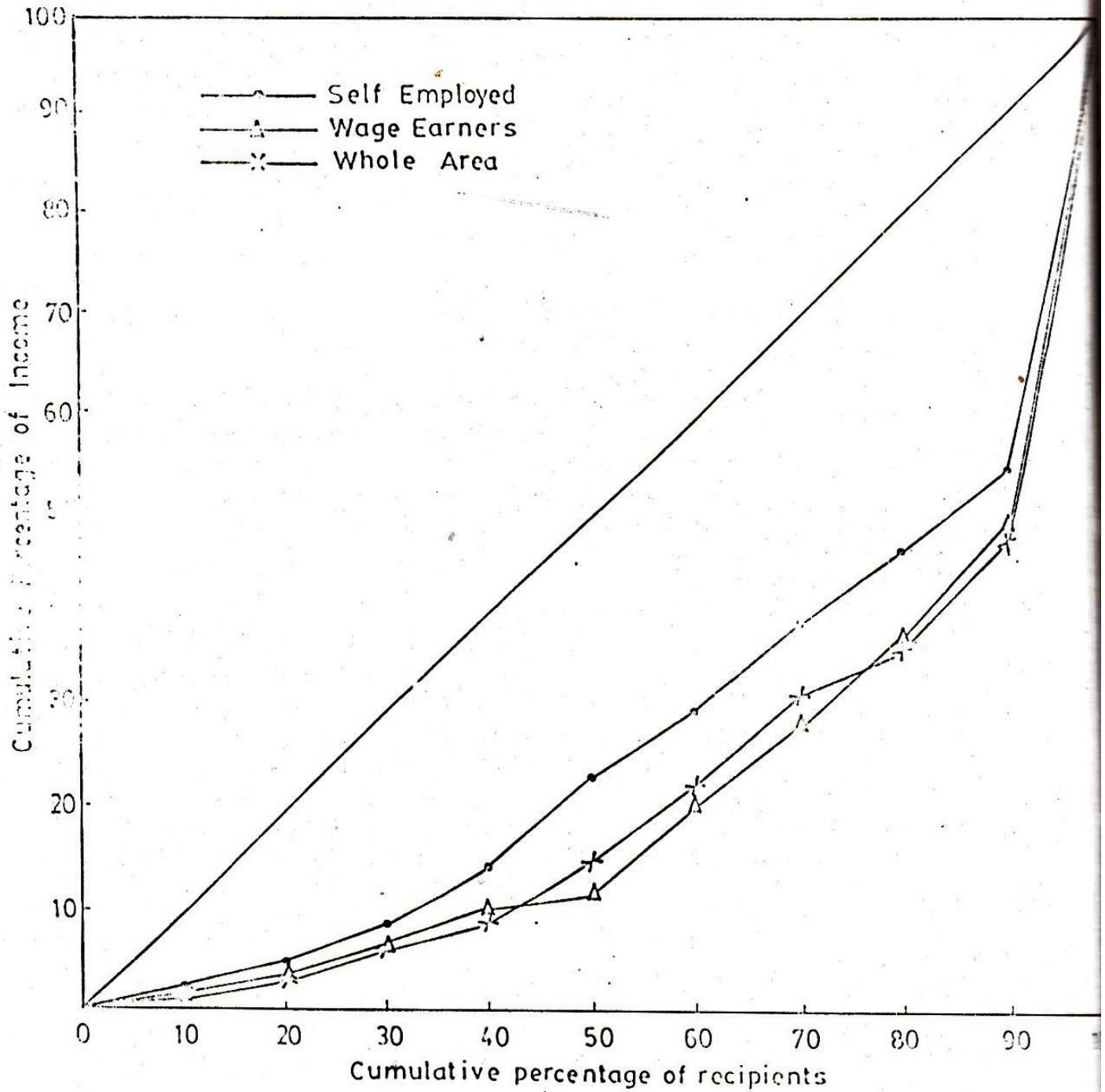


Fig. 1-2 Lorenz Curve of Income Distribution for each of the Occupational groups