



# **THE NATURE OF INEQUALITY IN MALAWI: PULLING APART OR POOLING TOGETHER?**

**RICHARD MUSSA**

**Golden Tulip Hotel Westlands, Nairobi**

**9 August 2016**

# OUTLINE

- Background
- Trends in Inequality
- Drivers of Inequality

## BACKGROUND 1: PREMISE AND STUDY PERIOD

- Premise: **inequality is multifaceted.**
- Looked at inequalities across a range of dimensions including consumption, education, health, wealth and access to infrastructure
- Hence, both inequality of opportunity and inequality of outcomes
- Various types of inequality between 2004/5 and 2010/11 using two nationally representative household surveys
- Levels and trends in political inequality were also studied.

## BACKGROUND 2: WHY WORRY ABOUT INEQUALITY?

1. Increasing income inequality may hamper the poverty reducing effect of economic growth (Ravallion, 2001; Fosu, 2009)
2. Inequality affects the level and pattern of economic growth (Odedokun and Round, 2004; Bourguignon, 2004)
3. Inequality may heighten risks of conflict or may require more redistributive government spending (Østby, 2008; Cederman et al., 2011)

## BACKGROUND 3: WHY WORRY ABOUT INEQUALITY?

4. High inequality diminishes social mobility (Stiglitz, 2012; Corak, 2013)
5. Vicious cycles of inequality and corruption (Jong-sung and Khagram (2005))

## TRENDS IN INEQUALITY 1: ECONOMIC INEQUALITY

- Consumption inequality in Malawi worsened between 2004/05 and 2010/11, showing the gap between the rich and poor is widening.
- In 2004/5:
  - ✓ The richest 10% accounted for 46% of total consumption, the bottom 40% accounted for 15% of total consumption.
- In 2010/11:
  - ✓ Share of the top 10 % increased to 53% in 2011, and that for the bottom 40% declined to 13%.
- IMPLICATION, the consumption of the top 10% rose from being about three times higher to being about four times higher than that of the poorest 40%.

## TRENDS IN INEQUALITY 2: ECONOMIC INEQUALITY

- Consumption of the richest 10% was about twenty two times higher than that of the bottom 10% in 2004, by 2011 it stood at thirty four times.
- **Notably:** Economy registered very high growth rates averaging over 7% per annum over the past decade,
- **BUT:** the Gini coefficient increased from 0.390 in 2004 to 0.452 in 2011

## TRENDS IN INEQUALITY 2: ECONOMIC INEQUALITY

- Inequality in Malawi is spatially differentiated
- For the two periods consumption inequality was higher in urban areas than in rural areas
- However, the rural Gini coefficient increases significantly from 0.339 in 2004 to 0.375 in 2011 while the urban Gini coefficient rose marginally from 0.484 to 0.491 over the same period
- Regionally: (North=0.392) < (Centre=0.426) < (South=0.488)

## TRENDS IN INEQUALITY 3: WEALTH INEQUALITY

- Land inequality in Malawi is even worse than consumption inequality.
- In 2011, the land Gini coefficient was 0.523, larger than the consumption Gini coefficient of 0.450.
- Although land is highly unequally distributed today, this dimension of inequality has actually improved, decreasing from 0.6023 in 2004/5 to 0.523 in 2010/11.

## TRENDS IN INEQUALITY 4: WEALTH INEQUALITY

- Wealth inequality has worsened over time and is worse than inequality in consumption.
- The Gini coefficient for wealth has grown from 0.431 in 2004, to 0.564 in 2011.
- With the exception of urban areas, wealth inequality has significantly worsened overtime in all the three regions.

## TRENDS IN INEQUALITY 5: EDUCATION INEQUALITY

- School enrolment is regressive (unequally distributed to the disadvantage of the poor).
- This bias in favour of the rich grows progressively with level of education
- In 2006: 91.3% of students in higher education were from the fifth quintile, 0.7% from the first quintile.
- In 2011: fifth quintile was 81.9% and 1.5% the first quintile

## TRENDS IN INEQUALITY 6: EDUCATION INEQUALITY

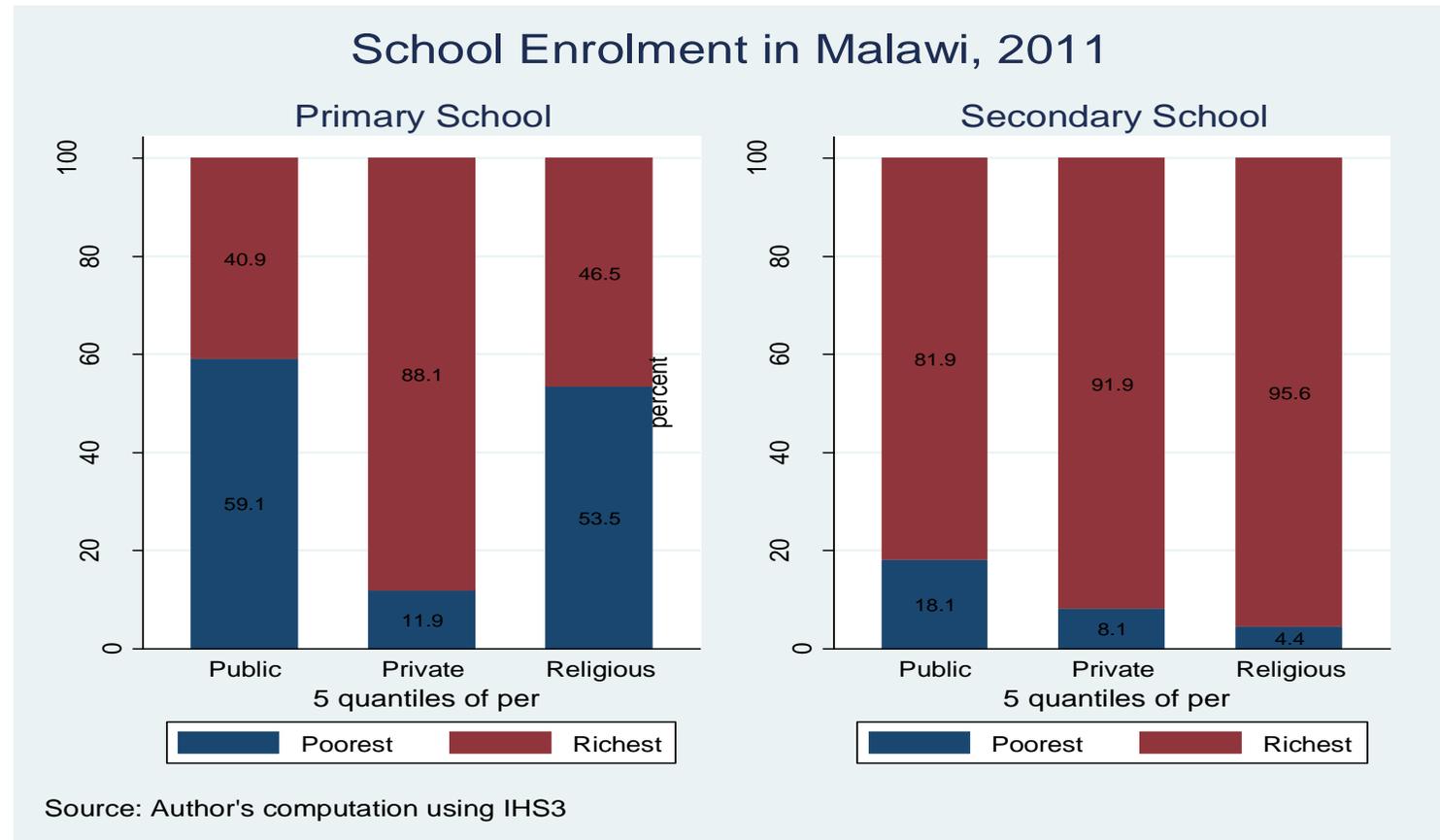
- In Malawi, education qualifications are unequally distributed in favour of the better-off.
- Acquisition of education qualifications in Malawi becomes more regressive as the qualification level rises
- For example, in 2011, the concentration indices are:
  - 0.8165 for tertiary qualification
  - 0.4759 for MSCE
  - 0.2571 for JCE

## TRENDS IN INEQUALITY 9: EDUCATION INEQUALITY

- Enrolment into high quality private primary schools is regressive.
- Richest families:
- 94.6% of enrolled children in 2004/5 and 89.3% in 2010/11
- Poorest families:
- make up the majority of enrollees in public primary schools (60.9% in 2004/5 and 59.8% in 2010/11).

## TRENDS IN INEQUALITY 10: EDUCATION INEQUALITY

- **Richest dominate:**
  - Private schools (both)
- **Poorest dominate:**
  - Public primary
  - Religious primary

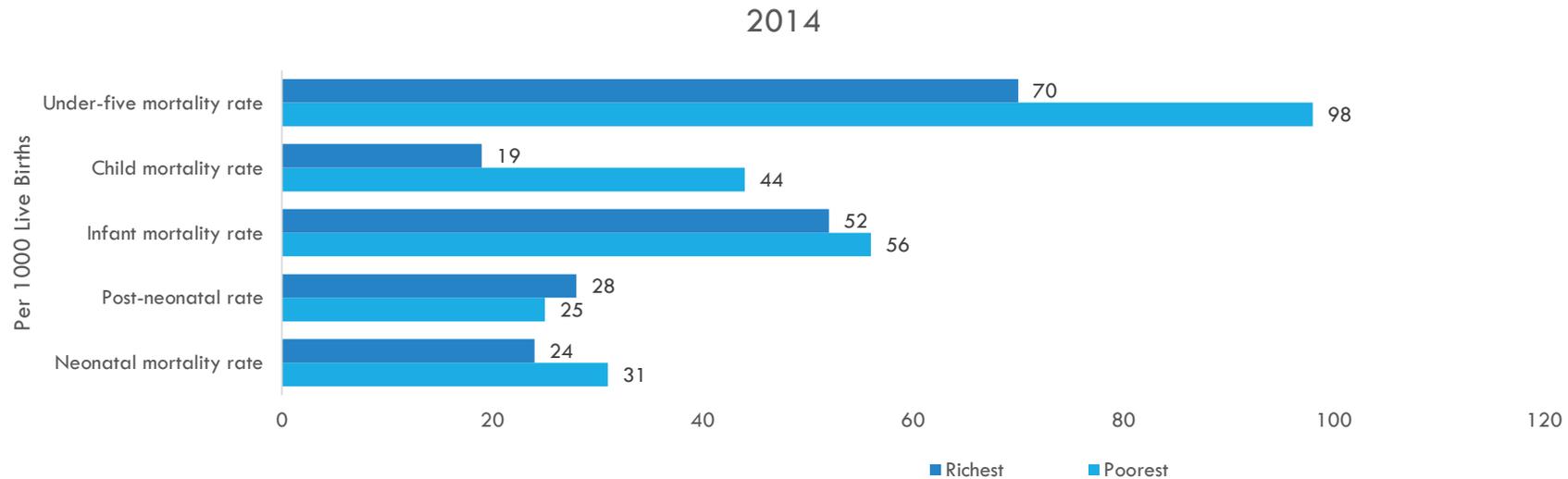


## TRENDS IN INEQUALITY 11: HEALTH INEQUALITY

- Utilization of public outpatient care is unequally distributed to the disadvantage of the poor.
- Access to high-quality private clinics also favours the rich. Moreover, this unequal pattern in access to private health care has significantly worsened overtime
- In urban areas in particular the concentration indices were 0.1822 in 2004 and jumped to 0.3131 in 2011.

## TRENDS IN INEQUALITY 12: HEALTH INEQUALITY

- The five indicators of mortality show that they were worse for the poorest households
- In 2014, the under-five mortality rates were 98 and 70 per 1,000 live births for the poorest and richest households respectively



Survey (MICS), 2006, 2014

## DRIVERS OF INEQUALITY 1

- **Lack of recognition of inequality as a problem in its own right in any of Malawi's development strategies worsens inequality**
- ✓ Poverty Alleviation Program (1994); the Malawi Poverty Reduction Strategy (2002-2005); and, more recently, the Malawi Growth and Development Strategy (MGDS) (2006-2011 and 2011-2016)
- ✓ The implicit assumption in these strategies: growth will trickle down to alleviate poverty.
- ✓ **INTERESTINGLY:** Vision 2020 recognises the importance of inequality
- ✓ **AND going forward:** SDGs now include reducing inequality

## DRIVERS OF INEQUALITY 2

- Limited access to education leads to inequality in Malawi
- Inequities in access to quality health services drive inequality
- An ineffective implementation of gender-sensitive economic policies reinforces gender inequality
- Loopholes in the public finance management system and corruption in public services delivery drive inequality
- The existence of poverty wages and insecure jobs in Malawi leads to inequality

## DRIVERS OF INEQUALITY 8

- Political power is unequally distributed. It's concentrated in one region and, within parties, it's concentrated in founder families and cliques.
- Cultural practices: *de facto* norms derived from culture seems to supersede the *de jure* provisions.

## CONCLUSION 1

- QUESTION:
- So is Malawi pulling apart or pooling together?
- The preceding shows that Malawi is unambiguously pulling apart

## CONCLUSION 2

- Inequality is not an accident, inequality is not inevitable, but originates from policy choices.
- Consequently, some policy choices can worsen inequality while others reduce it.
- UNRISD (2010), “Without deliberate policy interventions, high levels of inequality tend to be self-perpetuating. They lead to the development of political and economic institutions that work to maintain the political, economic and social privileges of the elite”

## CONCLUSION 3

- **BUT:** reducing inequality will not be a benign by-product of growth under trickle down assumptions.
- It will only happen as a result of deliberate joint policy efforts – around fair taxation, strong public services, decent work and wages, and eliminating corruption
- The Malawi government and civil society must unify behind these efforts.



**MANY THANKS FOR YOUR ATTENTION!**