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Income Inequality, Poverty and Social Welfare Among Government and Private Employees in Lagos and Osun State of Nigeria

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Abstract: The study analyzed and compared income inequality, poverty and social welfare among Government and Private Employees in Lagos and Osun State of Nigeria. Primary data were randomly collected from 48 and 46 respondents ion the two states, respectively. The analytical tools employed in the study were descriptive statistics, Gini coefficient, Lorenz curve and social welfare model. The analysis revealed that generally, income inequality was higher in Lagos than Osun. Households headed by private sector employees in Lagos also have higher social welfare than those of Osun. However, government employees in Osun have higher poverty incidence, depth and severity than those of Lagos. It is therefore recommended that policies that encourage the private sector to improve the remuneration of their employees be put in place while the government should improve the income of the poor by increasing their access to productive assets.

Key words: Poverty, income inequality, social walfare, government employees

INTRODUCTION

In recent times the global focus has been on poverty alleviation. The incidence of poverty is more devastating in the developing countries than obtained in the developed economies and a lot of resources have been channeled towards programme aimed at alleviating poverty by various international organization and governments of developing countries. Low level of living often characterizes a developing nation. These are evident in the form of low income, food inadequacy, inadequate housing, poor health, little or no education, high and rising levels of unemployment. The participatory poverty assessment conducted by the World Bank In 1996 in 95 communities and covering 45 local government authorities shows that poor communities are usually cut-off from benefits of development such as good roads, portables water supply and safe sanitation (health) and educational services. The pivotal inequality stimulant in Nigeria's post-colonial history-the rapid expansion and thus far irreversible centralization of the state during the 1970s world oil price shocks-has resulted in the consolidation in ownership of a static, undifferentiated revenue stream Andrew[1]. Nigerians living on over $2 per day (1985 US$, PPP) represent just 30% of the population; the wealthiest 2% possessed incomes equivalent to the total income of the poorest 17% in 1970 and the poorest 55% in 2000[2]. In 1998, Nigeria was home to the largest number of the world's extremely poor, 55.5 million, compared to the DR Congo's estimated 48.2 million and Ethiopia's 37.4 million. Asia's highest concentration of $1/day poor are in China 3% of the population, or 32.4 million and Latin America's Bolivia 23.8%, 1.9 million. Nigeria did not always hold this dubious distinction: in 1970, Ethiopia, Tanzania, Uganda and Ghana were all home to more $1/day citizens than Nigeria[3]. Weighted by country populations, Nigeria's income distribution as expressed by Gini coefficients places it among the most heavily skewed 10.1% of the world's population[4].

The Nigerian government in 1999 also released a new salary package for the workers, but asked the organized private sector to negotiate with their respective employees to effect a review. At one end, there are the successful businesses which are mostly multinationals and at the other end there are few striving indigenous companies. However, according to classical welfare economics, a change such as salary increment is a desirable, if it improves the welfare of some without reducing that of others. To this end the World Bank in one of its findings of a 1997 study found that income inequality was worse in rural areas, with a Gini-Coefficient of 45.6 compared with 39.9 for urban Lagos. Compared

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with Ghana and Uganda, income inequality was worse in Nigeria and South Africa. According to[5], various efforts and deliberate policy measures taken by the Nigeria government in particular and the various international organizations in general, show in recent times that the global focus has been on poverty alleviation. The number of rural poor is roughly twice that of urban. The depth of poverty (the average short fall from the poverty line) is more than double in rural areas. Of the extremely poor 85% living in the rural areas, more than two-thirds lived on the farms. Income inequality is also worse in rural areas[6]. Poverty profile in Nigeria showed that poverty is on the increase. About 26 million people were core poor in 1995 compared to 13 million in 1985, showing an increase of 50% of this core poor. In 1996, about 19 million lived in the rural areas and the other 7 million live in the urban areas. [7] reports also say that about 61% of all individuals in rural areas (up from 47% in 1985) and about 47% of urban dwellers down from 48% in 1985 were in poverty. Consequently, the depth and severity of poverty in the rural areas have been higher than in the urban centers. [] also classifies Nigeria as a country with servers child malnutrition and very high under- 5 mortality rate. Access to education, health, water and housing is inadequate. The poor are often concentrated in communities without basic services, such as good roads, portable water supply, safe sanitation, lack of access to health and education services.

The necessity for the attempt to study and analyze poverty level and income inequality situation between government and the private sector employees in Ilesa West and Agege Local governments areas of Osun sate and Lagos State, can never be over- emphasized. Inequality may generate social conflicts over distributional issues that diminish the security of property rights, thereby lowering investment an economic growth. The number of the poor and food insecure remain high, 55.8% of Nigerians were estimated to be below the poverty line in 1996 with a national population estimate of 116 million and there were at least 64.7 million poor people in Nigeria as at 1996 compared to 38.5 million in 1995[7].

Consequently the depth and severity of poverty in the rural areas were higher than in the urban centers and was twice as high as the depth of Lagos urban[7]. The previous poverty reduction attempts have failed to have impact in Nigeria, mainly because of lack of synchronization between the nature of the problem and remedial action[5]. The justification of this study is derived from the fact that structural inequality especially in income and input distributions has been recognized as one of the manifestation as well as causes of poverty. The knowledge arising from the establishment of a relationship between poverty level and income groups in Osun and Lagos states will enhance formulation and implementation of policies aimed at poverty reduction in Nigeria as well as sustainability of people's livelihood. For these to be achievable, there is a need to make a comparative indices available in both Osun and Lagos states. There general objective is to compare income inequality and poverty level in Ilesa West of Osun State and Agege Lagos Government areas of Lagos State, Nigeria. The specific objectives are to:

- Determine the poverty profile of both government and non-government employees in the two local government areas in Osun and Lagos Sates;
- Compare the poverty level and income inequality between government and private sector employees in the two local government areas in Osun and Lagos State; and
- Determine the level of social welfare between the two occupational groups.

MATERIALS AND METHODS

The study was carried out in two areas- Agege and Ilesa West local government area of Lagos and Osun State, respectively. The occupational groups that formed the focus of the study were the civil servant and non-civil- servant. Primary data were obtained from 48 respondents from Agege and 46 from Ilesa West local governments. The interview schedule was carried out with a carefully drawn questionnaire using random sampling techniques. Analytical tools included descriptive statistics poverty profile or indices, Gini coefficient and social welfare model.

Poverty indices: Is the measurement of head-count ratio (P0), depth of poverty (P1) and severity of poverty (P2). The measures relate to the difference dimension of the incidence of poverty. The three measures are based on a single formula but each index put differently weight on the degree to which households or individual falls below poverty line. This approach is based on the mathematical formula of[8] which explains poverty indices anchored upon the existence of households' classification according to income or consumption expenditure. To determine poverty profile or indices, it became necessary to use the so called P-alpha measures in analyzing poverty. Its mathematical formulation as derived by[8] is

$$P\alpha = 1/N\sum_{i=1}^{q}\frac{[Z - Yi]^{\alpha}}{Z}$$

Where:
Z = Poverty line. It was calculated as the two-thirds of the mean per capital household expenditure,
q = The number of individuals below the poverty line.
N = The total number of individuals in the reference population
Yi = The expenditure of the household in which individual leaves
α = The degree of concern for the depth of poverty, it takes on the value of 0,1 and 2, for poverty incidence, poverty gap and poverty severity, respectively

Gini- coefficient: This is the measurement of the extent in which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within the economy deviates from a perfect equal distribution. The coefficient ranges from 0 (meaning perfect equality) to 1 (complete inequality). It is the quotient of the area between line of perfect distribution, the Lorenz cure and the total area under 45° lines. The Gini coefficient is thus a summary measure of the extent of inequality in the distribution of income. It ranges from 0 to 1. The closer the coefficient is to 1, the worse is the distributions of income and vice-versa.

Gini coefficient is there calculated as follows:

$$G = 1 - \sum_{i=1}^{n} (X_{i+1} - X_i)(Y_{i-} Y_{i+1})$$

Where:
G = Gini Coefficient
n = Sample Size
Yi = Cumulative proportion of income
Xi = Cumulative proportion of recipients

Social welfare: This is the ability of household or individual to consume goods and services. It is assumed that greater consumption lead to greater welfare. And its dimensions include: health, life expectancy literacy and access to public goods.

To determine the level of social welfare among occupational groups, the following was followed:

$$SW = \mu\,(1\text{-}G)$$

Where:
SW = Social Welfare
μ = Mean income
G = Gini coefficient

RESULTS AND DISCUSSION

Income distribution: osun and lagos state: The degree of income inequality is generally higher in Lagos State Table 1 compare to that of Osun State Table 2, in which 15 respondents representing 31.30% of the recipients earn 14% of income in the State and 27 respondents representing 56% of the population earn 32% of the income in the State. Other incomes in the State are spatially distributed. The level of inequality in income distribution in Osun State is however low in which 28 respondents representing 61% of the recipients earn 43% of the income and 38respondents representing 83% of the population in the State received 69% of the income. The level of income inequality in the state is less than that Lagos State.

This variation in the level of inequality in income is further shown by Laurenz curve, Fig. 1. That of Lagos State showed a very wide deviation from the margin that is, the line of perfect equality; which is evidence that income inequality in Lagos State is very high compared to that of Osun State in which the Lorenz Curve is a little closer to the line of perfect equality. In other words, the level of inequality in Osun State is not much as that of Lagos State.

Where A and P represent the cumulative proportion of income and B and R represent the cumulative proportion of recipients

A summary measure of income inequality among the people in the two States is shown below. The Gini coefficients are as shown on Table 3

Table 1: Cumulative frequency distribution of income and recipients for lagos state

Income group N'000	Frequency	Cumulative frequency	Proportion of income	Propotion of recipient
1-10	2	2	0.01	0.04
11-20	13	15	0.14	0.31
21-30	12	27	0.32	0.56
31-40	7	34	0.46	0.71
41-50	5	39	0.59	0.81
51-60	2	41	0.66	0.85
61-70	3	44	0.76	0.92
71- 80	1	45	0.80	0.94
81-90	0	45	0.80	0.94
01-100	3	48	1.00	1.00

Table 2: Cumulative frequency distribution of income and recipients for osun state

Income group N'000	Frequency	Cumulative frequency	Cumulative proportion of income	Cumulative propotion of recipient
1-10	6	6	0.05	0.13
11-20	22	28	0.43	0.61
21-30	10	38	0.69	0.83
31-50	7	45	0.95	0.98
41-50	1	46	1.00	1.00

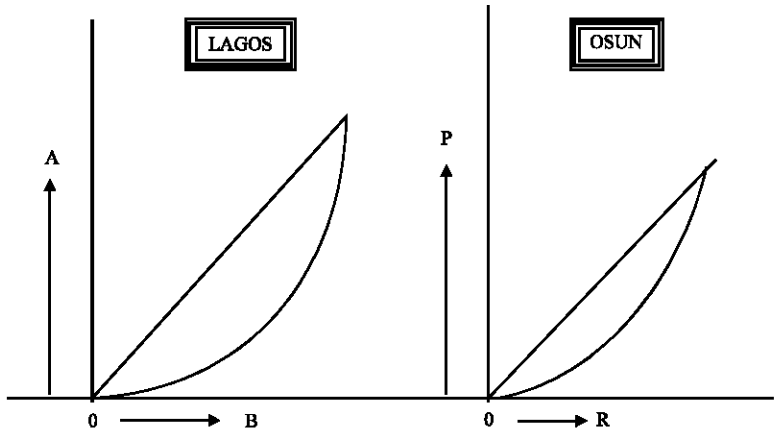

Fig.1 : Lorenz curve of income distribution for lagos and osun state

Table 3: Gini coefficient of different occupational group and states

	Gini coefficient of osun state	Gini coefficient of lagos state
By states	0.238	0.299
For civil servants	0.352	0.898
Non-civil servants	0.254	0.162

The Gini coefficient of income distribution in Lagos State as shown in Table 3 is 0.2991 and is larger than the Gini coefficient of income distribution in Osun State, where it is 0.2382. This means that income is more unequally distributed in Lagos State than in Osun State. As such Osun State will have a better welfare compare to Lagos State. [9] in his own case relates income inequality to welfare by saying that an increase in income inequality (represented by a higher Gini index) reduces overall welfare. However, while comparing the civil servants and non- civil servants (private employee) the inequality is still very much higher for civil servants in Lagos than Osun but a reverse was observed for non- civil servants. This is probably due to active engagement of Lagos respondents in other income generating activities.

Profile by occupation of household heads: Households headed by government employees or civil servants have higher level of poverty profile with poverty incidence, gap and severity, Po, P1, P2, of, 0.40, 0.10 and 0.04 and 0.28, 0.10 and 0.05, respectively for both Osun and Lagos States. The above results are however comparatively higher than those of the private sector employees or non-civil servants in the two study areas of Osun and Lagos State with poverty incidence, gap and severity of Po, P1 and P2 (0.31, 0.08 and 0.02) and Po, P1 and P2 (0.27, 0.06 and 0.02) for both Osun and Lagos States, respectively. This implies that government employees in the two States are poorer than their counterparts in the private sectors.

Poverty incidence for both government and private sector employees in Osun States with 0.40 and 0.31 , respectively is however higher than poverty incidence for both occupational groups in Lagos State with 0.28 and 0.27, respectively for government and private sector employees. It therefore, means that people in Osun State are poorer than people in Lagos State, a situation that may be due to low commercial activities and low business opportunity in Osun State compared to Lagos State.

Table 4: Distribution of poverty profile by occupational group

	Occupational group			
	Osun		Lagos	
Poverty indices	Civil servant	Non civil servant	Civil servant	Non civil servant
Po(poverty incidence)	0.40	0.31	0.28	0.27
P1(poverty depth or group)	0.10	0.08	0.10	0.06
P2 poverty severity	0.04	0.02	0.05	0.02

Social welfare: Table 4 shows that welfare varies from state to state and from one occupational group to the other in the study areas. The higher the value of social welfare, the higher the general welfare of the occupational groups and the people in the state. The summary of the findings is hereby presented in Table 5

Social Welfare value is derived from the mean income and the Gini coefficient of a particular group of people. The higher the mean income and the low or the Gini coefficient, the higher is the social welfare of the group. The social welfare bears no direct relationship with the income of the people in the occupational group as their incomes are unequally distributed.

Household heads in Lagos have a higher social welfare N26, 028.22 compared to that of Osun State N 16, 288.55 because it has a high or mean income and low or Gini coefficient. This means that household heads in Lagos State have a higher ability to cope with their social responsibilities than household heads in Osun State.

Table 5: Social welfare, mean income and gini coefficient of civil servants and non-civil servants by state

	Osun state			Lagos state		
	Social welfare	Mean income	Gini coefficient	Social welfare	Mean income	Gini coefficient
Welfare by state	16288.55	21381.66	0.238	26028.22	37135.42	0.299
Civil servant	16487.43	25443.56	0.352	3802.33	37277.78	0.898
Non-civil servant	15109.00	20253.35	0.254	39511.57	35216.67	0.162

Occupational group's social welfare: Households headed by non- civil servants or private sector employees in Lagos State have the highest social welfare of ₦39, 511.57 among the occupational groups in Osun and Lagos States. This is so because of higher mean income of ₦35, 216.67 and a lower Gini Coefficient (0.162) possessed by the group. The household headed by civil servants or government employees in Osun State have a social welfare of ₦ 16,487.43 due to relative high mean income of ₦25,443.56 and a low Gini coefficient (0.352). The households headed by civil servants in Lagos State however have the least social welfare ₦3, 802.33 because of the high Gini coefficient of (0.898) in spite of the fairly high mean income. It then follows that households headed by non-civil servants in Lagos have highest ability to cope with their social responsibilities and to meet other needs. Similarly households headed by civil servants in Osun state also have a high ability to cope with their social obligations and needs.

CONCLUSIONS

On aggregate, income inequality was higher in Lagos than Osun. The inequality of income was also higher among civil servants in Lagos than Osun. However, for non-civil servant, the result was a reverse. Household headed by civil servants and households headed by non-civil servants in Osun State have lower poverty incidence and are therefore better off than household headed by civil servants and households headed by non civil servants in Lagos State. Generally, the social welfare indices for both states reveal that household heads in Lagos State have a higher social welfare compared to household heads in Osun State. As for the social welfare of the occupational groups in Osun and Lagos States, it is shown that the households headed by non-civil servants in Lagos have higher social welfare indices and so higher ability to cope with their social obligations than their civil-service colleagues in the same State. In view of the foregoing, it is therefore recommended that policies that encourage the private sector to improve the remuneration of their employees be put in place while the government should improve the income of the poor by increasing their access to productive assets. The workers' minimum wage should also be increased and a good governance that commits itself to the welfare of the majority be worked towards.

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