Meritorious Journal of Social Sciences & Management
Vol. 05, No. 3 (2022)
Journal homepage:
http://journal.mgp.org.pk/index.php/MJSSM

Public Policy Responses to Poverty and Social Inequality

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ARTICLE DETAILS	ABSTRACT

History
Revised format:
Aug, 2022
Available Online:
Sep, 2022

Keywords
poverty reduction, social inequality, social protection, fiscal redistribution, human capital, inclusive growth

Poverty and social inequality remain central public-policy challenges in developing countries, where limited fiscal capacity, unequal access to public services, labour-market informality, regional disparities, and weak institutional coordination restrict opportunities for disadvantaged populations. Poverty is not merely a shortage of income; it is also reflected in inadequate nutrition, poor health, limited education, insecure employment, substandard housing, exposure to economic shocks, and exclusion from political and administrative decision-making. Social inequality further intensifies these disadvantages by distributing resources, power, public services, and economic opportunities unevenly across income groups, genders, regions, occupations, and generations. This article examines how public policy can respond to poverty and inequality through an integrated framework combining social protection, progressive fiscal policy, human-capital investment, inclusive employment, regional development, and institutional reform. Particular attention is given to Pakistan, where long-term reductions in poverty have been threatened by inflation, economic instability, climate-related disasters, weak productivity growth, and continuing inequalities in education, health, employment, and access to infrastructure. The article argues that isolated welfare schemes cannot produce sustainable poverty reduction unless they are connected to quality public services, productive employment, equitable taxation, gender-responsive policies, and accountable governance. The analysis concludes that effective anti-poverty policy should combine immediate income support with long-term capability development. Cash transfers and emergency assistance are necessary for protecting vulnerable households, but structural inequality requires investment in schools, healthcare, nutrition, skills, decent employment, water, sanitation, and climate resilience.

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Introduction:

Poverty and social inequality are interconnected but analytically distinct problems. Poverty refers to a condition in which individuals or households lack the resources and capabilities necessary to achieve an acceptable standard of living. Inequality concerns the uneven distribution of income, wealth, opportunities, public services, social status, and political influence. A society may reduce extreme poverty while continuing to experience serious inequality if economic gains remain concentrated among privileged groups or regions. Traditional poverty policy focused primarily on income and consumption. Contemporary public-policy analysis adopts a broader understanding that includes education, health, nutrition, housing, employment security, personal safety, political participation, and access to basic infrastructure. Sen.'s capability approach argues that development should be evaluated according to the substantive freedoms people possess, rather than income alone. From this perspective, poverty is a deprivation of capabilities, while inequality reflects unequal freedom to pursue valued lives. The decline between 2001 and 2018 was largely associated with rising labour income and movement from agriculture into non-agricultural activities. However, many of the jobs created were concentrated in relatively low-productivity and informal sectors. More than 85 percent of employment remains informal, limiting workers' access to contracts, social insurance, legal protection, pensions, and income security. Social inequality in Pakistan is also multidimensional. The United Nations Development Programmed identifies power, people, and policy as three major drivers of inequality. These drivers include privileged access to resources and influence, discrimination against particular social groups, and public policies that are ineffective or inconsistent with social justice. Inequality therefore involves not only differences in income but also unequal access to dignified employment, education, healthcare, mobility, accessibility, and public decision-making. A sustainable response requires more than temporary welfare distribution. Public policy must simultaneously protect households from immediate deprivation, expand their productive capabilities, reduce structural barriers, and ensure that taxation and public expenditure distribute benefits fairly.

Conceptual Foundations of Anti-Poverty and Equality-Oriented Public Policy:

Public intervention is justified when markets and existing institutions fail to provide minimum living standards, equal opportunities, or protection from predictable risks. Poor households frequently face barriers that prevent them from improving their economic position even when they are willing to work and invest. These barriers include inadequate schooling, poor health, and malnutrition, lack of credit, insecure land rights, gender discrimination, geographic isolation, unemployment, disability, and exposure to disasters. Poverty can reproduce itself across generations. Children born into low-income households are more likely to experience inadequate nutrition, poor-quality schooling, preventable illness, child labour, and limited access to technology. These conditions reduce their later productivity and earning capacity. Consequently, public spending on children's health, nutrition, education, and protection should be understood as productive social investment rather than consumption expenditure.A comprehensive policy framework should include four connected functions. The first is protection, through which governments prevent households from falling below minimum living standards. The second is prevention, involving insurance against unemployment, illness, disability, old age, crop failure, and disasters. The third is promotion, which improves skills, employment, productivity, and access to economic assets. The fourth is transformation, which addresses discrimination, unequal power, exclusion, and institutional practices that reproduce inequality. Policies must also distinguish between chronic and transient poverty. Chronically poor households experience long-term deprivation caused by structural conditions such as landlessness, disability, weak education, or geographic exclusion. Transient poverty occurs when previously secure households are pushed into hardship by illness, unemployment, price increases, disasters, or economic recession. Chronic poverty requires sustained capability-building and asset development, whereas transient poverty requires rapid and flexible shock-response mechanisms.Targeting and universalism should not be treated as complete alternatives. Universal policies, such as primary healthcare and basic education, create social solidarity and reduce exclusion. Targeted transfers can direct additional resources to households with greater needs. An effective system normally combines universal basic services with targeted income support and contributory insurance for formally and informally employed workers.

Social Protection, Income Security, and Fiscal Redistribution:

Social protection is one of the most direct public-policy instruments for reducing poverty. It includes cash transfers, food assistance, school stipends, maternity support, disability benefits, old-age pensions, unemployment protection, social insurance, public works, and emergency relief. Effective systems protect consumption, prevent distress sales of productive assets, support school attendance, improve nutrition, and help households recover from shocks. Pakistan has developed significant administrative infrastructure for identifying and supporting vulnerable households. The National Socio-Economic Registry has expanded substantially and provides an important platform for determining household eligibility and coordinating assistance. However, registry-based targeting must be updated regularly because household conditions change following inflation, migration, illness, unemployment, floods, and other shocks. The World Bank reports that the registry expanded from approximately 25.5 million families in 2010 to around 40 million in 2025.Cash transfers should be predictable, adequate, accessible, and protected from inflation. Small transfers that are not adjusted as food, housing, transport, and energy prices rise may lose their poverty-reducing effect. Payment systems must also be accessible to women, older persons, rural communities, and persons with disabilities. Digital delivery can reduce administrative costs and leakage, but it may exclude people without identity documents, mobile access, financial literacy, or reliable connectivity. Digital systems should therefore be supported by physical service points and grievance mechanisms. A national social-protection floor can guarantee basic income and service security throughout the life cycle. Its components may include child benefits, maternity protection, disability support, unemployment assistance, essential healthcare, and minimum old-age income. The ILO's work on Pakistan emphasizes the importance of building a coordinated and inclusive system consistent with the social-protection-floor approach.Fiscal redistribution is equally important. Governments affect poverty and inequality through both taxation and expenditure. Progressive income, property, capital-gains, and inheritance taxes can mobilize revenue from those with greater ability to pay. In contrast, excessive reliance on indirect consumption taxes may place a proportionately heavier burden on low-income households. Fiscal-policy assessment must therefore consider the combined impact of taxes, transfers, subsidies, education, healthcare, and other public services rather than examining each instrument separately. General subsidies can be politically attractive but fiscally expensive and poorly targeted. Subsidies on energy, fuel, or commodities may provide larger absolute benefits to wealthier households because they consume more. Gradual reform should redirect resources toward targeted transfers, public transport, nutrition, renewable-energy access, and essential services for low-income communities. However, subsidy reforms should not be introduced abruptly because sudden price increases can push vulnerable households into poverty.Social protection should also become shock-responsive. Pakistan's exposure to floods, droughts, heat waves, food-price increases, and economic instability requires systems capable of rapidly expanding coverage and benefit levels. Pre-arranged financing, updated registries, mobile response teams, transparent emergency criteria, and coordination among federal, provincial, and local institutions can prevent temporary crises from producing permanent poverty.

Human-Capital Development and Equitable Public Services:

Income transfers reduce immediate deprivation, but sustainable poverty reduction depends on human-capital development. Education, health, nutrition, clean water, sanitation, housing, and digital connectivity influence productivity, employment, social mobility, and quality of life. Unequal access to these services is one of the principal mechanisms through which poverty is transmitted across generations.

Pakistan continues to face major human-capital deficits. The World Bank's poverty assessment indicates that nearly 40 percent of children under five experience stunting. Approximately one-quarter of primary-school-aged children are out of school, while a large proportion of enrolled children cannot read and understand an age-appropriate text by the end of primary education. Access to safely managed drinking water and sanitation is also uneven, particularly for rural and low-income households. Education policy must focus on learning quality as well as enrolment. Building schools without ensuring trained teachers, safe classrooms, learning materials, attendance, assessment, and accountability will not overcome educational inequality. Public policy should prioritize early-childhood education, foundational literacy and numeracy, girls' schooling, teacher development, digital inclusion, and second-chance education for children who have left school.Conditional education support may reduce the direct and opportunity costs of schooling. Stipends for girls, transport assistance, school meals, textbooks, uniforms, and disability-accessible facilities can improve attendance. However, financial incentives cannot compensate for schools that are unsafe, distant, understaffed, or unable to provide meaningful learning.Healthcare policy should emphasize primary and preventive care. Low-income households often delay treatment because of fees, transport costs, wage losses, or lack of nearby facilities. This can transform manageable illnesses into medical and financial emergencies. Universal primary healthcare, maternal services, vaccination, nutrition programmers, reproductive health, mental-health support, and essential medicines can reduce both health inequality and catastrophic household expenditure. Nutrition requires interventions extending beyond healthcare. Food affordability, maternal education, sanitation, clean water, breastfeeding support, school meals, agricultural policy, and women's control over household resources all affect nutritional outcomes. Nutrition policy should therefore be coordinated across health, education, agriculture, water, sanitation, and social-protection institutions.Housing and basic infrastructure are also central to anti-poverty policy. Informal settlements and underdeveloped rural communities frequently lack safe water, sewage systems, drainage, reliable electricity, transport, and secure tenure. These deficiencies increase disease, reduce school attendance, restrict women's mobility, and limit access to employment. Place-based public investment can reduce inequality by directing infrastructure resources toward historically underserved districts and urban settlements.

Inclusive Employment, Gender Equality, and Regional Development:

Employment is the most sustainable route out of poverty when jobs provide adequate wages, stability, legal protection, and opportunities for advancement. Employment growth alone is insufficient if workers remain trapped in informal, low-productivity, or hazardous activities.Pakistan's earlier poverty reduction was associated partly with the movement of households toward non-agricultural labour income. However, many workers entered construction, trade, transport, and other low-productivity services. The World Bank concludes that the economic model responsible for earlier poverty reduction has lost momentum and that durable progress requires higher-productivity employment, stronger human capital, and improved access to opportunity.Public employment policy should support labour-intensive sectors with the potential for productivity growth. These may include agro-processing, sustainable agriculture, light manufacturing, construction, logistics, information technology, care services, renewable energy, tourism, and small-enterprise development. Government support should be linked to job quality, skills development, environmental standards, and the inclusion of women and young workers.Technical and vocational education should be aligned with actual labour demand. Training programmers are less effective when they provide certificates without workplace experience, employer participation, career guidance, or access to finance. Apprenticeships, industry partnerships, competency-based assessment, and post-training placement services can improve employment outcomes. Informal workers require gradual inclusion in social insurance. Simplified registration, portable benefits, subsidized contributions for low-income workers, digital payment histories, and sector-based insurance mechanisms can extend protection without imposing unrealistic compliance costs. Domestic workers, agricultural laborers, home-based workers, street vendors, construction workers, and platform workers should be explicitly included.Gender inequality demands specific policy responses. Women face barriers involving unpaid care work, mobility, workplace safety, legal discrimination, early marriage, limited asset ownership, and restricted access to credit. Female labour-force participation has remained substantially below its potential, while many employed women work as unpaid family workers or in low-value home-based activities. Policies that can improve women's economic participation include affordable childcare, safe public transport, workplace anti-harassment enforcement, maternity protection, flexible but protected work arrangements, equal inheritance and property rights, digital financial access, and procurement preferences for women-owned enterprises. Investments in the care economy can simultaneously generate employment and reduce the unpaid-care burden.Regional inequality must also be addressed. National averages conceal substantial differences among provinces, districts, rural areas, and urban settlements. The World Bank reports wide district-level poverty disparities, with historically disadvantaged areas continuing to experience inadequate infrastructure and limited public services. Fiscal transfers to provinces and local governments should account for deprivation, service-delivery costs, population needs, climate vulnerability, and infrastructure gaps. Place-based development must be accompanied by local accountability so that additional funding produces actual improvements rather than administrative expansion or politically selected projects.

Governance, Financing, Implementation, and Policy Accountability:

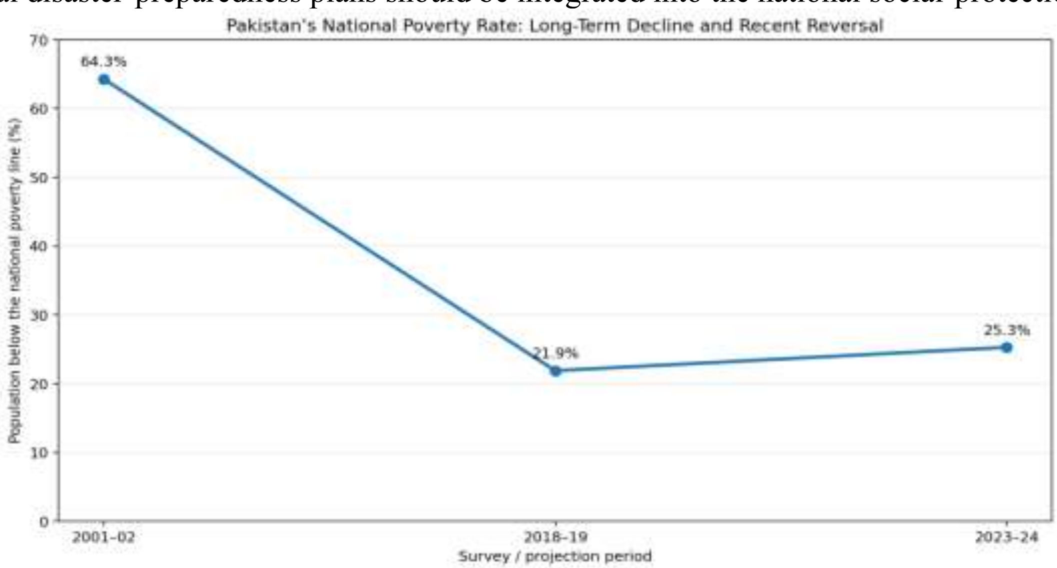
Well-designed policies can fail because of weak implementation. Fragmented institutions, political interference, outdated data, corruption, administrative delays, inadequate staffing, and poor coordination reduce programmer effectiveness. Poverty reduction should therefore be treated as a governance challenge as well as an economic and social objective. Pakistan's federal structure requires clear responsibilities across federal, provincial, and local governments. National institutions can establish minimum standards, financing arrangements, databases, and portability of benefits. Provincial governments can adapt services to local conditions, while local governments can identify community needs, monitor delivery, and respond to grievances.Better data are essential for targeting, budgeting, and evaluation. Household surveys, administrative records, geospatial information, labour-market data, price monitoring, and climate-risk assessments should be integrated while protecting privacy. Poverty estimates should be regularly updated, and the limitations of projected figures should be clearly communicated. The World Bank's 2025 assessment recommends investment in timely data systems alongside human-capital development, shock-responsive safety nets, progressive fiscal reform, and stronger local services. Transparency should extend throughout the policy cycle. Governments should publish eligibility rules, budgets, beneficiary numbers, district-level allocations, procurement information, and evaluation results. Independent audits, parliamentary review, civil-society participation, social audits, and accessible complaints systems can reduce exclusion and misuse.Policy evaluation should assess more than the number of beneficiaries or the amount of money spent. Relevant indicators include:

- Changes in poverty depth and severity;
- Household food security and nutrition;
- School enrolment, attendance, and learning;
- Access to primary healthcare;
- Employment quality and earnings;
- Women's economic participation;
- Disability inclusion;
- Regional disparities;
- Resilience to economic and climate shocks;
- Citizen satisfaction and grievance resolution.

Fiscal sustainability remains a major challenge. Anti-poverty spending must be protected during economic adjustment because low-income households have the least capacity to absorb reductions in services or increases in prices. Fiscal space can be expanded by improving tax administration, reducing exemptions, taxing under taxed property and wealth, controlling non-development expenditure, reforming inefficient subsidies, and improving public procurement.Political commitment is equally important. Poverty and inequality cannot be addressed through short-term projects designed around electoral cycles. Governments should establish medium- and long-term objectives supported by legislation, stable financing, independent monitoring, and institutional continuity. Policy stability allows households, schools, health facilities, employers, and local authorities to plan effectively.

Policy Recommendations:

An integrated national response should establish a guaranteed social-protection floor covering children, older persons, persons with disabilities, unemployed workers, and households affected by disasters. Cash benefits should be indexed periodically to essential living costs and connected to accessible health, education, nutrition, and employment services. The government should increase investment in foundational education, primary healthcare, maternal and child nutrition, water, sanitation, and affordable housing. Resource allocation should prioritize underserved districts through transparent deprivation-based formulas. Fiscal policy should become more progressive by strengthening direct taxation, reducing unjustified exemptions, improving property taxation, and gradually replacing broad subsidies with targeted assistance. The distributional consequences of every major tax and expenditure reform should be evaluated before implementation.Employment policy should focus on productive job creation rather than employment numbers alone. Skills programmers, enterprise finance, infrastructure development, public procurement, and industrial policy should be connected to decent-work standards and measurable employment outcomes. Gender-responsive budgeting should be integrated into federal, provincial, and local planning. Childcare, safe transport, maternal protection, property rights, digital access, and workplace safety should be treated as economic-policy priorities.Finally, poverty policy should be made climate-responsive. Social registries, emergency financing, public works, crop and livestock insurance, resilient housing, early-warning systems, and local disaster-preparedness plans should be integrated into the national social-protection architecture.



Source: World Bank (2025). Reclaiming Momentum Towards Prosperity. The 2023-24 value is a model-based projection.

Summary:
Poverty and social inequality are multidimensional conditions created by unequal access to income, assets, education, healthcare, employment, infrastructure, justice, and political influence. Although economic growth is necessary for reducing poverty, growth alone does not guarantee equitable development. Its impact depends on the sectors in which growth occurs the quality of employment generated, the distribution of public investment, and the capacity of institutions to protect disadvantaged groups. Pakistan achieved a substantial long-term decline in national poverty between 2001–02 and 2018–19. Nevertheless, economic instability, inflation, the pandemic, climate-related disasters, low productivity, and weak human-development outcomes have placed those gains at risk. The recent increase in projected poverty demonstrates that households located only slightly above the poverty line remain highly vulnerable to shocks. Public policy must combine immediate protection with structural transformation. Cash transfers, food assistance, and emergency relief are essential for protecting consumption and preventing severe deprivation. However, they cannot substitute for quality education, accessible healthcare, adequate nutrition, decent employment, secure housing, clean water, sanitation, and equal legal rights. The most effective approach is an integrated social-policy system that links income support with human-capital development, employment services, gender equality, regional investment, progressive taxation, and climate resilience. Universal public services should establish a common minimum standard, while targeted programmers should provide additional assistance according to household needs and structural disadvantages. Implementation quality ultimately determines whether policies reduce inequality or merely expand public expenditure. Transparent eligibility rules, reliable data, regular evaluations, local participation, independent audits, and effective grievance mechanisms are therefore indispensable. A sustained, rights-based, adequately financed, and accountable policy framework can transform poverty reduction from temporary relief into long-term social and economic inclusion.

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