

Update: Living Wage Report

Sialkot

Rural and Urban Pakistan

Football Manufacturing Industry

Updated to December 2017



Photo Courtesy of © Fairtrade International – Manufacturing sports balls in Pakistan

INDEX

- INDEX..... 2**
- INTRODUCTION..... 3**
- 1. Background..... 3**
- 2. Living Wage in Original Country Report – December 2015..... 3**
- 3. Inflation Rate Used for Update..... 3**
- 4. Recent level of inflation..... 4**
- 5. Updating Living Wages to December 2017..... 4**

Update: Living Wage Report

Sialkot

Rural and Urban Pakistan

Football Manufacturing Industry

INTRODUCTION

1. BACKGROUND

This report updates to December 2017 the net and gross living wages for December 2015 for Sialkot, which focused on Pakistan's football manufacturing industry. The living wages are updated to the study month of the most recent calendar year (December 2017) to take into account the amount of inflation since the December 2015 living wage study. Without accounting for inflation, the living wage estimated in 2015 would not be sufficient for workers to have a basic but decent standard of living in 2017 because the purchasing power of the living wage would have decreased with respect to current prices.

2. LIVING WAGE IN ORIGINAL COUNTRY REPORT – DECEMBER 2015

Urban Sialkot

The net living wage (take home pay) estimated for urban Sialkot in north-east Pakistan was Rs. 19,960 per month in December 2015. The gross living wage estimated, which includes income taxes and mandatory payroll deductions so that workers have sufficient take home pay (i.e. net living wage), was Rs. 20,040 per month.

Rural Sialkot

As there are no income taxes or mandatory payroll deductions¹ in the football manufacturing industry in rural Sialkot, the net and gross living wages estimated in December 2015 were the same at Rs. 16,993 per month.

3. INFLATION RATE USED FOR UPDATE

The Government of Pakistan's Bureau of Statistics (PBS) collects monthly prices for a fixed basket of goods and services from 40 urban centers in Pakistan, with a varying number of markets in

¹ This is because rural workers do not fall into the income tax bracket, and, unlike urban workers, as contractual employees do not receive pension benefits, thereby excluding them from any other payroll deductions.

each urban center based on their population. Prices are collected from a total of 76 markets within these 40 urban centers. PBS uses these price statistics to compute the Consumer Price Index (CPI) for each month, using 2007-08 as the base year. They report the year-on-year and month-on-month percentage of inflation for each month. PBS also reports general inflation rates as well as food and non-food inflation rates.

Since inflation rates are only available for urban areas, it is necessary to use these data for rural areas as well. And it is necessary to use national inflation data for Sialkot because, of the 76 urban markets surveyed nationally, the PBS includes only one market in Sialkot. This is too small a sample to use to estimate inflation for Sialkot. Therefore in this report, the national year-on-year inflation rate is used for both urban and rural Sialkot

4. RECENT LEVEL OF INFLATION

Pakistan has experienced moderate inflation in recent years. Between December 2015 and December 2016, the inflation rate was 3.7%, while the inflation rate between December 2016 and December 2017 was slightly higher at 4.6%. The total amount of inflation between December 2015 and December 2017 was 8.47%.

5. UPDATING LIVING WAGES TO DECEMBER 2017

To update the living wages, we increased the net living wage by the inflation rate between December 2015 (the date of the original living wage study) and December 2017.² The difference between the net and gross living wages is mandatory payroll deductions, including income taxes. It is important to check for changes in laws regarding taxes and deductions, as these are not tied to inflation, and vary from country to country and even within countries and over time.³ The gross living wage is then calculated by adding any mandatory deductions to the net living wage. Values are shown in table 1.

Urban Sialkot

The updated net living wage, or take home pay, for December 2017 was Rs. 21,651 per month. Taking into account the mandatory payroll deduction for the Employees Old-Age Benefits Insurance (EOBI), which has been revised upwards since the original study, the gross living wage for December 2017 was Rs. 21,781 per month.

Rural Sialkot

Since there are no mandatory deductions or taxes in rural Sialkot, the net and gross living wages for December 2017 are Rs. 18,432 per month.

² It is assumed that the in-kind benefits workers receive in urban Sialkot increase with the same inflation rate used to update the net living wage.

³ There is no income tax for the income bracket that the living wage for Sialkot falls into.

Table 1: Living Wages per month for urban and rural Sialkot, including latest update (in Rupees and US Dollars)

	Urban			Rural		
	Dec-15	Dec-16	Dec-17	Dec-15	Dec-16	Dec-17
Net LW per month	19,960 (\$191)	20,699 (\$198)	21,651 (\$199)	16,993 (\$163)	17,622 (\$168)	18,432 (\$169)
Taxes/Mandatory deductions per month	80 (\$0.8)	130 (\$1.2)	130 ⁴ (\$1.2)	0	0	0
Gross LW per month	20,040 (\$192)	20,829 (\$199)	21,781 (\$200)	16,993 (\$163)	17,622 (\$168)	18,432 (\$169)
Exchange Rate⁵ (PKR to USD)	104.3	104.8	109.1	104.3	104.8	109.1

⁴ Deduction is 1% of minimum wage. It increased from Rs. 80 in 2015 to Rs. 130 in 2016. See <http://www.eobi.gov.pk/introduction/Contribution.html> (Accessed on May 14, 2018) for details.

⁵ The exchange rate for December 2015 is from the original country report. The exchange rates for December 2016 and December 2017 are from the International Monetary Fund's (IMF) Exchange Rate Archives by Month, accessed on 31st July 2018 from <https://www.imf.org/external/np/fin/data/param_rms_mth.aspx>. The exchange rate for the month was calculated by averaging for the month.