

Living Wage Update Report: Urban Sialkot, Pakistan, June 2023

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	<p>Cost of decent standard of living for a family</p> <p>PKR 67,170 (USD 234)</p>		<p>Living wage per month</p> <p>PKR 43,709 (USD 153)</p>
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Photo by: Marcel Crozet/ILO

Living Wage Update Report: Urban Sialkot, Pakistan, June 2023

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Abstract:

This report provides updated estimates for family living expenses and living wages for the city of Sialkot, in the Province of Punjab, Pakistan. The update for June 2023 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in December 2015 (Sayeed and Dawani, 2015).

Keywords: Living costs, living wages, Anker Methodology, Pakistan

JEL classifications : J30, J50, J80.

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1. BACKGROUND

This report provides updated estimates of family living expenses and living wages for the city of Sialkot, in the Province of Punjab, Pakistan. Sialkot is a major manufacturing center in Pakistan, specializing particularly in the manufacturing of sports balls. The update takes into account the amount of inflation since the original living wage study carried out in December 2015. This is done by updating the December 2015 net living wage and living expenses to June 2023 by inflation. Without accounting for inflation, the net living wage estimated in 2015 would not be sufficient for workers to have a basic but decent standard of living in June 2023 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) is updated to June 2023 by also taking into consideration income taxes and mandatory deductions from pay that workers would need to pay on the updated 2023 living wage. This is done using the laws in effect by June 2023.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM DECEMBER 2015

The original living wage country report estimated the urban net living wage as PKR 19,960 in December 2015. This was the required take-home pay for workers for decency in December 2015. The gross living wage in December 2015, for urban Sialkot was PKR 20,040. The living expenses for a basic but decent standard of living for a reference family in December 2015 was estimated as PKR 30,900 for the urban areas (Sayeed and Dawani, 2015).

3. INFLATION RATE USED FOR UPDATE

The Pakistan Bureau of Statistics (PBS) is the official government agency responsible for collection, compilation and dissemination of price statistics. The PBS computes the Consumer Price Index (CPI). Previously, they used 2007-08 as the base year. However, PBS has revised their methodology and updated the base year to 2015-16.

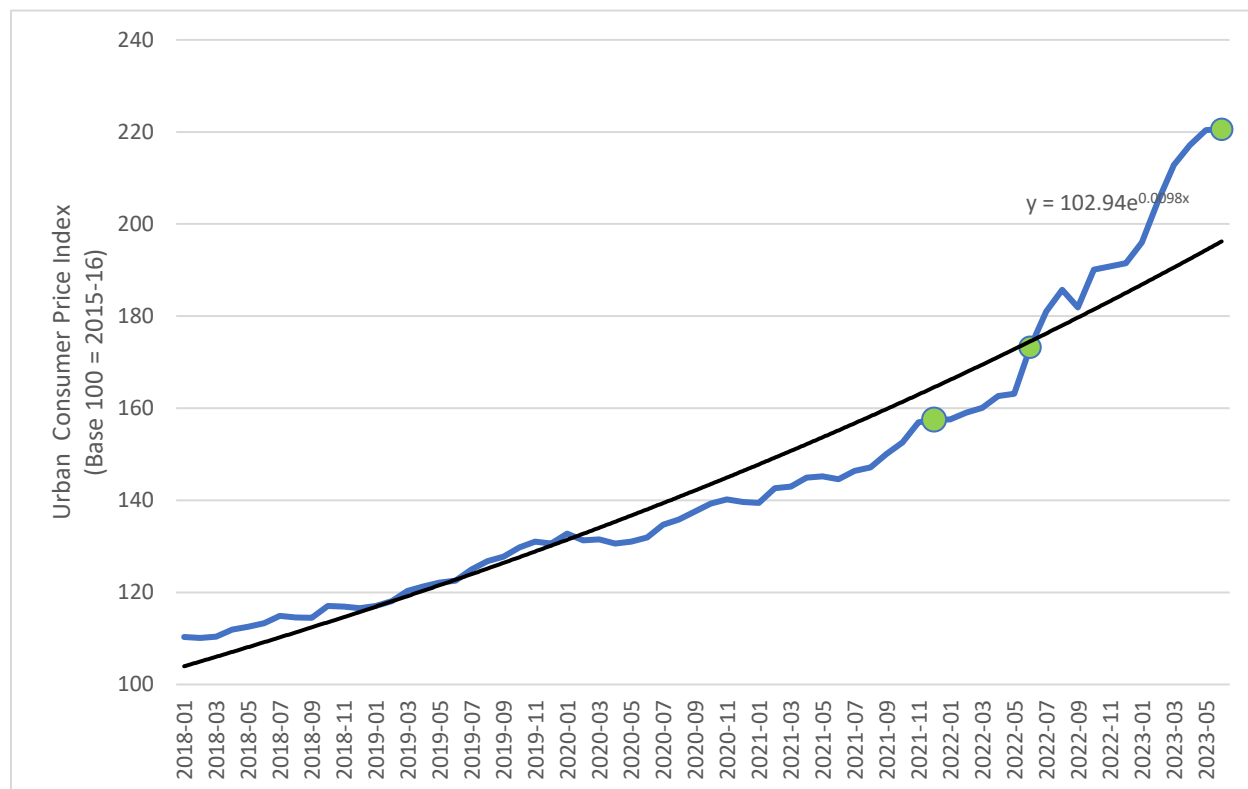
The current update uses this new CPI series with base year 2015-16. The new methodology from July 2017 reports inflation at the national level as well as separately for urban and rural areas. This is possible because the PBS now collects price data from rural and urban markets, which are representative nationally.

This report uses the urban CPI for updating the living wage for urban Sialkot.

4. RECENT LEVEL OF INFLATION

Analysis of Pakistan’s urban and rural inflation is possible from July 2017 onwards (see Figure 1). Pakistan experienced high inflation rates during the last two years. Between December 2015 and June 2023, urban inflation in Pakistan accumulated to 117.4%. This is the inflation used in this report.

Figure 1: Urban Consumer Price Index for Pakistan from January 2018 to June 2023



Notes: Green circles indicate the months of earlier updates. The black line is the fitted exponential trendline.
Source: Authors’ calculations based on CPI data from PBS.

5. MANDATORY DEDUCTIONS

As in the original study and previous updates, no income tax is due on the living wage in 2023 because of personal tax relief as the first PKR 50,000 per month are exempt from taxes¹. Similar as in previous updates, the percentage to be deducted for social security remains 1% of the minimum wage². However, the minimum wage has increased from PKR 21,000 in 2022 to PKR 32,000 in 2023.³

¹ See <https://taxsummaries.pwc.com/pakistan/individual/taxes-on-personal-income>

² See <http://www.eobi.gov.pk/>

³ See <https://www.dawn.com/news/1745033>

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR JUNE 2023

The updated cost of decent standard of living for June 2023 is PKR 67,170. The net living wage, or take-home pay, for June 2023 is PKR 43,389 per month, and the gross living wage is PKR 43,709.

Table 1 provides details of the original and the updated living wages and family living expenses.

Table 1: Living wages and living expenses for urban Sialkot, Pakistan for original study year and latest updates (in Pakistan Rupees and US Dollars)

Item	Original study December 2015		Update June 2022		Update June 2023	
	PKR	USD ^a	PKR	USD ^a	PKR	USD ^a
Family Living Expenses (1)	30,900	296	52,749	258	67,170	234
Net Living Wage (2)	19,960	191	34,074	167	43,389	151
Total mandatory deductions and income tax (3)	80	1	210	1	320	1
Gross Living Wage (2+3)	20,040	192	34,284	168	43,709	153
Exchange Rate to USD	104.3		204.25		286.58 ^b	
Source of Exchange Rate	Original Report		XE web site		State Bank of Pakistan	

Note: ^a USD values are indicative only because exchange rates are volatile. ^b Exchange rates is the average for June 2023.

Source: Authors' calculations.

7. REFERENCES

- Andersen, L. E., Gonzales, A., Medinaceli, A., Anker, R. & Anker, M. (2022) Living Wage Update Report: Urban Sialkot, Pakistan, June 2022. *Living Wage Update Report No. 2022-04-04*. Global Living Wage Coalition. Available online: https://www.globallivingwage.org/wp-content/uploads/2018/05/Updatereport_UrbanPakistan_June2022_24072022-final.pdf
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