


Living Wage Update Report: Rural Khyber Pakhtunkhwa (KP), Pakistan, June 2022

Living Wage Update Report No. 2022-04-32



**Cost of decent standard
of living for a family**

Rs. 65,142
(USD 318)



**Living wage
per month**

Rs. 44,190
(USD 216)

Living wage and living expenses in this update report are for June 2022 only. Because of the high and rising inflation rate in Pakistan (annual rate of 24% in June 2022), it is necessary to often update the living wage and living expenses in the future to take this high and increasing inflation rate into consideration.



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Abstract:

This report provides updated estimates for family living expenses and living wage for tobacco farmers in Rural Khyber Pakhtunkhwa (PK) in Pakistan, with a focus on Charsadda, Mardan and Swabi districts. The update for June 2022 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in April 2021 (Dawani, Hasan & Sayeed, 2021).

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 income expenses and living wages for rural Khyber Pakhtunkhwa (PK), a region that has considerable tobacco production. This update takes into account the amount of inflation since the original study in April 2021, by updating the April 2021 net living wage and living expenses by inflation to June 2022. Without accounting for inflation, the net living wage estimated in 2021 would not be sufficient for workers to have a basic but decent standard of living in 2022 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) is updated to June 2022 by also taking into consideration income taxes and mandatory deductions from pay that workers would need to pay on the updated 2022 living wage using the laws in effect by June 2022.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM APRIL 2021

The original living wage country report estimated the rural net living wage as Rs. 35,656 in April 2021. This was the required take-home pay for workers for decency in April 2021. The gross living wage in April 2021, for rural Khyber Pakhtunkhwa (PK), was estimated as Rs. 35,831. The living expenses for a basic but decent standard of living for a reference family in April 2021 was estimated as Rs. 52,771 for rural Khyber Pakhtunkhwa (PK) (Dawani et al., 2021).

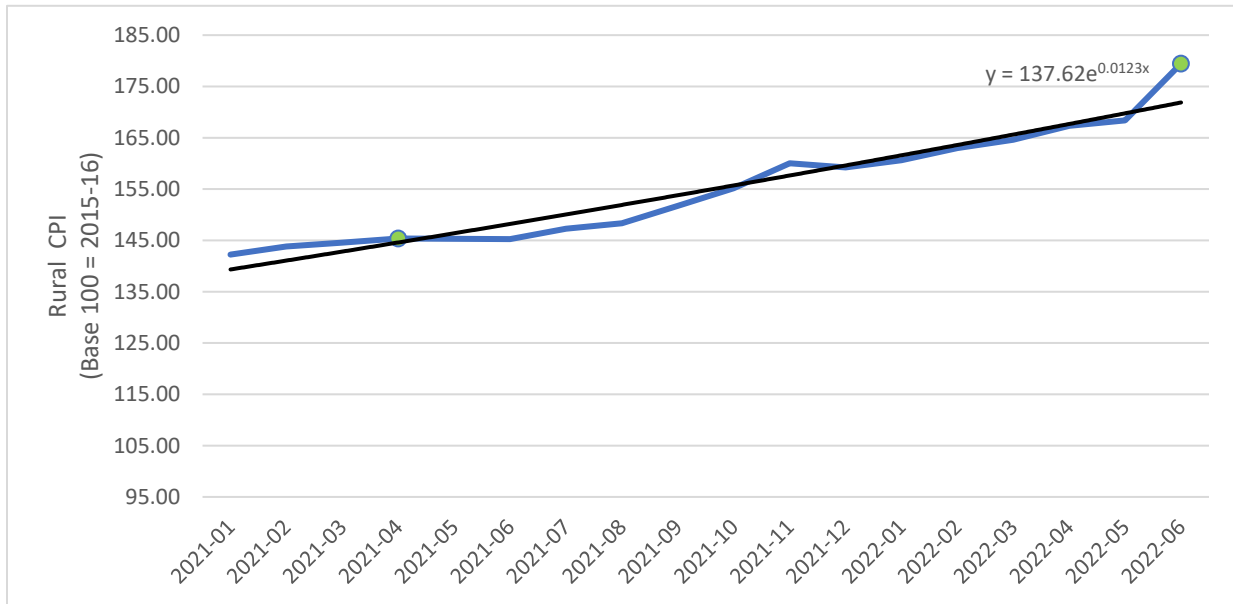
3. INFLATION RATE USED FOR UPDATE

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). The current update uses 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. Therefore, this report uses the rural CPI for updating the living wage for rural Khyber Pakhtunkhwa (KP).

4. RECENT LEVEL OF INFLATION

Rural inflation in Pakistan from April 2021 to December 2021 was high, amounting to 9.52% in less than a year. The annual rural inflation increased to 23.55% in June 2022 (see Figure 1).

Figure 1: Rural Consumer Price Index for Pakistan from January 2021 to June 2022



Notes: Green circles indicate the original study month and the months of updates. The black line is the fitted exponential trendline.

Source: Authors’ calculations based on CPI data from Pakistan Bureau of Statistics (PBS).

5. MANDATORY DEDUCTIONS

As in the original study, there is a contribution to social security of Rs. 175.¹

6. UPDATED LIVING WAGES AND FAMILY LIVING EXPENSES FOR JUNE 2022

The updated cost of a decent standard of living for June 2022 is Rs. 65,142 per month. The net living wage, or take-home pay, for June 2022 is Rs. 44,015 per month and the gross living wage is Rs. 44,190 for June 2022.

Table 1 provides details of the original and the updated living wages and family living expenses for 2021 and 2022.

¹ Pakistan has introduced a provincial EII (employment injury insurance) scheme, but its coverage is very limited because the labor market structure underreports workers (ILO, 2021).

Table 1: Living wages and living expenses for rural Khyber Pakhtunkhwa (KP), Pakistan for original study and latest update (in Pakistan Rupees and US Dollars)

Item	Original study April 2021		Update June 2022	
	Rs.	USD	Rs.	USD
Living Expenses for Reference Family Per Month	52,771	342	65,142	318
Net Living Wage Per Month	35,656	231	44,015	215
Income Taxes and Payroll Deductions Per Month on Living Wage	175	1	175	1
Gross Living Wage Per Month	35,831	232	44,190	216
Exchange Rate to USD	154.3		204.59*	
Source of Exchange Rate	Original Report		XE web site	

Note: * We used the actual exchange rate for end-June 2022. Since exchange rates are volatile, USD values are indicative only.

Source: Authors' calculations.

7. REFERENCES

- Dawani, K., Hasan, S. H. & Sayeed, A. (2021) *Living Wage Report: Rural Pakistan, Khyber Pakhtunkhwa (PK), Pakistan*. Available online: <https://www.globallivingwage.org/wp-content/uploads/2021/12/Rural-Pakistan-LI-Benchmark.pdf>
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