

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

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	Cost of decent standard of living for a family PKR 65,777 (USD 230)		Living wage per month PKR 39,938 (USD 139)
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Abstract:

This report provides updated estimates for family living expenses and living wage for the sports ball manufacturing industry in Rural 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 income expenses and living wages for rural Sialkot, in the Province of Punjab, Pakistan, where there is a large sports ball manufacturing industry. The update takes into account the amount of inflation since the original study in December 2015. This is done by updating the December 2015 net living wage and living expenses by inflation to June 2023. 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 considerably 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 rural net living wage as PKR 16,993 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 rural Sialkot, is the same as the net living wage, PKR 16,993, since there are no applicable mandatory deductions. The living expenses for a basic but decent standard of living for a reference family in December 2015 was estimated as PKR 27,987 for the rural 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.

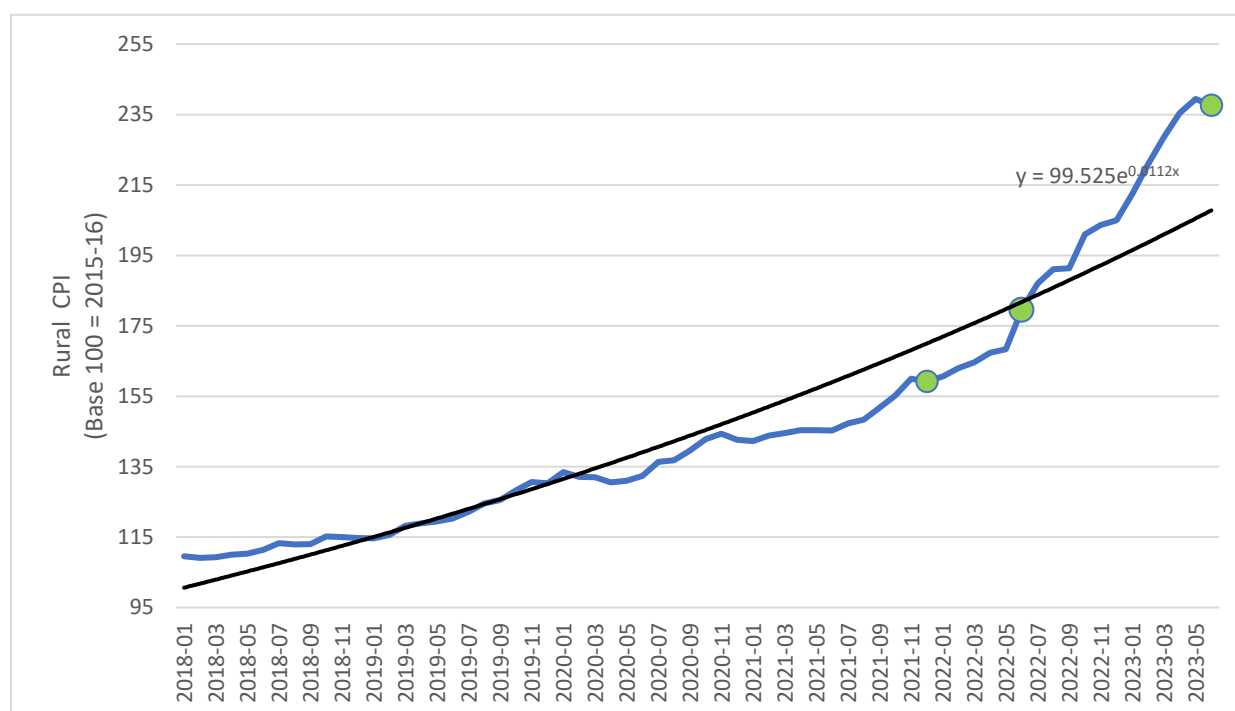
The current update uses this new CPI series with base year 2015-16. The new methodology from July 2017 reports inflation at the national level as well as separately for urban and rural areas. This is possible because the PBS now collects price data from rural and urban markets, which are representative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

This report uses the rural CPI for updating the living wage for rural 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, rural inflation in Pakistan accumulated to 135.0%. This is the inflation used in this report.

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



Notes: Green circles indicate the months of previous 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 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. Moreover, there are no social security contributions for the rural area.²

6. UPDATED LIVING WAGES AND FAMILY LIVING EXPENSES FOR JUNE 2023

The updated cost of decent standard of living for June 2023 is PKR 65,777 per month. The net living wage, or take-home pay, for June 2023 is PKR 39,938 per month. Since there are no mandatory deductions for the rural area, the gross living wage is also PKR 39,938 for June 2023.

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

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

² Pakistan has introduced a provincial EII (employment injury insurance) scheme, but the coverage is still very limited because the labor market structure usually under-reports workers (ILO, 2021).

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

Item	December 2015 Original Study		June 2022 Update Report		June 2023 Update Report	
	PKR	USD ^a	PKR	USD ^a	PKR	USD ^a
Family Living Expenses (1)	27,987	268	49,677	243	65,777	230
Net Living Wage (2)	16,993	163	30,163	148	39,938	139
Total mandatory deductions and income tax (3)	0	0	0	0	0	0
Gross Living Wage (2+3)	16,993	163	30,163	148	39,938	139
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

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