

Living Wage Executive Summary

Urban and Rural Pakistan

Sialkot, North Eastern Punjab

With Context Provided in the Sports Ball Manufacturing Industry
December 2015

Asad Sayeed and Kabeer Dawani
Collective for Social Science Research, Karachi



Photo Courtesy of Andrew Jenkin, Supporters Direct Scotland

Series 1, Report 9

March 2017

Prepared for: The Global Living Wage Coalition

Under the Aegis of Fairtrade International, Forest Stewardship Council, GoodWeave International, Rainforest Alliance, Social Accountability International, Sustainable Agriculture Network, and UTZ, in partnership with the ISEAL Alliance and Richard Anker and Martha Anker

Living Wage Estimates

Executive Summary

Rural and Urban Sialkot

North Eastern Punjab, Pakistan

Sialkot District, in the northeast of the Punjab province of Pakistan, is one of the primary centers of manufacturing in the country, and is especially known for producing sports goods for the global market. This report estimates the living wage for the district, with a particular focus on workers in the football manufacturing industry. Since these workers reside and operate in both urban and rural areas, we estimated a separate living wage for each of the areas. We defined a living wage as the remuneration received for a standard workweek by a worker in a particular place, sufficient to afford a decent standard of living for the worker and her or his family.

Our net living wage estimate for urban Sialkot is PKR 20,144 (\$193)¹ per month and the gross living wage estimate is PKR 20,224 (\$194),² updated for December 2016 to PKR 20,889 (\$200.2) net, and 20,972 (\$201) gross living wage. This is before accounting for any in-kind benefits that reduce the need for cash income. When workers receive transport as an in-kind benefit, our estimate of the cash gross living wage required is PKR 19,960 (\$191).

Our living wages estimates, both, net and gross, for rural Sialkot are the same at PKR 16,993 (\$163) per month, updated for December 2016 to PKR 17,622 (US\$169). The workers in these areas do not have any payroll deductions or income taxes to pay, nor do they receive any common in-kind benefits, and so there is no consideration for that in our calculations.

To calculate these living wages, we used a methodology developed by Richard and Martha Anker. Elements of this include expenditures on food, housing and non-food non-housing (such as education, healthcare, transport etc.) and a provision for unexpected events. All of these components were estimated using a combination of primary and secondary data.

¹ The exchange rate for Pakistan Rupees to US Dollar was PKR 104.3 on May 20th, 2016. This is the rate used throughout this report.

² The difference between the net and gross living wages is mandatory deductions made by firms, such as for social security or income tax.

To estimate food expenses, we used data from the Household Integrated Economic Survey 2011-12 to formulate a model diet, which was then adapted to local preferences based on interviews with workers in Sialkot. Using price data from local market surveys, we then estimated the cost of this model diet. Our model diet also ensures that international standards of proportions of macronutrients are met. The standards specified are that proteins, fats and carbohydrates constitute greater than 10%, between 15 and 30%, and less than 75% respectively of the diet. Moreover, since we collected prices in two different seasons, our food costs account for seasonal variation in prices.

For housing, we first set a minimum housing standard based on secondary data and international standards. The housing component of the living wage was then estimated through housing market surveys in urban and rural Sialkot for our standard house in areas that workers reside in. This included visiting workers houses as well as interviews with real estate agents.

The third important element of the living wage, non-food non-housing expenditure, was estimated using secondary data and then adjusted based on primary data we collected on household expenses. This category includes education, health care, transport, clothing, household furniture, recreation and other miscellaneous expenditures, such as personal care. We also ensure that unnecessary expenditures, such as those on tobacco, are excluded from our estimate.

Finally, we included a small amount (5%) on top of all these expenditures for unforeseen events and shocks, such as health related contingencies.

The household expenditures calculated through the process described above were summed and then divided by the number of full-time equivalent workers in a typical family to arrive at the living wage estimate. Both the typical family size and the number of workers in the family were calculated through secondary data (from the Pakistan Demographic and Health Survey 2012-13 and the Labour Force Survey 2014-15 respectively). The typical family in urban Sialkot consists of 5 people (2 adults and 3 children) while in rural Sialkot this figure is 5.5 people (2 adults and 3.5 children). On the other hand, the number of full-time equivalent workers is 1.53 and 1.65 for urban and rural Sialkot respectively.

In comparison to our estimate of typical prevailing wages in urban Sialkot's sports ball industry, the gross living wage is around 45% higher than the wage currently prevalent there. The difference is greater in rural Sialkot, where our gross living wage is 110% higher than our estimate of typical prevailing wages in sports ball stitching centers that depend on number and

type of balls stitched. Thus, both our living wage estimates are significantly higher than the wages workers currently earn in this region.

This wage gap needs to be reduced. In part the responsibility for this falls on the employers as well as the global value chain of the football industry, including the standards organizations. In addition, the Government of Pakistan also needs to play a role in this, possibly by disaggregating the minimum wage across occupations and ensuring greater compliance of the minimum wage. Therefore, there needs to be action from a number of different stakeholders to be able to address the gaps that currently exist between the currently prevalent wage and the living wage we have estimated for Sialkot.