

Living Wage Update: December 2019

Sialkot, Pakistan

Rural Sports-Ball Manufacturing Area



Living wage per month
Rs 21,890 (USD 141)



Cost of decent standard
of living for a family
Rs 36,053 (USD 233)



Photo by: Marcel Crozet/ILO

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1. BACKGROUND

This report updates the living wage and living expenses for the sports ball manufacturing industry in the town of Sialkot, in the Province of Punjab, Pakistan.²

The net living wage and living expenses are updated to December 2019 to take into account the amount of inflation since the last update in December 2018. Without accounting for inflation, the net living wage estimated in 2019 would not be sufficient for workers to have a basic but decent standard of living because the purchasing power of the living wage would have decreased compared to what it was in 2018. Similarly, living expenses for a reference family are also updated to December 2019 to account for inflation.

The gross living wage is updated to December 2019 by taking into consideration mandatory deductions from pay that workers would need to pay on the updated 2019 living wage.

2. LIVING WAGE AND LIVING EXPENSES IN DECEMBER 2018

The net living wage for December 2018 was estimated as Rs. 22,929 and Rs. 19,272 for urban and rural areas, respectively. This was the required take-home pay for workers for decency. The gross living wage, which also takes into account mandatory deductions from pay for social security, was estimated as Rs. 23,059 for urban workers in December 2018. For rural Sialkot, there are no applicable mandatory deductions, so the net and gross living wages were the same. The living expenses for a basic but decent standard of living for a reference family in December 2018 were estimated as Rs. 35,496 and Rs. 31,742 for urban and rural areas, respectively.

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

¹ Prepared by Fairtrade International (Sandra Yanez-Quintero), guided by the Collective for Social Science Research, Karachi, Pakistan (Kabeer Dawani) and with Richard Anker and Martha Anker.

² This is an update to *Living Wage Report: Urban and Rural Pakistan, Sialkot, North Eastern Punjab*, December 2015. Asad Sayeed and Kabeer Dawani Collective for Social Science Research, Karachi. <https://bit.ly/30W2uF2>

Price Index (CPI). Previously, they used 2007-08 as the base year. However, PBS has revised their methodology and updated the base year to 2015-16.³

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

Since there are two living wage benchmarks in Pakistan, for urban and rural Sialkot, using the urban and rural CPI for the respective benchmarks is more accurate than using the national CPI. Therefore, we use the urban CPI for the living wage for urban Sialkot and rural CPI for the living wage for rural Sialkot.

4. RECENT LEVEL OF INFLATION

The analysis of country, urban and rural-level inflation is possible from July 2017 onwards. National inflation from December 2018 to December 2019 was high at 12.6%. In general, the rural inflation level is lower than the urban and national inflation levels over time. However, for urban Pakistan the year-on-year inflation for December 2019 (12%) was slightly lower than inflation for rural Pakistan (13.6%).

5. MANDATORY PAYROLL DEDUCTIONS AND INCOME TAXES ON A LIVING WAGE

The single mandatory deduction for urban workers, similar to previous updates, is a pension scheme, which is 1% of minimum wage for employees.⁴ The Employees' Old-Age Benefits Institution (EOBI), responsible for collecting this contribution, takes Rs. 13,000 as the reference minimum wage. This is the same amount used to calculate the deduction in the two previous living wage updates. Therefore, the deduction continues being Rs.130 for urban workers. There is no other applicable mandatory payroll deduction or income tax.

6. UPDATED LIVING WAGES AND FAMILY LIVING EXPENSES FOR DECEMBER 2019

The updated net living wage, or take-home pay, for December 2019 is Rs. 25,676 and Rs. 21,890 per month for urban and rural areas, respectively. The gross living wage, which takes into account the mandatory pension deduction in the case of urban workers, is Rs. 25,806. The gross living

³ Pakistan Bureau of Statistics, Government of Pakistan. Methodology. Accessed on 28th November 2019 from <http://www.pbs.gov.pk/content/methodology-2>

⁴ Employees' Old-Age Benefits Institution. Ministry of Overseas Pakistanis & Human Resource Development, Government of Pakistan. Retrieved from <http://www.eobi.gov.pk/introduction/Contribution.html>

wage for rural workers is equivalent to the net living wage since there are no deductions. Table 1 provides details of living wages and family living expenses over time.

Please note, the living wage estimates for both, urban and rural Sialkot, are slightly higher for December 2019 when compared to the December 2018 update in US Dollar terms because the Pakistani Rupee has devalued significantly during that period.

Table 1: Living wages and living expenses for the sports-ball manufacturing industry in the town of Sialkot, in the Province of Punjab, Pakistan

		December 2015 original study		December 2017 first update		December 2018 second update		December 2019 current update	
Area/Currency		Rs	USD	Rs	USD	Rs	USD	Rs	USD
Pakistani Rupees (Rs)									
US Dollars (USD)									
Living Expenses Reference Family Per Month	Urban	30,900	296	33,517	307	35,496	256	39,749	256
	Rural	27,987	268	30,358	278	31,742	229	36,053	233
Net Living Wage Per Month (1)	Urban	19,960	191	21,651	199	22,929	165	25,676	166
	Rural	16,993	163	18,432	169	19,272	139	21,890	141
Mandatory Deductions Per Month (2)	Urban	80	0.8	130	1.2	130	1	130	1
	Rural	0	0	0	0	0	0	0	0
Gross Living Wage Per Month (3) = (1) + (2)	Urban	20,040	192	21,781	200	23,059	166	25,806	166
	Rural	16,993	163	18,432	169	19,272	139	21,890	141
Exchange Rate to USD		104.3		109.1		138.7		155.0	
Source of Exchange Rate		Original Study		International Monetary Fund (IMF) ⁵		International Monetary Fund (IMF) ⁶		XE ⁷	

⁵ The International Monetary Fund's (IMF) Exchange Rate Archives by Month. Accessed on 31st July 2018. Available on https://www.imf.org/external/np/fin/data/rms_mth.aspx?SelectDate=2018-12-31&reportType=REP

⁶ Ibid. Accessed on 2nd December 2019.

⁷ XE. Accessed on 12th February 2020. Available on <https://www.xe.com/currencycharts/?from=USD&to=PKR&view=1Y>