

## Living Wage Update Report: Rural Sialkot, Pakistan, June 2022

Living Wage Update Report No. 2022-04-03

	<b>Cost of decent standard of living for a family</b>  <b>Rs. 49,677</b> (USD 243)		<b>Living wage per month</b>  <b>Rs. 30,163</b> (USD 148)
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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.



Photo by: Marcel Crozet/ILO

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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 2022 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 2022. 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 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 DECEMBER 2015

The original living wage country report estimated the rural net living wage as Rs. 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, Rs. 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 Rs. 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.

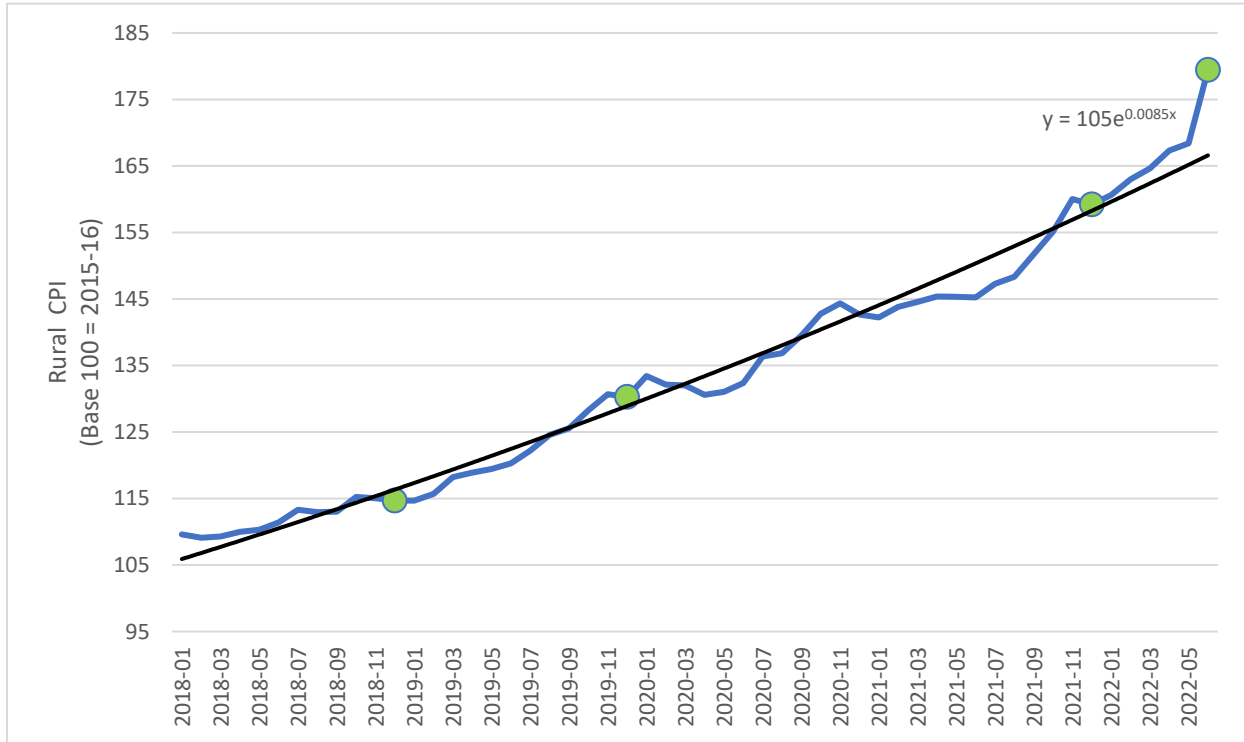
The current update uses this new CPI series with base year 2015-16. The new methodology from July 2017 reports inflation at the national level as well as separately for urban and rural areas. This is possible because the PBS now collects price data from rural and urban markets, which are representative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

Since there are two living wage benchmarks in Pakistan, for urban and rural Sialkot, the urban and rural CPIs for the respective benchmarks are used rather than the national CPI. Therefore, we use the rural CPI for updating the living wage for rural Sialkot in this report.

## 4. RECENT LEVEL OF INFLATION

Analysis of Pakistan's urban and rural inflation is possible from July 2017 onwards. National inflation from December 2015 to December 2021 was high, amounting to 58.11%. In general, the rural inflation level has been lower than the urban and national inflation levels over time. The year-on-year inflation for December 2020 to December 2021 was 12.74% for urban Pakistan and 11.61% for rural Pakistan. The annual rural inflation rate increased further to 23.6% in June 2022 (see Figure 1).

**Figure 1: Rural Consumer Price Index for Pakistan from January 2018 to June 2022**



*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 previous updates and the original study, there are no mandatory deductions for the rural area.<sup>1</sup>

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

The updated cost of decent standard of living for June 2022 is Rs. 49,677 per month. The net living wage, or take-home pay, for June 2022 is Rs. 30,163 per month. Since there are no mandatory deductions for the rural area, the gross living wage is also Rs. 30,163 for June 2022.

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

<sup>1</sup> 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	Original study December 2015		Update December 2021		Update June 2022	
	Rs	USD	Rs	USD	Rs	USD
Living Expenses for Reference Family Per Month	27,987	268	44,074	250	49,677	243
Net Living Wage Per Month	16,993	163	26,761	152	30,163	148
Income Taxes and Payroll Deductions Per Month on Living Wage	0	0	0	0	0	0
Gross Living Wage Per Month	16,993	163	26,761	152	30,163	148
Exchange Rate to USD	104.3		176.01		204.25*	
Source of Exchange Rate	Original Report		XE web site		XE web site	

Note: \* We use the actual exchange rate for end-June 2022.

Source: Authors' calculations.

## 7. REFERENCES

- Sayeed, A. & Dawani, K. (2015) *Living Wage Report: Urban and Rural Pakistan Sialkot, North Eastern Punjab with Context Provided in the Sports Ball Manufacturing Industry*. Available online: <https://bit.ly/33qZINx>
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