

Living Wage Update Report: Rural Khyber Pakhtunkhwa (KP), Pakistan, June 2023

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Cost of decent standard
of living for a family

PKR 86,255
(USD 301)



Living wage
per month

PKR 58,600
(USD 204)



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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 2023 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. This is done by updating the April 2021 net living wage and living expenses by inflation to June 2023. 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 June 2023 because the purchasing power of the living wage would have 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 APRIL 2021

The original living wage country report estimated the rural net living wage as PKR 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 PKR 35,831. The living expenses for a basic but decent standard of living for a reference family in April 2021 was estimated as PKR 52,771 for rural Khyber Pakhtunkhwa (PK) (Dawani et al., 2021).

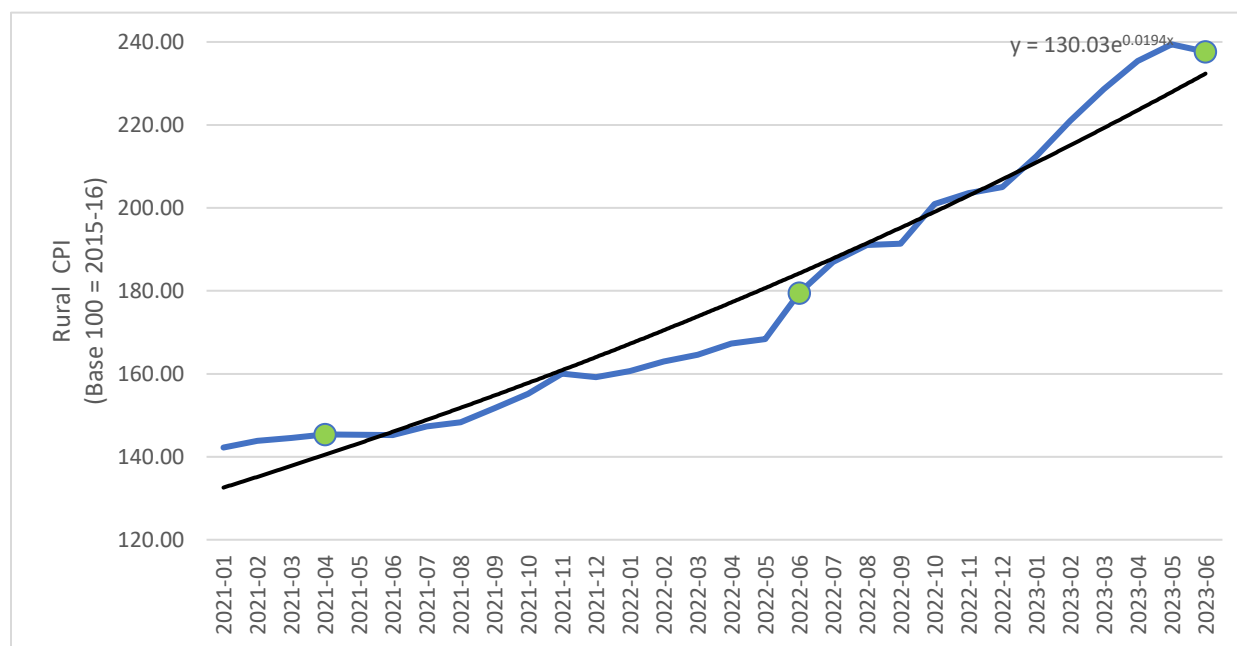
3. INFLATION RATE USED FOR UPDATE

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 June 2023 was high, amounting to 63.5%. This is the inflation used in this report.

Figure 1: Rural Consumer Price Index for Pakistan from January 2021 to June 2023



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 and previous update, 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. Similar as in previous update, the percentage to be deducted for social security remains 1% of the minimum wage². However, the minimum wage has increased to PKR 32,000.³

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

The updated cost of a decent standard of living for June 2023 is PKR 86,255 per month. The net living wage, or take-home pay, for June 2023 is PKR 58,280 per month and the gross living wage is PKR 58,600 for June 2023.

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

² See <http://www.eobi.gov.pk/>

³ See <https://www.dawn.com/news/1745033>

Table 1 provides details of the original and the updated living wages and family living expenses. It is worth noting that this living wage is valid only for June 2023. It is still necessary to continually update the living wage in the future to take Pakistan’s high inflation into consideration.

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		Update June 2023	
	PKR	USD ^a	PKR	USD ^a	PKR	USD ^a
Family Living Expenses (1)	52,771	342	65,142	318	86,255	301
Net Living Wage (2)	35,656	231	44,015	215	58,280	203
Total mandatory deductions and income tax (3)	175	1	175	1	320	1
Gross Living Wage (2+3)	35,831	232	44,190	216	58,600	204
Exchange Rate to USD	154.3		204.59		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

- Andersen, L.E., Medinaceli, A., Gonzales, A., Anker, R., Anker, M. (2022) Living Wage Update Report: Rural Khyber Pakhtunkhwa (KP), Pakistan, June 2022. *Living Wage Update Report No. 2022-04-32*. Global Living Wage Coalition. Available online: https://www.globallivingwage.org/wp-content/uploads/2021/04/Updatereport_RuralPakistan_KP_June_2022-FINAL.pdf
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