

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

Living Wage Update Report No. 2022-04-04

	<b>Cost of decent standard of living for a family</b>  <b>Rs. 52,749</b> (USD 258)		<b>Living wage per month</b>  <b>Rs. 34,284</b> (USD 168)
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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 20% 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 wages for the city of 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 expenses and living wages for the city of Sialkot, in the Province of Punjab, Pakistan. Sialkot is a major manufacturing center in Pakistan, specializing particularly in the manufacturing of sports balls. The update takes into account the amount of inflation since the original living wage study carried out in December 2015. This is done by updating the December 2015 net living wage and living expenses to June 2022 by inflation. 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 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. This is done 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 urban net living wage as Rs. 19,960 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 urban Sialkot was Rs. 20,040. The living expenses for a basic but decent standard of living for a reference family in December 2015 was estimated as Rs. 30,900 for the urban areas (Sayeed and Dawani, 2015).

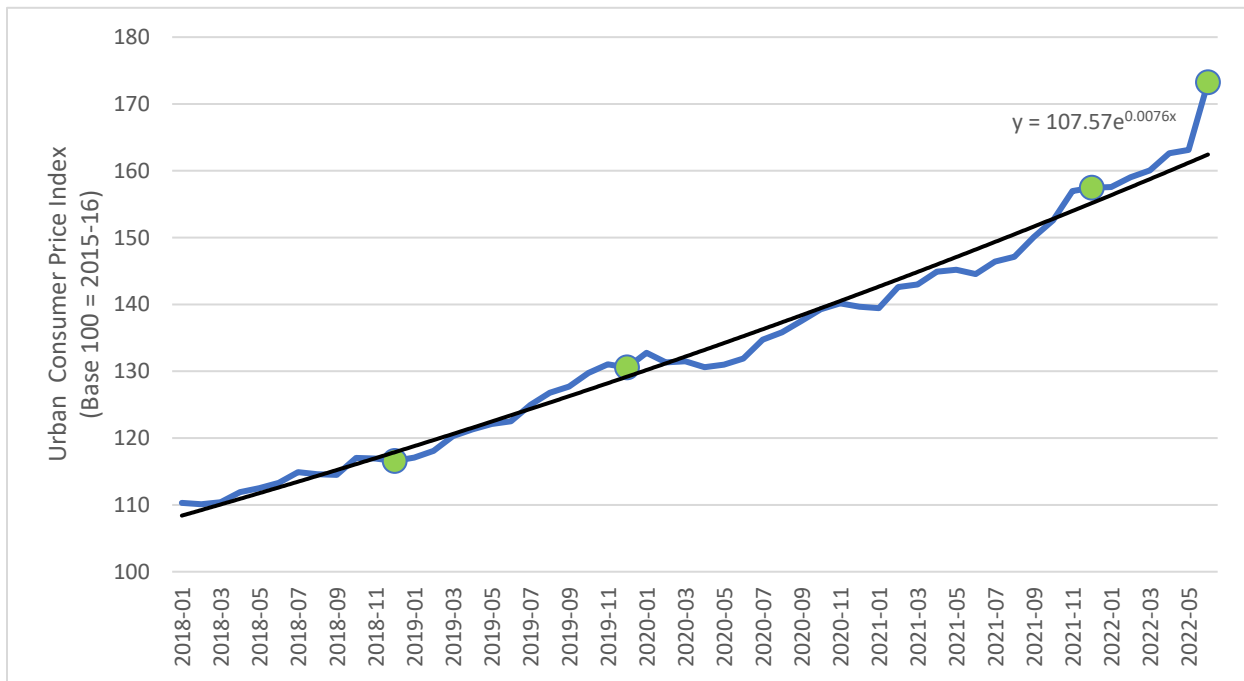
## 3. INFLATION RATE USED FOR UPDATE

The Pakistan Bureau of Statistics (PBS) is responsible for collection, compilation and dissemination of price statistics. Since July 2017, the PBS computes both a rural and an urban Consumer Price Index (CPI). In this update we use the urban CPI, since that is the most relevant for urban Sialkot.

## 4. RECENT LEVEL OF INFLATION

Inflation in Pakistan from December 2015 to December 2021 was relatively high, amounting to 55.2%. In general, inflation in urban areas has been slightly higher than in rural areas. The year-on-year inflation for December 2020 to December 2021 was 12.74% for urban areas and 11.61% for rural Pakistan. Inflation has accelerated lately. The Urban Consumer Price Index for June 2022 increased by 6.19% over May 2022 and increased by 19.84% over corresponding month of last year, i.e. June 2021.

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



*Notes:* Green circles indicate the months of earlier updates. The black line is the fitted exponential trendline.  
*Source:* Authors' calculations based on CPI data from PBS.

## 5. MANDATORY DEDUCTIONS

Similar as in previous updates, the percentage to be deducted for social security remains 1% of the minimum wage. However, the minimum wage has changed to 21,000 Pakistani Rupees.<sup>1</sup>

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

The updated cost of decent standard of living for June 2022 is Rs. 52,749. The net living wage, or take-home pay, for June 2022 is Rs. 34,074 per month, and the gross living wage is Rs. 34,284.

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 and informality often underreports workers (ILO, 2021).

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

Item	December 2015 Original study		December 2021 Update Report		June 2022 Update Report	
	Rs	USD	Rs	USD	Rs	USD
Living Expenses for Reference Family Per Month	30,900	296	47,947	272	52,749	258
Net Living Wage Per Month	19,960	191	30,972	176	34,074	167
Income Taxes and Payroll Deductions Per Month on Living Wage	80	1	210	1	210	1
Gross Living Wage Per Month	20,040	192	31,182	177	34,284	168
Exchange Rate to USD	104.3		176.01		204.25*	
Source of Exchange Rate	Original report		XE web site		XE web site	

Note: \* The exchange rate is for 30 June 2022 according to xe.com.

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>
- ILO (2021). *World Social Protection Report 2020-22. ILO Flagship Report*. Available online: [https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms\\_817572.pdf](https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_817572.pdf)