

Editorial

Falling salaries

While the government of Pakistan seems to be content with its economic policies, an international report has said that salaries in the country are set to fall in real terms. This is not a surprise. People in the country have already been crying out about their inability to afford even basic necessities of life. The collapse in the market for higher-end consumption items, such as cars, has been evidence of the falling income of the middle class in the country. The government has tried to give the impression that this fall is more a result of its stricter taxation policies. This impression has been set aside by the report of ECA International on salary growth in the Asia-Pacific.

Pakistan is the only country in the region which will see a substantial decrease in real salaries on the back of rising inflation and the depreciation of the Pakistani rupee. This means that, in a single year, living standards in the country have come down massively. With real salaries falling, the situation in the country is not looking good. Moreover, the fact that Pakistan is the only country in the region to have seen this downward trend suggests that the problems lie clearly in economic governance. If anything, there may just be an underestimation of the decrease in real income. The report says that real salaries will fall by three percent in the current year, despite a projected 10 percent salary increase given by employers. Not only is this increase not universal, the depreciation of the rupee combined with 13 percent inflation means that the situation is much worse.

In comparison, India has shown a 5.4 percent increase in salaries despite a struggling economy of its own. China, which is Pakistan's role model for economic development, will see a 3.5 percent increase in real salaries. The report also says that there is a need to revisit the economic policies in vogue in Pakistan today. Not only have they slowed down economic activity, they have also increased the vulnerability of salaried individuals. The squeeze has been strong on the country's middle classes – which is a complaint that many domestic economists have shared before. Instead of improving the lives of the poor, it is those that were relatively well off that will be finding themselves worse off. We must wonder if this is the only economic future Pakistan can look forward to.