

Living Wage Update Report: Rural Bhadohi, Uttar Pradesh, India 2022

Living Wage Update Report No. 2022-04-31



**Cost of decent standard
of living for a family**

**INR 18,525
(USD 244)**



**Living Wage
per month**

**INR 13,735*
(USD 181)**

* Previous living wage estimates for Bhadohi did not consider mandatory payroll deductions such as for health insurance and provident fund, because the original living wage study was done for informal sector carpet weavers who do not have payroll deductions. As a matter of policy, the Anker Research Institute and the Global Living Wage Coalition now include typical mandatory payroll deductions in all living wage estimates (12.75% here). A living wage which does not consider payroll deductions - and so is comparable to previous estimates for rural Bhadohi - is INR 11,984 (USD 158). The cost of a decent standard of living for a family does not include taxes.



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Abstract:

This report provides updated estimates of family living expenses and living wage for rural Bhadohi, Uttar Pradesh, India. The update for 2022 takes into account payroll deductions and inflation since the original Anker living wage study carried out in December 2015 (Kuriakose and Kaicker, 2015).

Keywords: Living costs, living wages, Anker Methodology, India

JEL classifications: J30, J50, J80.

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1. BACKGROUND

This report updates the Anker living wage and family living expenses to 2022 for rural Bhadohi district in Uttar Pradesh, India. This area is part of the largest hand-knotted carpet weaving industry hub in south Asia. This update report 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 family living income expenses to mid-2022 by inflation including expected inflation for 2022 according to the International Monetary Fund (IMF). Without accounting for inflation, the 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 compared to what it was in 2015. Since rural carpet weavers in Bhadohi are informal sector workers doing piece rate work, they do not have payroll deductions, and for this reason, the original 2015 living wage report considered the net living wage and the gross living wage (aka living wage) to be the same.

However the gross living wage is higher for formal sector workers who have mandatory payroll deductions of 12% for provident fund and 0.75 for ESI health insurance. The current policy of the Anker Research Institute and the Global Living Wage Coalition is that the operative living wage for a location should be for formal sector workers in part because it is important to avoid a race to the bottom on wages and in part because informal sector workers have additional uncertainties and insecurities and costs. Therefore, this living wage update report includes not only an inflation adjustment, but also provident fund and ESI payroll contributions, which is why the living wage estimate update for 2022 is much higher than previous Anker living wage estimates for rural Bhadohi, India.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM DECEMBER 2015

The original living wage country report for rural Bhadohi estimated the net living wage and gross living wage as INR 8,929 in December 2015 for informal sector piece rate workers. This was the required take-home pay for decency in December 2015 for such workers who did not have payroll deductions because of the informal nature of their work. The living expenses for a basic but decent standard of living for a reference family in the original country study was estimated as INR 13,803 in December 2015 (Kuriakose and Kaicker, 2015).

3. INFLATION RATE USED FOR UPDATE

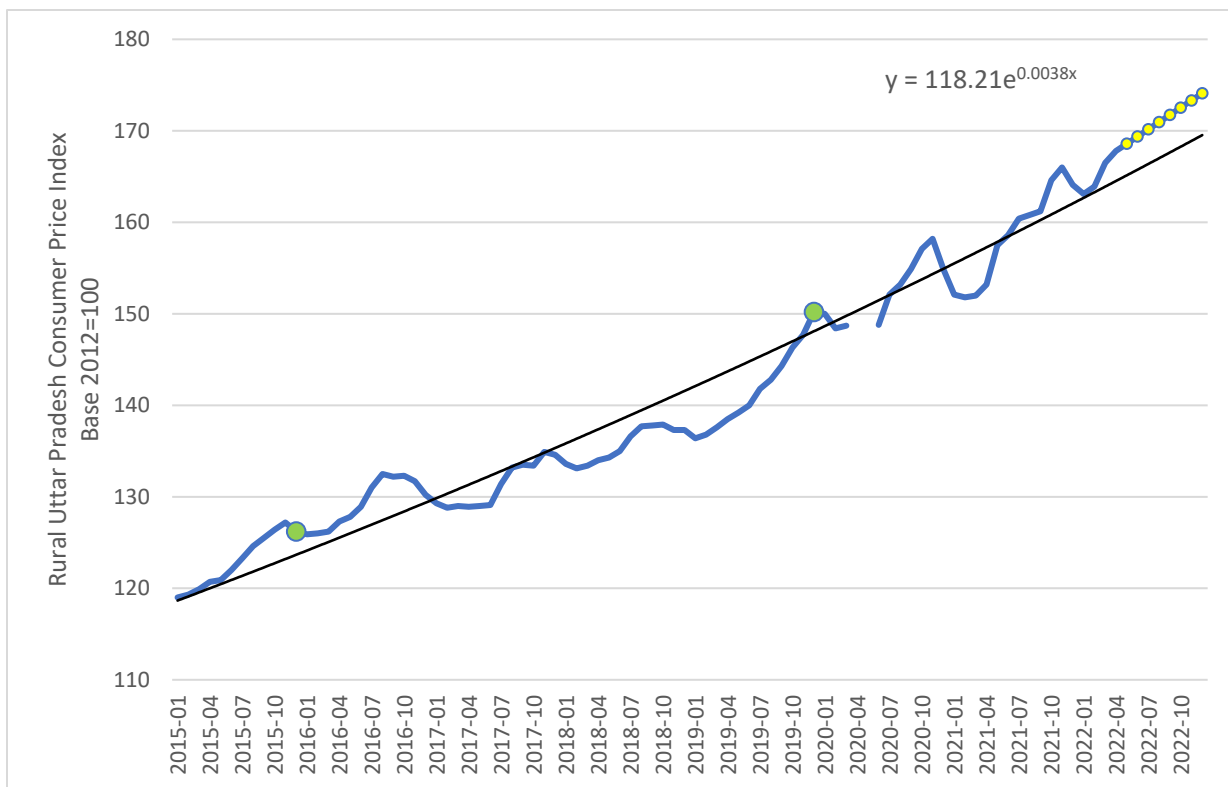
The Government of India's Ministry of Statistics and Programme Implementation (MSPI) reports several consumer price indices (CPI) for India at different levels of aggregation. The MSPI collects monthly price data from 1,181 village markets for rural prices and 1,114 markets across 310 towns for urban prices. These prices are used to calculate the following: a national CPI, an urban CPI, a rural CPI, a CPI for each state, and a CPI for industrial workers. The CPI for each state is also reported for rural and urban areas, and the CPI for industrial workers is reported for 78 major industrial centers. The base year for all the indices is 2012.

Since the original study focuses on the rural area of Bhadohi, Uttar Pradesh, this report uses the rural Uttar Pradesh CPI, instead of the national CPI, to update the living wage and living expenses.

4. RECENT LEVEL OF INFLATION

Between December 2015 and December 2021, accumulated inflation amounted to 30.0% in rural Uttar Pradesh, India. The International Monetary Fund (IMF) projects that the inflation rate in India for 2022 will be 6.1%¹, and this projection was added to the rural Uttar Pradesh Consumer Price Index numbers shown in Figure 1, while taking into account observed inflation for January, February, March and April 2022 to arrive at an average inflation rate for 2022.

Figure 1: Rural Consumer Price Index for Uttar Pradesh, from January 2015 to December 2022



Notes: Green circles highlight the months of the original study and earlier update. Yellow circles show the forecasts for 2022. The black line is the fitted exponential trendline. Information for April and May of 2020 were missing, but that did not affect any of our calculations.

Source: Authors' calculations based on CPI data from MSPI.

5. MANDATORY DEDUCTIONS

As in the original study (Kuriakose and Kaicker, 2015) and in the last update (Yanez-Quintero, 2019), there continues to be no mandatory payroll deductions or income taxes for piece-rate workers in the informal

¹ See <https://www.imf.org/external/datamapper/PCPIPCH@WEO/IND> Information accessed: 06 June 2022.

sector in the carpet weaving industry in the rural areas of Bhadohi district. Formal sector workers, however, have to contribute 12% for provident fund and 0.75% for ESI health insurance.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated net living wage, or required take-home pay, for 2022 is INR 11,984 (USD 158) per month. The gross living wage (aka living wage) for 2022 is INR 13,735 (USD 181), consisting of INR 11,984 needed take home pay and INR 1,751 in payroll deductions (provident fund and ESI health insurance). Note that this 2022 gross living wage is not completely comparable to previous living wage estimates for 2015 and 2019, because while these previous estimates did not take into consideration payroll deductions (because carpet weavers who were the focus of the original living wage study in 2015 are informal sector piece-rate workers who do not have payroll deductions) the 2022 estimate takes payroll deductions into account because as a matter of policy, the Anker Research Institute (ARI) and the Global Living Wage Coalition (GLWC) now include typical mandatory payroll deductions in all living wage estimates.² ARI and GLWC now include mandatory payroll deductions in all living wage calculations (for informal workers as well as for formal workers) partly in order to avoid a race to the bottom and partly because informal sector workers face greater insecurity and uncertainty as well as additional living costs for decency. Table 1 provides details of the original and the updated living wages and family living expenses.

Table 1: Living wages and living expenses for rural Bhadohi, Uttar Pradesh, India for original study and latest updates (in Indian Rupees and US Dollars)

| Item | December 2015 Original Study Date | | December 2019 Update Report | | 2022 Update Report* | |
|---|--------------------------------------|------|--------------------------------|------|------------------------|------|
| | INR | USD | INR | USD | INR | USD |
| Living Expenses for Reference Family Per Month | 13,803 | 206 | 16,428 | 230 | 18,525 | 244 |
| Net Living Wage Per Month | 8,929 | 133 | 10,627 | 149 | 11,984 | 158 |
| Income Taxes and Payroll Deductions Per Month on Living Wage | 0* | 0* | 0* | 0* | 1,751* | 23* |
| Gross Living Wage Per Month | 8,929* | 133* | 10,627* | 149* | 13,735* | 181* |
| Exchange Rate to USD | 67.0 | | 71.3 | | 75.86** | |

² Note that the net living wage for 2022, which is before payroll deductions - and so comparable to previous living wage estimates for rural Bhadohi - is INR 11,984 (USD 158).

| Item | December 2015 Original Study Date | December 2019 Update Report | 2022 Update Report* |
|-------------------------|--------------------------------------|--------------------------------|------------------------|
| Source of Exchange Rate | Original Study | IMF's Archive | IMF's Archive |

Notes: * Previous living wage estimates for rural Bhadohi did not consider mandatory payroll deductions such as for provident fund and national health insurance, because the original study was done for informal sector carpet weavers who do not have payroll deductions. As a matter of policy, the Anker Research Institute and the Global Living Wage Coalition now include typical mandatory payroll deductions (such as provident fund contributions and ESI contributions) in all living wage estimates. A comparable living wage for 2022 to previous estimates for rural Bhadohi is INR 11,984 (USD 158). ** The expected average exchange rate for 2022 was calculated as the average for the year so far (3 January 2022 – 31 May 2022), since there is no clear trend neither up nor down.

Source: Authors' calculations.

7. REFERENCES

- Kuriakose, M. and Kaicker, N. (2015). *“Living Wage Report: Bhadohi, Uttar Pradesh, Rural India. With context provided in the carpet weaving industry”* Global Living Wage Coalition. Available online: https://globallivingwage.org/wp-content/uploads/2018/05/Rural_India_Living_Wage_Report.pdf
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