

Living Wage Update Report: Rural Nilgiris, Tamil Nadu, India 2023

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	Cost of decent standard of living for a family INR 22,548 (USD 274)		Living wage per month INR 13,914 (USD 169)
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Abstract:

This report provides updated estimates of family living income expenses and living wages for rural Nilgiris, Tamil Nadu State in India. The update for 2023 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in July 2018 (Barge, Anker, Khan & Anker, 2018).

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 2023 for Rural Nilgiris, Tamil Nadu, India. The update takes into account the amount of inflation since the original study in July 2018 (Barge, Anker, Khan & Anker, 2018). This is done by updating the July 2018 net living wage and living expenses to June 2023 by inflation. This provides average living wage and living expenses estimates for 2023. Without accounting for inflation, the net living wage estimated in 2018 would not be sufficient for workers to have a basic but decent standard of living in 2023 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) is updated to 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 in June 2023.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM JULY 2018

The net living wage was estimated as INR 9,894 in July 2018 in the original living wage country report. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for provident fund and professional tax, was estimated as INR 11,422 in July 2018. The living income expenses for a basic but decent standard of living for a reference family of four in the original country report was estimated as INR 17,116 in July 2018 (Barge, Anker, Khan & Anker, 2018).

3. INFLATION RATE USED FOR UPDATE

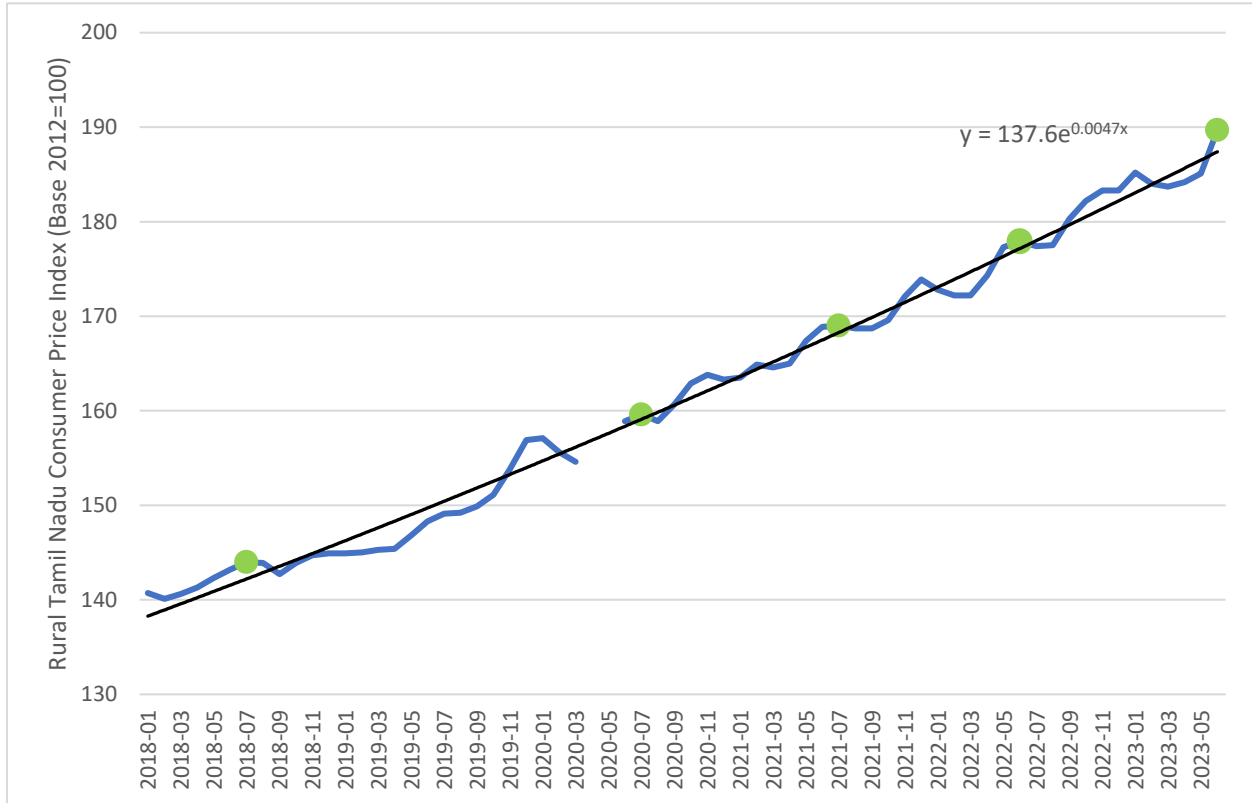
The Government of India's Ministry of Statistics and Programme Implementation (MSPI) reports several consumer price indices (CPI) for India at different levels of aggregation. The MSPI collects monthly price data from 1,181 village markets for rural prices and 1,114 markets across 310 towns for urban prices. These prices are used to calculate the following: a national CPI, a national urban CPI, a national rural CPI, and CPIs for each state. The CPIs for each state are also reported for rural and urban areas. The base year for all the indices is 2012. We used the price index for rural Tamil Nadu to update the living wage and living income expenses values for rural Nilgiris.¹

¹ See <https://www.mospi.gov.in/cpi>. Information accessed: 2 April 2023.

4. RECENT LEVEL OF INFLATION

Between July 2018 and June 2023, inflation amounted to 31.7% in rural Tamil Nadu, India (see Figure 1). This is the inflation used in this report.

Figure 1: Rural Consumer Price Index for Tamil Nadu from January 2018 to June 2023



Notes: Green circles indicate the months of the original study and the earlier updates. The black line is the fitted exponential trendline.

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

5. MANDATORY DEDUCTIONS

There is a statutory payroll deduction for the Provident Fund of 12% which is assessed on worker's basic wage and dearness allowance components of the total salary. Although there is no legislative norm in India on the actual proportion of pay and allowances that are subject to the 12% provident fund deduction, some court judgements and general practice suggest that allowances do not generally exceed 50% of the total pay. Given this background, we estimate that about 6% of the net living wage is deducted as employees' contribution to the Provident Fund. These court decisions have come to our attention after the publication of the first Anker benchmark reports for India. Consequently, this treatment of mandatory deductions for the Provident Fund differs from that used in the original study and in previous update reports.

Additionally, employees contribute 0.75% of their wages to the Employee’s State Insurance Corporation. The ESI Scheme performs the role of a social security scheme that includes medical, sickness, maternity, disablement, and dependant’s benefits and funeral expenses². Therefore, we estimate that the mandatory deductions amount to the equivalent of 6.75% of the net living wage.

Regarding income taxes, workers earning a living wage are exempted as India has a progressive income tax system and the living wage is well below the tax-free income tax threshold of INR 300,000 per year or about INR 25,000 per month³.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2023

The updated net living wage, or take-home pay, for June 2023 is INR 13,034 per month. The gross living wage, which also takes into account mandatory payroll deductions, is INR 13,914 per month for June 2023. These are average estimates for the year 2023.

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 Nilgiris, Tamil Nadu, India (in Indian Rupees and US Dollars)

Item	July 2018 Original Study Date		2022 Update Report		2023 Update Report	
	INR	USD	INR	USD	INR	USD
Family Living Expenses (1)	17,116	245	20,954	282	22,548	274
Net Living Wage (2)	9,894	142	12,112	163	13,034	158
Total mandatory deductions and income tax (3)	1,528	22	1,888	25	880	11
Gross Living Wage (2+3)	11,422	164	14,001	189	13,914	169
Exchange Rate to USD	69.82		74.23		82.25 ^a	
Source of Exchange Rate	Original Report		IMF Archive		IMF Archive	

Note: USD values are indicative only because exchange rates are volatile. ^aAverage exchange rate for June 2023.
Source: Authors’ calculations.

² See <https://www.esic.in/web/esic/benefits>

³ See <https://taxsummaries.pwc.com/india/individual/taxes-on-personal-income>

7. REFERENCES

- Andersen, L. E., Gonzales, A., Medinaceli, A., Anker, R., & Anker, M. (2022). *Living Wage Update Report: Rural Nilgiris, Tamil Nadu, India, 2022*. Living Wage Update Report No. 2022-04-01. Global Living Wage Coalition. Available online: https://globallivingwage.org/wp-content/uploads/2020/06/Updatereport_India_Nilgiris_2022_26March2022fv.pdf
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