



# Living Wage Update Report: Rural Andhra Pradesh, India 2023

Living Wage Update Report No. 23-04-05

	<b>Cost of decent standard of living for a family</b>  <b>INR 26,531</b> (USD 323)		<b>Living Wage per month</b>  <b>INR 16,999</b> (USD 207)
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*Photo credit: Kuriakose Mamkoottam and Nidhi Kaicker*

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### **Abstract:**

This report provides updated estimates of family living expenses and living wage for rural Andhra Pradesh, India. The update for 2023 takes into account payroll deductions and inflation since the original Anker living wage study carried out in September 2022 (Mamkoottam and Kaicker, 2022).

**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 areas of Prakasam district in Andhra Pradesh, India. Prakasam district is a leading area of tobacco cultivation in India. This update report takes into account the accumulated inflation since the original study in September 2022 (Mamkoottam and Kaicker, 2022). This is done by updating the September 2022 net living wage and family living income expenses to June 2023 by inflation. This provides average living wage and living expenses estimates for 2023. Without accounting for inflation, the living wage estimated in 2022 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 compared to what it was in 2022. The gross living wage (aka living wage) is updated to 2023 by also taking into account income taxes and mandatory deductions from pay that workers would need to pay on the updated 2023 living wage. This is done using laws in force in June 2023.

## 2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM SEPTEMBER 2022

The original living wage country report estimated the net living wage as INR 15,167 (USD 190) in September 2022. This was the required take-home pay for workers for decency in September 2022. The gross living wage, which also takes into account income taxes and mandatory deductions from pay for national health insurance and a provident fund, was estimated as INR 16,077 (USD 201) in September 2022 for workers. The living expenses for a basic but decent standard of living for a reference family in the original country report was estimated as INR 25,269 (USD 316) (Mamkoottam and Kaicker, 2022).

## 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 Andhra Pradesh, this report uses the rural Andhra Pradesh CPI, instead of the national CPI, to update the living wage and living expenses.<sup>1</sup>

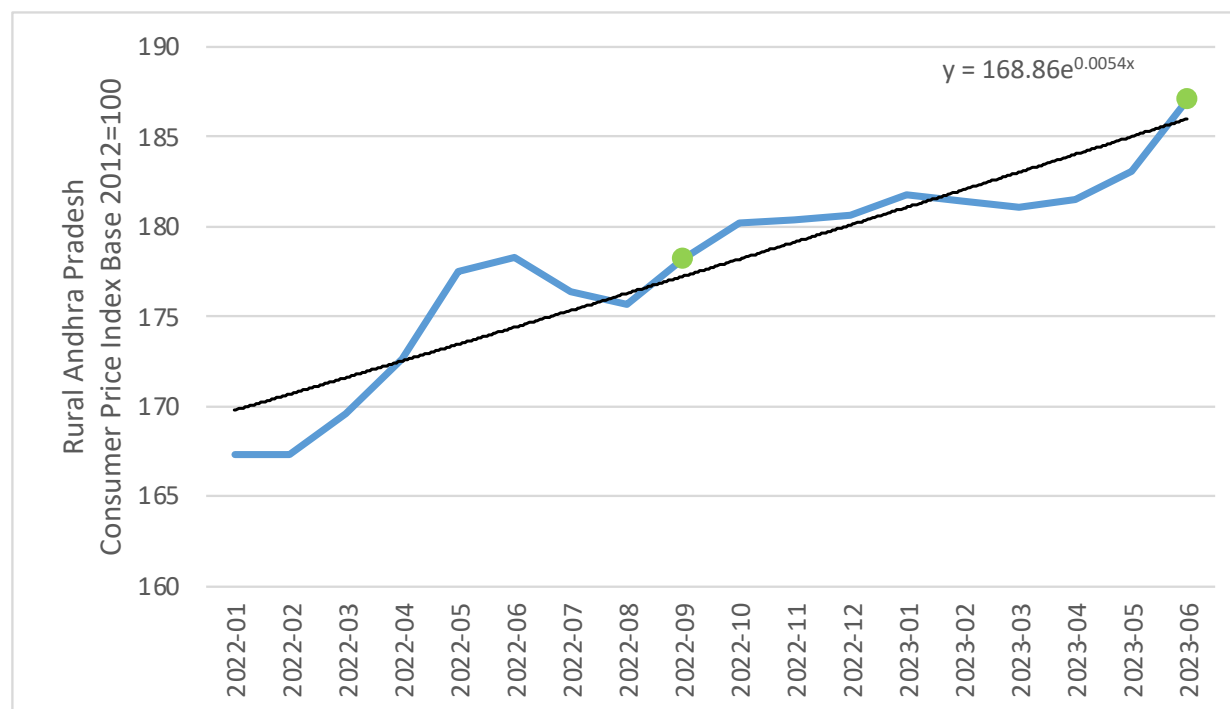
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<sup>1</sup> See <https://www.mospi.gov.in/cpi>

#### 4. RECENT LEVEL OF INFLATION

Between September 2022 and June 2023, inflation amounted to 5.0% in rural Andhra Pradesh, India (see Figure 1). This is the inflation used in this report.

Figure 1: Rural Consumer Price Index for Rural Andhra Pradesh, from January 2022 to June 2023



Notes: Green circles highlight the months of the original study and latest update. The black line is the fitted exponential trendline.

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

#### 5. MANDATORY DEDUCTIONS

Following the original study (Mamkoottam and Kaicker, 2022), this report considers that 6% of the net living wage is added as employee's contribution to the Provident Fund to calculate the gross living wage. Additionally, employees contribute 0.75% of their wages to the Employee's State Insurance (ESI) Corporation.

It is worth noting that the original study did not incorporate this ESI contribution. However, due to the important role played by the ESI as a comprehensive social security scheme that includes medical, sickness, maternity, disablement, and dependant's benefits and funeral expenses<sup>2</sup>, it has been included in this report.

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

Therefore, we estimate that the mandatory deductions now amount to the equivalent of 6.75% of the net living wage, considering both the Provident Fund and ESI contributions.

Regarding income taxes, as in the original study, the estimated living wage for workers and farmers in rural Madhya Pradesh is well below the limit (INR 25,000/month, effective since 1 April 2023)<sup>3</sup> for which income tax should be paid. Hence, workers are exempted from paying income taxes.

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

The updated net living wage, or take-home pay, for June 2023 is INR 15,924 (USD 194) per month. The gross living wage, which also takes into account mandatory payroll deductions, is INR 16,999 (USD 207) per month for 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 Andhra Pradesh, India (in Indian Rupees and US Dollars)

Item	September 2022 Original Study		2023 Update Report	
	INR	USD	INR	USD
<b>Family Living Expenses (1)</b>	25,269	316	26,531	323
<b>Net Living Wage (2)</b>	15,167	190	15,924	194
<b>Total mandatory deductions and income tax (3)</b>	910	11	1,075	13
<b>Gross Living Wage (2+3)</b>	16,077	201	16,999	207
<b>Exchange Rate to USD</b>	79.9		82.3 <sup>a</sup>	
<b>Source of Exchange Rate</b>	Original Study		IMF's Archive	

Note: USD values are indicative only because exchange rates are volatile. <sup>a</sup>Average exchange rate for June 2023.

Source: Authors' calculations.

## 7. REFERENCES

Mamkoottam, K. and Kaicker, N. (2022). "Living Income and Living Wage Report: Rural Andhra Pradesh, India" Global Living Wage Coalition. Available online: [https://www.globallivingwage.org/wp-content/uploads/2023/07/India\\_AndhraPradesh\\_Rural\\_LivingIncomeLivingWage\\_2022-1.pdf](https://www.globallivingwage.org/wp-content/uploads/2023/07/India_AndhraPradesh_Rural_LivingIncomeLivingWage_2022-1.pdf)

<sup>3</sup> See <https://taxsummaries.pwc.com/india/individual/taxes-on-person-come>