

Living Wage Update: December 2019

Rural India

Bhadohi, Uttar Pradesh



Living wage per month

₹10,627 (USD 149)



Cost of decent standard
of living for a family

₹16,428 (USD 230)



Photo courtesy of SAI

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1. BACKGROUND

This report updates the living wage and living expenses for the rural area of Bhadohi District in the State of Uttar Pradesh, India.²

The net living wage and living expenses are updated to the study month of the most recent calendar year – December 2019 – to take into account the amount of inflation since the original December 2015 living wage study. 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 2019, because the purchasing power of the living wage would have decreased compared to what it was in 2015. Similarly, living expenses for a reference family are also updated to December 2019 to account for inflation.

As there are no applicable mandatory payroll deductions for rural piece-rate work, the net and gross living wages are the same.

2. LIVING WAGE AND LIVING EXPENSES IN DECEMBER 2015

The original living wage report for rural Bhadohi estimated the net and gross living wage for December 2015 as ₹8,929. This was the required pay for workers for decency in December 2015. The living expenses for a basic but decent standard of living for a reference family in the original country report was estimated as ₹13,803 in December 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

¹ Prepared by Fairtrade International (Sandra Yanez-Quintero), guided by the Collective for Social Science Research, Karachi, Pakistan (Kabeer Dawani) and with Richard Anker and Martha Anker.

² This is an update to *Living Wage Report: Bhadohi, Uttar Pradesh, India*, October 2016. Kuriakose Mamkoottam and Nidhi Kaicker. <https://bit.ly/2Az8wlp>

CPI, a rural CPI, and a CPI for each state. The CPI for each state is also reported by rural and urban areas. The base year for all the indices is 2012.

All-India and rural and urban Uttar Pradesh inflation follow the same pattern throughout the period 2014-2019. Because the original living wage benchmark estimate focuses on the rural area of Bhadohi, this report uses the rural Uttar Pradesh CPI instead of the national CPI to update living wage and living expenses.

4. RECENT LEVEL OF INFLATION

Rural Uttar Pradesh and all-India had moderate annual inflation rates from the December 2015 study date until September 2019 of around 3.5%, before experiencing a sharp increase in inflation from September-December 2019 due to a sharp increase in food prices of around 2% per month. Between December 2015 and December 2019 inflation was 19.02%. This is the inflation rate used for the current update.

5. MANDATORY PAYROLL DEDUCTIONS AND INCOME TAXES ON A LIVING WAGE

As in 2015, there continue to be no mandatory payroll deductions or income taxes for workers who are paid piece rate such as in the carpet-weaving sector in the rural areas of Eastern Uttar Pradesh.

6. UPDATED LIVING WAGES AND FAMILY LIVING EXPENSES FOR DECEMBER 2019

The updated net living wage, or take-home pay, for December 2019 is ₹10,627. Since there are no applicable deductions from pay, the gross living wage is the same as the net living wage. Likewise, the living expenses for a reference family were estimated as ₹16,428 in December 2019. Table 1 provides details of the original and the updating living wages and family living expenses.

Table 1: Living wages and living expenses for piece-rate workers in the rural areas of Bhadohi District, in eastern Uttar Pradesh, India

	December 2015 (original study date)		December 2019 (latest study date)	
	Indian Rupees (₹)	US dollars (\$)	Indian Rupees (₹)	US dollars (\$)
Living Expenses Reference Family Per Month	₹13,803	\$206	₹16,428	\$230
Net Living Wage Per Month (1)	₹8,929	\$133	₹10,627	\$149
Mandatory Deductions Per Month (2)	0	0	0	0
Gross Living Wage Per Month (3) = (1) + (2)	₹8,929	\$133	₹10,627	\$149
Exchange Rate to USD	67		71.31	
Source of Exchange Rate	Original Study		Mean exchange rate Nov 2019 - Jan 2020 reported by International Monetary Fund (IMF) ³	

³ The International Monetary Fund's (IMF) Exchange Rate Archives by Month. Accessed on 22nd May 2020. Available on https://www.imf.org/external/np/fin/data/param_rms_mth.aspx