

Living Wage Update: August 2019

Urban India

Textile Industry in Tiruppur, Tamil Nadu



Living wage per month

₹15,570 (USD 221)



Cost of decent standard
of living for a family

₹ 21,464 (USD 305)



Photo courtesy of SAI

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1. BACKGROUND

This report updates the living wage and living expenses for the textile sector in the city of Tiruppur, in Tamil Nadu, India.²

The net living wage and living expenses are updated to the study month of the most recent calendar year—August 2019—to take into account the amount of inflation since the original August 2016 living wage study. Without accounting for inflation, the net living wage estimated in 2016 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 2016. Similarly, living expenses for a reference family are also updated to August 2019 to account for inflation.

The gross living wage is updated to August 2019 by taking into consideration in addition income taxes and mandatory deductions from pay that workers would need to pay on the updated 2019 living wage. This is done using August 2019 laws.

2. LIVING WAGE AND LIVING EXPENSES FOR REFERENCE SIZE FAMILY IN ORIGINAL COUNTRY REPORT IN AUGUST 2016

The original living wage country report estimated the net living wage as ₹11,918 in August 2016. This was the required take-home pay for workers for decency in August 2016. 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 ₹13,725 in August 2016. The living expenses for a basic but decent standard of living for a reference family in the original country report was estimated as ₹18,830 in August 2016.

¹ Prepared by Fairtrade International (Aaron Petri), 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: Tiruppur City, Tamil Nadu, India* August 2016. Sandhya Barge, M. E. Khan, Richard Anker, Martha Anker, Banwari Periwal and Mital Petiwale. <https://bit.ly/2TunmQT>

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, 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.

Since Tiruppur is a city and so urban, this report uses the CPI for urban Tamil Nadu to update the living wage as it is most representative for workers in the garment and textile sectors in the original report.

4. RECENT LEVEL OF INFLATION

There has been moderate inflation in urban Tamil Nadu since the original study in August 2016. The annual inflation rate between August 2018 and August 2019 was 4.95%. The inflation rate between the original study, August 2016, and August 2019 was 13.99%. This is the inflation rate used in this report.

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

There continues to be a 12% provident fund contribution on earnings just as in 2016. Just as in 2016, there is no income tax due on a living wage. However, the employee contribution towards national health insurance has decreased from 1.75% to 0.75%. These two mandatory deductions from pay for the provident fund and national health insurance are taken into consideration in estimating the gross living wage for August 2019.

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

The updated net living wage, or take-home pay, for August 2019 is ₹13,858 per month. The gross living wage, which also takes into account mandatory payroll deductions, is ₹15,570 per month for August 2019. Table 1 provides details of the original and the updated living wages and family living expenses.

Table 1: Living wages and living expenses for Tiruppur City, Tamil Nadu, India original study year and latest update

	August 2016 (original study date)		August 2019 (latest study date)	
	Indian Rupees	USD	Indian Rupees	USD
Living Expenses for Reference Family Per Month	₹18,830	\$281	₹21,464	\$305
Net Living Wage Per Month	₹11,918	\$178	₹13,858	\$193
Income Taxes and Payroll Deductions Per Month on Living Wage	₹1,807	\$27	₹1,985	\$28
Gross Living Wage Per Month	₹13,725	\$205	₹15,570	\$221
Exchange Rate to USD	66.88		70.43	
Source of Exchange Rate	Original Report		IMF's Archive for July-September 2019 ³	

³ https://www.imf.org/external/np/fin/data/rms_mth.aspx?SelectDate=2019-08-31&reportType=REP