

Living Wage Update Report: Tiruppur, Tamil Nadu, India 2023

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	Cost of decent standard of living for a family INR 27,355 (USD 333)		Living Wage per month INR 18,482 (USD 225)
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By:

*Agnes Medinaceli**

*Lykke E. Andersen***

*Marcelo Delajara****

*Richard Anker*****

*Martha Anker*****

Abstract:

This report provides updated estimates of family living expenses and living wage for Tiruppur, Tamil Nadu, India. The update for 2023 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in August 2016 (Barge et al., 2016).

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

JEL classifications: J30, J50, J80.

* SDSN Bolivia, E-mail: agnes.medinaceli@gmail.com

**SDSN Bolivia, E-mail: Lykke.E.Andersen@gmail.com

*** Anker Research Institute, E-mail: mdelajara@ankerinstitute.org

**** Anker Research Institute, E-mail: marthaandrichard@gmail.com

1. BACKGROUND

This report updates the Anker living wage and family living expenses to June 2023 for the city of Tiruppur, in Tamil Nadu, India, which has important concentrations of textile and garment industries. This update takes into account the amount of inflation since the original study in August 2016 (Barge et al., 2016). This is done by updating the August 2016 net living wage and living expenses to June 2023 by inflation. This provides average living wage and living income expenses estimates for 2023. 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 2023, because the purchasing power of the living wage would have decreased compared to what it was in 2016. 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 AUGUST 2016

The original living wage country report estimated the net living wage as INR 11,918 in August 2016. This was the required take-home pay for textile 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 INR 13,818 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 INR 18,830 in August 2016 (Barge et al., 2016).

3. INFLATION RATE USED FOR UPDATE

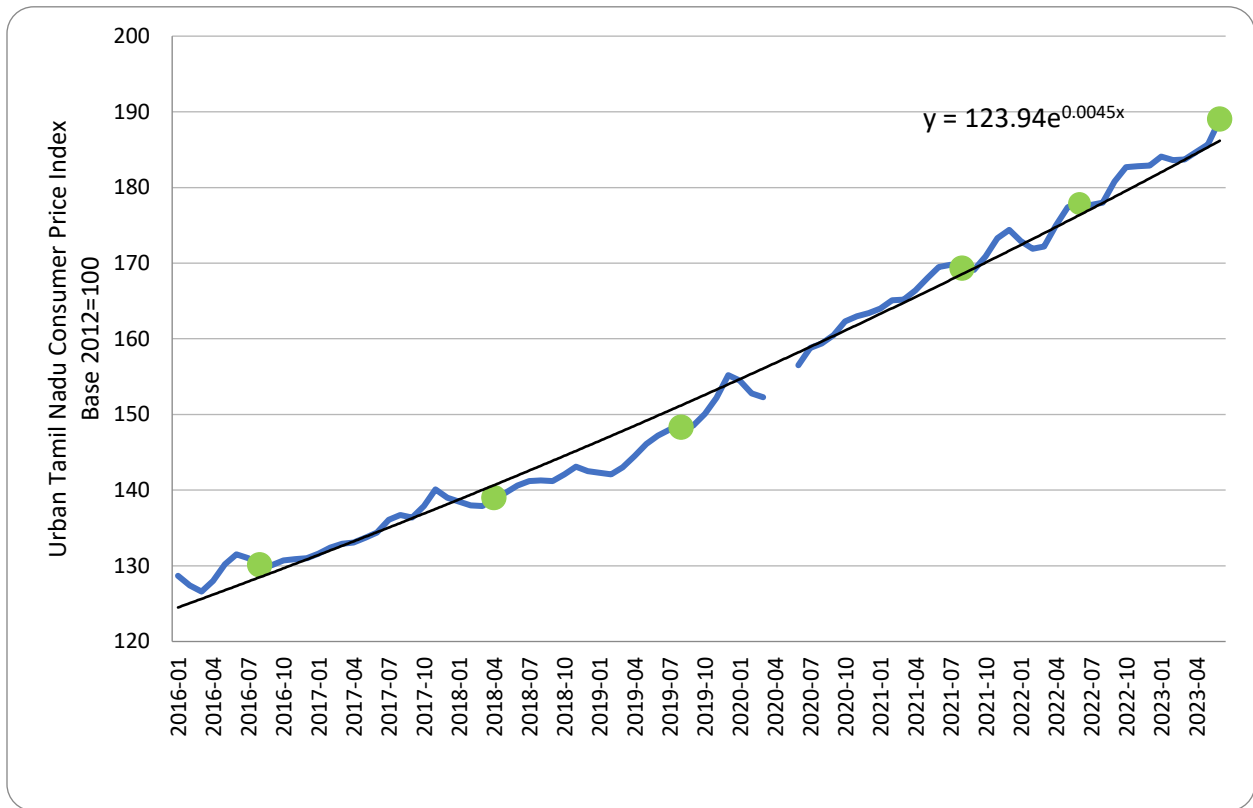
The Government of India's Ministry of Statistics and Programme Implementation (MSPI) reports several consumer price indices (CPI) for India at different levels of aggregation. The MSPI collects monthly price data from 1,181 village markets for rural prices and 1,114 markets across 310 towns for urban 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 a CPI for industrial workers is reported for 78 major industrial centers. The base year for all the indices is 2012. Since Tiruppur is a city and thus urban and not one of the 78 major industrial centers, this report uses the CPI for urban Tamil Nadu to update the living wage as it is most representative for Tiruppur.¹

4. RECENT LEVEL OF INFLATION

Between August 2016 and June 2023, inflation amounted to 45.3% in urban Tamil Nadu, India (see Figure 1). This is the inflation used in this report.

¹ See <https://www.mospi.gov.in/cpi>.

Figure 1: Urban Consumer Price Index for Tamil Nadu from January 2016 to June 2023



Notes: Green circles highlight the months of the original study and earlier updates. 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

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 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 2023 is INR 17,314 per month. The gross living wage, aka living wage, which also takes into account income tax and mandatory payroll deductions, is INR 18,482 per month for 2023. These are average estimates for 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 Tiruppur City, Tamil Nadu, India (in Indian Rupees and US Dollars)

Item	August 2016 Original Study Date		2022 Update Report		2023 Update Report	
	INR	USD	INR	USD	INR	USD
Family Living Expenses (1)	18,830	282	25,543	338	27,355	333
Net Living Wage (2)	11,918	178	16,167	214	17,314	210
Total mandatory deductions and income tax (3)	1,900	28	2,362	31	1,169	14
Gross Living Wage (2+3)	13,818	207	18,529	246	18,482	225
Exchange Rate to USD	66.9		75.5		82.3 ^a	
Source of Exchange Rate	Original Report		IMF Archive		IMF Archive	

Notes: 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

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