

Living Wage Update Report: Tiruppur, Tamil Nadu, India 2022

Living Wage Update Report No. 2022-04-26



Cost of decent standard
of living for a family

INR 25,543
(USD 338)



Living Wage
per month

INR 18,529
(USD 246)



Photo courtesy of SAI

Living Wage Update Report: Tiruppur, Tamil Nadu, India, 2022

By:

Agnes Medinaceli *

Lykke E. Andersen **

Alejandra Gonzales ***

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 2022 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, email: agnes.medinaceli@gmail.com

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

*** SDSN Bolivia, email: Alejandra.Gonzales@sdsnbolivia.org

**** Anker Research Institute, email: marthaandrichard@gmail.com

1. BACKGROUND

This report updates the Anker living wage and family living expenses to 2022 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. This is done by updating the August 2016 net living wage and family living income expenses by inflation including expected inflation to mid-2022 according to the International Monetary Fund (IMF). 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 2022, 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 2022 by also taking into account income taxes and mandatory deductions from pay that workers would need to pay on the updated 2022 living wage using laws in force in March of 2022.

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.

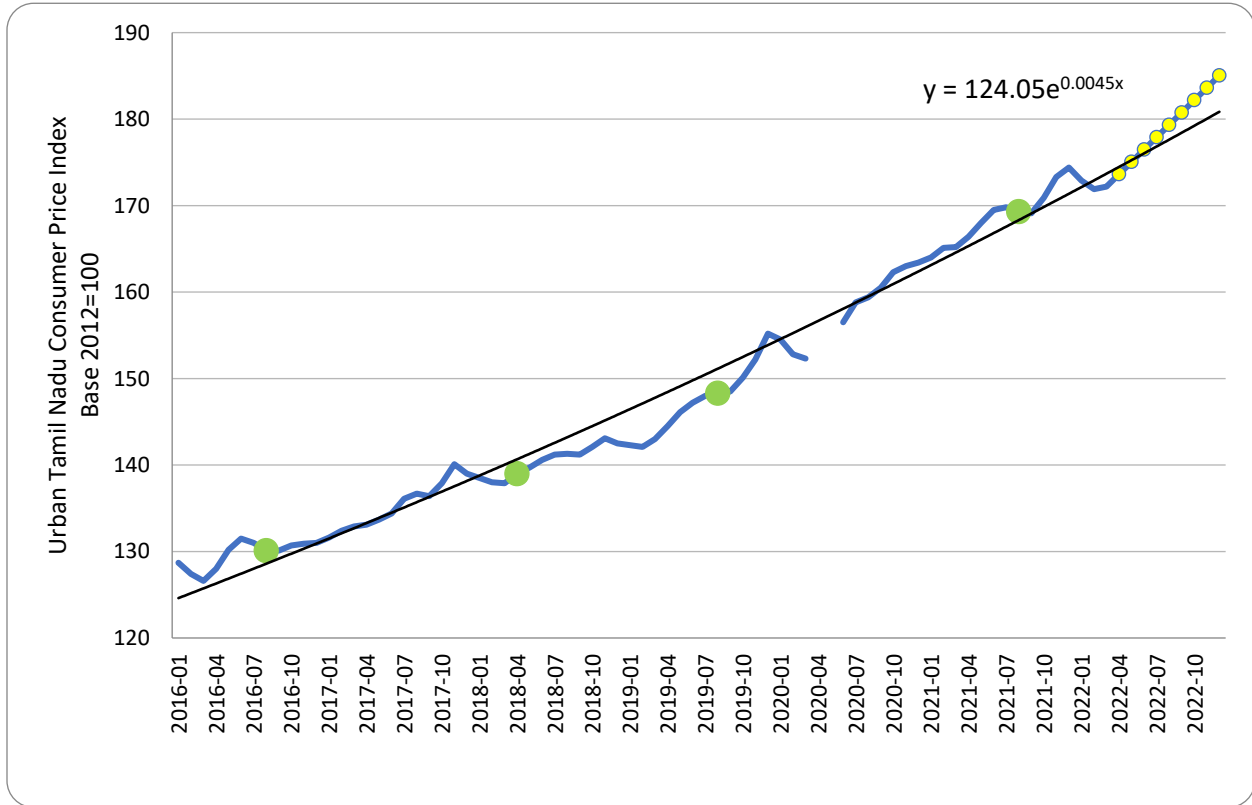
4. RECENT LEVEL OF INFLATION

Between August 2016 and December 2021, accumulated inflation amounted to 34.1% in urban Tamil Nadu, India. The International Monetary Fund (IMF) projects that the inflation rate in India for 2022 will be 6.1%¹, and this projection was added to the urban Tamil Nadu Consumer Price Index numbers shown

¹ See <https://www.imf.org/external/datamapper/PCPIPCH@WEO/IND>. Information accessed: 27 April 2022.

in Figure 1, while taking into account observed inflation for January, February, and March 2022 to arrive at an average inflation rate for 2022.

Figure 1: Urban Consumer Price Index for Tamil Nadu from January 2016 to December 2022



Notes: Green circles highlight the months of the original study and earlier updates. Yellow circles show the forecasts for 2022. 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

In April 2020, a new personal tax regime (NPTTR) was introduced in India, with lower tax rates. As in the original study, the living wage is below the limit for which income tax should be paid in India under the NPTTR (INR 41,666 per month in 2022).²

Regarding social security, employees in India are liable to contribute towards the Provident Fund at a fixed rate of 12% of their wages,³ as in the original study. Additionally, as in the previous update, currently employees contribute 0.75%⁴ of their wages to the Employee's State Insurance Scheme (ESIS), which

² See <https://taxsummaries.pwc.com/india/individual/taxes-on-personal-income>.

³ See <https://taxsummaries.pwc.com/india/individual/other-taxes>.

⁴ See <https://www.esic.nic.in/contribution>. Information accessed: 27 April 2022.

performs the role of a social health insurance scheme and has been historically among the largest schemes for formal workers in India (ILO, 2022: page 20).

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated net living wage, or take-home pay, for 2022 is INR 16,167 per month. The gross living wage, aka living wage, which also takes into account income tax and mandatory payroll deductions, is INR 18,529 per month for 2022. These are average estimates for 2022. 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 for original study and latest updates (in Indian Rupees and US Dollars)

Item	August 2016 Original Study Date		August 2021 Update Report		2022 Update Report	
	INR	USD	INR	USD	INR	USD
Living Expenses for Reference Family Per Month	18,830	282	24,504	331	25,543	338
Net Living Wage Per Month	11,918	178	15,509	209	16,167	214
Income Taxes and Payroll Deductions Per Month on Living Wage	1,900	28	2,266	31	2,362	31
Gross Living Wage Per Month	13,818	207	17,775	240	18,529	246
Exchange Rate to USD	66.9		74.1		75.47*	
Source of Exchange Rate	Original Report		IMF's Archive		IMF's Archive	

*Note: The expected average exchange rate for 2022 was calculated as the average for the year so far (3 January 2022 – 27 April 2022), since there is no clear trend neither up nor down.

Source: Authors' calculations.

7. REFERENCES

- Barge, S., Khan, M.E., Anker, R., Anker, M., Periwal, B., & Petiwale, M. (2016). *Living Wage Report Tiruppur City, Tamil Nadu, India. Context provided in the Garment and Textile Sectors, August 2016.* Global Living Wage Coalition. Available online: <https://www.globallivingwage.org/wp-content/uploads/2018/05/Tiruppur-Living-Wage-Report-1.pdf>
- ILO (2022). *Assessing medical benefits under ESI Scheme: A demand side perspective.* India: International Labour Organization. Available online: https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new_delhi/documents/publication/wcms_841438.pdf