



Living Wage Update Report: Urban India, Tiruppur, Tamil Nadu (August 2021)

Living Wage Update Report No. 2021-04-25



Cost of decent standard of living for a family

₹ 24,504
(USD 331)



Gross Living Wage per month

₹ 17,775
(USD 240)



Photo courtesy of SAI

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Abstract:

This report provides updated estimates of family living expenses and living wages for Tiruppur, Tamil Nadu in India up to August 2021, taking into account inflation and changes in payroll deductions since the original Anker living wage study carried out in August 2016 (Barge, Khan, Anker, Anker, Periwai & Petiwale, 2016).

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

JEL classifications: J30, J50, J80.

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1. BACKGROUND

This report updates the living wage and living expenses for the city of Tiruppur, in Tamil Nadu, India. The net living wage and living expenses are updated to the study month of the most recent calendar year—August 2021—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 2021, 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 2021 to account for inflation. The gross living wage is updated to August 2021 by also taking into consideration income taxes, applicable 2021 laws, and mandatory deductions from pay that workers would need to pay on the updated 2021 living wage.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM 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 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 ₹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 were ₹18,830 in August 2016.

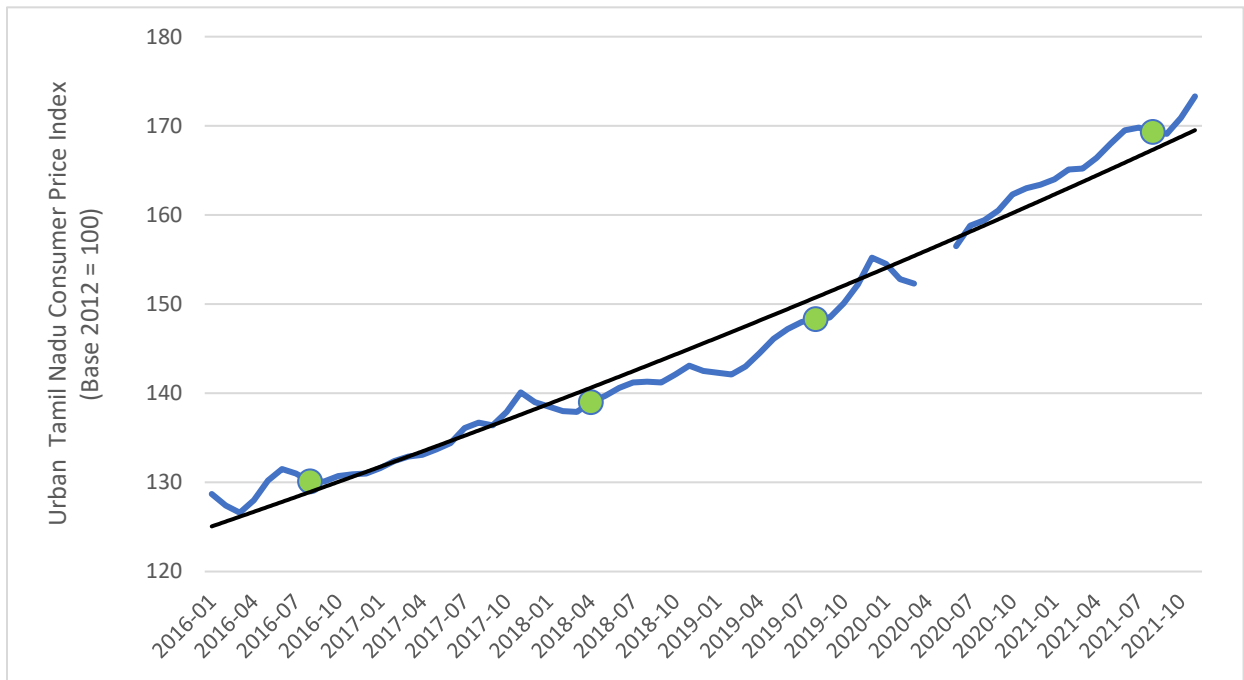
3. INFLATION RATE USED FOR UPDATE

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 by 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 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 for Tiruppur.

4. RECENT LEVEL OF INFLATION

There has been moderate inflation in urban Tamil Nadu since the original study in August 2016. Total inflation between August 2016 and August 2021 was 30.13%, corresponding to an average annual inflation rate of 5.42%. This is the inflation rate used in this report.

Figure 1: Urban Consumer Price Index for Tamil Nadu from January 2016 to November 2021



Notes: Green dots highlight the months of the original study and the updates. 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 was a 12% Provident Fund contribution on earnings in the original study of 2016, and this deduction remains in effect to date. Furthermore, the employee contribution towards the national health insurance scheme was 1.75% in 2016, 1.2% in 2018, and has been 0.75% since 2019. The updated living wage is still too low to pay income taxes (taxes start at a monthly wage of ₹ 20,833 per month).¹

¹ See [https://uk.practicallaw.thomsonreuters.com/2-509-0612?transitionType=Default&contextData=\(sc.Default\)&firstPage=true](https://uk.practicallaw.thomsonreuters.com/2-509-0612?transitionType=Default&contextData=(sc.Default)&firstPage=true).

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR AUGUST 2021

The updated net living wage, or take-home pay, for August 2021 is ₹15,509 per month. The gross living wage, which also takes into account mandatory payroll deductions, is ₹17,775 per month for August 2021. 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

Item	August 2016 Original Study Date		August 2021 Latest Update Report	
	Indian Rupee	USD	Indian Rupee	USD
Living Expenses for Reference Family Per Month	18,830	282	24,504	331
Net Living Wage Per Month	11,918	178	15,509	209
Income Taxes and Payroll Deductions Per Month on Living Wage	1,900	28	2,266	31
Gross Living Wage Per Month	13,818	207	17,775	240
Exchange Rate to USD	66.9		74.13	
Source of Exchange Rate	Original Report		IMF's Archive for August 2021	

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>