

# Living Wage Update: July 2020

## Rural India

Nilgiris, Tamil Nadu



Living wage per month

**INR 12,666**  
(USD 169)



Cost of decent standard  
of living for a family

**INR 18,959**  
(USD 252)



Photo by: [Mike Prince via Flickr](#)

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### 1. BACKGROUND

This report updates to July 2020 living wage and living expenses/living income for rural Nilgiris, Tamil Nadu State, India.<sup>2</sup>

The net living wage (i.e. take-home pay required for basic decency) and living expenses (living cost for a reference size family of 4 for basic decency) were both updated to the study month of the most recent calendar year – July 2020 – to take into account the amount of inflation since the original study in July 2018. Without accounting for inflation, the net living wage estimated in 2018 would not be sufficient for workers to have a basic but decent standard of living in 2020 because the purchasing power of the living wage would have decreased. Similarly, living expenses for a reference family are also updated to July 2020 to account for inflation.

The gross living wage (aka living wage) was updated to July 2020 by also taking into account mandatory deductions from pay that workers would need to pay on the updated 2020 living wage. This was done using July 2020 laws.

### 2. LIVING WAGE AND LIVING EXPENSES FOR REFERENCE SIZE FAMILY IN ORIGINAL COUNTRY REPORT IN JULY 2018

The net living wage was estimated as INR 9,894 in July 2018 in the original living wage country report. The gross living wage, which also takes into account mandatory deductions from pay for social security and professional tax, was estimated as INR 11,422 in July 2018. The living expenses for a basic but decent standard of living for a reference family of 4 in the original country report was estimated as INR 17,116 in July 2018.

### 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

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<sup>1</sup> Prepared by Ian Prates, Richard Anker and Martha Anker.

<sup>2</sup> This is an update to *Living Wage Report: Rural Nilgiris, Tamil Nadu, India* July 2018. Sandhya Barge, Richard Anker, M.E. Khan and Martha Anker. <https://bit.ly/2L8tm0j>

towns for urban prices. These prices are used to calculate the following: a national CPI, a national urban CPI, a national rural CPI, and CPIs for each state. The CPIs for each state are also reported for rural and urban areas. The base year for all the indices is 2012. We used the price index for rural Tamil Nadu to update the living wage and living expenses values for rural Nilgiris.

#### 4. RECENT LEVEL OF INFLATION

Between July 2018 and July 2020, inflation for Tamil Nadu was 11.8%. It was 10.8% for rural Tamil Nadu. This compares to 10.1% for all India and 9.1% for all rural India.

#### 5. MANDATORY PAYROLL DEDUCTIONS AND INCOME TAX ON A LIVING WAGE

In July 2018, there was a 12.5% payroll deduction towards Provident Fund on cash earnings plus INR 115 in professional tax. In July 2020, this Provident-fund deduction rate was 12.0% and the professional tax was INR 208. These were taken into consideration in estimating mandatory payroll deductions and gross living wage for July 2020.<sup>3</sup> There is no income tax on the living wage as India has a progressive income tax system and the living wage is below the tax-free income tax threshold of INR 250,000 per year.

#### 6. UPDATED LIVING WAGES AND FAMILY LIVING EXPENSES FOR JULY 2020

The updated net living wage, or take-home pay, for July 2020 is INR 10,963 (US \$146) per month. The gross living wage, which also considers income taxes and mandatory payroll deductions, is INR 12,666 (US \$169) per month for July 2020. Table 1 provides details of the original and the updated living wages and family living expenses.

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<sup>3</sup><https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-indiahighlights-2020.pdf>

**Table 1: Living wage and living expenses for rural Nilgiris, Tamil Nadu India, July 2020**

	July 2018 Original Report		July 2020 Latest Study Date	
	INR	USD	INR	USD
<b>Living Expenses for Reference Family of 4 Per Month</b>	17,116	\$245	18,959	\$252
<b>Net Living Wage Per Month</b>	9,894	\$142	10,963	\$146
<b>Income Taxes and Mandatory Payroll Deductions Per Month on Living Wage</b>	1,528	\$22	1,703	\$23
<b>Gross Living Wage Per Month</b>	11,422	\$164	12,666	\$169
<b>Exchange Rate to USD</b>	69.82		75.13*	
<b>Source of Exchange Rate</b>	Original Report		<u>IMF Archive October 2020</u>	

\*Average value for June 2020 to September 2020 three-month period that brackets July 2020.