

## Living Wage Update Report: Rural Nilgiris, Tamil Nadu, India, 2022

Living Wage Update Report No. 2022-04-01



	<b>Cost of decent standard of living for a family</b>  <b>INR 20,954</b> (USD 282)		<b>Living wage per month</b>  <b>INR 14,001</b> (USD 189)
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### **Abstract:**

This report provides updated estimates of family living income expenses and living wages for rural Nilgiris, Tamil Nadu State in India. The update for 2022 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in July 2018 (Barge, Anker, Khan & Anker, 2018).

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

**JEL classifications:** J30, J50, J80.

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## 1. BACKGROUND

This report updates the Anker living wage and family living expenses to 2022 for Rural India, Nilgiris, Tamil Nadu. The update takes into account the amount of inflation since the original study in July 2018. This is done by updating the July 2018 net living wage and living expenses to December 2021 by inflation and then adding expected inflation for 2022, according to the International Monetary Fund (IMF). This provides average living wage and living expenses estimates for 2022. 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 2022 because the purchasing power of the living wage would have decreased. The gross living wage (aka living wage) also takes into consideration income taxes and mandatory deductions from pay workers would need to pay on the updated living wage. This is done using the laws in effect by end 2021.

## 2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM 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 income taxes and mandatory deductions from pay for provident fund and professional tax, was estimated as INR 11,422 in July 2018. The living income expenses for a basic but decent standard of living for a reference family of four in the original country report was estimated as INR 17,116 in July 2018 (Barge, Anker, Khan & Anker, 2018).

## 3. INFLATION RATE USED FOR UPDATE

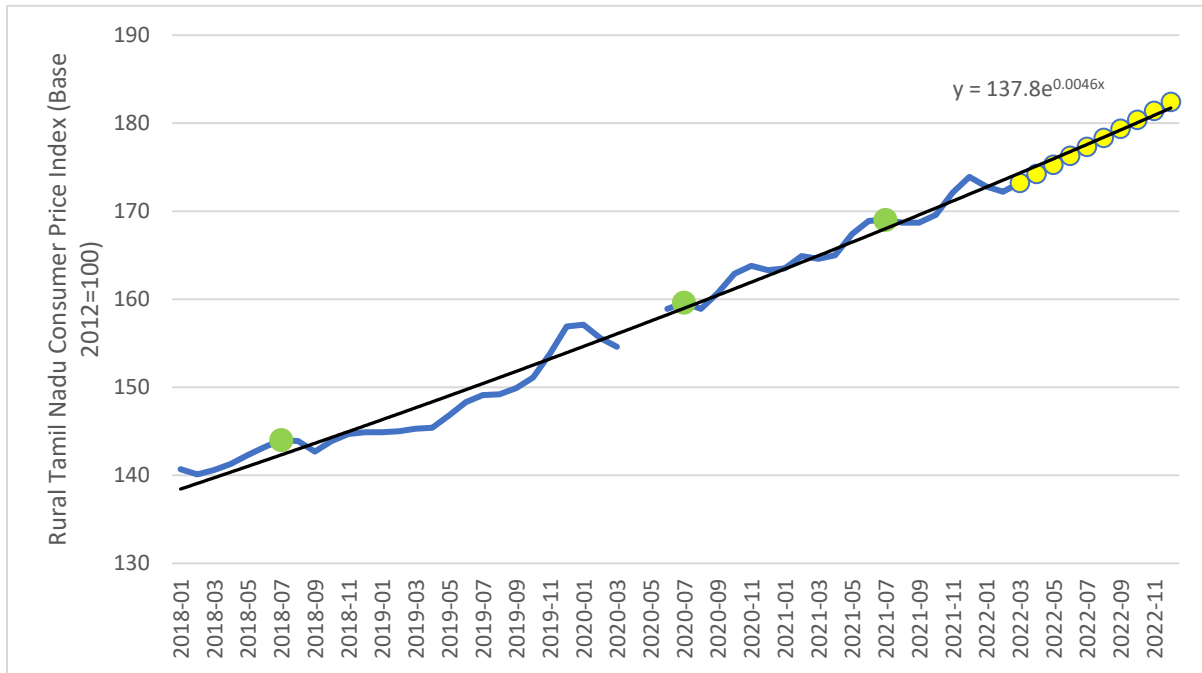
The Government of India's Ministry of Statistics and Programme Implementation (MSPI) reports several consumer price indices (CPI) for India at different levels of aggregation. The MSPI collects monthly price data from 1,181 village markets for rural prices and 1,114 markets across 310 towns for urban 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 income expenses values for rural Nilgiris.

## 4. RECENT LEVEL OF INFLATION

Between July 2018 and December 2021, inflation for rural Tamil Nadu was 20.76%. Inflation between July 2020 and July 2021 was 5.89% in rural Tamil Nadu and 6.93% in the urban Tamil Nadu. The IMF projects that the inflation rate in India for 2022 will be 4.9%<sup>1</sup> and this projection was added to the Consumer Price Index numbers shown in Figure 1.<sup>2</sup>

<sup>1</sup> See <https://www.imf.org/external/datamapper/PCPIPCH@WEO/NIC>. Information accessed 18 March 2022.

**Figure 1: Rural Consumer Price Index for Tamil Nadu from January 2018 to December 2022**



**Notes:** Green circles indicate the months of the original study and the earlier updates. Yellow circles show the forecasts for 2022. The black line is the fitted exponential trendline.

**Source:** Authors' calculations based on CPI data from MSPI.

## 5. MANDATORY DEDUCTIONS

In July 2018, there was a 12.5% payroll deduction towards provident fund on cash earnings plus INR 115 in professional tax. In the July 2020 update, this provident fund deduction rate was 12.0% and the professional tax was INR 208. These rates remain without change for this last update. So, the 12% rate for provident fund and the INR 208 in professional tax were taken into consideration in estimating mandatory payroll deductions and gross living wage for 2022. 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 or about INR 20,833 per month.

## 6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2022

The updated net living wage, or take-home pay, for 2022 is INR 12,112 per month. The gross living wage, which also takes into account mandatory payroll deductions, is INR 14,001 per month for 2022. These are average estimates for the year 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 Rural Nilgiris, Tamil Nadu, India for original study year and latest updates (in Indian Rupees and US Dollars)**

Item	July 2018 Original Study		July 2021 Update Report		2022 Update Report	
	Indian Rupee	USD	Indian Rupee	USD	Indian Rupee	USD
<b>Living Expenses for Reference Family Per Month</b>	17,116	245	20,088	271	20,954	282
<b>Net Living Wage Per Month</b>	9,894	142	11,612	157	12,112	163
<b>Income Taxes and Payroll Deductions Per Month on Living Wage</b>	1,528	22	1,820	25	1,888	25
<b>Gross Living Wage Per Month</b>	11,422	164	13,431	181	14,001	189
<b>Exchange Rate to USD</b>	69.82		74.06		74.23	
<b>Source of Exchange Rate</b>	Original Report		IMF's Archive		IMF's Archive	

Note: \* The exchange rate for mid-2022 was forecast by adding the six months change between 1/Jul/2021 and 3/Jan/2022 to the exchange rate on 3/Jan/2022 (74.31).

Source: Authors' calculations.

## 7. REFERENCES

Barge, S., Anker, R., Khan, M.E., & Anker, M. (2018) *Living Wage Report Rural Nilgiris, Tamil Nadu, India*. Available online: <https://bit.ly/2L8tm0j>