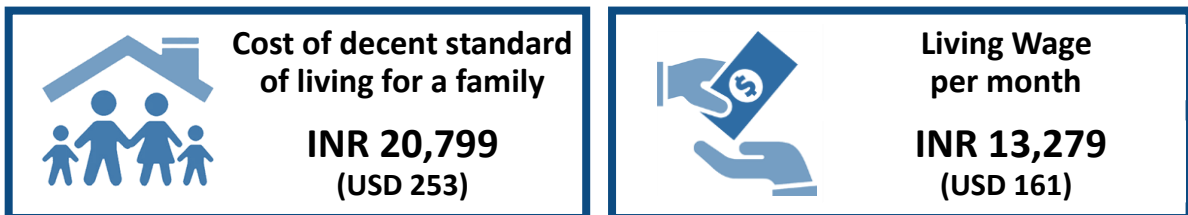


Living Wage Update Report: Rural Madhya Pradesh, India, 2023

Living Wage Update Report No. 23-04-04

Chhindwara District



Ratlam District

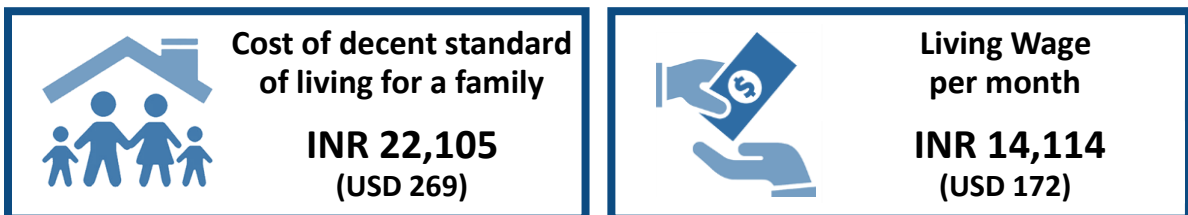


Photo credit: Nidhi Kaicker and Kuriakose Mamkoottam

Living Wage Update Report: Rural Madhya Pradesh, India, 2023

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Abstract:

This report provides updated estimates of family living expenses and living wage for the rural districts of Chhindwara and Ratlam, located in Madhya Pradesh, India. The update for 2023 takes into account inflation and changes in payroll deductions since the original Anker living wage study carried out in December 2021 (Kaicker & Mamkoottam, 2022).

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 mid-2023 for the rural districts of Chhindwara and Ratlam, located in Madhya Pradesh, India. This update takes into account the accumulated inflation since the original study in December 2021 (Kaicker and Mamkoottam, 2022). This is done by updating the December 2021 net living wage and family living income 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 2021 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 2021. 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 need to pay on the updated 2023 living wage. This is done by using laws in force in June 2023.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM DECEMBER 2021

The original living wage country report for rural Madhya Pradesh estimated the net living wage for the district of Chhindwara as INR 11,508 (USD 152) and for the district of Ratlam as INR 12,231 (USD 162) in December 2021. The gross living wage, which also takes into account mandatory deductions, was estimated for the district of Chhindwara as INR 12,198 (USD 161) and for the district of Ratlam as INR 12,965 (USD 172) in December 2021. The living expenses for a basic but decent standard of living for a reference family in the original country study was estimated for the district of Chhindwara as INR 19,241 (USD 255) and for the district of Ratlam as INR 20,450 (USD 271) (Kaicker and Mamkoottam, 2022).

3. INFLATION RATE USED FOR UPDATE

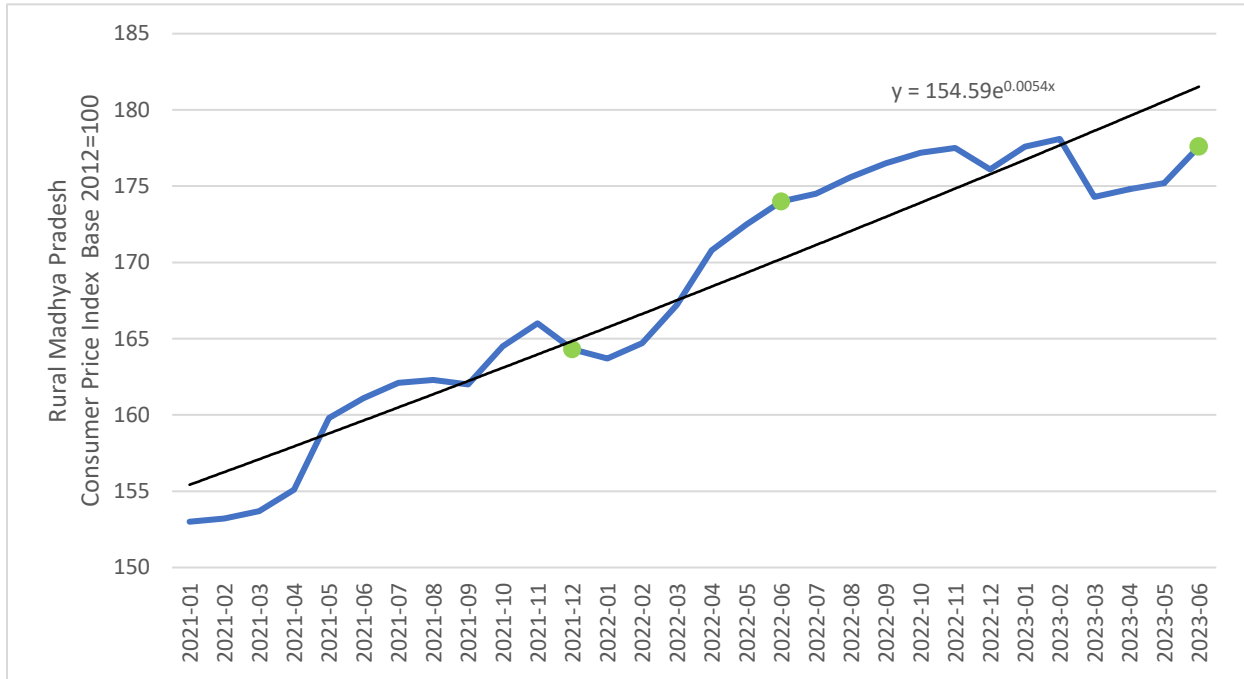
The Government of India's Ministry of Statistics and Programme Implementation (MSPI) reports several consumer price indices (CPI) for India at different levels of aggregation. The MSPI collects monthly price data from 1,181 village markets for rural prices and 1,114 markets across 310 towns for urban 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. This report uses the rural Madhya Pradesh CPI, instead of the national CPI, to update the living wage and living expenses.¹

¹ See <https://www.mospi.gov.in/cpi>

4. RECENT LEVEL OF INFLATION

Between December 2021 and June 2023, accumulated inflation amounted to 8.1% in rural Madhya Pradesh, India (see Figure 1). This is the inflation used in this report.

Figure 1: Consumer Price Index for rural Madhya Pradesh, from January 2021 to June 2023



Notes: Green circles highlight the months of the original study, earlier update, and latest update. The black line is the fitted exponential trendline.

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

5. MANDATORY DEDUCTIONS

Following the original study (Kaicker and Mamkoottam, 2022) and the last update report (Andersen et al., 2023), this report considers that 6% of the net living wage is added as employee's contribution to the Provident Fund to calculate the gross living wage. Additionally, employees contribute 0.75% of their wages to the Employee's State Insurance (ESI) Corporation.

It is worth noting that the original study and previous update did not incorporate this ESI contribution. However, due to the important role played by the ESI as a comprehensive social security scheme that includes medical, sickness, maternity, disablement, and dependant's benefits and funeral expenses², it has been included in this report.

² See <https://www.esic.in/web/esic/benefits>

Therefore, we estimate that the mandatory deductions now amount to the equivalent of 6.75% of the net living wage, considering both the Provident Fund and ESI contributions.

Regarding income taxes, as in the original study, the estimated living wage for workers and farmers in rural Madhya Pradesh is well below the limit (INR 25,000/month, effective since 1 April 2023)³ for which income tax should be paid. Hence, workers are exempted from paying income taxes.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2023

The updated net living wage, or take-home pay, for June 2023 for Chhindwara is INR 12,440 (USD 151) per month. The gross living wage, aka living wage, which also considers income taxes and mandatory payroll deductions, is INR 13,279 (USD 161). These are average estimates for 2023.

Table 1 provides details of the original and the updated living wages and family living expenses for Chhindwara.

Table 1: Living wages and living expenses for Chhindwara, Madhya Pradesh, India (in Indian Rupees and US Dollars)

Item	December 2021 Original Study Date		2022 Update Report		2023 Update Report	
	INR	USD	INR	USD	INR	USD
Family Living Expenses (1)	19,241	255	20,377	261	20,799	253
Net Living Wage (2)	11,508	152	12,187	156	12,440	151
Total mandatory deductions and income tax (3)	690	9	731	9	840	10
Gross Living Wage (2+3)	12,198	161	12,919	165	13,279	161
Exchange Rate to USD	75.6		78.1		82.3 ^a	
Source of Exchange Rate	Original Study		IMF's Archive		IMF's Archive	

Note: USD values are indicative only because exchange rates are volatile. ^aAverage exchange rate for June 2023.
Source: Authors' calculations.

³ See <https://taxsummaries.pwc.com/india/individual/taxes-on-person-come>

The updated net living wage, or take-home pay, for June 2023 for Ratlam is INR 13,221 (USD 161) per month. The gross living wage, aka living wage, which also considers income taxes and mandatory payroll deductions, is INR 14,114 (USD 172). These are average estimates for 2023.

Table 2 provides details of the original and the updated living wages and family living expenses for Ratlam.

Table 2: Living wages and living expenses for Ratlam, Madhya Pradesh, India (in Indian Rupees and US Dollars)

Item	December 2021 Original Study Date		2022 Update Report		2023 Update Report	
	INR	USD	INR	USD	INR	USD
Family Living Expenses (1)	20,450	271	21,657	277	22,105	269
Net Living Wage (2)	12,231	162	12,953	166	13,221	161
Total mandatory deductions and income tax (3)	734	10	777	10	892	11
Gross Living Wage (2+3)	12,965	172	13,730	176	14,114	172
Exchange Rate to USD	75.6		78.1		82.3 ^a	
Source of Exchange Rate	Original Study		IMF's Archive		IMF's Archive	

Note: USD values are indicative only because exchange rates are volatile. ^aAverage exchange rate for June 2023.

Source: Authors' calculations.

7. REFERENCES

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