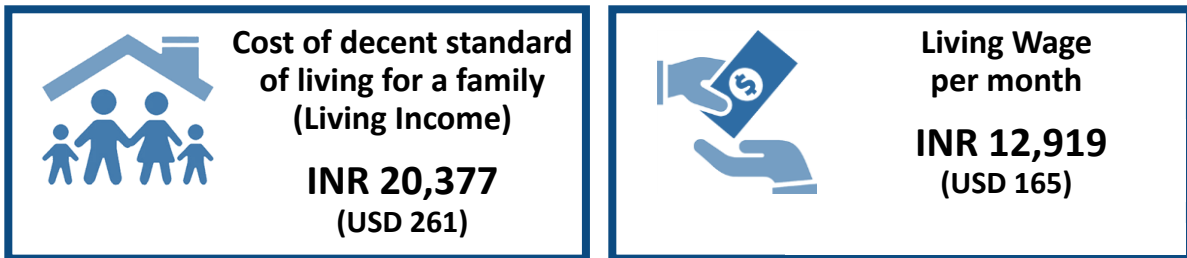


Living Income and Living Wage Update Report: Rural Madhya Pradesh, India, 2022

Living Wage Update Report No. 2022-04-37

Chhindwara District



Ratlam District

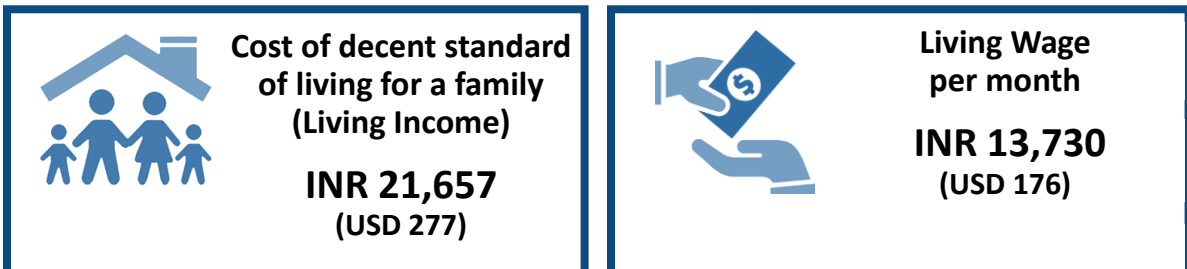


Photo credit: Nidhi Kaicker and Kuriakose Mamkoottam

Living Income and Living Wage Update Report: Rural Madhya Pradesh, India, 2022

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Abstract:

This report provides updated estimates of family living income and worker living wage for the rural districts of Chhindwara and Ratlam, located in Madhya Pradesh, India. The update for June 2022 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-2022 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 by updating the December 2021 net living wage and family living income expenses to June 2022 by inflation. 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 2022, because the purchasing power of the living wage would have decreased compared to what it was in 2021.

2. LIVING INCOME AND WAGE ESTIMATE IN ORIGINAL 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).

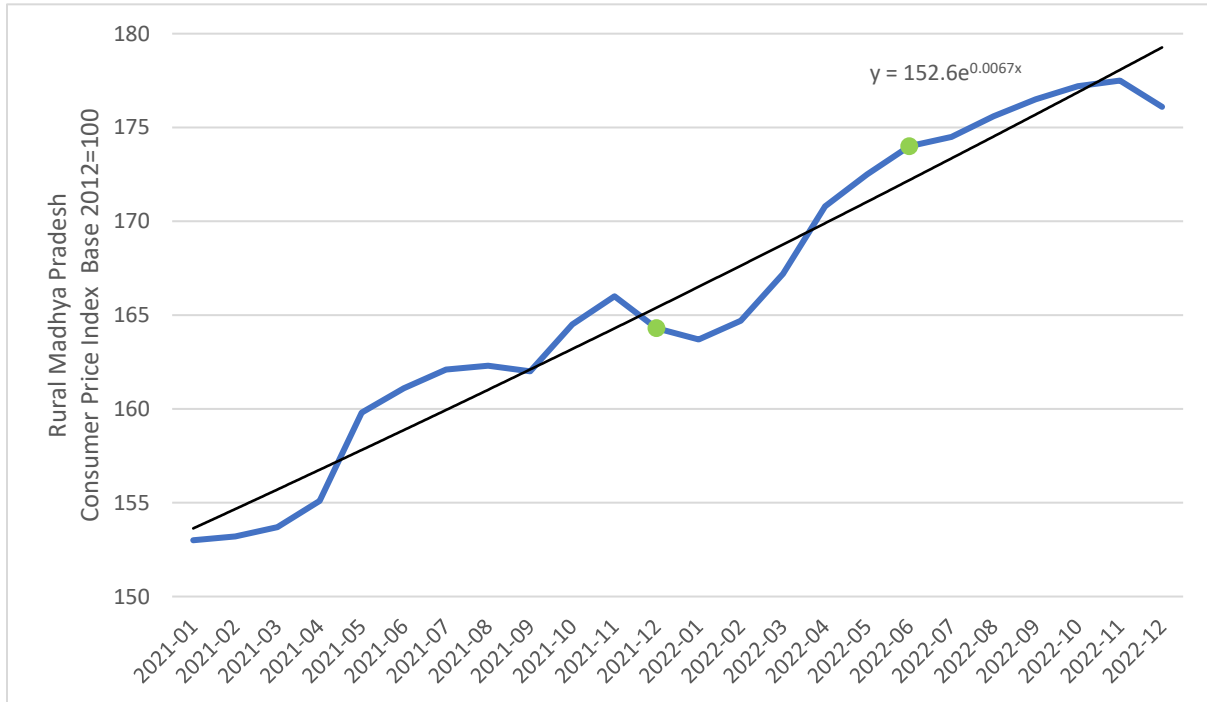
3. INFLATION RATE USED FOR UPDATE

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.

4. RECENT LEVEL OF INFLATION

Between December 2021 and June 2022, accumulated inflation amounted to 5.9% in rural Madhya Pradesh, India.

Figure 1: Consumer Price Index for rural Madhya Pradesh, from January 2021 to December 2022



Notes: Green circles highlight the months of the original study 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), 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. Regarding income taxes, as in the original study, the estimated living wage for workers and farmers in rural Madhya Pradesh is well below the 2022 limit (INR 20,833.33/month)¹ for which income tax should be paid. Hence, workers are exempted from paying income taxes.

¹ See <https://taxsummaries.pwc.com/india/individual/taxes-on-personal-income>

6. UPDATED LIVING INCOME AND LIVING WAGE FOR 2022

The updated net living wage, or take-home pay, for June 2022 for Chhindwara is INR 12,187 (USD 156) per month. The gross living wage, aka living wage, which also considers income taxes and mandatory payroll deductions, is INR 12,919 (USD 165). 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 for original study and latest update (in Indian Rupees and US Dollars)

Item	December 2021 Original Study Date		June 2022 Update Report	
	INR	USD	INR	USD
Living Expenses for Reference Family Per Month (Living Income)	19,241	255	20,377	261
Net Living Wage Per Month	11,508	152	12,187	156
Income Taxes and Payroll Deductions Per Month on Living Wage	690	9	731	9
Gross Living Wage Per Month	12,198	161	12,919	165
Exchange Rate to USD	75.6		78.1*	
Source of Exchange Rate	Original Study		IMF's Archive	

**Note: Average exchange rate for June 2022.*

Source: Authors' calculations.

The updated net living wage, or take-home pay, for June 2022 for Ratlam is INR 12,953 (USD 166) per month. The gross living wage, aka living wage, which also considers income taxes and mandatory payroll deductions, is INR 13,730 (USD 176). 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 for original study and latest update (in Indian Rupees and US Dollars)

Item	December 2021 Original Study Date		June 2022 Update Report	
	INR	USD	INR	USD
Living Expenses for Reference Family Per Month (Living Income)	20,450	271	21,657	277
Net Living Wage Per Month	12,231	162	12,953	166
Income Taxes and Payroll Deductions Per Month on Living Wage	734	10	777	10
Gross Living Wage Per Month	12,965	172	13,730	176
Exchange Rate to USD	75.6		78.1*	
Source of Exchange Rate	Original Study		IMF's Archive	

*Note: Average exchange rate for June 2022.

Source: Authors' calculations.

7. REFERENCES

Kaicker, N. & Mamkoottam, K. (2022). "Living Income and Living Wage: Rural Madhya Pradesh, India. Global Living Wage Coalition. Available online: https://www.globallivingwage.org/wp-content/uploads/2023/04/Benchmark_LIVING-INCOME-AND-LIVING-WAGE-REPORT_Rural-Madhya-Pradesh-India-FINAL.pdf