

Living Wage Update Report: Rural Bhadohi, Uttar Pradesh, India 2024

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 <p>Cost of decent standard of living for a family</p> <p>INR 20,781 (USD 249)</p>	 <p>Living Wage per month</p> <p>INR 14,350 (USD 172)</p>
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Abstract:

This report provides updated estimates of family living expenses and living wage for rural Bhadohi, Uttar Pradesh, India. The update for 2024 takes into account inflation since the original Anker living wage study carried out in December 2015 (Kuriakose and Kaicker, 2015) as well as payroll deductions that should be paid if workers were formally employed.

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 2024 for rural Bhadohi district in Uttar Pradesh, India. This area is part of the largest hand-knotted carpet weaving industry hub in south Asia. This update report takes into account price inflation since the original study in December 2015 (Kuriakose and Kaicker, 2015). This is done by updating the December 2015 net living wage and family living income expenses to June 2024 by inflation. Without accounting for inflation, the living wage estimated in 2015 would not be sufficient for workers to have a basic but decent standard of living in 2024, because the purchasing power of the living wage would have decreased compared to what it was in 2015.

Since rural carpet weavers in Bhadohi are informal sector workers doing piece rate work, they do not have payroll deductions, and for this reason, the original 2015 living wage report considered the net living wage and the gross living wage (aka living wage) to be the same. However, the gross living wage is higher for formal sector workers who have mandatory payroll deductions of 6% for provident fund and 0.75% for ESI health insurance. The current policy of the Anker Research Institute and the Global Living Wage Coalition is that the operative living wage for a location should be for formal sector workers in part because it is important to avoid a race to the bottom on wages and in part because informal sector workers have additional uncertainties and insecurities and costs. Therefore, as in the previous update for 2023, this living wage update report includes not only an inflation adjustment, but also provident fund and ESI payroll contributions.

2. LIVING WAGE ESTIMATE IN ORIGINAL COUNTRY REPORT FROM DECEMBER 2015

The original living wage report for rural Bhadohi estimated the net living wage and gross living wage at INR 8,929 in December 2015 for informal sector piece rate workers. This was the required take-home pay for decency in December 2015 for such workers who did not have payroll deductions because of the informal nature of their work. The living expenses for a basic but decent standard of living for a reference family in the original study was estimated as INR 13,803 in December 2015 (Kuriakose and Kaicker, 2015).

3. INFLATION RATE USED FOR UPDATE

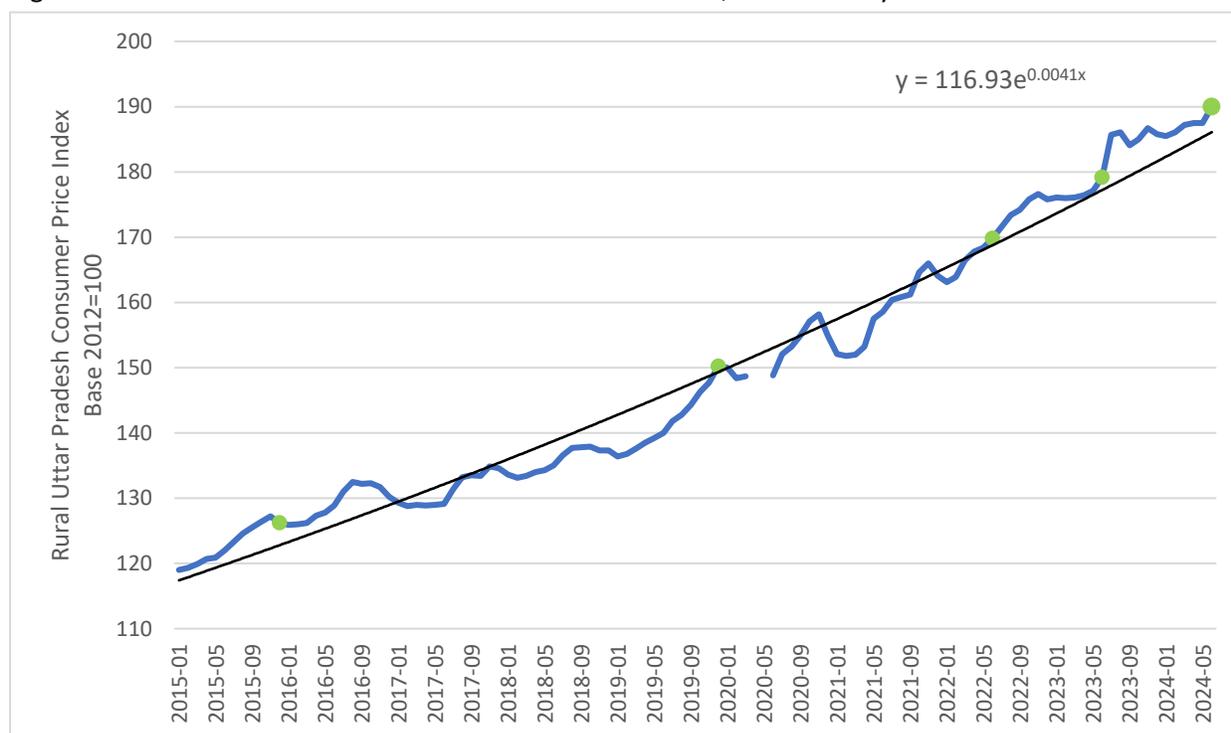
The Government of India's Ministry of Statistics and Programme Implementation (MSPI) reports several consumer price indices (CPI) for India at different levels of aggregation. The MSPI collects monthly price data from 1,181 village markets for rural prices and 1,114 markets across 310 towns for urban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

4. RECENT LEVEL OF INFLATION

Between December 2015, when the original study was carried out, and June 2024 price inflation in rural Uttar Pradesh, India, was 50.6% (see Figure 1). This is the inflation used in this report.

Figure 1: Rural Consumer Price Index for rural Uttar Pradesh, from January 2015 to June 2024



Notes: Green circles highlight the months of the original study and earlier updates. The 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 is a statutory payroll deduction for the Provident Fund of 12% which is assessed on worker's basic wage and dearness allowance components of the total salary. Although there is no legislative norm in India on the actual proportion of pay and allowances that are subject to the 12% provident fund deduction, some court judgements and general practice suggest that allowances do not generally exceed 50% of the total pay. Given this background, we estimate that about 6% of the net living wage is deducted as employees' contribution to the Provident Fund. Additionally, employees contribute 0.75% of their wages to the

¹ See <https://www.mospi.gov.in/cpi>.

Employee's State Insurance (ESI) Corporation. The ESI Scheme performs the role of a social security scheme that includes medical, sickness, maternity, disablement, and dependant's benefits and funeral expenses². Therefore, we estimate that the mandatory deductions amount to the equivalent of 6.75% of the net living wage. It is worth noting that the original study did not incorporate this ESI contribution nor the Provident Fund of 6%. However, due to the important role they play it has been included in this report as well as in the previous report for 2023 (Medinaceli et al., 2023).

Regarding income taxes, as in the original study, the estimated living wage for rural Uttar Pradesh is well below the limit (INR 25,000/month, effective since 1 April 2024)³ for which income tax should be paid. Hence, workers are exempted from paying income taxes.

6. UPDATED LIVING WAGES AND FAMILY EXPENSES FOR 2024

The gross living wage (aka living wage) for 2024 is INR 14,350 (USD 165), consisting of INR 13,443 (USD 161) of take-home pay and INR 907 (USD 11) in payroll deductions (provident fund and ESI health insurance). Table 1 provides details of the original and the updated living wages and family living expenses.

Table 1: Living expenses and living wage for rural Bhadohi, Uttar Pradesh, India (in Indian Rupees and US Dollars)

Item	December 2015 Original Study		2023 Update Report		2024 Update Report	
	INR	USD	INR	USD	INR	USD
Family Living Expenses (1)	13,803	206	19,600	238	20,781	249
Net Living Wage (2)	8,929	133	12,679	154	13,443	161
Total mandatory deductions and income tax (3)	0	0	856	10	907	11
Gross Living Wage (2+3)	8,929	133	13,535	165	14,350	172
Exchange Rate to USD	67.0		82.3 ^a		83.5 ^b	
Source of Exchange Rate	Original Study		IMF Archive		IMF Archive	

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

^bAverage exchange rate for June 2024.

Source: Authors' calculations.

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

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

7. REFERENCES

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