

GOVT REVISES BASE YEAR FOR CPI-IW, ADDS WEIGHT TO HOUSING, EDUCATION, HEALTH

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Inflation & Monetary Policy

NEW DELHI: The labour ministry has [revised the base year](#) of the Consumer Price Index-Industrial Workers (CPI-IW) from 2001 to 2016, giving more weight to spending on housing, education and health in inflation index calculation.

The revision in base year will reflect changing consumption pattern of the working-class population over the years.

Following the change in base year, the index will give 39% weight to food and beverage consumption of workers now as against 46.2% earlier. In contrast, spending on housing will get almost 17% weight as against 15.2% earlier.

Among consumption categories, a segment comprising spending on heads like education, health and transport by workers has been given a sizable jump in weight from 23% earlier to 30% now.

The CPI-IW is used as a benchmark for calculating dearness allowance for government employees, dearness relief for pensioners and wages for industrial workers in some sectors. Though it may not impact the salary of industrial workers and DA of government staff immediately, it will have a cascading impact on salary, DA and DR of workers, and pensioners.

The CPI, published by the ministry of statistics, has pegged retail inflation at 6.69% in August and food inflation at over 9% in the same month and in contrast CPI-IW is much lower. As per the latest data, year-on-year inflation (CPI-IW) stood at 5.63% for August compared with 5.33% for July and 6.31% recorded in August 2019.

This means, the change in base year of CPI-IW may give a much real inflation index and thus influence the connected pay matrices.

"It's an important financial indicator, and help in relevant policy making," said labour minister Santosh Gangwar.

"The revision of CPI IW reflects changing consumption pattern and the labour bureau will now on revise it every five years," union labour secretary Apurva Chandra said.

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