

# MGNREGA WAGES TO BE PEGGED TO INFLATION

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“They have now agreed to update the indices annually. MGNREGA wages will be linked to whichever index is higher in a particular State,” said the official, estimating that the increased wages based on updated inflation indices may result in 10% higher government expenditure on the scheme.

Wage rate revisions are usually notified at the beginning of a financial year, but the Ministry is trying implement the hike during the current year itself, as part of a stimulus package to counter the ongoing slowdown.

“If transferring expenditure [via MGNREGA] is done, rural wages could increase and that could percolate down into more purchasing power in the hands of the consumer,” said Soumya Kanti Ghosh, chief economic advisor for the State Bank of India.

However, some economists questioned whether the move is sufficient to revive demand.

“Of course, any increase in wages is welcome. But the base rate itself is so low for MGNREGA, so it may not be enough to link it to inflation now,” said Dipa Sinha, an economist teaching at Ambedkar University.

## Wide gap

According to the latest Periodic Labour Force Survey, market wages for men were higher than MGNREGA wages by 74% in 2017-18, while for women, it was a 21% gap. “They must first increase the wages and subsequently ensure better inflation indexation. Otherwise, the impact will be minimal,” said Dr. Sinha.

Even with existing wages, the scheme is running out of funds due to increased demand for work. MGNREGA received a budgetary allocation of Rs. 60,000 crore, of which more than 75% has already been released by the Centre even before the halfway point of the year. Last week, the RD Ministry asked the Finance Ministry for an additional supplementary grant of Rs. 15,000-Rs. 20,000 crore.

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