

A RURAL STIMULUS: ON MGNREGA WAGE HIKE

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The government's statistical machinery has begun work on revising the indices that capture the trends in consumer prices experienced in rural India. This opens up the prospect for an upward revision in the wages paid out to workers under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). The current national average wage is just about 178 per day. The decision to finally embark on a long-overdue exercise is welcome, irrespective of the immediate trigger. The basket of items whose prices are tracked for constructing the Consumer Price Index for Agricultural Labourers (CPI-AL), for instance, has not been updated for at least three decades. Apart from essential spending on food, rural expenditure patterns have altered significantly in the intervening period, making space for higher spending on services such as education, transport and, of course, telecom. But two-thirds of the dated inflation index is still driven by food prices, which may effectively end up understating the price pressures facing rural households. This depressant effect could be accentuated when low food inflation coincides with decelerating farm incomes that still drive India's rural economy. Once a new basket is constructed, the Statistics Ministry, along with the Labour Bureau, plans to improve the currency of the CPI-AL (to which MGNREGA wages are linked) and CPI-Rural indices with annual reviews.

If the index revision concludes soon enough, the Centre is geared up to notify updated MGNREGA wages in the current fiscal year itself rather than wait for the onset of 2020-2021. This sense of urgency suggests the government views giving a fillip to the rural economy as a critical tool to combat the headwinds of the slowing economy. The slowdown narrative (and the Centre's measures to address it) so far has been dominated by urban India's consumption crimp and easing the corporate tax structure, but the distress in villages where incomes are more vulnerable is more disconcerting. The Reserve Bank of India, in its annual report, has pointed to weakening rural demand since the third quarter of 2018-19 as a serious concern and termed reviving consumption as its top policy priority. Reflecting rural distress, demand for work under the MGNREGA has been rising. With job creation in a flux and sentiment about the economy worsening, any move to put more money into rural households' 'sticky' spending kitty would likely have a better pay-off towards stirring up the economy than shopping fests and tax sops for urban India.

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