MGNREGA Wage Hike

Why in News?

Centre plans to inject more money into the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme.

Why the indices capturing the trends in consumer pricesshould be revised?

- The government's statistical machinery has begun work on revising the indices that capture the trends in consumer prices in rural India.
- The current national average wage is about**Rs.178 per day**.
- The decision to finally embark on a long-overdue exercise is welcome.
- The rural expenditure patterns have altered significantly in the intervening period.
- Apart from essential spending on food, they are making space for higher spending on services such as education, transport and telecom.
- But two-thirds of the dated inflation index is still driven by food prices.
- Thismethod may effectively end up understating the price pressures facing rural households.
- This depressant effect could be highlighted when low food inflation coincides with decelerating farm incomes that still drive India's rural economy.

How will the price hike help?

- Once the new basket is constructed, the Statistics Ministry and the Labour Bureau plans to improve the currency of the CPI-AL (MGNREGA wages are linked to this) and CPI-Rural indices with annual reviews.
- The revision opens up the prospect for an upward revision in the wages paid out to workers under the MGNREGA.
- If the indices revision concludes soon enough, the Centre is geared up to notify updated MGNREGA wages in the current fiscal year of 2019-2020 itself rather than wait for the onset of 2020-2021.
- This sense of urgency suggests the government views giving a boost to the rural economy as a critical tool to combat the headwinds of the slowing economy.
- The slowdown narrative 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 disturbing.
- The RBI's annual report points out,
    1. **Serious concern** -Weakening of rural demand since the third quarter of 2018-19
    2. **Top policy priority** - Reviving consumption.
- Reflecting rural distress, demand for workunder the MGNREGA has been rising.
- The job creation is in a flux and sentiment about the economy is also worsening.
- So, any move to put more money into rural households' spending kitty would likely have a better pay-off towards stirring up the economy.

Source: The Hindu

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