

Declining wages

What is the issue?

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- Recently Economic Advisory Council has found that demonetisation has contributed to rising rural wages.

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- However the ground reality shows a different scenario.

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What is the government's claim on rural wages?

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- The claim is based on analysis of rural wage data for two categories of workers, ploughmen and carpenters.

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- The government claims the real wages of ploughmen -GAL (General Agricultural labours)and carpenter - NAL (Non-Agricultural labours) has been increased since May 2014.

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- To prove the claim government has shown the rise in carpenter wages as representative of non-agricultural wages.

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What is the real scenario of rural wages?

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- Most wages started rising in July 2016 since it was the first good agricultural year after the back-to-back droughts of 2014 and 2015.

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- But the real wages had declined for all occupations except for plantation workers compared to their level in May 2014.

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- Real wages for all occupation groups, except harvesting, have declined in July 2017 compared to May 2014, re-confirming the slowdown of the economy post demonetisation.

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Does demonetisation really contributed to wage raise?

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- With demonetisation, most landlords would have preferred to dispose their cash by paying wages at higher rates than depositing the money in banks.
- There was also an increased spending by the government in rural areas after demonetisation, once it was clear that demonetisation has disrupted the rural economy.
- It was clearly evident that spending has been increased on the Mahatma Gandhi Rural Employment Guarantee Act (MGNREGA) which continued until March 2017.
- Precisely because of this, wages start declining as soon as the stimulus is withdrawn.

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What are the concerns with the government's claim?

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- Demonetisation caused a decline in rural demand and contributed to a fall in agricultural prices following the good harvest in 2016.
- Government fails to highlight the wages of GAL who are being the representatives of rural economy.
- It ignores to accept the sharp drop in inflation which contributed to the real wage growth.

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Source: The Indian Express

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