

## 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 prices should 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.
- This method 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 work under 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**

