

Govt launches new series for CPI-IW, no impact on dearness allowance

Updated at October 23, 2020 01:35 IST

- **CPI-IW is used to compute DA of govt employees and industrial workers. The DA gets revised twice a year and is meant to adjust wage to the impact of inflation.**

The Centre will revise the base year for calculating the consumer price index (CPI) for agricultural and rural labourers next year — a move that will have an impact on the wages of Mahatma Gandhi National Rural Employment Guarantee scheme (MNREGS) workers.

The government on Thursday launched the new series of CPI for industrial workers (CPI-IW) with a new base year of 2016. This is used by policymakers for tracking inflation and for fixing dearness allowance (DA) of employees and industrial workers.

“I expect the Labour Bureau, which is working towards modifying the base year for CPI for agricultural and rural labourers, to complete the task by August 2021 so that the new index can also be issued for the same,” Gangwar said here, while launching the new CPI-IW base. The base year for the CPI agricultural and rural labourers, used for computing wages for agricultural and MNREGS workers, is 1986-87 and will change to 2019.

Under the new series, the CPI-IW for September stood at 118. Labour Bureau Director General DPS Negi said the linking factor for the conversion of new series to the old one, which had a base year of 2001, is 2.88. Under the previous base, the CPI-IW for August stood at 338, which would be 117.4 now after accounting for the linking factor. The move may not, however, have an immediate bearing on the salaries of around 30 million industrial workers and 4.8 million central government employees, government officials said. The DA, a component of salary, is revised every six months to keep pace with the inflation rate. For private sector workers, the central government and most states increase the variable DA component of minimum wages twice a year based on the CPI-IW inflation numbers.

THE PLAN

- **Labour Bureau to revise the base year for CPI agricultural (AL) and rural labourer (RL) from 1986 to 2019**
- **CPI-AL and CPI-RL will be released by August 2021; will impact MGNREGA and farm jobs wages**
- **Labour Bureau to compile all datasets under all four labour codes to analyse the labour market**
- **The bureau has started work on surveys related to migrant labour, domestic and professional workers**
- **Govt released maiden CPI-IW index with base year of 2016, from 2001, for September 2020 on Thursday**
- **CPI-IW – used to compute dearness allowance – to be revised every five years from now on**

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Resource: Business Standard, 23 Oct 2020

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“If you look at the linking factor of 2.88 and compare the new index with the old, as of date, it will have no impact on DA. It will remain as it is. But as we move forward, the impact on DA may vary,” Negi said. A senior Labour Bureau official said DA is calculated based on 12-month weighted average so the impact of the new base for CPI-IW on DA will be visible in the long run.

Terming it “momentous”, Labour and Employment Secretary Apurva Chandra said the base year for CPI-IW will undergo a change every five years going ahead. Negi added that the next series, with a base year of 2022, will be released in 2025.

The labour minister said the Labour Bureau will be mandated to collect data under all the four labour codes, which will likely be notified in the next fiscal. The bureau has also been mandated to separately conduct surveys on migrant workers, domestic workers, and the professional workforce, the minister added.

The CPI-IW will give more weight to non-food items than the 2001 index. The weighting for food and beverages components is set to decline from 46 per cent to 39 per cent in the new series.

On the other hand, the weighting for non-food items such as education, health, entertainment and recreation, household goods, and services, transport and communication is slated to jump from 23 per cent in 2001 to 30 per cent in 2016.