Rural Wages over the Past Five Years

Why in news?

A study on rural wages over the past 5 years was recently published based on the Labour Bureau data on wages.

What are the highlights?

- **2018** - Rural wages have grown 3.8% year-on-year in December, 2018.
- Given the annual rural consumer price index (CPI) inflation of 1.5%, it means wages rose just over 2.3% in “real” terms (wages adjusted for inflation).
- **Last 5 years** - The average year-on-year wage growth for December during 2014 to 2018 (NDA government) stands at 4.7% in nominal terms and a mere 0.5% in real terms.
- In comparison, for the same month of the preceding 5 years (2009 to 2013), nominal rural wages grew by an annual average of about 17.8%.
- With average CPI inflation for agricultural workers at 11.1% over the same period, the real growth in wages was still higher at 6.7% a year.

What is the new trend?

- The lower wage growth in the last 5 years has not been confined to agriculture-related work alone.
- The average growth in December for eight main agricultural occupations was higher (5.14%) than for general wages (4.68%)
- On the other hand, the December year-on-year wage growth for skilled workers has lagged behind overall rural wage growth in 3 out of the last 5 years.
- The average growth in wages for construction and general non-agricultural labour has been even lower.
- In other words, the crisis in rural India now is not just about farm incomes, as it is equally 'off-farm' as 'on-farm'.
- Agricultural productivity with favourable rainfall conditions and remunerative farm prices, and non-farm employment at better wages are the main sources of poverty reduction in rural areas.
- But notably, both of these crucial elements for poverty reduction have been absent in the past five years.

YEAR-ON-YEAR WAGE GROWTH (%)

	Rural	Agri	Skilled	Rural CPI inflation%
Dec 2018	3.84	4.64	4.06	1.50
Dec 2017	4.21	4.50	3.91	5.27
Dec 2016	6.07	6.77	5.50	3.83
Dec 2015	4.68	4.67	4.38	6.32
Dec 2014	4.58	5.13	6.16	4.16

Note: All figures for male workers. Rural: Simple average for 25 occupations. Agri: Average for ploughing, sowing, harvesting, picking, horticulture, animal husbandry, general farm labour and plant protection. Skilled: Average for carpenter, blacksmith, mason, plumber, electrician and LMV/tractor driver. Source: Labour Bureau and Central Statistics Office.

What does this call for?

- The wage trend coincides with increasing divergence in wholesale inflation in food and non-food items in recent times.
- E.g. In December 2018, wholesale inflation for food items was -0.07% but it was 4.45% for non-food items.
- This is a sign that the terms of trade have turned decisively against agriculture.
- The government will thus have to examine how this state of affairs can be remedied.
- Non-farm employment in rural areas clearly needs a boost.
- Historically wages for non-farm employment have been boosted by spending on health and education.
- The focus now needs to be on quality assurance in these sectors, particularly when it comes to public provision of these services.
- Besides, the question of agricultural prices and terms of trade also needs to be considered, with a pro-farmer trade policy.
- As, the world price of commodities has a significant impact on terms of trade for Indian farmers.
- Farmers need to be allowed to take full advantage of increases in world prices.
- Properly working commodity markets that are globally integrated and allow

for various forms of insurance and safeguards must be a priority.

Source: Indian Express, Business Standard

