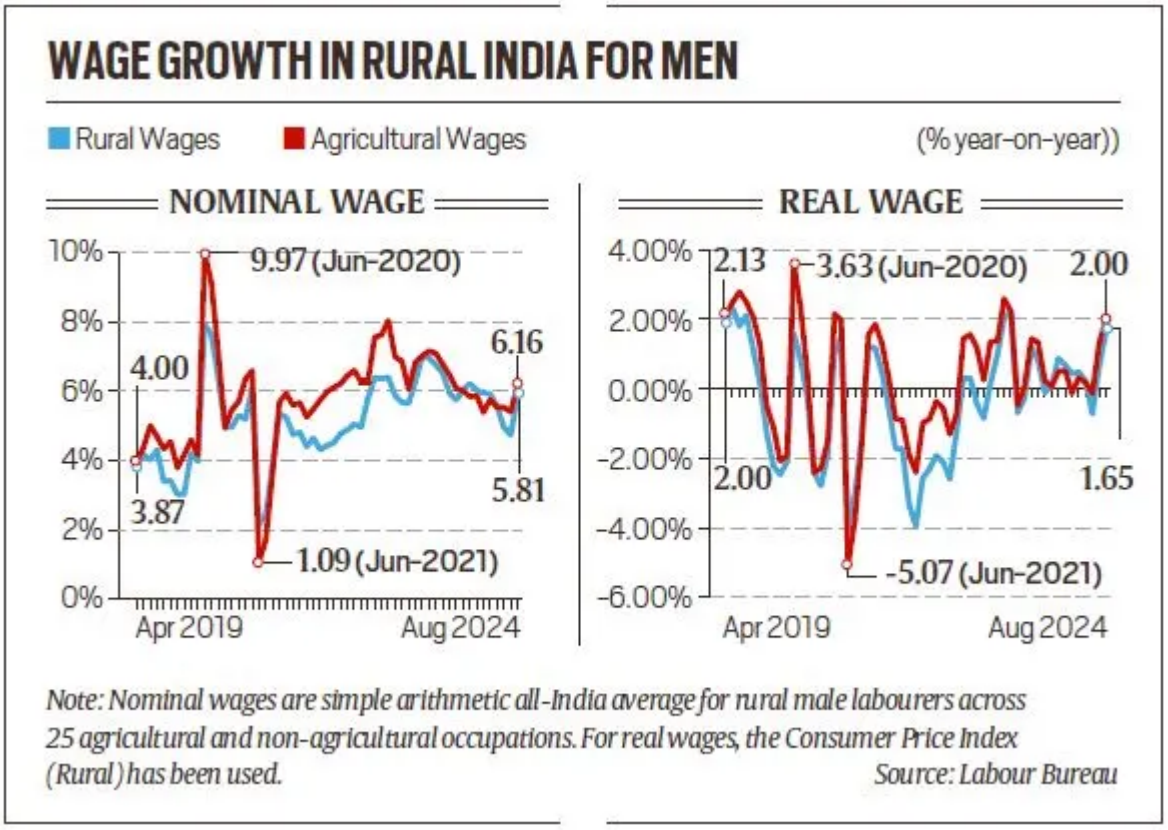
The Paradox of Stagnant Rural Wages

Why in News?

Despite the high growth rate of Indian economy , the rural wages growth has been very minimal.

What is the disparity in rural wages?

- **Economic Growth** - The Indian economy has grown at an average annual rate ***of 7.8% in the last three fiscal years*** (April-March) alone.
- **Farm Sector Growth** – Average growth rate of farm sector in this period 4.2%.
- **Nominal Rural Wage Growth** - The average nominal year-on-year growth in rural wages between 2018-19 to 2023-24 is ***5.2%.***
    - The Growth in Agricultural wages – 5.8%
- **Less Real Growth** - Inflation-adjusted average real annual growth was ***-0.4%*** for rural and ***0.2% for*** agricultural wages during this period.



- **Disparity** - Real rural wages remains stagnant, if not negative, when the country's GDP and the farm sector growth have been decent-to-good.
- **Impact of the Disparity** - When jobs and incomes do not exhibit growth commensurate with wider GDP measures, it affects the consumption, sales leading to

stagnant economy.

Rural consumption went up by just 0.5% y-o-y in the second quarter of FY24, the slowest pace recorded in eight quarters.

What are the reasons for the disparity in rural wages?

- **Rising Female LFPR** - Labour Force Participation Rates (LFPR) among women is increasing.
  - The all-India average female LFPR was only 24.5% in 2018-19.
  - It rose to ***41.7% in*** the latest official ***Periodic Labour Force Survey for 2023-24*** (July-June).

LFPR is the percentage of the population aged 15 years and above that is working or seeking/willing to work for a relatively long part of a particular year.

- **Increasing RLFPR** - Rural female LFPR has been increased from 26.4% in 2018-19 to 47.6% in the following five years.

Sharp jump of 21.2 percentage points in the rural female LFPR since 2018-19.

- **Less Male LFPR Growth** - During 2018-19 to 2023-24, the male LFPR has gone up only marginally, from 75.5% to 78.8% for all-India and from 76.4% to 80.2% for rural India.
- **Better Living Standards** - Flagship programmes like Ujjwala, Har Ghar Jal, Saubhagya, and Swachh Bharat have eased the access to clean cooking fuel, electricity, piped drinking water, and toilets.
- **Declining Women's Burden** – These schemes have also freed up rural women's time and effort that went into fetching water or collecting firewood and dung.
- **Increasing Productivity of Women** - Being able to cook faster using LPG cylinders has enabled them to deploy their energies towards more productive outside employment.
- **Increase in Rural Workforce** - Freeing up of women's time and rise in female LFPR have, also significantly boosted the aggregate size of the rural workforce.
- **Reduction in Rural Wage** - The rightward shift of the labour supply curve (more people willing to work at the same or lower rates) has then exerted downward pressure on real rural wages.
- **Increasing Female Farm Labour** – Most of the women entering the rural labour force are working in greater numbers on farms.
  - Share of agriculture in rural female employment has increased from 71.1% to 76.9% between 2018-19 and 2023-24.
- **Declining Farm Income** - Supply of more labour into the already marginally productive sector, had further depressed the farms wages.

- **Less Labour-Intensive Growth** – The Growth process is becoming increasingly capital-intensive and labour-saving as well as labour-displacing.

If growth is coming from sectors or industries requiring fewer workers for every unit of output, then most of the income generated is from capital (i.e. profits of firms) as against labour (wages/compensation of employees).

What can be done to improve rural wages?

- **Boost Labour Demand** - Rural wages can only increase if the demand for rural labor grows faster than its supply.
- **Promote Rural Non Farm Employment** – It is necessary to absorb the increasing rural labour supply especially the female labours.
- **Rural Infrastructure Development** - Rural electrification, roads and banks can increase real agricultural wages by facilitating the nonfarm livelihood and employment.
- **Enhance Skill Development** - Invest in skill development programs to improve the employability and productivity of rural workers.
- **Income Transfer Schemes** – State government schemes like Maharashtra's Ladki Bahin Yojana supplements the rural wages with government basic incomes to women.
- **Farm Income Supplement** – Rs.6,000-per-year income transfer to some 11 crore farmer households under the KISAN Schemes.
- **Subsidized Food** - 5 kg/month free-grain scheme for over 81 crore people under through public distribution system.
- **MGNREGA** – MGNREGA wage acts as the minimum wage limit in rural areas and Increasing the MGNREGA wage will also increase rural wages.

References

[The Indian Express | The paradox of stagnant rural wages]

Quick Facts

- **Wage Rate Index** – It depicts movement of relative change experienced in the wage rates over a period of time.
- Labour Bureau compiles and releases data on Absolute Wage Rate, Wage Rate Indices and Wage Rate at Industry/Stratum level.
- Wage Rate Indices are being compiled on the base year 2016 = 100.
- **Industrial Coverage** - At present the Wage Rate Indices are being compiled for 37 industries (30 manufacturing industries, 4 mining industries and 3 plantation industries).
- The wage growth has been estimated in both nominal (current value) and real (after deducting annual inflation based on the consumer price index for rural India) terms, and for all rural as well as agricultural occupations.



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