



Paradox of Stagnant Rural Wages

For Prelims: [Farm Sector](#), [Inflation](#), [Purchasing Power](#), [Labour Bureau](#), [Horticulture](#), [Animal Husbandry](#), [Consumer Price Index](#), [Female Labour Force Participation Rate \(LFPR\)](#), [GDP Growth](#), [Small-Scale Industries](#), [Cottage Industries](#), [MGNREGA](#), [Disposable Income](#), [Nutrition](#), [PM-KISAN](#), [Minimum Wages](#), [High-Quality Seeds](#), [Food Processing](#).

For Mains: Causes and implications of rural wage stagnation. Ways to address rural wage stagnation.

[Source: IE](#)

Why in News?

Recently, the **Indian economy** and [farm sector](#) have grown at an average annual rate of **4.6% and 4.2% respectively** from **2019-20 to 2023-24** but it has not led to an increase in [rural wages](#).

- This highlights the paradox of rural wages, where, despite [Gross Domestic Product \(GDP\)](#) growth, wages for workers in both agricultural and non-agricultural sectors have either stagnated or declined.

What is the Current State of Rural Wages?

- **Nominal Wages:** From April 2019 to August 2024, **rural wages** grew at an average annual rate of **5.2% nominally** (actual amount **without adjusting for inflation**).
 - For **agricultural wages** specifically, nominal growth was slightly higher at **5.8%**, reflecting **stronger demand or labour dynamics** in agriculture.
- **Real Wages:** From April 2019 to August 2024, **real wage growth (wage adjusted for inflation)** for rural workers overall was **negative at -0.4%**, while **agricultural wages** posted a modest **0.2% increase**.
 - This indicates that while wages **rose in absolute terms**, [inflation](#) outpaced these gains, eroding [real purchasing power](#) for rural workers.
- **Current Fiscal Trends:** In the first five months of the **2023-24 fiscal year (April-August)**, nominal and real growth rates of agricultural wages were at **5.7% and 0.7%, respectively**.

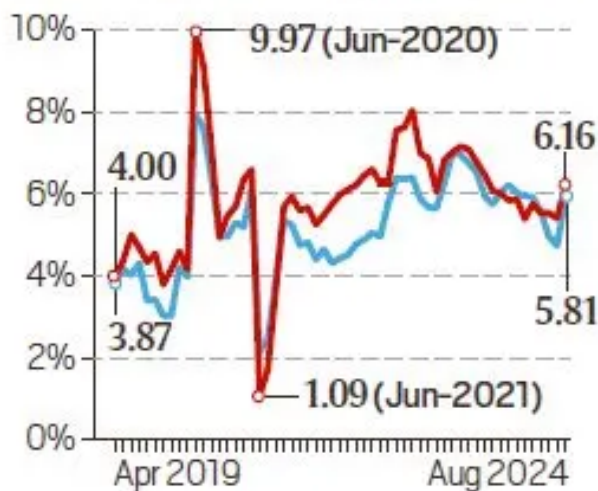
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WAGE GROWTH IN RURAL INDIA FOR MEN

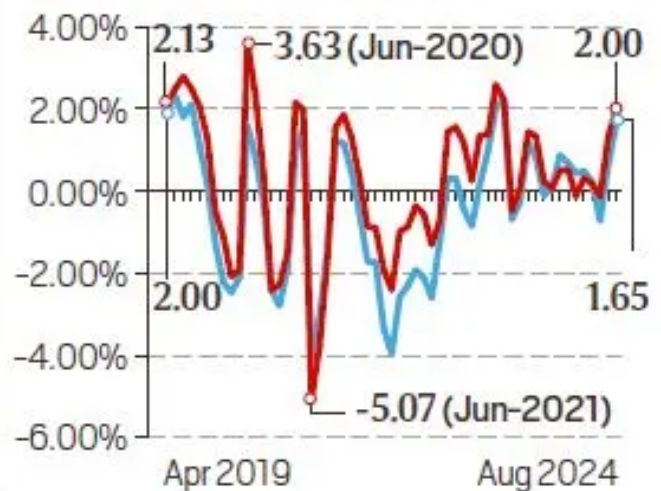
■ Rural Wages ■ Agricultural Wages

(% year-on-year)

NOMINAL WAGE



REAL WAGE



Note: Nominal wages are simple arithmetic all-India average for rural male labourers across 25 agricultural and non-agricultural occupations. For real wages, the Consumer Price Index (Rural) has been used.

Note:

- **Data Source:** The [Labour Bureau](#) compiles daily wage rate data for **25 agricultural and non-agricultural occupations**.
- **Coverage:** The data is gathered from **600 villages across 20 states**.
- **Occupations Tracked:** 25 different occupations including [horticulture](#), [animal husbandry](#), watering/irrigation, and plant protection operations.
- **Methodology:** Wages are measured both **nominally** (current values) and in **real terms** (adjusted for inflation based on the [consumer price index](#) for rural India).

What are the Reasons for Stagnation in Rural Wages?

- **Higher Female LFPR:** The [Female Labour Force Participation Rate \(LFPR\)](#) has seen a substantial increase from **26.4% in 2018-19 to 47.6% in 2023-24**.
 - The rise in **rural female labour force** implies **more people are willing to work at the same or even lower wage rates**, exerting downward pressure on wages.
- **Low Agricultural Productivity:** Agriculture, especially in rural areas, generally has **low marginal productivity**. The influx of additional labour does not translate into **proportional increases** in productivity.
- **Capital-Intensive Technology:** Technological advancements in various industries are **displacing manual labour**, reducing the demand for **rural non-agricultural jobs**. E.g., use of **threshing machines and harvesters** instead of manual labourers.
 - This shift results in higher profits for capital owners but **limits wage growth and job creation**.

- **Decline in Non-Agricultural Labour Demand:** Labor-intensive industries, like **Fast-Moving Consumer Goods (FMCG)** and **home appliances**, face slower sales and profitability, reinforcing low rural wage growth.
 - Sectors that typically absorb rural labour, such as manufacturing and services, have **not expanded proportionally with GDP growth.**
- **Limited Non-Farm Opportunities:** **Small-scale industries**, **cottage industries**, and rural enterprises, which could generate **non-farm jobs**, are underdeveloped or lack necessary support and financing.
- **Weaker Wage Guarantee Programs:** Issues like delayed payments, budget constraints, and corruption in implementation of **MGNREGA** limit the effectiveness of such programs.
- **Inflation:** Rising inflation **erodes real wages**, as nominal wages remain stagnant or grow slowly. Essential commodities, fuel, and other goods have experienced price increases, **outpacing wage growth.**
- **Climate Change:** Frequent climate issues like **droughts and floods** reduce agricultural income, limiting landowners' ability to pay higher wages and creating **wage instability** in the rural labour market.

What are the Implications of Stagnant Rural Wages?

- **Poor Domestic Demand:** With the bulk of India's population residing in rural areas, their **limited spending power** can **reduce demand** for goods, especially from **small and medium enterprises**, impacting their viability and slowing the economic growth cycle.
- **Financial Vulnerability and Debt:** High inflation and stagnant wages push rural households into **debt**, trapping families in **debt cycle**, reducing **disposable income**, and increasing reliance on **informal lenders.**
- **Underemployment:** As non-farm job opportunities decline and wages stagnate, many rural workers are **forced back into agriculture**, even when it is not lucrative.
- **Gender Wage Disparity:** Rural wage stagnation impacts both men and women, but with women typically earning less than men for the same jobs, the impact of stagnant wages is especially **pronounced for rural women.**
- **Forced Migration:** Low wages and limited job opportunities push rural workers to **migrate to cities** in search of better-paying jobs that lead to **overcrowding** in urban areas, straining **urban infrastructure**, housing, and public services.
- **Limited Human Capital:** Low wages limit access to **quality healthcare, education, and nutrition**, especially for children, leading to long-term consequences for rural development.

How to Address Rural Wage Stagnation Problem?

- **Strengthen Income Transfer Schemes:** Expanding and increasing payments in schemes like **PM-KISAN** and **free-grain distribution** can ease financial pressures on low-income families.
- **Implement Periodic Wage Adjustments:** Regularly **revising rural minimum wages** based on inflation can ensure that wage growth keeps up with living costs.
 - Using data from surveys and wage rate studies, such as those by the **Labour Bureau**, can help policymakers make informed decisions that address rural wage challenges effectively.
- **Address Gender Pay Gap:** Targeting women and low-income families, like Maharashtra's **Ladki Bahin Yojana** (Rs 1,500/month for families earning under Rs 2.5 lakh), supports those hit by wage stagnation.
- **Rural Non-Farm Employment:** Policies should incentivise labour-intensive industries like **textiles, food processing, and tourism**, while programs like **MGNREGA** can provide stable employment during economic slowdowns or **seasonal unemployment.**
- **Agricultural Modernization:** Enhancing agricultural productivity through better access to **technology, irrigation, and high-quality seeds** can improve wages by raising output and income per worker in farming.

Conclusion

Rural wage stagnation persists despite strong economic and agricultural growth due to factors like **increased labour supply, low agricultural productivity, and limited non-farm opportunities.**

Addressing this requires a mix of **targeted income schemes, wage adjustments, skill development, and agricultural modernisation** to foster sustainable wage growth and rural development.

Drishti Mains Question:

Discuss the reasons behind the stagnation of rural wages in India despite steady economic growth. What measures can be taken to address this issue?

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims

Q. With reference to the Indian economy, demand-pull inflation can be caused/increased by which of the following? (2021)

1. Expansionary policies
2. Fiscal stimulus
3. Inflation-indexing of wages
4. Higher purchasing power
5. Rising interest rates

Select the correct answer using the code given below:

- (a) 1, 2 and 4 only
- (b) 3, 4 and 5 only
- (c) 1, 2, 3 and 5 only
- (d) 1, 2, 3, 4 and 5

Ans: (a)

Q. In a given year in India, official poverty lines are higher in some States than in others because (2019)

- (a) poverty rates vary from State to State
- (b) price levels vary from State to State
- (c) Gross State Product varies from State to State
- (d) quality of public distribution varies from State to State

Ans: (b)

Q. Among the following who are eligible to benefit from the "Mahatma Gandhi National Rural Employment Guarantee Act"? (2011)

- (a) Adult members of only the scheduled caste and scheduled tribe households
- (b) Adult members of below poverty line (BPL) households
- (c) Adult members of households of all backward communities
- (d) Adult members of any household

Ans: (d)

Mains

Q.“Poverty alleviation programs in India remain mere showpieces until and unless they are backed up by political will.” Discuss with reference to the performance of the major poverty alleviation programmes in India. **(2017)**

Q.Though there have been several different estimates of poverty in India, all indicate reduction in poverty levels over time. Do you agree? Critically examine with reference to urban and rural poverty indicators. **(2015)**

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