

Rural wage growth is faltering again

One of the anomalies that stood out from the broad narrative of rural distress was the stubborn fact that rural wages were growing, not just in nominal but also in real, or inflation-adjusted terms. And if real rural wages were seeing higher growth, surely the rural distress story was actually just a farmer distress story, not really applicable to the vast mass of rural workers? The discussion had obvious political overtones, since rural wage workers are the poorest section of society.

Well, the latest data shows that rural wage growth is trending down again. In October 2017, the year-on-year growth in average nominal rural wages for men fell to 4.93%, from 6% in the previous month. In real terms, average rural wage growth for men was down to 1.57% year-on-year in October 2017. For rural women, growth in real wages in October was a negligible 0.01% from a year ago. The latest slowdown is part of a broader trend—growth in rural wages for men as well as women has been falling since the middle of last year.

A look at *Chart 1*, which has the details about real rural wage growth for men since December 2012, will help put the trend in a longer-term perspective. Data on growth in rural wages have been taken from the Centre for Monitoring Indian Economy and the inflation rate for rural consumer prices has been deducted to arrive at real wage growth.

The chart shows clearly that growth in average real rural wages for men was very high during the period November 2013 to October 2014. The peak was 27.39% in November 2013. Such a high rate of real wage growth was obviously not sustainable and it pushed up inflation, but it's also true that it contributed handsomely to helping the very poor. The reasons adduced for this growth spurt vary, from the push given by the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) to construction activity during the period that helped provide employment for the masses. It's very likely a combination of factors, including good agricultural growth in 2013-14, an improvement in construction activity during the first half of 2014-15 and perhaps the cushion provided by the employment guarantee scheme as well.

The subsequent period, from November 2014 to September 2016, saw negative growth in real rural wages for men. This was partly a reaction to the very high growth in the previous period, but also the result of the two droughts of 2014 and 2015, which must have reduced demand for agricultural workers. The initially cold response of the new government at the centre to MGNREGS may also have been a reason.

In the next period, as the farm sector started to do well due to good monsoon from 2016-17, agricultural wages rose, followed by wages in non-agricultural rural occupations. The growth in average real wages for men during this period was modest, reaching a peak of 4.77% in June 2017. Since then, as the chart shows, growth has steadily declined.

The average wage is a simple average of all rural wages and there's a lot of variation among different occupations. To take an example, wage growth among male *beedi* makers was much higher in October 2017 than for male construction workers.

What about the trend for rural women's wages? Data on average real wage growth for them is shown in *Chart 2*. Wages for rural women are lower than that for men and they are an even more vulnerable section of the population.

Average real rural wage growth for women, like that for men, was very high during the period November 2013 to November 2014. Interestingly, real wage growth was higher for non-agricultural rural occupations during this period. One possible reason could be fewer women opting to work,

given the rise in real incomes of their menfolk and this could have pushed up wages for women.

Wage growth fell for rural women thereafter, doubtless for the same reasons as the fall in men's wages. But the pattern is different from that seen in men's wages, possibly depending on the supply of female labour. Intriguingly, average real wages have seen a contraction for rural women in non-agricultural occupations every month since October 2016. Could this be due to an increasing number of rural women seeking work, as rural distress makes their family income insufficient? Note that here too, wage growth varies significantly between occupations, with growth in wages for women handicraft workers much higher than that for women construction workers or sweepers.

As we near the general elections, the expectation is that the government will focus on boosting rural incomes. The data on rural wage growth underlines the need for such policies in the short-run and not just for political dividends. For the longer term, there cannot be a solution to the problem of low wage growth in rural India unless opportunities for getting decent and productive jobs are available outside agriculture.

Manas Chakravarty looks at trends and issues in the financial markets.

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