

'HIGHER EXPORTS WIDEN WAGE INEQUALITIES IN INDIA'

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

Rural workers and less-educated workers will not benefit much with the increase in the value of exports. File photo

An increase in exports can lead to higher wages, mostly for educated and urban workers, and speed a move from casual to formal sector jobs. However, it would also lead to greater wage inequalities and would not actually grow the total labour market, the World Bank (WB) and the International Labour Organisation (ILO) said in a report released on Thursday.

To ensure that the gains from higher exports benefit a wider population, policy changes were needed, wrote the authors of the report titled 'Exports to Jobs: Boosting the Gains from Trade in South Asia'. The report assessed the efficacy of increased exports in dealing with the phenomenon of jobless growth, whereby the labour market has not kept pace with the region's high GDP growth.

A fresh econometric analysis proved that higher exports went hand-in-hand with higher wages.

"If the value of India's exports increases by \$100 per worker, average annual wages would increase by Rs. 572 per worker," they estimated. However, the wage improvement was larger for college graduates and urban workers; men benefited slightly more than women; and rural workers and less-educated workers did not benefit. Thus, higher exports also led to higher wage inequalities.

To spread the gains from exports more widely, the authors suggested policy changes.

"An increase in labour-intensive (as opposed to capital-intensive) production is likely to have a broader impact on the wages of workers across all educational backgrounds, even those in rural areas," they opined. Greater participation of women and youth in export industries by providing targeted skilling opportunities could also help, they added.

END

Downloaded from crackIAS.com

© **Zuccess App** by crackIAS.com