

Dynamics of Rural Labor Markets in India– Implications for Agriculture

Macro Level Trends:

- Rural labor market has undergone profound changes with labor moving from agriculture towards non-agricultural activities
- Substantial shift in the share of Agriculture and Non-agriculture in rural domestic product (share of Agriculture product declined from 57% to 35% and Non-agricultural product increased from 43% to 65% during 1993-94 to 2009-2010)
- Declining share of agriculture in rural employment and growing share of rural non-farm employment (share of employment in agriculture sector declined from 78% to 68% and employment in non-agriculture sector increased from 22% to 32% during 1993-94 to 2009-2010)



- Relatively higher growth in non-farm sector especially infrastructure and construction, coupled with improved transportation and communication, differential wage rates, improved literacy and Government programmes are the drivers of change



- Barring manufacturing, construction and services like trade, restaurant, hotel etc., are the main source of rural non-farm employment.
- Construction is the main driver of growth in rural non-farm employment
- Contradictory evidence on rural female work participation: Macro trend declined vis-à-vis Micro trend increase.
- Changing contractual arrangement of rural labour: Almost disappearance of bonded and attached labor, casual labour is predominant but increasingly shifting from daily wage work to piece rate or contractual work.

- Growing rural-urban temporary migration, especially by male workers to relatively higher wage work.



- Growing evidence of daily commuting rural labour for work in urban areas- emerging trend with improved road connectivity.



- MGNREGA emerged as an important supplementary rural employment for the poor households.
- MGNREGA equal wage for male and female workers has led to decline in the male-female wage disparity.
- Tightening of rural labour markets and increasing rural agricultural and non-agricultural wages has led to better bargaining power of labour
- Increasing trend in real wage rates in both farm and non-farm sectors and seasonal shortage of labour leading to forced farm mechanization of agricultural operations.
- Rural labour supply is highly elastic with respect to wages offered by non-farm sector.
- Rural labour still in multiple occupations. Most of the small and marginal farmers also participate in agricultural as well as non-agricultural wage work.
- Landless labour, small & marginal farmers depend on multiple sources of income – smaller the farm size, greater is the non-farm sources of income.
- Non-farm income is emerging as one of the important sources of income for rural workers as a whole.
- Squeezed farm profitability due to rise in input costs creating resistance to raise farm wages
- Though increase in agricultural productivity, it is still much less than non-farm productivity levels
- There is growing productivity gap between agriculture and non-agriculture.
- Backlash effect resulting in economic scarcity of labor with wage rates leading to gradual withdrawal of rural youth from agriculture, halting several farm operations, raising cost of cultivation of crops
- MGNREGS is playing a decisive role in offering social safety net offering reservation wages (of Rs. 174 per day, 2013-14) to rural people
- Distress driven self-employment in nonfarm sector appears to be more among women (low productive employment)



- Quality of youth– a very large proportion of rural youth joining workforce very early to earn a means of livelihood, thus missing opportunity to acquire required education– a cause of concern for future workforce
- Need for mechanization and technology to address economic scarcity of labor