

Structural Change in Rural Labor Market: Macro Level Trends

Changes in Rural Economy

- Non-agriculture sector emerged as dominant sector in rural Net Domestic Product (NDP), Contributing 65% to the rural NDP in 2010
- Non-farm sector is no longer a residual sector, but an emerging driver of the rural economy
- Diversification in farm and non-farm sectors
- Labor moving from agriculture towards non-agricultural activities
- Slow growth in agricultural productivity
- There is growing productivity gap between agriculture and non-agriculture

Trends in Output and Employment in Rural India (%)		
Year	Agriculture	Non-Agriculture
Structure of Rural NDP		
1980-81	64	36
2009-10	35	65
Trends in Employment in Rural India Based on Usual Status		
1980-81	81	19
2009-10	68	32

Source: NSSO Employment and Unemployment Surveys and Papola (2012)

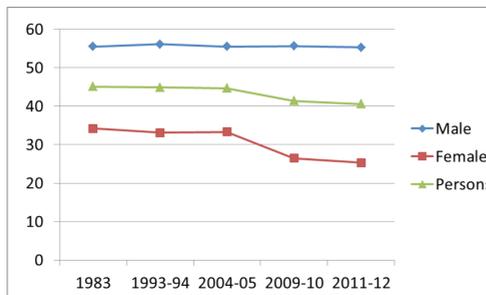
Changes in Rural Employment Structure

- Agriculture still a major employer of rural workforce (68% in 2009-10)
- Declining share of agriculture in rural employment
- Relatively higher growth in non-farm sector employment
 - Infrastructure and construction
 - Transportation and communication
 - Manufacturing
 - Services like trade, restaurant, hotel etc.
- Absolute decline in labor force has tightened the rural labor market
- Employment in agriculture has declined for both male and female labors
- Rural labors are engaged in multiple occupations. Most of the small and marginal farmers participate in both farm and non-farm wage work
- Landless labor, small & marginal farmers depend on multiple sources of income – smaller the farm size greater is the non-farm sources of income



Participation of Women in Rural Labor Force

- At the aggregate level, participation of female workers declined in rural areas
- Decline in female workforce is much higher than male workforce in agriculture. Between 1993-94 and 2009-10, Worker Population Ratio declined by 6.7% for female and 0.6% for male
- Distress driven self-employment in nonfarm sector—appears to be more among women (low productive employment)
- Increased number of educated unemployment in rural India. Educated unemployment among women is 75% higher than unemployed men in rural India



Rural Labor Force Participation Rates (%) in India (Source: Reddy 2014)

Bonded Labor and Child Labor

- Almost disappearance of bonded and attached labor
- Changing contractual arrangement of rural labor
- Casual labor is predominant but increasingly shifting from daily wage to piece rate or contractual work
- Increasing bargaining power of labor

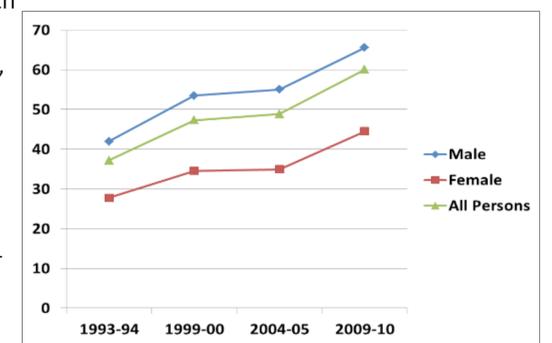
Seasonal Migration and Commuting

- Growing rural-urban temporary migration, especially by male workers to relatively higher wage work
- Growing evidence of daily commuting rural labor for work in urban areas - emerging trend with improved road connectivity.



Real Wages

- Increased real wages for both male and female labors
- During the last two decades, the real wage increased annually by 3%
- Wages of female labors was about two-third of the male labors
- Between 1993-94 and 2009-10, daily real wage rate (at 2004-05 prices) of rural casual laborers increased from Rs. 42.01 to Rs. 65.56 for male workers and from Rs. 27.79 to Rs. 44.52 for female workers



Daily Real Wage Rate of Rural Casual Labor other than Public Works (at 2004-05 Prices) (Source: Reddy (2014))

Rural Labor Market and Farm Mechanization

- Increasing labor scarcity and wage rate led to increase in cost of production
- In response, rapid farm mechanization of agricultural operations were observed

MGNREGA and Rural Labor Market

- MGNREGA emerged as an important source of rural employment for the poor households
- MGNREGA provided equal wage for male and female workers which have reduced gender based wage disparity
- Wage rates in the MGNREGS act as reservation wages (Rs. 174 per day in 2013-14) to rural workers



Drivers of Change

- Structural change in rural economy
- Differential wage rates
- Employment opportunities in non-farm sector
- Improved literacy
- Government programs

