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.

<table>
<thead>
<tr>
<th>Trends in Output and Employment in Rural India (%)</th>
<th>Year</th>
<th>Agriculture</th>
<th>Non-Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure of Rural NDP</td>
<td>1980-81</td>
<td>64</td>
<td>36</td>
</tr>
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<td></td>
<td>2009-10</td>
<td>35</td>
<td>65</td>
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<table>
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<th>Trends in Employment in Rural India Based on Usual Status</th>
<th>1980-81</th>
<th>2009-10</th>
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<tr>
<td></td>
<td>81</td>
<td>68</td>
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<td></td>
<td>19</td>
<td>32</td>
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</tbody>
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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 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.

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.

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.