

Paradox of India's Rural Wages Amidst Economic Growth

October 27, 2025 • vajiramandravi.com



What's in today's article?

- Why in News?
- Rural Wages vs Economic Growth
- Factors Behind Stagnant Rural Wages
- Steps Taken to Address the Issue of Low Rural Wages
- Conclusion

Why in News?

- The Indian economy has shown impressive growth in recent years, yet rural wages remain stagnant, especially in real terms.

- Hence, there is the need to explore the dichotomy between macroeconomic growth and the subdued rise in rural wages, **examining contributing factors and potential mitigation through government schemes.**

Rural Wages vs Economic Growth:

- **Economic growth overview:**
 - India's GDP grew at an average rate of **4.6% from 2019-20 to 2023-24**, reaching 7.8% over the last three fiscal years (April-March).
 - **Agricultural sector growth** rates were also robust, averaging 4.2% and 3.6% for the same periods.
- **Wage growth data:**
 - The Labour Bureau compiles daily wage rate data for 25 agricultural and non-agricultural occupations, collected every month from 600 sample villages spread over 20 states.
 - **From 2019 to 2024**, rural wages grew by 5.2% annually in nominal terms; however, **adjusted for inflation, the real growth was -0.4%.**
 - Even in the current fiscal year, wage growth remains low, **highlighting a disconnect between GDP growth and real wage gains.**

Factors Behind Stagnant Rural Wages:

- **Rising female labour force participation (LFPR):**
 - The female LFPR has risen sharply, from 24.5% in 2018-19 to 41.7% in 2023-24, with **rural female LFPR jumping to 47.6%.**
 - According to the Economic Survey 2023-24, programs like **Ujjwala, Har Ghar Jal, and Swachh Bharat have freed up time for rural women**, enabling their entry into the workforce.
 - Higher workforce participation, especially among rural women, has led to a **larger labour pool, exerting downward pressure on wages** due to a supply-demand imbalance.
- **Shift in labour demand:**
 - Although more women are entering the labour force, **most are finding employment in agriculture**, not higher-paying industrial jobs.
 - Economic growth in India has leaned towards **capital-intensive industries** that **require less labour**, further limiting wage growth in rural areas.
 - With more workers in agriculture, where **productivity per worker is already low**, additional labour supply only depresses wages further.

Steps Taken to Address the Issue of Low Rural Wages:

- **Income transfer schemes:**
 - **State initiatives:** Various state governments have introduced income support schemes targeting women, amounting to around Rs 2 lakh crore annually.
 - **Impact of transfers:** Programs like Maharashtra's **Ladki Bahin Yojana** provide significant financial support to women, supplementing their low wages and offering a buffer in challenging times.
- **Central government schemes:**

- The Centre's income transfer schemes, including
 - Rs 6,000-per-year aid to farmer households (**PM-KISAN**) and
 - the free-grain scheme (**PM Garib Kalyan Anna Yojana** [PMGKAY]),
- Also help mitigate low rural income levels.

Conclusion:

- Despite substantial economic growth, rural wage growth remains subdued, with real wages barely improving.
 - While government interventions provide some relief, **addressing the root causes of stagnant rural wages** – such as limited labour demand in higher-paying industries and the oversupply of rural labour – is essential for achieving inclusive economic prosperity.
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Q.1. What is the labour force participation rate (LFPR)?

The LFPR is the percentage of a country's working-age population that is either employed or actively looking for work. It's calculated by dividing the total number of people in the labour force by the total working-age population, and then multiplying by 100.

Q.2. What is Ladki Bahin Yojana of the Maharashtra government?

The "Ladki Bahin Yojana" is a scheme to provide financial assistance of ₹1,500 per month to women aged between 21 and 65 years, aiming to improve their economic independence, health, nutrition, and decision-making power within their families.

News: Explained: The paradox of stagnant rural wages

Source: <https://vajiramandravi.com/current-affairs/paradox-of-indias-rural-wages-amidst-economic-growth/>

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