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**Rural to Urban Migration and Urban Labour Market**

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# **Rural to Urban Migration and Urban Labour Market**

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## **Abstract**

Rural to urban migration in the Indian context is not exceptionally high if we consider the aggregate rates for all urban areas. However, when it comes to large cities, the rates tend to be higher. In relation to urbanization findings suggest that as the percentage of population residing in urban areas rises, the greater is the decline in the unemployment rate after migration in comparison to the rate that prevailed prior to migration. States with higher urbanization levels reveal a larger increase in regular wage employment after migration. The migration rate in urban areas and the urbanization level are positively associated – very moderately though. With an increase in city size, the migration rate rises mainly because employment prospects are better in large cities due to agglomeration effects. The share of regular wage employment is highest in the million-plus cities and the least in smaller cities, whereas casual employment and self-employment follow just the opposite pattern. Migration, urban informal sector employment, and the proportion of Scheduled Caste population in the urban and rural areas are all positively associated, suggesting that the socially backward groups are more likely to migrate from the rural areas and get absorbed in the urban informal sector. But this pattern is accompanied by a decline in the incidence of poverty in both rural and urban areas: even the urban informal sector activities are able to provide relatively better job opportunities and higher living standards. On the whole, urbanisation and migration show beneficial effects in terms of reduction in both rural and urban poverty as Labour market outcomes tend to improve. However, this process is not strongly evident and hence, more policy interventions are required in order to boost the beneficial effects of urbanisation.

**Keywords:** migration, Labour market, informal, employment

## **1. Migration and Urban Growth**

Rural to urban movement of population is an indispensable part of the development process. In the initial stages as urban–rural development disparities grow, rural residents migrate to urban areas for a variety of reasons, which have been identified in the literature as push-pull factors. Seeking sources of livelihood, better employment opportunities, schooling for children, remittance to rural relatives and overcoming rural indebtedness and poverty are some of the factors which have drawn a great deal of attention in the literature, explaining migration. Also, rural migrants provide an important source of labour supply to the urban areas. In the backdrop of these views and in comparison to the historical experience of the present-day developed countries, India, however, has witnessed sluggish rates of population flow from the rural to the urban areas, though large/metropolitan cities are an exception. The democratic setup in India allows free flow of population across regions, yet there are a variety of factors that tend to hinder migration, particularly that of the low-income households. Social, cultural and linguistic barriers are enormous for rural migrants, especially those who originate from states other than the state of destination (i.e., interstate migrants). There is no Labour market discrimination as such against migrants in terms of regulations, but the city-spaces in general are shrinking for the low-income households, especially the migrants of rural origin. Even an entry to slums is constrained by a variety of economic and political factors. In some of the large cities, access to space inside a slum cluster is determined by the contacts that the potential migrants have with those who have already migrated. Besides, migrants are required to pay rent to the local muscle-men/slum lords /members of mafia groups (Edelman and Mitra, 2006). On the whole, these factors tend to reduce the propensity to migrate. Availability of public services and educational facilities in the urban areas can be a driving factor of migration, but in the case of low-income households, this does not have any major impact primarily because they are aware that the slums, characterized by a severe shortage of basic amenities, are their final destination (Mitra, 2013). More importantly, job accessibility is their prime concern. Since India's urbanization is not being prompted by rapid industrialization, the urban areas are less likely to offer productive employment opportunities to the unskilled and semi-skilled variety of workforce. Though an individual merely on the basis of his migration status is not segregated in the cities, his absorption in petty and marginal activities unravels seclusion and vulnerability. In certain instances migration takes place in search of even a low productivity job in the urban informal sector in order to escape the severity of poverty at the place of rural origin. On the other hand, as Banerjee (1986) pointed out, many among the rural poor cannot afford to migrate as the social and economic costs of migration are enormous.

“The constraints faced by migrants are many – lack of formal residency rights; lack of identity proof; lack of political representation; inadequate housing; low-paid, insecure or hazardous work; extreme vulnerability of women and children to trafficking and sexual exploitation; exclusion from state-provided services such as health and education and discrimination based on ethnicity, religion, class or gender. In the absence of proofs of identity and residence, internal migrants are unable to claim social protection entitlements and remain excluded from government sponsored schemes and programs. Children face disruption of regular schooling, adversely affecting their human capital formation and contributing to the inter-generational transmission of poverty. Further, migrants are negatively portrayed as a “burden” to society, discouraged from settling down and excluded from urban planning initiatives. Most internal migrants are denied basic rights, yet internal migration is given very low priority by the government in policy and practice, partly due to a serious knowledge gap on its extent, nature and magnitude” (UNESCO, 2013).

The level of urbanization in the Indian context, unlike the experience of several countries at comparable levels of per capita income and growth, has been quite low. It increased sluggishly from 17.29 per cent in 1951 to 27.76 per cent in 2001 and 31.16 per cent in 2011 (Table 1). However, the rate of growth of urban population has been quite high, notwithstanding a nominal increase in the percentage of the population living in urban areas (Table 2). Demographers are quite concerned about this high rate of growth of urban population as it tends to create significant pressure on the infrastructure base. The number of cities and towns has also gone up considerably over the years, particularly over the last decade: from 5,161 in 2001 to 7,935 in 2011.

**Table 1: Urbanization Level and Urban Growth**

Year	% Urban	No. of Cities or Towns	Rate of Growth of Pop. in Urban Areas	Rate of Growth of Pop. in All Areas
1951	17.29	3035		
1961	17.97	2657	2.37	1.97
1971	19.91	3081	3.29	2.24
1981	23.34	3981	3.87	2.23
1991	25.70	4615	3.16	2.16
2001	27.79	5161	2.75	1.97
2011	31.16	7935	2.7	1.62

Note: 1981 and 1991 figures include interpolated population estimates for Assam and Jammu & Kashmir respectively.

Source: Census of India, 2001, 2011

### Different Components of Urban Growth

The change in urban population can be decomposed in terms of the following factors: natural growth of population, rural to urban migration and reclassification of rural areas as urban over time. As the decline in the mortality rate has been faster than that in the fertility rate the natural growth of population in the urban areas is seen to be high, which raises the long-run supply of labour substantially. In the Indian case, although the urban birth and death rates were found to be much lower than their rural counterparts for the periods 1971-80 and 1981-89, the urban rates of natural increase were only marginally lower than the rural rates (Mitra, 1994). As can be seen from Table 2, much of the urban growth is attributed to a natural growth of the population. Even during 1991-2001, natural growth contributed to urban growth significantly, though over time this component has shown signs of decline. Around one-fifth of the urban population growth is due to rural to urban net migration. There was a continuous rise in the contribution of net migration to total urban growth since the sixties, though between 1991 and 2001, there has been a slight decline in the rate compared to the earlier period (Table 2).

**Table 2: Decomposition of Urban Growth**

Components of Urban Growth	1961-71	1971-81	1981-1991	1991-2001
1. Natural Increase	64.6	51.3	61.3	59.4
2. a. Population of new towns or less declassified towns	13.8	14.8	9.4	6.2
b. Increase due to expansion in urban areas and merging of towns	2.9	14.2	7.6	13.0
3. Net Migration	18.7	19.6	21.7	21.0

Source: Based on population census data; see Kundu (2007)

According to the 2011 Census, as Bhagat (2011) points out, the increase in urbanization has been faster than expected. In fact, since independence this is the first time that the absolute increase in the urban population is seen to be higher than the absolute increase in the rural population. The contribution made by net rural–urban classification and rural–urban migration increased from a little above 40 per cent during the nineties to 56 per cent during 2001–2011. Although the available data from the 2011 Census at the moment does not allow for the separation of these two factors, according to Mathur’s (2014) paper, the contribution of rural–urban net migration to urban growth is around 22.2 per cent (provisional). Also, we get to see the emergence of a large number of new towns in 2011 (Bhagat, 2011). The number of towns increased from 5,161 to 7,935 over 2001–2011, and among the new towns (2,774 in numbers), 2,532 were census towns and 242 statutory towns.<sup>1</sup> Given the larger contribution made by the reclassification of areas in the decade 2001–2011 compared to the previous one, 1991–2001, it may be safe to infer that net migration has at least not declined if not increased. It is usually believed that due to a large component of urban growth resulting from natural increase, the contribution made by the rural-to-urban migration flow tends to get suppressed. Even if we account for this fact, the rural to urban migration rates in India are still low. Nearly 50 per cent of the workforce is still engaged in the agriculture sector, though the value-added share of this sector has subsided to almost one-fifth. The only exceptions are some of the large cities that have witnessed rapid migration flows (Sundaram, 1986).

## 2. Factors influencing Migration

In this section, we review some of the studies in order to bring out the factors that explain migration from the rural areas.

Rural to urban migration, which is a response to diverse economic opportunities across geographical areas has played a significant role in the urbanization process of several countries (Lall et al., 2006). Two important hypotheses have been put forth to explain rapid city growth in developing countries (Williamson, 1988): (1) rapid population growth deteriorating the land man ratio and pushing landless Labour into the urban space, and (2) migrants being pulled by economic factors such as fall in agriculture prices, import of technology from the developed countries favoring urban industries in the developing countries, foreign capital flows into urban infrastructure, housing, power, transportation and large-scale manufacturing.

In India, much of the urban problems are at times attributed to the rural spills, i.e., there are considerable overlaps among urban slums, informal sector employment and rural –urban population mobility. In the face of a high natural growth of population, rural–urban migration is believed to aggravate the situation of excess supply of Labour in the urban areas. Within the urban informal sector, this tends to reduce the level of earnings and gets manifested in a high incidence of urban poverty. Thus, rural poverty gets transformed into urban poverty – a phenomenon described as ‘urbanization of poverty’.<sup>2</sup> But these views seem to be exaggerated.

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<sup>1</sup> The number of non-statutory Census towns was 1362 comprising 21.0 million people in 2001. In 2011 the corresponding figures were 3,892 and 58.6 million, respectively. This growth of 37.6 million people amounts to 41% of the total growth of urban population in the decade 2001–2011.

<sup>2</sup> For details see Harris and Todaro (1970) and Ravallion and Datt (2002). Todaro (1969) treats the informal sector as a transitory phenomenon, but, in reality, it has emerged as a persistent one. Mitra

As Mitra (1994) observed, the elasticity of urban poverty with respect to rural poverty, defined as the proportionate rise in the incidence of urban poverty due to a proportionate rise in rural poverty, was highly negligible. Though the elasticity was positive, indicating a positive association between rural and urban poverty, many among the urban poor have been actually residing in the urban areas for long and cannot be interpreted as fresh migrants from the rural areas. Hence, urban poverty cannot be interpreted as a spillover of rural poverty.

In explaining migration from the rural to urban areas income differentials are taken as an important determinant mobilizing people from low-income areas to relatively high-income areas (Harris and Todaro, 1970). In the rural areas, sluggish agricultural growth and limited development of the rural non-farm sector raises the incidence of rural poverty, unemployment and underemployment. Given the fact that most of the high productivity activities are located in urban areas, the rural–urban income differentials, particularly for the poor and unemployed, are enormous. Thus, many of them are believed to migrate to urban areas in search of jobs. However, this is not empirically true as the cost of migration seems to be very high for the poor (Banerjee, 1986). Besides, jobs in the high productivity activities are limited in number relative to the supply, and often they are not accessible. This information is not unknown to the individuals who are in the process of taking a decision to migrate. However, this does not rule out the possibility that some of the poor may still flow to the urban areas in search of opportunities even in the ‘informal sector.’

The paper by Lall et al. (2006) reviewed the literature on migration and synthesised the factors which explain this process of population movement. Some of the questions around which they summarize the findings relate to how internal migrants behave at different stages of the migration process, how migrants prepare for migration, how they migrate, what are the difficulties they face on arriving in urban areas and what links they maintain with rural areas. In an excellent study by de Hann (1994), migration issues in the Indian context are discussed extensively. While economic opportunities play a key role in Labour migration, there are varied motivations pertaining to migration, including not only conditions at the place of origin and destination but also patterns of recruitment and migration networks (de Hann, 2011). The forced nature of migration has been brought out in the context of western India (Breman, 1985). Forced migration refers to displacement of individuals and/households due to conflicts, destitution and impoverishment, natural or environmental disasters, chemical or nuclear disasters, famine, or development projects. It is a complex, wide-ranging and pervasive phenomenon. Though internal migration from poorer areas signifies a form of safety valve, there are many costs of migration which the data on remittances tend to neglect (de Hann, 2011). Costs of migration include not only the transportation and resettlement costs at the place of destination but also several social costs such as social exclusion, deprivation from familial bonding and the benefits associated with such bonding, and a variety of harassments that the low-income migrants face from the Labour contractors, slum lords and city residents (Mitra, 2013). Though there is no city legislation to stop migration legally, these factors tend to discourage the inflow of low-income households to cities.<sup>3</sup>

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(1994) argued that natural growth of the population maintained the urban supplies of labour at a high level, resulting in informal sector employment and poverty as a persistent phenomenon.

<sup>3</sup> “The willingness to accept a lower wage in the village reflects the costs of migration as well as the exploitative conditions that labourers face as migrants. The costs of migration include transport costs, uncertain earnings, health hazards, and higher costs of living in urban areas combined with poor living conditions. Migration also results in a breakdown of social life: this is true both in the case of men migrating alone and when entire families migrate. When entire families migrate the situation is even worse: children have to be removed from schools and live in precarious environments. Women and

The literature on migration is based on both field surveys and secondary data. For the sake of comparison non-migrants have also been considered (Mitra and Murayama, 2009).

Kundu and Mohanan (2009) argue that migration for employment from rural to urban areas facilitates poverty alleviation though such opportunities are gradually shrinking. The job prospects are definitely better for the migrants in large cities than those in small towns. But these possibilities are closing down for the unskilled, illiterate population, particularly in large cities where there is resistance to immigration of unskilled and illiterate male population, prompted by the changes in the Labour market, especially in relation to skill requirements. The newly emerging activities in urban areas, even including those in the informal sector, are skill intensive, which the unskilled Labour from the rural areas cannot match. For example, a number of jobs conducted in the garment sector require experience in tailoring, embroidering, printing, dying and so on, which the agricultural Labour or those who pursued petty jobs as vegetable vendors in the services sector cannot perform.

The study by Kaur (1996) analyzed the spatial pattern of rural-to-urban male migration based on the district-wise data from the 1971 population census. She classified the districts into three categories: (a) areas with a relatively high proportion of rural–urban male migrants in the total urban male population (24 percent and above), (b) areas with a moderate proportion (16 to 24 percent) and (c) areas with a relatively low proportion (below 16 percent), each comprising 24.4 percent, 36.0 percent and 35.7 percent respectively of the total 356 districts. Districts with rapid migration witnessed rapid development of mining, industrial activities and the services sector.

The feminist and gender perspective since the 1980s urged that migration studies undervalue women's role as workers (e.g., Fawcett et al., 1984; Chant, 1992; Singh, 1984; Karlekar, 1995). Singh (1984) argued that economic factors do play a significant role in the context of female migration, which is usually taken as a result of social and cultural practices.

Some of the studies noted that the propensity to migrate increases with education (Connell et al., 1976; Banerjee, 1986). Banerjee's study (1986) on the inter-state migrants in Delhi found the percentage of matriculates and graduates among migrants in the sample to be many times higher than that in the population from which they originated (in this case, Punjab, Rajasthan and Uttar Pradesh). Oberai et al. (1989) focusing on the socio-economic characteristics of in-migrants and non-migrants in the three states noted that in the case of Bihar and Kerala the educational level of in-migrants was higher than that of non-migrants, whereas in Uttar Pradesh it was just the opposite.

The importance of social networks in migration has been widely observed. Through caste-kinship bonds and other kinds of rural networks the rural job seekers access urban-based jobs (Banerjee, 1986). There is a large concentration of migrants belonging to social backward classes, (scheduled castes – in short SCs and the scheduled tribes – in short (STs) in the informal sector (Basu, Basu and Ray 1987; Kasturi 1990, Neetha 2004). This points out to the positive effects of networks operating between the backward classes at the places of destination and origin. The study by Bhattacharya (2002) also examined the impact of the scheduled caste

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young girls are especially vulnerable to sexual exploitation. Further, urban congestion is a cost of migration that is borne by society at large" (Khera, 2006).

(SC) and scheduled tribe (ST) presence, which showed a positive effect on the migration of SCs from the rural areas. Though SC/ST is actually a social identity, the percentage of population belonging to this social category is taken to understand the prevalence of networks. The underlying idea is that the socially backward classes with inadequate human capital develop networks as survival strategies.

The UNICEF study (2011) argues that in recent years several changes have occurred in India which may have impacted on the pattern and pace of migration. The growth has been accompanied by a widening gap between agriculture and non-agriculture and rural and urban areas besides being concentrated in a few pockets, in an inter-spatial sense. Since migration is a mechanism that equalizes gaps across regions such changes must have influenced population flows. On the other hand, transport network has expanded significantly with a decline in the real cost of transport and communication. With reduced information asymmetries Labour market outcomes are likely to have improved, motivating more migration from the rural areas. In addition, the growth pattern is influenced by globalization, resulting in changes in Labour demand. For example, the skill intensive growth is likely to generate demand for a specific type of employees. On the other hand, in relation to the production workers, flexibility is valued much by the employers in comparison to the gains accruing from appointing workers on long term basis. Consequently, informalization in the formal sector has risen fast and secondly, ancillaryization or business contracting between the formal and tiny informal sector units has gone up significantly. On the supply side, the access to quality education and technical awareness of the work force has been rather changing sluggishly. Besides, the government policy to make cities attractive for global finance is rather exclusionary compounded by the politician's move to introduce the 'son of the soil' mindset (UNICEF, 2011).

For the first time in India since the independence urban population increase in the last decade (2001-2011) has exceeded its rural counterpart in absolute terms and migration has naturally played an important role (UNESCO, 2013). About 30 per cent of the internal migrants are youth (Rajan, 2013) and child migrants add up to 15 million (Daniel, 2011). Seasonal and circular migration is quite widespread especially among the SCs, STs and other backward castes who are deprived of assets and do not have enough livelihood sources (Deshingkar and Akter, 2009). Chandrasekhar and Sharma (2014) documented an increase in two-way commuting across rural and urban areas. Castaldo, Deshingkar and Mckay (2012) urged that the main purpose of rural to urban migration is to reduce poverty; remittances do contribute to improving living standards at the place of origin.

### **3. Migration Rates based on the 2001 Census**

#### **3.1 State-Level Data**

Based on the 2001 population census data, the following are some of the important patterns relating to migration, taken from some of the earlier studies of the author (Mitra and Murayama, 2008 and 2009):

Using the last residence concept of migration (where residence is other than the place of destination), those who migrated in the ten years (1991-2001) preceding the year of survey, 2001 were identified. The gross decadal inflow of rural to urban migrants as a percentage of the total urban population in 2001 turned out to be a little above 7 per cent at the all-India level, with considerable variations across states (Table 3). Both industrialized states like Gujarat and Maharashtra and backward states like Orissa and Madhya Pradesh experienced high rates of

migration. Similarly, industrialized states of Tamil Nadu and West Bengal and backward states of Uttar Pradesh, Bihar and Rajasthan witnessed sluggish rates of migration. Even in terms of the percentage share of each state in the total rural to urban migrant population (with the exception of Maharashtra,<sup>4</sup> which alone accounts for around 20 per cent of the total), both the rich and the backward states equally comprise a high relative size (Figure 1).

**Table 3: Gross Decadal Rural to Urban Migrants as a Percentage of Total-Urban Population in 2001**

States	R-U Migrants (1991-2001) as a % of Urban Population
Andhra Pradesh	6.72
Assam	7.12
Bihar	6.28
Gujarat	10.63
Haryana	11.45
Karnataka	7.03
Kerala	6.99
Madhya Pradesh	9.50
Maharashtra	10.41
Orissa	10.97
Punjab	7.63
Rajasthan	6.18
Tamil Nadu	3.34
Utter Pradesh	4.44
West Bengal	4.83
All India	7.32

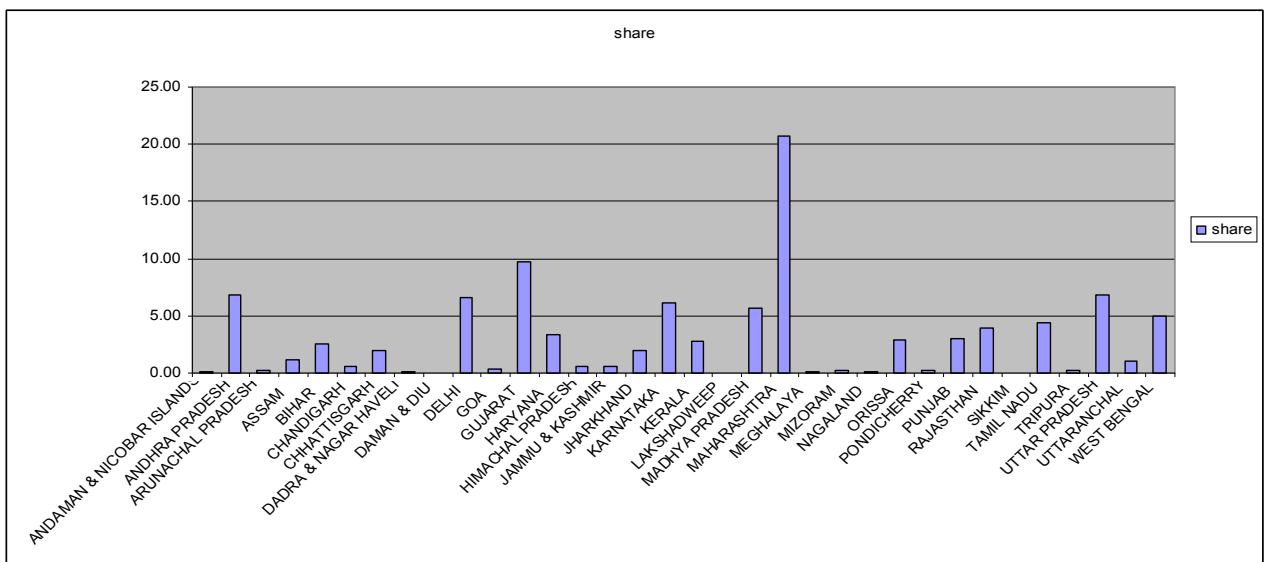
Note: Migration is defined as the gross decadal (1991-2001) inflow of intra- and inter-state rural to urban migration (based on the last residence concept) as a percentage of total urban population (2001). Bihar includes Jharkhand, Madhya Pradesh includes Chhattisgarh and Uttar Pradesh includes Uttarakhand.

Source: Census of India 2001, Migration Tables and taken from Mitra and Murayama (2008, 2009)

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<sup>4</sup> The metropolitan cities in Maharashtra (Mumbai, for example) draw a huge population from within the state as well as outside it.

**Figure 1: Share of Each State in the Total Rural to Urban Migrant Population**



Source: Based on Population Census, 2001

From the census data (2001), we observed that at the class 1 city level, with an increase in city-size, there is improvement in a number of development indicators such as male and female literacy rates, child-woman ratio, male work participation rate, and percentage of workforce engaged in non-household manufacturing and services. It was only the female-male ratio that deteriorated with an increase in city size, possibly indicating the impact of a greater inflow of single male migration to large cities. In fact, Mitra and Murayama (2009) observed that the rural to urban migration rate was relatively faster in districts which had a class 1 city, particularly so in the case of inter-district migrants coming from the rural areas.

The other issue relates to population mobility within urban areas. There is a significant flow from relatively small cities/towns to large/metropolitan cities, suggesting a strong positive relationship between city size and migration. So, large cities tend to get larger supplies of Labour, with greater challenges in terms of employment, housing, infrastructure and amenities. Large cities comprise a number of economic activities, which also give rise to several secondary effects, i.e., expansion in multinational activities and rise in salaries of the skilled employees result in a demand for Labour providing petty services. All this leads to migration of even the semi-skilled and unskilled variety of Labour, in addition to the skilled ones, into large cities. The fact that such activities can be accessed in large cities seems to have a multiplier effect, i.e., more people tend to move compared to those who can be accommodated (Mitra 2013).

Some of the other distinct patterns that emerged from the 2001 census data on migration are as follows:

Among the four streams of migration, i.e., rural-to-rural, rural-to-urban, urban-to-rural and urban-to urban migration, the first one dominates the rest. The rural-to-rural stream is significant because rural males move in search of jobs from one village to another, while for rural women the main cause of movement is marriage. In 2001, rural-to-rural migration (based on the last residence concept with the duration of residence being 0-9 years at the place of enumeration) accounted for 54.7 percent of total migration within the country, though the share was on the decline compared to 62 percent in 1971. Instead, rural-to-urban migration has shown a gradual increase, its share in total migration rising from 16.5 percent to 21.1 percent between

1971 and 2001. Urban-to-urban migration also experienced a slight increase to 14.7 percent from 13.6 percent over the same period.

In terms of distance the intra-state migration is more prevalent accounting for 82.1 percent of migration (duration of 0-9 years). More than half of the migrants at the place of destination came from within the district and the incidence of migration tends to decrease with distance. In India, inter-state rural to urban migration has remained always modest because of language and cultural barriers. Social and political discriminations exist in subtle forms to discourage migration of certain specific origins (Edelman and Mitra, 2006). In the recent years, however, there are instances of migration through Labour contractors mitigating the influence of social, cultural and linguistic differences, which earlier discouraged long distance inter-state rural-urban population movement (Mitra, 2013).

Among the intra-state migrants, 60.5 percent moved from rural to rural areas (duration 0-9 years), followed by 17.6 percent from rural to urban areas. However, in the case of inter-state migrants, the largest proportion (37.9 percent) migrated from rural to urban destinations (2001 census data). Among them, the incidence of rural-to-rural and urban-to-urban movement is almost the same, i.e., 26.6 percent and 26.7 percent respectively.

**Table 4: Gross Decadal Intra- and Inter-State Rural to Urban Male and Female Migrants as a Percentage of Total Urban Male and Female Population in 2001**

State	Intra-State Male	Intra-State Female	Inter-State Male	Inter-State Female	Intra + Inter State Male	Intra + Inter State Female
Andhra Pradesh	6.11	6.59	0.39	0.34	6.5	6.93
Arunachal Pradesh	13.39	14.82	7.67	7.17	21.06	21.99
Assam	5.75	6.22	1.25	0.93	7.01	7.15
Bihar	4.14	6.83	0.42	0.7	4.56	7.53
Chhattisgarh	6.58	8.64	2.22	2.38	8.8	11.02
Gujarat	6.78	8.33	3.89	2.21	10.67	10.54
Haryana	4.56	6.72	6.09	5.38	10.65	12.09
Himachal Pradesh	13.37	14.48	8.09	4.65	21.46	19.13
Jammu & Kashmir	3.03	3.29	1.46	1.48	4.49	4.77
Jharkhand	2.71	3.93	3.02	3.8	5.73	7.73
Karnataka	5.38	6.16	1.36	1.16	6.74	7.32
Kerala	4.81	8.06	0.6	0.4	5.41	8.46
Madhya Pradesh	5.09	6.95	1.26	1.56	6.35	8.51
Maharashtra	5.83	7.18	4.77	2.92	10.6	10.09
Meghalaya	2.26	2.51	2.08	1.47	4.34	3.98
Mizoram	7.08	7.7	2.28	1.15	9.36	8.85
Nagaland	4.11	3.91	3.34	2.53	7.45	6.44
Orissa	9.44	10.31	1.1	1.1	10.54	11.41
Punjab	2.58	4.76	4.8	2.88	7.38	7.64
Rajasthan	4.17	5.92	1.15	1.18	5.32	7.1
Sikkim	7.04	8.2	6.26	5.23	13.31	13.42
Tamil Nadu	2.78	3.44	0.22	0.22	2.99	3.66
Tripura	6.18	8.37	0.4	0.38	6.58	8.75
Uttar Pradesh	2.66	4.33	0.59	0.64	3.25	4.97

Uttarakhand	5.43	6.04	4.24	4.18	9.67	10.22
West Bengal	2.45	4.23	1.43	1.11	3.88	5.34
Andaman & Nicobar	4.43	4.89	8.81	6.75	13.24	11.65
Chandigarh	0.12	0.1	13.99	12.79	14.11	12.89
Dadra & Nagar Haveli	0.35	0.31	29.15	19.98	29.5	20.29
Daman & Diu	0.24	0.2	8.89	5.96	9.12	6.16
Delhi	0.09	0.14	11.25	9.43	11.34	9.57
Goa	4.4	6.67	6.7	5.46	11.1	12.13
Lakshadweep	11.16	9.56	3.38	0.61	14.54	10.17
Pondicherry	1.68	1.86	4.88	6.2	6.55	8.06

Source: Based on Population Census, 2001 Migration Data and taken from Mitra and Murayama (2008, 2009)

Migration streams in India have been dominated by females, who are seen to migrate mainly for social reasons such as marriage (i.e., in a patriarchal society, the woman leaves her paternal house and family to live with her husband and in-laws). Women constituted 66.5 percent of total migration flows (duration 0-9 years). They outnumbered men in intra-district as well as intra-state migration flows, accounting for 73.9 percent and 70.3 percent respectively. However, among the migrants for economic reasons, males outnumbered women. This is somewhat reflected in the inter-state migration for economic reasons: with distance the share of male migration tends to increase. Of the total female migration, more than 60 percent moved from within the district, implying the dominance of short distance migration among women. In the case of males, while migration within the district is also predominant (43 percent), the share of longer distance migration is larger than that among female migrants.

Among the rural-to-urban migrants, the number of males and females was almost equal. While women outnumbered men in intra-state rural-urban flows, the number of males was significantly larger in the case of inter-state rural-urban stream.

### 3.2 District Level Data

Mitra and Murayama (2008, 2009) noted that migration rates, defined in terms of the gross decadal inflow of population as a percentage of the total population at the place of destination, were not high in a large number of districts. The intra-state rates dominated the inter-state rates. Second, the male and female migration rates were correlated irrespective of whether they migrated from the rural areas within the state or from outside the state. This may be taken to suggest that women usually migrate as dependents and companions of the males, though some of the micro surveys have noted the migration of single females in search of jobs (Mitra, 2003). Though the districts in many of the relatively poor and backward states show large population mobility primarily in search of livelihoods, the districts in advanced states also witnessed mobility of the male population. Several of the south Indian states in comparison to the north Indian states recorded a high migration rate of females.

As regards the intra-state rural-to-urban migrants, nearly 28 per cent of the districts registered a male migration rate of more than 7 per cent during 1991-2001, whereas less than 8 per cent corresponded to a rate up to 1.5 per cent (Table 5). Many of the districts which showed a male intra-state rural-urban migration rate of more than 10 per cent of the urban population are located in the north-east, east, west and central regions of the country. In the southern region

only two districts of Kerala showed a male intra-state migration rate of more than 10 per cent. Some of the studies showing the impact of the rural employment security program (called MNREGA) on migration are suggestive of a declining trend (Khera, 2006).

In reference to intra-state female migrants from the rural to urban areas, nearly 32 per cent of the districts showed a rate of more than 9 per cent and only 5 per cent of the districts fell below or up to 2 per cent (Table 6).

As far as the inter-state male migrants are concerned, more than half of the districts recorded a less than 1 per cent migration rate, whereas only around 11 per cent of the districts registered a rate of more than 4.5 per cent (Tables 7 and 8). The social, cultural and linguistic diversity in India tend to reduce the pace of population mobility. Social networks play an important role in the context of migration but they are more prevalent among the short-distance migrants though there are some exceptions to this phenomenon (migrants from Bihar to Delhi or Maharashtra or West Bengal, for example). As noted in the case of intra-state rural male migrants, the districts in south Indian states do not show a high inter-state male migration rate, i.e., more than 7 per cent. In terms of social, cultural and linguistic variations the north-south divide in India is quite significant with a few exceptions of metropolitan cities. In the context of female inter-state migration nearly 55 per cent of the districts are seen to have a rate of less than 1 per cent. On the other hand, only 14 per cent recoded a rate of more than 3.5 per cent.

**Table 5: Intra-State Rural to Urban Male Migration Rate at the District Level: Migrants over the ten years (1991-2001) as a percentage of the Total Urban Population in the District in 2001**

Migration Rate	No. of Districts	Percentage of Districts
Up to 1 per cent	20	3.46
More than 1 and up to 1.5 per cent	22	3.81
More than 1.5 per cent and up to 2.5 per cent	70	12.11
More than 2.5 per cent and up to 4 per cent	128	22.15
More than 4 per cent and up to 6 per cent	116	20.07
More than 6 and up to 7 per cent	60	10.38
More than 7 per cent	162	28.03

Note: Percentage figures are calculated relative to a total of 578 districts in all states and union territories (except Manipur).

Source: Based on Population Census Data, 2001 and taken from Mitra and Murayama (2008, 2009)

**Table 6: Intra-State Rural to Urban Female Migration Rate at the District Level: Migrants over the ten years (1991-2001) as a percentage of the Total Urban Population in the District in 2001**

Migration Rate	No. of Districts	Percentage
Up to 1 per cent	17	2.94
More than 1 and up to 2 per cent	17	2.94
More than 2 to per cent and up to 4 per cent	77	13.32
More than 4 per cent and up to 6 per cent	117	20.24
More than 6 per cent and up to 7 per cent	44	7.61
More than 7 per cent and up to 9 per cent	123	21.28
More than 9 per cent	183	31.66

Note: Percentage figures are calculated relative to a total of 578 districts in all states and union territories (except Manipur).

Source: Based on Population Census Data, 2001 and taken from Mitra and Murayama (2008, 2009)

**Table 7: Inter-State Rural to Urban Male Migration Rate at the District Level: Migrants over the ten years (1991-2001) as a percentage of the Total Urban Population in the District in 2001)**

Migration Rate	No. of Districts	Percentage
Up to 1 per cent	324	56.06
More than 1 and up to 1.5 per cent	52	9.0
More than 1.5 per cent and up to 2 per cent	43	7.44
More than 2 per cent and up to 3 per cent	46	7.96
More than 3 per cent and up to 3.5 per cent	18	3.11
More than 3.5 per cent and up to 4.5 per cent	32	5.54
More than 4.5 per cent	63	10.90

Note: Percentage figures are calculated relative to a total of 578 districts in all states and union territories (except Manipur).

Source: Based on Population Census Data, 2001 and taken from Mitra and Murayama (2008, 2009)

**Table 8: Inter-State Rural to Urban Female Migration Rate at the District Level: Migrants over the ten years (1991-2001) as a percentage of the Total Urban Population in the District in 2001)**

Migration Rate	No. of Districts	Percentage
Up to 1 per cent	317	54.84
More than 1 per cent and up to 1.5 per cent	55	9.52
More than 1.5 per cent and up to 2 per cent	43	7.44
More than 2 per cent and up to 2.5 per cent	35	6.06
More than 2.5 per cent and up to 3 per cent	22	3.81
More than 3 per cent and up to 3.5 per cent	24	4.15
More than 3.5 per cent	82	14.19

Note: Percentage figures are calculated relative to a total of 578 districts in all states and union territories (except Manipur).

Source: Based on Population Census Data, 2001 and taken from Mitra and Murayama (2008, 2009)

(Mitra and Murayama, 2008, 2009) regressed the rural to urban intra-state and inter-state male and female migration rate on work participation rate at the place of destination, literacy rate, employment composition, child-woman ratio, and caste composition in terms of the incidence of lower castes. The association between female and male migration rates was also examined. Their findings suggest that prospects for better job opportunities are a major determinant of migration. Low castes and minority groups show a higher propensity to migration through networks. These effects are evident among females as well though with the inclusion of the male migration rate all other factors tend to become insignificant. This may be taken to suggest that for females who initially migrate as the companions of males the economic factors do not play an important role though subsequently they may be joining the Labour market. After excluding the male migration rate from the female migration function, the effect of economic factors is more or less similar to that in the male migration function.

The policy focus of the study by Mitra and Murayama (2008, 2009) shows three different orientations. One relates to the male migrants coming to cities in search of jobs. Through availability of decent jobs in the rural areas in-migration to urban areas can be reduced. Besides, productivity-augmenting strategies can be initiated to help those engaged in residual jobs in the urban informal sector. The other aspect of the policy focuses on the job market prospects of women. Though many of these women from low income households are engaged in residual activities, several micro studies bring out their importance in meeting the consumption requirements of the households (Mitra, 2005). These women earners need to access better livelihood opportunities, which they can pursue along with household or domestic work. The

third aspect of the policy relates to single-women migrants. Their vulnerability in terms of social crime and housing uncertainty is most serious.

The Labour market for casual workers is dominated by migrants of rural origin (Deshingkar and Farrington, 2006). Their incomes are highly volatile and they do not receive any social security. They create their own employment opportunities to the extent that their capital and skills permit (Mukherjee et al., 2010) but they often end up earning lower than the minimum wage (Kundu and Sarangi 2007). Evidence on Labour exploitation is available in plenty. Mukherjee et al. (2010) in their study of migrants in Bombay city noted that the brokers make migrant Labourers work for 18-20 hours but pay nominally.

### **3.3 NSS Data on Migration (2007-08)**

The National Sample Survey Organisation (NSSO) conducted a survey on migration in 2007-08 (results published in 2010). If the entire household, as was being enumerated, had moved to the place of enumeration during the last 365 days preceding the date of survey, it was considered as a migrant household. Households in which one member of the household had moved ahead of other members and others had joined subsequently (but all of them during the reference year) were also considered as migrant households. If some members of the household were born or married into households which had moved to the place of enumeration, during the last 365 days, the entire household was treated as migrated.

As per this definition, the migrant households of one-year duration constituted nearly 3 per cent of all urban households. Most of the migrant households came from within the state (as 72 per cent of the migrant households in the urban areas had moved from within the state). The migration pattern is dominated by those of rural origin: nearly 57 per cent of migrant households in the urban areas migrated from the rural areas. Further, a majority of the households (nearly 67 per cent in the urban areas) migrated for employment-related reasons such as seeking jobs or recruitment in jobs.

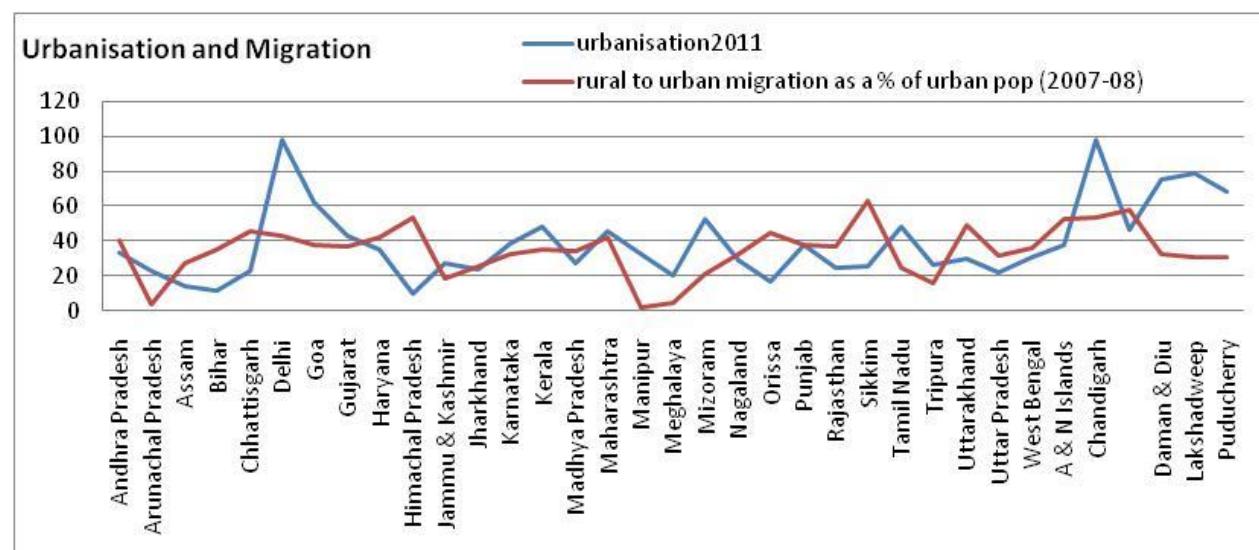
As per another definition of migration – one that aims at capturing the long-duration migrants – a household member is defined to be a migrant if his last usual place of residence (UPR), anytime in the past, was different from the present place of enumeration. As per this UPR concept, nearly 29 per cent of the population appeared to be migrants with significant rural–urban and male–female differentials. The migration rate (proportion of migrants in the population) in the urban areas turned out to be around 35 per cent, with significant gender differentials: the male *migration rate* was nearly 26 per compared to the female *migration rate* of 46 per cent. Further, among the migrants in the urban areas, nearly 59 per cent migrated from the rural areas and 40 per cent from urban areas. Among the rural to urban migrants, 41.2 per cent came from the same districts; 33.6 per cent from different districts, but within the state; and only 25.2 per cent traveled between states.

The Harris-Todaro framework (1970) suggests that the economically weaker sections of the population migrate from rural to urban areas in search of better livelihood opportunities and to escape poverty. In rural India, since caste and class have a strong association (i.e., lower castes are also economically weak), the migration rate among the disadvantaged social categories is likely to be high. However, quite contrary to this perception, the migration rate in urban areas was lowest (nearly 33 per cent) among those belonging to the social category comprising ‘other backward classes’ (OBC), while it was highest (nearly 38 per cent) among those classified as the general category population, comprising upper castes.

Further, the migration rate was found to be lowest among the bottom monthly per capita consumption expenditure (MPCE) decile class and it had a tendency to increase with an increase in the standard of living. Among urban males, the migration rate in the bottom decile class was 10 per cent and reached 46 per cent in top decile class, and among the urban females, the corresponding figures were 36 per cent and 56 per cent respectively. These estimates go against the standard views on migration, which is believed to be high among the poor and the disadvantaged classes. Since the ‘very poor’ cannot afford to meet the cost of migration and take the risk of seeking jobs in an anonymous urban environment, the propensity to migrate among them is low (Banerjee, 1986). The other interpretation could be that return migration is possibly high among this class as they are often unsuccessful, which, in turn, results in a relatively lower migration rate ex post.

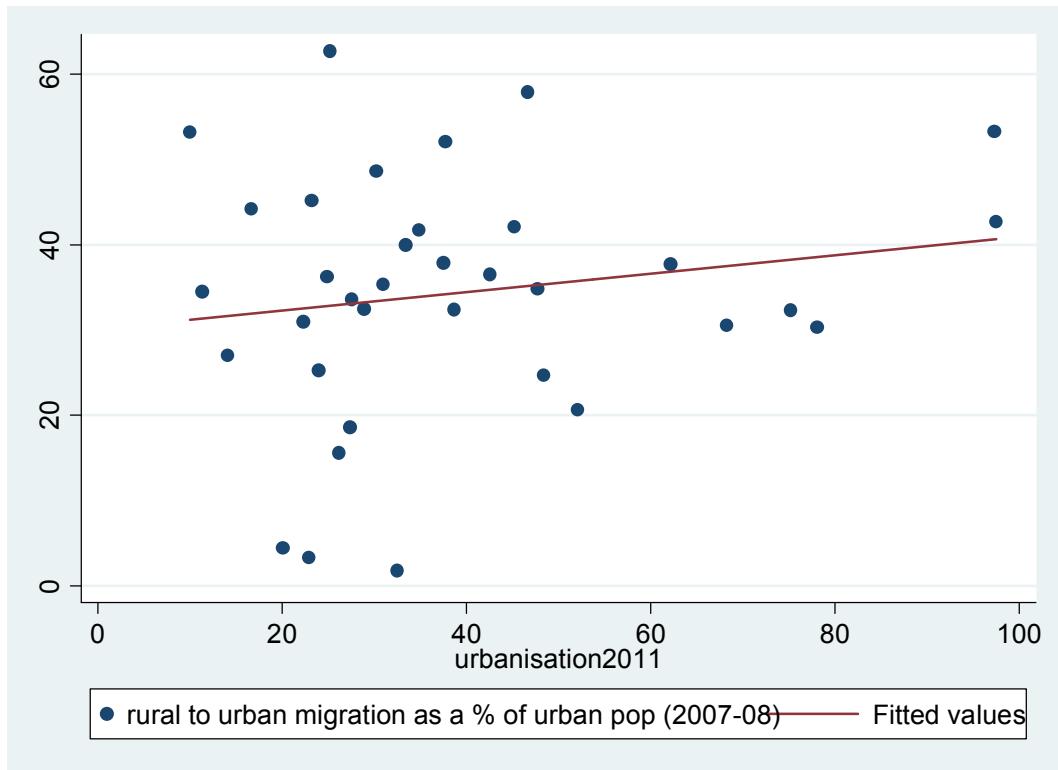
Urbanization and the migration rate do not show a very clear-cut relationship as seen from the cross-sectional data, though a mild positive association is discernible (Graphs 2A and 2B).

**Figure 2A: Urbanization and Migration across States and Union Territories**



Source: Based on population census and NSS data

**Figure 2B: Plot of Migration against Urbanization**



Source: Based on population census and NSS data.

Again, education and the migration rate show a curvilinear relationship: among urban males, it was relatively high among both the illiterates (17 per cent) and those with an educational level of graduation or above (38 per cent). Migration involves a cost and therefore not all can afford to migrate to the urban areas. As Banerjee (1986) argued, the rich do not have the need to migrate and the poor cannot afford to migrate, while the middle-income group has a higher propensity to migrate.

The quality of migrants in terms of education seems to be inferior in relation to non-migrants. As Table 9 indicates, the percentage of illiterates is higher among migrants. Similarly, the share of those with a primary and secondary level of education is smaller among migrants compared to non-migrants.

**Table 9: Composition of Education Level of Usual Principal Status Workers (15 years & above) in Urban areas by Migration Status (2007-8)**

Educational Level	Migrants	Non-Migrants
Not literate (0)	18.1	14.5
Below primary (1-4)	7.0	7.6
Primary (5)	10.8	13.1
Middle (8)	16.4	19.4
Secondary (10)	14.3	15.8
Higher secondary (12)	12.5	12.1
Graduate+ (15 & above)	20.9	17.6
Total	100	100

Note: UPS workers: workers who have worked for a major part of the year.

Source: Calculated by Sandip Sarkar from unit level data of NSS of 64th round.

The most prominent reason for female migration in both rural and urban areas was *marriage*, while the reason for migration among males was dominated by *employment-related factors* (nearly 56 per cent in urban areas). A higher percentage of persons reported to have been engaged in *economic activities* after migration compared to the pre-migration status: for males, the percentage of workers increased from 46 per cent before migration to 70 per cent after migration in urban areas. Srivastava (2011) noted that in 2007-08, excluding seasonal migrants, around 31 per cent of the workforce could be classified as migrants.

In the case of urban males, the percentage of regular wage/salaried employees has shown a major increase—from 18 per cent before migration to 39 per cent after migration. However, there has been an increase in the share of self-employment as well after migration (from 17 per cent to 22 per cent), though the relative size of casual Labour declined after migration (from 11 per cent before migration to 8 per cent) at the all-India level.

Is this shift in the occupation of migrants related to the urbanization level?

From the regression based on state-level data, we noted that the higher the level of urbanization, the greater the decline in the unemployment rate after migration in comparison with the unemployment rate prevailing prior to migration. Also, based on the cross-sectional data, the rise in overall Labour force participation and the relative size of regular wage employment after migration show a positive relationship with urbanization, though neither of them is found to be statistically significant (Table 9). Only the changes in self-employment and urbanization level are positively connected. This is evident from the results of factor analysis as well (see factor 2, Table 10).

**Table 9a: Urbanization and Change in Labour Market Characteristics: Regression Analysis**

Exp. Var.	Dep. Var. Change in LF	Dep. Var. Change in Self- emp.	Dep. Var. Change in Casual Emp.	Dep. Var. Change in Reg. Wage Emp.	Dep. Var. Change in Unemp.

URBN	0.45 (1.06)	0.82 (1.95)*	-0.29 (-0.89)	0.23 (0.29)	-1.37 (-1.96)*
CONSTANT	-106.47 (-5.74)**	10.03 (0.54)	0.0325 (0.001)	168.32 (4.95)**	-60.14 (-1.94)*
Adj R2	0.004	0.07	-0.001	-02	0.07
No. of Obs.	36	36	36	36	36

Note: LF is Labour force (2007-08) and URBN is urbanization (2011).

Source: Author's calculation

Based on factor analysis, we observe that in factor 1, the change in regular wage employment and the change in unemployment rate after migration are the two most dominant variables, and both are inversely related. Though urbanization is nominally associated with these variables, it takes a positive factor loading, implying that states with higher urbanization levels reveal a greater decline in the unemployment rate and a larger increase in regular wage employment after migration. Besides, the migration rate in urban areas and the urbanization level are positively associated, though moderately.

**Table 10: Results from Factor Analysis: Migration and Labour Market Characteristics**

Variables	Factor 1	Factor 2
URBN	0.1763	0.3059
CHSELF	0.0577	0.9641
CHREG	0.8960	-0.1944
CHCAS	-0.1087	-0.1178
CHUNEM	-0.9271	-0.2939
CHLF	-0.0417	-0.0580
MIG	0.3679	-0.0928
Eigen value	2.15	1.24
% Explained	0.91	0.25

N=35

Note: MIG: migration rate (2007-08), CH: change after migration compared with pre-migration; SELF: self-employment, CAS: casual employment, REG: regular wage employment, UNEMP: unemployment, LF: Labour force

Source: Author's calculation

From the regression analysis, it is evident that the higher the level of urbanization, the higher the rate of male migration in urban areas, though it is not true in the case of females (Table 11). Also, the higher male migration rate in urban areas and the higher male migration due to reasons such as employment are positively associated.

**Table 11a: Urbanization and Migration: Regression Analysis**

Variable	Dep. Var. MIG MALE	Dep. Var MIG FEMALE	Dep. Var. MIG MALE
URBN	2.25 (2.18)**	-0.21 (-0.16)	2.02 (2.07)**
MIG EMP Male			0.42 (2.30)**

CONSTANT	186.99 (4.05)**	426.68 (7.07)**	-30.04 (-0.29)
Adj R2	0.09	-0.03	0.20
No. of Obs.	35	35	35

Note: MIG Male: migration rate among males (2007-08), MIG Female: migration rate among females (2007-08), MIG EMP MALE: males who migrated for employment as a percentage of total male migrants (2007-08), URBN: urbanization (2011)

Source: Author's calculation

Further, from the factor analysis, we observe a strong association between the overall male migration rate and the male migration rate in the bottom two monthly per capita consumption expenditure (MPCE) quintile classes (Table 12). Employment as a reason for migration among males and the urbanization level are moderately related to these variables.

**Table 12: Factor Analysis: Poor and Migration**

Variables	Factor Loadings
Q1	0.90
Q2	0.95
MIG MALE	0.85
MIG EMP Male	0.29
URBN	0.15
Eigen Value	2.66
% Explained	0.92

N=35; Note: Q1: bottom quintile; Q2: next quintile from the bottom; for other variables, see Table 11

Source: Author's calculation

## 4. Urban Labour Market

### 4.1 Overall Employment Structure

The employment structure did not shift significantly away from agriculture during the eighties and nineties. The share of agriculture was 68 percent in 1983, which declined to 60 percent in 1999-2000 and 56 per cent in 2004-05 (Table 13). However, the share of manufacturing rose marginally, from 11.24 percent in 1983 to 12.09 per cent in 1999-2000 and 12.20 in 2004-05. On the other hand, the share of services in employment and value added increased significantly in India even at low levels of per capita income. The share of services (inclusive of electricity, gas and construction) increased from 21 percent to around 30 percent over the same period.

As job opportunities grow sluggishly in the urban areas, rural-urban migration flow tends to shrink though the urban informal sector can absorb residually a large chunk of the workforce. In the rural context the only sector that remains as a last resort for the rural job seekers is the rural non-farm sector since the agriculture sector has already reached the point of saturation. Analyzing the employment structure for the rural and urban areas separately, we note that in the rural areas the percentage of the usual status male workforce (principal plus subsidiary) engaged in manufacturing increased marginally by 0.3 percentage point between 1993-94 and 1999-2000 (Table 13). In the urban areas the share of manufacturing in total male work force dropped from 23.5 per cent to 22.4 per cent during the same period though a slight improvement is noticed thereafter in 2004-05. Among the rural females, the share of manufacturing increased by 0.6 percentage point only. However among the urban females, it remained unchanged between 1993-94 and 1999-2000 with a perceptible rise in 2004-05 (Table 13).

The share of trade, hotels, etc., in total male employment increased sizably both in the urban and rural areas. The share of the entire tertiary sector in total male employment also increased both in the rural and urban areas, over time. Several new activities within the tertiary sector including the IT and BPOs are growing rapidly. But the trade-related activities account for a sizeable percentage of low productivity employment (Mitra, 1994) as entry to this sector is relatively easy due to nominal requirement in terms of skill and space.

**Table 13: Employment Structure of Male and Female Workers (UPSS) in Rural and Urban Areas (%)**

	Male	Male	Male	Male	Male	Female	Female	Female	Female	Female
Activities (Rural)	1983	1987-88	1993-94	1999-00	2004-05	1983	1987-88	1993-94	1999-00	2004-05
Agri. & Allied Activities	77.5	74.5	74.1	71.4	66.5	87.5	84.7	86.2	85.3	83.3
Mining & Quarrying	0.6	0.7	0.7	0.6	0.6	0.0	0.4	0.4	0.3	0.3
Manufacturing	7.0	7.4	7.0	7.3	7.9	6.4	6.9	7.0	7.6	8.4
Utilities	0.2	0.3	0.3	0.2	0.2	0.0	0.0	0.1	0.0	0.0
Construction	2.2	3.7	3.2	4.5	6.8	0.7	2.7	0.9	1.1	1.5
Trade, Hotels, etc.	4.4	5.1	5.5	6.8	8.3	1.9	2.1	2.1	2.0	2.5
Transport, etc.	1.7	2.0	2.2	3.2	3.8	0.1	0.1	0.1	0.1	0.2
Services	6.1	6.2	7.0	6.2	5.9	2.8	3.0	3.4	3.6	4.6
Activities (Urban)	1983	1987-88	1993-94	1999-00	2004-05	1983	1987-88	1993-94	1999-00	2004-05
Agri. & Allied Activities	10.6	9.1	9.0	6.5	6.1	31.5	29.4	24.7	17.6	18.1
Mining & Quarrying	1.2	1.3	1.3	0.9	0.9	0.7	0.8	0.6	0.4	0.2
Manufacturing	26.8	25.7	23.5	22.4	23.5	26.7	27.1	24.1	24.0	28.2
Utilities	1.1	1.2	1.2	0.8	0.8	0.2	0.2	0.3	0.2	0.2
Construction	5.1	5.8	6.9	8.7	9.2	3.2	3.7	4.1	4.8	3.8
Trade, Hotels, etc.	20.4	21.5	21.9	29.4	28.0	9.5	9.8	10.0	16.9	12.2
Transport, etc.	10.0	9.7	9.7	10.4	10.7	0.6	1.2	1.3	1.8	1.4
Services	24.7	25.2	26.4	19.0	20.8	26.7	27.8	35.0	34.2	35.9

Source: Employment and Unemployment Situation in India, 2004-05 (Part –I), NSS 61st Round, Government of India, September 2006

After 2004-05, the value-added structure indicates a sizeable decline in the share of agriculture to around 15 per cent in 2009-10 (Table 14). This is in sharp contrast to the share of agriculture in the total workforce. More than 50 per cent of the workforce was still engaged in this sector in 2009-10, indicating low levels of Labour productivity. On the other hand, the share of manufacturing in total employment and value-added was 11.5 and 15.7 per cent respectively in 2009-10, and the shares did not change much between 2004-05 and 2009-10, except the fact that the employment share of manufacturing did undergo a marginal fall from 12.2 per cent in 2004-05. Whatever shift has been taking place away from agriculture is mostly towards the services sector. Construction is one activity that recorded a perceptible rise in its employment share during this period. The following two categories—trade, hotel, etc., and other services including finance, real estate and business services—also show a marginal rise in their employment shares. The value-added share of trade, hotel, etc. however remained by and large constant, while transport and other services gained by almost 2 percentage points.

**Table 14: Value-Added Share and Employment Share: 2004-05 and 2009-10**

Activities	Employment Structure	Value-Added Structure
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	2004-5	2009-10	2004-5	2009-10
Agriculture	56.5	51.4	20.2	15.5
Mining	0.6	0.6	2.2	1.8
Manufacturing	12.2	11.5	15.1	15.7
Utilities	0.3	0.3	2.3	2.1
Construction	5.7	9.6	6.6	6.8
Trade, Hotel, etc.	10.8	11.4	15.5	15.9
Transport, etc.	4.01	4.5	10.2	12.4
Other Services including Finance, etc.	9.9	10.8	27.8	29.8
Total	100.0	100.0	100.0	100.00

Source: National Accounts Statistics, CSO and NSS; see Tables 2 and 3

On the whole, economic growth in India is increasingly becoming capital and skill intensive. The high productivity industrial sector, which could earlier absorb unskilled and semi-skilled Labour to a significant scale, is not able to do so anymore due to adoption of capital-intensive technologies. Further, import of technology from the developed countries tends to reduce the Labour per unit of output because such technology is tailored to suit the Labour market conditions of the developed countries. Given the poor skill base of the rural migrants in urban areas, it is unlikely that they will get absorbed in a significant manner in the high productivity segment of the services sector. They are rather more likely to get absorbed in the urban informal sector spreading across both manufacturing and services. Within the informal sector, services comprise a large majority of the total employment, indicating a greater absorption of the migrant Labour in activities which do not have much entry barriers due to nominal skill requirements (Mitra, 2013).

The historical experience of the present-day developed nations suggests that industrialization is one of the important determinants of economic growth, creation of high productivity employment and enhancement in living standards. The structural change is accompanied by a rise in per capita income and many other development indicators, involving upward mobility of individual occupations and incomes and a shift in the rural–urban composition of the population (Kuznets, 1966). However, in the Indian context, the share of manufacturing in the total workforce persists at a low level even after experiencing rapid economic growth in last several years. The sluggish employment growth in the high-productivity industrial sector, aggravating the mismatch between the overall supply and demand for Labour could be due to the limited spread of the industry and/or the adoption of capital-intensive technology. This leads to a residual absorption of Labour in the low-productivity informal sector, with meagre earnings accruing to the workers and forcing many to reside in slums.

With globalization several growth-oriented strategies which include trade openness, foreign direct investment (FDI) inflows and capital mobility and technology transfer have been initiated. In order to justify technology transfer it is argued that if the wheel has already been adopted somewhere it does not have to be rediscovered for making countries cost-efficient. But

the import of new technology, which is primarily capital-intensive and skill-intensive, does not raise the demand for the less skilled workers (Wood, 1997). Another argument relates to Labour market regulations. Labour laws in the Indian context believed to be outdated and pro-employee, reducing the pace of Labour absorption. Due to the lack of Labour market flexibility economic growth is believed to be non-inclusive. However, there are many other factors that affect investment adversely e.g. the lack of access to land, infrastructure and skilled workforce. Another argument refers to skill shortage, pointing to poor employability of workers, forcing many to get residually absorbed in low-productivity activities. Migrants from the rural areas are more likely to enter the informal sector and as informal workers in the formal sector such as cleaners, office boys, contractual or casual Labourers in industries or construction companies (Mitra, 2013).

#### **4.2 Urban Informal Sector Employment**

As per the existing literature, the overlaps between the low productivity informal sector employment and poverty are significant (Mitra, 1994, 2001). Based on the NSS data, (1999-2000), the incidence of poverty as well as the intensity of poverty among households dependent on employment in the informal sector were found to be higher in the urban areas than the rural areas (Sastry, 2004).<sup>5</sup>

Both in the rural and urban areas the incidence of informal sector employment, i.e., the proportion of employment in the informal sector enterprises (proprietary and partnership enterprises) to total employment, is high (Table 15). Not only in agriculture but also in non-agriculture activities an overwhelmingly large proportion of workers are engaged in the informal sector.

The size of informal employment, which includes casual or short-term contractual or irregular workers in the formal sector and the workers in the informal sector enterprises and the households, can be phenomenally large. In other words, informal sector employment is only a subset of informal employment (see Papola, 1981, Mitra, 1994 and Sastry, 2004). But the estimate of informal sector employment given in Table 15 is on the high side let alone the share of informal employment.

The size of the informal sector seems to be large in both high- and low-income states. In the low-income states, it is the residual type of employment which dominates the informal sector, whereas in the high-income states, subcontracting and ancillaryization raise the relative size of the informal sector. In relation to urbanization, the share of the informal sector does not show any clear-cut pattern as observed from the cross-sectional information (Graphs 3A and 3B). In other words, both high and low levels of urbanization are associated with a large share of informal sector employment. While rapid flow of population into urban areas can result in excess supplies of Labour, the lack of dynamism can also lead to a similar situation of excess supplies of Labour, both resulting in a relatively large incidence of informal sector employment.

**Table 15: Relative Size of the Informal Sector in Percentages: All-India (2009-10)**

Sector	Agriculture			Non-Agriculture		
	Male	Female	Person	Male	Female	Person
Rural	90.6	95.0	93.4	73.0	64.1	71.3

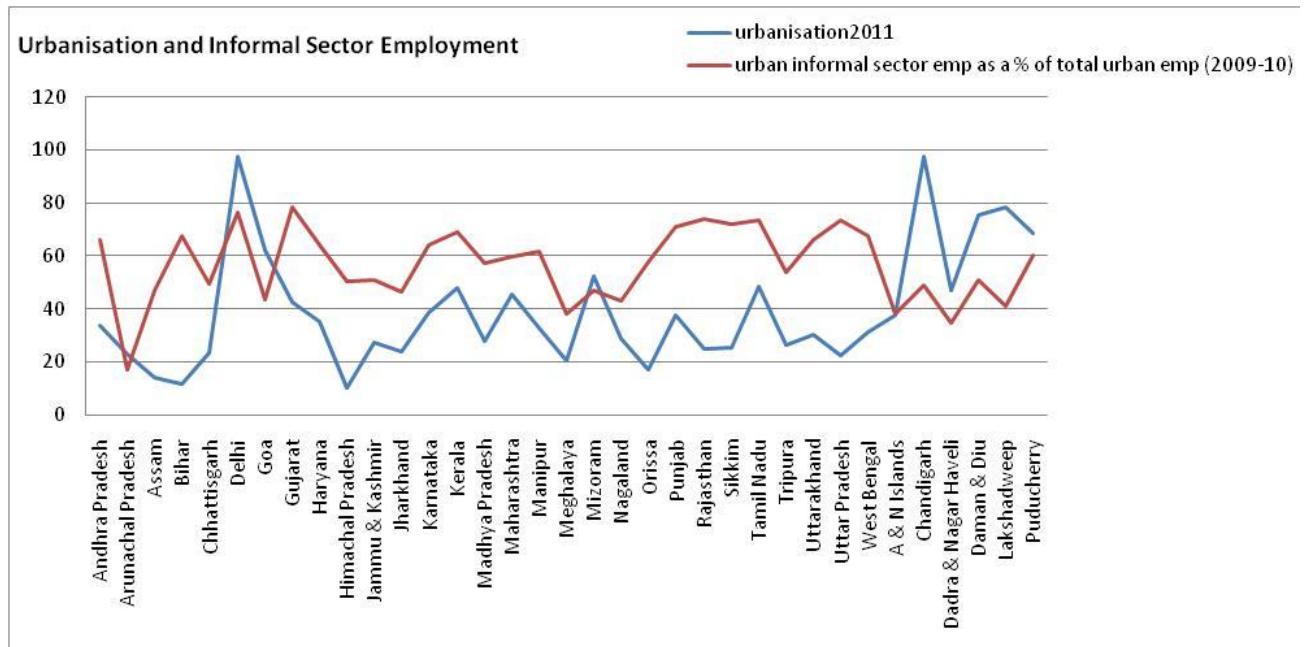
<sup>5</sup> Though rural areas are largely characterized by the informal sector (both farm and non-farm activities) hardships involved in the urban-specific informal sector activities could result in such a situation.

Urban	88.3	97.7	92.5	68.3	60.1	66.9
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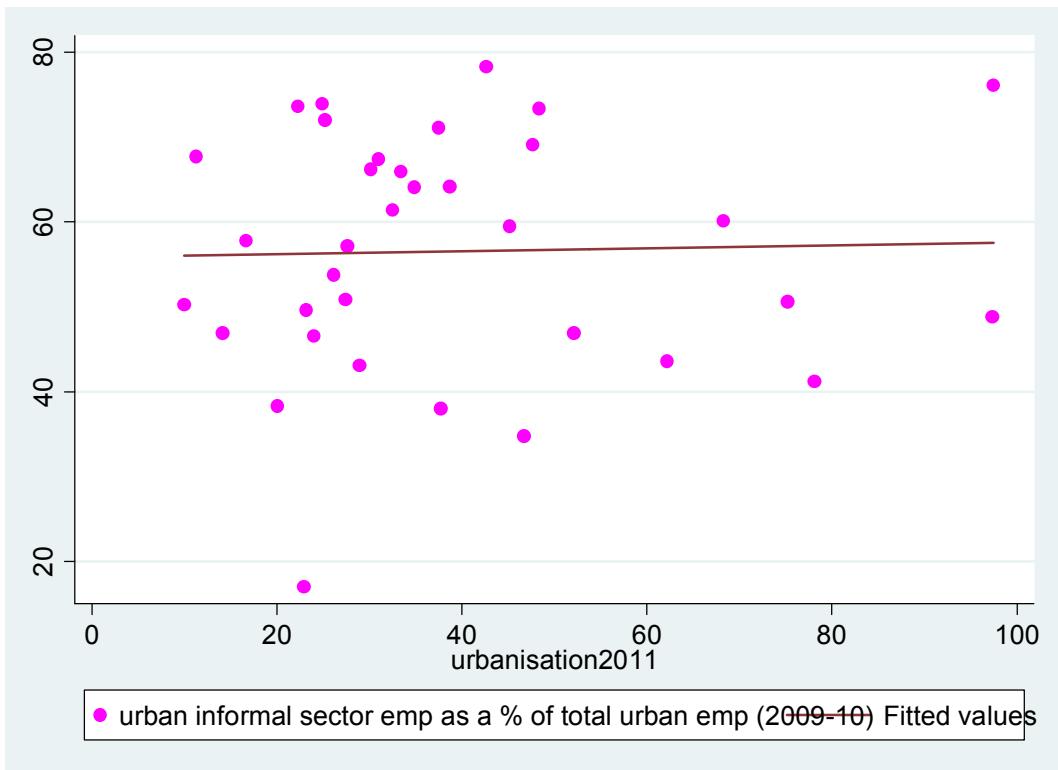
Note: The NSSO's estimates exclude workers employed by households and own-account workers engaged in the production of goods exclusively for own final use by their household.

Source: Based on NSSO (2009-10) unit level data on employment/unemployment

**Graph 3A: Urbanisation and Urban Informal Sector Employment across and Union Territories**



**Source: Based on population census (2011) and NSS data (2009-10)**  
**Graph 3B: Plot of Urban Informal Sector Employment against Urbanisation**



Source: Based on population census (2011) and NSS data (2009-10)

### 4.3 Migration, Urban Informal Sector Employment, Poverty and Other Important Correlates

The factor analysis carried out on a large number of variables reveals that higher rural literacy tends to raise the migration rate, moderately though (Table 16). The percentage of scheduled castes in rural areas also has a positive impact on the migration rate, supporting the view that the disadvantaged sections migrate to escape their vulnerability (factor 1). The most interesting part is that migration reduces both rural and urban poverty as seen from both factor 1 and factor 4. This is, however, not a very strong pattern emerging from the cross-sectional data.

Higher urbanization and work participation rate in both rural and urban areas are positively associated with migration (factor 2), suggesting that those in the Labour market are more likely to migrate and after migration they are likely to continue in the Labour market. Such patterns are more prevalent in states which are more urbanized than the others.

Migration, urban informal sector employment, the incidence of scheduled caste (SC) population (representing lower social categories in terms of caste) in the urban and rural areas are all positively connected with each other, suggesting that the socially backward groups are more likely to migrate and land up in the urban informal sector. However, this pattern is accompanied by a decline in the incidence of poverty in both rural and urban areas, though in nominal terms only (factor 3).

In factor 4, urbanization takes the highest factor loading and is associated positively with the percentage of the rural and urban workforce engaged in non-household manufacturing and services. Also, urbanization is negatively related to rural and urban poverty.

The relationship between urbanization and informal sector employment is not distinct: the factor loadings of both urbanization and urban informal sector employment do not turn out to be high

or moderate simultaneously in any of the four significant factors. In factor 3 or factor 4, only one of the two is closer to unity, while the other is negligible. From this, we may conclude that informal sector employment and urbanization do not show any significant relationship.

**Table 16: Factor Analysis: Migration, Urban Informal Sector and Other Rural and Urban Labour Market Characteristics**

Variables	Factor 1	Factor 2	Factor 3	Factor 4
MIG	-0.1138	0.1812	0.2294	0.1403
UINF	-0.1574	-0.0995	0.6029	-0.0252
MIG EMP MALE	0.1105	0.1661	-0.1277	0.0488
RHHSZ	0.6576	-0.4285	-0.1047	-0.1598
RCHILDWOM	0.8675	-0.2058	-0.1431	-0.1511
RWFPR	-0.1262	0.6799	-0.0787	-0.1019
RLIT	-0.5362	0.0718	-0.0909	0.5245
RSC	-0.1469	-0.0411	0.9067	-0.0705
ROTHERACT	-0.1406	0.0425	-0.1517	0.8636
UHHSZ	0.4938	-0.7729	-0.0294	-0.0745
UCHILDWOM	0.8359	0.0413	-0.1793	0.0322
UWFPR	-0.0001	0.9216	-0.0934	0.1698
ULIT	-0.4368	0.2878	-0.2512	0.2123
USC	-0.0547	-0.0303	0.9247	-0.0724
UOTHERACT	-0.1567	0.1456	-0.1291	0.4363
RPOV	0.1190	0.1737	-0.1193	-0.2127
UPOV	0.2697	-0.1800	-0.0965	-0.2519
URBN	-0.0244	0.1433	0.0027	0.8671
Eigen Value	5.43	2.97	2.18	1.60
% Explained	0.3563	0.1951	0.1432	0.1045

N=35.

R and U subscripts stand for rural and urban areas respectively, MIG: migration rate (2007-08), MIG EMP MALE: migration rate for employment among males (2007-08), UINF: the share of informal sector employment in urban non-agricultural activities (2009-10), CHILDWOM: child-woman ratio (2011), LIT: literacy rate (2011), SC: % of scheduled caste population (2011), HHSZ: household size (2011), WFP is work participation rate (2011), OTHERACT: % of workforce in other activities (2011), POV is poverty (2011-12) and URBN: % urbanization (2011)

Source: Author's calculation.

Keeping in view the literature suggesting interlinks between rural to urban migration, informal sector employment and poverty (Mitra, 1994), we have estimated the following three equations: rural to urban migration function, urban informal sector employment function, and urban poverty function. We conceptualized a simultaneous equation system, i.e., rural to urban migration impacts urban informal sector employment which, in turn, influences the rural to urban migration rate. Further, informal sector employment and rural to urban migration both exert effects on urban poverty. Though the Hariss-Todaro model (1970) upholds that it is the formal sector which motivates rural to urban migration, studies have shown the importance of the urban informal sector in providing sources of livelihood to rural migrants. Even when they do not have the expectation of getting absorbed in the formal sector, migration still takes place precisely because urban informal sector earnings are higher than what the rural economy is able to offer. Further, some of the informal sector jobs enable an above poverty line level of living. Therefore, it is worth examining the nature of relationship between urban informal sector employment and poverty. Given that both the phenomena – overlaps between informal sector

employment and poverty and informal sector enabling some to escape poverty – are prevalent, the relationship may not turn out to be statistically significant.

The findings confirm simultaneity between informal sector employment and the migration rate, both being dependent on each other (Table 17).

Migration for employment among males tends to raise the overall migration rate in urban areas, though it is not significant at the 10 per cent level. Large rural households and a higher female-male ratio are associated with reduced rates of migration since a higher level of dependency, captured in terms of a large household size, and higher poverty levels in female-headed households reduce the ability and propensity to migrate.

Other than the migration rate, a higher incidence of SC population is associated with higher informal sector employment. Both urbanisation and household size raise the incidence of informal sector employment, though the variables are not statistically significant at the 10 per cent level. Expansion in non-household manufacturing and services activities leads to a decline in the share of informal sector employment, implying that household manufacturing, livestock and other primary activities constitute a higher incidence of the informal sector. Interestingly, a higher child-woman ratio and informal sector employment are negatively connected though usually women from large households and children from low-income households are believed to be engaged in the informal sector due to the flexibility the sector offers. However, this result needs to be interpreted carefully. Given the household size, if the child-woman ratio rises, it is indicative of greater domestic responsibility for women, which deprives them even from working in the informal sector.

Finally, there is a strong association between rural and urban poverty: the role of migration cannot be ruled out, though migration may be contributing to a reduction in poverty in both rural and urban areas as seen from the factor analysis. In addition, urban literacy contributes to reduction in poverty significantly. Though the incidence of informal sector employment has tendency to raise poverty, the coefficient is not statistically significant. Similarly, an enhanced share of non-household manufacturing and services in rural areas is expected to reduce urban poverty, though it is not significant even at the 10 percent level.

On the whole, based only on the significant results, we conclude that migration and urban informal sector employment are closely connected. Migrants do not necessarily move in search of jobs within the formal sector only; even the possibility to work in the informal sector induces population mobility across space. Further, rural and urban poverty are connected through migration and other state specific characteristics, though migration and an increased urbanisation level tend to reduce both rural and urban poverty, as also observed from the results pertaining to the factor analysis.

**Table 17: Results of the three-equation model (OLS Estimates)**

Exp. Var.	Dep. Var. MIG	Dep. Var. INF	Dep. Var. UPOV
INF	0.38 (2.45)**		0.0065 (0.93)
RPOV	-1.29 (-0.84)		0.59 (6.86)**
UOTHERACT	4.27 (0.95)	-9.24 (-2.66)**	

RLIT	-0.73 (-0.25)		
MIG EMP MALE	0.30 (1.41)		
RHHSZ	-95.55 (-2.19)**		
RPOP/M	-578.66 (-1.72)*		
MIG		0.32 (2.17)**	
USC		8.30 (2.74)**	0.004 (0.03)
URBN		1.26 (1.41)	
UHHSZ		61.46 (1.60)	
UCHILD-WOM		-1095.24 (-1.85)*	
ULIT			-0.45 (-2.69)**
PCNETSDP			-0.0004 (-0.78)
ROTHERACT			0.08 (1.36)
INTERCEPT	655.31 (1.02)	1143.57 (2.90)**	30.04 (2.10)**
Adj. R2	0.33	0.42	0.76
N	35	35	31

Note: PCNETSDP is per capita net state domestic product (2010-11) and for other variables see Table 16. The OLS estimates provide consistent estimates; hence there is no need to provide system estimates.  
Source: Author's calculation

The factor analysis carried out for class I cities (based on 2011 census data) brings out distinctly that some of the demographic variables such as household size and child-woman ratio decline with city size (Table 18). The relative size of some of the residual activities like household manufacturing also tapers off while non-household manufacturing and services rises with an increase in city size. The only surprising fact relates to the decline in the gender ratio in large cities, which is mainly because of the predominance of male migration in these cities: with an increase in city size, the male migration rate rises, mainly because employment prospects are better in large cities. At the all-India level, the share of regular wage employment is highest in the million plus cities and least in class 3 towns (with a population less than 50,000), whereas casual employment and self-employment follow just the opposite pattern. Based on the state-level data, it is again distinct that regular wage employment is the highest in the million plus cities and least in the class 3 towns, though the difference in the magnitude between class 1 and 2 is not statistically significant (Table 19). On the other hand, casual employment is the largest in the class 3 towns. Within the million plus cities, regular employment again tends to increase with city size, though it is not statistically significant at the 10 per cent level.<sup>6</sup>

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<sup>6</sup> REG=433.49 + 7.12E-06 POPSZ (11.02) \*\* (1.31) Adj. R2 =0.03, N=22; where REG represents regular wage employment and POPOSZ is the population size in the million plus cities.

**Table 18: Factor Analysis: Class I Cities-2011 Census**

Variables	Factor 1	Factor 2
WFPR	0.0031	0.2070
SC	0.0232	0.0172
LIT	0.3798	0.6327
CHILDWOM	-0.1683	-0.7684
MFGHH	-0.8589	-0.0776
OTHERACT	0.8612	0.1334
POPF/M	-0.1084	0.6127
HHSZ	-0.2178	-0.4659
POPSZ	0.1002	-0.0385
Eigen Value	3.18	1.35
% Exp.	0.66	0.28

N= 467; class I is each with a population of 100,000 and above.

Source: Author's calculation.

**Table 19: Self-, Casual Wage and Regular Wage Employment across Classes of Cities (2009-10)**

Different

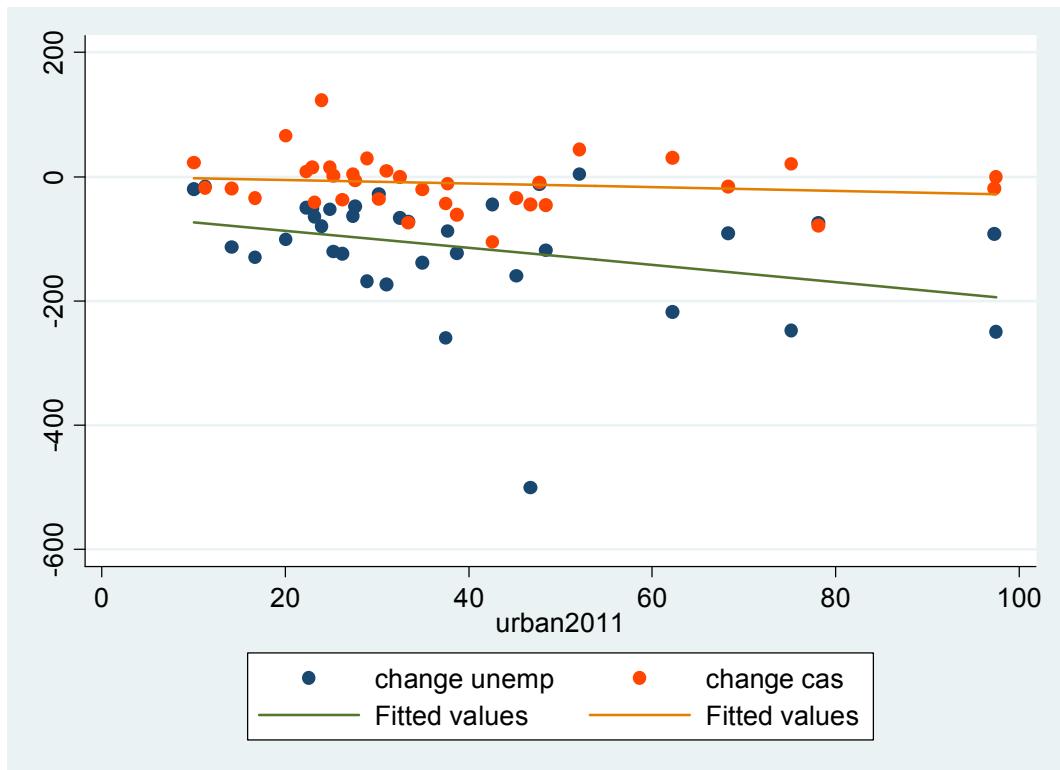
	Self-EMP	REGULAR	CASUAL
Constant	280.07 (11.65)**	366.46 (11.78)**	80.46 (4.54)**
DumCity 2	-7.61 (-0.26)	-21.36 (-0.57)	24.30 (1.15)
DumCity 3	38.09 (1.35)	-70.37 (-1.92)*	47.18 (2.27)**
Adj. R2	0.04	0.04	0.05

No=77; DUMCity 2 and DUMCity 3 represent dummies for size class 2 (50,000 and above, but less than 1 million) and 3 towns (less than 50,000) with million plus cities being the comparison group.

Source: Author's calculation

The decline in the unemployment rate and the decline in the percentage of the workforce engaged as casual workers after migration compared with the respective magnitudes prior to migration vary positively with the level of urbanisation (see graph 4). Further, we observe that casual employment and self-employment are higher in smaller urban settlements, while regular wage employment is higher in larger urban settlements (see graphs 5, 6, 7). From this, we may conclude that individuals in large cities are better-off after migration.

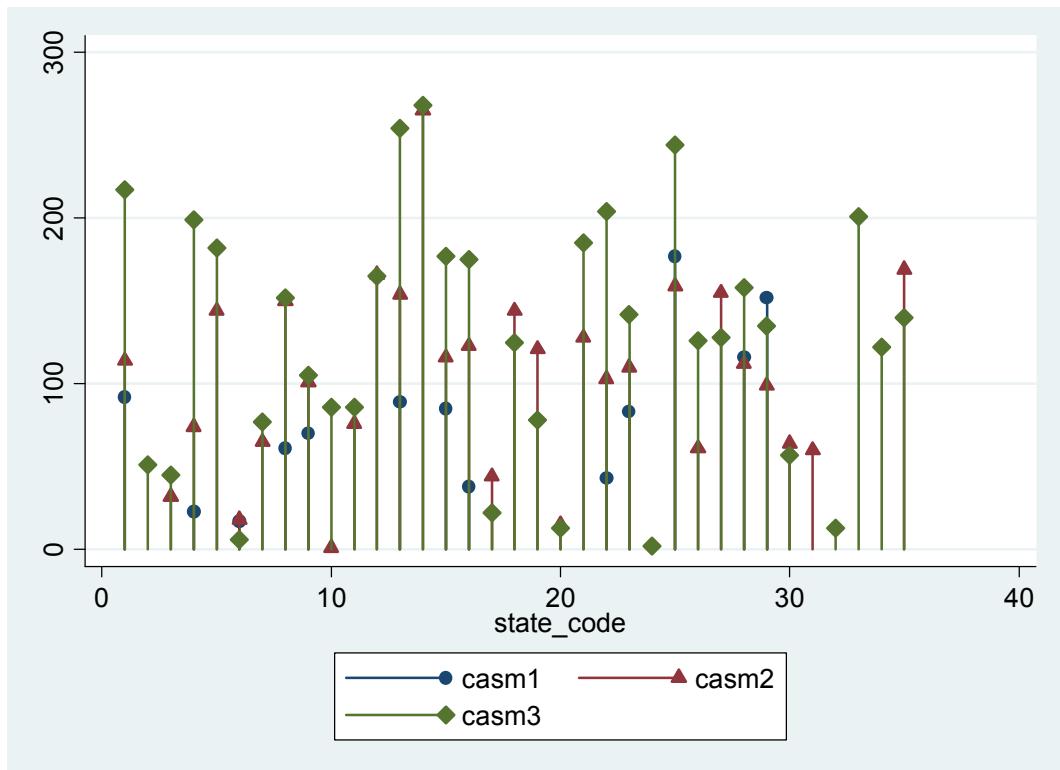
**Graph 4: Change in the unemployment rate and casual employment after migration (compared to the figures before migration) against the urbanisation level**



Note: The figures on unemployment and causal employment are taken on a per thousand basis (not percentage), while the urbanisation level is in percentage.

Source: NSS (2007-08)

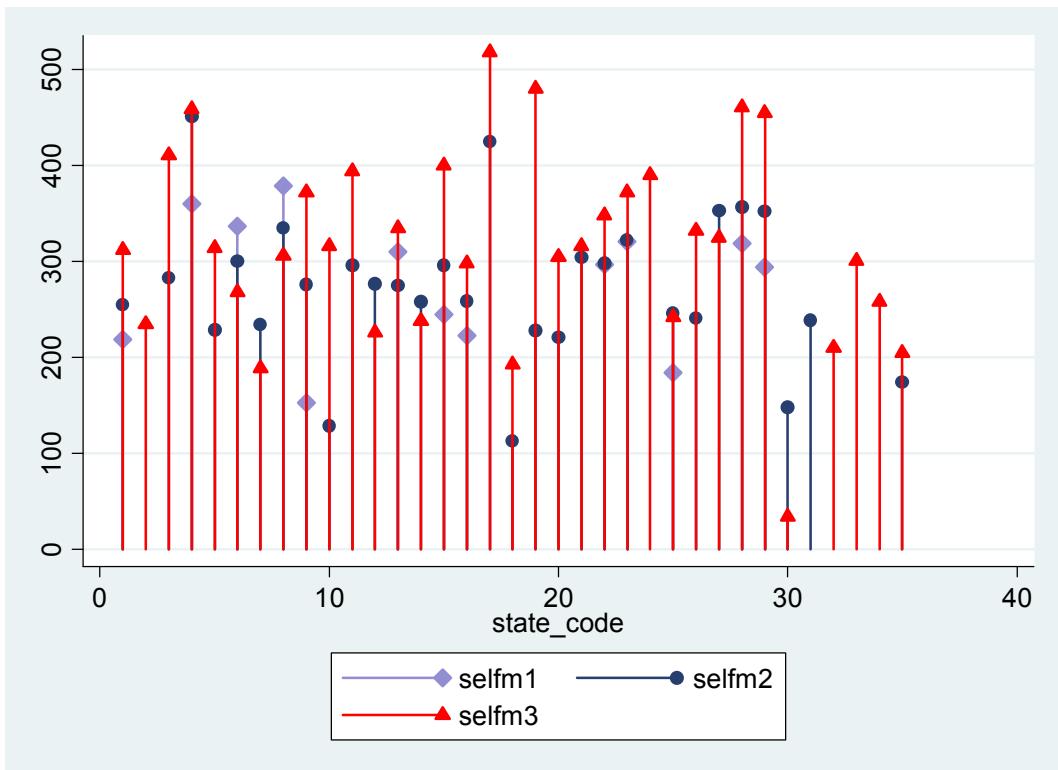
**Graph 5: Share of Casual Employment across Different Classes of Cities across States**



Note: Figures are per thousand. The three types of cities do not exist across all the states and union territories.

Source: NSS (2009-10) Employment-Unemployment Survey

**Graph 6: Share of Self-Employment across Different Classes of Cities across States**

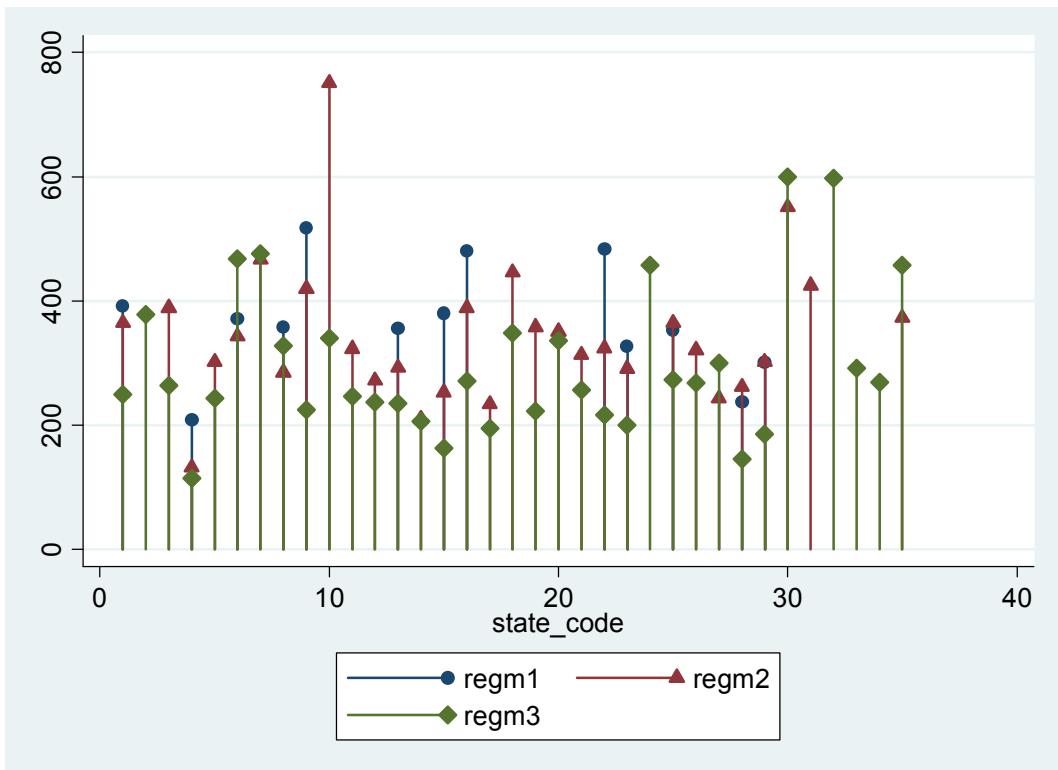


Note: Figures are per thousand. The three types of cities do not exist across all the states and union territories.

Source: NSS (2009-10) Employment-Unemployment Survey

**Graph 7: Share of Regular Wage Employment across  
Classes of Cities across States**

**Different**



Note: Figures are per thousand. The three types of cities do not exist across all the states and union territories.

Source: NSS (2009-10) Employment-Unemployment Survey

On the whole, though the evidence is not highly supportive, the broad patterns are suggestive of population movement to large urban centres which provide better job opportunities as compared to the rural job market. Such mobility does not necessarily result in absorption in the formal sector; rather there is indication of a rise in the incidence of informal sector employment. However, the livelihood opportunities in the urban informal sector could be better than what the migrants accessed at the place of origin and thus, a subtle mechanism which facilitates poverty reduction after migration, seems to exist. But the reduction is nominal and thus the regions even after experiencing a reduction in poverty due to migration may continue to reveal a positive association between rural and urban deprivation. Such observations are substantiated with evidence from the factor analysis as well, confirming the decline in poverty in relation to both migration and urbanisation. In order to strengthen these beneficial effects, more policy interventions are required so that migration and urbanisation exert their positive spill-over effects in both rural and urban areas.

As such, in the Indian context, there is no social security for migrants in particular. The Labour market regulations are mostly inapplicable to workers engaged in the informal sector. Though the minimum wage legislation exists for a number of activities, its enforcement is a difficult proposition. As mentioned earlier, even entry to a slum cluster depends on social connections. “In the absence of a coherent policy framework and strategy, migration imposes heavy costs on human development through poor Labour arrangements and working conditions of migrants, and obstacles in their access to shelter, education, healthcare and food” (UNICEF, 2012). Internal migration has not received any priority by the government, and policies of the Indian state have not been successful in providing any form of legal or social protection to this vulnerable group (UNICEF, 2012).

#### 4.4 Job Search Strategies: How do informal sector workers access jobs?

An important question is how the informal sector workers access jobs. Since most of the workers do not possess high levels of education, the possibility of utilizing the formal methods of accessing job market information is rather weak. The percentage of workers accessing informal networks across occupations is given in Table 20 based on our survey of slum workers in four cities, which was conducted under a UNDP project. Tailoring and manufacturing were some of the activities in which workers used networks to a larger extent than other activities. On the other hand, those working as construction workers and Labourers (excluding Jaipur) seemed to be using networks relatively less. Since the construction sector is predominated by contractors and it operates on the basis of the daily wage Labour market, the requirement for networks would be rather less. However, the nature of the city could also be a determinant of network use. A large city with greater economic opportunities attracts larger supplies of Labour, and accessibility to the Labour market from an individual point of view becomes more difficult. Even the possibility of accessing public space to squat is more difficult in a large city compared with a small one (Edelman and Mitra, 2006). Hence, operating through networks among workers is an effective solution. Though we do not have detailed data for different size classes of cities, it is seen widely that the low-income households use informal networks even in large cities for accessing Labour market information (Banerjee, 1986). We are, however, not able to provide any strong evidence in favor of a positive association between network intensity and city size.

**Table 20: Distribution of Workers by Occupation and Networks**

Occupation	Jaipur		Ludhiana		Mathura		Ujjain		All Four Cities	
	Self	Networks	Self	Networks	Self	Networks	Self	Networks	Self	Networks
Semi-professional	45.57	54.43	70.37	29.63	74.12	25.88	70.59	29.41	64.26	35.74
Sales & Trade	44.17	55.83	62.78	37.22	56.65	43.35	71.74	28.26	57.14	42.86
Personal Services	47.22	52.78	72.50	27.50	59.18	40.82	72.58	27.42	58.80	41.20
Manufac. & Repair	40.24	59.76	66.45	33.55	44.04	55.96	67.03	32.97	57.25	42.75
Comm. & Security	41.38	58.62	70.59	29.41	60.00	40.00	75.00	25.00	62.50	37.50
Transport	58.62	41.38	81.63	18.37	76.71	23.29	78.57	21.43	69.12	30.88
Tailoring	41.89	58.11	64.41	35.59	50.00	50.00	47.37	52.63	54.39	45.61
Construction	63.57	36.43	65.71	34.29	76.09	23.91	90.24	9.76	69.23	30.77
Labour	34.48	65.52	79.49	20.51	75.00	25.00	88.89	11.11	81.71	18.29
Others	51.61	48.39	71.43	28.57	61.70	38.30	76.19	23.81	64.97	35.03
Total	48.33	51.67	67.77	32.23	62.64	37.36	77.57	22.43	63.49	36.51

Source: Slum Survey (2006-07) under the GOI-UNDP Project

Some of the studies have already highlighted the importance of informal networks in accessing jobs in the urban Labour market. Networks are an indispensable part of the job search process through which an entry is made to the labour market. But, as Mitra (2004) points out, the prevalence of networks — given the specialization of activities in different parts of the city which results in heterogeneity in the city's economic structure — leads to market information asymmetry leading to physical segmentation of the Labour market. Excess supplies of Labour in certain activities reduce the scope of upward mobility in terms of income. As the contact persons and the new entrants (migrants) both pursue their jobs in similar activities and in the same neighborhoods wages remain highly competitive. The social ties do not often release them from the close nexus they share and thus they cannot diversify their job search across space. Elliott (1999) noted that for less educated workers, the use of informal contacts results in

significantly lower wages. Hence, the trade-offs between social ties and economic gains can be significant.

Kono (2006) demonstrates that hiring workers through employee referrals reduces the new applicants' payoffs, while a diversification of networks can raise their payoffs. Network extension or pursuance of similar networks reduces the market equilibrium wage, while network diversification raises referral wages through the bargaining effect. Munshi and Rosenzweig (2006) noted that male 'working-class-lower-caste-networks' in Bombay send boys to local language schools as a result of which they end up in traditional occupations though the nontraditional white-collar occupations were on the rise in the nineties.

In order to identify the determinants of upward mobility Mitra (2010) used a binomial logit framework and showed that networks operating through close relatives neither enhance nor reduce the probability to experience upward mobility. This is evident despite the fact that the informal networks are essential to enter the urban job market. However, younger workers are able to form new networks, particularly through new communication technologies. As a result of this, the duration of job search seems to have come down, though with increased competition between the young workers and the elderly workers who have been forced to participate in the Labour market in search of a livelihood, the real income levels have not increased widely. Hence, government intervention is important from the long-term developmental point of view. These interventions can be manifested in terms of housing support, provision of health, skill formation and education, dissemination of job market information (pertaining to the informal sector) through effective channels and a range of livelihood support schemes including marketing and credit assistance and assurance of minimum wages.

## **5. Conclusion and Policy**

The overall conclusions are indicative of certain patterns which are important both from analytical and policy point of view. First of all, rural to urban migration in the Indian context is not exceptionally high if we consider the aggregate rates for all urban areas. However, when it comes to large cities, the rates are higher. Such city size bias enters into the decision making process of the migrants because large cities are endowed with higher levels of infrastructure, investment and job opportunities. Though migrants are not able to graduate to the organised or high productivity sector, they seem to be better-off even in the informal sector, after migration, and particularly in large cities compared to small towns.

From the state-level data, we noted that the higher the level of urbanization, the greater is the decline in the unemployment rate after migration in comparison to the unemployment rate prevailing prior to migration. Also, based on the cross-sectional data, the rise in overall Labour force participation and the relative size of regular wage employment after migration show a positive relationship with urbanization, though neither of them is found to be statistically significant. However, based on factor analysis, the change in regular wage employment and the change in unemployment rate after migration are found to be most and both are inversely related. Though urbanization is nominally associated with these variables, it takes a positive factor loading, implying that states with higher urbanization levels unfold a greater decline in the unemployment rate and a larger increase in regular wage employment after migration. Besides, the migration rate to the urban areas and the urbanization level are positively associated, though moderately.

The data for class I cities brings out distinctly that some of the demographic variables such as household size and child-woman ratio decline with city size. The relative size of some of the residual activities like household manufacturing also tapers off, while that of non-household manufacturing and services rises with an increase in city size. The only surprising fact relates to the decline in the gender ratio in large cities, which is mainly because of the predominance of male migration in these cities. On the whole, with an increase in city size, the migration rate rises mainly because employment prospects seem to be better in large cities. The share of regular wage employment is highest in the million plus cities and the least in smaller cities, whereas casual employment and self-employment follow just the opposite pattern.

Migration, urban informal sector employment, and the incidence of SCs in urban and rural areas are all positively connected, suggesting that the socially backward groups are more likely to migrate and land up in the urban informal sector. This pattern is accompanied by a decline in the incidence of poverty in both rural and urban areas: the informal sector activities in large cities are able to provide relatively better job opportunities and higher living standards. Urbanisation and migration show beneficial effects in terms of reduction in both rural and urban poverty, though this process is not strongly evident. Also, states with a higher poverty incidence in rural areas unravel a similar situation in the urban areas.

Many of the rural migrants are not highly educated or skilled, and as a result they get absorbed in the urban informal sector. However, the informal sector also constitutes certain productive activities, which help workers escape poverty. On the whole, though evidence is not highly supportive, the broad patterns are suggestive of a movement of the population to large urban centres as they provide better job opportunities. Such mobility does not necessarily result in absorption in the formal sector; rather there is indication of a rise in the incidence of informal sector employment. However, livelihood opportunities in the informal sector could be better than what the migrants accessed at the place of origin, and thus a subtle mechanism working towards poverty reduction after migration seems to exist, notwithstanding a positive correlation between rural and urban poverty. The reduction is nominal and thus the regions even after experiencing a reduction in poverty due to migration may continue to reveal a positive association between rural and urban deprivation. Such observations are substantiated with evidence from the factor analysis as well, confirming the decline in poverty in relation to both migration and urbanisation. This is, however, not to deny the fact that the informal sector comprises vast stretches of low productivity activities as well, which, in turn, explain considerable overlaps between migration, informal sector employment and poverty. In order to strengthen the beneficial effects, more policy interventions are required so that migration and urbanisation exert their positive spill-over effects in both rural and urban areas.

The overall employment growth, particularly in the large-scale manufacturing sector, has not been high enough to provide job opportunities to those who migrate from the agriculture sector. Besides, the manufacturing base in several Indian states is perceptibly low. Rising capital and skill intensity in the growth process has further reduced the Labour absorbing capacity of the manufacturing sector. The informal sector, on the other hand, faces several constraints in terms credit, infrastructure, diversification and marketing of products, lack of information on consumer demand and management skills. Also, many of the informal sector activities are of the residual type, particularly within the realms of the services sector, though several new services have emerged in the growth process, which are being increasingly consumed by the urban middle class households. Similarly, though the ancillaryization and business contractualization processes have enabled some of the small manufacturing firms to receive greater work consignments from the large business houses, such beneficial effects are limited.

On the whole, urbanisation due to limited demand for Labour is not able to absorb the rural surplus Labour productively. States with both higher and lower levels of urbanisation seem to be having poor quality employment, which explains why there is no relationship between the level of urbanisation and the incidence of the informal sector. Further, from the supply point of view, the Labour migrating to urban areas is of poor employable skills. Third, there are costs associated with migration which discourage the flow of population from rural to urban areas. So the major policy challenge is how to raise the level of urbanisation and make it of better quality so that the enhanced level of urbanisation can be taken as a positive indicator of development. The agglomeration benefits can be utilised in the direction of poverty reduction, which would indeed be cost effective. Expansion in Labour intensive and productive activities is a prerequisite. Besides, the productivity growth that takes place in large cities can partly be utilised for providing social and infrastructure support and training facilities to low-income households. The land market, which is under severe speculation, has reduced the accessibility of low-income migrants to city space. In terms of housing and neighbourhood characteristics, employment and earnings, and accessibility to public services, there is glaring evidence on a segregation process alongside the growth process. Therefore, the policy focus needs to be developed to make the overall urbanisation process generative so that it results in better Labour market outcomes and becomes inclusive by creating a more conducive environment for the rural migrants rather than treating rural to urban population movement as a negative epithet.

Overall, urbanization, as perceived in the light of the historical experience of the present-day developed nations, is a strong indicator of development, which has facilitated population flow from the less developed to developed regions, integrated them into the mainstream of activities and provided productive sources of livelihood. In this respect, the Indian experience does not seem to have been promising. The contribution of urbanization as far as rural–urban migration, better Labour market outcomes and livelihood sources are concerned is rather nominal. There is government failure in a number of areas including housing, skill development, health accessibility and employment creation. On the other hand, the distortions involved in various product and factor markets are enormous. The intermediaries in various markets and their rent seeking behavior have added to the vulnerabilities of low-income households and retarded the positive role that urbanization is likely to play in the context of the overall development of an economy. The lack of appropriate technology did not allow urbanization to follow as a concomitant of industrialization and for this both the government and the market are responsible. The Indian urbanization experience, in fact, stands in sharp contrast to the positive outcomes observed elsewhere. More government action is required for eliminating the distortions in a number of areas. For example, strict regulations are required for curtailing the speculative activities in the land and housing market and more interventions are essential for improving the accessibility of low-income households to employment, earnings, housing, basic amenities, health and skills. For all this, huge investment is required which, in turn, can contribute to growth and urban development, on the one hand, and make the city space livable for low-income households, on the other. In other words, there is a huge need for making urbanization inclusive. This can be pursued by focusing on a strategy that aims at targeting the very large cities because that would be cost-effective. Some of the large cities are possibly saturated and, in this situation, the nearby areas in the periphery deserve a great deal of investment for reaping the potential benefits which may still exist. In addition, there are several big cities that need to receive quantum investment for reaping the agglomeration economies. The benefits of scale economies in the large cities can reduce the per capita cost and at the same time contribute to growth and development by enhancing the total factor productivity growth. On the whole, integrated markets are needed to allocate capital, land and Labour between rural

and urban areas and across cities. The government must play a better role to improve the connectivity of different regions and cities and the livability and sustainability of cities.

Some of the recent policies in India such as Skill India, Digital India and Smart cities are noteworthy. The smart cities are supposed to offer world class business environment. Both FDI and domestic investment are expected to flow into these cities. With concentration of economic activities job opportunities are expected to grow. But these investments of world class order will require skilled work force. Besides, the local governments will be vigilant on the growth of slums and squatter settlements. This would mean that the rural unskilled Labour is less likely to benefit in the process of new growth because of the lack of a suitable entry. However, with access to skill their employability is expected to improve, and rural-urban migration among the younger population may rise significantly. City authorities will have to plan for greater investment in affordable housing and basic amenities so that the future urbanization in India does not cast a gloomy scenario.

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