

● COVID 19 & LABOUR

RETURNEES' HOME STATES, LARGELY AGRI-DEPENDENT, MUST WORK ON ATTRACTING INVESTMENT IN THE AGRI SPACE, WHILE THE EXODUS EASES THE PRESSURE ON THE MEGA-CITIES

# Opportunity in the migrant exodus

**F**ROM AN INTERNATIONAL perspective, the economic effects of migration vary widely from country to country and depend on factors such as the demographics of both the sending and receiving country, the skill shortage and employment opportunities that exist in these countries, etc. There are both gains and losses in the short term, but, over the longer term, both countries might stand to gain as the economic adjustment works its way through the system. This has been the subject of intense debate, with the topic of illegal migrants taking centre-stage during "Brexit", The "Italian 5 star" movement, the rise of the "Alternative for Germany" debate on workers from Syria and the discourse on the American wall bordering Mexico. In India, the topic of migration has been revived recently, albeit with a focus on internal migration between and within states.

The states have been burning both ends of the candle in the Covid-19 pandemic, providing quarantine facilities and medical infrastructure, distributing food, providing shelter to the destitute and displaced, etc, on the one hand, and grappling with depleting resources on the other as revenues dependent on economic activity, including GST, excise duties, stamp duty/registration charges, etc, have dipped sharply. However, we attempt to identify opportunities that this shift entails for the states and the economy even while acknowledging the temporary nature of the same.

Historically, migration takes place for work and education from areas of surplus-labour with availability of primary sector employment, to areas that offer employment in higher, more productive sectors like industry and services. While there is no consensus on the number of migrant labourers across the country, most estimates point towards a number around 100 million, with the Economic Survey 2017 estimating

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annual inter-state migration flows of close to 9 million since 2011. The growing trend of internal migration across decades points to the fact that opportunities and rewards of migration far surpass risk, apprehensions and barriers like relocation hardship, language, etc.

Covid-19 has led to forced reverse migration from industrialised states like Delhi, Maharashtra, Tamil Nadu to native states like Bihar, UP and Madhya Pradesh. This poses economic challenges for the first group of states, as most of the migrant population was employed in labour-intensive industries or as construction workers, and even with lifting of the lockdown, these states could see staggered recovery heightened by unavailability of labour. The home states could benefit if the returning labour pool is tapped judiciously by appropriate policy push.

In the short-term, most returnees could seek employment under the MGNREGA, given the higher allocation through the recent economic package announced. MGNREGA is a demand-based scheme, and state-wise allocations are dependant on budgeted estimates and actual demand for work during the year. Successful MGNREGA implementation would be dependent upon timely payment of wages, demand for employment, provision of work and assets created. There is substantial inter-state variation in all these

criteria, and the states that could capitalise on this increased allocation as well as the returnees will emerge as winners.

Home states should try to retain this labour through creation of other gainful employment opportunities, which could then have ripple effects in terms of development and economic activity.

State-wise ease of doing business rankings show that migrants' home states rank poorly compared to the states that attract the migrant pool. Improving ease of doing business conditions could enable both domestic and foreign investment. Making changes to industrial, sectoral policies and infrastructure policies, would allow greater industrial development,

supporting growth in primary-agriculture states. The UP government's initiative of setting up an 'investment promotion and facilitation agency' is a step in the right direction.

The recent agriculture reforms, aimed at creating 'One India, One Agriculture Market', including the amendment of the Essential Commodities Act and APMC Act, could lead to the creation of better storage and logistic infrastructure, provide access to larger inter- and intra-state markets, and access to all farmers to engage with industries across the value chain. Given the return of migrant population to agriculture-rich states, working on encouraging private investment in

agriculture to develop supply-chains, with a focus on agri-processing industries, could enable home states to capitalise on their comparative advantage in agriculture, creating employment and growth opportunities.

The reverse migration would also ease some of the strain on the mega cities and urban conglomerates, and give way for development of other urban centres in the lesser developed states. India's mega cities, with population of more than 10 million, have led to cluster development around them, e.g., cities like Jaipur, Pune and Surat have seen economic growth rates in high double digits (pre-COVID period) as economic and social clusters expanded around them. If the lesser developed states could encourage development opportunities, it could pave the path for creation of growth synergies in their urban centres leading to overall economic expansion.

Development in urban centres would also lead to growth in services sector activities including trade, transport, hotels, entertainment, etc. India's total factor productivity for services is much higher than manufacturing, and urban centres attract the labour pool, including unskilled labour, into various activities within the service industry. Collaboration with knowledge-based platforms and technology-based startups could also be one of the avenues that state governments could utilise to absorb the inflow of migrant labour into various service sector activities.

While we acknowledge that most of the shift in labour could be temporary, crisis often opens the door for reform. This unique opportunity provided by Covid 19 could have the dual advantage of mitigating some of the stress in urban centres and paving the path for development in the agriculture-dominated states. What is envisioned here is a path that, if successfully implemented, could lead to more balanced growth across the country.

**The reverse migration, if handled right by the states, could aid development of new urban centres in lesser developed states**