

India's invisible walls

India is becoming more integrated. Goods and services are beginning to flow more freely thanks to recent reforms. But, to increase economic growth and reduce poverty, people too need to move to where they are most productive. In China, for example, eliminating impediments to internal migration could boost national income by an estimated 10 per cent — a bigger gain than from reducing internal trade costs.

India has no explicit restrictions on internal labour mobility as in China's "hukou" system. Yet Indians, particularly men seeking education and jobs, are surprisingly reluctant to cross state borders. On the face of it, internal migrants represented 30 per cent of India's population in 2001, the latest Census round for which comprehensive data on migration flows are available. But this number is deceptively large: Two-thirds were migrants within districts, and more than half were women migrating for marriage. Census data reveals that internal migration rates across states were nearly four times higher in Brazil and China, and more than nine times higher in the United States in the five years ending in 2001. Other researchers found that India ranked last in a comparison of internal migration in 80 countries.

We looked deeper into the 2001 Census data on district-to-district migration between each pair of India's 593 districts. We examined patterns by gender, age, education, duration of stay, and reason of migration. To illustrate the restrictiveness of state borders, consider Nagpur, a district in central India (Maharashtra) and close to three other states — Telangana, Madhya Pradesh and Chhattisgarh. The four neighbouring districts in Maharashtra (Bhandara, Wardha, Amravati, and Chandrapur) sent a total of 31 per cent of Nagpur's immigrants. The remaining three neighbouring districts in Madhya Pradesh (Balaghat, Chhindwara, and Seoni) sent a total of only 13 per cent. In fact, more migrants came to Nagpur from other districts in Maharashtra hundreds of kilometres away than from neighbouring districts in other states. Almost identical patterns are observed when we look at emigration from Nagpur to other districts.

In our analysis, we accounted for barriers to internal mobility such as physical distance and linguistic differences between districts. We also considered differences in economic and social features. Even after controlling for these other influences, state borders still emerged as critical impediments to mobility. We found that migration between neighbouring districts in the same state is at least 50 per cent more than migration between neighbouring districts in different states.

The Economic Survey 2016-17 uses less detailed, early-release data from the 2011 Census data to reach similar conclusions. Even though the rate of migration doubled between 2001 and 2011 relative to the previous decade, state borders remain impediments to mobility: Labour migrant flows within states are much larger than flows across states. In our analysis, state borders turn out to be a bigger hindrance to the migration of men than of women, and for younger men of working age. The negative effect was also linked to education levels — the more educated were more reluctant to cross state lines.

India's low level of inter-state mobility is puzzling because there are no explicit barriers. We suggest a possible explanation: The entitlement programmes implemented at the state level. First, major social benefits are not portable across state boundaries since they are administered by state governments, even when they are centrally funded. For example, access to subsidised food through the public distribution system (PDS), and even admission to public hospitals has been administered through "ration cards", issued and accepted only by the home state government. We find that in states where the PDS offers higher levels of coverage, unskilled migrants are less likely to move out-of-state.

A nationally portable identity is an important step. But the disincentive to move will disappear only when, say, someone from Bihar can access all social benefits when they move to Maharashtra. And those benefits would need to include access to public hospitals and schools even when people move from one state to another. While non-portability of benefits inhibits the migration of the poor and the unskilled, two other factors contribute to the inertia of those seeking higher education and skilled jobs.

Many universities and technical institutes are administered by state governments, and state residents get preferential admission through “state quota seats”. For example, the state quota in state medical colleges is more than 70 per cent in Maharashtra. The “domicile certificates” necessary for eligibility for the state quota require continuous residence in the state, ranging from three years in Uttar Pradesh to 10 in Rajasthan. Not surprisingly, the relative share of migrants moving out-of-state to seek higher education is lower in states with higher rates of access to tertiary education.

Even though the public sector accounts for only about five per cent of total employment in India, it employs more than half of the higher-skilled. And in most states, more than three-fourths of government jobs are with the state rather than central government. State domicile is a common requirement for jobs in state government entities. Sure enough, we find that in states with higher rates of public employment, skilled migrants are relatively less likely to move out-of-state.

The impact of this discrimination in state employment should diminish as the private sector grows. However, some states are flirting with broader “jobs for natives” policies. In 2016, Karnataka announced that both public and private sector firms would have to reserve 70 per cent of their jobs for state residents, or lose access to state government industrial policy benefits. Odisha, Maharashtra, and Himachal Pradesh have similar quotas for state residents in factory jobs.

India’s “fragmented entitlements” are likely to dampen growth and perpetuate pockets of poverty by preventing people from seeking the most productive opportunities across the entire country. Only when each Indian state grants all Indian citizens equal access to benefits, education and employment, will India really be on the move.

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