



## Impact of Labour Migration to the Construction Sector on Poverty: Evidence from India

### Summary

*Seasonal and circular migration is an important livelihood strategy for workers in developing countries and the construction industry is one of the largest recipients of such labour. The impact of labour migration to this industry on workers and their families is an important research issue with significant policy implications. The Migrating out of Poverty Research Programme Consortium conducted a three-country study on migrant construction workers in South Asia (India, Nepal, and Bangladesh). The country studies used similar methodologies and the principal findings are based on surveys of migrant construction workers and their families at source and destination. This policy brief presents the findings of the India study, which showed that while migrants have the opportunity for higher remuneration in the construction sector they also face significant work-related risks and difficult living conditions at destination. The brief concludes with policy recommendations to help ameliorate these challenges.*

### Labour Migration and the Construction Industry in India

A significant portion of India's rural population increasingly uses seasonal or circular migration as a livelihood strategy. Much of the migration involves members of disadvantaged social groups such as Scheduled Castes (SC), Scheduled Tribes (ST) and the Other Backward Classes (OBCs) from regions with poor livelihood opportunities. The importance of seasonal and circular migration to livelihoods in rural India has been highlighted in several studies (e.g. Srivastava, 2011; Deshingkar and Akter, 2009).

Estimates based on a migration survey by the National Sample Survey Organisation (NSSO) for 2007-08 show that 81 per cent of short duration out-migrants were from the SC, ST, and OBC groups, that more than two-thirds migrated from rural to urban areas for employment, and that 52 per cent were in the two lowest consumption quintiles (Srivastava, 2011). The rapidly growing construction industry in India has emerged as the main employer of seasonal and circular labour migrants (see Box 1).

#### Box1: Recent growth in India's construction sector

- Between 2004-05 and 2011-2012, construction sector GDP grew on average at 9.75 per cent annually, making the sector the third fastest growing industry group, after communication and banking and insurance. During this period, employment in construction also grew at 9.8 per cent annually, the highest among all industry groups.
- In 2011-12, the construction sector employed about 50 million people, making it the largest employer outside of agriculture after trade, hotel work and manufacturing.
- The construction industry is also the largest employer of seasonal migrants. In 2007-08, the industry employed 33 per cent and 19 per cent of rural and urban seasonal migrants, respectively.

Sources: Central Statistical Organisation; NSSO, Rounds 64 and 66.

## Study Methodology

This study is based on a survey of migrant construction workers employed on sites in the Delhi National Capital Region (NCR), which is one of India's largest urban agglomerations. The first phase of the study involved a survey of 150 construction workers in the NCR at a number of construction sites. A roughly equal number of workers were sampled from three types of construction projects: large commercial and office complexes; residential complexes; and small-scale residential construction sites. Large construction sites in India are secured by guards and access to workers is extremely difficult. The sites were selected purposively after initial mapping exercises. The research team used a variety of strategies to gain access to workers and care was taken to interview a cross-section of the workforce. However, both the scale and the nature of the survey rules out statistical representativeness. For the second phase of the survey, we identified origin villages from which several labourers were part of our sample. Two source villages, one each in the states of Bihar and West Bengal, which supplied a number of such migrants were identified. A total sample of 80 households was taken, forty from each village, which included both migrant and non-migrant labour households.

## Main Findings

As a whole, the study points to the contradictory outcomes of labour migration and the many dilemmas associated with conceptualizing its impact on multi-dimensional poverty. It also highlights the potential role of suitable policies and regulatory measures, which could reduce the incorporation of migrants into the labour market under adverse circumstances, and could improve their living

and working conditions at destination.

Most workers in the construction sector are seasonal or circular migrants from areas where livelihood opportunities are poor and under stress. Contractors play a very important role in their recruitment and in the determination of their wages and working conditions. The workplace is segmented along migration streams, gender and functions. Long distance migrants recruited at origin through contractors have very little bargaining capacity. Long-distance migrant labourers on large sites surprisingly get lower wages than migrant workers recruited locally on small sites. In general, workers and their families have poor living and working conditions, lack access to typical state benefits, and have little voice as workers. Existing labour laws and social security provisions bypass them. Their wages are lower than the legal minimum. Although skills improve wages, few workers are able to acquire better skills, and virtually none acquired formal skills. Hence, most workers, and all female workers, remain stuck in low paid and low skilled jobs. However, at the cost of hardship and low consumption levels, they manage to save a portion of their income, which they remit or take back home. Migrant workers perceive that they are better off in terms of quantum of employment and remuneration than at origin, but perceive their housing and living conditions to be poorer.

At origin, it is clear that migrants are able to secure employment for longer duration as well as receive higher wages than non-migrants. Their remittances are used to boost consumption, the condition of residential housing, expenditure on children's education, and selective investment in other assets.



Although it is not possible to control for differences in initial conditions, higher wage incomes among migrants, compared to similarly placed non-migrants, indicates that Migrant labourers have more income to deploy in order to improve living conditions of family members through higher expenditure on education, health, and other food and non-food items. In fact, average per capita consumption expenditure by labour migrants to the construction sector was higher than non-migrants by an estimated 75 per cent. Migrants perceive faster change in their economic condition compared to their non-migrant counterparts.

**Box 2: Labour Laws for Construction Workers in India**

The working conditions and social security of labourers in the construction industry come under the purview of a number of laws, a few of which are specific to this industry:

- The Minimum Wage Act (MWA), 1948: provides for setting of minimum wages in scheduled occupations.
- The Equal Remuneration Act, 1976: provides for non-discrimination between men and women in matters relating to recruitment and remuneration.
- The Contract Labour (Regulation and Abolition) Act (CLRAA), 1970: provides for conditions under which contract work is permissible, registration of contractors and employers, and regulation of working conditions.
- The Inter-state Migrant Workmen's Act (ISMWA), 1979: provides for regulation of conditions of recruitment, transportation and work, and provision of basic facilities by the contractors for inter-state migrant workers.
- Trade Union Act, 1926: provides for freedom of association and registration of trade unions.
- The Building and Other Construction Workers Act (B&OCWA), 1996: provides for provision of basic facilities by builders, and minimum conditions of work in construction sites.
- The Building and Other Construction Workers Welfare Cess Act (B&OCWWCA), 1996: provides for payment of cess by builders into a welfare fund, registration of construction workers, and welfare of benefits to registered construction workers.

**Policy Recommendations**

**1) Facilitate access to entitlements as legal rights at the destination:** Since most migrant workers in the construction sector do not have official local identification, this could bar them from accessing services and benefits that they would normally be entitled to as local citizens. This includes access to local schools, health clinics, food rations and pensions. The new scheme of biometric identification called Aadhaar is not well suited to seasonal labour migrants, as it is associated with a specific residential location and is, therefore, unlikely to facilitate the acquisition of entitlements for migrants. Such identification must better account for mobility

and portability of entitlements as for example, has been done in the Rights to Education Act.

**2) Better regulation and enforcement of laws related to labour migration:** Labour migration is almost entirely unregulated, and in the construction sector a chain of intermediaries mediates it. Apart from laws that apply to all informal labourers, those specifically meant for migrant workers remain unimplemented for a number of reasons, including the lack of enforcement by a under-resourced labour department and the long chain of intermediaries in recruitment processes, which makes it difficult to fix responsibility on the principal employer.

**3) Simplification and reform of labour laws:** It is also recognized that labour laws are cumbersome and complex, making implementation difficult. In this regard, the implementation of recommendations made by various tripartite bodies as well as expert commissions, including Second National Commission on Labour (2002) and the National Commission on Enterprise in the Unorganized Sector (NCEUS, 2009), would provide for a better legislative architecture and environment for the protection of labour. These include simplification of existing laws; a comprehensive law for informal workers; and speedier and cost-effective implementation machinery. Further, we would argue that, given the size of the construction sector, and the high incidence of injury and accidents, there is a strong case for separate legislation for this sector covering safety and injury compensation.

**4) Making workers' dues and working conditions a joint liability of contractors and outsourcers:** To ensure a better deal for the workers, the Contract Labour and the Inter-state Migrant Workmen's Act needs serious reconsideration. Non-registration of contractors, non-issuance of wage slips, and non-payment of full dues by contractors must attract serious penalties for both employers and contractors. The worker's dues and working



conditions must be treated as a joint liability of contractors and outsourcers.

**5) Implementation of amendments to Building and Construction Workers' Welfare Act:** Implementation of amendments suggested in 2013 for the Building and Construction Workers' Welfare Act will remove the 90-day employment requirement and make the registration of workers under the act easier. However, given the profile of the workforce, legislation must also provide for portability of registration and benefits.

**6) Policies for better regional and urban development:** Almost all migrant workers interviewed came from regions with a poor and deteriorating livelihood base confirming the conclusion drawn by the National Commission for Rural Labour (1991) that migration is mainly a response to the uneven spread of economic opportunity. While such migration mitigates adversity, the lack of alternatives draws migrants into adverse labour contracts. Regional and urban development strategies can obviate distress migration as well as lower the costs of migration and increase opportunity-led migration.

**7) Provision for enhancing skill base and skill acquisition:** Our findings show that skill acquisition can provide a major route out of poverty. But the limited amount of skill acquisition observed has been only on account of on-the-job learning. Such skill acquisition is limited, patchy and subject to social inequities. Although the government and the National Skill Development Corporation have initiated support programmes for skill building in the construction sector, these efforts need to be significantly up scaled as the outcomes of the present programmes were not observable in the fieldwork conducted in the study.

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