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Economic Consequences of COVID-19 in Bihar: From the Lens of Reverse Migration

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The COVID-19 has disrupted the lives of millions of people in India, many have lost their livelihood and income generation options which have created a massive humanitarian crisis. In this regard, it becomes imperative to focus on Bihar, a state with severe poverty rate and underdevelopment. The state also witnesses highest rate of inter-state out-migration to the economically prosperous states and benefits immensely from the remittances. The sudden lock down due to the pandemic have resulted in return of millions of migrant workers to the state that have created severe economic challenges to the already weak economy of Bihar. In this context, this paper tries to examine the economic consequences of reverse migration in the state with particular focus on employment situation, labour market, revenue loss. An attempt is also made to suggests measures that can benefit the migrant workers. The study uses data sets and reports such as Census 2011 D-series, NSSO 64th round 2007-8 data on migration, PLFS round 2017-18 and 2018-19, CMIE, Bihar Economic Surveys 2019-20 etc.

Keywords: COVID-19, Migration, Bihar, Remittances, Economic consequences, labour market, Census 2011, PLFS.

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1. Introduction:

The sudden onset of Covid-19 in the country gave little time to prepare for this pandemic, resulting to huge loss of lives and livelihood. With the nation coming to a standstill and halting all economic activities, thousands of people were stranded with no employment opportunities. The informal workers, particularly the migrant community was adversely affected by the ongoing crisis. Loss of jobs and little saving to survive in cities, lead to huge exodus of migrants from the major cities such as Delhi, Mumbai etc. With transportation shut, many walked miles with their minimal belongings to their villages. There are also instances where out of desperation to return, many have used all their savings or have resorted to taking up new loans or even got money transfers from family members and friends. This facilitated debates around the pathetic livelihood conditions of migrant population across various cities and states. It can be assumed that the lack of support both from the employers and the government agencies, have forced the migrant workers to return to the home state either on foot or by the thousands of Shramik express trains run by the government. A study by Bhatnagar (2020) based on a survey conducted by Gurgaon Nagrik Ekta Manch (GNEM) found that due to the prolonged lockdown around 87 percent of the migrants were left with INR 500 or less in hand, many were forced to take loans and also faced food distress.

While most of the Indian states are working relentlessly to control the spread of COVID-19 cases, states such as Bihar faced a dual challenge of the pandemic, *viz.*, shrinking economy and the situation of reverse migration (Ranjan et al., 2020). The effect of the pandemic can be most devastating in Bihar given its socio-economic and demographic characteristics. Bihar is one of the poorest states in the country with a population size of 104 million (104,099,452 persons) which is around 8.6 percent of the total population of the country (Census 2011); and in 2020, it can be estimated to be around 128 million (128,458,570 persons). It is also characterized by high population density (1102 per sq. km), limited industrialization, lack of employment opportunities, and the highest propensity for out-migration rate, which may further aggravate the current situation of the state (Table-1).

Studies in the context of inter-state out-migration from the poorer states in India have shown that across the various socio-economic groups, the migrants at the urban destinations are economically better placed in the MPCE³ wealth quintile when compared to the non-migrants/population at the native state (Rajan and Sarkar 2020; Sarkar 2019; Joe *et al.* 2011). But in the current situation it can be argued that the sudden loss of job for the migrants, and their unplanned return to the native state will impact their economic wellbeing and push them towards the lower levels in the MPCE wealth quintile distribution.

2. Reverse Migration and its impact on Bihar Economy:

The impact of reverse migration can be much higher in Bihar than other Indian states given the fact that the propensity of economic migration in the state for economic reasons is highest in the country. Since the sudden announcement of the countrywide lockdown, the state has witnessed an influx of around 3.2 million migrants from various cities in the country (Kumar 2020). To understand the overall impact of the reverse migration in Bihar, it is important to look into the

³ Monthly Per Capita Consumption Expenditure.

demographic and industrial profile of the state, labour market, the employment-unemployment scenario and dependence on remittances.

Industrial and Demographic Profile of Bihar

The economic impact of return migration on Bihar economy is substantially very high given the fact that it is one of the poorest, and among the least industrialized states in the country. In Bihar, the share of labour force participation in the industry is only 8 percent and holds 33rd position in the per capita GDP ranking across states⁴. The occupational structure of the state suggests that roughly around 56 percent of the labour force is engaged in agriculture which is around 12 percent higher than the national average (Mehrotra and Roy 2020). Further, only 8 percent is engaged in the industry which is 15 percent less than the national average. According to the estimates from the Periodic Labour Force Survey (PLFS) 2017-18 and 2018-19, Bihar has the highest number of informal workers in the total workforce which can be estimated to be between 90-94 percent. This suggests that the state government will face extreme difficulty in creating new jobs both in agriculture or industry. Table-1, shows a comparative demographic and industrial indicators of Bihar and table-2, shows the Labour Force Participation rate (LFPR) and the Worker Population Ratio (WPR) of Bihar and India. These comparisons will help to analyze the extent to which the state government is in a precarious situation to tackle the return migration crisis in the time of COVID-19 crisis.

Table-1: Key demographic and industrial indicators:

Demographic and Industrial Indicators		
Demographic Profile	Bihar	India
Population Density	1102 per sq. Km	382 per sq. Km
Population Growth Rate (Decadal)	25.40 %	17.70 %
Urbanization Rate	11.29%	31.16%
Literacy Rate	63.82%	74.04%
Industrial Profile	Bihar	India
No. Factories in Operation ('000)	2.91 (1.5%)	194
Persons Engaged (in '000)	1162 (0.8%)	149112
Value of Output (Rs '000 crore)	47.69 (0.7 %)	7266
Net Value Added (Rs '000 crore)	5.37 (0.5 %)	1146

Source: Compiled from Census 2011 and Bihar Economic Survey 2019-20.

Note: Figure in Parenthesis refers to the percentage share of Bihar to the India level. The industrial profile information is for the period 2017.

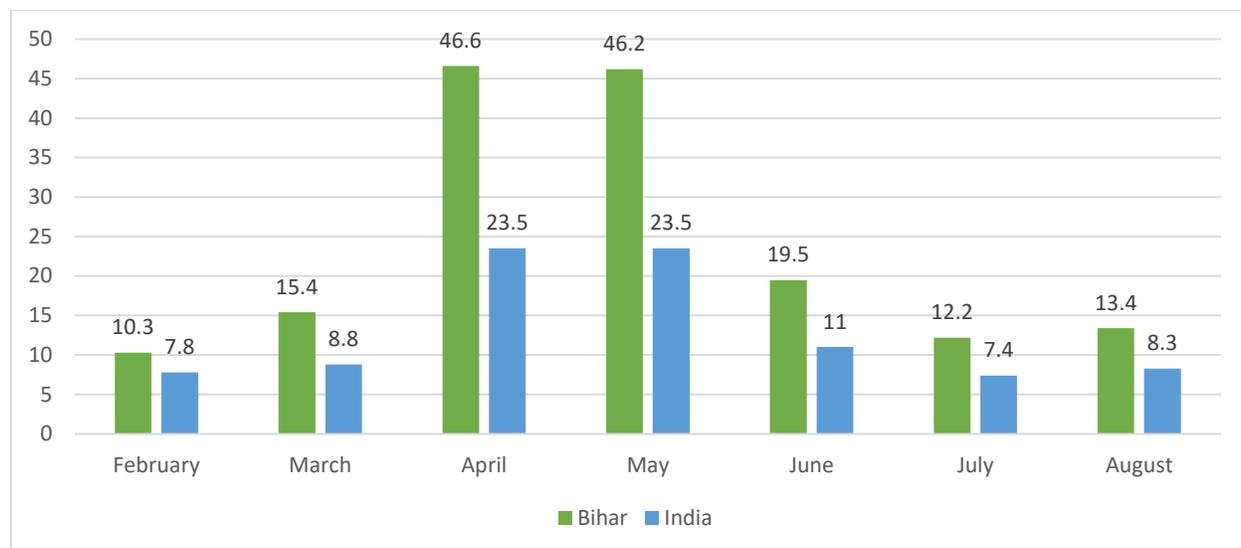
Implication of Reverse Migration: Unemployment, Revenue and Labour Market Scenario

On the employment front, the recent survey conducted by the Centre for Monitoring Indian Economy (CMIE) shows that, the unemployment rate in Bihar rose to 46.6 percent in April 2020 which is far greater than the national unemployment rate of 23.5 percent. Figure 1, shows that after April and May, the unemployment rate started to normalize as some relaxations were given to some sectors to carry on economic activities. However, it is observed that even though the unemployment rate started to come down during the month of June, July and August, for Bihar it

⁴ https://en.wikipedia.org/wiki/Economy_of_Bihar.

was substantially higher than the national average. The abnormal increase in unemployment rate in Bihar can be very much attributed both to ‘reverse migration’ and also the ‘shrinking economy’ during the lockdown.

Figure 1: Monthly unemployment rates in 2020 (in percent)



Source: Centre for Monitoring Indian Economy (CMIE).

Table-2 shows the LFPR and WPR for Bihar and India. These are some of the most prominent indicators which can reflect the state of employment, economic activity and the performance of the overall economy. The LFPR is defined as the percentage of persons in the labour force in the population. It is a measure to evaluate the working age population in an economy. Lower rate of LFPR usually reflects poor level of economic activity and economic development. WPR is the number of persons employed per'000 population. It can be noted that Bihar has lower level of LFPR and WPR compared to all-India level for all the groups: male and female, and rural and urban.

Table-2: LFPR and WPR (in per cent):

Categories	Labour Force Participation Rate (LFPR)		Worker Population Ratio (WPR)	
	Bihar	India	Bihar	India
Rural Male	48.8	55.1	43.6	52.1
Urban Male	48.4	56.7	43.4	52.7
Rural Female	2.6	19.7	2.6	19
Urban Female	4.7	16.1	4.1	14.5

Source: Calculated using PLFS (2018-19).

The fiscal situation of the state has also worsened during this period. The loss of revenue for the state government stands at around 82.29 percent in April this year compared to the April 2019-20 financial year. The revenue for the month of April fell to INR 450.21 crore from INR 2542.23 crore in last April (Singh 2020). According to SBI Ecowrap report, 2020⁵, the states have witnessed a huge loss in the share of Gross State Domestic Product (GSDP). Accordingly, the state of Bihar has witnessed an estimated loss of INR 74,249 crores (11.5 percent of GSDP). Given this scenario, it can be argued that the government of Bihar is under huge financial constraint to accommodate the return migrants. It is also expected that due to the unprecedented excessive supply of labour, the wages in Bihar may fall further which is already amongst the lowest in the country. The fall in wages will also adversely affect the already falling consumption demand.

The return of millions of migrant workers will put immense burden on the rural labour market which has always been in a very poor state of affairs, and was one of the very reasons for high migration rate from Bihar. The shrinking GDP levels will further add to the fuel, and will make it very difficult for the employment-oriented sectors such as construction, industry, manufacturing, service sectors etc., to revive. Hence, it can be argued that those who have returned to the respective native states may not get an immediate opportunity in the existing job market. Therefore, the rural labour markets will experience several challenges given the fact that a large proportion of return migrants will now seek employment in the agricultural sector.

The employment opportunities in the rural non-farm sector is also very limited given the fact that it largely comprises small and petty traders, shops and businesses which doesn't create enough employment options. In such circumstances, the rural labour markets in these poorer states may experience higher levels of unemployment, disguised/hidden unemployment, under-employment, exploitation, deterioration of working conditions etc. This may also lead to substantial fall in wage rate in the state which is already among the lowest in the country. The only option left to those who are seeking employment in the rural labour market is to get work through MGNREGS and other employment generating schemes such as Garib Kalyan Rojgar Yojana (GKRY).

Economic Impact due to loss of Remittances:

Along with the fallout of overall economic health of the state due to the pandemic such as rising unemployment rate, shrinking economic activity etc., the loss of remittances may have enormous negative impact in the overall economy. The sudden loss of remittances due to the reverse migration will further push the rural population towards poverty (Ranjan and Bisht 2020). According to a recent survey conducted by IIPS Mumbai, more than 50 percent of the households in Bihar have migrant members who moved for economic reasons (Roy et al 2020). The study shows that the dependence on remittances are very high among the migrant households. On an average the remittance sent by a migrant is INR 26,020. Earlier surveys such as NSSO 64th round on migration (2007-08) also found that the state has highest remittance dependency in the country. In rural Bihar, among the migrant households, around 74.5 percent of households have received remittances, this rate is twice the national average of 36.6 percent. In urban Bihar, it was around 61.4 percent against the national average of 24 percent. This helps to argue that the absence

⁵ https://sbi.co.in/documents/13958/3312806/2605201152-Ecowrap_20200526.pdf/491c89f8-21c2-76be-07e9-5477db06efb9?t=1590474178349

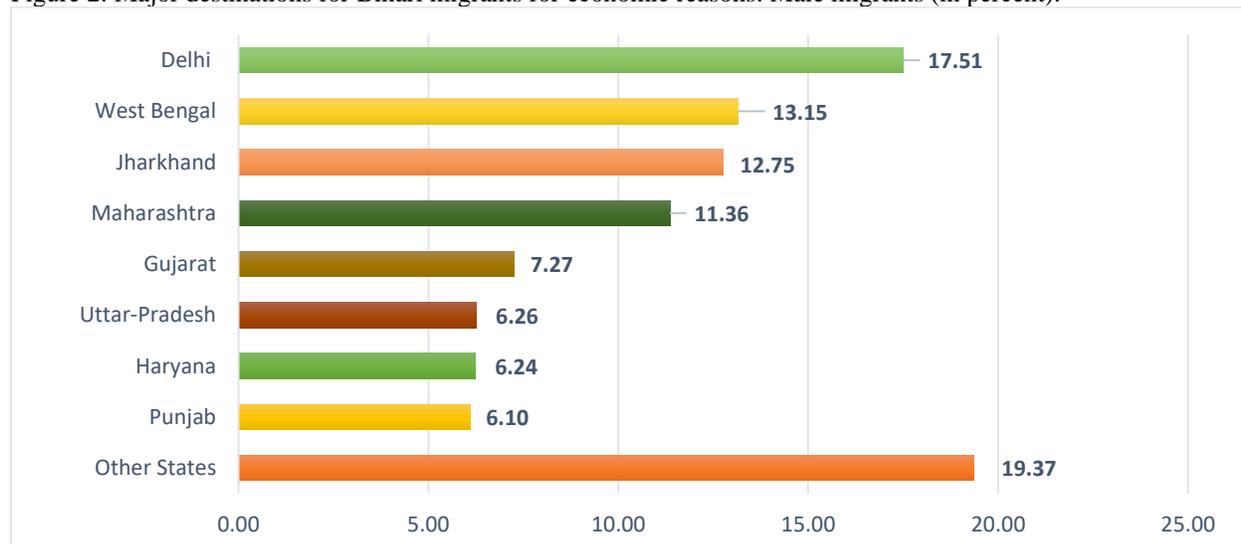
domestic remittances will also push the households towards indebtedness, as roughly around 6 percent of the remittance receiving households uses remittances for repayment of loan/debt. Given very high dependency on remittances, it can be argued that without remittances, the demand for the consumption goods will fall. Most of the return migrants have already faced severe economic challenges and have undergone emotional trauma during the journey back home. Therefore, it can be argued that these migrants will not be able to re-migrate soon to the usual migration destinations. Decision to migrate requires money to cover the cost of migration, and also confidence on the destination labour market, which seems to be both missing in the current times.

3. Impact of Reverse Migration on the major destination states:

The major destinations for economic migrants are the higher income states that have advantages of having economic pull-factors. These states have higher wages, higher per capita income, infrastructural development, employment/business opportunities in various sectors such as industries, construction, manufacturing, service sectors etc. Empirical studies in the Indian contexts have shown that the richer states such as Delhi, Maharashtra, Gujarat, Punjab etc. are the major destination states and are the gainers of human capital. Whereas, the economically backward states such as Bihar, Uttar Pradesh, Odisha are losing human capital etc. (Chandrasekhar and Sharma 2014; Castaldo et al 2012; Joe et al 2011; Bhagat 2009). However, with the emergence of pandemic and the return of millions of migrant workers, it is the industrial destinations which are losing the cheap labour from the poorer states.

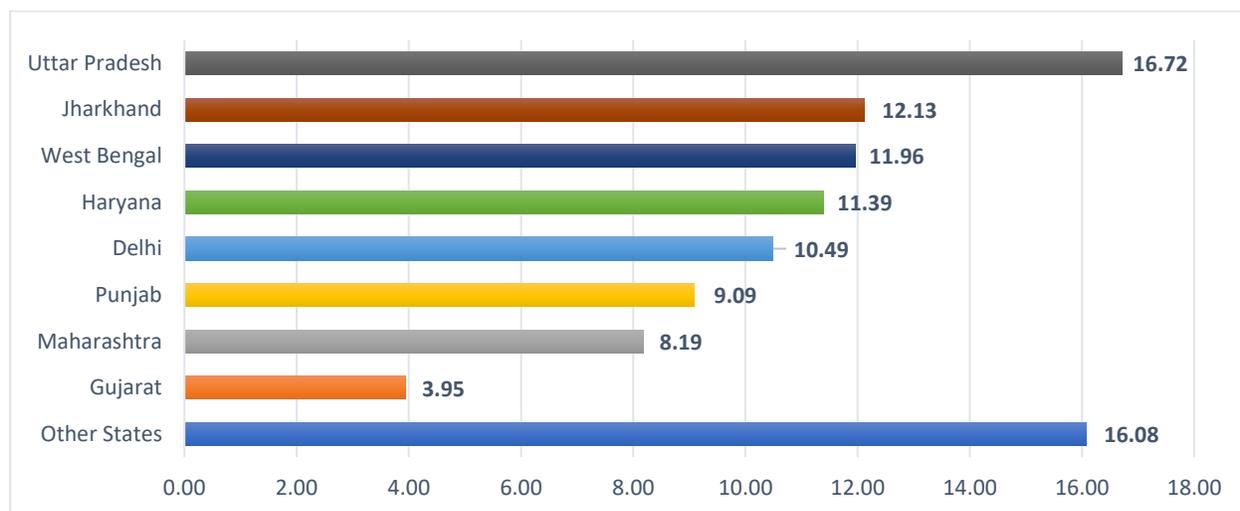
Most of the migrant workers from Bihar usually worked in the unorganized sectors in construction, manufacturing, service, small businesses and also as domestic help etc. The absence of these migrant workers who previously worked at various capacities in the urban areas of these states will lead to labour shortages and create bottlenecks in the production process, thereby impacting the industrial and the overall growth of the economy. It is now the worry of these states as to how to retain the migrant workers or to re-attract them to address the problems associated with the shortage of labour.

Figure 2: Major destinations for Bihari migrants for economic reasons: Male migrants (in percent):



Source: Calculated using D-3, Census -2011.

Figure 3: Major destinations for Bihari migrants for economic reasons: Female migrants (in percent)



Source: Calculated using D-3, Census -2011.

According to Census 2011, in terms of absolute numbers the share of inter-state migration flow from Bihar is around 17.91 percent which is the second highest after Uttar Pradesh. Figure-2 & Figure-3 shows the major destination states for the economic migrants from Bihar. It is observed that for the economic migrants from Bihar, the pattern for destination states changes considerably for the male and female migrants. For the male economic migrants, majority of them, i.e., around 17.51 percent migrated to Delhi. On the otherhand, in case of female migrants, majority of them i.e., 16.72 percent migrated to the bordering state of Uttar Pradesh. These show some kind of bias on the selection of destination states for male and female migrants. However, even though the propensity to migrate and the choice of destination varies between both the groups, the major destination remains the same set of eight states. Also, it can be argued that as inter-state economic migrants from Bihar is mostly dominant by the male stream with a concentration of around 92.63 percent. Thus, destination states such as Delhi, West Bengal, Jharkhand, Maharashtra etc. will be most affected due to the the absence of Bihari male migrants.

4. Ways ahead:

- a. *Boost demand:* One of the most powerful ways to revive the economy is to boost effective demand in the economy. This can be done by ways such as lowering income tax which will increase disposable income and encourage consumer spending.
- b. *Generate employment:* The government should ensure that people are getting work through the employment oriented programmes such as MGNREGS, Garib Kalyan Rojgar Yojana (GKRY) and other such schemes. The number of days for work can be increased from 100 days to 200 days under the MGNREGS.
- c. *Recognize the skill level of the migrant workers:* Bihar is the first state which has conducted skill-mapping for all the migrant workers those who have returned during to the Pandemic. The migrants have been categorized into groups viz. handicrafts,

mechanics, healthcare, general services, electronics and electrical, construction, computer and IT, banking and financial services, agriculture and others (Swaroop 2020). This creates a huge database for the government which can be used to identify and provide adequate help to the migrant such as special economic packages.

- d. *Post-pandemic/post-lockdown protocols:* Specific post-pandemic protocols for the migrants are required, so that when the lockdown is lifted, it can assist the migrants to get employment in the respective sectors according to skill levels. For those who want to return, for them the government could provide logistical and monetary support.
- e. *Use of Consolidated Sinking Fund:* In the current economic turmoil, the state government should efficiently use the Consolidated Sinking Fund (CSF) that was created in 2009 for overall economic development. A portion of the CSF can be dedicated for the welfare programmes for migrants, as migrants are a vital part of the Bihar economy.

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