

SHORT-TERM MIGRATION, RURAL PUBLIC WORKS AND URBAN LABOR MARKETS: EVIDENCE FROM INDIA

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Abstract

This paper studies the effect of India's rural public works program on rural-to-urban migration and urban labor markets. We find that seasonal migration from rural districts that implemented the program decreased relative to those that were selected to, but did not implement it. We use a gravity model and find that real wages rose faster in cities with higher predicted migration from program districts. Since most seasonal migrants work outside of their district, urban wage increases were not limited to program districts, and may have attracted migrants from non-program districts. Difference-in-differences may hence be biased. Structural estimates indeed suggest that migration decreased by 22% in program districts, but also increased by 5% in non-program districts. As a result, urban wages increased by only 0.5%, against 4.1% if the program had been implemented in all selected districts. (JEL: O15 J61 R23 H53)

The editor in charge of this paper was Imran Rasul.

Acknowledgments: We thank Sam Asher, Abhijit Banerjee, Debopam Bhattacharya, Samuel Bazzi, Gharad Bryan, Robin Burgess, Ann Case, Guilhem Cassan, Angus Deaton, Taryn Dinkelman, Dave Donaldson, Esther Duflo, James Fenske, Erica Field, Gary Fields, Basile Grassi, Doug Gollin, Catherine Guirkingier, Marc Gurgand, Viktoria Hnatkovska, Seema Jayachandran, Reetika Khera, Julien Labonne, Karen Macours, Mushfiq Mobarak, Melanie Morten, Andrew Oswald, Florian Oswald, Rohini Pande, Simon Quinn, Imran Rasul, Roland Rathelot, Camilla Roncoroni, Sami Stouli, and seminar participants at Oxford University, BREAD/CEPR Development Conference, 8th Migration and Development Conference, EEA Meeting, ASSA Meeting, Winter Meeting of the Econometric Society, Université Paris 1, NEUDC Conference, ISI (Delhi), University of Sussex, University of Warwick, TSE, University of Bristol, AMSE, University of Manchester, Columbia University, Graduate Institute (Geneva), Université de Cergy, University of Illinois (UC), City University London, Université Catholique de Louvain, Sciences Po, and PSE for helpful comments. Thanks to Ben Olken and Chang-Tai Hsieh for sharing part of the migration data.

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