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)

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