

Rural-To-Urban Migration, Urban Workforce and Tertiary Sector Employment : Inter-Relationship

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In this study, it is argued that the rural to urban migration rate is both influenced by and influences the workforce participation rate and the level of service employment in the cities. Workforce participation rate lowers the service sector employment but raises in migration. In turn, migration of rural labour increases the service sector employment as limited spread of the industrial sector and/or capital bias of the technology with less employment potential forces the unskilled labour to be residually absorbed in the low productivity tertiary sector. Again, service sector employment lowers the workforce participation rate but attracts the rural unemployment and the casual workers from the agricultural sector. Urbanward migration in turn increases the workforce participation rate effort to sustain their consumption. Thus, urban workforce expands with a growing concentration of low productivity service jobs.

1. Introduction

The predominance of the primary sector in the sectoral distribution of the total (rural-urban combined) workforce and the overwhelmingly high share of the tertiary sector in the urban employment structure of the Indian economy reveal, (a) the modest role that industrialisation has played particularly in the context of employment generation and (b) the phenomenon of urbanisation following primarily as a concomitant to the expansion of the tertiary sector. 1/ This feature stands in sharp contrast to the transition located in the employment composition of the developed world, for the developed world moved towards the tertiary sector after having experienced a high level of industrialisation. The Indian economy on the other hand witnessed a shift - although small-away from the primary and mostly towards the tertiary sector. 2/

In the backdrop of such a pattern of change the relationship between workforce participation rate (WFPR) and service sector employment (SFRV) in the urban areas needs to be explored further. Another important feature relating to migration pattern in India is the rural to urban movement of labour that out-weighs the urban to urban component. This implies that a large percentage of migrant job-seekers in the cities are from rural areas with limited skill