

**DOES INTER-STATE MIGRATION DETERMINE
SKILLED AND UNSKILLED LABOUR SHORTAGES?
EVIDENCE FROM INDIA'S INFORMAL
MANUFACTURING ENTERPRISES**

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ABSTRACT

India's informal manufacturing sector, a cornerstone of the economy employing 90% of the workforce, serves as the largest employer of inter-state migrants that shapes critical labour market dynamics in the informal sector. This study investigates how migration influences skilled and unskilled labour shortages using probit regression model, with manual and skilled labour shortages as outcome variables and net in-migration and out-migration rates as key explanatory variables. Data on migration rates was obtained from the 2020–21 Multiple Indicator Survey while the 2021–22 Annual Survey of Unincorporated Sector Enterprises provided firm-level insights. The Controls used in the study include firm characteristics like size, location, ownership and regional factors including literacy rate, unemployment rate and GSDP. A composite ICT Adoption Index constructed from 17 binary indicators, measures digital integration of the informal manufacturing firms.

Results show that higher net in-migration reduces shortages in destination states, while out-migration eases shortages in origin states. Urban, larger, subcontracting, or accounting-maintaining firms face higher shortages, however ICT adoption reduces the likelihood of manual labour shortages. The study recommends industrialization in high out-migration states and formalized employment to attract skilled labour. The limitations of the study include reliance on self-reported data and a cross-sectional design, limiting temporal trend analysis. Due to data limitation, the study's scope did not include assessment of intensity of the labour shortage problem. This research highlights migration's pivotal role in addressing labour challenges in the informal manufacturing sector.

Keywords: Informal Sector, Migration, Labour Shortage, ICT Adoption, Manual and Skilled Labour Shortage, ASUSE Data, Manufacturing Sector, Inter-state Migrants

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