



Migrant Labour and the Unorganised Sector in a Remittance Economy: Labour Supply, Informality and Regional Development in Kerala

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Abstract

This study examines the role of inter-state migrant labour in the unorganised sector of Kerala, a state whose economy is shaped simultaneously by large-scale emigration to the Gulf and large-scale in-migration from other Indian states. It combines an integrative review of 28 scholarly and institutional sources with a descriptive analysis of secondary data drawn from the Kerala Migration Surveys, the Gulati Institute survey of domestic migrant labour, the Reserve Bank of India's state-level wage statistics, the Periodic Labour Force Survey and the Kerala Economic Review. The data show that emigration has stabilised at about 2.2 million persons while remittances have risen to Rs 2.17 lakh crore, or 23.2% of net state domestic product, in 2023; that rural daily wages in Kerala exceed the all-India average by 109 to 125% across agricultural, non-agricultural and construction work; that agriculture has fallen to about 8% of gross state value added while services approach two-thirds; and that a domestic migrant workforce estimated at 2.5 million in 2013, drawn chiefly from West Bengal, Bihar, Assam, Uttar Pradesh and Odisha and concentrated in construction, fills the manual-labour gap that these conditions create. Four themes are developed: the Kerala labour market paradox, the structural shift of employment out of agriculture, the position of migrant workers as the flexible labour force of the unorganised sector, and the welfare balance between income gains at origin and precarity at destination. The findings are organised into a Supply–Absorption–Welfare framework and five research propositions. The paper argues that migrant labour has become a structural rather than a transitional feature of Kerala's economy, that the unorganised sector is the channel through which it is absorbed, and that the state's development model now depends on the inclusion of workers it does not formally count. Implications are offered for employers, industry bodies and policymakers.

Keywords: - Migrant Labour, Unorganised Sector, Kerala Economy, Remittances, Informality, Wage Differentials, Labour Supply, Regional Development

I. INTRODUCTION

1.1. Background and Context

Kerala presents an unusual configuration for a developing regional economy. For half a century it has exported labour on a large scale, chiefly to the Gulf states, and the remittances that return have transformed household consumption, housing and services (Zachariah et al., 2001). Kannan (2005) attributes the state's turnaround in growth from the late 1980s to the combined effect of social development, remittances and economic reform. The most recent Kerala Migration Survey counts 2.2 million emigrants and 1.8 million return emigrants in 2023, and estimates remittances at Rs 2,16,893 crore, equivalent to 23.2% of net state domestic product (International Institute of Migration and Development [IIMAD] & Gulati Institute of Finance and Taxation [GIFT], 2024).

At the same time, the state's high wages, high levels of education and demographic transition have left its farms, construction sites, hotels and workshops short of manual labour. That shortage is now met by workers from West Bengal, Assam, Bihar, Uttar Pradesh, Odisha and other states. A survey for the Gulati Institute of Finance and Taxation estimated the number of domestic migrant workers in Kerala at about 2.5 million in 2013, with an annual inflow of about 2.35 lakh, and

projected that the number would reach four million by the end of the decade (Narayana et al., 2013). Later studies confirm the continued growth and increasing diversity of this workforce (Peter & Narendran, 2017).

The commerce literature on Kerala has begun to examine this second migration. Aswani and Bhat (2022b) analyse the role of migrant labour in the state economy and find that the influx of migrant workers has relieved the shortage of manual labour by providing a cheaper and more flexible workforce, while the rural labour market shifts away from agriculture towards secondary and tertiary activities. Aswani and Bhat (2022a) extend this to the rationalisation of the economy through migrant workers in the unorganised sector, and Aswani and Varghese (2023) evaluate the structural change of the agrarian sector that underlies the shift in labour demand. The present study builds on this work by bringing the two migrations together and by placing the argument on a quantitative footing.

1.2. Problem Statement

Migration to Kerala is usually studied as a demographic or social phenomenon, and the unorganised sector as a labour-market category. The commercial significance of their combination is less often examined. Migrant workers are not simply additional labour; they are the labour on which entire segments of Kerala's commerce now depend, and they are absorbed almost entirely through informal employment relations that the state's statistical and welfare systems capture poorly. The consequence is a development model in which prosperity financed by the state's own emigrants is sustained by the work of in-migrants who remain largely invisible to policy. The scale of the phenomenon is itself uncertain: the last systematic estimate of the domestic migrant workforce dates from 2013, whereas the emigrant population has been surveyed every five years since 1998. An integrated, data-based account of labour supply, absorption through the unorganised sector and the resulting welfare balance is lacking, and this study addresses that gap.

1.3. Research Objectives

This study pursues the following specific objectives:

- To synthesise theoretical and empirical literature on labour migration and its role in regional economic development.
- To document, from secondary data, the scale and trend of emigration from Kerala, the remittances it generates and the wage differential it sustains.
- To examine the structural changes in Kerala's economy and labour market that have generated demand for migrant labour.
- To profile the domestic migrant workforce by origin and sector and assess the role of the unorganised sector as the channel through which it is absorbed.
- To evaluate the welfare consequences of migration for workers, sending households and the receiving economy, and to develop an integrative conceptual framework and research propositions.

1.4. Research Questions

- Why does a high-wage, high-literacy regional economy depend on in-migrant manual labour?
- How large are the wage differentials between Kerala and the rest of India, and how do they relate to the remittance economy?
- How has structural change in Kerala's economy reshaped the demand for labour?
- What functions does migrant labour perform in the unorganised sector, and on what terms?
- What is the balance of welfare gains and costs from this migration, and what determines it?

1.5. Significance of Study

The study contributes in three ways. First, it connects migration theory, the literature on Kerala's remittance economy and the literature on informality, which are usually read apart. Second, it assembles in one place the secondary data on both migrations, on wages and on sectoral structure, and reads them against one another; the individual series are well known, but their joint interpretation as a single commercial system is new. Third, it offers a framework and propositions that researchers can test with survey or administrative data, together with practical guidance for employers, industry bodies and policymakers in a state whose commerce now depends on a workforce it does not formally count.

1.6. Scope and Limitations

The study is conceptual and descriptive. It relies on published literature and official or institutional secondary data and reports no primary survey or econometric estimation. The secondary data come from sources with different reference years, sampling frames and definitions: the Kerala Migration Surveys are household surveys of the resident population, the GIFT estimate of domestic migrant workers is based on a transport-flow method, and the wage series are compiled by the Labour Bureau and published by the Reserve Bank of India. Comparisons across these sources are therefore indicative rather than exact, and the analysis is confined to descriptive statistics. The focus is on inter-state migration into Kerala and its unorganised sector; international emigration from Kerala is treated as context and as a driver of labour demand. The propositions advanced are hypotheses for future testing and not established findings.

II. LITERATURE REVIEW

2.1. Theoretical Foundations

Migration theory offers several lenses. Ravenstein (1885) first proposed that migrants move predominantly short distances, in steps, and towards centres of commerce and industry, with economic motives dominant. Lewis (1954) modelled

development as the transfer of surplus labour from a low-productivity traditional sector to a modern sector at a roughly constant wage, and Harris and Todaro (1970) explained continued rural–urban migration in the presence of urban unemployment by the expected, rather than actual, urban wage. Stark and Bloom (1985) reframed migration as a household strategy for diversifying income and insuring against risk, in which remittances are central. Piore (1979) argued from the demand side that advanced economies generate a structural need for migrant workers to fill low-status jobs that native workers refuse, a segmentation that persists regardless of wage levels. Massey et al. (1993) show that these theories are complementary rather than competing, each explaining a different part of the migration process.

Applied to Kerala, these lenses fit together unusually well. The state is a sending region in the Stark and Bloom (1985) sense, with households diversifying income through Gulf emigration and remittances. It is at the same time a receiving region in the Piore (1979) sense, with a native workforce whose education and expectations exclude manual work, and a labour market that therefore requires in-migrants. The Lewis (1954) model describes the origin states from which those in-migrants come, and the Harris–Todaro (1970) wage differential describes the incentive that moves them. Each theory thus explains one link in a chain that runs from Kerala's emigrants to the workers who replace them.

2.2. Kerala's Remittance Economy and the Labour Market Paradox

Zachariah et al. (2001) document the scale of emigration from Kerala and its effects on the state's economy and society, including the rise in household consumption, housing investment and the reservation wage of native workers. Zachariah and Rajan (2012) update this picture through 2011 and show that remittances have become a permanent feature of the state's income. Kannan (2005) argues that remittances, together with social development and reform, explain Kerala's turnaround in growth. The consequence for the labour market is a paradox: unemployment among the educated coexists with acute shortage of manual labour, because the wage that native workers will accept for such work exceeds what employers in agriculture, construction and small enterprise can pay. Aswani and Bhat (2022b) identify this shortage as a key problem and show that the arrival of migrant workers, who accept lower wages and more flexible terms, relieved it and enabled economic activities that would otherwise have been unsustainable.

2.3. Structural Change and the Demand for Labour

The demand for migrant labour is shaped by the structure of Kerala's economy. Aswani and Varghese (2023) evaluate the structural change of the agrarian sector, whose share of output and employment has declined as land has moved out of food crops and as the native workforce has left farming. The Kerala State Planning Board (2024) records an economy in which the tertiary sector produces close to two-thirds of gross state value added and the primary sector well under one-tenth. Nationally, the Periodic Labour Force Survey confirms a continuing shift of employment from agriculture into construction, trade and services (Ministry of Statistics and Programme Implementation [MoSPI], 2024), and Mehrotra (2019) shows that this shift has not reduced informality. Aswani and Bhat (2022b) observe the same pattern in Kerala: overall employment in agriculture is declining each year while the industrial and service sectors gradually absorb more workers. The sectors that grow, construction, hospitality, small manufacturing, retail and domestic services, are precisely those in which migrant labour is concentrated.

2.4. Migrant Labour in the Unorganised Sector

Breman (1996) describes India's informal workforce as footloose labour, moving between sites and sectors without contracts, security or organisation, and the International Labour Organization (ILO, 2018) estimates that close to nine in ten Indian workers are informally employed. Migrant workers in Kerala fit this description. Peter and Narendran (2017) trace the origins, sectors and living conditions of the migrant workforce and find it concentrated in construction, hospitality, manufacturing and trade, housed in crowded accommodation and largely outside the state's welfare schemes. Sreedevi and Gopinath (2024) compare inter-state migrant and native workers in Kerala's construction sector and document differences in wages, work standards and bargaining position between the two groups doing comparable work. Aswani and Bhat (2022a) analyse how the unorganised sector rationalises the economy through migrant workers: employers gain a flexible, lower-cost labour supply that can be hired and released with demand, and the sector as a whole becomes the mechanism through which Kerala's commerce adjusts to its native labour shortage. Deshingkar and Akter (2009) document the circular character of such migration, in which workers retain a rural base and move seasonally or for spells of years.

2.5. Welfare, Remittances and Inclusion

The welfare balance of migration has two sides. At origin, the new economics of labour migration predicts income gains and risk diversification for sending households (Stark & Bloom, 1985), and Srivastava and Sutradhar (2016) confirm that migration into construction reduces rural poverty for the households that send workers. Reja and Das (2021) trace the remittance arrangements of Kerala's construction workers from West Bengal and show how the COVID-19 lockdown interrupted both their earnings and the transfers on which their households depended. At destination, the same workers face insecure contracts, poor housing, exclusion from public services and vulnerability to shocks. The Harris and Todaro (1970) framework helps explain why migration continues despite these conditions: the expected earnings in Kerala remain well above those at origin. What determines the net outcome is the degree of inclusion offered at destination, in the form of registration, access to health care and housing, portability of entitlements and enforcement of labour standards.

2.6. Research Gaps

Three gaps follow. First, the two migrations that shape Kerala, emigration abroad and in-migration from other states, are studied separately, although the second is a consequence of the first, and the data on the two are rarely placed side by side. Second, the unorganised sector is treated as a residual category rather than as the active mechanism through which the state's commerce absorbs migrant labour. Third, the welfare literature documents conditions at destination but rarely connects them

to the commercial structure that produces them. The framework and the descriptive analysis developed below respond to these gaps.

III. RESEARCH METHODOLOGY

3.1. Research Design

The study combines two components. The first is an integrative literature review. Snyder (2019) identifies the integrative review as appropriate where the aim is to combine perspectives from different fields and to generate a new conceptual framework, and Torraco (2005) describes it as a form of research that produces new frameworks through critique and synthesis of representative literature. The second is a descriptive analysis of secondary data, used to establish the scale and direction of the phenomena that the review identifies. The design is therefore that of a descriptive study based on secondary sources, which suits a topic that spans migration studies, development economics, labour studies and regional commerce, and for which primary data collection at the scale required is beyond the scope of a single study.

3.2. Research Propositions

Because the study is conceptual and descriptive, it advances propositions for future testing in place of statistical hypotheses:

- P1: Kerala's dependence on in-migrant manual labour is a structural consequence of its remittance economy, in which the reservation wage of native workers exceeds the wage that labour-intensive sectors can pay.
- P2: The shift of Kerala's employment out of agriculture into construction, trade and services has increased, not reduced, the demand for migrant labour.
- P3: The unorganised sector is the principal channel through which migrant labour is absorbed, and its flexibility is the mechanism by which Kerala's commerce adjusts to labour scarcity.
- P4: Migration to Kerala raises income and reduces poverty in sending households, while exposing the workers themselves to precarity at destination.
- P5: The net welfare outcome of migration is determined by the degree of inclusion offered at destination, including registration, access to services and enforcement of labour standards.

3.3. Data Sources

The review corpus comprises the 28 sources listed in the references. They fall into three groups:

- Foundational works of migration and development theory
- Studies of Kerala's remittance economy, domestic migrant workforce and agrarian change
- National and international statistics and working papers on informality and internal migration in India.

Sources were selected purposively on three criteria: direct relevance to at least one research question, publication in a peer-reviewed or institutional outlet, and availability of bibliographic details.

The secondary data analysed in Section IV are drawn from five sources. The Kerala Migration Surveys, conducted by the Centre for Development Studies and latterly by the International Institute of Migration and Development with the Gulati Institute of Finance and Taxation, provide the series on emigrants, return emigrants and remittances from 1998 to 2023 (Zachariah & Rajan, 2012; IIMAD & GIFT, 2024). The GIFT survey of domestic migrant labour provides the 2013 estimate of the in-migrant workforce, its annual inflow, its distribution by state of origin and its remittances to origin states (Narayana et al., 2013). The Reserve Bank of India's Handbook of Statistics on Indian States provides Labour Bureau data on average daily wage rates of rural workers by state for 2021-22 (Reserve Bank of India, 2022). The Periodic Labour Force Survey provides national employment structure (MoSPI, 2024), and the Kerala Economic Review provides the sectoral composition of gross state value added (Kerala State Planning Board, 2024). No primary data were collected.

3.4. Analytical Strategy

The literature was analysed thematically following the phases described by Braun and Clarke (2006): familiarisation, generation of initial codes, search for themes, review of themes, definition and naming of themes, and reporting. Codes were first derived deductively from the research questions and then refined inductively as recurring ideas emerged. The secondary data were then organised under the resulting themes and analysed descriptively: time series are presented as levels and percentage changes, distributions as percentage shares, and the Kerala–India wage comparison as a percentage premium computed as $(\text{Kerala wage} - \text{all-India wage}) \div \text{all-India wage} \times 100$. No inferential statistics are applied, because the sources differ in reference year and method and the purpose is to establish orders of magnitude rather than to test hypotheses. The themes and the data together were used to construct the conceptual framework, and each proposition was derived from the convergence of theory and evidence within a theme.

IV. RESULTS

4.1. Overview of the Literature Reviewed

The 28 sources span the period 1885 to 2024. The theoretical works are drawn from economics and migration studies; the Kerala studies include journal articles, institutional surveys and working papers; and the statistical sources are national and international. Four themes were identified, and they are summarised in Table 1. Sections 4.2 to 4.5 present the secondary data under each theme, and Section 4.6 integrates the findings into the conceptual framework.

Table 1. Thematic Synthesis of the Literature and Derived Propositions

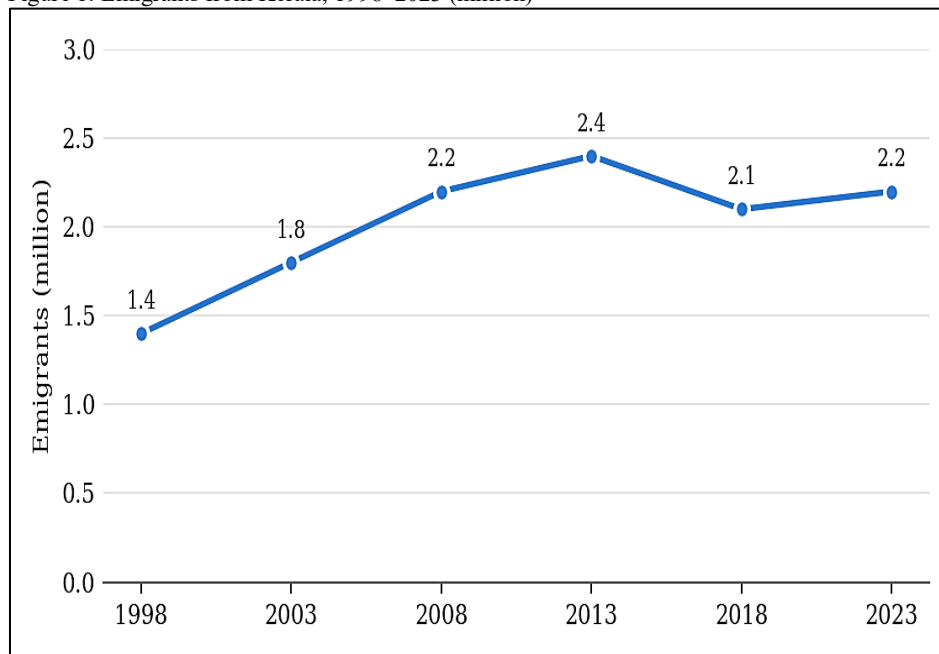
Theme	Core insight from the synthesis	Representative sources	Proposition
The Kerala labour market paradox	Out-migration, high wages and educated native labour created a shortage of manual workers that in-migration from other states now fills.	Zachariah et al. (2001); Kannan (2005); Zachariah & Rajan (2012); Narayana et al. (2013); Aswani & Bhat (2022b)	P1
Structural change and labour supply	Employment is shifting out of agriculture into construction, trade and services; the agrarian sector's decline reshapes the demand for manual labour.	Lewis (1954); Aswani & Varghese (2023); MoSPI (2024); Mehrotra (2019); Kerala State Planning Board (2024)	P2
Migrant labour in the unorganised sector	Migrant workers supply flexible, lower-cost labour that sustains construction, hospitality, small manufacturing and trade; employment is overwhelmingly informal.	Piore (1979); Breman (1996); ILO (2018); Peter & Narendran (2017); Sreedevi & Gopinath (2024); Aswani & Bhat (2022a)	P3
Welfare, remittances and inclusion	Migration raises household income at origin but exposes workers to precarity at destination; inclusion measures determine the net welfare outcome.	Stark & Bloom (1985); Srivastava & Sutradhar (2016); Deshingkar & Akter (2009); Reja & Das (2021); Harris & Todaro (1970)	P4, P5

Note. MoSPI = Ministry of Statistics and Programme Implementation; ILO = International Labour Organization. Propositions P1 to P5 are stated in Section 3.2.

4.2. The Kerala Labour Market Paradox: Emigration, Remittances and Wages

The first theme establishes the origin of demand for migrant labour. Figure 1 traces the stock of emigrants from Kerala across the six rounds of the Kerala Migration Survey. The number rose steadily from 1.4 million in 1998 to a peak of 2.4 million in 2013, fell to 2.1 million in 2018 as Gulf labour markets tightened and return migration increased, and recovered marginally to 2.2 million in 2023. The stock of return emigrants rose from 1.2 million in 2018 to 1.8 million in 2023, a rise attributed largely to the COVID-19 pandemic (IIMAD & GIFT, 2024). Emigration has therefore stabilised rather than continued to grow, and the share of emigrants in the Gulf Cooperation Council countries has fallen from 89.2% in 2018 to 80.5% in 2023 as destinations diversify.

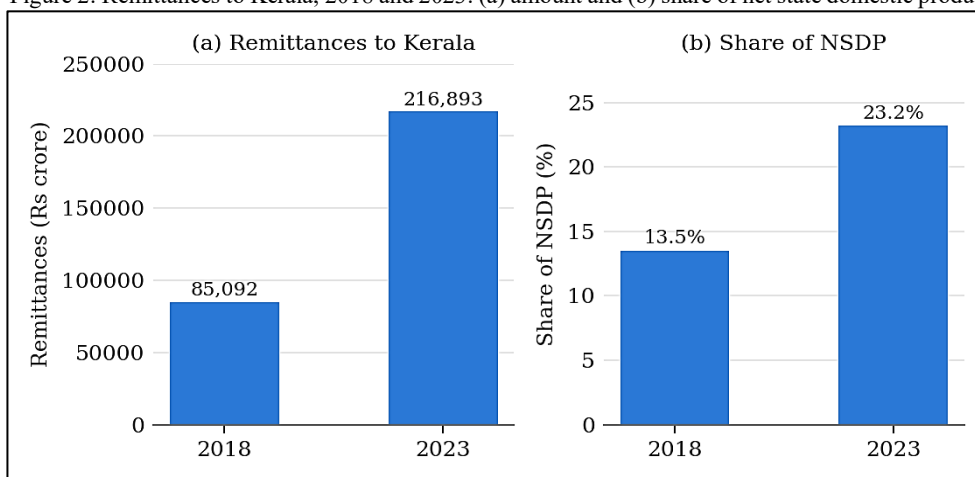
Figure 1: Emigrants from Kerala, 1998–2023 (million)



Source. Kerala Migration Surveys, 1998–2023 (Zachariah & Rajan, 2012; IIMAD & GIFT, 2024).

Remittances, however, have grown far faster than the number of emigrants. Figure 2 shows that total remittances to Kerala rose from Rs 85,092 crore in 2018 to Rs 2,16,893 crore in 2023, an increase of 154.9% over five years, and that their share of net state domestic product rose from 13.5% to 23.2% (IIMAD & GIFT, 2024). Nearly a quarter of the state's income now arrives from outside it. The rise reflects the changing composition of emigration towards more skilled and better-paid occupations as well as exchange-rate movements, and it means that the purchasing power injected into Kerala's households has more than doubled while the number of households sending migrants has not.

Figure 2: Remittances to Kerala, 2018 and 2023: (a) amount and (b) share of net state domestic product



Source. Kerala Migration Survey 2023 (IIMAD & GIFT, 2024).

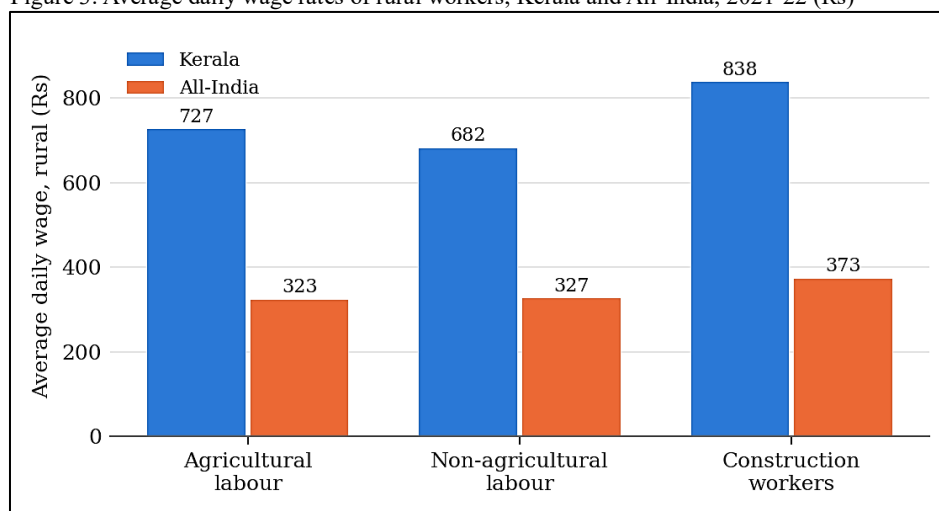
The labour-market consequence of this inflow is visible in the wage data. Table 2 and Figure 3 compare average daily wage rates of rural workers in Kerala with the all-India average for 2021-22. Kerala's wages are the highest in the country in every category, and the premium over the national average is 124.8% for agricultural labour, 108.8% for non-agricultural labour and 124.4% for construction workers (Reserve Bank of India, 2022). A construction worker in rural Kerala earns Rs 837.7 a day against Rs 373.3 nationally, more than twice as much; in West Bengal, the largest source of migrants to Kerala, the corresponding figure was about Rs 300 in 2020-21, below the national average. The gap between destination and origin wages is therefore of the order of Rs 500 a day, which is the incentive that the Harris-Todaro (1970) model requires and that sustains the flow described by Aswani and Bhat (2022b).

Table 2. Average Daily Wage Rates of Rural Workers, Kerala and All-India, 2021-22

Category of rural labour	Kerala (Rs/day)	All-India (Rs/day)	Kerala premium (%)
Agricultural labour	726.8	323.3	124.8
Non-agricultural labour	681.8	326.6	108.8
Construction workers	837.7	373.3	124.4

Source. Labour Bureau data reproduced in the Reserve Bank of India (2022), Handbook of Statistics on Indian States 2021-22. Kerala premium computed by the author as $(\text{Kerala} - \text{All-India}) \div \text{All-India} \times 100$.

Figure 3: Average daily wage rates of rural workers, Kerala and All-India, 2021-22 (Rs)



Source. Reserve Bank of India (2022).

These three series together resolve the paradox. Remittances equal to nearly a quarter of state income raise household reservation wages; wages for manual work in Kerala are consequently more than double the national level; and yet the native workforce, educated and supported by remittance income, does not supply manual labour at those wages in the quantities the economy requires. The shortage that Aswani and Bhat (2022b) identify as a key problem for the state is the predictable result, and it is filled from states where the same work pays less than half as much. This grounds P1.

4.3. Structural Change and Labour Supply

The second theme concerns the direction of structural change. Table 3 summarises the sectoral composition of Kerala's

gross state value added as reported by the State Planning Board. The primary sector, which produced the bulk of state income at the time of the state's formation, now contributes about 8%; the secondary sector about 28%; and the tertiary sector about 63%, up from roughly one-third in 1960-61 (Kerala State Planning Board, 2024). Aswani and Varghese (2023) document the mechanics of this change in agriculture: the movement of land from food crops to plantation and cash crops, the withdrawal of the native workforce from cultivation and the ageing of those who remain.

Table 3. Sectoral Composition of Kerala's Gross State Value Added, Late 2010s

Sector	Share of GSVA (%)	Direction of change since the 1960s
Primary (agriculture, forestry, fishing, mining)	about 8	Sharp decline; agriculture alone now contributes well under one-tenth of state income
Secondary (manufacturing, construction, utilities)	about 28	Broadly stable, with construction the largest and most labour-intensive component
Tertiary (trade, hotels, transport, finance, real estate, services)	about 63	Rise from about one-third of state income in 1960-61 to nearly two-thirds

Source. Kerala State Planning Board (2024); historical comparison from Zachariah et al. (2001) and Kannan (2005). Shares are rounded.

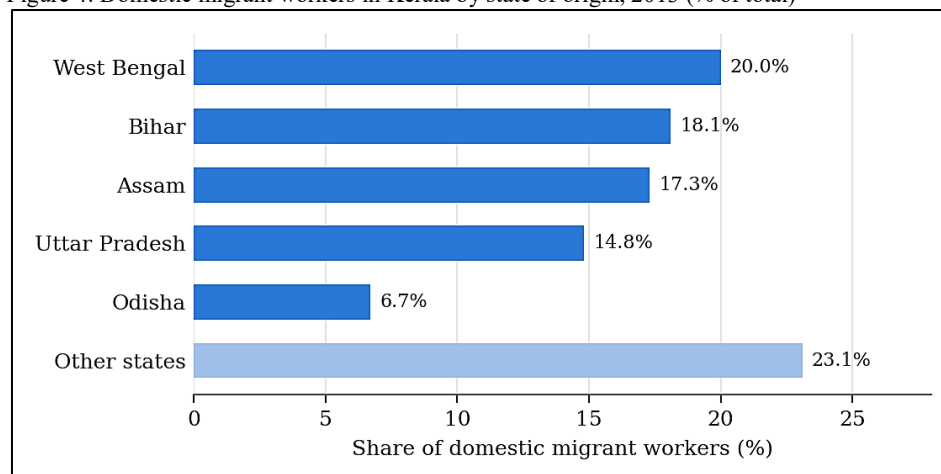
The national picture points in the same direction. The Periodic Labour Force Survey for 2023-24 shows agriculture still employing about 46% of the Indian workforce, but with construction, at roughly 12%, the largest non-farm employer and the sector into which workers leaving agriculture have moved most readily (MoSPI, 2024); Mehrotra (2019) shows that this movement has not reduced informality. In Kerala, where agriculture's share of employment has fallen further than in most states, the sectors that have grown are construction, hospitality, trade and services, which are labour-intensive at the point of delivery and cannot be relocated. Aswani and Bhat (2022b) confirm that Kerala's rural labour market is moving in this direction, with employment in agriculture declining each year while the industrial and service sectors gradually absorb more workers. Structural change thus concentrates labour demand in exactly the occupations that native workers are least willing, and migrants most willing, to fill. It increases rather than reduces the reliance on migrants, which grounds P2.

4.4. Migrant Labour in the Unorganised Sector: Scale, Origin and Sector

The third theme identifies the mechanism of absorption. The GIFT survey remains the only systematic estimate of the domestic migrant workforce in Kerala. Using a transport-flow method based on long-distance train arrivals, Narayana et al. (2013) estimated a stock of about 2.5 million domestic migrant workers in 2013, an annual net inflow of about 2.35 lakh, and remittances from Kerala to origin states of about Rs 17,500 crore a year. On the basis of the observed inflow they projected a workforce of four million by the end of the decade, and Peter and Narendran (2017) describe a workforce that has since grown and diversified in origin and occupation. If the projection has been realised, migrant workers now number roughly one for every nine residents of the state and a considerably larger fraction of its workforce.

Figure 4 shows the distribution of the 2013 workforce by state of origin. Five states account for about 77% of migrants: West Bengal 20.0%, Bihar 18.1%, Assam 17.3%, Uttar Pradesh 14.8% and Odisha 6.7%, with the remaining 23.1% drawn from Tamil Nadu, Karnataka and other states (Narayana et al., 2013). These are, with the exception of Tamil Nadu, among the states with the lowest rural wages in India, which is consistent with the wage differential presented in Section 4.2. About 60% of the migrant workforce was employed in construction, with the remainder distributed across hospitality, manufacturing, trade and agriculture.

Figure 4: Domestic migrant workers in Kerala by state of origin, 2013 (% of total)



Source. Narayana et al. (2013), Gulati Institute of Finance and Taxation.

Nearly all of this employment is informal. The ILO (2018) estimate that about 88% of Indian employment is informal applies with particular force to a workforce that is mobile, recruited through contractors and concentrated in construction; Peter and Narendran (2017) find migrants in Kerala working without written contracts, housed in crowded rented rooms or on-site accommodation and largely outside the state's welfare schemes, and Sreedevi and Gopinath (2024) document lower

wages and weaker work standards for migrant than for native construction workers doing comparable tasks. Aswani and Bhat (2022a) show that this informality is functional for the receiving economy: the unorganised sector rationalises Kerala's commerce by supplying labour that can be scaled with demand at a cost the state's enterprises can bear. The circular pattern described by Deshingkar and Akter (2009) reinforces this flexibility, since workers absorb the cost of adjustment by returning home when work is scarce, as many did in 2020 (Reja & Das, 2021). This grounds P3.

4.5. Welfare, Remittances and Inclusion: The Two Migrations Compared

The fourth theme weighs the outcomes, and it is best approached by placing the two migrations side by side. Table 4 compares emigration from Kerala and in-migration to Kerala on the same indicators. The two stocks are of a similar order of magnitude, roughly 2.2 million emigrants and at least 2.5 million domestic migrant workers, and both are concentrated in construction and services. The money flows, however, are strikingly asymmetric: remittances into Kerala of Rs 2,16,893 crore in 2023 compare with an estimated outflow to origin states of about Rs 17,500 crore in 2013. Even allowing for growth in the migrant workforce and in wages since 2013, the inward flow exceeds the outward flow many times over, because emigrants earn in Gulf currencies at Gulf wages while in-migrants earn at the lower end of Kerala's wage distribution and remit a part of it.

Table 4. The Two Migrations Compared: Emigration from Kerala and In-Migration to Kerala

Indicator	Emigration from Kerala	In-migration to Kerala
Stock of migrants	2.2 million emigrants (2023); 1.8 million return emigrants	About 2.5 million domestic migrant workers (2013 estimate)
Trend	1.4 million (1998) rising to 2.4 million (2013), then 2.1–2.2 million (2018–2023)	Annual inflow of about 2.35 lakh (2013); projected to exceed 4 million by the end of the 2010s
Main destinations / origins	Gulf Cooperation Council countries: 80.5% of emigrants (2023), down from 89.2% (2018)	West Bengal 20.0%, Bihar 18.1%, Assam 17.3%, Uttar Pradesh 14.8%, Odisha 6.7% (2013)
Principal sectors	Construction, services, trade and skilled occupations in the Gulf	Construction about 60%; also hospitality, manufacturing, trade and agriculture
Money flows	Remittances Rs 2,16,893 crore (2023), 23.2% of NSDP	Outward remittances to origin states about Rs 17,500 crore per year (2013 estimate)

Sources. Emigration and remittances: Kerala Migration Surveys (Zachariah & Rajan, 2012; IIMAD & GIFT, 2024). In-migration: Narayana et al. (2013); Peter & Narendran (2017). Reference years differ and comparisons are indicative.

For sending households in West Bengal, Bihar, Assam, Uttar Pradesh and Odisha, the gains are real. Migration into construction reduces rural poverty for the households that send workers (Srivastava & Sutradhar, 2016), and the remittance arrangements documented by Reja and Das (2021) show that these households depend on regular transfers from Kerala. The new economics of labour migration (Stark & Bloom, 1985) predicts exactly this diversification of household income. For Kerala's enterprises the gains are equally real: a labour supply at roughly half the cost that native labour would command, if it could be found at all. For the workers themselves the balance is less favourable. They earn more than at home but less than native workers beside them; they bear the risks of insecure and often unhealthy conditions; and when the cycle turns, as it did in 2020, they bear the cost of adjustment by losing work and returning home. The Harris and Todaro (1970) logic explains the persistence of the flow despite those risks, since expected earnings in Kerala remain far above those at origin. Whether the outcome is developmentally positive depends on inclusion at destination: where workers are registered, housed and covered by health and social security, the welfare balance improves without eliminating the flexibility on which employers depend. These observations ground P4 and P5.

4.6. The Supply–Absorption–Welfare Framework

Taken together, the themes and the data yield an integrative framework with three components. Labour supply is generated jointly by Kerala's remittance-driven labour shortage, evidenced by remittances of 23.2% of net state domestic product and rural wages more than double the national average, and by surplus labour in origin states where the same work pays less than half as much. Absorption occurs through the unorganised sector, evidenced by a migrant workforce of 2.5 million or more, three-fifths of it in construction, employed almost entirely informally; its flexibility is the mechanism by which the state's commerce adjusts. Welfare outcomes are distributed across sending households, receiving enterprises and the workers themselves, with the balance determined by the degree of inclusion at destination. The five propositions correspond to these relationships. The framework implies that migrant labour has become a structural component of Kerala's development model rather than a temporary expedient, and that the model's two halves, emigration and in-migration, are linked by the wage differential that the first creates and the second responds to.

V. DISCUSSION

The data support a reading of Kerala's economy as one sustained by two migrations that mirror each other. The emigration that finances the state's consumption and housing, and that now delivers nearly a quarter of its income, raises the price of native labour to more than twice the national level; the in-migration that fills the resulting gap is absorbed through informal employment in construction and services. Neither is temporary. The emigrant stock has been stable at 2.1 to 2.4 million for a decade while remittances have more than doubled (IIMAD & GIFT, 2024), and the demand for manual labour in construction, hospitality and services grows with the economy (Aswani & Bhat, 2022b; Aswani & Varghese, 2023). The theoretical implication is that Piore's (1979) segmentation, developed for advanced industrial economies, applies to a high-

remittance regional economy within a developing country, and that the segmentation is produced not by industrial structure alone but by the interaction of remittance income, education and wage expectations.

The wage data deserve emphasis because they quantify the mechanism. A premium of 109 to 125% over the national average, and of roughly 180% over the largest source state, is large by any standard. It is large enough to attract workers across two thousand kilometres, to sustain circular migration in which the worker's family remains at origin, and to make Kerala's enterprises dependent on that flow: Sreedevi and Gopinath (2024) show that even at the lower wages migrants receive relative to natives, the work remains far better paid than at home. The premium is also a measure of vulnerability. It exists because native labour is scarce, and it would narrow if remittances fell or if origin states developed; Kerala's commerce is thus exposed to conditions in the Gulf and in eastern India that it does not control.

For employers and industry bodies, the central implication is that flexibility and precarity are currently two sides of the same arrangement. The rationalisation that Aswani and Bhat (2022a) describe delivers a labour supply that scales with demand, but it does so by shifting risk to workers who have no contractual protection, as the 2020 return migration demonstrated (Reja & Das, 2021). Employers who invest in registration, decent accommodation and skill development are likely to gain in retention and productivity, and industry bodies can raise standards collectively where individual firms fear a cost disadvantage.

For policy, the concern is that the state does not formally count the workers on whom its commerce depends. The emigrant population has been surveyed six times since 1998, whereas the in-migrant workforce has been estimated systematically once, in 2013, and its present size is a projection. Kerala's social development, which Kannan (2005) identifies as a foundation of its growth, has been built for a resident population; extending health, housing and social security to a mobile, inter-state workforce requires portable entitlements and cooperation between sending and receiving states. The new economics of labour migration (Stark & Bloom, 1985) suggests that the gains to sending households are real, but the evidence reviewed indicates that these gains are extracted at a cost to the workers that better inclusion would reduce, and that the asymmetry between the two remittance flows, of the order of ten to one, leaves ample room for the receiving economy to bear a larger share of that cost.

VI. RECOMMENDATIONS

6.1. For Employers and Industry Bodies

- Register migrant workers, issue written terms of engagement and provide accommodation that meets basic standards, treating these as investments in retention and productivity rather than as compliance costs.
- Develop sector-level skill certification for migrant workers in construction, hospitality and manufacturing, so that flexibility does not preclude skill development and so that the wage gap between migrant and native workers doing comparable work narrows on the basis of skill.
- Establish contingency arrangements, including wage advances and transport support, so that a future shock does not again transfer the whole cost of adjustment to the workforce.

6.2. For the State Government

- Commission a periodic survey of domestic migrant workers on the model of the Kerala Migration Survey, so that the in-migrant workforce is measured with the same regularity as the emigrant population.
- Maintain a continuous register of inter-state migrant workers and extend health insurance, housing and social security to them on the same basis as resident workers.
- Include migrant labour in labour-market statistics and planning, so that the workforce that sustains the unorganised sector is visible to policy.

6.3. For Inter-State and National Policy

- Make social security entitlements portable across states, so that circular migrants do not lose coverage when they move.
- Encourage cooperation between sending and receiving states on registration, grievance redress and safe recruitment, with West Bengal, Bihar, Assam, Uttar Pradesh and Odisha as priority partners for Kerala.

VII. CONCLUSION

This study has argued, on the basis of an integrative review and a descriptive analysis of secondary data, that inter-state migrant labour has become a structural component of Kerala's economy, absorbed through the unorganised sector and made necessary by the state's own remittance-driven prosperity. Emigration has stabilised at about 2.2 million persons while remittances have risen to 23.2% of net state domestic product; rural wages in Kerala exceed the national average by 109 to 125%; agriculture has fallen to about 8% of state value added while services approach two-thirds; and a domestic migrant workforce of 2.5 million or more, drawn from the lowest-wage states of eastern and northern India and concentrated in construction, fills the manual-labour gap that these conditions create. The four themes identified were integrated into a Supply–Absorption–Welfare framework with five propositions. The labour shortage that migrants fill is a consequence of emigration; structural change increases rather than reduces the demand for them; the unorganised sector is the mechanism of their absorption; and the welfare outcome depends on inclusion at destination.

The study is limited by its reliance on secondary data of differing vintage and method, by the absence of a recent systematic estimate of the migrant workforce and by its descriptive rather than inferential treatment of the evidence. Future research should test the propositions with survey data on migrant workers and their employers in Kerala, estimate the current size and sectoral distribution of the workforce, compare sectors within the unorganised economy, and evaluate the effects of registration and welfare schemes on both worker outcomes and enterprise performance.

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