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The Effects on the Real Estate Sector due to 'Reverse' Migration since Lockdown 2020

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Abstract

The purpose of our study is to detect the influence of the lockdown restrictions on the real estate sector. The significance of the real estate sector to the economy may be captured with several estimates and numeric. This study is particularly focused to ascertain the effects of lockdown on the workers of the real estate markets. The main focus of our study is to check the wage rate of the workers during the unlock phase. However, the fact is that the demand for real estate has picked during the unlock phase which has led to the event of increasing demand for labor of the sector, however, has led to increased working hours without any significant wage increment thereby increasing exploitation of the workers. A significant corollary of the lockdown episode to the real estate markets is the recurrent 'reverse' migration.

Keywords: Construction, Demand and Supply of Labor, Mobility, Agriculture, Real Estate Markets.
JEL Classification: I7, J2, J6, Q1, R3.

INTRODUCTION

Our study is an effort to ascertain the immediate and after effects of the national level lockdown in India which was announced by the government as a measure to curb the spread of the Covid-19 virus. In many cases, this resulted in a chaotic situation – it appeared in almost all the cities in India. Thousands of workers in the informal sector were left stranded due to the physical restriction on their movements over spaces. The present paper is an effort to detect the situation of the workforce in a particular informal occupation, namely the construction workers of the real estate sector.

Our study attempts to explore the scenario of the construction sector workers since lockdown. This is due to the fact that the real estate sector is the second-highest employment generator in India, after the agriculture sector, before 2020 – the agricultural sector employed 171 million people which is 42.65 per cent of the total workforce of the country in 2020 [The World Bank, 2019] [1], whereas the real estate sector is going to employ 67 million people which is going to be 16.75 per cent of the workforce of the country in the year 2022 [as per the estimate by Statista, 2021] [2]. Over 80 per cent of total employment in the real estate sector constitutes minimally skilled workforce, while skilled workforce account for over 9 per cent share, and the remaining are spread across the working classes such as clerical, technicians and engineers – which makes the sector with a specific characteristic in comparison with agriculture considering the urban-centric formal-informal linkages of the real estate sector [The Economic Times, 22 January 2018].

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The significance of the real estate sector may be captured with several estimates and numeric. The real estate sector in India is expected to reach US$ 1 trillion by 2030 [The Economic Times, 22 October 2021] [3]. According to India Ratings and Research (Ind-Ra), it would contribute 13% of the country's GDP by 2025. The emergence and spread of the nuclear families, rapid pace of urbanization, and the rising household income are prone to be the key contributors for growth in all spheres of real estate, including residential, commercial, and retail. A wave of speedy urbanization in the country is pushing the growth of real estate. 70-75 per cent of India's GDP will be contributed by the urban areas, by 2022 –the Indian real estate sector may stage a sharp K-shaped recovery in FY22. However, the overall sales in FY22 could still be 14% per cent below the FY20 levels, as per the estimate. [4]

The main objective of our study is to detect the aftereffects of the physical restriction on the real estate sector – whether it was able to recover and regain its footing. Our focus is to examine the (chaotic) effects of physical restrictions due to lockdown and resultant reverse migration of the construction laborers from the urban centers back to their (rural) origins. Even after a year of the first lockdown, a significant magnitude of the laborers has still not returned to the level before lockdown. The study attributes special significance since majority of the developing nations including India have resulted in an enormous exodus due to specificity of the informal segment dominating the real estate sector regarding employment generation in absence of the formal protection measures. It is not the case with the agriculture sector which endured relatively well despite the restrictions in the supply lines. This particular relativity has led to the new trend of 'Reverse' migration from the urban and semi-urban segments of the real estate sector to their rural agricultural origins in India.

Literature Review

India is one of the growing economies in the world and the growing population of the country has helped to create adequate source of labors both in the form of formal as well as informal in nature. The growing nature of the populace also gives the advantage of demographic dividend which majority of the developed countries yearns for. The report of Ministry of Labor and Employment also mention this specific advantage that the country having. The report is estimated that the population will increase to 1.4 billion by 2026 which ultimately will help to create a working population in the age group of 15–59 years. If this growth continues, the country will face a 25 per cent of working population of the world. In a country like India, most of the time this working populations absorbed in agricultural sector and some of them are absorbed in either formal or informal sectors which are spread over in the rural as well as urban areas [Satpathy and Patnaik, 2008] [5].

However, a paradigm shift was being observed from the perspective of location of the firms in the late 1960s to incorporate the study organizational behavior of the firms since 1970s. A revival of the discussion on location of industries, however, appeared once again in the past few years since late 1980s. The rise of "alliance capitalism" with the growing prominence of intellectual capital raised the issue of new economic knowledge production. However, such discussions are solely concentrated to formal sector industries mostly of the developed nations [Saha, 2018] [6].

The impact of COVID-19 on the global economy is likened to that of the Great Depression of 1930s. The Real Estate Research Initiative (RERI) at IIM Bangalore conducted a survey to understand the business impact of COVID -19 on real estate companies in India. This is a series based on the data and insights from this survey. The immediate impact of the lockdown on the real estate sector and the steps taken by the suppliers to deal with the lockdown and market strategies of the developers on their treading over the next six months to reduce the impact of this pandemics to be captured at proper [Pai and Panchapagesan, 2021] [7].

The impact of Covid-19 on the Indian real estate sector was stifling to the point that it brought property transactions to a near-halt last year when the country went into a complete lockdown between March and June 2020. Since then, the market has taken numerous strides towards economic recovery, and just when it seemed the revival was not far, the country was struck by another wave of the pandemic, this time, far more fatal. With an aggressive vaccination drive across India, the real estate sector has started showing signs of a sustainable recovery [Chauhan, 2021] [8].

METHODOLOGY OF ANALYSIS

The logical argumentation of the study is based on literature support, case studies and primary survey results. The survey process is exhaustive. We have surveyed 120 people, as show in the diagram above the vast majority of the people migrated during the first lock-down. The survey is based on qualitative purposive sampling with semi-structured questionnaire and indirect interview method conducted in several spatial clusters of the Real Estate Sector in West Bengal, namely, Sinthee (North Kolkata) and Santragachi (Howrah), two densely populated urbanized centers with cosmopolitan cultures in the two districts with the highest HDI ranking in West Bengal. [Table 1]

Table 1. Spatial sample distribution

Region	Number of people surveyed	Percentage
Sinthee (North Kolkata)	50	41.67
Santragachi (Howrah)	70	58.33
	120	100

Source: Primary Survey by the authors.

The micro-level field studies, sampling design and data analysis procedure are based on the standard model approach. The implication is that the selection of any sampling region of the study does not depend on the availability (or non-availability) of data hence avoids any kind of error arising due to spatial homogeneity. The production units of a cluster within an industry in concern are considered to be non-homogeneous by nature. However, spatial distribution of the production units of a single industry under consideration is cross-sectional, given and known. Sometimes an ethnographic study has been approached due to data no availability and non-responses in the sample survey area.

Table 2. Male-Female sample distribution

	Kolkata	Howrah
Number of Female Respondents	7	13
Percentage	14%	18.57%
Number of Male Respondents	43	57
Percentage	86%	81.43%

Source: Primary Survey by the authors.

Our study reveals a few facts and facets of the selected sample window. A direct face-to-face interaction with the sample points of selected purposive sample has produced primarily socio-economic profile of the selected sample. [Table 2]

A Brief Profile of the Regions

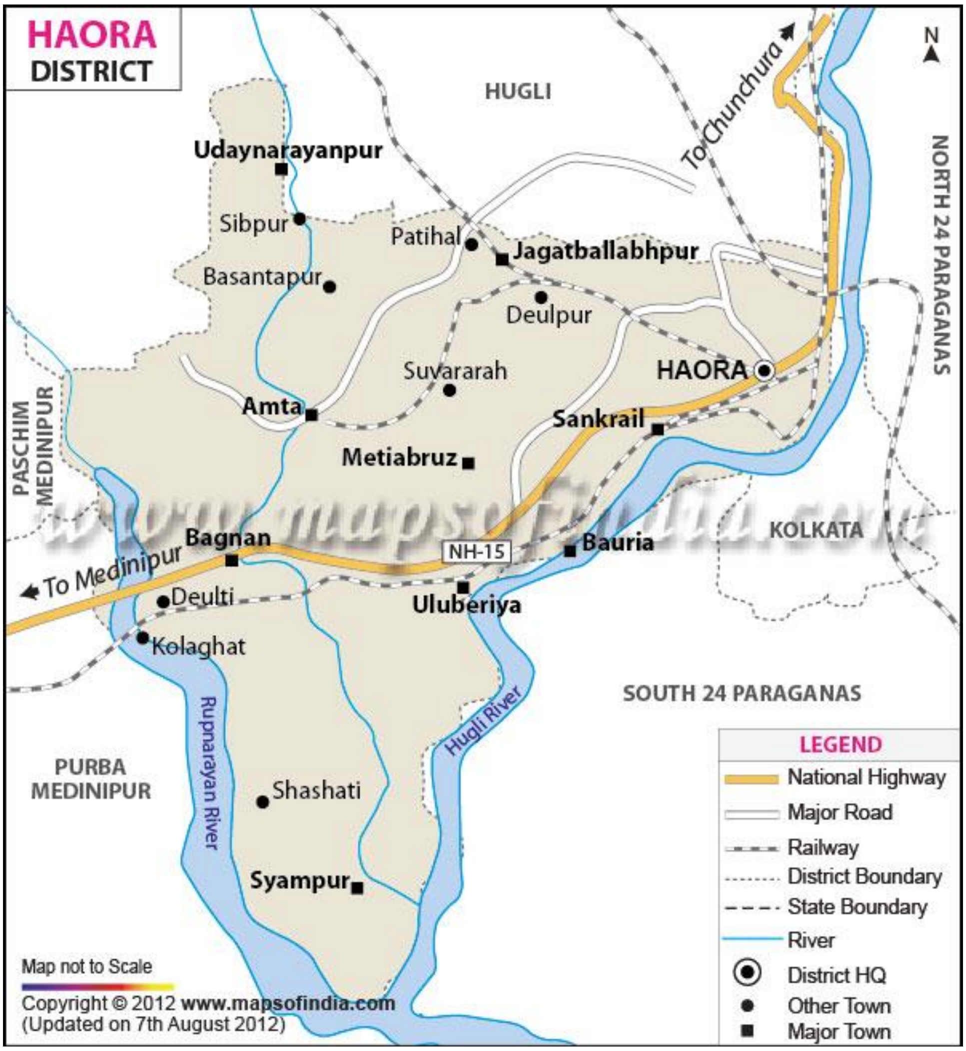
The sample region of Sinthee in North Kolkata and Santargachi in Haora has been chosen for the study on a purposive basis. The district of Kolkata has a population of 4,970,646 and a literacy rate of 86.31% in 2020 in West Bengal. It is ranked first regarding HDI in West Bengal (0.78). It is also ranked first in the density of population (22000/km^2). The district is also ranked first in Life expectancy – Kolkata 75 [Population Census, 2011-2021] [9].

The district of Haora has a population of 4,970,646 and a literacy rate of 86.31% in 2020 in West Bengal. [Map 1] It is ranked second regarding HDI in West Bengal (0.68). It is also ranked second in the density of population (17000/km^2). The district is also ranked second in Life expectancy – Haora 73 [Population Census, 2011-2021] [10].

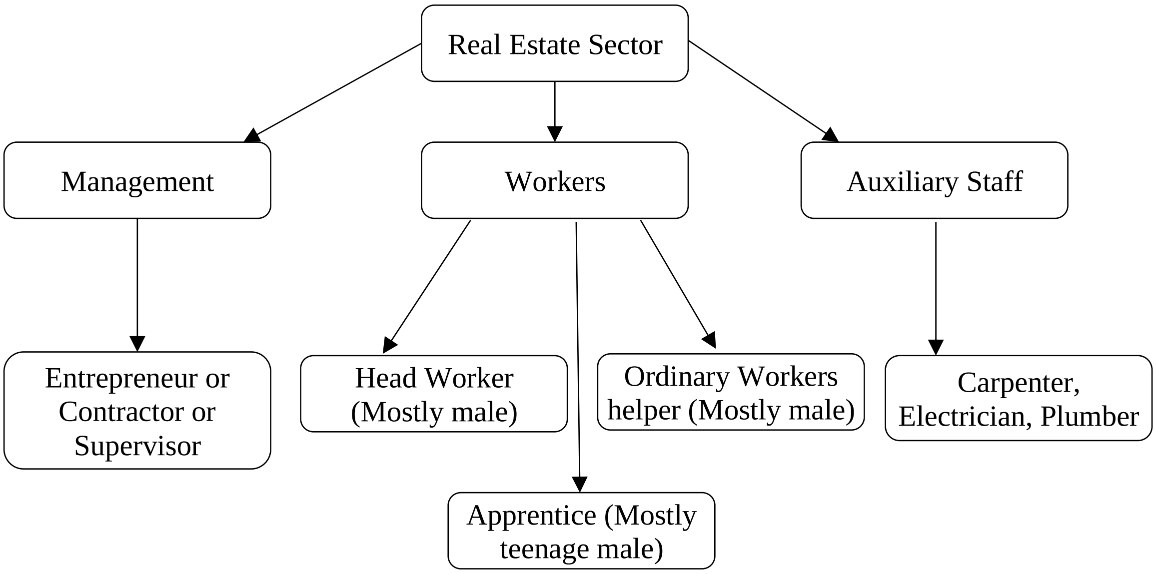
Map 1. Sinthee (North Kolkata).
Source: Maps of India (Kolkata) (2013)

The Study

The focus of our study icon two urban centers of West Bengal – one is an old, urbanized sector, Sinthee in North Kolkata, and the other one is a newly urbanized area, Santargachi in Howrah – both of which have seen a decline in housing prices, even during and after the lockdown, as per our primary survey conveys. [Map 2] However, the small-scale construction remained buoyant during and after the lockdown as demand was boosted during the festive season. The shortages of labor have proved a challenge to the emerging sector whereas large real estate suppliers have seen a fall in demand for high priced real estate in most urban centers.



Map 2. Santragachi (Howrah)
Source: Maps of India (Howrah), (2012).



Flow chart 1. Hierarchy of the Real Estate Sector
Source: Primary Survey by the authors.

The above-mentioned flow chart 1 describes the hierarchical structure of workers in the real estate sector. Under the main segment of the industry, there are three types of workers: - Management, Workers and Auxiliary Staff.

- **The Management Section: -**There exists mainly the Entrepreneur/Contractor/Supervisor who either are the private developers or a person who undertakes government construction contracts or management staff working under private real estate development firm.

- **The Working Section**: -There exist three sub-sections: -

i. *The Head Workers*, who mainly rank the highest under this section and supervise the activities of the workers while also managing the daily needs of the workers.
ii. *The Ordinary Workers*, who are the backbone of the industry doing all the types of work like laying down concrete to laying bricks – these people are the main focus of our study.
iii. *The Apprentice Workers* mainly work under the Head Workers learning specialized forms of masonry – their duties also include being a second to the head worker while also doing the shopping for food grains and other essential commodity sometimes cooking also.

- **The Auxiliary Staff Section:** There are the specialized workers to perform specific tasks or even a firm which takes the contract of the entire project. These workers range from electricians, plumbers, carpenters etc.

Figure 1. Daily Wage of Labor
Source: Primary Survey by the authors.

Figure 1 has shown the average daily wage of the workers which was Rs 230 before the lockdown (here, the average wage was determined by using the wage of all the 120 people we have surveyed), this average daily wage declined to Rs 170 during the lockdown as many workers returned to agricultural activates to sustain their livelihoods which resulted in increased disguised unemployment in the rural areas which also led to a fall in their average daily wage. However, the real estate sector in these areas returned to normal after the physical restrictions were lifted, the daily wage rate has reached its pre-lockdown levels. The demand for new flats has surged in these areas whereas newly urbanized areas like Rajarhat in Kolkata have declined since most consumers are not very high-priced real estate buyers.

This trend over total wages of the workers are also seen in Figure 2. The total wage of the Workers has risen back to the normal levels; however, the Management has increased workers' working hours to salvage their losses during lockdown.

Figure 2. Total Wage of Labor
Source: Primary Survey by the authors.

Most of the people surveyed (75 per cent), as shown in the Table 3 below, preferred to migrate during the lockdown to return to their villages rather. Since most of them already had a portion of their family engaged in some form in agricultural activities. A mere 14.2 per cent strictly denied moving to other spaces from their migrating destination. [Figure 2]

Table 3. Opinion of People Migrating

	Number of Responders	Percentage
Yes	90	75
No	17	14.2
Can't Say	13	10.8
Total	120	100

Source: Primary Survey by the authors.

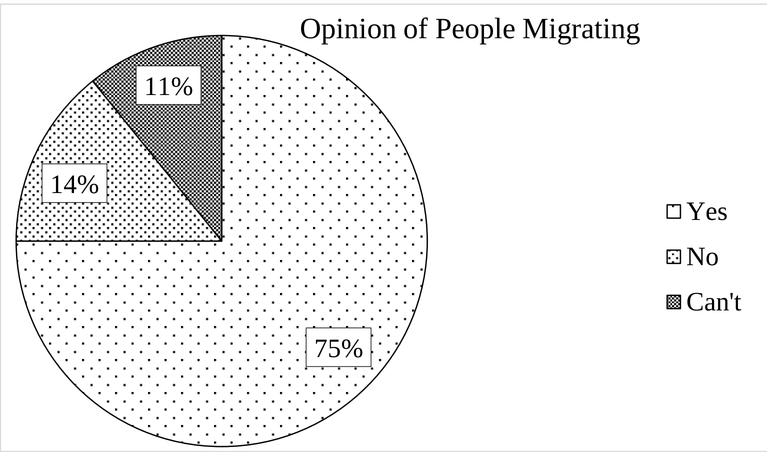


Figure 3. The opinion of the migrating people
Source: Primary Survey by the authors.

Most migrants (a 61.7 per cent) were forced to return to their villages since most real estate contractors were forced stop building works of new projects. Since most of these workers were daily wage earners, they returned to their agricultural activities at their origin which led to the increase in disguised unemployment that was reflected in their rural wages thereby leading to a fall in income of families. [Figure 3] This has also led to reduction of expenditure of each family leading to a fall in aggregate demand of them. A 31.7 per cent of the respondents have not found any employment through reverse migration at their rural origin – a proportion of them were ready to find out their livelihood in the urban centers but not at the rural origins. [Table 4]

Table 4. Percentage of Reverse Migrating Employed at the Origin

	Number of Respondents	Percentage
Yes	74	61.7
No	39	31.7
Can't Say	7	6.6
Total	120	100

Source: Primary Survey by the authors.

A 70 per cent people have returned to their pre-lockdown wage level though were forced to accept a prolonged working day in order to continue their employment opportunities thereby unanimously accepting 'absolute' surplus value creation for the profit-earners. A 13.3 per cent workers were unable to return to their pre-lockdown wage level. [Table 5]

Table 5. Normalization of Wage Rate in the Unlock Phase

	Number of Respondents	Percentage
Yes	84	70
No	16	13.3
Didn't Respond	20	16.7
Total	120	100

Source: Primary Survey by the authors.

Major Findings of the Study

In a nutshell, therefore, the major findings of the study may be highlighted in key points as follows:

i. The question of the wage rate in the post-lockdown period has presented a unique perception even though the lockdown had crippled the economy, the wage returned to normal rates for most workers in the real estate sector.
ii. However, this can also be attributed to both government contractors and private entrepreneurs who have increased the working hours of the workers rather than reducing the wage rate.
iii. This ultimately has resulted in increased exploitation of labor but has prevented mass lay off in the informal sector a phenomenon during the lockdown which was not the case with formal sector.
iv. This level of labor flexibility has kept the unorganized sector buoyant.
v. The event, however, is offset by the impressive rehiring in the formal sector in the post lockdown period, which can be attributed to the changes in Labor Code by the Union Government (2020).
vi. A proportion of the migration-preferring workers were prone to find their survival at the urban centers instead of opting for reverse migration at their origin.

Simultaneously, our study has revealed some other related aspects about the sector – which are quite astounding facets hence cannot be left out without appropriating proper attention.

i. The normalization of the wage rate has shown the resilience of the small estate business and firms and private contractors. This has happened due the pent-up demand and reduction in the cost of production since working from home became the norm in the formal sector.
ii. Even after the reduction of income during the lockdown, the demand for small and medium flats has increased in both of the areas we have surveyed.
iii. In the post-lockdown period, the participation of women in the sector has increased in both the areas we have surveyed, this might be a result of fall in income in rural households.
iv. Even though the demand for labor has increased, the real wage rate is still at the pre-lockdown level in both of the areas surveyed.
v. Housing affordability has increased as prices have fallen in Santragachi while witnessing only a small increase in Sinthee. This might be initiative taken by small developers or contractor to reduce the burden of their inventory.

CONCLUSION

The real estate sector has witnessed a rapid evolution in the policy landscape in India over the past few years. Reliable government drives laid the preparation for straightforwardness and worked with simplicity of carrying on with work in the beyond couple of years. The year 2020 began on a positive note, but a global lockdown, together with disrupted supply chains, temporarily frayed hopes. With India having entered into the unlock phase, an uplifting reaction found in the country during the festive season. One can clearly be hopeful with regards to the sector's growth possibilities in 2021. A report by Colliers has featured the business space assimilation shot up to 58 per cent for the quarter finished September 30th, 2020 – which indicate improved confidence of the buyers and growth of the entire sector in the long run [11]. It is probably going to support the retail portion until further notice while helping the interest in business land in the long haul.

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