

in brief...

City of dreams no more: Covid-19 in urban India

The pandemic has decimated livelihoods in urban India and created a new underclass of workers who are being pushed into poverty. A CEP report by **Shania Bhalotia**, **Swati Dhingra** and **Fjolla Kondirolli** calls for a national work guarantee to prevent mass long-term unemployment.

Developing economies across the world have large informal sectors, where workers lack even basic social protection like sick pay. India is no exception. Employees on regular wages or salaries make up less than half of the urban workforce: 48% in 2018. The rest are in a hinterland of casual work, temporary contracts and self-employment. Even among regular employees, only 27% have a written employment contract, while a little over half have access to some benefits (provident funds, sick pay or health insurance) through the government or their employers.

The latter make up the flagship schemes for Covid-19 relief to workers in urban areas, which, at the outset, provided limited reach because of the large proportions of uncovered workers. Many workers are expected to be covered by these schemes. Yet old and new forms of informality persist, leaving many without basic social protection.

Like many developing economies, India has a young workforce: 62% are aged under 40 and most of them are in informal employment. To understand the different impacts of the pandemic, CEP conducted a survey of more than 8,500 workers in urban India aged 18 to 40 during the period from May to July 2020.

India recorded its first case of coronavirus in late January 2020. Since then, the number of confirmed cases has increased rapidly. The government announced a nationwide lockdown aimed at slowing the spread of Covid-19 on 24 March 2020. The lives of 1.3 billion people came to a standstill for 21 days. Businesses, factories, schools and transport were closed and almost everyone was asked to stay at home.

India's lockdown was one of the most restrictive in the world, and it was extended three times afterwards until 31 May. Most urban centres, especially big cities such as



Delhi, Mumbai, Pune and Kolkata, were classified as 'red zones' during most of lockdown. This had a large and immediate impact on employment. Millions of workers in urban centres saw their work come to a halt abruptly, and many workers who had migrated to these areas were stranded without any source of income.

Our research shows that the pandemic has had a dramatic impact on livelihoods in urban areas. Labour force participation rates in urban areas were already low (at 48%) and average daily wages were modest: 590.2 rupees or roughly £6 a day. In the period from May to July, 21.7% were unemployed or reported zero hours of work. Many had already not been working since the start of lockdown and had received zero pay in April (the first full month of lockdown) without any financial assistance. Counting them in, 52% of urban workers went without work or pay during lockdown.

Financial assistance from employers or the government was available to less than one-quarter of individuals. In the absence of job protection and government support, worklessness translated into huge reductions in incomes. On average, income fell by 48% after lockdown in April and May, compared with pre-pandemic labour income in January and February.

Covid-19 has exacerbated pre-existing inequities in urban India and those at the lower end of incomes are suffering the most. Workers in the bottom half of pre-pandemic labour income had bigger income losses than the top half. Informal workers, especially young informal workers from lower socio-economic groups, faced the biggest job cuts.

As a result, those in the top quartile of pre-pandemic income went from getting a 64% share of total income to a much higher 84% within three months. Policy made just a small dent in undoing this steep rise in labour income inequality, taking the share of the top quartile slightly lower to 80%, leaving them with a 16% higher share of income than before.

Growing urbanisation and an even faster-growing young workforce had already been posing massive challenges for the Indian labour market. The pandemic has intensified those difficulties, and they are expected to get even bigger as urban demography changes over the next couple of decades.

Among urban workers, the youngest (those aged 18 to 25) were already much less likely to be in work, more likely to be employed informally and more likely to be paid less. The pandemic has left the 'lockdown generation' with lower employment rates and a legacy of entrenched inequality.

National and state governments recognise the livelihood crisis, but for the most part, their recovery packages fall far short of outlays to overcome it.

The pandemic has left the 'lockdown generation' with lower employment rates and a legacy of entrenched inequality

Although India runs the world's largest jobs programme (which guarantees 100 days of work to households), it is limited to rural residents.

In urban areas, our survey shows that 31% of individuals had a guaranteed number of days of work. Among those who did not, an overwhelming 70% reported needing a guarantee of a minimum 100 days of work, for which they would be willing to pay almost a quarter of their daily wages (Dhingra and Machin, 2020). The youngest workers were much more likely to want job guarantees, primarily for the livelihood security that they provide in these hard times.

A few states in India are introducing state-level job guarantees for their urban residents, but workers in large parts of the country would fall outside the purview of these state programmes. A national level commitment to overcoming the livelihood crisis is therefore essential to prevent urban workers from falling into poverty and to provide a countervailing force against the sharp and sudden rise in inequality.

This article summarises 'City of Dreams No More: The Impact of Covid-19 on Urban Workers in India' by Shania Bhalotia, Swati Dhingra and Fjolla Kondirolli, CEP Covid-19 Analysis No. 8 (<http://cep.lse.ac.uk/pubs/download/cepcovid-19-008.pdf>).

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Further reading

Swati Dhingra and Stephen Machin (2020) 'The Crisis and Job Guarantees in Urban India', CEP Discussion Paper No 1719 (<http://cep.lse.ac.uk/pubs/download/dp1719.pdf>).