



Confederation of Indian Industry

## **REVIVING EMPLOYMENT AND LIVELIHOODS IN INDIA: COVID-19 AND AFTER\***

**Confederation of Indian Industry (CII)**

**Azim Premji University**

**February 25, 2021**

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## **Executive Summary**

### **1. Introduction**

This Report essentially takes stock of the employment conditions prevailing in the Indian economy prior to the pandemic and then goes on to delineate the impact of Covid-19 on lives and livelihood. It also charts a possible policy path forward to address both short-term and long-term challenges of livelihood and employment. The focus is primarily on the non-farm economy while analysis and policy recommendations are at the national level.

The Report is divided into seven sections. It starts with a brief introduction of the issues and challenges affecting employment. The next section considers the employment situation between 2011 and 2017. Section 3 looks at job creation immediately prior to the Covid-19 crisis. Section 4 surveys the available information on the impact of the pandemic on employment and livelihoods in India. Section 5 takes a brief look at the policy response to the livelihoods crisis. Section 6 offers policy recommendations for the short-, medium- and long-run while Section 7 concludes.

### **2. Employment Scenario during 2011-2017**

This section delves into the employment situation in the country during the 2011-12 to 2017-18 period. The Report indicates that the period witnessed a large fall in the labour force participation rate (LFPR) as well as work participation rate (WPR), and a dramatic increase in the unemployment rate (UR).

The job loss story of the past six years has predominantly been about the fall in subsidiary economic activities in agriculture pursued by older rural women resulting in the fall in female employment. The pace of job creation for men fell far short of what was required given the rise in working age population between 2011-12 to 2017-18.

At the sectoral level, there has been a drop in the growth of employment in agriculture. More worrying, however, is that manufacturing employment also fell in this period, reducing an already low share in total workforce employed by the sector. Nevertheless, the organised manufacturing sector such as knitwear, plastics, leather and footwear delivered well in terms of job creation as well as wage growth in this period.

In contrast to manufacturing and construction, the services sector showed relatively stronger growth driven by modern services.

During this period, the youth UR increased sharply for every level of education, going past the 33 percent mark for higher educated youth.

### **3. The employment scenario leading into the Covid-19 crisis – 2017-18 to 2018-2019**

The employment indicators showed a small improvement between the two PLFS rounds (2017-18 and 2018-19). The LFPR as well as the WPR rose and the unemployment rate fell as compared to the period between 2011-12 and 2017-18, even though there is significant scope for improvement.

The improvement in LFPR and WPR was largely concentrated among rural women who regained much of the employment lost between 2011-12 and 2017-18. For urban women and for rural men, the increase in WPR was much smaller. And there was a decline in UR for urban men.

There was a slow but steady increase in the proportion of regular wage worker in all demographic groups (rural-urban, male-female).

A sectoral break-up shows that while agriculture accounted for the largest share of total employment, the sectors mostly responsible for additional employment in this period were construction and trade.

Further, the unemployment challenge was the greatest for people with secondary or higher education, and rising education levels inflated the unemployment challenges.

### **4. Impact of the Covid-19 pandemic and associated containment measures**

Despite the improvement in employment conditions witnessed during the two PLFS rounds, the employment challenge remains significant. And the pandemic has worsened the bleak job scenario.

As the three large employers- manufacturing; construction; and trade, hotels and restaurants- have been majorly impacted by the Covid-19 shock, job losses have escalated, and livelihoods have been affected. According to CMIE, the months of April and May 2020 witnessed the highest unemployment rates of 23.5 per cent and 21.7 per cent respectively owing to the lockdown.

Nevertheless, the slow unlocking of the economy, beginning in June, resulted in a gradual pickup in economic activity and jobs.

Large number of targeted small surveys are now available to evaluate the impact of the pandemic on Indian workers. Most surveys were conducted in the April to July period and

cover three broad areas: effect of the lockdown on employment and livelihoods, household level impacts on financial and food security and access to relief measures.

The impact of Covid -19 on employment has been provided by three major surveys namely the Azim Premji University survey (conducted mid-April to mid-May, with just under 5000 respondents); the Dalberg survey (conducted in April and May, having around 25,000 respondents) and the ActionAid survey (conducted May-June, having around 11,537 respondents). The Surveys came to an almost unanimous agreement that nearly 80 per cent of the urban workers lost their livelihoods during the lockdown months. And the migrant worker suffered the brunt of the loss.

On the impact on incomes, there was an overwhelming consensus that there has been a steep fall in earnings during the lockdown period. For instance, the Azim Premji University survey sample indicated a drop in earnings by around 40 to 50 per cent. The Dalberg survey finds that, on average, there was a decline of 65 per cent in monthly income. The LSE-CEP survey reported a mean earnings loss of 48 per cent.

The effect of the pandemic on farmers has been somewhat less pronounced. According to the Azim Premji University survey, 60 per cent of respondents in agriculture and allied sectors had some produce to sell during the lockdown. Among these, an overwhelming majority (85 percent) could not harvest or sell or had to sell at a reduced price due to lack of machines or labour and lack of transportation or buyers, respectively.

Nationally representative data from the CMIE Consumer Pyramids Survey also corroborates the large losses in livelihood and incomes. As of December 2020, nearly 20 per cent of workers who lost work during the lockdown were unemployed. Incomes for the bottom 10 per cent of households collapsed during April and May, and these households suffered a cumulative loss of nearly three months' worth of income during 2020.

Taken together, all the surveys paint a picture of widespread destruction of livelihoods and incomes in the months of April and May, continuing to a lesser extent in June and July. But some indications are that dis-employment effects continued into October. A significant consequence of this shock has been an increase in indebtedness of households.

Overall, the pattern that emerges is that casual wage and temporary salaried workers were much more affected during the lockdown followed by the self-employed. The permanent salaried were the least affected. Besides, the micro-enterprise sector has been hit particularly hard during the pandemic.

## 5. Policy response to the Covid Crisis

This section briefly examines the Indian policy response, thus far, to address the unprecedented crisis created by the extraordinary situation. This includes the impact of specific measures in the Atmanirbhar Bharat 1, 2, and 3 packages which deal with employment generation.

These measures include augmentation of food distribution under PDS, cash transfers into Jan Dhan accounts, expansion of the MGNREGA budget and the PM Rozgar Abhiyan. In addition, we take a brief look at the indirect support provided in the form of the Emergency Credit Loan Guarantee Scheme (ECLGS) to MSMEs. These are examined separately

The Public Distribution System (PDS) and cash transfers announced under Pradhan Mantri Garib Kalyan Yojana (PMGKY) provided the crucial safety net and likely prevented a huge rise in food insecurity among millions of households.

However, despite its problems of exclusion (especially with respect to migrants), PDS had a wider reach than cash transfers, both Jan Dhan and PM-Kisan combined.

Second, the additional funding of ₹40,000 crore to MGNREGA, bringing the total budget to ₹1 lakh crore for the financial year 2020-21 was a welcome step to help alleviate the suffering of rural households who lost income coming from migrant remittances and the slowing down of the rural economy. The huge demand for MGNREGA works was evident from the fact that 35 lakh new job cards were made between April- June 2020. Despite the significant increase in employment under the programme, there is still considerable unmet demand for MGNREGA work.

Third, the Emergency Credit Loan Guarantee Scheme with a commitment of ₹3 lakh crores, which was a key component of the Atmanirbhar Bharat 1 package (mid-May), had a mixed response. This scheme provided support in the form of easier liquidity to MSMEs. In consultations, several MSME entrepreneurs noted that the condition for availing credit (only those with outstanding credit of up to Rs 25 crore as on February 29, 2020) was somewhat arbitrary under the present circumstances of resource shortage faced by MSMEs. A better option may have been to extend all loans by 20-30 per cent since collateral was already available. Disbursal and credit uptake have also been mixed with banks reluctant to lend. There were other deficiencies as well.

## 6. Livelihood promotion and employment generation in the short, medium and long-run: A policy framework

This section charts a possible course, in the short-term as well as the long-term, for policy approaches to solving the challenge of employment in India.

In the short run, enhancing direct income support to the poor, for at least a few months, is the crucial measure which is needed to compensate those who have lost livelihoods and do not have the capacity to bear this cost. Direct income support can include MGNREGA rolls, Aadhar-seeded ration cards, and possibly even licenses such as those issued to street-vendors.

Second, the Report underpins the need to fast track the announcement of a comprehensive Employment Policy which encompass a set of multidimensional and interdisciplinary interventions across many policy spheres. The framework of the policy incorporates the main heads in the CII Book of Jobs, viz. physical agenda (developing clusters of growth), enterprise related agenda (supporting formalisation of the workplace), educational agenda (promoting vocational training), and legislative agenda (labour laws).

The Employment policy should encapsulate the following aspects.

- (a)** The importance of public employment: The focus is on enhancing public investment (eg in infrastructure development) which would augment the production of public goods and services thereby enhancing the productivity of private investment and enabling job creation in the private sector.
- (b)** Promoting private sector employment: This would entail creating a conducive policy environment for business by improving the ease of doing business, enabling scale-up of small firms, ensuring flow of credit to productive investments and creating a stable and consistent macroeconomic environment. The last point also includes “meso-economic” factors such as well-coordinated trade and industrial policies. Public policy action can enable private sector job creation.
- (c)** Openness and industrial policy: After decades of being out of fashion, the phrase “industrial policy” is once again finding favour in international policy circles. The Industrial policy should have a vision of making India one of the most competitive places for locating industrial facilities. There would entail a coherent and stable trade-industrial policy framework, a reduction in the compliance burden particularly for SMEs, and investment in crucial public goods, as well as avoidance of impediments such as inverted duty structures.

**(d) Job creation versus job quality:** There is the dichotomy between the quantity versus the quality of employment being generated. Here the relevant parameters are wage level and growth, non-wage benefits, social security, and right to collective action (the list is not exhaustive). This should be addressed.

The section then delves on suggested policy interventions which are as under:

**(i) Udyog Sahayak Enterprise Network (USENET) for micro-enterprise**

The proposed USENET is envisaged to be a support system which would enable the scale-up of job-creating microenterprises and facilitating the ease of doing business. This will help make micro and small enterprises (MSEs) go digital, find markets, secure credit, avail of government schemes, and meet compliances. USENET is an entrepreneurship model, with the Government of India catalysing the enablement of the factors that would lead to self-sustenance of the Udyog Sahayak Enterprises (USEs), meant to help MSEs.

**(ii) Urban Employment Guarantee (UEG)**

The Report proposes the creation of an urban public job creation programme to enable the urban poor to get relief and join the economic process. The core idea of a UEG is that the government guarantees work at the minimum wage in order to create public assets and provide income support to the urban poor. But a national UEG programme need not simply be an extension of MGNREGA to urban areas. In fact, it needs to be imagined differently given the differences between the rural and urban labour markets. For example, seasonal unemployment is much less prevalent in urban areas as in the rural areas. Urban local governance institutions are also much less participatory compared with the Panchayati Raj Institutions (PRIs). Private contractors play a much larger role in urban public works. And, lastly, the scope for public works is much more varied in towns as compared with the villages.

There is the issue of the fiscal impact of such a policy, in terms of debt, inflation and macroeconomic stability. However, there is no evidence that MGNREGA or other such welfare transfer programmes have historically caused inflation in India.

**(iii) Universal basic services**

A key public sector intervention that operates on the demand side as well as the supply side of the labour market, is effective spending on health and education. On the demand side, such spending creates employment in the delivery of these crucial services. On the

supply side, it improves the quality of the labour force. Hence, there is a strong case for augmenting public investment in health and education.

**(iv) A multisectoral focus on culture, heritage, and tourism (CHAT)**

A coordinated CHAT policy should be developed with a multi-sectoral focus. This would help to harness the immense potential of the sector to create productive, decent, and well-paying jobs.

**(v) Rethinking skills**

Skill creation and upgradation have been at the forefront of employment policy for several years and a continued focus is needed. The unemployment and underemployment arising from skill mismatch needs to be addressed directly by taking steps such as on- the- job training; integrating capacity building in informal clusters with cluster promotion schemes; integrating expertise of local firms with local educational institutions and integrating apprenticeships and real-world experience into every stage of the school and college curriculum.

**(vi) Towards universal Social security**

The role of social protection should be viewed as providing a subsistence level of assistance to the poor to ensure a dignified existence for workers, who in most cases, have spent their entire lives working in difficult conditions. This would entail starting with a programme for universal social security for all workers.

One possible approach to this objective is the formation of national and state-level welfare boards for unorganised sector workers as proposed in the 2008 Unorganised Sector Social Security Act. The main suggestion here is to move towards a rights-based universal social protection floor for the unorganized sector as envisaged in the second draft version of the Social Security Code Bill.

Finally, there is the question of the fiscal burden that the proposed policies put on government finances. In this context, it must be recognised that we are currently in an unprecedented shock to the economy. Hence the priority should be to increase public spending to restore demand and ensure that the poor and vulnerable do not bear a disproportionate burden.

## REVIVING EMPLOYMENT AND LIVELIHOODS IN INDIA: COVID-19 AND AFTER

### 1. Introduction: India's employment challenge

The Indian economy is the midst of a deep recession caused by the Covid-19 pandemic. Economic growth has been negative for the first two quarters of financial year 2020-21 and the annual rate of growth is likely to be close to zero. Even prior to the pandemic-induced crisis, the economy had been slowing down for several quarters (Subramanian and Felman 2019). The causes identified in the literature include short-run shocks such as demonetisation and rollout of the GST, medium-run factors including the growing “twin-balance sheet” problem and NPA crises, and long-run structural weaknesses such as poor infrastructure and complex regulations on the supply-side and insufficiently broad-based domestic demand (lack of inclusive growth). While the economy recovered rapidly from the short-run shocks (barring a few informal industries that have yet to recover from the GST-induced changes), the medium- and long-run weaknesses remain with us.

On the employment front, prior to the slowdown, the pattern of economic growth as well as long-run supply-side and demand-side problems mentioned above have conspired with growing pressure of automation and fourth industrial revolution technologies to produce several decades of “jobless growth.” The employment elasticity of GDP growth has been falling and has reached a low of 0.1 per cent. During the high growth years, the sectors that have driven rapid output growth (such as finance and IT-BPO) were not large employers, and large employers (with the exception of construction) did not show rapid output growth (e.g. trade, textiles, transport). However, there are a few bright spots such as leather and footwear, plastics, and garments and knitwear (State of Working India 2018).

The supply-side constraints on firm growth (mainly lack of infrastructure and enabling regulatory climate) have had profound consequences for labour demand in the economy. Historically, small and medium sized firms have played a crucial role in creating non-farm jobs in most countries that have managed a structural transformation from agrarian to industrialised economies. In India, however, the dominant scale of production remains “nano” and “micro” with the average firm employing less than 5 workers, and the majority employing no workers other than the owner and their family members (Basole and Chandy 2019). The proliferation of dwarf firms creates conditions for continued informality (precarity), lack of regulation and low productivity. The lack of adequate non-farm jobs has contributed to the crisis in the agrarian economy, which in turn has compounded the problem of low aggregate demand.

On the supply-side of the labour markets, a well-studied and long-standing weakness is the continued low participation of women in paid employment. At 20 per cent, India's female labour force participation rate (LFPR) is among the lowest in the world. It is true that this could partly be a problem of incorrect measurement. However, other factors such as continued asymmetric burden of housework (India Time Use Survey 2020) as well as unsafe working environment and lack of mobility are also important, as is the challenge of creating employment opportunities for women. It is worth stressing this last point, because, in the absence a strong increase in labour demand, an increased supply of labour in the form of women entering the labour force will only increase unemployment or drive down wages.

A second well-studied if not adequately addressed problem on the supply side of the labour market, is the quality of the labour force in terms of health, education, and skills. Despite important advances in health and education infrastructure, the levels of public investment in these sectors remain well below other comparable developing countries (State of Working India 2019). India remains plagued by high levels of malnutrition, high out-of-pocket expenditure on these vital services, and poorly trained (albeit increasingly formally educated) workforce. The last problem is particularly pronounced for educated youth, among whom rates of unemployment have surpassed 30 per cent (see below).

Given these challenges, the creation of large number of productive and decent industrial and services sector jobs, which would significantly enhance the prospects of India's workforce looking for suitable job opportunities, has gained utmost importance. India's ability to reap the benefits of its large working age population depends on the ability of the economy to provide robust livelihood opportunities enabling households to earn more, lead healthier lives and in the process contribute to productivity and economic growth.

In the aftermath of the Covid-19 crisis, this challenge has acquired a new dimension. Several independent surveys (discussed later) show that the Covid-19 containment measures as well as the subsequent demand and supply-side disruptions have destroyed millions of jobs, causing an increase in food security, a build-up of debt, distress sale of assets (among households as well as enterprises), and a rise in inequality. Thus, the immediate policy questions are: how to provide support to those whose livelihoods have been destroyed by the pandemic? And how to revive demand in a more general sense?

This report takes stock of the employment conditions prevailing in the Indian economy immediately prior to the pandemic. It also charts a possible policy path forward to address both short-term and long-term challenge of livelihood and employment. The focus is primarily on the non-farm economy, so the agrarian sector is not dealt with here. Secondly, the analysis

as well as the policy recommendations are mainly at the national level. This is not to deny the vast regional differences, not to say, divergences, that characterise the Indian economy. But despite this variation, there are indeed some constraints as well as some solutions that can be discussed at the national level.

The next section considers the medium-run employment scenario between 2011 and 2017. Section 3 looks at job creation immediately prior to the Covid-19 crisis. Section 4 surveys the available information on the impact of the pandemic on employment and livelihoods in India. Section 5 takes a brief look at the policy response to the livelihoods crisis. Section 6 offers policy recommendations for the short-, medium- and long-run. Section 7 concludes.

## **2. The medium-run employment scenario – 2011-2017<sup>1</sup>**

Prior to the slowdown of 2019 and subsequent extraordinary shock delivered by the pandemic, the Indian economy had experienced a phase of moderate to high growth (exceeding 5 per cent per annum in real terms) for nearly two decades. However, employment grew much more slowly as compared to GDP with an aggregate employment elasticity of 0.1 or so (Kannan and Raveendran 2009, State of Working India 2018). In this section, we briefly examine the employment scenario at the aggregate as well as broad sectoral levels in the period between 2011 and 2017. The main data sources here are the NSSO Employment-Unemployment Survey (2011-12) and the Periodic Labour Force Survey (2017-18).

### **2.1 Aggregate trends**

The most recent available population projections show that between 2011-12 and 2017-18 the working age population grew by 115.5 million. But the labour force only grew by 7.7 million and the workforce actually shrank by 11.3 million (Table 1). This resulted in a large fall in the labour force participation rate (LFPR) as well as work participation rate (WPR), and a dramatic increase in the unemployment rate (UR). There was an absolute increase of 19 million in the number of unemployed, and a rise in the UR from 2.2 per cent to 6.1 per cent (Table 2).

### **2.2 Sectoral trends**

Next, we delve a little deeper into the sectoral patterns. First, we discuss the nature of fall in female employment. As seen in Table 4, rural women are the only demographic group among whom the total workforce actually shrank among the 25+ year old population.

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<sup>1</sup> This section draws on Nath and Basole (2020).

As the difference in the UPSS and UPS definition indicates, this decline in employment is found largely in subsidiary activities, i.e. economic activities carried out by an individual for 30 days or more (but less than six months) during the reference period of the last 365 days preceding the date of the survey.

The absolute number of women engaged in subsidiary activities (including those engaged in a principal activity alongside the subsidiary activity) fell by around 32 million between 2011-12 and 2017-18. More importantly, the total number of women engaged only in subsidiary activities fell by close to 23 million during this time. This fall is not due to women opting to move out of the labour force into education as much of the decline (around 62 per cent) took place in the age bracket of thirty years and above. This decline in employment could be due to factors such as a rising education levels as well as rise in family incomes resulting in withdrawal of women from the workforce<sup>2</sup> or a decline in availability of work (Deshpande and Kabeer 2019). Much of the decline in the number of female workers engaged in subsidiary activities was in the agricultural sector, followed by manufacturing and construction.

Two points are worth emphasizing with respect to the employment story between 2011-12 and 2017-18. First, for men, the pace of job creation fell far short of what was required given the rise in working age population. Second, the job loss story of the past six years is predominantly about the fall in subsidiary economic activities in agriculture pursued by older rural women.

This fall in female agricultural employment is part of an overall decline in employment in this sector, from 232 million (49 percent of the workforce) to 205 million (44 percent of the workforce). While a decline in agricultural employment is to be expected and also welcomed from a structural transformation perspective, more worrying is the fact that manufacturing employment also fell in this period by 3.5 million, reducing an already low share in total workforce from 12.6 to 12.1 percent (Mehrotra and Parida 2019).

Nevertheless, one interesting bright spot in the medium-run employment scenario has been the organised manufacturing sector. Even though overall employment did not grow in manufacturing, the organised segment posted an increase of 2 million jobs in this period as per Annual Survey of Industries (ASI) data. Organised industries such as knitwear, plastics, leather and footwear have delivered well in terms of job creation as well as wage growth in this period (Basole and Narayan 2020).

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<sup>2</sup> <https://www.ideasforindia.in/topics/social-identity/declining-female-labour-force-participation-in-rural-india-the-supply-side.html>

A second reason for weak employment growth in this period, is the slowdown in the construction sector which was a large destination for workers leaving agriculture in the first decade of the century. This sector registered an increase of 3.6 million jobs, a weak performance compared to the previous period (2004 to 2011) when employment doubled from 25 to 50 million.

In contrast to manufacturing and construction, the services sector showed relatively stronger growth of jobs (3 million per year). Further, Mehrotra and Parida (2019) show that the modern services sector drove much of this growth in employment.<sup>3</sup> This is good news for the share of formal youth employment in this sector, which has shown a consistent increase from 21 percent (2004-05) to 25.4 percent (2011-12) to 31 percent (2017-18).

On the issue of formality, it is encouraging to note that the share of regular wage workers has been steadily increasing. Mehrotra and Parida (2019) report that the share of formal employment in manufacturing went up substantively from 11 percent to 15.4 percent in this period.

### **2.3 Educated youth**

Lastly, we consider the rate of open unemployment. In India, historically, unemployment has been confined to educated youth, i.e. individuals who are less than 30 years of age and have more than 10 years of education.

Figure 1 shows the UR for youth aged 15 to 30 years for three time points, 2011-12, 2017-18 and 2018-19 (Mehrotra and Parida 2019 and our calculations). During the period being considered in this section (2011-12 to 2017-18), the youth UR increased sharply for every level of education, going past the 33 percent mark for higher educated youth. That is, fully one-third of educated youth were unemployed in 2017-18.

## **3. The employment scenario leading into the Covid-19 crisis – 2017-18 to 2018-2019<sup>4</sup>**

The regular availability of annual PLFS data enables us to look more closely at the situation just prior to the pandemic (namely in 2018-19). The main conclusion here is that the jobs situation improved in this period, which was just prior to the 2019 slowdown.

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<sup>3</sup> The authors include the following in this category: education, hotel and restaurant, and other food service activities, health and community social services, telecommunication, business support service activities, sale, maintenance and repair of motor vehicles, financial intermediation, computer related activities, research and development, modern auxiliary transport, real estate services, and insurance and pension funding.

<sup>4</sup> This section draws on Nath and Menon (2020)

### **3.1 Aggregate trends**

Between the two PLFS rounds, the total workforce grew by 13 million, making up for employment lost between 2011-12 and 2017-18 (Table 1). While the working age population (15+) grew by 1.8 per cent, the labour force grew by 2.7 per cent and the workforce by 2.95 per cent. As a result, the LFPR as well as the WPR rose and the unemployment rate fell (Table 2). Of course, there remains a lot of room for improvement on all these fronts.

On disaggregating by gender and sector, we see that the improvement in LFPR and WPR is largely concentrated among rural women (just short of 2 percentage points), the same group that had seen the largest declines in the previous period. For urban women and for rural men, the increase in WPR is much smaller, to the extent of 0.2 percentage points (Table 3).

And there is even a decline in UR for urban men. The UR among women fell by 0.5 per cent from 5.7 per cent to 5.2 per cent between 2017-18 and 2018-19.

### **3.2 Sectoral trends**

The sectoral trends show the breakdown in terms of absolute employment for 2017-18 and 2018-19. This is given in Table 5.<sup>5</sup> It is evidenced that while agriculture accounts for the largest share of total employment, the sectors mostly responsible for additional employment in this period were construction and trade. Interestingly, garments and textiles also showed a decent performance together creating an additional 0.8 million jobs for rural women.

Another encouraging sign is that the manufacturing sector added an additional 1.5 million regular wage jobs in this period and saw a decline of casual wage work (Table 5).

### **3.3 Educated youth**

As we saw earlier, the Indian economy is characterised by high rates of open unemployment for higher educated youth. Notwithstanding this long-run structural problem, encouragingly, the small improvement in the unemployment situation is reflected at every level of education including the higher education (Figure 1). However, there is clearly a long way to go since the unemployment rate for graduate and post-graduate youth is still a very high 33 percent. For older workers (more than 30 years of age), unemployment rates fall to 3-4 percent for those with graduate or post-graduate degrees, and to less than 2 percent for older workers with lesser education (Figure 2).

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<sup>5</sup> Also given alongside are ILO classifications of the risk posed to a given sector by Covid-19. We comment on this aspect in the next section.

Thus, open unemployment is practically absent for less educated and for older workers. Two important implications can be drawn from this fact. First, despite formal educational qualifications, the educated labour force either does not have the necessary skills that are required in the job market or the economy is not generating jobs for this category in required numbers. Second, after search for work for a few years in their 20s, eventually most workers do find employment, even if it is mis-matched to their skills. Thus, it is amply clear that the government needs to alter its policy framework to give incentives for creating jobs along with an urgent revamp of the education policy. We take this issue up further in Section 6.

## **4. Impact of the Covid-19 pandemic and associated containment measures**

### **4.1 Overview**

As we saw above, there was a small improvement in most employment indicators between 2017-18 and 2018-19. In particular, rural women regained much of the employment lost between 2011-12 and 2017-18. And there has been a slow but steady increase in the proportion of regular wage worker in all demographic groups (rural-urban, male-female). But still the employment challenge remained significant as witnessed by the high youth unemployment rate, the low female labour force participation rate and the high proportion of own-account enterprises.

On the back of these long-run problems, the impact of Covid-19 has been devastating. Economic activity came to halt across the country in most sectors during April-May 2020 because of the nationwide lockdown. Even in sectors which were operational, there were major disruptions in supply chains across the country. Not surprisingly, according to the Centre for Monitoring Indian Economy (CMIE), the months of April and May 2020 witnessed the highest unemployment rates of 23.5 per cent and 21.7 per cent respectively (Figure 3). Around 17.7 million salaried jobs were lost by the end of April due to the lockdown which rose to 17.8 million in May.

The International Labour Organisation (ILO) has classified sectors based on their susceptibility to the ongoing crisis (Table 5). Outside of the agricultural sector, which accounts for the largest share of total employment (42.4 per cent), but is categorised as “low risk,” three large employers namely manufacturing, construction, and trade, hotels and restaurants, which together account for 36 percent of total employment, have borne a significant brunt of the Covid-19 shock.

The slow unlocking of the economy, beginning in June, resulted in a gradual pickup in economic activity and jobs. The CMIE numbers also reflected the recovery. The

unemployment rate fell sharply to 10.2 per cent in June and further declined to the pre-Covid level of 7.43 per cent in July. But the recovery path remains complex and unclear. Unemployment rose again to 8.35 per cent in August 2020 and has subsequently fallen. According to CMIE data, the average labour force participation rate for the first three weeks of September was 40.7 per cent as against 41 per cent in August. This time the reason for the shortfall in jobs could be traced more to the rural markets. In fact, unemployment in rural India has shot up since August, largely on the back of loss of work under the Mahatma Gandhi National Rural Employment Guarantee scheme and end of sowing of the Kharif crop.

Overall, while the worse is most likely over, the timeline and nature of recovery is highly differentiated across industries, geographies, and demographics. This concern also finds a resonance in a report by Asian Development Bank (ADB) and International Labour Organisation (ILO), which estimates that as many as 6.1 million young people (15-24 years) could lose jobs if the containment of the virus took six months (roughly till September). That is taking far longer only makes the situation worse.

A further aspect to understanding the extent of the labour market impact is that the CMIE headline unemployment data may underestimate the loss of jobs. The survey asks whether an individual had work on a given reference day or the previous day, or if not, whether they expected to return to work in near future. Thus, individuals who can reasonably expect to start operating their shops or businesses or return to other forms of employment eventually but are not currently earning any income, may not be counted as unemployed, though they may still face severe economic hardship in the interim. This is a problem with using the usual measures of employment in the highly unusual conditions of the pandemic. We return to this point later.

#### **4.2 Findings from targeted Covid impact surveys<sup>6</sup>**

Large number of targeted small surveys are now available to evaluate the impact of the pandemic on Indian workers. These surveys have been carried out by civil society organisations, academic researchers and consultancy firms, often during the course of administering relief. Most are based on purposive sampling of relatively more vulnerable sections of the population (such as informal sector workers, migrant workers, slum dwellers, etc.). Almost all are telephonic surveys with sample sizes that vary from a few hundred to tens of thousands

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<sup>6</sup> This section draws on a working paper in progress on Covid-19 and Informality by Radhicka Kapoor and Amit Basole.

Most surveys were conducted in the April to July period and cover three broad areas: effect of the lockdown on employment and livelihoods, household level impacts on financial and food security, and access to relief measures. Since most surveys are purposive and non-random, the findings pertain only to the sample and cannot be generalised to the population.

#### **4.2.1 Effect on employment**

A vast majority of the Indian workforce consists of informal workers, who are either self-employed or work on daily wages and other forms of short-term, oral contracts. A stoppage of economic activity immediately renders them jobless. Thus, one of the most prominent effects of the lockdown was a sudden increase in the rate of unemployment.

The Covid impact surveys generally quantify employment loss as the share of workers who were in the workforce pre-lockdown, but reported being either unemployed, out of the labour force or in the workforce but without having worked for even a single day during this period.

The impact of Covid -2019 on employment has been provided by three major surveys namely the Azim Premji University survey<sup>7</sup> (conducted mid-April to mid-May, with just under 5000 respondents); the Dalberg survey<sup>8</sup> (conducted in April and May, having around 25,000 respondents) and the ActionAid survey<sup>9</sup> (conducted May-June, having around 11,537 respondents).

Table 6 summarizes the headline employment losses found in the three independent surveys. Despite different sampling strategies and geographies, there is some agreement in the findings. Most strikingly, nearly 80 per cent of the urban workers lost their livelihoods during the lockdown months.

The study by Kesar et al (2020) confirms that farmers were significantly less likely to experience employment loss compared to casual workers in construction, trade, hotels and transport. Secondly, urban self-employed consisting largely of petty shopkeepers, street vendors, drivers, and small business owners were hardest hit compared to the wage workers in these areas. Third, rural women were significantly more likely to experience loss of employment compared to men and Muslims were significantly more likely to lose employment relative to Hindus in the urban areas. In both rural and urban areas, migrant

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<sup>7</sup> <https://cse.azimpremjiuniversity.edu.in/covid19-analysis-of-impact-and-relief-measures/#clips>

<sup>8</sup> <https://impactsofcovid.in/about>

<sup>9</sup> <https://www.actionaidindia.org/publications/workers-time-covid-19/>

workers were more likely to experience loss in employment. This points to a higher vulnerability in their occupations in addition to the hardships endured on the way home.

Small, targeted surveys continue to be conducted, giving us a partial picture of recovery. Gram-Vaani, a community media platform surveyed 372 migrant workers in auto, construction and garment sectors (mostly in the NCR region) in October 2020 and found that 60 per cent were still out of work.<sup>10</sup> The garments sector was the worst hit, with 20 per cent workers reporting a reduction in earnings of more than Rs. 2000 per month.<sup>11</sup>

Round two of the Azim Premji University Survey of informal workers showed that roughly 20 per cent of workers who had lost work during April-May were out of work in the October-November period. However, earnings had largely recovered to pre-Covid levels for those who could find work.

#### **4.2.2 Effect on incomes**

We now look at Covid-19 survey data on income loss. In the Azim Premji University survey, sample earnings fell by around 40 to 50 per cent. For casual workers who continued to be employed during the lockdown, this was a result of decreased availability of work as well as a fall in the wage rate. The Dalberg survey finds that the average monthly household income declined from ₹9,960 (pre-crisis) to ₹4,110 as of early June. On average, there was a decline of 65 per cent in monthly income.

The LSE-CEP survey reported a mean earnings loss of 48 per cent. Bhalotia et al (2020) show that workers in the lower income quartiles experienced bigger income losses.

The NCAER-DCVTS Survey collected data only on whether income had fallen very much, somewhat or not at all during the month of May. Here, 85 per cent households reported some level of reduction in income in May compared to before the lockdown. According to the Survey, casual wage workers and the self-employed were the hardest hit with nearly 70 per cent reporting that incomes had suffered “very much” compared to just under 50 per cent for salaried workers and just over 30 per cent for farmers. The urban households were also majorly impacted with 60 percent having reported that their incomes had suffered very much. In the Gaon Connection survey of rural households, 71 per cent reported a drop in monthly household income during the lockdown.

More direct estimates of incomes actually lost come from CMIE-CPHS data which show that total household income per capita was 44 per cent lower in April, 39 per cent lower in May,

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<sup>10</sup> <https://drive.google.com/file/d/1baXB35TNNlp-ap6fMZtg4eIFg4Yxe8Mk/view>

<sup>11</sup> <https://gramvaani.org/?p=3631>

and 25 per cent lower in June compared to the same months in 2019 (Bertrand et al 2020). In terms of rough magnitude this compares well with the LSE-CEP survey.

#### **4.2.3 Effect on farmers**

In the Azim Premji University survey, 60 per cent of respondents in agriculture and allied sectors had some produce to sell during the lockdown. Among these, an overwhelming majority (85 percent) could not harvest or sell or had to sell at a reduced price due to lack of machines or labour and lack of transportation or buyers, respectively. Three-fourth of farmers who sold their produce at reduced prices (40 percent of all farmers with produce) reported selling it at less than half of the normal prices.

According to the Gaon Connection survey, 78 per cent of respondents said that their work was at “complete standstill” or “a standstill to a large extent” during the lockdown. Further, while harvesting was less of a problem with more than half of the surveyed farmers reporting harvesting their crops in time during the lockdown, only one fourth could sell them on time reflecting difficulties on transportation as well as market closures.

Taken together, the Covid impact surveys paint a picture of widespread destruction of livelihoods and incomes in the months of April and May, continuing to a lesser extent in June and July. But some indications are that dis-employment effects continued into October. A significant consequence of this shock has been an increase in indebtedness of households. In the Dalberg survey of low-income households, the median debt accumulated, as of the end of May, was 67 per cent of pre-lockdown monthly household income, with the number reaching 100 per cent of the bottom quintile of low-income households. The Gaon Connection survey reports 23 percent borrowing money during the lockdown, 8 per cent having sold a valuable possession (phone, watch etc), 7 per cent having mortgaged jewellery, and 5 per cent having sold or mortgaged land.

#### **4.3 Findings from CMIE Consumer Pyramids data<sup>12</sup>**

While the Covid impact surveys discussed in the previous section offer a timely and detailed picture of loss of employment, they suffer from two important limitations. Firstly, most surveys only report information till June 2020. Since then, the economic recovery has been steadily progressing and more recent data are needed to understand the nature of this recovery. Second, these surveys are not representative of the general population.

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<sup>12</sup> This section draws on Abraham, Basole, and Kesar (2021a,b) and Lahoti, Basole and Jha (2021).

The CMIE-CPHS data, already referred to, are nationally representative, household panel data that are available till December 2020. We now delve deeper into these data to investigate the extent and nature of the impact of the Covid-19 lockdown and later recovery. We examine the impact and recovery through the perspective of the entire labour force, and then by gender, rural/urban location and employment arrangement (self, regular, and casual). One caveat to note here is that women's labour force participation, which is generally low in India (as noted earlier), is even lower as measured in the CMIE data.<sup>13</sup> The pre-Covid workforce participation rate for women, in the CMIE data was a mere 9 per cent as opposed to over 20 per cent in the PLFS.<sup>14</sup>

To measure the impact of the lockdown and the extent of subsequent recovery Abraham et al (2021a) look at employment measures in December 2019, April 2020, and December 2020.

The findings reveal that male WPR fell from 66.6 per cent in December 2019 to 46.9 per cent in April 2020. The corresponding numbers for women are 9.15 per cent to 5.2 per cent. Thus, while the percentage point fall in male WPR and hence the absolute loss of male jobs is much larger than for women, in proportionate terms women were much more badly hurt during the lockdown. Their WPR fell by half. This fall in WPR corresponds to an absolute employment loss of nearly 100 million for men and 19.3 million for women (Figure 4a). In proportionate terms, male employment fell by 30 per cent of its pre-lockdown level while female employment fell by 43 per cent (Figure 4b).

By August, the male WPR was back to 62.5 per cent, but the female WPR was still a low 5.8 per cent indicating a very tepid recovery for women. Thus, while male employment recovered sharply, and 80 million of the 100 million jobs lost were back by August 2020, only 3 million of the 19 million job lost for women were back by August. By December 2020, the male WPR was back to 94 per cent of its pre-pandemic value, but the female WPR was still at only 80 per cent of its pre-pandemic value. But because the overall working age population has increased in this duration, the current WPR implies at least 11 million fewer jobs in the Indian economy in December 2020 compared to December 2019.

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<sup>13</sup> See Abraham and Shrivastava (2019) for an analysis of the comparability of CMIE-CPHS and NSSO surveys.

<sup>14</sup> The male WPR rates in the CMIE data are also lower than those measured in the PLFS, but only marginally so (67 per cent versus 70 per cent).

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The pattern of recovery also varies between men and women. Among male workers who lost employment in April, 73 per cent experienced a sustained recovery, i.e, coming back to work in August and remaining employed in December 2020. The corresponding number for women was just 23 per cent (Figure 5). 56 per cent of women experienced no recovery at all, remaining unemployed in August and December, compared to only 13 per cent men.

The CMIE data also allow us to investigate the impact and recovery among various types of workers. For example, the WPR for April showed the sharpest drop for daily wage workers, falling to 40.7 per cent. This was followed by temporary salaried (60.1 per cent), self-employed (70 per cent), and permanent salaried who were the least affected, as expected (71 per cent). But casual work showed a quick bounce back once the lockdown was lifted, and WPR for daily wage workers was back to 81.4 per cent of its pre-Covid level by August 2020. On the other hand, the recovery has been much slower for temporary salaried workers (78 per cent of pre-Covid levels by August).

Further, workers who were able to return to work post-lockdown often experienced unfavourable transitions in type of employment. For example, in April 2020, during the lockdown, 34 percent of workers in salaried employment lost their jobs and only 43 per cent were able to remain in salaried work, while the rest had to take up either casual or self-employment (Figure 6). In August 2020, this transition continued, with the share of informal work among previously salaried workers increasing to 40 per cent. In December 2019, salaried workers constituted 21 per cent of the Indian workforce. By the end of 2020, only 39 per cent of these continued in salaried employment; 44 per cent of them had moved into informal employment, while the remaining withdrew from the workforce.

Finally, workers of all types have experienced significant loss of income. Year on year growth for months between March and August 2019 and 2020 was -13.5 per cent for permanent salaried workers, -22.5 per cent for temporary salaried workers and a massive -26 per cent for casual workers.

At the household level, as well, the unequal impact of the pandemic is very clear. Figure 7 shows year-on-year growth in monthly mean incomes for each decile of the household income distribution. Clearly the bottom deciles were the hardest hit, with the bottom 10 per cent of households losing three months of income between March and September 2020.

Overall, the pattern that emerges is that poorer households and casual wage and temporary salaried workers were much more affected during the lockdown followed by the self-employed. The upper income deciles and permanent salaried workers were the least affected. The recovery was relatively fast for casual wage workers, but at least as of August, a significant proportion continued to remain out of work. A note of caution is necessary here as regards the self-employed. We have noted elsewhere that measuring employment during the pandemic is a challenging affair with traditional questions and categories falling short of capturing the situation adequately. Self-employed worker may report being employed even when their businesses are not running or doing any businesses. This means they are effectively unemployed (zero or near-zero earnings). Thus, the employment numbers may underestimate the degree of actual unemployment in these unusual times.

#### **4.4. Impact on MSMEs**

Household and enterprise surveys such as the survey of 1500 micro enterprises by the Global Alliance for Mass Entrepreneurship (GAME) and LEAD at Krea University; All India Manufacturers' Organisation as well as several newspaper reports show that the micro-enterprise sector has been hit particularly hard during the pandemic.

This calls for an urgent and bold action, particularly to reach the nano and micro end of the spectrum, since these are the entrepreneurs who are excluded from formal credit. In Section 6 we propose such a system, called the Udyog Sahayak Network (USENET) that can play a crucial role in ensuring that government packages reach the enterprises that are most in need of support to survive the crisis and revive subsequently.

## **5. Policy response to the Covid Crisis**

The unprecedented crisis has called forth unprecedented responses from governments across the world. Gentilini et al (2020) compile a "live list" of such fiscal and monetary responses. In this section, we briefly examine the Indian policy response thus far. The response has come in several phases, starting with the first PM Garib Kalyan Yojana package in late March. After that, several installments of support have come in the form of Atmanirbhar Bharat 1, 2, and 3 packages. It is not the aim here to provide a detailed analysis of these measures. Instead we focus on those measures that deal directly with employment generation and livelihood support. These include augmentation of food distribution under PDS, cash transfers into Jan Dhan accounts, expansion of the MGNREGA budget, and the PM Rozgar Abhiyan. In addition, we take a brief look at the indirect support provided in the form of the Emergency Credit Loan Guarantee Scheme (ECLGS) to MSMEs. It should also be mentioned that the focus here is on

schemes at the central level. But various states have supplemented the Union government's measures in the form of expanded PDS and additional cash transfers.<sup>15</sup>

Before getting into survey and administrative data on the reach of support measures, we emphasize that India's "above the line" direct additional fiscal response remains on the low side in comparison to other developing as well as developed countries.<sup>16</sup> This is mostly due to a concern with the macroeconomic consequences of the rise in the fiscal deficit and debt-to-GDP ratio that will result with more expenditure. We address this issue briefly in the next section.

### **5.1 PDS and cash transfers**

At the broad national level, Covid-19 impact surveys discussed in the previous section clearly show that the Public Distribution System provided a crucial safety net and likely prevented a huge rise in food insecurity among millions of households once the extra entitlements announced under Pradhan Mantri Garib Kalyan Yojana (PMGKY) (5 kg in excess of the basic cereal allowance and 1 kg of pulses) as well as pulses reached the fair-price shops (by early to mid-May). Since mid-day meals and ICDS-based options were also not available to poor households due to schools and anganwadis being closed, PDS became even more crucial.

For those who had National Food Security Act (NFSA) ration cards, getting extra entitlements was relatively easy, but reaching households who were not already in the NFSA system has been a much more difficult task. State governments had been supplementing the national NFSA list with their own lists of beneficiaries even before the crisis. Those who were state-level card holders (but not NFSA card holders) were able to receive the extra entitlement depending on state-level implementation of the relief package.

The Atmanirbhar Bharat announcement in May 2020 extended subsidised grains to 80 million migrants without cards. But in the absence of a national migrant register, the notification simply allowed for 10 per cent additional recipients (80 million is 10 per cent of 800 million existing NFSA beneficiaries) and left it to states to identify the migrants who needed this.

Despite its problems of exclusion (especially with respect to migrants), PDS had a wider reach than cash transfers, both Jan Dhan and PM-Kisan combined. For example, in the Azim Premji University survey sample, 89 per cent of rural and 77 per cent of urban households possessed a ration card. In contrast, only a third of all households and 40 per cent of vulnerable

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<sup>15</sup> A full list of state-level schemes are available here: <https://prsindia.org/covid-19/notifications>

<sup>16</sup> <https://www.thehindu.com/opinion/op-ed/the-covid-19-fiscal-response-and-indias-standing/article32154153.ece>

households had access to Jan Dhan accounts. Around 31 per cent of rural respondents in the survey owned land and were eligible to receive cash under the PM-KISAN scheme. In the Dalberg survey, once again, PDS had the widest reach, covering 87 per cent of interviewed households. 56 per cent were covered under Jan Dhan, 32 per cent under PM KISAN (representing 85 per cent of farmer households), and 42 per cent under MGNREGA.

The Azim Premji University survey also looked at the share of households who received at least one cash benefit transfer from the government (central or state). 64 per cent of urban and 42 per cent of rural vulnerable households did not receive any cash transfer. In the Dalberg survey, 84 per cent of low-income households were covered under one of four cash transfer schemes (Jan Dhan, pension, PM Ujjwala, or PM KISAN) and 81 per cent received at least some forms of cash assistance in May. 73 per cent of eligible low-income households had received cash under Jan Dhan but, as noted earlier, only 56 per cent of low-income households reported having Jan Dhan accounts in the first place. As with PDS, rural coverage was better than urban (59 per cent versus 49 per cent).

While these two survey samples cannot be strictly compared, it is possible that the situation improved between late April and late May and a greater number of households were able to receive transfers. In the Indus Action survey, 60 per cent of households reported receiving Jan Dhan transfers (Table 3 of report). PM-KISAN penetration was better, reaching 85 per cent of farm households in the sample. 67 per cent of households having PM-KISAN accounts received cash transfers. In the Indus Action survey this was 57 per cent.

As a part of their overall work on the response of rural communities to the Covid crisis, RCRC conducted a survey of 10,992 women Jan Dhan account holders in 51 districts spread over 10 states. 66 per cent of active Jan Dhan account holders had received ₹500 while another 20 per cent did not know.

In addition to the problem of reach (which is a longer-term problem of extending the digital-financial infrastructure), an important limitation of the cash support measures has been that the amounts are not commensurate with the scale of the income shock. As per Dalberg, households received on average ₹1,710 from the central government and ₹520 from state governments between April and May.

Even those individuals who may have received the full PMGKY support (₹1500 over three months) plus some state-level support are unlikely to have received enough to bridge the enormous 50 per cent gap in monthly income over several months. Seeing the loss of income observed in the Covid-19 as well as the CMIE surveys, reported earlier, it is clear that the cash

assistance falls far short of what is necessary to compensate households for the income shock experienced.

Further, nearly 50 per cent of households either did not try to withdraw cash (43 per cent) or were not successful when they tried (6 per cent). The principal reasons for not withdrawing were prohibitions due to lockdown rules (41 per cent), health concerns (21 per cent) and crowding in banks/ATMs (21 per cent).

## **5.2 MGNREGA and PM Rozgar Abhiyan**

MGNREGA acquired enormous significance in the immediate aftermath of the pandemic and lockdown shock. Rural households lost income coming from migrant remittances and the rural economy slowed down. The additional funding of ₹40,000 crore to MGNREGA, bringing the total budget to ₹1 lakh crore, for the financial year 2020-21 was thus a welcome step. Data from the MGNREGA MIS reported in the MGNREGA tracker<sup>17</sup> launched by the People's Action for Employment Guarantee (PAEG) show that the programme has emerged as an important avenue of employment generation in this moment of crisis. The huge demand for MGNREGA works is evident from the fact that 35 lakh new job cards have been made between April- June 2020.

A record number of households have been employed under MGNREGA in the first quarter of the financial year compared to the previous three years. For instance, in June 2020, 32.2 million households were provided employment under MGNREGA, a 50 per cent increase compared to June 2019 (21.6 million). By September-October 2020 this was up to 36.3 million (compared to 23 million in 2019).<sup>18</sup>

Despite the significant increase in employment under the programme, there is still considerable unmet demand for MGNREGA work. The PAEG's MGNREGA tracker reported that there were 17 million people who have demanded work but have not been provided employment (i.e. 22 per cent of those who demanded employment did not receive it). As of the beginning of November 2020, 19 million individuals were waiting for work.

As of early November, the Government of India had released ₹70,997 crore, out of the total allocation for the year of ₹101,500 crore (₹61,500 crore and additional relief of ₹40,000 crore). But by the end of October, the MGNREGA budget had almost been exhausted in most states. And the MGNREGA tracker (PAEG) reported that 2.26 lakh households had already

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<sup>17</sup> <https://drive.google.com/drive/folders/1QTdnMp9eooJECpVIYorpwcajgxBos2-r>

<sup>18</sup> <https://www.businesstoday.in/opinion/columns/indian-economy-states-exhaust-mgnregs-fund-leave-rs-2000-crore-in-unpaid-wages/story/420935.html>

completed 100 days of work in the first three months of the year 2020-21. The scale of MGNREGA employment is much higher in states like Andhra Pradesh (1.04 lakh), Telangana (72,000) and Chhattisgarh (57,000) compared to others. At present, almost every ten days, 1 lakh households are completing 100 days of work. These statistics are reflective of the importance of MGNREGA and highlight the need to expand the programme in the short to medium term.

The ₹50,000 crore Garib Kalyan Rojgar Abhiyan, does not involve much new spending. Rather, it consolidates projects of 12 ministries/departments to be implemented in mission mode in 116 (return migrant heavy) districts of 6 states. It aims to generate employment in rural public works in district that have seen more than 25,000 reverse migrants. The focus is on rural housing for the poor, plantations, provision of drinking water through Jal Jeevan mission, Panchayat Bhavans, community toilets, rural mandis, rural roads, other infrastructure like Cattle Sheds and Anganwadi Bhavans. It also includes skill mapping of rural migrant labour being done to help them find work closer home. MGNREGA funds are to be utilised as needed.

### **5.3 Emergency Credit Loan Guarantee Scheme (ECLGS)**

A key component of the Atmanirbhar Bharat 1 package (mid-May) was the Emergency Credit Loan Guarantee Scheme with a commitment of ₹3 lakh crores. Unlike the measures discussed above, this was “below the line” support, in the form of easier liquidity. It offered liquidity support to MSMEs in the form of a four-year loan with a one-year moratorium to MSMEs at 9.25 per cent, under Government guarantee. However, in consultations, several MSME entrepreneurs noted that the condition for availing credit (only those with outstanding credit of up to Rs 25 crore as on February 29, 2020) was somewhat arbitrary under the present circumstances of resource shortage faced by MSMEs. A better option may have been to extend all loans by 20-30 per cent since collateral was already available.

Disbursal and credit uptake have also been mixed. While public sector banks have been more forthcoming to lend, the private sector banks have initially been reluctant and are charging higher interest rates. The highest interest rates are being charged by the Non-Banking Financial Companies (NBFCs). Even as late as the beginning of October (i.e. five months after the launch of the emergency package) only 1.8 lakh crore had been sanctioned to 50 lakh entrepreneurs. The average ticket size was 3.6 lakh per account. Around 85 per cent of accounts belonged to public sector banks (PSBs) with an average ticket size of 2.3 lakhs. The loan sizes were larger for private sector banks, at 9.5-10 lakhs. This indicates that the PSB beneficiaries were mostly in the “Tarun” category of MUDRA. While some suggested raising the turnover limit to 200 crore to sanction rest of the unspent funds, others pointed out that

small ticket sizes were a welcome sign suggesting that smaller firms were benefiting from the scheme.

It is important to note that there is a gap between the amount sanctioned by banks and the amount withdrawn by MSME units as the latter have taken a prudent and precautionary approach based on the assessment of economic and industrial recovery. This indicates that the scheme has met with an expected hurdle – with persistent weak demand conditions as well as a high level of NPAs in the system, banks are reluctant to lend (esp. private banks) while firms are reluctant to borrow. Moreover, there is a very important structural constraint to its effectiveness – majority of outstanding debt in the MSME system, specially at the small and micro end, is informal in nature.

## **6. Livelihood promotion and employment generation in the short, medium and long-run: A policy framework**

We conclude this report with a section that charts a possible course, in the short-term as well as the long-term, for policy approaches to solving the challenge of employment in India. As noted in the Introduction and also highlighted in the BCG-CII report (Bhattacharya and Bijapurkar 2017), a strategy of growth together with job creation is needed, growth alone is not sufficient. This involves investing significantly more resources to new job creation and not only focusing on make existing labor more productive.

### ***6.1 Short-run measure to support livelihoods affected by Covid-19***

As shown, CMIE data as well as other targeted surveys reveal massive job and income losses for the vast majority of workers (self-employment, casual and regular wage) during the past few months. Survey data also indicate that micro, small and medium enterprises have been hit hard with the effects being particularly severe for microenterprises. Even though, thankfully, the economic recovery is well underway, there are likely to be long-run effects of depleted savings, distress sale of assets, and increased debt that vulnerable households have incurred, not to mention effects on nutrition, schooling and health outcomes.

As noted earlier, India's direct fiscal response (as opposed to credit and other liquidity based measures) has been muted thus far, and much smaller than comparable developing countries. If we do not take urgent action to support millions of vulnerable households, in addition to the immediate humanitarian crisis, we may face long-term human capital deficiencies in the years to come. It is incumbent on the Union government to increase support, since the states, who are at the forefront of the battle, do not have the fiscal space to do what is required.

#### **6.1.1. Enhancing Direct Income Support**

While the Union government carried out cash transfers to certain targeted groups under the PMGKY, and several state governments augmented this with cash support schemes of their own, both the quantum and targeting of the transfers leaves much to be desired. For instance, the amounts of the transfers, ₹500 per month for three months for women holding Jan Dhan accounts and Rs 1,000 over three months to senior citizens, widows and Divyang (disabled persons) are inadequate given the gravity of the crisis. It is evident from the Covid-19 impact surveys described earlier that a large proportion of households do not have the financial ability to cope with the ongoing economic distress and thus, they are at a risk of falling into poverty.

Two facts should be borne in mind. First, the decline in open unemployment (as reported in CMIE data) can mask an increase in under-employment as well as a withdrawal of workers (particularly women) from the labour force. This problem is not just of reduced working hours but also a deterioration in the quality of employment in terms of earnings, job security and access to social security. Second, the loss of livelihoods for nearly 2-3 months is likely to have persistent effects on households.

The foregoing considerations suggest that there is a compelling case for direct income support, for at least a few months to compensate those who have lost livelihoods and do not have the capacity to bear this cost. Direct income transfers are important not just to provide immediate relief, but also to boost consumption and revive aggregate demand. Transfers targeted to those who are at the bottom of the income distribution and typically engaged in low paying work can be particularly effective in fueling demand as these individuals have a high marginal propensity to consume.

The case for more cash transfers on an urgent basis is also strengthened by looking at what has happened in other developing countries. Gentilini et al (2020) analyse 621 Covid relief measures across 173 countries and report that 50 per cent were cash-based.<sup>72</sup> On average, cash transfers amounted to 30 per cent of monthly GDP per capita, reaching 46 per cent for lower-middle-income countries, for an average of three months. For India, with a per capita GDP of USD 2010 per year or approximately ₹12,500 per month (in exchange rate terms), a cash transfer of ₹6000 per month for three months is not unreasonable.

There are, of course, several challenges in the implementation of direct cash transfers (Khera 2014, Gupta 2020). The use of databases from existing cash transfer programs to identify target groups is the easiest implementation strategy given the urgency with which they need to be implemented. However, it is worth remembering that there are many who may not have been eligible for support under existing schemes but have lost employment given the

informal and insecure nature of their employment arrangement or have witnessed a sharp decline in their incomes as a consequence of the Covid shock. Pushed into a dire situation they too will need income support till economic activity resumes some degree of normalcy. Identifying such individuals is no doubt a large task, but creative ways of reaching out to them need to be thought through quickly. This can include MGNREGA rolls, Aadhar-seeded ration cards, and possibly even licenses such as those issued to street-vendors.

## **6.2 A conceptual frame for employment policy**

One of the key recommendations is to create a National Employment Policy. Here we offer a conceptual framework within which such a policy could be imagined. The framework also incorporates the main heads in the CII Book of Jobs, viz. physical agenda (developing clusters of growth), enterprise related agenda (supporting formalisation of the workplace), educational agenda (promote vocational training), and legislative agenda (labour laws).

A first broad distinction is made between demand-side of the labour market, i.e. policy interventions aimed at raising the demand for labour and improving the quality of work, versus measures on the supply-side that aim to improve the quantity and quality of supply of labour. Under both heads, a further distinction can be made between direct job creation by governments on the one hand and promoting as well as regulating private sector employment on the other hand.

The dimensions along which interventions can be made are discussed under two broad heads - quantity of employment and quality of employment. On the quantity aspect, three sub-dimensions are identified - increasing the scale of production, creating employment in labour surplus (migrant sending) states, and improving participation of women in paid work. On the quality aspect, again, three sub-dimensions are discussed – raising productivity, promoting wage growth, and providing social security.

Table 7 lists key policy interventions under each category. Some of these elaborated in this section.

A few key dichotomies have traditionally structured policy thinking on growth and employment. These include, public sector versus private sector, import protection versus export promotion, domestic demand versus export demand, manufacturing versus services, and labour flexibility versus job quality. To the extent that the same public resources cannot be devoted to two goals simultaneously, these choices and trade-offs can be real. But equally real is the fact that two entities in a binary can be complementary.

### **a. The importance of public employment**

A well-understood example is the crowding in of private investment on the back of public investment. This can happen via the supply-side of the product market by improving infrastructure as well as via the demand side, by increasing aggregate demand. In the first case, public employment produces public goods and services that enhance the productivity of private investment and enable job creation in the private sector. A typical example of this is infrastructure, such as irrigation, roads, and power supply, but also human capital generation and enterprise support – all of which require public sector workers to produce and deliver the goods and services. Infrastructural goods and services, particularly at the local and regional levels remain a key bottleneck on the supply-side of the product market. Public investment in the building and maintenance of such infrastructure is thus necessary from the point of view of alleviating bottlenecks. Such investment is also a key demand-side intervention in the labour market because it directly creates jobs as well as stimulates private job creation by enabling firm growth. MSME entrepreneurs, in particular, often emphasise that if quality infrastructure in the form of power, roads, internet and so on, were to be made available, the need for subsidies would be considerably reduced. Furthermore, capital that is attracted by subsidies and tax holidays can just as easily leave after these have run out, while that attracted by good infrastructure is likely to stay.

The public demand for labour results in the production of vital public goods and services such as infrastructure, governance, public safety, and law and order without which no economy can prosper. Such public action also acts on the supply side of the labour market via provisioning of health, education, nutrition and food security that result in a healthy and educated workforce. Unfortunately, India has been consistently under-investing in local infrastructure and governance, as well as last mile delivery of quality basic healthcare and education (State of Working India 2019). Increasing the level of investment in these will not only create millions of jobs but also alleviate long-standing bottlenecks to growth.

Such an expansion of public employment may create apprehension in the minds of some of an ever-expanding bureaucracy and fiscal burden. Two points are worth mentioning here. First, a larger-than-needed bureaucracy should not be confused with necessary public infrastructure such as well- paid nurses and teachers. Second, public employment need not mean lifetime employment without any performance standards or consequences to lack of performance.

#### b. Promoting private sector employment

While the public demand for labour for production of public goods is necessary, it can by no means be a sufficient solution to the challenge of decent work and employment. The private

sector plays a by far bigger role in quantitative terms. Enabling job creation in the private sector, however, does fall under the purview of public policy. It is not the business of business to provide employment. The modes of public policy action that can enable private sector job creation are well-understood, if difficult to get right. Policy should improve the ease of doing business, enable scale-up of small firms, ensure flow of credit to productive investments, and create a stable and consistent macroeconomic environment. The last point also includes “meso-economic” factors such as well-coordinated trade and industrial policies.

The manufacturing-services dichotomy has been challenged several times by now. Firstly, the servitization of manufacturing (also discussed in the BCG-CII report), means that many jobs that were previously classified as manufacturing, are now service sector jobs. Obvious examples are accounting and legal services, marketing, catering, security services, and transport. These functions were earlier performed in-house in manufacturing industries and are now mostly outsourced to specialised firms. To this extent, the shift from manufacturing to service (in terms of employment generation) is simply a matter of definition.

The second, and more substantive point is that, from a job creation perspective, the more relevant distinction is the tradability or non-tradability of goods and services. Tradable services like IT-BPO and other business support activities, as well as hospitality and tourism can play an important role in the process of structural change, improving the trade balance, and most importantly, for our purposes, employment generation. With rapid advances in information and communication technology, more and more services are becoming tradable. Of course, the debate over whether such service-led growth can result in a structural transformation of the economy, is far from settled (Ghani and O’Connell, 2014; Amirapu and Subramanian, 2015; Dasgupta and Singh, 2005). The key question is, do service industries possess the attributes necessary to drive structural change, the way manufacturing industries have done in the past? These attributes are the ability to achieve high levels and growth rates of productivity, domestic as well as international convergence, expansion of a sector in its use of inputs, comparative advantage and exportability (Amirapu and Subramanian 2015).

The CII Report “Employment Generation – 100 million jobs in ten years” (2016) identifies ten sectors that could play a major role in generating job opportunities. These sectors are listed in the Table 8 along with their job potential.

### c. Openness and industrial policy

After decades of being out of fashion, the phrase “industrial policy” is once again finding favour in international policy circles. At the same time, the Covid-19 crisis has inspired a vigorous debate in policy circles as well as in the public domain on whether India should

remain on the path of achieving greater openness in trade and financial flows or embrace some form of import substitution and de-globalisation in the pursuit of “atmanirbharta” or self-reliance. Together, de-globalisation in the advanced industrial economies, there is a sense that there may be a return to the export pessimism and the *dirigiste* policy climate of the 1950s through the 1970s.

However, there is little controversy that the pre-1991 industrial and trade policy regime was flawed in serious ways and failed to deliver efficiency gains (Chibber 2003). The political alliance between the bureaucracy and the corporate sector (public and private) ensured monopoly rents for a few but did not serve either consumers or majority of workers who were left out of the formal system for want of adequate job opportunities.

Hence, the relevant question is not “should India return to the pre-1991 policy regime”, but rather, what lessons can be learned from the policy failures and success of both the periods (1950 to 1991 and 1991 to today). A detailed answer to this question is outside the scope of this report. But we emphasise that this answer, rather than polemical pro- or anti-1991 reform rhetoric, will hold important insights for the future.

That substituting imports and promoting exports, can, to an extent, go together, as the experience of the East Asian economies like Korea has shown.<sup>19</sup> What is needed is a coherent and stable trade-industrial policy framework, a reduction in the compliance burden particularly for SMEs, and investment in crucial public goods, as well as avoidance of impediments such as inverted duty structures. This is easier said than done, of course, given that it is hard political economy considerations that give rise to cross-purposes and conflicted policy.

As regards protection from imports and stimulating exports, the standard liberal prescription is to prefer subsidies to tariff changes, and exchange rate interventions to subsidies; to minimize bureaucratic discretion, and focus on creating a learning culture that improve efficiency over time (on the later see Noman and Stiglitz 2016). While these are good principles, once again the actual experience of later industrialisers like Korea, Taiwan, China or even Vietnam, is a great deal messier. Governments have indeed picked winners and losers. The systems of reciprocity and the “carrot-and-stick” approach followed by developmental states of East Asia has been well-documented. The fact that government needs to discipline not only workers but also capital-owners, stands out clearly. Capital must not remain locked in non-performing firms, and there must be consequences to lack of

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<sup>19</sup> See Amsden (2001), Chibber (2003) Chang (2006). This fact was also noted by Shri Nitin Gadkari, Minister for MSMEs at a launch event for the report of the GAME-MSME taskforce.

performance. But equally crucial as the knowledge of how to help, is to know how and when to get out of the way.

Closer home, India's IT-BPO story is at least partially a story of the success of the balance between active industrial policy and a permissive regulatory climate. As Mehrotra (2020) argues, it was directed public policy that created the infrastructure that enabled the integration of Indian IT firms to global standards before the general telecom revolution took off in India. Second, government policy enabled the industry to import duty-free hardware and software, and incentivised exports. Coming to policy that allows government to "get out of the way", the IT industry functioned under the Shops and Establishment Act, significantly reducing the regulatory burden. Finally, and most often emphasized, the industry benefited from highly subsidised human capital created by public investments in scientific and technical education. All these offer insights to the potential for industrial policy.

Recently, Chatterjee and Subramanian (2020) have intervened in the "atmanirbharta debate" and argued that India's growth has been export-led to a much greater degree than generally appreciated, and hence export pessimism is unwarranted. The related debate over which to focus on – India's domestic market or the world market, has also led to too many dead-ends. The truth of course, is that both are important. Only when Indian firms become competitive in the world market (export-orientation) will they be able to deliver quality goods to the Indian consumer and eventually compete with foreign firms for the local market (since protection will not last forever). But there is a trade-off too. From a welfare perspective, a weak domestic market points to stagnating standards of living. Export promotion can help to an extent, via job creation and rising incomes, but it cannot substitute for active public policy that strengthens purchasing power in the domestic market

#### d. Job creation versus job quality

Last, but not least there is the dichotomy of the quantity versus the quality of employment being generated. Here the relevant parameters are wage level and growth, non-wage benefits, social security, and right to collective action (the list is not exhaustive). Labour flexibility needed for job creation and quality of work have been looked upon as inherently opposed entities. To an extent the trade-off is obvious and real. But complementarities also exist. For example, if we can move from a dual labour market where 10 per cent of the workforce receives multiple benefits and protections whereas 90 per cent receives hardly any at all, to a single one, where every worker receives a non-negotiable social protection floor, this would improve the overall quality of work while also improving labour flexibility.

Such a process does create winners and losers since it means a reduction in job security for some workers and is therefore politically fraught. But this can be more than compensated for by an increase in quality of work for others, who are many times the former in number, and in welfare terms much worse off. We must beware, however, of taking a path wherein existing protections are taken away for some workers and no improvements are made for others, resulting in a net loss of social security. Such a lose-lose reform can deliver flexibility in the short-run but only at the cost of hardship for those who can least afford it. In the long-run, lack of competitiveness resulting from organisational problems, institutional corruption, and lack of infrastructure cannot be made up by making labour more precarious.

### **6.3 Select policy interventions**

We now outline a few interventions in more detail. For each intervention, we draw attention to the dimensions along which it is expected to act (quantity, quality, supply-side, demand-side etc).

#### **6.3.1 Udyog Sahayak Enterprise Network (USENET) for micro-enterprise<sup>20</sup>**

A key aspect of increasing labour demand in the private sector is enabling the scale-up of microenterprises. Muralidharan et al (2020) have proposed a national entrepreneurial system to improve ease of doing business (EDB) and assist scale-up of micro-enterprises. Micro and Small Enterprises (MSEs) can create a large number of jobs, across India, for workers with wide range of skills and education, provided they can scale-up their operations. Out of a total of just over 63 million enterprises in the MSME sector, 62 million are informal micro and very small enterprises (MSEs). Of these, single worker firms (own-account) are 40 million, firms with 2 to 5 workers – are 22 million and firms with more than 5 but less than 10 are estimated at 1 million. 107.6 million workers (97 per cent of all employment in the MSME sector) are in the micro and small segment.

While fostering start-up remain important to the economy, an equally if not more important policy aim should be to enable scale-up of existing MSEs. Scaling up at the micro level is not a matter of easing compliances or regulatory burden, since these firms are not registered with any entity as firms. Rather we have to look at avenues such as integration with digital platforms, securing of licenses (so that businesses can stop paying bribes), better access to formal finance and government schemes, and so on.

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<sup>20</sup> Based on a report submitted by T. Muralidharan, Bino Paul, and Amit Basole as part of Expert Group advising Group of Ministers (GoM) on Employment and Skills, September-October 2020.

Thus, the MSME sector is extremely diverse and policy interventions need to be carefully tailored by firm size since the challenges faced are very different at different scales. For small and medium firms who are likely to have more than 20 workers and a turnover greater than 5 crores, the policy focus ought to be on improving ease of doing business via simplification, rationalisation, and digitisation of compliances. But for microenterprises which have less than 20 but more than 5 workers, with turnover greater than 50 lakhs, the emphasis should be on enabling growth by easing them into the formal system. The key here is that entrepreneurs should not be incentivised to stay tiny and expand via creation of more micro informal firms. Rather, they should see value in formalising.

For nano-enterprises with less than 5 workers and turnover of a few lakhs per annum (survivalist enterprises), the emphasis should be on skilling workers and placing them into larger firms as well as on enabling growth in-situ. The relevant policy levers here are matching informal workers to potential formal employers, better access to formal finance, better information on government schemes, licensing to prevent harassment by local officials, digitisation for market access and so on.

This can be done by creating a support system which will make MSEs go digital, find markets, secure credit, avail of government schemes, and meet compliances. The proposed Udyog Sahayak Enterprise Network (USENET) is that support system. The authors propose the creation of 18 lakh Udyog Sahayak Enterprises (USEs) to be created over 5 years as part of USENET project: 5 lakh in Year 1, 6 lakh more by Year 3 and 7 lakh more by Year 5 - with the aim of scaling up these MSEs and also improving the Ease of Doing Business (EDB) for millions of MSEs.

USENET is an entrepreneurship model, with the Government of India catalysing the enablement of the factors that would lead to self-sustenance of the USEs. It is envisaged as a service/transaction oriented model with a large bouquet of services made available to the MSEs at their doorstep such as digitisation and formalisation, availing of government loans, subsidies or other benefits, ensuring compliance with local, regional, and national regulation, aiding partnership with digital marketing platforms and digital payment platforms, etc.

USEs will be supported by a National Digital Ecosystem for MSMEs (NDEM) that will be built on the principle of technology as a public good. It will operate with the help of a single window access to enterprise support services and schemes of Central and State governments.

Udyog Sahayaks Entrepreneurs will be educated youth with 12<sup>th</sup> pass or graduate degrees who will be trained by the existing skilling ecosystem of the skill ministry. Thus the programme

creates sustainable livelihoods for 18 lakh educated youth, in addition to enabling MSE growth and indirect job creation and consequent economic growth.

The support system provided by USENET will free up the micro-entrepreneur's time to focus on enterprise growth. The resulting increase in value-added growth can create more jobs. Moreover, if the USENET system is able to assist firms in finding and hiring workers, employment elasticity in this sector can also increase.

The revenue model is that each USE works with a fixed set of client MSEs. Each Micro entrepreneur pays a modest monthly fee to the USE for their services of which 50 per cent can be reimbursed by the government. This reimbursement will be withdrawn after six years. USE will also get paid commission for providing banking services like a Banking Correspondent and will also get a commission from the private parties for enabling MSEs use their digital products. At the end of 5 years, income of the Udyog Sahayak entrepreneur is expected to be Rs. 1,33,000 per year. Lessons from Common Service Centre (village level entrepreneur), BC, and Anganwadi models indicates that a sustainable flow of income of at least Rs 12,000 per month is key to the success of the model.

Each USE will require a capex of Rs. 1,14,000 of which 50 per cent is a grant from the government. 80 per cent of working capital requirement will come in the form of a MUDRA loan. Youth will invest 50 per cent of the initial investment required and also 20 per cent of the margin money required for working capital loan from MUDRA bank. In the proposed model, the total government pay-out in Year 1 is Rs 4,200 crores, and average over 5 years is Rs. 6,000 crores per year. Government spending per job created falls from Rs. 84,000 in Year 1 to Rs. 27,000 in Year 2 to Rs. 3,000 in Year 10.

The authors estimate that an additional 1 crore (10.3 million) jobs can be created over five years going up to nearly 6 crores (56.9 million) over 10 years. Based on GVA per worker observed in this sector, and assuming a 12 per cent nominal rate of growth in GVA, these jobs represent an additional economic value of 2,16,000 crores at the end of 5 years and over 19 lakh crores at the end of 10 years. At the end of 5 years, government investment shows a return of 712 per cent over 5 years and nearly 30 times over 10 years.

### **6.3.2 Urban Employment Guarantee<sup>21</sup>**

As we saw in Section 4, the crisis of livelihoods precipitated by the Covid-19 pandemic is of unprecedented proportions. For the urban poor, in particular, the absence of any social

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<sup>21</sup> This section draws on <https://www.theindiaforum.in/article/time-right-urban-employment-guarantee-programme>

protection measures has stood out sharply. Most direct employment generation at the national level, in response to the crisis, has retained a rural focus with increased allocation to MGNREGA and some new funding under the PM Garib Kalyan Rozgar Yojana targeted to retuning migrant workers. While these are, of course, important steps, a large urban public job creation programme is urgently needed.

Such a programme will directly increase the demand for labour as well as improve conditions on the supply-side of the product market by creating and improving urban infrastructure, particularly at the local level (which is the level that matters most for MSMEs).

Several news reports have come out, suggesting that the Government of India is looking at introducing an Urban Employment Guarantee (UEG) as a means of providing basic income security to millions of urban workers affected by the pandemic.<sup>22</sup> A few op-eds have appeared in favour of and against this course of action.<sup>23</sup> While these debates continue, several states have already launched urban employment programmes.<sup>24</sup> It is still early to say much about the impact of these schemes, but Kerala's Ayyankali Urban Employment Guarantee Scheme has been running for a few years already and can provide some lessons for the way forward. These are important steps, but they remain severely limited in scope and intent with budgets in the range of INR 100 crores or so.

The core idea of a UEG is that the government guarantees work at the minimum wage in order to create public assets and provide income support to the urban poor. But a national UEG programme need not simply be an extension of MGNREGA to urban areas. In fact, it needs to be imagined differently given the differences between the rural and urban labour markets. For example, seasonal unemployment is much less prevalent in urban areas. Instead, we have a more-or-less constant degree of underemployment among casual wage workers and own-account workers. Urban local governance institutions are also much less participatory compared with the Panchayati Raj Institutions (PRIs). Private contractors play a much larger

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<sup>22</sup> <https://www.moneycontrol.com/news/business/exclusive-govt-set-to-announce-fiscal-stimulus-package-ahead-of-festive-season-5883071.html>, <https://www.bloombergquint.com/economy-finance/india-plans-extending-world-s-biggest-jobs-program-to-cities>, <https://theprint.in/india/modi-govt-plans-to-bring-mgnrega-to-small-cities-spend-rs-35000-crore-to-create-jobs/493808/>

<sup>23</sup> <https://theprint.in/opinion/urban-mgnregs-on-the-doorstep-but-its-wages-can-make-stealing-businesses-from-china-harder/502260/>, <https://theprint.in/ilanomics/urban-mgnrega-is-a-short-sighted-idea-modi-govt-has-shown-good-sense-to-drop-it/537826/>, <https://www.livemint.com/opinion/online-views/our-urban-poor-need-help-in-the-form-of-an-employment-scheme-11604246601961.html>

<sup>24</sup> In addition to Odisha's Urban Wage Employment Initiative (UWEI) and Himachal's Mukhyamantri Shabri Aajeevika Guarantee Yojana (Chief Minister Urban Livelihood Guarantee Programme), the latest one is Jharkhand's Mukhyamantri Shramik Yojana (Chief Minister Workers Programme).

role in urban public works. And, lastly, the scope for public works is much more varied in towns as compared with the villages.

Notwithstanding these differences, there are also several lessons to be learned from MGNREGA's operation and design. The core is the same in both MGNREGA and UEG: the government guarantees a certain number of days of work in a year per household or individual for anyone who demands it. Both are self-targeted programmes that provide income support to those in the bottom urban income groups. Payment systems, social accountability systems, and grievance redressal mechanisms for UEG can also be based on MGNREGA.

Taking these differences and similarities into account Basole et al (2019) have proposed such a programme. More recently, the economist Jean Dreze has proposed a Decentralised Urban Employment and Training (DUET) scheme with a similar purpose.<sup>25</sup>

A UEG programme that covers an estimated 20 million urban casual workers for 100 days, with a wage rate of Rs 300 per day, would cost around Rs 1 lakh crore.<sup>26</sup> This is on the assumption that each of the 20 million workers will offer themselves for work on all 100 days. In reality, as private firms restart operations and livelihoods return to pre-pandemic levels, the total funds required for such a programme would come down. If only half of all casual workers (10 million) are covered (say by introducing the programme only in poorer states or districts), then the cost drops to Rs 50,000 crores. Such a programme can assure a basic income of Rs 30,000 a year to the most vulnerable 10 million urban workers. Assuming a household size of four, this would reach an estimated 40 million or 4 crore urban poor while creating much-needed urban public assets.

Consultations with civil society actors, trade unions, academics, domain specialists and government officials on the minimum principles of an urban employment guarantee programme have resulted in certain core principles for the programme.<sup>27</sup>

Some have argued that such a programme will not work in cities because there is very limited scope for urban public works to be undertaken, that it will induce more migration to cities,

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<sup>25</sup> <https://www.ideasforindia.in/topics/poverty-inequality/duet-a-proposal-for-an-urban-work-programme.html>

<sup>26</sup> The labour budget is calculated by multiplying the number of workers (estimated from the Periodic Labour Force Survey 2018-19) with the wage rate and number of days of assured work. We assume that the labour budget accounts for 50 per cent of the total budget, instead of 60 per cent as under MGNREGA, taking into account the fact that materials costs are likely to be higher in urban areas. We assume that the Union government bears the expenses of the full labour budget and 75 per cent of the non-labour budget.

<sup>27</sup> These can be found at <https://cse.azimpremjiuniversity.edu.in/focus-areas/#UEG-campaign>

and that urban local bodies (ULBs) do not have the administrative or financial capacity to implement such a programme. Others have argued that the programme will increase private sector wages, making firms uncompetitive.

Regarding the first point, there is in fact a large public goods deficit in Indian towns and cities (particularly smaller towns) and Basole et al (2020) offer a very large list of urban works that could be undertaken. These include upgradation of basic services including clean water supply, drainage and sanitation, building and maintenance of roads, footpaths, and bridges; beautification and upkeep of public structures, creation, rejuvenation, and monitoring of urban commons (e.g. water bodies and parks) and other tasks for ecological regeneration of urban areas; monitoring, evaluation, and surveying of air, water, and soil quality; work in municipal offices, schools and health centres; provisioning of care for children, elderly, specially-abled, and those in correctional facilities; and crafts and handicrafts related works for artisans and craftspersons.

On migration, there are various creative ways to ensure some filtering of job applicants, including, as Jharkhand does, by restricting the scheme to those whose names do not appear on a MGNREGA card. While these and more can be debated, it is true that an urban programme cannot be seen in isolation, rather it must be thought of as acting in concert with MGNREGA. If MGNREGA wages are increased to at least INR 250 per day (as they must be to come close to state agricultural minimum wages), and 100 days of guaranteed work are available, the earnings differential between the two programmes will not be substantial. Especially, considering the hardships of migrating and urban living.

Finally, on ULBs, it is, of course, hard to argue that they are not administratively and fiscally constrained. But it is precisely such a programme that could help build capacity as well as quality of urban public goods, both of which have been missing in action for far too long.

Regarding the concern that a UEG will raise urban wages, even in urban India, wages for casual work remain abysmally low. Given the lack of social protections and the increasingly private provision of public goods like healthcare and education, an increase in wage from such low levels is not only desirable but urgently needed. This is not to say that there are no other consequences of increasing wages. The direct effect of increased urban wages will be on marginal employers who sell in price sensitive urban markets on extremely thin margins and increasing wage costs may make their businesses unviable. There are some parallels to be seen with the effect of increased farm wages on farmer incomes.

This needs to be considered in setting the wage levels of the UEG in accordance with minimum wage legislations in the country. However, it should also be noted that the customers of many

such businesses also come from poorer sections of society. So, it can be expected that some of the increased wage cost would be offset by an increase in demand from those who benefit from the programme. Further, despite lower wages, Indian firms do not seem to be competitive with other Asian rivals for a variety of other reasons. Alleviating those bottlenecks (be they infrastructural or regulatory), is critical to becoming globally competitive. Keeping already low wages, low, is not the solution.

Finally, there is the issue of the fiscal impact of such a policy, in terms of debt, inflation and macroeconomic stability. There is a fear that costs of such programmes will keep growing. This is unfounded. An increase in spending on a social protection programme would be an indicator of a crisis in the economy at large, and not because of the programme itself. Second, there is no evidence that MGNREGA or other such welfare transfer programmes have historically caused inflation in India (Bahal and Shrivastava 2020).

### **6.3.3 Universal basic services<sup>28</sup>**

A key public sector intervention that operates on the demand side as well as the supply side of the labour market, is effective spending on health and education. On the demand side, such spending creates employment in the delivery of these crucial services. On the supply side, it improves the quality of the labour force. Abraham et al (2019) propose the creation of a Universal Basic Services (UBS) programme that will expand the current public system of delivering key services creating millions of good jobs in the process.

India continues to under-invest public resources on health and education relative not only to its richer peers such as Brazil, Russia, China and South Africa (BRICS countries), but also compared to some of its South Asian neighbours as well as sub-Saharan African countries. Since 2000, public expenditure on health and education as a percentage of GDP has stagnated. As a result, as demand for these services has increased, out-of-pocket expenditure has risen and is now higher in India than in many other countries of the world, many of which are poorer or have grown slower. The Covid crisis has demonstrated how much we rely on front-line health as well as education workers to rapidly adapt to circumstances, and in the case of the former, put lives at risk. This includes Accredited Social Health Assistants (ASHA) who are considered volunteers and are paid far below the minimum wage.

There have been calls to increase the health budget from around 1 per cent to 3 per cent of GDP, and the education budget from 4 to 6 per cent of GDP. This will make enough resources

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<sup>28</sup> This section draws on Abraham et al (2019)

available to eliminate existing shortfalls, expand capacity, and create decent jobs for millions of workers across the education and health spectrum.

While the human capital returns to such investment are obvious and proven multiple times over in many countries, a relatively under-emphasised aspect of such an expansion of public service provisioning is that it can generate a large number of good quality jobs requiring a range of skills and education levels. These jobs are hard to mechanise because they involve human interaction and are also hard to substitute with imports. If we Anganwadi and ASHA workers are regularised and paid a salary, such investment has the potential to be repaid many times over, not only due to increased demand and multiplier effects, but also because such investments will increase productivity, and more importantly the quality of life in India's villages and cities.

Abraham et al (2019) also show based on state-level analyses, that states with relatively higher public spending per capita also tend to have lower out-of-pocket expenses in private health facilities. They identify states that have performed relatively well in delivering public services controlling for per capita income, as well as states which provide public education that delivers outcomes on par with the private system and at a fraction of the cost to the household.

On the employment front, they find that a modest expansion of the current system, that consists of filling vacancies and eliminating shortfall in infrastructure in the health and education systems, can create more than 2 million jobs, which is around 15 per cent of the current workforce in these two sectors. Regularising the employment of anganwadi workers, ASHAs, helpers, and other contractual employees in the public health and education system can create good jobs for another 3 million workers.

#### **6.3.4 A multisectoral focus on culture, heritage, and tourism<sup>29</sup>**

India's multi-century, multi-cultural heritage in art, architecture, agriculture and light manufacturing is globally recognised. This cultural legacy transcends sectoral boundaries. Agriculture products, manufactured commodities (foods/beverages, textiles, garments, leather, metal, wood, gems and jewellery) and services (tourism, arts, heritage building restoration and maintenance) come together to produce this immense heritage. With respect to employment there are two big challenges here. First, increasing productivity and reforming institutions in existing clusters to ensure an improvement in livelihoods for artisans and other workers. And second, creating or reviving clusters to generate new employment. Several

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<sup>29</sup> This section draws on a paper in progress by Gaurav Gupta and Amit Basole on Creating Employment in India's Cultural Economy: Heritage, Tourism, and Small-scale Manufacturing.

potential tourism opportunities lie unexploited all across the country, and many manufacturing clusters are declining. Despite policy attention afforded to it since independence, it is fair to say that the sector is still not adequately leveraged particularly for its immense potential to create productive, decent, and well-paying jobs. Thus, a concerted and coordinated policy focus on Culture, Heritage and Tourism (CHAT) can reap rich rewards.

The CHAT sector is dominated by MSMEs, it is labour-intensive, skill-intensive, and it is present in every part of the country, unlike large-scale manufacturing and modern services which are geographically concentrated. As of this year, more than 400 distinct Geographical Indications have been awarded to agricultural and manufactured goods, and thousands more can be added to the list. The “handicrafts” sector consists on hundreds more cluster (large and small) and employs an estimated 7 million people (though estimates vary widely). Artisanal industrial clusters in textiles, leather, footwear, food, metals, and many other areas, continue to employ millions of workers and contribute to exports despite facing severe infrastructural constraints, lack of lobbying power, and legacy issues such as exploitative value chains and trust deficits.

The export potential is also large. India’s share of global “handmade” exports was a mere 1.2 per cent in 2012, as against China’s 30 per cent. Countries such as Korea have been successful in developing their tourism sector around cultural heritage. Similar examples abound in Mekong Delta as well such as in south-east Asia (e.g. Laos and Vietnam). Similarly, despite its rich history, India’s performance in Cultural Tourism has been far behind what even much smaller countries have been able to achieve. Inbound tourism as well as domestic tourism, to a large extent, has been restricted to a handful of sites and states.

The tourism industry has, of course, been devastated by the Covid-19 pandemic. But will no doubt revive in the next year or so. In the meantime, a coordinated CHAT policy can be developed with the following core components:

1. A clear multi-sectoral focus that recognises the links between local manufacturing and architectural heritage, tourism, and other services (such as hotels and restaurants, retail) to offer the consumer a complete experience. Such linkages and spillovers are already exploited informally as evidenced by myriad local shops selling artefacts that greet the tourist in most large locations. But a policy focus will enable up-scaling and formalisation.
2. A bottom-up approach to capacity building, skill and technology upgradation and infrastructural support, driven consultations with workers and producers. There is a vast store of production and entrepreneurial talent in the informal economy that can be leveraged (see next section).

3. Strong collaboration between Central, State and local governments. The latter's role, together with local producers' associations in enabling cluster growth is well-documented.

In addition to dispersed development that this sector can deliver, it can also enable a long-standing policy aim, that of generating non-farm employment in rural areas. One Village One Product in Japan and One Tambon One Product in Thailand as well as Chinese 'market platforms' connecting traditional clusters to domestic and global markets are examples to look at in this regard. Closer home, organisations such as SEWA have been carrying out interesting experiments in village and eco-tourism by partnering with digital platforms such as Airbnb. Many such partnerships are possible.

There is also a large policy and academic literature that catalogues why previous policy attempts have failed to introduce dynamism in and scale-up clusters. This can form an input into the designing of the new comprehensive policy. The following employment intensive sectors are likely to receive a boost if such a concerted policy is undertaken: light manufacturing – food products, textiles, garments, leather and footwear, gems and jewelry, metal products, construction (including heritage structure restoration), and services - food and beverages, hotels, tourism, transport.

### **6.3.5 Rethinking skills**

Skill is an aspect of employment policy that impinges on the quality of work on the demand side through the wages channel, and quality of labour on the supply side through the productivity channel. Skill creation and upgradation have been at the forefront of employment policy for several years and a continued focus is needed. The problem is complex and policy needs to be tailored to specific demographic groups. Further a purely supply-side approach that focuses on imparting skills is not adequate. A close coordination is needed with demand-side policy that aims to promote employment generation in selected sectors. In other words, unemployment and underemployment arising from skill mismatch need to be addressed directly.

Some of the challenges in this space are newer, and India is but one economy among many struggling with them. These include rapid and cumulative technological change, particularly in the 4<sup>th</sup> industrial revolution technologies, and deep automation. But there are also legacy challenges that afflict India to a greater extent than its developing economy peers. These include a "top heavy" education system that has emphasized general degrees at the cost of investment in earlier years of schooling as well as specialized and professional degrees. In this respect there is a need to reorient our imagination. Just as the discourse on "handicrafts" has

hobbled our thinking for the 21<sup>st</sup> century, similarly, the language around “vocational training” has become stale and unimaginative.

Relatedly, policy makers as well as researchers have underestimated India’s actual skill stock as well as skilling capabilities of our firms. These issues are discussed in further detail in Basole (2014, 2018). I only give an outline here. First, a confounding of formal education with skills has cost us dearly because the Indian economy has for many years been an “education-poor” but “skill-rich” one. That is, the average years of schooling have been low (though increasing rapidly in recent decades), but institutions that impart skill informally are well-developed. Skills are regularly acquired on the job in both the informal and the formal sector. It is not a low level of skills but rather lack of opportunities to innovate and reach new markets that constrains many smaller firms.

Second, treating low level of value-added as an indicator of low skill has also led us astray. The structural position of the informal sector within the Indian economy and the structural position of India in global value chains both prevent the retention of value produced. Labour earns low wages and informal entrepreneurs earn low profits in part because of their low bargaining power, not only because of low levels of skill.

Thus, vast majority of the Indian workforce already has “vocational training” even if it is not formally recognized as such and therefore often missed in labour force surveys. Firms, however, recognize very well the skill content of their workers. In the policy framework, the way this problem has been handled is through the Recognition of Prior Learning (RPL) system. This system is of crucial importance to bring informally acquired skills into the formal system. But it is only effective if employers start to value RPL certification and it enables workers to acquire further skills more easily than would be otherwise possible.

This is not to say that skills cannot be upgraded, improved or made more commensurate with changing resources and demand. They can, and they should. However, policy must be based on the understanding that there are skills as well as skilling institutions that already exist. These need to be built upon, not created *de novo*.

There is one demographic group that is largely an exception to the foregoing. These are graduates and post-graduates with general degrees as well as graduates with professional engineering, management and other degrees obtained from sub-par institutions. Many of them, due to poor quality of education, suffer from lack of employability. That is, unlike informal sector workers who do possess marketable skills, these educated youth often do not possess any such skills. Many surveys have revealed the unemployability of these graduates.

With these considerations in mind, the points below are proposed drawing on previous CII recommendations as well.

1. Better enable firms (formal and informal) to train workers on the job – Learning by doing remains the most powerful element of building a capable workforce. And the more that “doing” is integrated into actual work processes, the better allied to current demand conditions it is likely to be. For formal firms, reimbursement of training cost could be undertaken with employment being verified against salary slips. The maximum cost to be reimbursed could be three months’ basic salary.

At lean times, firms do not make full use of their infrastructure and equipment and this can be used for skill development. Such a scheme can incentivise firms to train in their premises utilising their infrastructure to create an industry-ready talent pool. Around 50 per cent of the stipend can be reimbursed.

2. Integrate capacity building in informal clusters with cluster promotion schemes – Entrepreneurs as well as workers in informal clusters have certain core competencies. What they need is adequate resources to invest in new technologies and operational systems, and systematic information on markets as well as digital literacy. There is a need for a focused mission mode approach for identification of local institutions in clusters where training can be provided (e.g. textiles, gems and jewelry, electronics, automobile, food production).
3. Integrate expertise of local firms with local educational institutions – Consultations with MSME entrepreneurs reveal that socially minded firms do engage with local schools and colleges. These relationships need to be fostered. A deputation by industry of human resource as external trainer/assessor for a stipulated day/duration can be considered. The salary component for the duration may be considered as CSR for the industry to share its highly skilled resources for external training/ assessment. This way, the industry can also nominate experts to act as career counsellors to schools, colleges, and universities.
4. Integrate apprenticeships and real-world experience into every stage of the school and college curriculum. Through skill development fellowships introduced in schools and colleges, talented youth could be nominated from educational institutes to gain exposure in advanced skill training and access to equipment from the industry. This would go a long way to introduce role models in the domain of skilled workforce.

### **6.3.6 Towards universal Social security**

The question of poor quality of employment (precarity, bad working conditions, lack of safety nets) has plagued the Indian economy for long. Rather than viewing the role of social protection as providing a subsistence level of assistance to the poor (a “poor laws” mindset), it must be seen as a way to ensure a dignified existence to workers, who in most cases, have spent their entire lives working in difficult conditions. Dreze and Khera (2017) note that the transition to the modern welfare state in the advanced industrialised societies was associated with a rejection of the poor law mindset. Concomitantly, a social consensus was built to accept higher and progressive taxes to finance social assistance. While this cannot be achieved all at once, progress can be made by starting with a programme for universal social security for all workers.

One possible approach to this objective is the formation of national and state-level welfare boards for unorganised sector workers as proposed in the 2008 Unorganised Sector Social Security Act. The most recent version of this idea is found in the Social Security Code Bill that was debated in the Parliamentary Standing Committee on Labour. Unfortunately, this idea did not find its way into the final version passed by Parliament.

Based on Mehrotra (2020) we now offer some suggestions for such an approach. The most important aspect is that a legally mandated, universal social security must be the end- goal and a pre-committed path towards it must be delineated. All workers, regardless of which sector they work in (primary, secondary or tertiary), how old they are, and whether they are organized or unorganized, should eventually be covered.

While such a large workforce cannot be brought into the system overnight, a process can be put in place. The deliberations surrounding the Social Security Code (2019), in the Parliamentary Standing Committee, make for interesting reading in this context. In committee, various stakeholders and domain experts have stressed the imperative need for Universalisation of Social Security to cover the last worker. The principal objection to the current language in the Code is that provisions continue to be framed as recommendations instead of being mandatory. Second, there is no clarity on the overarching funding structure for unorganised sector social security where no formal employer-employee relationships exist. Petitioners have also noted that the relevant sections of the Code that deal with Unorganised Sector social security (Clause 109) only list welfare schemes which the Central and State Governments may undertake through executive action. Many of these schemes (such as provision of central and state welfare boards) were also in the Unorganized Worker Social Security Act (UWSSA) 2008. But coverage has not expanded much in the intervening 12 years with only six percent of unorganized workers are covered under one or other form of social security.

The main suggestion here is to move from a scheme-based to legal entitlement- based approach. The demand is for a rights-based universal social protection floor for the unorganized sector as envisaged in the second draft version of the Social Security Code Bill which was withdrawn for unknown reasons after soliciting public comments in 2018. The Standing Committee has asked specific reasons for moving away from the commitment towards a rights-based universal social security system, but the Ministry has not given a clear answer on this question. We discuss a few key features of such a social security architecture. The reader is referred to Mehrotra (2020) for details.

a. National system of central and state-level boards:

A merging of disparate central and state boards has been proposed several times (including in the 2008 Act). The goal is a National Board for Unorganised Workers. The 2008 Act provides for the constitution of a National Social Security Board, chaired by the Labour Minister as well as State Boards, with representation of both workers and employers in the unorganised sector. But the crucial consideration here is that such a merge should not roll back the achievements of existing funds that are operating well, such as the Mathadi board. Rather the new system should build on the best operated funds.

b. Contributory structure

The contributory structure of the social security system needs to be sensitive to the huge diversity in employment relations as well as incomes. Those below the poverty (deprivation) line should not be expected to contribute until incomes rise beyond a threshold. At the other end, organized sector workers already form a part of the contributory system of social security (ESIC and EPFO), where both employer and employee contribute. Unorganized workers who are from households above the poverty line can be expected to contribute towards their social security alongside the government (both state and centre). The public contribution can decrease as we move towards workers with higher incomes. The Mathadi model should be emulated where possible, such that employers are also brought into the contributory structure.

c. Benefits

The key benefits associated with social insurance, viz. Pension, death/disability benefits, and maternity benefits, must be covered. Currently, not all welfare boards provide all these benefits.

d. Database and Registration

The central challenge in ensuring effective social protection coverage for informal workers is that the vast majority are either self-employed or casual wage labour, or even if regular wage, then working in establishments with less than ten workers who are not required to register formally. A registration of establishments as well as a registration of workers are thus both required. There are an estimated 65 million establishments in India (registered and unregistered) as per ASI, NSSO, and Economic Census data. Of these 43 million are not registered under any Act. All establishments need to be registered mandatorily with the national social security board. The digital infrastructure needed for a national database of unorganised workers exists now with increasing Aadhar penetration. The 2008 Act provides for an identity card for unorganised workers (those working in enterprises employing less than 10 workers) by the district administration.

#### **6.4 Can we pay for it all?**

Finally, there is the question of the fiscal burden that the policies proposed here put on government finances. It must be recognised that we are currently in an unprecedented shock to the economy. As supply-side disruptions continue easing, two concerns are paramount: restoring demand and growth and ensuring that the cost of the shock is not imposed on those who can least bear it. In the current situation of high levels of joblessness as well as depressed demand and given the legacy problems in the banking sector and NBFCs, it is not realistic to expect the private sector to borrow and invest. It is more likely that those with savings will hoard them and those who need to borrow will wait for demand to pick up.

Meanwhile, hardships are continuing in the form of increased hunger, continued lack of employment, distress sale of assets and incurring of additional debt (often informal at high interest rates) to finance consumption or keep micro-businesses afloat.

For both goals mentioned above – restoring demand and ensuring that the poor and vulnerable do not bear a disproportionate burden, public spending is necessary. It is true that India's consolidated fiscal deficit entering into the crisis at 6 per cent of GDP (9 per cent with other public sector borrowings) and its debt-to-GDP ratio at just over 70 per cent were on the high side among peer developing countries in Asia. But most of this debt is internally denominated in rupees (external debt to GDP ratio is only 20 per cent). And it is worth noting that the fiscal deficit as well as the debt-to-GDP ratio are going to worsen across the world due to the pandemic. India is no exception.

Thus far, India's response has been on the conservative side in terms of direct additional public spending. But a conservative approach taken today can lead to an extended weak recovery and a worsening of the debt-to-GDP ratio purely due to slower growth even if no

additional spending is undertaken. In this context it should be kept in mind the early GDP data do not measure the informal economy, thereby overstating the recovery. A slower recovery will also depress tax revenues in the future. The states, who are at the forefront of the pandemic response in terms of containment as well as welfare, are severely strained in their finances. There are thus compelling reasons for the Union government to undertake additional spending now.

## **7. Conclusion**

Emerging from the Covid-19 crisis and charting a path to economy recovery will take a concerted effort by households, businesses and state and central governments. As we have seen in the preceding pages, the Indian economy was in a slowdown even prior to the pandemic. Employment generation had been weak for several years resulting in historically high unemployment rates and low work participation rates. In this report we have analysed the medium and short-run employment situation and offered policy recommendations for improving it. By way of conclusion, we summarise the principal recommendations made in the report.

### **A) Short-run measures to support livelihoods affected by Covid-19**

- Enhancing Direct Income Support

### **B) Measures to boost employment**

- Udyog Sahayak Enterprise Network (USENET) for micro-enterprises
- Urban Employment Guarantee
- Universal basic services
- A multisectoral focus on culture, heritage, and tourism
- Rethinking skills
- Towards universal Social security

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## REVIVING EMPLOYMENT AND LIVELIHOODS IN INDIA: COVID-19 AND AFTER

### Tables and Figures

**Table 1: Absolute changes in labour force and workforce since 2011 (millions)**

| Sr No. | Workforce categories           | 2011-12 | 2017-18 | 2018-19 |
|--------|--------------------------------|---------|---------|---------|
| 1      | Working age population         | 853.4   | 968.9   | 986.3   |
| 2      | Labour Force                   | 475.0   | 482.7   | 495.7   |
| 3      | Employed                       | 464.6   | 453.3   | 466.7   |
| 4      | Unemployed [(2)-(3)]           | 10.4    | 29.4    | 29.0    |
| 5      | Outside labour force [(1)-(2)] | 378.4   | 486.2   | 490.7   |

Source: NSS 2011-12, PLFS 2017-18 & 2018-19. Population aged 15 years and above. Labour force is the working age population either employed or seeking/willing to work. Workforce is working age population actually employed.

**Table 2: Changes in LFPR, WPR, and UR since 2011**

| Sr No. | Workforce categories            | 2011-12 | 2017-18 | 2018-19 |
|--------|---------------------------------|---------|---------|---------|
| 1      | Labour Force Participation Rate | 55.7    | 49.8    | 50.3    |
| 2      | Workforce Participation Rate    | 54.4    | 46.8    | 47.3    |
| 3      | Unemployment Rate               | 2.2     | 6.1     | 5.8     |

Source: NSS 2011-12, PLFS 2017-18 & 2018-19. Population aged 15 years and above. Labour force is the working age population either employed or seeking/willing to work. Workforce is working age population actually employed.

**Table 3: LFPR, WPR, and UR disaggregated by sex and sector since 2011**

| Year    | Workforce categories            | Rural Males | Rural Females | Urban Males | Urban Females |
|---------|---------------------------------|-------------|---------------|-------------|---------------|
| 2011-12 | Labour Force Participation Rate | 81.3        | 35.8          | 76.4        | 20.5          |
|         | Workforce Participation Rate    | 80.0        | 35.2          | 74.1        | 19.5          |
|         | Unemployment Rate               | 1.7         | 1.6           | 3.0         | 5.3           |
| 2017-18 | Labour Force Participation Rate | 76.4        | 24.6          | 74.5        | 20.4          |
|         | Workforce Participation Rate    | 72.0        | 23.7          | 69.3        | 18.2          |
|         | Unemployment Rate               | 5.7         | 3.8           | 6.9         | 10.8          |
| 2018-19 | Labour Force Participation Rate | 76.4        | 26.4          | 73.7        | 20.4          |
|         | Workforce Participation Rate    | 72.2        | 25.5          | 68.6        | 18.4          |
|         | Unemployment Rate               | 5.5         | 3.5           | 7.0         | 9.8           |

Source: NSS 2011-12, PLFS 2017-18 & 2018-19. Population aged 15 years and above. Labour force is the working age population either employed or seeking/willing to work. Workforce is working age population actually employed.

**Table 4a: CAGR of working age population compared to workforce between 2011-12 and 2017-18**

| Group       | Working Age Population Growth (%) | UPSS Growth (%) | UPS Growth (%) |
|-------------|-----------------------------------|-----------------|----------------|
| Rural men   | 2.51                              | 1.46            | 1.47           |
| Rural women | 2.47                              | -3.17           | 0.34           |
| Urban men   | 2.52                              | 1.53            | 1.54           |
| Urban women | 2.56                              | 1.92            | 3.67           |

Source: NSS 2011-12, PLFS 2017-18 & 2018-19. Population aged 15 years and above. Labour force is the working age population either employed or seeking/willing to work. Workforce is working age population actually employed.

**Table 4b: Absolute changes in population and workforce**

| Group       | Projected population growth | Hypothetical Difference | Actual Difference |
|-------------|-----------------------------|-------------------------|-------------------|
| Rural men   | 216717575                   | 30251747                | 16898019          |
| Rural women | 92442444                    | 12730465                | -14011963         |
| Urban men   | 106661074                   | 14992581                | 8726057           |
| Urban women | 25636331                    | 3644936                 | 2658896           |

Source: NSS 2011-12, PLFS 2017-18 & 2018-19. Population aged 15 years and above. Labour force is the working age population either employed or seeking/willing to work. Workforce is working age population actually employed.

**Table 5a. Sectoral breakdown by Employment Status – 2017-18**

| ILO Classification of risk to output | Employment by Industry (Million) |                                 |               |               |               |       |
|--------------------------------------|----------------------------------|---------------------------------|---------------|---------------|---------------|-------|
|                                      | NIC 2008                         | Industry                        | Self-Employed | Wage/Salaried | Casual Labour | Total |
| Low to medium                        | 01-03                            | Agriculture                     | 138.9         | 2.4           | 48.6          | 189.9 |
| Medium                               | 05-09                            | Mining                          | 0.1           | 1.0           | 0.8           | 1.9   |
| High                                 | 10-33                            | Manufacturing                   | 24.1          | 24.5          | 9.1           | 57.8  |
| Low                                  | 35-39                            | Electricity, Gas & Water Supply | 0.5           | 2.2           | 0.2           | 2.8   |
| Medium                               | 41-43                            | Construction                    | 5.8           | 3.1           | 43.7          | 52.6  |
| High                                 | 45-47                            | Trade                           | 33.7          | 12.5          | 1.9           | 48.1  |
| Medium-high                          | 49-53                            | Transport                       | 10.4          | 10.1          | 2.8           | 23.3  |
| High                                 | 55-56                            | Hospitality                     | 5.1           | 2.9           | 0.9           | 8.9   |
|                                      | 58-99                            | Others                          | 14.3          | 51.2          | 2.5           | 68.1  |
|                                      |                                  | All                             | 233.0         | 109.9         | 110.4         | 453.3 |

**Table 5b. Sectoral breakdown by Employment Status – 2018-19**

| ILO Classification of risk to output | Employment by Industry (Million) |                                 |               |               |               |       |
|--------------------------------------|----------------------------------|---------------------------------|---------------|---------------|---------------|-------|
|                                      | NIC 2008                         | Industry                        | Self-Employed | Wage/Salaried | Casual Labour | Total |
| Low to medium                        | 01-03                            | Agriculture                     | 141.0         | 2.3           | 46.8          | 190.2 |
| Medium                               | 05-09                            | Mining                          | 0.2           | 1.1           | 0.7           | 2.0   |
| High                                 | 10-33                            | Manufacturing                   | 24.8          | 26.0          | 7.6           | 58.4  |
| Low                                  | 35-39                            | Electricity, Gas & Water Supply | 0.5           | 2.1           | 0.1           | 2.7   |
| Medium                               | 41-43                            | Construction                    | 6.3           | 3.2           | 46.7          | 56.2  |
| High                                 | 45-47                            | Trade                           | 36.3          | 13.9          | 1.9           | 52.1  |
| Medium-high                          | 49-53                            | Transport                       | 10.3          | 10.3          | 3.1           | 23.7  |
| High                                 | 55-56                            | Hospitality                     | 4.7           | 3.4           | 0.9           | 9.0   |
|                                      | 58-99                            | Others                          | 15.8          | 54.2          | 2.4           | 72.4  |
|                                      |                                  | All                             | 239.9         | 116.4         | 110.4         | 466.7 |

Note: The figures in brackets under 'Total' are the difference from the 2017-18 numbers. Negative figure indicates decrease in employment and positive figure indicates increase in employment.

Source: PLFS Survey (2018-19) ; ILO Monitor: Covid-19 and the world of work, second edition , 7 April 2020 and CII Research

**Table 6: Percent workers who reported losing work during the lockdown in various Covid-19 surveys**

| Group            | Total | Rural | Urban |
|------------------|-------|-------|-------|
| Azim Premji Univ | 66    | 56    | 80    |
| Dalberg          | 72    | 68    | 80    |
| Action Aid       | 75    | 58    | 78    |

Source: Various Covid-19 impact surveys, see [https://cse.azimpremjiuniversity.edu.in/covid19-analysis-of-impact-and-relief-measures/#other\\_surveys](https://cse.azimpremjiuniversity.edu.in/covid19-analysis-of-impact-and-relief-measures/#other_surveys)

**Table 7: Employment policy framework**

|                               | DEMAND SIDE  |   | SUPPLY SIDE                    |   |
|-------------------------------|--|---|--------------------------------|---|
|                               | Public Sector  | Private Sector  | Public Sector                  | Private Sector  |
| <b>Quantity of employment</b> |  |   |                                |   |
| - Scale                       | Infrastructure development, Udyog Sahayak Network (USENET)       | USENET, Ease of Doing Business, MGNREGA, UEG              |                                |   |
| - Geography                   | Urban Employment Guarantee (UEG), Universal Basic Services (UBS) | Cluster development in smaller towns, FPOs                | Universal Basic Services (UBS) | Skill creation in under-served areas  |
| - Gender                      | MGNREGA, UEG, UBS  | Gender-focused incentives for firms                       | UBS                            | Tackling social norms around unpaid domestic work   |
| - Sectors                     |  | Trade-industrial policy, identifying key industries       |                                | Skill mapping and matching  |
|                               |  |   |                                |   |
| <b>Quality of employment</b>  |  |   |                                |   |
| - Productivity                | Infrastructure development, USENET                               | USENET  | UBS                            | On-the-job training and apprenticeships, Recognition of prior learning (RPL), skill upgradation |
| - Wages                       |  | Effective minimum wage legislation, collective bargaining |                                |   |
| - Social security             | Effective social security floor and unorganised sector board     |   |                                |   |

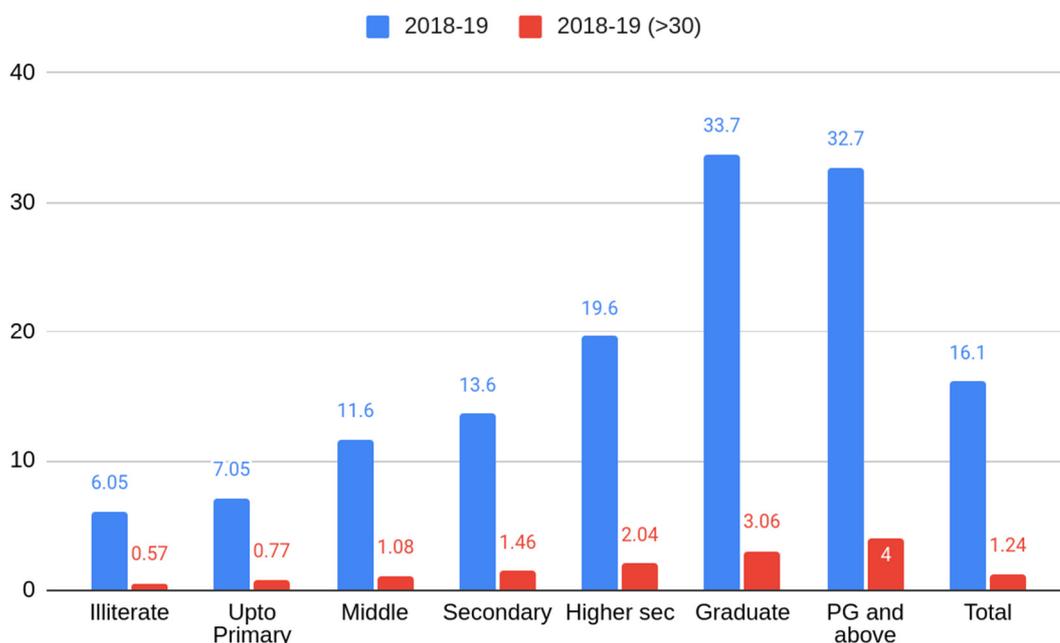
**Table 8: Employment Potential of Select Sectors**

| S. No. | Sector                                     | Employment base in 2015 | Projected employment by 2020 | Projected employment by 2025 | Increase in employment between 2015 and 2025 |
|--------|--|-------------------------|------------------------------|------------------------------|--|
|        |  | (million)               | (million)                    | (million)                    | (million)                                    |
| 1      | Building, construction and real estate     | 45.4                    | 57.5                         | 74.2                         | 28.8   |
| 2      | Beauty and wellness                        | 5.6                     | 11.0                         | 21.2                         | 15.6   |
| 3      | Retail                                     | 38.6                    | 43.7                         | 54.0                         | 15.4   |
| 4      | Transportation, logistics, and warehousing | 19.6                    | 26.1                         | 32.3                         | 12.7   |
| 5      | Tourism, hospitality and travel            | 7.0                     | 9.4                          | 13.0                         | 6.0  |
| 6      | Electronics and IT hardware                | 5.2                     | 7.7                          | 11.1                         | 5.9  |
| 7      | Textile and clothing                       | 15.2                    | 17.5                         | 20.9                         | 5.7  |
| 8      | Handlooms and handicrafts                  | 11.7                    | 13.5                         | 17.2                         | 5.5  |
| 9      | Healthcare                                 | 3.9                     | 5.9                          | 9.3                          | 5.4  |
| 10     | Food processing                            | 7.0                     | 8.5                          | 11.0                         | 4.0  |
| 11     | Others*                                    | 300.4                   | 290.1                        | 296.3                        | -4.1   |
|        | <b>Grand Total</b>                         | <b>459.5</b>            | <b>490.9</b>                 | <b>560.5</b>                 | <b>100.9</b>                                 |

Source: NSSO 68<sup>th</sup> Round EU Survey, Industry Estimates, NSDC Skill Gap Studies, KPMG Analysis

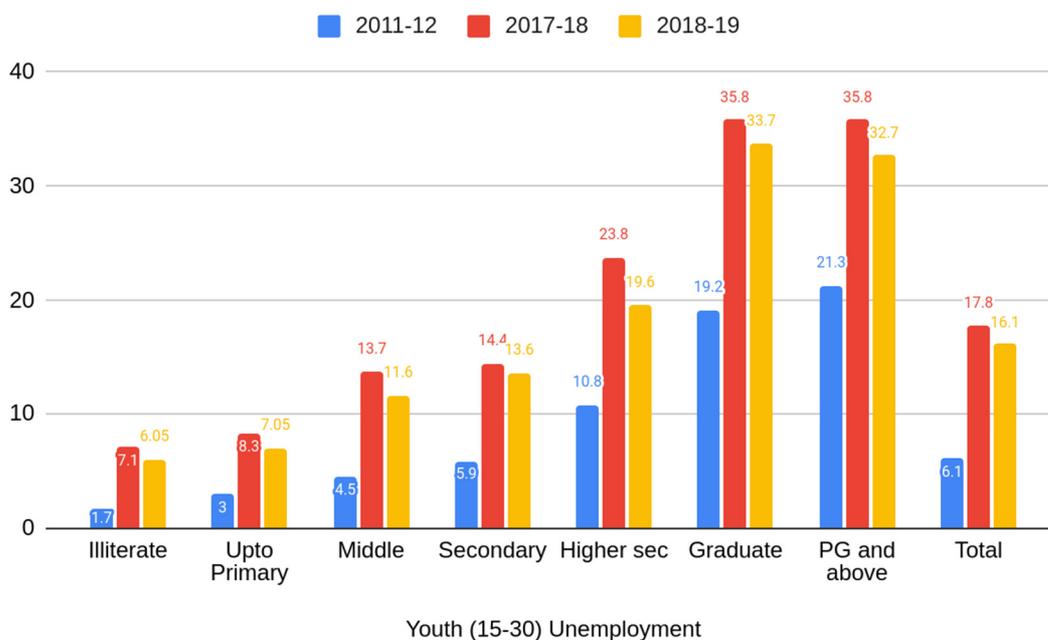
\*This includes agriculture but excludes mining, quarrying and other allied activities

**Figure 1: Open unemployment rate (%) for youth (blue) compared to older workers (red) for different levels of education**



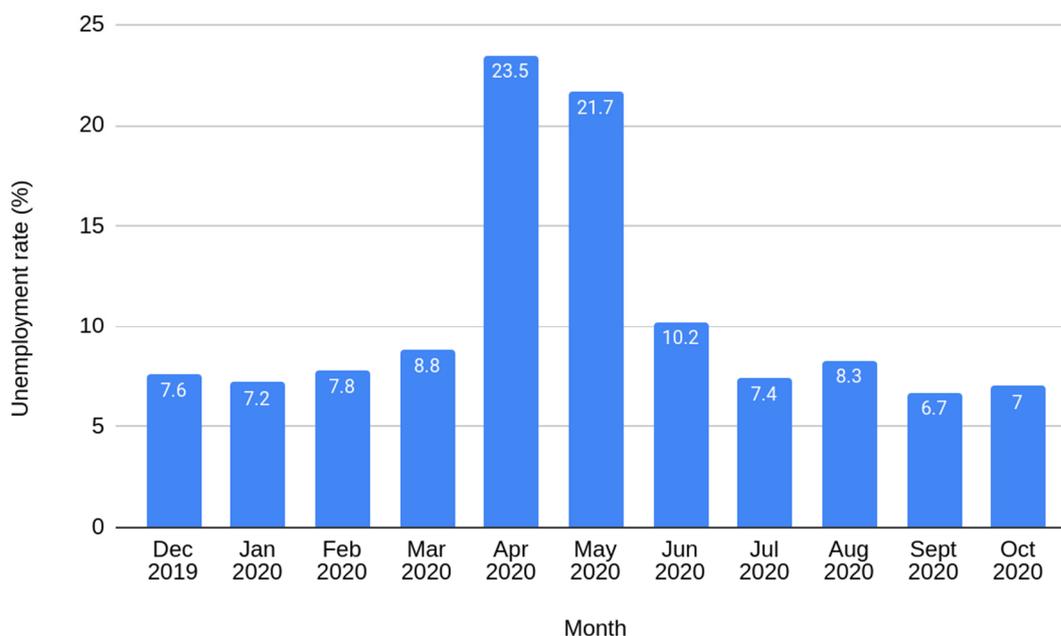
Source: NSS-EUS 2011-12, PLFS 2017-18, PLFS 2018-19

**Figure 2: Open unemployment rate for youth aged 15 to 30 years for different levels of education**



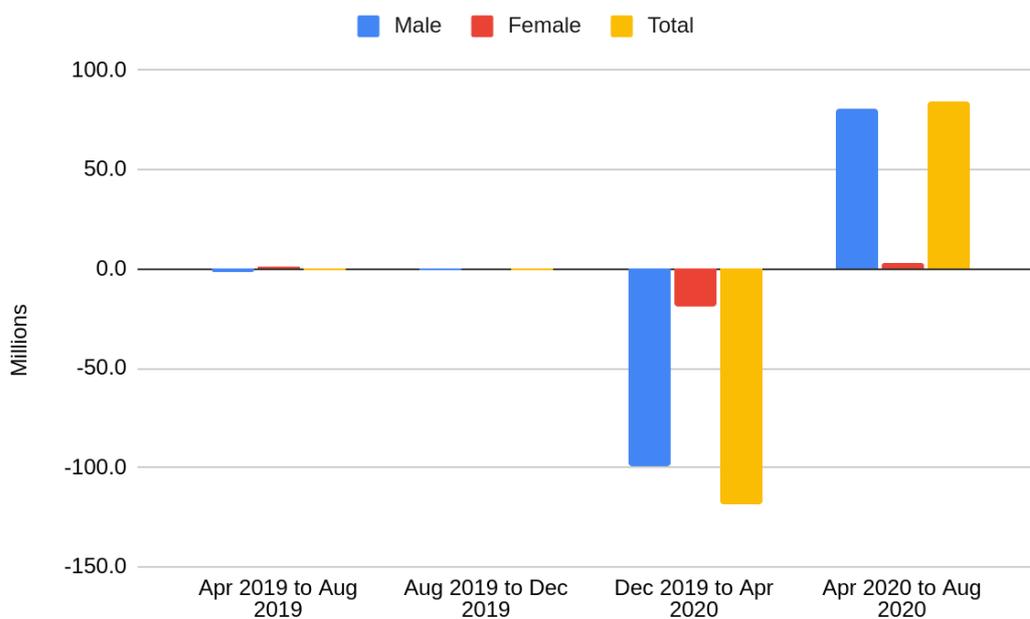
Source: NSS-EUS 2011-12, PLFS 2017-18, PLFS 2018-19

**Figure 3: Increase in Unemployment rate (%) during the lockdown and subsequent recovery**



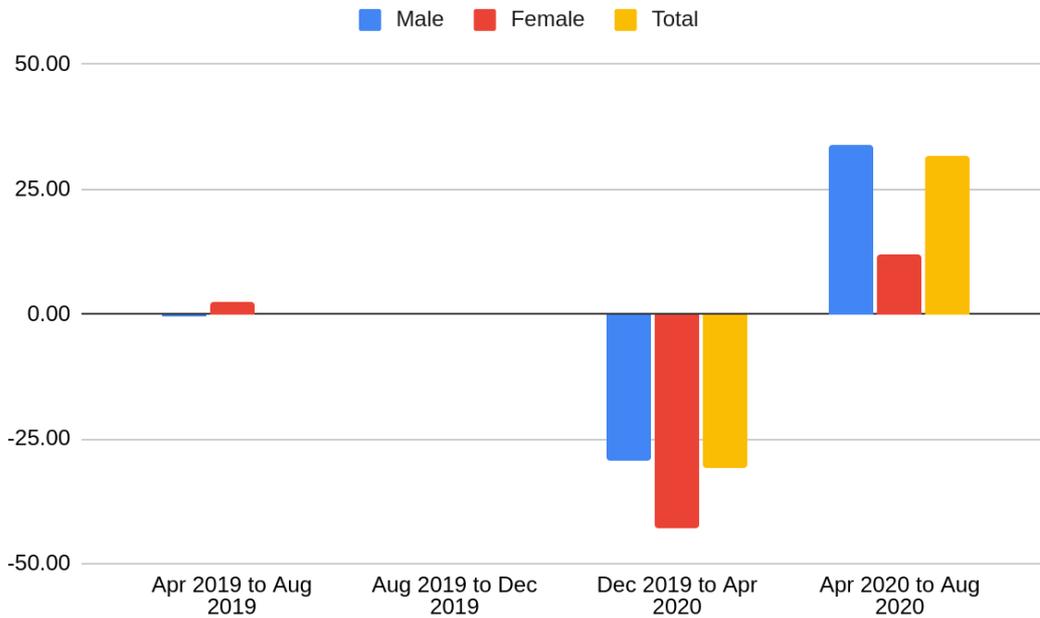
Source: CMIE-CPHS

**Figure 4a: Absolute loss of employment for men and women during lockdown and subsequent recovery**



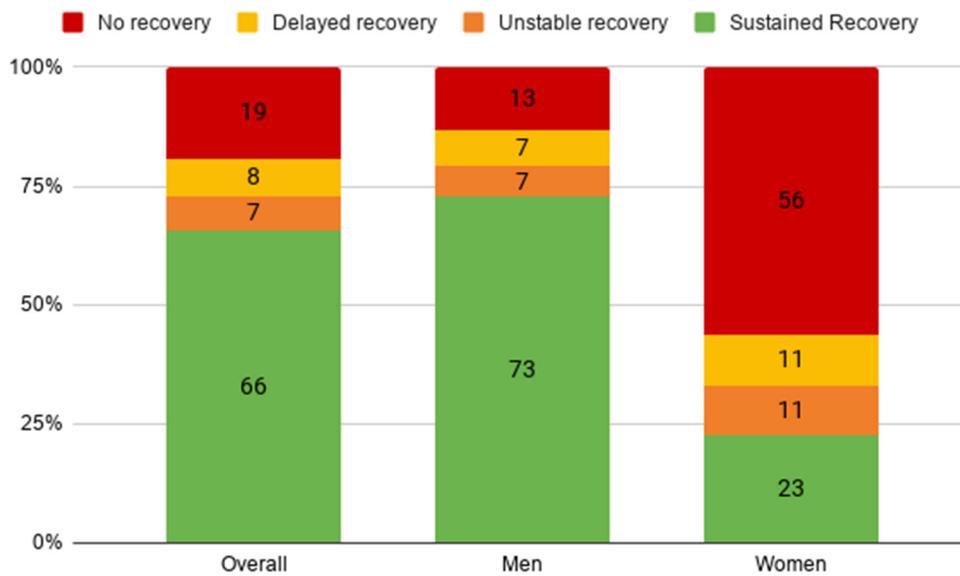
Source: Abraham et al (2020)

**Figure 4b: Loss of employment for men and women during lockdown and subsequent recovery adjusted for initial level of employment (%)**



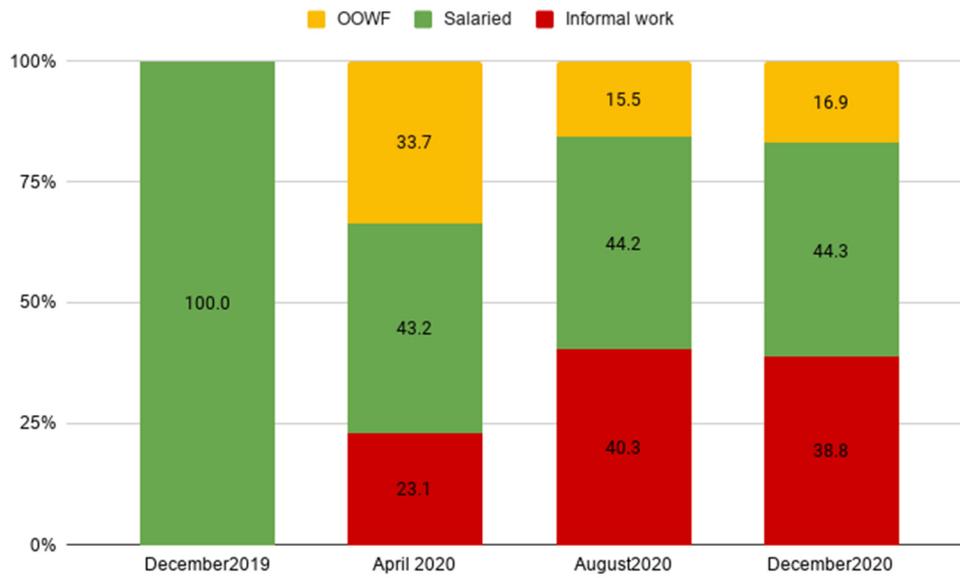
Source: Abraham et al (2021a)

**Figure 5: Trajectory of employment between December 2019, April 2020 and December 2020 for the entire workforce and for male and female workers.**



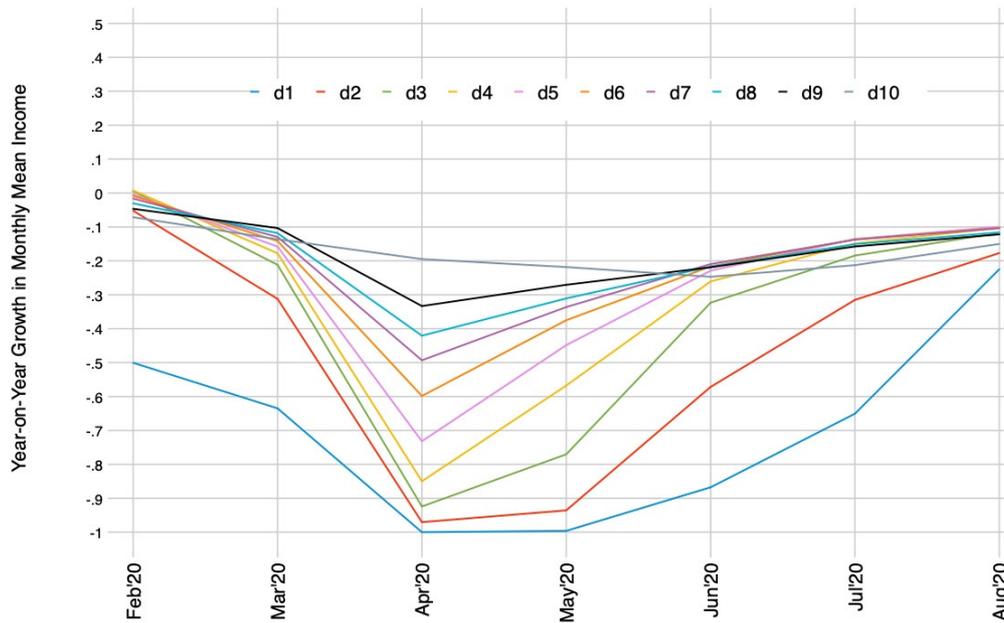
Source: Abraham et al (2021b)

**Figure 6: Informalisation of salaried workers during the pandemic**



Source: <https://www.hindustantimes.com/business/have-the-labour-markets-recovered-postlockdown-101611603270603.html>

**Figure 7: Year on year growth in monthly household incomes for various deciles**



Source: Lahoti, Basole and Jha (2021)



## Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering Industry, Government, and civil society through working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry.

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### Confederation of Indian Industry

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University**

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To contribute to the critical matter of India creating just and sustainable employment, the University has set up the Centre for Sustainable Employment (CSE), which conducts and supports research in areas of work, labour, and employment. The University is attempting to provide empirically grounded, analytical reflections on the state of work and workers in India, as well as to evaluate and propose policies that aim to create sustainable jobs. To this end the University also gives grants to create new knowledge in the above areas. It also hosts a working paper series to which contributions are invited from researchers, policy makers, civil society actors, and journalists. The University's CSE website is an important part of this agenda. In addition to research papers and policy briefs, it hosts government reports, as well as data and statistics on the Indian labour market.