

# STATE OF WORKING INDIA 2021

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One year of Covid-19

EXECUTIVE SUMMARY

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Centre for Sustainable Employment



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**Suggested citation:**

Azim Premji University (2021) State of Working India 2021: One year of Covid-19, Centre for Sustainable Employment, Azim Premji University.

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## About Azim Premji University's Work on Sustainable Employment

Azim Premji University was established in 2010, by the Azim Premji Foundation, with a clear social purpose of working towards a just, equitable, humane, and sustainable society. All of the University's programmes, teaching, research, and practice, work towards this purpose.

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.

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# Executive Summary

This report documents the impact of one year of Covid-19 in India, on jobs, incomes, inequality, and poverty. It also examines the effectiveness of policy measures that have thus far been undertaken to offer relief and support. Finally, it offers some policy suggestions for the near and medium-term future.

When the pandemic hit, the Indian economy was already in the most prolonged slowdown in recent decades. On top of this, there were legacy problems such as a slow rate of job creation and lack of political commitment to improving working conditions which trapped a large section of the workforce without access to any employment security or social protection.

Our analysis shows that the pandemic has **further increased informality** and led to a severe decline in earnings for the majority of workers resulting in a **sudden increase in poverty**. Women and younger workers have been disproportionately affected. Households have coped by reducing food intake, borrowing, and selling assets. Government relief has helped avoid the most severe forms of distress, but the reach of support measures is incomplete, leaving out some of the most vulnerable workers and households. We find that **additional government support is urgently needed now** for two reasons - compensating for the losses sustained during the first year and anticipating the impact of the second wave.

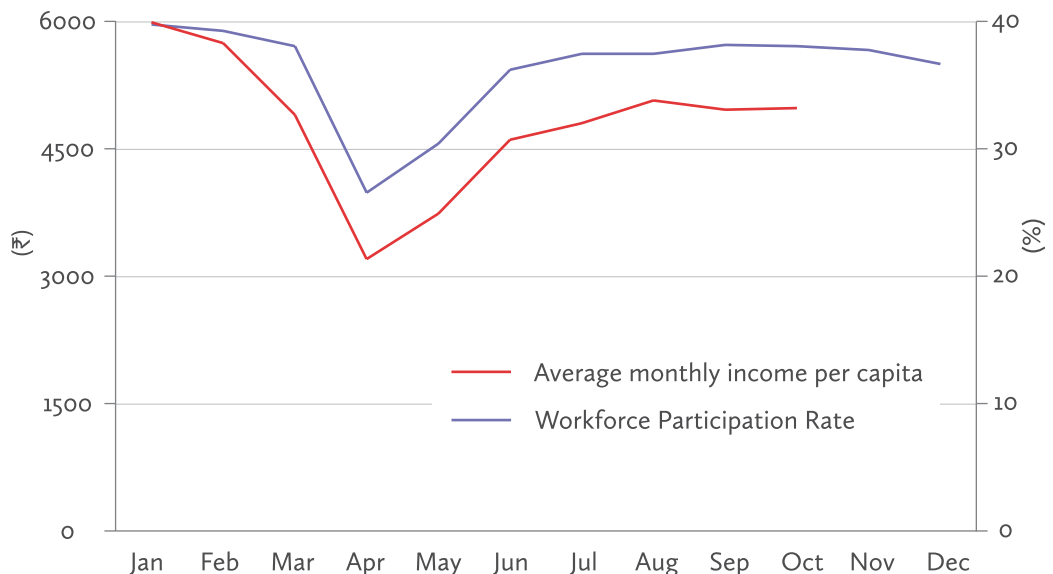
Our main data sources are the Consumer Pyramids Household Survey from the Centre for Monitoring the Indian Economy, the Azim Premji University Covid-19 Livelihoods Phone Survey (CLIPS) and the India Working Survey (IWS) (see Appendix of the report for details). We also draw on a large number of other Covid impact surveys conducted by Civil Society Organisations and researchers. In this Executive Summary, unless otherwise indicated, all estimates are from CMIE-CPHS. Most data pertain to the period between March 2020 and December 2020. We compare these months to pre-Covid periods as appropriate.

At the time of writing, the country is in the throes of a second wave of infections and renewed restrictions on mobility. Hence findings presented here must be regarded as provisional. Neither the short-term impact nor the longer-term effects are fully clear. But this analysis can form the basis for policy action as we find ourselves in the midst of the most severe humanitarian crisis in recent memory.

## 1 / Employment and incomes bounced back in June 2020 but recovery remained incomplete

a. About 100 million lost jobs during the nationwide April-May 2020 lockdown. Most were back at work by June 2020, but **even by the end of 2020, about 15 million workers remained out of work**. Incomes also remained depressed. For an average household of four members, the monthly per capita income in Oct 2020 (₹4,979) was still below its level in Jan 2020 (₹5,989).

**Figure 1 :**  
Employment and income had not recovered to pre-pandemic levels even in late 2020

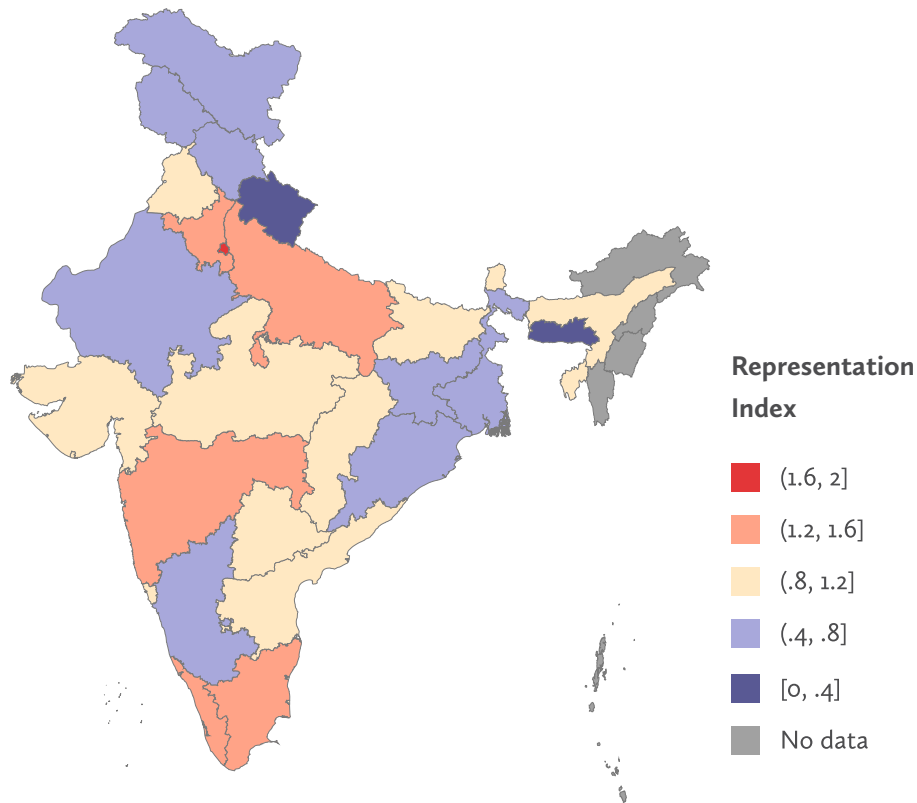


Sources and notes: Authors' calculations based on CMIE-CPHS. Incomes are in Jan 2020 prices and adjusted for seasonality.

b. As a result of the employment and income losses, the **labour share of GDP fell by over 5 percentage points** from 32.5% in the second quarter of 2019-20 to 27% in the second quarter of 2020-21. Of the decline in aggregate income, 90% was due to reduction in earnings, while 10% was due to loss of employment. This means that even though most workers were able to go back to work they had to settle for lower earnings.

c. Job losses were higher for states with a higher average Covid case load. The map shows a state-level job loss representation index, or the ratio of the state's share in jobs lost to its share in India's workforce. Maharashtra, Kerala, Tamil Nadu, Uttar Pradesh, and Delhi, contributed disproportionately to job losses. Mobility restrictions, such as those caused by lockdowns, predictably led to income losses due to decreased economic activity. We find that a 10% decline in mobility was associated with a 7.5% decline in income. This number is useful to keep in mind when estimating the impact of future lockdowns.

**Figure 2 :**  
Ratio of state's share in jobs lost to its share in the national workforce

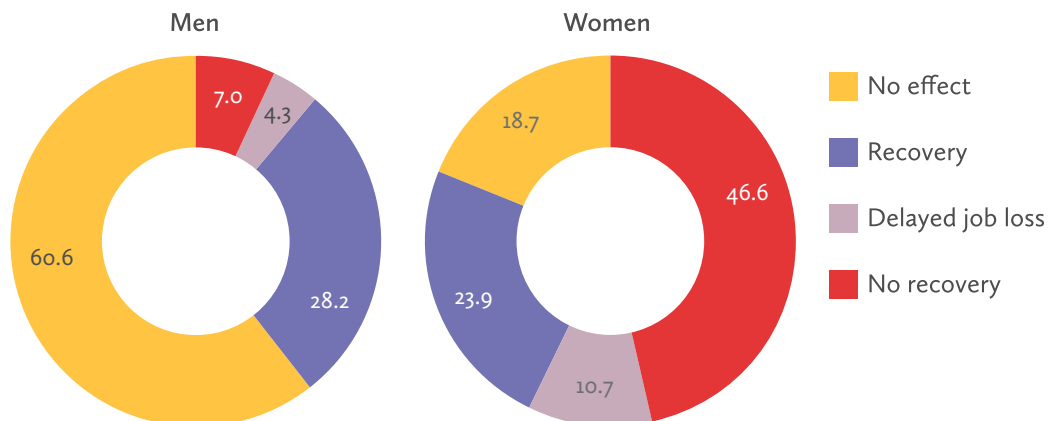


Sources and notes: Authors' calculations based on CMIE-CPHS. Data is for the months of September, October, November, December of 2019 and 2020. See Data appendix 2 for details. The representation index is a ratio of the state's share in employment loss to its share in the pre-Covid total workforce.

## 2 / Women and younger workers were disproportionately affected and many could not return to work even by the end of the year

a. During the lockdown and in the months after, 61% of working men remained employed and 7% lost employment and did not return to work. For women, only 19% remained employed and 47% suffered a permanent job loss during the lockdown, not returning to work even by the end of 2020.

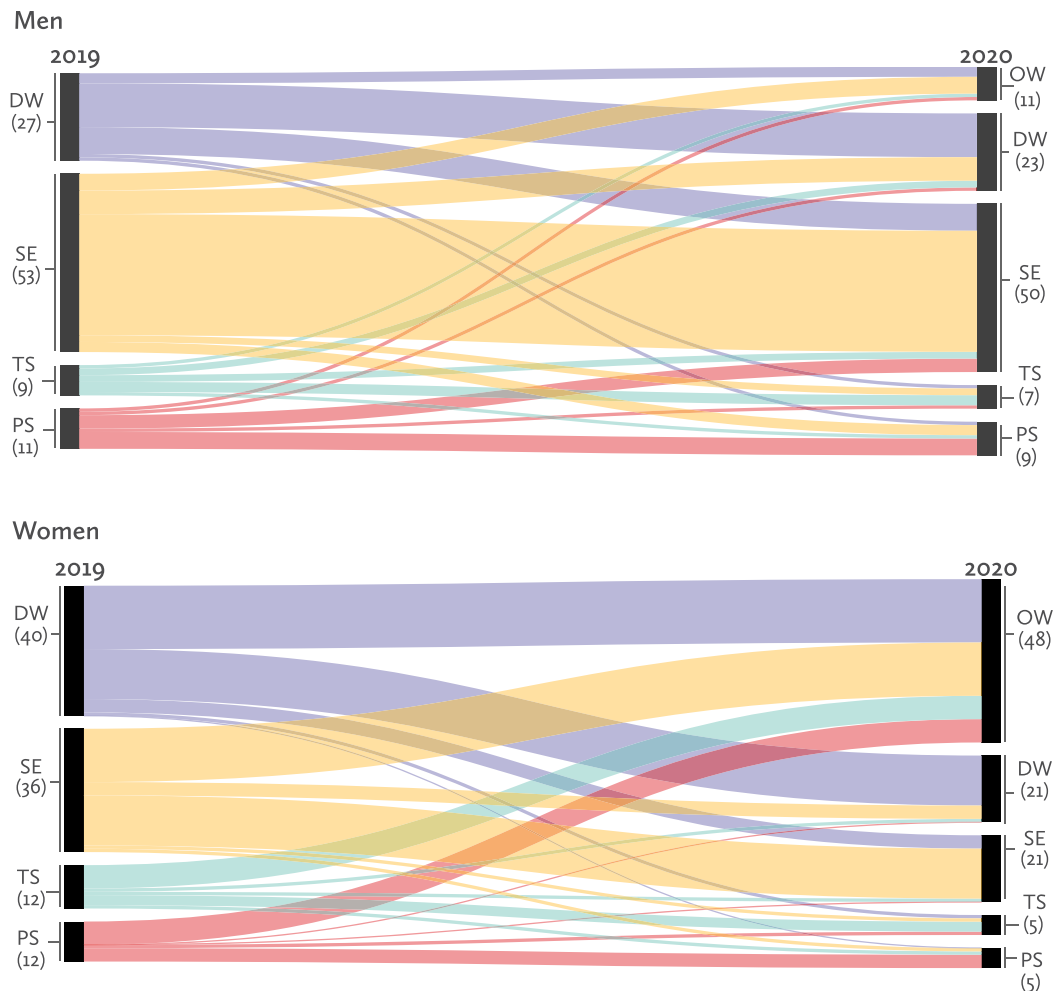
**Figure 3 :**  
Women more likely to lose employment compared to men



Sources and notes: Authors' calculations based on CMIE-CPHS. Data is for the December 2019-April 2020-December 2020 panel. No effect: did not lose work during lockdown or after. Recovery: lost work during lockdown and recovered by Dec. Delayed job loss: did not lose work during lockdown but lost it by Dec. No recovery: lost work during lockdown and did not recover by Dec.

b. The **lack of fallback options for women** is clear in Figure 4. It shows women leaving the workforce from every employment arrangement. For men, the share leaving the workforce is much smaller. Rather, when they lost jobs, they transitioned to self-employment.

**Figure 4 :**  
**Men moved into informal employment while women moved out of the workforce**



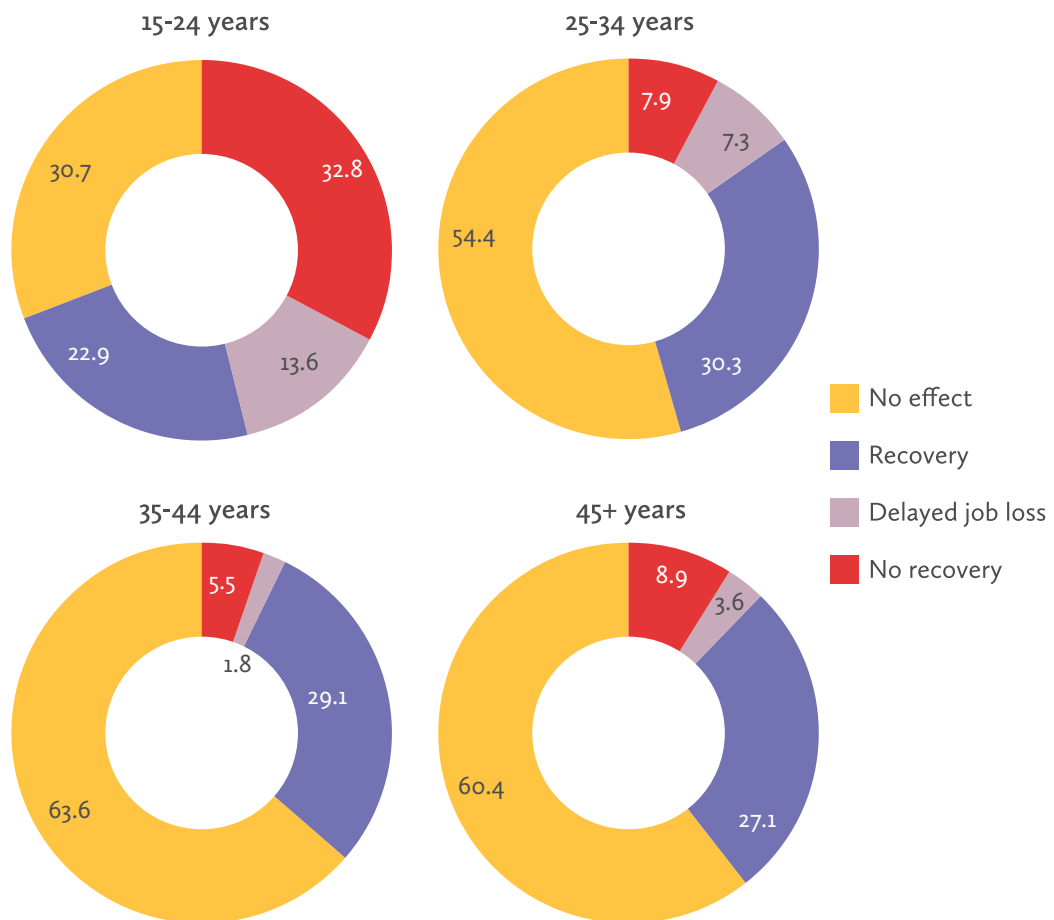
OW - Out of Workforce, DW - Daily/Casual wage worker, SE - Self-employed, TS - Temporary Salaried, PS - Permanent salaried

Sources and notes: Authors' calculations based on CMIE-CPHS. Data is for the months of September, October, November, December (wave 3) of 2019 and 2020. Numbers on the left indicate percentage share of that employment arrangement in total workforce in 2019. Numbers on the right indicate percentage share in total working age population in 2020.

c. For working women, **the burden of domestic work increased** without any corresponding relief in hours spent in employment. According to the India Working Survey conducted in Karnataka and Rajasthan, the proportion of working women who spent more than 2 hours a day cooking went up from 20 per cent to almost 62 per cent in Karnataka and from 12 to 58 per cent in Rajasthan.

d. Alongside women, younger workers were much more impacted, experiencing higher job losses and a weaker recovery. 33% of workers in the 15-24 years age group failed to recover employment even by Dec 2020. This number was only 6% in the 25-44 years group.

**Figure 5 :**  
Young  
workers  
most  
vulnerable  
to job loss  
with no  
recovery



Sources and notes: Authors' calculations based on CMIE-CPHS. Data is for the December 2019-April 2020-December 2020 panel. No effect: did not lose work during lockdown or after. Recovery: lost work during lockdown and recovered by Dec. Delayed job loss: did not lose work during lockdown but lost it by Dec. No recovery: lost work during lockdown and did not recover by Dec.

### 3 / There was a large increase in informal employment. Salaried workers moved into self-employment and daily wage work. Agriculture and trade emerged as fallback sectors.

a. After the lockdown, workers came back into more precarious and informal forms of employment. **Nearly half of formal salaried workers moved into informal work**, either as self-employed (30%), casual wage (10%) or informal salaried (9%) workers, between late 2019 and late 2020.

b. The nature of the fallback option also varied by caste and religion. General category workers and Hindus were more likely to move into self-employment while marginalised caste workers and Muslims moved into daily wage work.



**Table 1 :**  
Nearly half  
of formal  
salaried  
workers  
moved into  
informal  
work

**Employment arrangement in 2020**

Employment arrangement in 2019	Employment arrangement in 2020				Overall (2019)
	Casual/daily wage worker	Self employed	Temporary salaried	Permanent salaried	
Casual/daily wage worker	57.9	33.1	5.6	3.4	27
Self-employed	15.0	75.5	4.1	5.5	53
Temporary salaried	22.5	31.3	35.6	10.7	9
Permanent salaried	9.8	34.1	8.5	47.6	11
Overall (2020)	27	55	8	10	100

Sources and notes: Authors' calculations based on CMIE-CPHS. Data is for the months of September, October, November, December (wave 3) of 2019 and 2020. See Appendix Section 2 for details of the sample.

c. Agriculture, construction and petty trade emerged as fallback sectors. Education, health and professional services sectors saw the highest outflow of workers into other sectors. About 18% of education sector workers were now in agriculture and a similar share of health sector workers were engaged in petty trade (see Table 4.6 in the report). For Hindus, agriculture was a major fallback sector absorbing between 10 to 20 percent of workers from other sectors. For Muslims, trade was the major fallback sector and about 20 to 35 percent of workers from other sectors were now in trade.

d. As a consequence of the move into informal work, as well as due to depressed economic conditions, **monthly earnings of workers fell on an average by 17%** during the pandemic. Self-employed and informal salaried workers faced the highest loss of earnings.

**Table 2:**  
Monthly  
earnings  
fell for all  
workers  
irrespective  
of  
employment  
type

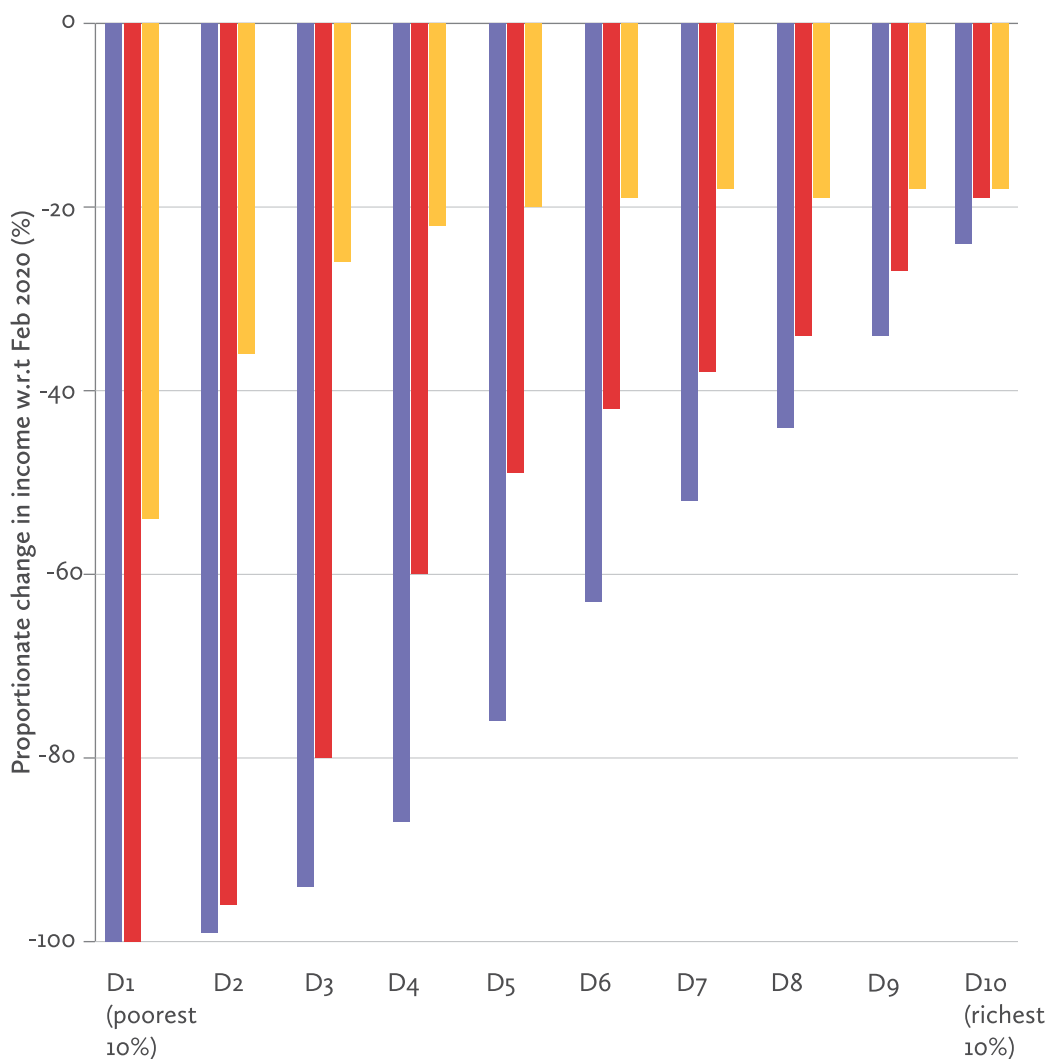
Employment Arrangement	2019	2020	Change in earnings (%)
Casual/Daily wage worker	₹9,135	₹7,965	-13
Self-employed	₹15,831	₹12,955	-18
Temporary salaried	₹11,422	₹9,441	-17
Permanent salaried	₹29,226	₹27,697	-5
Overall	₹15,210	₹12,625	-17

Sources and notes: Authors' calculations based on CMIE-CPHS. Data are for the months of September-October of 2019 and 2020. Earnings include income from wages and salaries and income from business. Earnings are reported in Jan 2020 prices using rural/urban CPI. See Appendix Section 2 for details.

## 4 / Poorer households were worse affected, and poverty and inequality has increased.

a. Though incomes fell across the board, the pandemic has taken a far heavier toll on poorer households. **In April and May the poorest 20% of households lost their entire incomes** (Figure 6). In contrast the richer households suffered losses of less than a quarter of their pre-pandemic incomes. Over the entire eight month period we analyse (Mar to Oct), an average household in the bottom 10% lost ₹15,700, or just over two months' income.

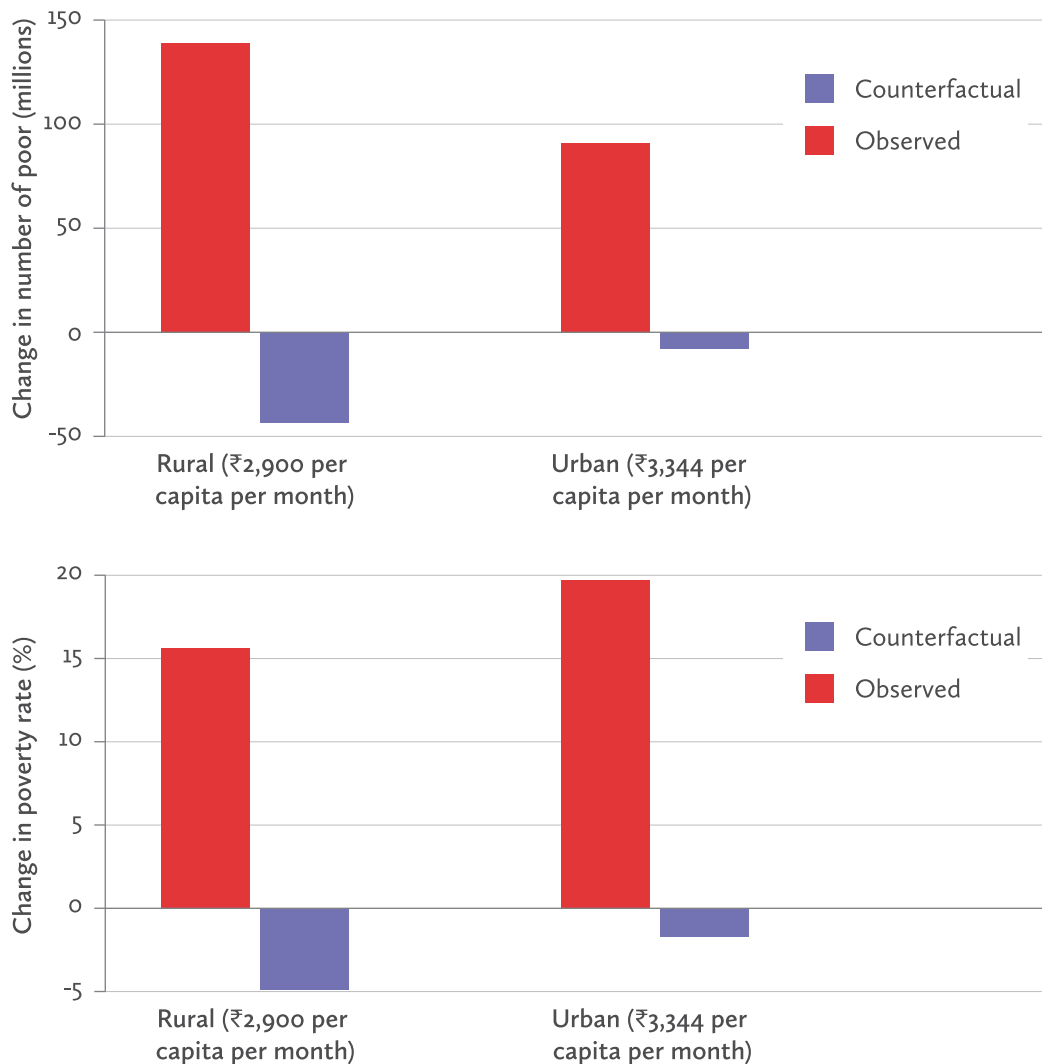
**Figure 6 :**  
Poorer households experienced far higher losses in income during the lockdown period



Sources and notes: Authors' calculations based on CMIE-CPHS. The graphs plot the proportionate change in per capita income from an event study regression model, for each income decile. The event study estimates measure the impact of the the pandemic and the containment measures on the monthly per-capita household income, controlling for various household characteristics. The change in monthly incomes is reported as compared to incomes in February 2020. Households are classified into income deciles in each month separately based on their per capita incomes in that month. See Appendix Section 2 for the event study model as well as seasonality calculations.

b. Coming on a low income base, this shock meant that the number of individuals who lie below the national minimum wage threshold (₹375 per day as recommended by the Anoop Satpathy committee) increased by 230 million during the pandemic. This amounts to an increase in the poverty rate by 15 percentage points in rural and nearly 20 percentage points in urban areas. Had the pandemic not occurred, poverty would have declined by 5 percentage points in rural areas and 1.5 percentage points in urban areas between 2019 and 2020, and 50 million would have been lifted above this line.

**Figure 7 :**  
230 million  
additional  
individuals  
fell below  
the national  
minimum  
wage  
poverty line

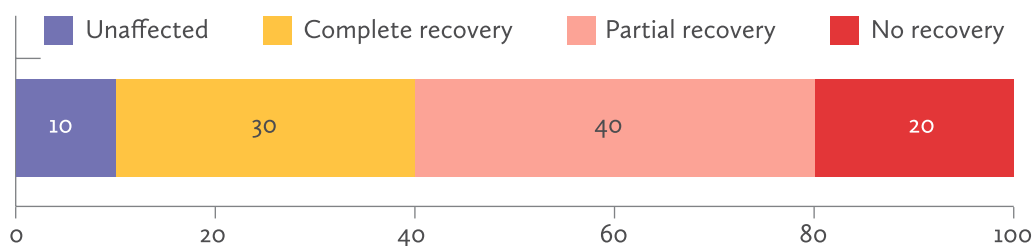


Sources and notes: Authors' calculations based on CMIE-CPHS. The first panel is the change in number of people and lower panel is the change in proportion of people below the national minimum wage threshold. The observed change is the change between covid months (March to October 2020) and the preceding months (July 2019 to February 2020). The average seasonally adjusted monthly per capita real incomes over the two periods are calculated and used to estimate the proportion of individuals who live in households earning below these levels. The change without Covid is the counterfactual scenario in which household incomes would have grown at the same rate as prior to the pandemic (see Chapter Five for details).

## 5 / Households coped by decreasing food intake and by borrowing

a. Households coped by cutting back on food intake, selling assets, and borrowing informally from friends, relatives, and money-lenders. An alarming 90 per cent of respondents in the Azim Premji University CLIPS reported that households had suffered a reduction in food intake as a result of the lockdown. Even more worryingly, 20 per cent reported that food intake had not improved even six months after the lockdown. These findings are consistent with other Covid impact surveys.

**Figure 8 :**  
Six months later, food intake was still at lockdown levels for 20% of vulnerable households



Sources and Notes: Azim Premji University CLIPS. The figure plots the response of survey respondents regarding the level of food recovery experienced by their households post the lockdown. The respondents could choose one of the following options to document how the lockdown impacted the food intake of the households and the level of recovery post the lockdown: No effect- Household's food intake was not affected by the lockdown; Complete recovery- Household's food intake fell during the lockdown, and was back to prelockdown levels during the post lockdown survey months; Partial recovery- While the food intake fell during the lockdown and, subsequently, improved post lockdown, it has still not recovered to the prelockdown levels; No recovery- Food intake fell during the lockdown and there has not been any improvement since then. The figure plots the proportion of respondents that chose each of these options. See Appendix Section 3 for survey details.

b. In the India Working Survey, over 90 per cent of respondents from Karnataka and Rajasthan reported having borrowed money sometime between April and August. The median loan amount was ₹15,000 (mean amount of ₹26,300). CLIPS revealed that **amounts borrowed by poorer households were a much higher multiple of their pre-pandemic incomes** compared to better-off households (Table 3). And 84% of those who had borrowed money reported doing so to finance food, health, and other daily expenditures.

**Table 3 :**  
Indebtedness increased, especially among poorer households

	Overall	Bottom 25%	Second 25%	Third 25%	Top 25%
Median income in Feb 2020 (₹)	8,500	4,000	7,000	10,000	18,000
Loan amount (₹)	18,000	12,000	15,000	20,000	30,000
Ratio	2.1	3.8	2.1	2	1.4

Sources and notes: Azim Premji University CLIPS (October-November 2020) See Appendix Section 3 for survey details.

## 6 / Government relief measures helped, but exclusions were also common

a. Free rations, cash transfers, MGNREGA, PM-KISAN payments, and pension payments were some of the major support measures announced in 2020 as part of the Pradhan Mantri Garib Kalyan Yojana (PMGKY) and the Atmanirbhar Bharat packages, to combat the effects of the pandemic on vulnerable households. We report survey evidence on the reach of food and cash elements of these packages. **PDS coverage far exceeds the coverage achieved by Jan Dhan so far.** Across multiple surveys, around 90% of households had a ration card but the Jan Dhan coverage was much smaller, around 50% of households had a woman-owned Jan Dhan account.

However, **the efficacy of PMGKY was similar for both types of relief measures.**

The India Working Survey (a largely rural random survey in Karnataka and Rajasthan conducted in August-September 2020) showed that, conditional on eligibility (those with priority ration cards or Jan Dhan accounts), 65% of card holders received some PMGKY allocation (i.e. grains in excess of the usual quota) while 35% only received their usual PDS quota (no extra grains). For cash, out of those having women-owned Jan Dhan accounts 60% received one or more transfers, around 30% did not receive any transfers (and 10% did not know).

b. MGNREGA has played a vital role as a safety net in rural areas. As per the official database, till November 2020 over 252 crore person-days of work were generated, an increase of 43 per cent compared to previous year. Over 10 million (1 crore) more households worked in MGNREGA in 2020-21 as compared to previous year. The Azim Premji University CLIPS showed **large unmet demand for MGNREGA work** even as late as October-November 2020. Since April, only 55 per cent of those rural respondents who demanded work had been able to get it. Further almost everyone (98 per cent) who got work said they would like to work for more days.

c. States experimented with many policies to offer more support -e.g. Supplementing the cash amount, delivery of cash via ration shops, door delivery of cash, supplementing PDS, and launching urban employment programmes.

d. Circular migrants have borne the harshest impact of the Covid-19 shock. Class, caste, ethnic or linguistic identity, and lack of stable residence as well as political voice render casual wage migrants in industries such as construction, the most precarious and hard to reach with social protection policies. In Azim Premji University CLIPS 81% migrants lost employment in the lockdown compared to 64% non-migrants. 31% reported not being able to access rations compared to 15% non-migrants.

## 7 / Bold measures will be required to emerge stronger from the crisis

a. So far, India's fiscal response to Covid, amounting to around 1.5-1.7% of GDP, has been conservative. The impacts of the second wave are still unfolding and may be as large, or larger than those we report for the first wave. Further, coming as it does on the back of depleted savings, debt, and reduced fallback options, the second wave can lead to potentially larger impacts on work, incomes, food security, health and education. 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. Thus there are compelling reasons for the Union government to undertake additional spending now.

b. We propose the following urgent policy measures -

- **Extending free rations** under the PDS beyond June, at least till the end of 2021.
- **Cash transfer of ₹5,000 for three months** to as many vulnerable households as can be reached with the existing digital infrastructure, including but not limited to Jan Dhan accounts.
- **Expansion of MGNREGA** entitlement to 150 days and revising programme wages upwards to state minimum wages. Expanding the programme budget to at least ₹1.75 lakh crores.
- Launching a pilot **urban employment programme** in the worst hit districts, possibly focused on women workers.
- Increasing the central contribution in old-age pensions to at least ₹500.
- Automatically enrolling all MGNREGA workers who do construction work, as registered workers under the Building and Other Construction Workers (BoCW) Act so that they can access social security benefits.
- A **Covid hardship allowance** to 2.5 million Anganwadi and ASHA workers of ₹30,000 (5,000 per month for six months).

These measures, taken together, will amount to approximately ₹5.5 lakh crores of additional spending and bring the total fiscal outlay on Covid relief to around 4.5% of GDP over two years. We believe that this large fiscal stimulus is justified given the magnitude of the crisis. For example, the proposed cash transfer is just equal to incomes lost last year by the poorest 10% of households, leaving alone the second wave impact.

c. Failure to take action now will cause short-term hardship to continue, and may compound the long-term effects leading to years of lost welfare gains. Increased poverty as well as loss of savings and productive resources can lead to poverty traps. Nutritional and educational deficits, occurring due to stressed household finances, can have long-term effects. Women leaving the labor market can lead to long term increases in already large gender gaps. Youth may also experience long-term impacts on earnings and productivity due to these lost years.

d. Some day the pandemic will be behind us, and the task of economic revival will include addressing weak structural transformation, persistent informality and inadequate employment generation. The time is also right to correct the historical undervaluation of workers who have played a crucial frontline role in the response to the crisis. We propose a framework for a **National Employment Policy**, which includes the promotion of **public investment in social infrastructure** as well as the **facilitation of private investment**. These, together with a **comprehensive social security** infrastructure that includes rights-based entitlements, portable benefits, and empowered worker welfare boards, can tackle the persistent problems of low earnings, low productivity and precarity.

We hope that the findings in this report contribute to the difficult journey of economic revival that lies ahead for India.

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