

Interview: Amit Basole on the pandemic's devastating impact and the need for a fiscal response now

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Homeless people wait in a queue to collect free food on the side of a road during a complete lockdown in Kolkata on July 25, 2020. | Dibyangshu Sarkar/AFP

If you looked at just the bare employment figures for India over 2020, you might think that most people recovered from the shock of the national lockdown and the economic crisis that followed. Yet though there was indeed a recovery before the brutal second wave hit, the headline numbers paper over a massive amount of distress and devastation that took place beneath the surface.

The [State of Working India report](#), put together by a team from Azim Premji University's Centre for Sustainable Employment found that 230 million people were likely pushed into poverty in 2020 alone because of the pandemic. The report details the severe income loss, distressed asset sales, hunger and hit to education that took place even for those who managed to get back to work over the year. It also calls for a strong fiscal response from the government, arguing that a huge amount of relief is necessary for households to avoid being set back by many years.

I spoke to Amit Basole, who heads the Centre for Sustainable Employment, about the task of collecting data in the pandemic, what the numbers tell us about the tremendous flux hidden beneath the headline employment numbers, why he thinks the government's efforts so far

have been inadequate, and what measures he thinks are likely to actually be carried out.

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Could you tell us a little bit about the Centre for Sustainable Employment?

The Centre for Sustainable Employment was set up at Azim Premji University in 2017. The aim was broadly to do research on economics, on the problems of employment in India, issues like jobless growth, the quality of work and so forth. That was the broad mandate.

We have been bringing out these reports called State of Working India, which deal with various issues regarding the Indian labour market. And along with these reports, we also do other smaller reports, research papers, data of various kinds.

I noticed that you were once in neurobiology, before turning to economics...

That was a long time ago. I started off being a science student in India. My Bachelor's was in microbiology, and my Master's in molecular biology. And I went on to do a PhD in neuroscience.

During that same time, I started becoming interested in various social and political issues. For some reason, it took me many years to decide to finally jump ship. And I ended up finishing that PhD, and then starting another one all over again. I wouldn't necessarily recommend this to too many people. So I did a PhD in economics, and since then I've not really had much contact with that world of science.

When you came into economics, did you know you would be working on employment and things like that?

That evolved over time. When I first made the switch, from neuroscience to economics, I was motivated by broader concerns, because I also didn't know much about economics as a field. My concerns were the big picture things that most lay people have: Is this the right development model for India? What are the alternatives to the system that we see in front of us?

I read very widely – Gandhi and Marx and various other people. I remember being very influenced by *Small is Beautiful*, EF Schumacher's book, which was very impactful. My economics research was really mainly about what you might call the intersection of the informal sector and the artisanal sector.

I did some fieldwork in the Banaras silk weaving cluster. I was interested in both conditions of work, those kinds of bread and butter economics issues, but also in artisanal traditions, and how knowledge and skilling work in informal contexts. What institutions are available to train workers and to innovate. Those are all my early concerns.

After I moved here to India, to Azim Premji, the question of employment in India had become very central in political and economic debates. So there was talk about setting up the Centre, and I was approached to get it going.



What do the reports set out to do broadly?

That has very much been an evolution. In retrospect, I can say that what they have done is build a niche at the intersection between serious economic analysis, policy-relevant questions and communicating these ideas to a broader audience of students, activists, civil society and so forth.

Now I can say what we're trying to do is address policy-relevant questions that are big and interesting, and to do it in such a way that interests those looking for academic work and those interested in the big picture situation and what can be done about it.

For example, the second report in 2019 was mainly about policy ideas. It came out on the eve of the general election. There was a bit of analysis of demonetisation and its impact, but mainly it was about policy ideas for creating employment. And then of course this year was about Covid.

Just to get a bit of context, it seems as if you're operating in an environment in India where we don't seem to have a robust understanding of the employment situation, it's not a crowded field of employment studies, is that right?

Yes and no. The field is data poorer than we would think. There is data, but there's not maybe as much as we would like there to be. But it's certainly crowded in the sense of ideas and opinions, I would say. Not all of them totally grounded in data.

But yes, precisely over the same years since we started, the data ecosystem has undergone a change. When we first started in 2017, it was the lull between the older employment surveys and the new Periodic Labour Force Survey, PLFS. There was a bit of a gap. So that was the first challenge. But since then, PLFS has come in.

What I feel has happened is that it's not necessarily that we have become data poorer when it comes to employment. But the economy has been changing far more rapidly than our existing data architecture or ecosystem was capable of handling. Traditionally, we have not had high frequency employment data in India. And we have not felt the need for it, because the economy was not changing that rapidly.

In the last five to 10 years, that changed. And so the demand for high frequency data became more consistent. As well as expectations were set up that data should come out frequently. Both of those things happened. That's where maybe we feel that we could do better.

Coming to this year's report. What was the effort of collecting data like?

This past year has been extraordinary. Not only because things changed so rapidly from month to month, but also the very process of gathering data became so challenging because of the pandemic.

We went into it with a data system, as far as employment goes, which was not going to be able to do the task. Naturally, the only national data set that attracted attention was the CMIE consumer pyramid survey. And then all the various surveys that civil society organisations did. We also did one of those.

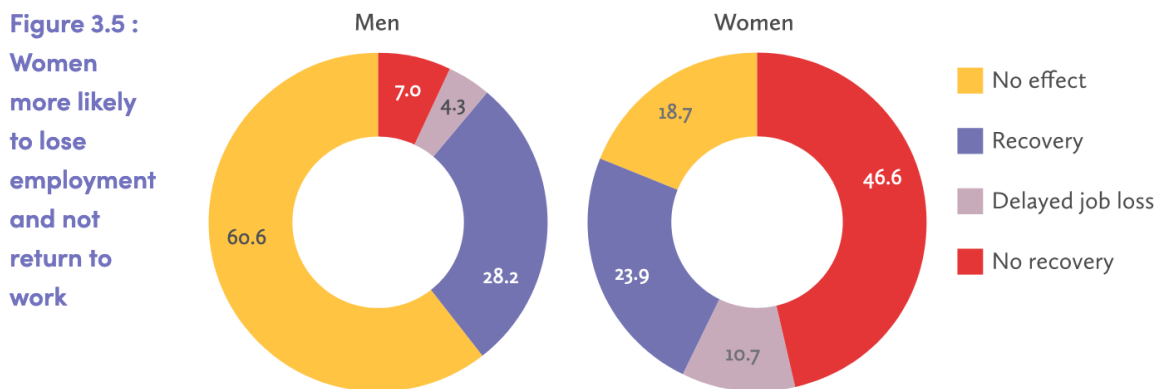
The report is based on synthesising the CMIE data alongside all of these smaller surveys to build some understanding of what happened.

The headline point is that employment seemed to recover almost entirely after the first lockdown – this is before the second wave – but that figure hides a lot of flux underneath.

We saw a recovery, in the sense that people who lost work, many of them were able to come back to work. But that flux that you refer to was mainly manifested as changes in which sectors people worked in, changes in the kind of work that they had. For example, salaried people lost salaried jobs and then they could not get those back. So they had to get into self-employment, or some other kind of work. They were employed, but they were employed more precariously or in worse conditions than before.

For women, we see something different from men, which is that they were able to return to a much lesser degree, if they lost work. Men lost work, they were able to come back, even if it wasn't the same kind of work. For women, when they lost work, they were simply not able to return for several months. Instead, other women took their place.

Also, workers were replacing other workers to keep the overall employment constant.



Sources and notes: Authors' calculations based on CMIE-CPHS. Data is for the December 2019-April 2020-December 2020 panel. See [Appendix section 2](#) for details.

The statistics about how precarious employment is for women are really disturbing, and tell us about much more than the pandemic's effects.

Absolutely. This is a legacy issue for us for many years, and there are many dimensions. The big picture is that the labour force participation rate for women has been stubbornly low as far as urban areas go, and has been declining as far as rural areas go.

Some 20 to 30 years ago, rural women participated to quite a large extent in paid employment through agriculture and other activities. That started declining in the 2000s, for a variety of reasons. But in the urban areas, it had been low and it remained low.

With that being the case, the pandemic shock affecting women more than men is all the more concerning. Since women had a difficult time entering paid employment in the first place, getting displaced is from the future point of view concerning.

In addition to the low labour force participation rate problem, there's also an open unemployment problem. Open unemployment in India is basically about educated youth. When we say open unemployment, we mean people who say "I'm looking for work, I would like to have work, but I don't have work."

That's not a phenomenon that you find among older workers. Generally they do something or the other, even if it's not something they would like to do. But for the youth, below 30 years of age, the unemployment rate tends to be quite high, three or four times the average.

For women, however, it tends to be even higher. So as per the PLFS 2018, if I recollect correctly, the unemployment rate for educated young women less than 30 years of age was something like 40%. In this context, I think the pandemic effect becomes even more concerning.

The report says 90% of men who were employed in late 2019 were also employed in late 2020. For women, the corresponding number is 50%. So that hidden flux here is massive.

Yes and I don't think we understand all of this fully. Partly because it's the first using the CMIE data so intensively. I think we need to spend more time with the data to investigate the reasons for why this is happening.

There is one caveat to this that I'd like to mention. There's a box in the report for people who might be interested. The female labour force participation rate, as I said, tends to be low in India. But in the CMIE data, it's actually even lower than it is in the government data, by a good 10 percentage points.

The PLFS number shows something like 20% of working age women are in the labour force. In CMIE, the number is something like 10% only. So it's a very low number. That handicaps us because the sample size is so small.

As to why this varies so much between surveys, I think one thing that we go into in the report is that for women, the kinds of work that they do, as well as the social norms around women's work, both can get in the way of being able to measure accurately what they do. Do they work or not?

The simple questions can be difficult to answer, because of preconceived notions of who a worker is, what kind of work constitutes legitimate work. That gets in the way of our doing a very good job of getting at this issue. But nevertheless, with those caveats, I think these are questions that are worth exploring.

Another big takeaway, if we move away from gender, is what the pandemic is doing to younger workers.

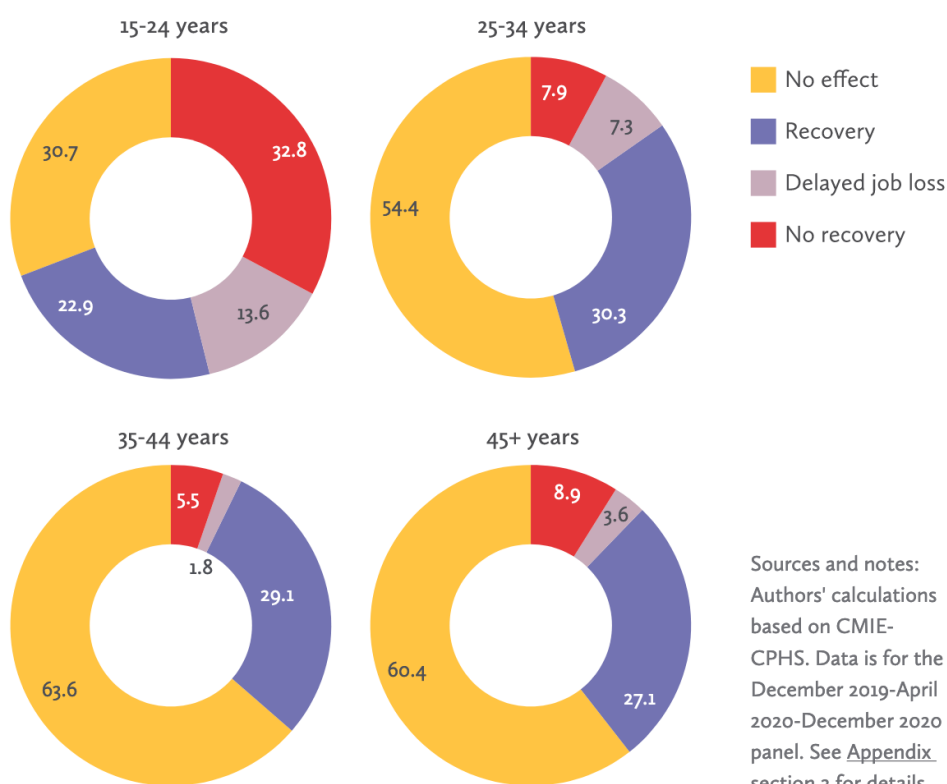
Yes, that was another striking thing. Like what was happening with women workers, what we

found in the data was that younger workers – below 35 years – had a much higher chance of losing work during the lockdown last year or subsequently, as well as difficulties returning, compared to older workers.

Now, again, we haven't had the chance to really investigate the mechanisms in any great detail. But one can summarise from existing literature out there, as well as an intuitive understanding that younger workers tend to be more precariously attached to their work. Meaning, as workers, they may have been recently hired. They may not be as valuable to the firm as older, more experienced workers are.

So when conditions are bad, or when recessions happen, and firms have to face decisions about firing workers or reducing the workforce, these kinds of workers may face instances where they are more likely to be fired, compared to other more experienced older workers. So that's one possibility.

Figure 3.7 :
Young workers most vulnerable to job loss with no recovery



The report says, “disproportionate impact of the economic shock on young workers implies that unemployment rates are going to rise even further.” Could you explain that a little bit?

The problem is that, as I mentioned, the youth are more precariously attached to jobs in the first place, but also, because they are not experienced and they don't have the networks.

Neither do they have the experience to show. After losing work, it may be harder for them to find it again, particularly when you know that the conditions are depressed in general. Firms are going to be spoilt for choice when they're hiring.

They may be confronted with a lot of applicants, and will not have any reason to kind of go to less experienced workers when they have a choice of more experienced workers who are also looking for work. So all of this means that if young people do lose work, they are more likely to remain unemployed for longer periods of time in economic conditions like this, which will push up the unemployment rate.

That effect seems also to apply to those in the salaried segment. Once they lose jobs, they find it much harder to find another salaried job.

Between 2019 and 2020, almost half of the workers who started off with salaried work were not in salaried work by the end of the year. We can only surmise that since this does not happen in normal times, it is something to do with people losing work during lockdown and not being able to get back salaried jobs.

Anecdotally also, many of us know of people who lost their jobs. We're not talking about very formal work, with job security and benefits. But certainly, people who work as school bus drivers or security guards or many other kinds of allied service occupations, which are proper salaried jobs.

People may have lost those and are now doing various kinds of self-employed activities. And they can't really get those jobs back until the education sector comes back or other service sector industries that are not operating right now come back online.

We've got an understanding of how this breaks down by gender and age. Do you think we understand what's happening when it comes to caste and religion?

Well, it depends on the question. For caste, if you pose it at a very broad, administrative category type level, which is what we have stuck to – SCs, STs, or Other Backward Classes – these are very big categories. There, generally, the samples are not a problem, meaning data is available.

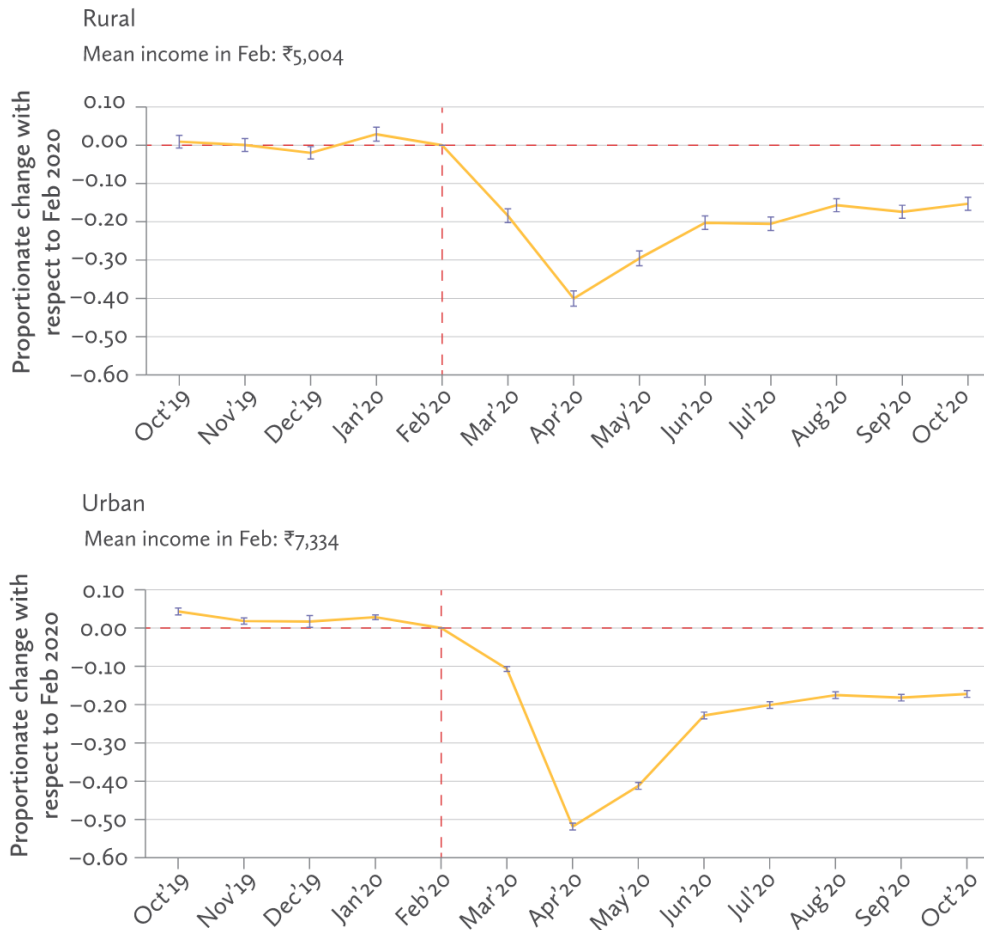
But we also know from other studies that a lot of caste effects in the labour market don't operate at the level of big administrative categories, they operate at the jati level – sub-castes. A lot of discrimination, segregation, other kinds of caste-based labour market issues manifest themselves at those levels.

And then the data is much harder to come by, because it's more difficult to collect jati-level data in a reliable way. People may not report it. Enumerators may not be very well qualified to get that accurately down.

As an aside, before the pandemic started, we were doing our own survey in Karnataka and Rajasthan. Our aim was to get at some of these caste and labour issues, at the jati level. We were taking the trouble to collect jati-level information, as much as we could, to get to segregation by jati. But that was interrupted by the pandemic.

For religion, the problem is different. It's not difficult to gather religious information or to have it in surveys. For the largest minority, Muslims, the population is large enough that you can easily get a sample. For the small minorities, it's more challenging because they are quite small in numbers, so the sample may not do justice.

Figure 5.2 :
Event study model reveals a sharp drop in incomes followed by an incomplete recovery



Source and notes: Author's calculations based on CMIE-CPHS. The graphs plot the proportionate change in per capita income estimated separately for rural and urban sectors using an event study framework. 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. The estimates are reported along with their 95% confidence intervals. See [Appendix Section 2](#) for the event study model as well as seasonality and inflation adjustments.

As much as the report tells us about jobs and employment, it also covers the effects of what has happened – showing that a huge number of people are being pushed into poverty, that there has been a huge impact on nutrition and education...
Absolutely. The loss of work as well as, even after gaining work back, the informalisation and

falling income that has happened over the past year have all meant severe financial stress has shown up for households. The threshold that we took was the proposed recommended national minimum wage, but you put other thresholds, you will find similar numbers.

Poverty has increased, food insecurity has risen, people have gone into debt. A lot of these effects are not available to us from the large national survey. Because this data is not necessarily collected every time. So we are relying a lot on smaller surveys of vulnerable households that have been carried out over the last year by many organisations, and we're maintaining a database of those surveys on our website.

There, we find a big increase in food insecurity does increase in indebtedness, sale of assets, you know, all of this, clearly indicators of stress.

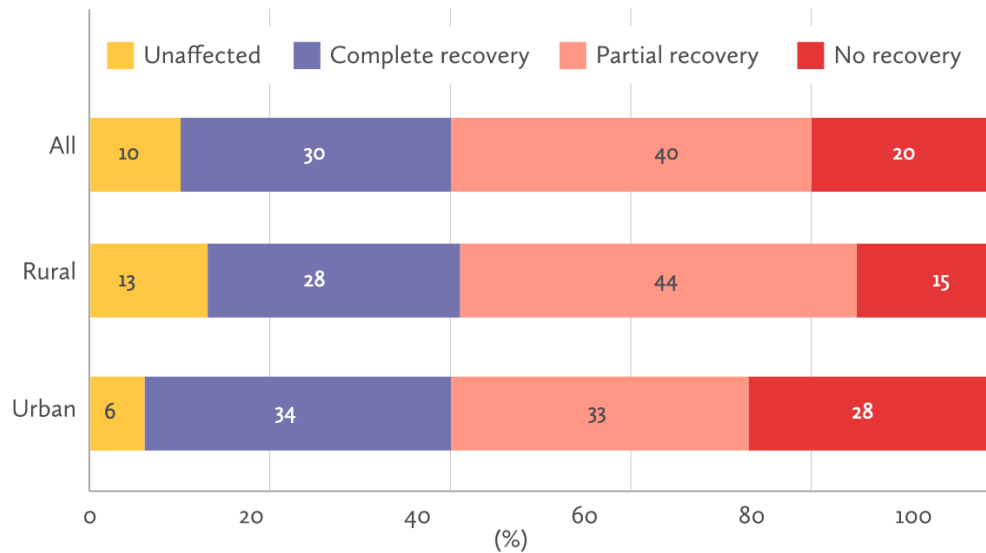
Before we even come to the second wave, many of these effects were clear to us as of January-February. Do you think the Budget, announced before the second wave, showed that the government understood the extent of this?

Not really. They could have done quite a bit more. The Budget went basically in the direction of growth. The focus was on capital expenditure and growth. It was saying, "look, this is over. And now we can look beyond the pandemic to more long-term considerations. And we've done what we could to take care of the vulnerable households, and the kind of extreme hardship and suffering that was imposed on them."

That was an opportunity missed because even when the Budget was presented, it was clear that even if the second wave had not happened, households were hurting and a lot more could have been done directly to support them, which need not have been seen as purely relief.

In fact, it would have gone a long way, not only in terms of relief, but also aggregate demand, and macroeconomic stability. It would have shored up consumption and would have helped with growth eventually. So the capital expenditure push was fine from a growth perspective, but a lot more could have been done on the welfare side than was done in the Budget.

Figure 5.8 :
Food intake
was still at
lockdown
levels for
one in five
households
in October
2020



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: Unaffected - 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.

Based on what we know now, how has this year been different? Did the second wave impact rural areas more? Or is it a sense that it's basically a repeat of the effects of last year?

This is really the question. And I have to preface my answer by saying that data wise, we are really not in a place to say much about what is happening beyond the headlines, CMIE unemployment numbers and all of that. The high-frequency indicators, like industrial production, don't tell a very clear story as far as I can see.

The reason I think is that many things are going in different directions. So, for example, the global economy is actually better. So there might be some demand side pick-up coming from exports, which was not there earlier. I'm not sure that's the case. But it's plausible.

And manufacturing hasn't been shut down completely like they were last year. So factories were running, other kinds of sectors were allowed to operate because some figured out how to work in these situations. Also, the lockdowns were not completely a national lockdown either.

On the flip side, the health crisis was much, much more serious. People were much more scared. They were much more uncertain about the future and whether this was going to get over anytime soon, which is all going to have an impact on their spending. Reverse migration was also real this time. So again, labour scarcity, and supply chain disruptions.

Mobility restrictions were fairly substantial in many parts of the country, and therefore, again, informal incomes have been severely impacted on top of the stress of last year. So the picture becomes murkier because of these things going in different directions.

Intuitively I feel that, unless we have a strong fiscal response from the government soon, we may actually exacerbate a lot of the problems quite significantly.

The Finance Minister just said in an interview that we're at the start of the financial year, so there's no point in a stimulus, the Budget is just kicking in, and that there's no extra MNREGA demand, so no need to pump more money there either...

I'll come to those two specific points you raised about the finance minister's interview.

But before that, the health crisis has also overshadowed a lot of the economic crisis this time, because it was just so stark. And it affected people who thought that they would never really have to face a situation where they would be running around for hospital beds and things like that.

Of course it was important. Obviously the crisis was a dire one. I'm not saying anything to the contrary, but it has done the job of edging out the economic crisis. So we are not seized of it in the same way.

Now, going back to those points. See, it's true that we're in the early days of the fiscal year, so a lot of spending will be kicking in. And that is good, the effects will come. But it's also true that the Budget was presented when there was no inkling of the second wave. And the second wave constitutes a major change from what expectations might have been in the Budget.

So we are fully justified in course correction, because it's a massive, massive hit, taking us off course. Spending extra beyond the budget is justified.

The NREGA demand can be low also because a lot of the rural areas are very heavily affected. And I know for example, that in Rajasthan – I was recently speaking to NREGA activists there – it is largely shut down. Works are not happening. If works are not happening and employment is not being created, you will see it as no demand.

So I don't think it is true that people are not demanding it because they are doing fine. And I think that a major additional fiscal expenditures at this stage is something we would not be remiss in undertaking.

You make a number of recommendations in the report. You call for an urban employment guarantee like the NREGA, cash transfers of Rs 5000 to households, expansion of MNREGA employment days, a Covid allowance for ASHA workers and so on. From the political economy standpoint, which do you think is actually likely to happen?

That's difficult to say. Before the crisis, the urban unemployment proposal was actually being seriously considered even by the central government. But then it was shelved. In the pandemic we said this is an obvious opportunity to try this out, because states are already trying. So we thought it made eminent sense to do it. It didn't happen.

The reasonable thing to do right now is extending the Anna Yojana – the extra five kilo of grains over and above the PDS entitlement – beyond June. Right now it's only in operation for May and June. Extending is the easiest thing to do. We have the blueprints, everything is set up already. It's more than likely they will do it. We have said they should do it till the end of the year. Other people are saying longer. I don't know what they will do there.

The others are tricky. The second round of cash transfers makes a lot of sense. The problem is the delivery infrastructure. If we do it again through Jan Dhan, we know that we're excluding a lot of people. And if we don't do it through Jan Dhan, it's a lot of work to figure out how to do it.

I don't think that's work that cannot be done – we should have already done it. Last year, we should have spent time aggressively widening our capacity to deliver cash to people's accounts. Various schemes exist – NREGA job cards are linked to banks, NSAP operates through bank transfers – so there is an ability to transfer to people's accounts.

But there's a lot of duplicates and things like that. So it's not trivial, but there's a need to put in place this process. So the answer is that, another round of cash transfers, although desirable, may or may not happen.

And expanding NREGA is easy enough to do. Already last year's Budget should not have brought down the allocation from Rs 1 lakh crore to Rs 70,000 crore. Bringing it back up there is not a difficult thing. It's just a matter of allocating the resources. The infrastructure exists, the demand exists, the capacity to give people work exists.

So, both PDS and NREGA are the easy ones. Cash transfers and the urban employment guarantee are a little bit tricky.

And I'll say that this recommendation for the hardship allowance for the anganwadi ASHA workers is really important in a symbolic sense, not only in the sense of welfare.

What misconceptions about the state of working in India do you find yourself having to correct all the time?

The degree of surprise that was expressed last year with the migrant crisis makes me believe that people forget just how precarious employment and livelihoods are for how many people in India. For those of us who keep looking at informal sector data, this concerns us all the time. But maybe it is easy to forget.

Because you are not personally aware of people like this. There's a tremendous volatility to people's lives. Month-to-month earnings. Whether they are working or not. These kinds of things. And what access they have to support if something bad happens to them.

It's just how close people are – one illness away, one loss of job away – from being in totally dire straits. And the sheer number of such people who live in our country. That we often overlook.

Related to that, I think we often forget how poor we still are as a country. You know, the average GDP per capita in India is Rs 12,000-13,000 month. That's the average GDP per capita. Most of our readers would be earning Rs 50,000 a month, or Rs 1 lakh a month and things like that. You can see how people who think of themselves as middle-class are usually in the top 2% of the income or the top 5% of income.

And that shows up in very different ways. Often people like to compare what India is doing to America. Are they vaccinating like America? Those comparisons make no sense because income per capita in America is some 25 times India's. We have aspirations about Europe and America, so comparisons come from there. But we forget that our infrastructure, our social infrastructure, the quality of public goods, the lives that people lead, these are definitely not there. Vietnam would be a better comparison than any European country.

If you could magically have access to a data set that you didn't for this report, what information do you wish you had?

We're really talking about fantasy scenarios? Then, some high frequency, nationally representative, firm- and worker-linked data that is available to us maybe more than once a year at the national level would be excellent, because then we will be able to do a lot of work on formalisation, informalisation, earnings... when people leave jobs, how quickly do they find another job, how often are they in and out of work – these are all important questions that we don't understand very well about India, because we don't have that much data.

But it's expensive. I don't want to be one of those people who just says it would be wonderful to have all the data in the world. But India is, as I just said, a poor country, and that shows in the data ecosystem too. We have to do the best with what we have. And I have to say that given our position as a developing country, we have been among the leaders in the ecosystem.

As you know, the national sample survey has long been one of the most respected datasets in the world and the PLFS coming out annually was a big deal. I think the pandemic changed many things. But having annual nationally representative employment data is a fantastic thing. I definitely don't want to belittle that achievement. But of course, you can always wish for more.

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