

Have the labour markets recovered post-lockdown?

 [hindustantimes.com/business/have-the-labour-markets-recovered-postlockdown-101611603270603.html](https://www.hindustantimes.com/business/have-the-labour-markets-recovered-postlockdown-101611603270603.html)

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The forthcoming Union Budget will be presented in the backdrop of the largest ever contraction – the National Statistical Office (NSO) expects this number to be 7.7% in 2020-21 – in the Indian economy. To be sure, the NSO believes that the economy is out of contraction zone after a decline of 23.9% and 7.5% in the quarters ending June and September 2020. Several high-frequency indicators such as the Nomura India Business Resumption Index (NIBRI), Purchasing Managers' Indices (PMI) show a strong sequential recovery in the economy. Such indicators, however, do not tell us about the pandemic's impact on the labour market and incomes, and whether the situation has improved with removal of lockdown restrictions.



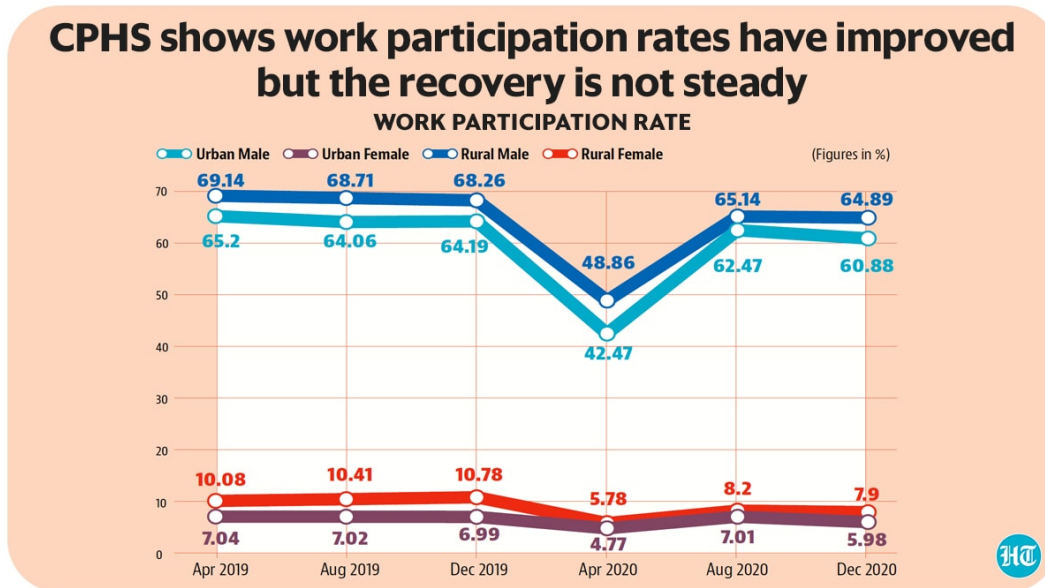
Construction workers travelling on a winter morning amid heavy fog, in Noida. (Sunil Ghosh / Hindustan Times)

Because high-frequency, nationally representative data is not available officially, private surveys have to be relied on to answer this.

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Even such an exercise has to be mindful of the average impact on the labour market and the situation of those at the bottom of the pyramid. In a two-part series, researchers and faculty members of the Azim Premji University (APU) try to answer this question by analysing two surveys.

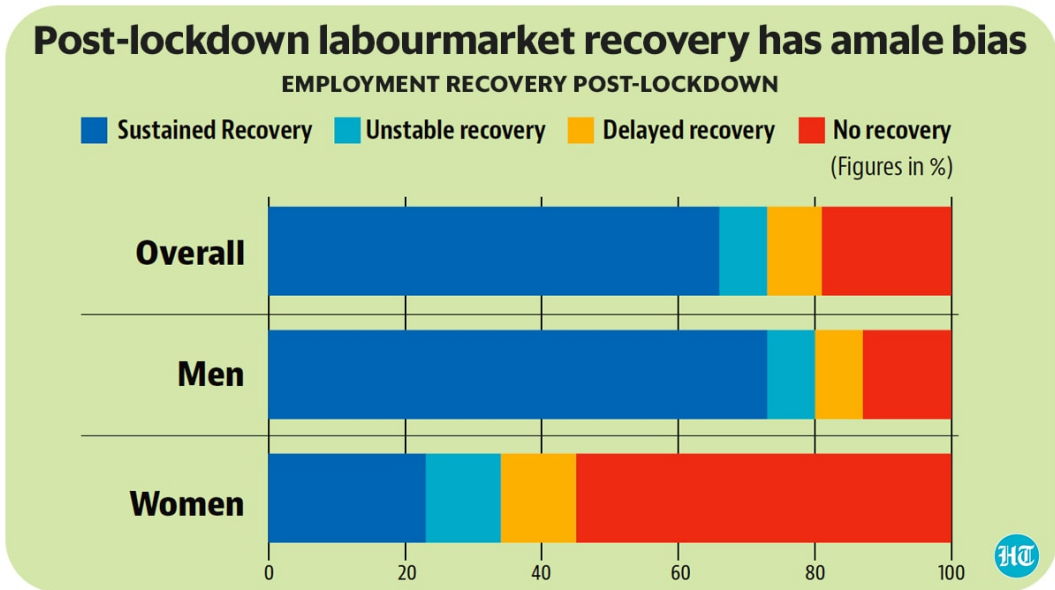
The first is based on the nationally representative Consumer Pyramids Household Survey (CPHS) data from the Centre for Monitoring Indian Economy (CMIE). CPHS is a high-frequency panel survey of 174,405 households with every household being interviewed thrice a year. The second part will rely on a survey conducted by APU, which, although not representative, is a better sample of the most vulnerable workers in the Indian economy.



CPHS shows work participation rates have improved but the recovery is not steady

The aggregate work participation rate, or WPR (individuals employed as a proportion of the working age population) took a sharp dive in April 2020. Although it bounced back to 90% of its pre-lockdown level by August, WPR has subsequently failed to improve and declined slightly in December.

Particularly for women, the recovery has been slow and unsteady. In December 2020, WPR for women in urban areas was 85% of its pre-pandemic value. For rural areas, this was even lower at 78%. For men, the recovery was more robust, but despite this, urban WPR in December 2020 stood over three percentage points below its December 2019 level. Because the overall working age population has increased, the current WPR implies at least 11 million fewer jobs in the Indian economy in December 2020 compared to December 2019.



Post-lockdown labourmarket recovery has a male bias

In April 2020, 35% of men who were working in December 2019 lost their jobs. The corresponding proportion for women was twice that, at 70%. The CPHS tracks these individuals for another two periods, providing their employment situation as of August 2020 and December 2020. What fraction of workers who lost work during the lockdown were able to return to employment in the subsequent months of August and December?

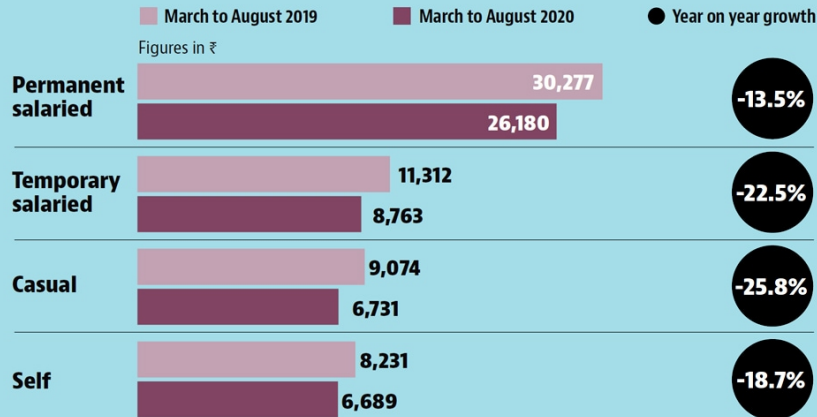
There are four possible scenarios to consider. First, they may have returned to work in August, and continued in employment till the end of the year, in December 2020, showing a sustained recovery. Second, they may have returned to work in August only to lose employment by December, showing an unstable recovery. Or individuals may have remained out of work in August but found work by December, i.e. a delayed recovery. Finally, having lost work during the lockdown, an individual may continue to remain out of work in August and December, showing no recovery.

Overall, about 66% of workers who lost work during the lockdown were able to return to work in August, and continued to work in December.

But, the pattern of recovery varied greatly between men and women. Among the men who lost employment in April, 73% 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%. Not only were fewer women compared to men likely to return and remain in employment, women were also more likely to experience an unstable recovery. Finally, 56% of women experienced no recovery at all, remaining unemployed in August and December, compared to only 13% men.

Did workers return to the same type of work they had prior to the lockdown?

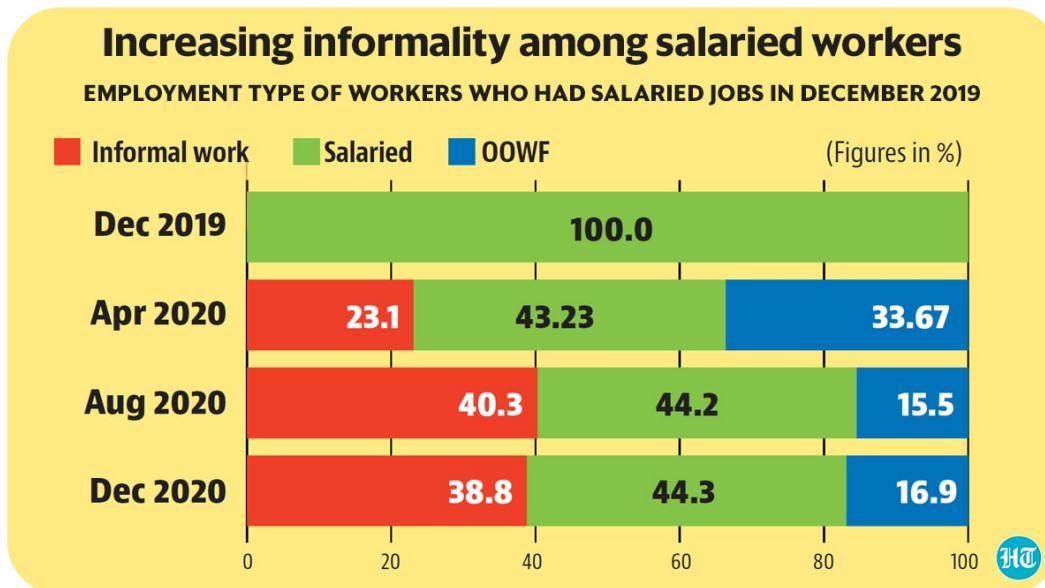
MONTHLY WAGES FOR DIFFERENT KINDS OF WORK



Did workers return to the same type of work they had prior to the lockdown?

CPHS data has four employment categories in increasing order of informality — permanent salaried, temporary salaried, self-employed and casual. We find that employment recovery post-pandemic has taken the form of increased informality. This means that there was an increase in the proportion of self-employed and casual wage workers as compared to salaried workers between December 2019 and August 2020.

Given the large earnings difference across employment types in the pre-Covid period, we can surmise that this (and other such) transitions were detrimental to workers' earnings and welfare. Overall, 68% of workers experienced a fall in income between December 2019 and August 2020. The median fall in earnings was 26% (the corresponding change in the preceding year, from December 2018 to August 2019 was 0%). In addition to the detrimental effect of such employment transitions on workers' incomes, it should be noted that average August incomes remained significantly below pre-pandemic levels for all types of workers.



Increasing informality among salaried workers

In April 2020, during the lockdown, 34% of workers in salaried employment lost their jobs and only 43% were able to remain in salaried work with the remaining (23%) moving into informality, either in casual or self employment (Chart 3). In August 2020, this transition continued, with the share of informal work among previously salaried workers increasing to 40%. By December, although the share of salaried workers declined marginally, this was accompanied by more of them exiting the workforce. In December 2019, salaried workers constituted 21% of the Indian workforce. By the end of 2020, only 39% of these salaried workers continued in salaried employment; 44% of them had moved into informal employment, predominantly self-employment. The remaining 17% had entirely withdrawn from the workforce.

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