

# The impact of COVID-19 on livelihoods and mental health among the urban poor in India



## In brief

- With a population of 1.3 billion people, of which many are informal workers lacking access to social security, India faces significant policy challenges in the wake of the COVID-19 crisis and subsequent lockdown.
- Based on surveys in urban clusters of Delhi, this study provides evidence on the immediate and near-term impact of the crisis on the livelihoods and mental health of informal workers.
- The study shows that men's employment declined significantly post-pandemic. In contrast, there was no major impact on women's employment – as reported by their husbands.
- The study documents very high levels of mental stress, with wives reporting worse mental health than husbands. Social networks are found to mitigate mental stress for husbands but exacerbate it for wives.
- The findings underline the need for a large injection of public spending and transfers to address this social and economic crisis. The long-term impact on urban employment and earnings will largely depend on government measures to kick-start private business and manufacturing activity. Further, mental distress, which has potential implications for worker productivity, is a deeply neglected aspect of the ongoing pandemic that needs to be addressed.

*This brief is based on research funded by the Bill & Melinda Gates Foundation. The findings and conclusions contained within are those of the authors and do not necessarily reflect positions or policies of the Bill & Melinda Gates Foundation.*

## Overview of the research

With a population of 1.3 billion people – of which many are self-employed informal-sector workers and daily-wage earners lacking access to social security measures – India faces significant policy challenges, both social and economic, in the wake of the COVID-19 crisis and the subsequent nationwide lockdown. Specifically, many of these workers are facing job and income losses and food shortages and require direct support in terms of cash and food. It is also becoming increasingly apparent that significant mental health concerns are arising in the face of the COVID-19 crisis and the lockdown, both due to the economic uncertainty as well as social distancing measures put in place to control the spread of the disease, which is putting pressure on our social fabric and feeling of community connectedness.

Studies have documented employment (for example, Kesar et al. 2020<sup>1</sup>) and income/consumption losses (Bertrand, Krishnan and Schofield 2020<sup>2</sup>) in India – including differentiated impacts by demographic groups (for example, Deshpande 2020<sup>3</sup>) – due to the severe lockdown that began on 24 March 2020 but eased from June 2020 onwards. However, in the developing country context, particularly India, there is virtually no data on the psychological impacts of the pandemic.<sup>4</sup>

This study aims to provide direct evidence on how India is potentially dealing with these various challenges, especially in case of vulnerable segments of the population in overcrowded, urban centres. In particular, the study seeks to address the following questions:

- **What is the immediate and near-term impact of the COVID-19 crisis on the livelihoods of urban informal sector workers in India? How are the different (pre-COVID) occupation groups affected?**
- **What are the effects of the pandemic on the mental health of these vulnerable groups?**
- **Are there gender differences in the impact of the COVID-19 crisis?**
- **Do social networks play a role, in times of social distancing?**

The data come from two rounds of surveys. The first round was conducted in May 2019 with over 1,600 women and their husbands living in households in urban clusters of Delhi.

---

1. Kesar, Surbhi, Rosa Abraham, Rahul Lahoti, Paaritosh Nath, and Amit Basole. “Pandemic, informality, and vulnerability: Impact of COVID-19 on livelihoods in India.” CSE Working Paper, 2020.2.

2. Bertrand, Marianne, Kaushik Krishnan, and Heather Schofield. “How are Indian households coping under the Covid-19 Lockdown? 8 key findings.” Chicago Booth, <https://www.chicagobooth.edu/research/rustandy/blog/2020/how-are-indian-households-coping-under-the-covid19-lockdown>, 2020, May 11.

3. Deshpande, Ashwini. “The COVID-19 Pandemic and Gendered Division of Paid and Unpaid Work: Evidence from India.” IZA Discussion Paper 13815, 2020.

4. See report by YourDOST (2020) titled “Mental Health Implications of the COVID-19 Pandemic & Nationwide Lockdown in India”, as an exception.

The second round was a follow-up phone survey just around the peak of the COVID-19 health crisis, conducted in April and May 2020. Self-reported employment data were collected in both rounds, while mental health data were collected only in the post-pandemic round. Since most women in the sample do not own a personal phone, the main respondent in the phone survey was the husband for all questions, but the wives were also separately asked about their mental health. This provides matched husband-wife data for mental health outcomes, which gives a unique insight into the gendered experience of the crisis.

In the pre-pandemic individual survey, all the respondents were asked to name two friends/close relatives to whom they could reach out in case of hypothetical situations such as if they needed to rush to the hospital/doctor. This baseline information was used to construct the social network measure used in the analysis.

*“Evidence on the extent of economic losses, mental health impact, and how the effects vary by gender – can contribute to our understanding of the processes needed for response, recovery, and building resilience.”*

## Policy motivation for research

The COVID-19 pandemic has had a massive, negative impact on economies and labour markets across the world due to shutdowns and social distancing measures. As a consequence of the stringent, nationwide lockdown in India, the impact on economic activity was catastrophic and the country entered a recession. India’s Gross Domestic Product (GDP) contracted by 23.9% in the first quarter (April-June) and 7.5% in the second quarter (July-September) of the 2020-21 fiscal year, as opposed to 5% growth in the GDP in 2019-20.<sup>3</sup> Thus the effects of the shutdown on the economy persist and are likely to have longer-term implications for employment and wage earnings of the labour force in India.

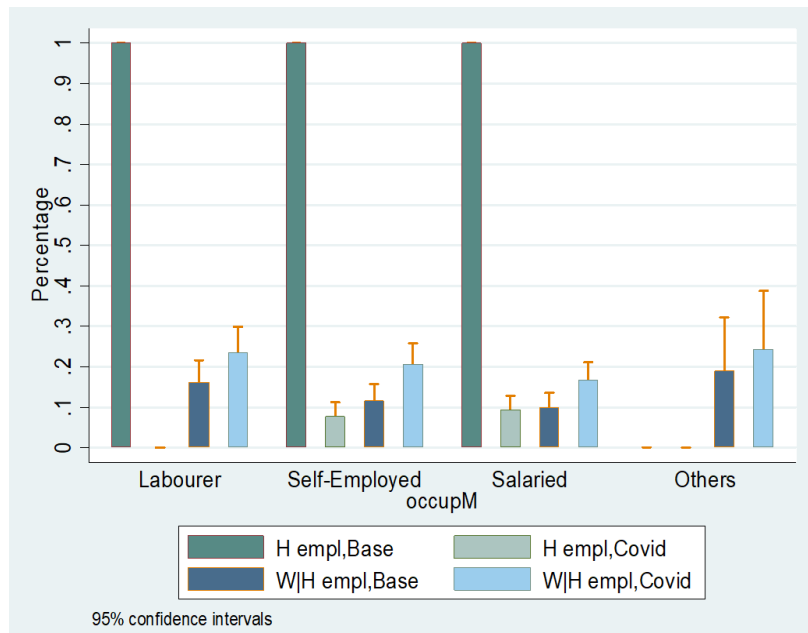
Evidence on the extent of economic losses, mental health impact, and how the effects vary by gender – can contribute to our understanding of the processes needed for response, recovery, and building resilience against such devastating and widespread shock among vulnerable groups more broadly.

---

5. <https://economictimes.indiatimes.com/news/economy/indicators/india-q2-gdp-live-news-november-27/liveblog/79439880.cms>

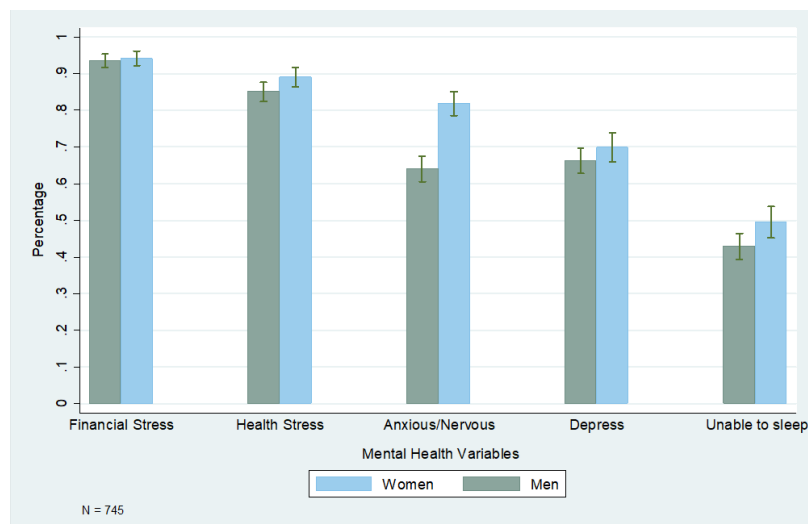
Key research questions	Summary of the key findings
Impact of COVID-19 on livelihoods	<ul style="list-style-type: none"> <li>Men's (self-reported) employment declined by 84 percentage points (pp) post-pandemic – mainly driven by wage and casual workers (94 pp reduction), followed by self-employed and salaried workers. These numbers are interpreted as reflecting both temporary and permanent loss of work.</li> <li>In contrast, women (wives) did not experience any significant change in employment – as reported by husbands post-pandemic. This is consistent with emerging COVID-19 literature that overall, men's employment has been more impacted than women's employment.. (See Figure 1 below)</li> </ul>
Mental health effects	<ul style="list-style-type: none"> <li>Overall, the study finds very high levels of mental stress due to the pandemic, driven largely by financial (90%) and health (85%) concerns.</li> <li>Women report 0.06 standard deviations greater mental stress as compared to men, despite facing fewer job losses. A plausible explanation may be the greater social pressures exerted on women at home, at a time when their spouses are also at home during the crisis situation. (See Figure 2 below)</li> </ul>
Role of social networks	<ul style="list-style-type: none"> <li>Men with large social networks – as measured by total number of friends – report 0.059 standard deviations lower mental stress vis-à-vis those without. However, this pattern is reversed for women: those with larger social networks report, on average, 0.039 standard deviation higher mental stress than those without.</li> <li>This effect can be explained by the home-based nature of wives' social networks, and the loss of support of such friends due to social distancing during the lockdown. The finding is also consistent with sociological literature that documents the perverse effects of social networks of women who may feel compelled to expend scarce mental resources in helping friends or spread anxiety among each other.</li> </ul>

**Figure 1: Employment status during COVID-19, by gender and pre-COVID occupation**



Notes: This figure illustrates employment status before and during the pandemic, by gender and pre-pandemic (baseline) occupation. “H emp, Base” denotes husband’s self-reported employment status pre-pandemic (baseline); “H emp, Covid” denotes husband’s self-reported employment status post-pandemic (follow-up survey); “W(H) emp, Base” denotes wife’s employment status as reported by husband pre-pandemic (baseline); “W(H) emp, Covid” denotes wife’s employment status as reported by husband post-pandemic (follow-up survey).

**Figure 2: Mental health outcomes, by gender**



Notes: This figure shows the participants’ responses to the different questions pertaining to mental health in the survey conducted in April-May 2020, by gender. The sample sizes for women and men are 529 and 741, respectively. The reference period for all respondents was from 25 March until the date of survey.

## Policy recommendations

- **Need for a large injection of public spending and transfer:** The emerging picture is disturbing and underlines the need for a large injection of public spending and transfers – both in cash as well as in-kind – to address this social and economic crisis as the country goes into recovery mode. The study notes widespread loss of livelihoods among the participants during the survey period, and it is not clear how social distancing norms and conditions of economic recession will continue to affect their ability to earn in the future. The long-term impact on urban employment and earnings will depend to a large extent on government measures to kick-start businesses and manufacturing in the private sector.
- **Relatively low levels of health shocks, high levels of financial hardship, and mental distress:** The findings suggest relatively low rates of health shocks but high levels of financial hardship and psychological distress, which are likely to persist even as restrictions on social and economic activities ease. Between health and economic well-being, the survey suggests that the latter figures more prominently among the concerns of the urban poor. Alleviation of the financial hardships faced by these households through substantive public transfers today are necessary to prevent continued economic and mental stress in the longer term.
- **Poor mental health can potentially impact worker productivity:** The numbers indicate that as the shutdown in social and economic activity stretches out, mental health is likely to deteriorate. This is a deeply neglected aspect of the ongoing pandemic that ought to be addressed since it can have repercussions on productivity of workers and may worsen if economic distress continues or gets exacerbated.
- **Addressing gender-differential impacts:** It is seen that urban, poor women are experiencing greater mental stress during the current crisis, as compared to their husbands. Besides, the shock to earnings is likely to increase the economic burden of the women in the household in the longer term as well. Hence, it is crucial that the response to the crisis incorporates these gender dimensions. There should be more policy focus on creating opportunities for women's productive employment. For example, Jean Drèze proposed an urban employment scheme called DUET (Decentralised Urban Employment and Training), which has been widely discussed among economists and practitioners. In a recent variant of the DUET proposal, Drèze has suggested giving absolute priority to women. In rural areas, MNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) is an important avenue for providing work to women. Afridi et al. (2021) show that MNREGA cushioned job losses in rural India during the pandemic – particularly for women who were less mobile and less skilled.