Urban Labour Markets during Covid-19 in India

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International Growth Centre

Livelihood Crisis from Covid-19

•COVID-19 is expected to push 119 to 124 million people into extreme poverty, concentrated in urban areas.

•South Asia is expected to account for 60% of the new poor living below \$1.90 a day. (World Bank 2020)

•Urban workers have been pushed into unemployment, with a 12-13pp yoy increase in unemployment rates. (PLFS 2020)

•Labour market policies have been activated in a number of countries.

COVID-19-induced new poor in 2020, using various growth vintages



Statement 5: Unemployment Ra	Statement 5: Unemployment Rate (in per cent) in current weekly status in urban			
areas				
			all-India	
survey period	male*	female	person"	
(1)	. (2)	(3)	(4)	
	age: 15-29 yea	ars		
April – June 2019	20.1	27.4	21.6	
July - September 2019	19.6	24.1	20.6	
October - December 2019	17.8	23.7	19.2	
January – March 2020	20.2	24.2	21.1	
April – June 2020	34.3	36.0	34.7	
	age: 15 years and	above		
April – June 2019	8.2	11.3	8.8	
July - September 2019	8.0	9.7	8.3	
October - December 2019	7.3	9.8	7.8	
January – March 2020	8.6	10.6	9.1	
April – June 2020	20.7	21.1	20.8	
	age: all age	es		
April – June 2019	8.3	11.3	8.9	
July - September 2019	8.0	9.7	8.4	
October - December 2019	7.3	9.8	7.9	
January – March 2020	8.7	10.5	9.1	
April – June 2020	20.8	21.2	20.9	
\$: includes Transgender				

Labour Market Survey in Low-Income Urban Areas

- LSE-CEP Survey of Alternative Work Arrangements (2018, 2020, 2021) is designed to study informal work arrangements and active labour market policies (Boeri, Giupponi, Krueger, Machin 2020).
- Focus on **young workers** (18-40 years) from low-income states 150 urban clusters of *Bihar, Jharkhand, Uttar Pradesh,* who are most at risk of scarring effects from long-term unemployment (Machin and Manning 1999).
- First Wave
 - from 14th May 2020 to 8th July 2020
 - random sample of 35 individuals per ward cluster, who were employed before C19

\rightarrow More than 5,500 individuals.

- Second Wave, together with IGC-India,
 - from 21st January 2021 to 18th March 2021.
 - 60% of Wave 1 recontacted + boost sample of over 30 individuals per ward cluster who lost their jobs due to the pandemic for policy relevance.
 - \rightarrow More than 4,500 individuals.

Ten Months On From the First National Lockdown

Recontact Sample: Employed before C19	April to June 2020	J Ⅳ	anuary to Iarch 2021
	All	All	Below median pre-Covid earnings and 18-25
Out of work last week	0.20	0.08	0.11
Zero hours last week	0.09	0.08	0.11
Not paid	0.70	0.29	0.32
No work/Zero hours/ Not paid	0.81	0.40	0.47
Sample Size	3201	3201	542

Out of work and zero hours last week refer to work in the week preceding the survey in each column. Not paid refers to April 2020 in the April to June 2020 column and to months between January to March 2021 of the survey in the January to March 2021 columns.

- Recontact Sample: Improvement since April-June 2020 when 81% lost work or pay but 40% of them still had no work or no pay in January-March 2021 before the second wave of C19.
- Recontact Sample: On average, employed individuals are working *fewer hours than usual* and the rate of working regularly over the year has *dropped*.
- Recontact + Boost Sample: On average, unemployed individuals had been looking for work for the last 6 months in 2021.

Demand for Active Labour Market Policies

Prefer job guarantee over a cash transfer0.870.81transfers, <1% choose each of wage subsidies or other hiring incentives.Why, if prefer job guarantee? Job guarantee will directly address the lack of work or directly address livelihood insecurity0.860.8685% of those choosing job guarantee over cash transfers prefer the government, even if there are delays0.030.1085% of those choosing job guarantee over cash transfers prefer the government over private companies or job contractors as employers.People need work in their areas0.050.020.0240% say they know the minimum wage levels in their states and 54% of them think the minima are too low.Prefer cash transfer? Cash transfers are more flexible0.430.0950% would like to be members of a trade union or an employee organization (were it available to them).Job guarantee work is too rationed Cash transfers will enable people to do or look for better work0.080.040.04	ontact and Boost Samples	Employed	Unemployed	 Out of more policy options, 82% prefer job guarantees 16% cash
Job guarantee will directly address the lack of work or directly address livelihood insecurity0.860.8685% of those choosing job guarantee over cash transfers prefer the government, even if there are delays0.030.1085% of those choosing job guarantee over cash transfers prefer the government over private companies or job contractors as employers.People need work in their areas0.050.02or job contractors as employers.People need more days of work0.040.0240% say they know the minimum wage levels in their states and 54% or them think the minima are too low.Prefer cash transfer over a job guarantee0.430.0950% would like to be members of a trade union or an employee organization (were it available to them).Why, if prefer work0.080.040.04	er job guarantee over a cash transfer , if prefer job guarantee?	0.87	0.81	transfers, <1% choose each of wage subsidies or other hiring incentives.
Workers are sure to get paid from the government, even if there are delays0.030.10government over private companies or job contractors as employers.People need work in their areas0.050.02or job contractors as employers.People need more days of work0.040.0240% say they know the minimum wage levels in their states and 54% 	bb guarantee will directly address the lack of ork or directly address livelihood insecurity	0.86	0.86	 85% of those choosing job guarantees over cash transfers prefer the
People need work in their areas0.050.02or job contractors as employers.People need more days of work0.040.0240% say they know the minimum wage levels in their states and 54% them think the minima are too low.Prefer cash transfer over a job guarantee0.130.19• 40% say they know the minimum wage levels in their states and 54% them think the minima are too low.Why, if prefer cash transfer? Cash transfers are more flexible0.430.09• 50% would like to be members of a trade union or an employee 	Vorkers are sure to get paid from the overnment, even if there are delays	0.03	0.10	government over private companies
People need more days of work0.040.0240% say they know the minimum wage levels in their states and 54% them think the minima are too low.Prefer cash transfer over a job guarantee0.130.1940% say they know the minimum wage levels in their states and 54% 	eople need work in their areas	0.05	0.02	or job contractors as employers.
Prefer cash transfer over a job guarantee0.130.19Wage levels in their states and 54% them think the minima are too low.Why, if prefer cash transfer?0.430.09them think the minima are too low.Cash transfers are more flexible0.430.0950% would like to be members of a trade union or an employee organization (were it available to them).Wages under job guarantees are run by job contractors0.060.200.020Job guarantee work is too rationed0.110.12organization (were it available to them).Cash transfers will enable people to do or look for better work0.080.04organization 1% have government	eople need more days of work	0.04	0.02	• 40% say they know the minimum
Cash transfers are more flexible0.430.09Wages under job guarantees are too low0.070.30Job guarantees are run by job contractors0.060.20Job guarantee work is too rationed0.110.12Cash transfers will enable people to do or look0.080.04for better work0.080.04	er cash transfer over a job guarantee /, if prefer cash transfer?	0.13	0.19	them think the minima are too low.
Wages under job guarantees are too low0.070.30Job guarantees are run by job contractors0.060.20Job guarantee work is too rationed0.110.12Cash transfers will enable people to do or look0.080.04for better work0.080.04	ash transfers are more flexible	0.43	0.09	• 50% would like to be members of a
Job guarantees are run by job contractors0.060.200.110.12Job guarantee work is too rationed0.110.12organization (were it available to them).Cash transfers will enable people to do or look0.080.04• Less than 1% have government	Vages under job guarantees are too low	0.07	0.30	+rada union ar an amplayoa
Job guarantee work is too rationed0.110.12Organization (Were it available to them).Cash transfers will enable people to do or look0.080.04them).for better work0.080.04• Less than 1% have government	ob guarantees are run by job contractors	0.06	0.20	trade union of an employee
for better work 0.08 0.04 • Less than 1% have government	ob guarantee work is too rationed ash transfers will enable people to do or look	0.11	0.12	them).
	or better work	0.08	0.04	 Less than 1% have government
Sample Size 2962 1801 benefits accounts (EPFO/ESIC).	ple Size	2962	1801	benefits accounts (EPFO/ESIC).

Stated Choice Experiment for Job Guarantees

- Job A and Job B are identical in all respects, except the profile of wage and number of days guaranteed.
- Job A wage is the Usual Wage of the worker in Pre-Covid job.
- Job B wage is (1- Markdown/100) × Usual Wage, where the Markdown on wages is *randomly generated* from integer values between 0 to 40.



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Q26.

Assume that for one reason or another you are looking for a new job. You soon receive two job offers and must decide which one to choose. The jobs are identical in every way except for the features which are emphasized.

Which job do you prefer: A or B?

Job A: The daily wage is Rs **300** and you are **not** guaranteed any set number of work days per year, but it will be dependent on your employer's requirements. Job B: The daily wage is Rs **240** and you are guaranteed at least **100** days of work per year, though you may be given more work days depending on your employer's requirements.

Job A	Job B
\bigcirc	\bigcirc

100%

Willingness to Pay for a Job Guarantee

Proportion of Workers Who Prefer a Job Guarantee



- The median willingness to pay for a job guarantee of a 100 days is 25 percent of usual wages, which amounts to Rs 81 daily.
- Based on 2512 workers without a job guarantee in their pre-Covid job.
- Direct survey questions reveal 76.8% of workers without a job guarantee say they would like a guarantee of at least 100 days of work in the year.
- The pandemic has made over 1/3rd of workers more likely to want a job with a guarantee of a 100 days of work in the year.
- Median WTP is from a logistic regression of whether an individual chooses the job guarantee on the randomly allocated wage markdown.
- WTP is the ratio of the estimated constant term (0.758 with standard error 0.064) to the coefficient on the wage markdown (0.030 with standard error 0.003).

Employment and earnings losses were smaller for workers who had a job guarantee in their pre-Covid jobs

Original Sample	All	Job	No Job	Gap
April to June 2020		Guarantee	Guarantee	(Standard Error)
	(1)	(2)	(3)	(4) = (3)-(2)
A. Employment				
Job loss	0.236	0.208	0.242	- 0.034 (0.019)
Zero hours	0.094	0.043	0.105	-0.062 (0.011)
Not working	0.330	0.251	0.347	- 0.095 (0.021)
B. Earnings, All				
Monthly earnings, pre-lockdown	7954	7392	8074	-682 (247)
Monthly earnings, lockdown	1206	1844	1070	774 (182)
Percent earnings loss	85	75	87	
Sample size	3045	533	2512	3045

Conclusion

- Which, if any, active labour market policies do urban individuals want?
 - Pandemic-hit individuals have a demand for active labour market policies such as *job guarantees, cash transfers, minimum wages and unionisation*.
 - There is a sizable willingness to pay for a job guarantee among workers who did not have one before the crisis.
 - The big labour market losses that resulted from the crisis were substantially smaller for workers who had a job guarantee before the crisis.
- After the lives crisis from the second wave of the pandemic, active labour market policies could help prevent a lost generation of young individuals from a trajectory of long-term unemployment.

India plans extending NREGA, the world's biggest jobs programme, to cities

An urban version of the MGNREGA will soften the blow on citizens most affected by the coronavirus fallout, which has set India on course for its deepest contraction in history.



Economic Affairs Secretary Tarun Bajaj earlier spoke of the programme in an interview to Business Standard newspaper, raising expectation of a fiscal boost after a previously announced Rs 21 trillion support package fell short in terms of actual budget outgo. (Indian Express, 2nd Sep 2020)

Who has a job guarantee?

	All	Informal	Employee
All	0.175	0.159	0.223
Aged<25	0 191	0 180	0.216
Aged>25	0.165	0.148	0.228
Female	0.195	0.191	0.201
Male	0.168	0.147	0.235
Education≤10 th standard	0.162	0.151	0.226
Education>10 th standard	0.208	0.195	0.221
Lockdown zone	0.195	0.171	0.262
No lockdown zone	0.132	0.133	0.129
Able to work at home	0.273	0.273	0.274
Unable to work at home	0.167	0.151	0.216
Sample size	3045	2268	777

Reasons given for not wanting a job guarantee

	All	Informal	Employee
Do not need it	0.564	0.607	0.564
Domestic commitments	0.241	0.244	0.235
Want to do other types of work	0.164	0.160	0.173
Student	0.046	0.022	0.101
Ill or disabled	0.017	0.017	0.017
Sample size	584	405	179

Employment Losses from C19 $\Delta Y_{i1} = \alpha + \beta G_{i0} + \sum_{d=1}^{D} \gamma_d D_{di0} + \sum_{l=1}^{L} \gamma_l L_{li0} + \varepsilon_{i1}$

			Pr[Employ	ment Loss]		
	Job	loss	Zero	hours	Not w	orking
	(1)	(2)	(3)	(4)	(5)	(6)
Job guarantee	-0.050 (0.019)	-0.050 (0.019)	-0.066 (0.011)	-0.061 (0.011)	-0.116 (0.021)	-0.111 (0.021)
Age	-0.002 (0.001)	-0.002 (0.001)	-0.002 (0.001)	-0.002 (0.001)	-0.004 (0.001)	-0.004 (0.001)
Female	0.009 (0.017)	0.011 (0.017)	-0.003 (0.012)	0.000 (0.012)	0.007 (0.019)	0.012 (0.019)
Education≤10 th standard	-0.070 (0.019)	-0.072 (0.019)	0.008 (0.013)	0.003 (0.014)	-0.062 (0.021)	-0.070 (0.021)
Informal	-0.013 (0.019)	-0.016 (0.019)	-0.070 (0.015)	-0.071 (0.015)	-0.083 (0.022)	-0.087 (0.021)
Lockdown zone		0.051 (0.016)		-0.026 (0.012)		0.025 (0.018)
Can work from home		-0.099 (0.025)		-0.053 (0.015)		-0.152 (0.028)
City and state fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Sample size	3045	3045	3045	3045	3045	3045

Earning Losses from C19 $\Delta Y_{i1} = \alpha + \beta G_{i0} + \sum_{d=1}^{D} \gamma_d D_{di0} + \sum_{l=1}^{L} \gamma_l L_{li0} + \varepsilon_{i1}$

			Earnings	Loss (Rs)		
	All Working Paid				aid	
	(7)	(8)	(9)	(10)	(11)	(12)
Job guarantee	-984 (193)	-929 (192)	-1120 (250)	-1029 (251)	-442 (454)	-523 (435)
Age	-1 (10)	-1 (10)	2 (13)	3 (13)	61 (33)	64 (34)
Female	-125 (232)	-50 (225)	7 (290)	46 (284)	-610 (339)	-673 (347)
Education≤10 th standard	126 (163)	13 (165)	200 (238)	37 (241)	784 (518)	693 (559)
Informal	686 (197)	618 (191)	1146 (302)	997 (292)	1665 (546)	1570 (498)
Pre-lockdown earnings	0.739 (0.087)	0.739 (0.085)	0.648 (0.120)	0.651 (0.117)	0.165 (0.083)	0.166 (0.083)
Lockdown zone		687 (154)		776 (199)		144 (374)
Can work from home		-2544 (412)		-2839 (474)		-701 (630)
City and state fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Sample size	3045	3045	2040	2040	489	489

Employment and Earning Losses from C19: Robustness with Industry and Firm Size FE

	Pr[Employment Loss]					
	Job loss Zero hours Not working				orking	
	(1)	(2)	(3)	(4)	(5)	(6)
Job guarantee	-0.044 (0.020)	-0.040 (0.020)	-0.082 (0.012)	-0.077 (0.012)	-0.123 (0.022)	-0.117 (0.022)
Age	-0.002 (0.001)	-0.002 (0.001)	-0.002 (0.001)	-0.002 (0.001)	-0.004 (0.001)	-0.004 (0.001)
Female	-0.018 (0.018)	-0.018 (0.018)	-0.001 (0.012)	0.001 (0.012)	-0.018 (0.020)	-0.017 (0.020)
Education≤10 th standard	-0.039 (0.020)	-0.046 (0.021)	0.004 (0.014)	0.000 (0.014)	-0.035 (0.022)	-0.041 (0.022)
Informal	-0.003 (0.023)	-0.006 (0.023)	-0.042 (0.018)	-0.043 (0.018)	-0.045 (0.026)	-0.049 (0.026)
Lockdown zone		0.050 (0.017)		-0.022 (0.012)		0.028 (0.018)
Can work from home		-0.111 (0.026)		-0.043 (0.015)		-0.154 (0.029)
Sample size	3045	3045	3045	3045	3045	3045
			Earnings	Loss (Rs)		
	All		Working		Paid	
	(7)	(8)	(9)	(10)	(11)	(12)
Job guarantee	-975 (200)	-914 (202)	-1214 (262)	-1001 (267)	-829 (510)	-870 (499)
Age	5 (10)	5 (10)	12 (13)	10 (13)	59 (31)	63 (31)
Female	248 (221)	255 (219)	489 (288)	443 (287)	51 (377)	3 (388)
Education≤10 th standard	51 (170)	-28 (171)	77 (250)	-29 (250)	508 (519)	442 (530)
Informal	355 (215)	296 (211)	813 (314)	719 (306)	2194 (827)	2111 (793)
Pre-lockdown earnings	0.739 (0.090)	0.741 (0.088)	0.646 (0.124)	0.680 (0.199)	0.170 (0.083)	0.169 (0.083)
Lockdown zone		658 (155)		648 (121)		-10 (394)
Can work from home		-2416 (412)		-2681 (121)		-574 (598)
Sample size	3045	3045	2040	2040	4894	489

Demand for a		Choice Exper	iment	Would I Guara	like Job Intee	More Likely Guarantee	to Want Job Due to C19
job guarantee	-	Median WTP, Proportion of Daily Wage	Median WTP, Daily Rs	Proportion	Gap (Standard Error)	Proportion	Gap (Standard Error)
Direct survey questions reveal 76.8% of workers		(1)	(2)	(3)	(4)	(5)	(6)
without a job guarantee say they would like a	All	0.255 (0.014)	81	0.768		0.369	
guarantee of at least 100	Age≤25	0.302 (0.031)	93	0.782	0.023	0.376	0.012
days of work in the year.	Age>25	0.234 (0.015)	76	0.759	(0.017)	0.364	(0.020)
The pandomic has made	Female	0.354 (0.046)	86	0.798	0.042	0.444	0.104
aver 1/2rd of workers	Male	0.229 (0.014)	79	0.756	(0.018)	0.340	(0.022)
more likely to want a job	Education≤10 th standard	0.257 (0.015)	78	0.790	0.082	0.393	0.000
with a guarantee of a	Education>10 th standard	0.250 (0.036)	90	0.707	0.083 (0.020)	0.304	(0.021)
100 days of work in the	Informal	0.247 (0.014)	75	0.788	0.084	0.405	0.152
year.	Employee	0.297 (0.042)	109	0.704	(0.021)	0.253	(0.021)

Randomisation Tests for Choice Experiment

	p-value of F-statistic testing joint significance of wage gap dummy variables
Age≤25	0.53
Female	0.05
Education≤10 th standard	0.16
Informal	0.38
Big city	0.30
Bihar	0.65
Jharkhand	0.77
Uttar Pradesh	0.61
Sample size	2512