

**Pandemic and Job-loss in the Urban Areas:
Broad Patterns, Correlates and Lessons for Employment Planning**

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Abstract

This paper examines the impact of nation-wide lockdown on the urban labour market in India and tries to explore as to why the outcomes varied inter-spatially. The fall in the work participation rate and the rise in the unemployment rate show wide variations across states. A number of factors influenced the interspatial difference in difference in the participation and unemployment rates between the pre-lockdown and the lockdown quarters. While both poor and non-poor have been affected by the rise in unemployment subsequent to the lockdown, aggravation of poverty seems to have taken place. States with both relatively higher and lower incidence of poverty seem to have witnessed a rise in poverty due to an increase in the unemployment rate. Further, women in particular, suffered more even in the regions which are highly urbanised and growth-centric. Regions which are relatively more industrialised drew more migrants from the rural areas; hence, the lockdown must have added to their misery, causing interspatial variations in the fall in the participation and the rise in the unemployment rates. The underemployment, especially among the self-employed workers, shot up abnormally. The casual labour and the self-employed workers faced the brunt though some of the temporary workers in the category of regular wage employment could not have escaped the loss of livelihood. Finally, the paper offers certain policy insights.

Keywords: labour, employment, casual, poverty

1. Introduction

Even during the pre-COVID years livelihood problems have been serious in India as the agriculture has not been in a position to absorb any additional labour, while the non-agriculture activities either in the rural or urban areas, have not been preamble to gainful opportunities on a large scale, particularly for the unskilled and semi-skilled variety of workers. In the urban context sluggish industrialisation in many parts of the country associated with the adoption of capital-intensive technology reduced the pace of industrialisation of workforce. The services sector's share which shot up much before the per capita income rose to the comparable levels as per the historical experience of the present developed nations, involves a significant dualism in terms of a high productivity segment and a vast spectrum of residual jobs, overlapping with the urban informal economy. The lack of regular jobs to a sizeable proportion of the work force forced the casual labour market to become significant and the own account enterprises to emerge as a livelihood source of last resort. The casual job market encompasses a great degree of volatility as labour demand and supplies interact almost on a daily basis. On the other hand, the self-employed households are characterised by a gross deficiency of financial and tangible capital in relation to the availability of the human resource.

Livelihood diversification has been argued as an effective strategy for reducing the income risks and the consumption fluctuations. In other words, by shifting to different economic activities across seasons/months or taking recourse to multiple activities at a given point in time, household incomes can be augmented, and the probability of facing major decline in consumption and moving below the poverty line can actually be reduced. However, there are a number of inflexibility issues in relation to occupational mobility and income augmentation, due to the lack of capital, credit, information and skill. In the urban context the shortage of space and enforcement of regulations make diversification more difficult. Rural to urban migration is envisaged as a household strategy to mitigate the livelihood challenges. Given the rural-urban development disparity and particularly, the growth of large cities with concentration of economic activities and investment in a few centres, rural-urban migration is seen to have a strong large-city-bias. Hence, the large cities in general face greater problems relating to livelihood in spite of the fact that they have more opportunities than the small and medium sized towns. In the backdrop of all this the outbreak of COVID and lockdown aggravated the labour market outcomes, especially in the large urban spaces which also registered higher incidence of the disease (both positivity and mortality rates) due to heavy concentration of population and congestion.

The pandemic and the lockdown aggravated the strains in the labour market in a number of ways. This paper aims at highlighting some of these aspects and suggest new initiatives for inclusive growth to take place. The rest of the paper is structured as follows. Section 2 highlights the labour market changes that took place at the outset of the pandemic and the lockdown adopted consequently. Section 3 focuses on the association of these changes with certain macro and demographic variables and section 4 deals with the problems associated with self-employment. Finally, section 5 concludes with policy insights. The database for studying the urban labour market changes is drawn primarily from the quarterly survey results of the periodic labour force surveys (PLFS) conducted by the government of India.

2. Reflections from Quarterly Data of Periodic Labour Force Survey

An important indicator of labour market performance is labour force participation rate (LFPR) which is defined as the percentage of population in the labour force. Labour force according to current weekly status (CWS) in the periodic labour force survey (PLFS) is the number of persons either employed or unemployed on an average in a week of 7 days preceding the date of survey - in our analysis we consider only those who are at least 15 years. In the urban context the PLFS provides the quarterly estimates, which help us compare the figures across different quarters. LFPR as a labour market variable is expected to indicate stability unless one refers to a very long time series which may include the impact of socio-economic changes on LFPR. Quite consistent with this expectation we are not able to trace much variations in the male LFPR over the four quarters starting from April-June 2019 through January-March 2020 though in the case of females it rose from 19 per cent to almost 22 per cent over the quarters (Table 1). However, the quarter of April-June 2020 overlapping with the lockdown period, witnessed an almost 2 percentage points decline in the case of males and a little more than that in the case of females, taking the preceding quarter (January-March 2020) as the benchmark. The work force participation rate (WFPR), defined as the percentage of workers in the total population, on the other hand, recorded a massive decline of almost 10 percentage points in the case of males and 4 percentage points among the females. Since the decline in the LFPR was comparatively small indicating that many did not withdraw from the labour market in spite of the lockdown, the decline in the WFPR is reflected in a more than double increase in the unemployment rate. It may be clarified here that the way the WFPR and the unemployment rate are measured, not necessarily they would move in the opposite directions. LFPR and WFPR are calculated relative to the total population while the unemployment rate is estimated in relation to the total labour force. With a significant increase (or decrease) in the LFPR both WFPR and the unemployment rate can rise (or decline). Given these possibilities, the differences between the lockdown quarter and the pre-lockdown quarter estimates are indeed unique. As the economic activities were suddenly brought to a halt, WFPR declined and the unemployment rate rose unprecedentedly.

Table 1: Labour Force Participation Rate, Work Force Participation Rate and Unemployment rate (in per cent) in CWS in urban areas (age: 15 years and above)

LFPR	Male	Female	Person
April – June 2019	73.3	19.0	46.5
July – September 2019	73.9	20.3	47.3
October – December 2019	73.8	21.1	47.8
January – March 2020	73.7	21.9	48.1
April – June 2020	71.7	19.6	45.9
WFPR			

April – June 2019	67.3	16.9	42.4
July – September 2019	68.0	18.3	43.4
October – December 2019	68.4	19.0	44.1
January – March 2020	67.3	19.6	43.7
April – June 2020	56.9	15.5	36.4
Unemployment Rate			
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

Source: Quarterly Bulletin, Periodic Labour Force Survey (April-June 2020), Ministry of Statistics and Programme Implementation, National Statistical Office, Government of India.

The state specific differences in the LFPR are natural because the socio-economic factors vary significantly across space (Table 2). Particularly in the case of females who are not considered as the principal bread earners in a patriarchal society, the variability in the socio-economic conditions and consequently their impact on LFPR across regions is much wider than their male counterparts (Table 2). What is still more surprising is that the participation rates changed in a varying manner across states though there was a nation-wide lock down. In the other words, the coefficient of variation in the difference in the LFPR estimates between the pre-lockdown and the lockdown quarters is hugely greater than the coefficient of variation in the LFPR. Similarly, the extent of decline in the WFPR across states shows wider variability than the variations in the WFPR at a given point in time (Table 3), and more importantly, these changes in the case of females show greater variation than that for males though the range of fall in the male WFPR has been much bigger. For example, in Maharashtra, the male WFPR fell by almost 23 percentage points.

The unemployment rate changed at different pace across states (Table 4). The coefficient of variation in the extent of change in the male unemployment rate is even greater than that in the work participation rate. One pertinent question that arises here is why the extent of change in the WFPR or the unemployment rate has not been the same across states. The male and female unemployment rate in Maharashtra rose by more than 29 percentage points whereas in Himachal Pradesh the male unemployment rate increased by only 3 per centage points with almost no change in the female unemployment rate. Part of the explanation lies in the fact that states like Himachal Pradesh may not be the recipient of migrants from other states whereas Maharashtra is definitely the place of destination for many inter-state migrants. The

outmigrants from Himachal may have become unemployed in other states while the set of unemployed in Maharashtra comprises both migrants and natives.

Table 2: LFPR across States

State	MLFPR1	MLFPR2	MLFPRDIFF	FLFPR1	FLFPR2	FLFPRDIFF
Andhra Pradesh	73.6	73.8	0.2	26.9	22.9	-4
Assam	73.8	73.9	0.1	18.9	17.3	-1.6
Bihar	69	67.8	-1.2	8.7	8.3	-0.4
Chhattisgarh	77.3	71.1	-6.2	23.9	21.1	-2.8
Delhi	74.8	73	-1.8	16.9	14.6	-2.3
Gujarat	79.1	74.4	-4.7	19.2	17.7	-1.5
Haryana	74.6	73.1	-1.5	20.9	17.6	-3.3
Himachal Pradesh	76.5	73.4	-3.1	29.9	36.8	6.9
Jammu & Kashmir	73.1	73.5	0.4	27.7	25.7	-2
Jharkhand	72.9	70	-2.9	16	12.9	-3.1
Karnataka	72.2	71.1	-1.1	23.4	22.8	-0.6
Kerala	69.2	67.1	-2.1	26.8	22.4	-4.4
Madhya Pradesh	73.5	74.5	1	19.7	16.6	-3.1
Maharashtra	72.8	70	-2.8	24.7	21.7	-3
Odisha	73	69.9	-3.1	19.4	19.1	-0.3
Punjab	76.3	75.4	-0.9	21.9	18.9	-3
Rajasthan	73.4	68.9	-4.5	17.3	12.8	-4.5
Tamil Nadu	74	72.4	-1.6	30.8	27.5	-3.3
Telangana	71.8	75.3	3.5	27.4	25.2	-2.2
Uttarakhand	75.4	74.3	-1.1	17.9	16.3	-1.6
Uttar Pradesh	72.5	69.6	-2.9	11.8	11.7	-0.1
West Bengal	76	73.6	-2.4	25.2	21.6	-3.6
All-India	73.7	71.7	-2	21.9	19.6	-2.3
Coeff. of Variation	3.22	3.41	-119.59	26.35	31.59	-119.03

Note: LFPR1, LFPR2 and LFPRDIFF represent the estimates for January-March (2020), April-June (2020) and the difference between the two respectively. M and F stand for male and female.

Source: Same as Table 1

Table 3: WFPR across States

State	MWFPR1	MWFPR2	MWFPRDIFF	FWFPR1	FWFPR2	FWFPRDIFF
Andhra Pradesh	65.1	53.7	-11.4	22.8	17.9	-4.9
Assam	68.5	63.2	-5.3	15.3	13.7	-1.6
Bihar	62.3	59.1	-3.2	7.7	7.2	-0.5
Chhattisgarh	70.8	59.7	-11.1	21	17.6	-3.4

Delhi	65.2	60.2	-5	14.7	11.7	-3
Gujarat	76.4	67.4	-9	18.4	15.2	-3.2
Haryana	69.5	63.5	-6	19.3	15.2	-4.1
Himachal Pradesh	66.7	61.7	-5	26	32.2	6.2
Jammu & Kashmir	65.6	65.2	-0.4	17.5	15.9	-1.6
Jharkhand	64.1	46.6	-17.5	14.2	9.6	-4.6
Karnataka	69.3	63.7	-5.6	22.2	18	-4.2
Kerala	59.2	49.4	-9.8	21.4	15.8	-5.6
Madhya Pradesh	64.2	52.3	-11.9	17.4	12.6	-4.8
Maharashtra	68.7	45.5	-23.2	22.7	13.7	-9
Odisha	66.1	53.6	-12.5	15.9	15	-0.9
Punjab	70.3	65.7	-4.6	18.8	16.2	-2.6
Rajasthan	63.6	50.7	-12.9	15.7	11	-4.7
Tamil Nadu	68.1	59.3	-8.8	27.7	23.3	-4.4
Telangana	63.7	56.7	-7	23.5	18.1	-5.4
Uttarakhand	68.8	53.8	-15	15.9	12.6	-3.3
Uttar Pradesh	65.4	57.7	-7.7	10.7	10.1	-0.6
West Bengal	70.8	60.5	-10.3	23.4	19	-4.4
All-India	67.3	56.9	-10.4	19.6	15.5	-4.1
Coeff. of Variation	5.49	10.84	-55.71	25.99	33.47	-89.14

Note: WFPR1, WFPR2 and WFPRDIFF represent the estimates for January-March (2020), April- June (2020) and the difference between the two respectively. M and F stand for male and female.

Source: Same as Table 1

Table 4: Unemployment Rate across States

State	MUMP1	MUMP2	MUMPDIF	FUMP1	FUMP2	FUMPDIF
Andhra Pradesh	11.6	27.3	15.7	15.3	22	6.7
Assam	7.2	14.4	7.2	19.1	20.9	1.8
Bihar	9.8	12.7	2.9	12.1	14.2	2.1
Chhattisgarh	8.4	16.1	7.7	12.1	16.3	4.2
Delhi	12.9	17.5	4.6	13	20.4	7.4
Gujarat	3.4	9.4	6	4.2	14.4	10.2
Haryana	6.9	13.1	6.2	7.6	13.6	6
Himachal Pradesh	12.8	16	3.2	12.9	12.6	-0.3
Jammu & Kashmir	10.2	11.3	1.1	36.9	37.9	1
Jharkhand	12	33.5	21.5	11.3	25.5	14.2
Karnataka	4	10.4	6.4	5.2	21	15.8

Kerala	14.5	26.5	12	20.2	29.5	9.3
Madhya Pradesh	12.7	29.8	17.1	11.7	24.4	12.7
Maharashtra	5.6	35	29.4	8	37.2	29.2
Odisha	9.4	23.3	13.9	18.2	21.5	3.3
Punjab	8	12.8	4.8	14.3	14.3	0
Rajasthan	13.4	26.4	13	9.4	14.2	4.8
Tamil Nadu	8	18.2	10.2	9.9	15.3	5.4
Telangana	11.4	24.7	13.3	14.2	28.1	13.9
Uttarakhand	8.7	27.7	19	11.2	22.9	11.7
Uttar Pradesh	9.8	17.1	7.3	9	13.4	4.4
West Bengal	7	17.8	10.8	6.9	11.8	4.9
All-India	8.6	20.7	12.1	10.6	21.1	10.5
Coeff. of Variation	32.28	38.49	65.08	52.97	36.93	88.21

Note: UMP1, UMP2 and UMPIFF represent the estimates for January-March (2020), April-June (2020) and the difference between the two respectively. M and F stand for male and female.

Source: Same as Table 1

In order to explore further the issue of difference in difference between the inter-quarter unemployment rate we examine the cross-classification of states as per the level of urbanisation (2011) and the quarter-wise change in the unemployment rate between January-March 2020 and April-June 2020. Table 5 shows that there is a group of states with comparatively high levels of urbanisation and they are also the ones which witnessed very high magnitude of change in the quarterly unemployment rate in comparison to others. However, even with moderate levels of urbanisation states like Jharkhand, Odisha and Rajasthan experienced large changes in the unemployment rate. Similarly, some of the states with high levels of per capita income did undergo very high magnitude of increase in the unemployment rate though some other states with high levels of per capita income managed to have only a moderate rise in the unemployment rate (Table 6). From all this we may infer that lockdown had varying impact depending on the scale and nature of activities, in-migration of population and urbanisation level and also the variations in the pace at which lockdown was enforced at the ground level across states and unlocking was implemented thereafter. These broad inferences need greater probing which we have attempted in the next sub-section.

Table 5: Rise in Male Unemployment Rate and Urbanisation

Level of Urbanisation (%)	Rise in Unemployment Rate (% points)			
	Low (Up to 3)	Moderate (More than 3 to 7)	High (More than 7 to 10)	Very High (More than 10)

Low (15 %)	Bihar	Himachal Pradesh	Assam	
Moderate (>15 to 25 %)			Chhattisgarh Uttar Pradesh	Jharkhand, Odisha, Rajasthan Andhra Pradesh Kerala Madhya Pradesh Maharashtra Tamil Nadu Uttarakhand
High (>25 %)	Jammu and Kashmir	Delhi Gujarat Haryana Karnataka Punjab		West Bengal

Note: Urbanisation levels are taken from Population Census 2011.

Source: Author's calculation

Table 6: Growth (Per Capita Income) and Rise in Male Unemployment Rate

Per Capita Income (Rs)	Rise in Unemployment Rate (% points)			
	Low (Up to 3)	Moderate (More than 3 to 7)	High (More than 7 to 10)	Very High (More than 10)
Low (Up to 70 Thousand)	Bihar		Assam Uttar Pradesh	Jharkhand Madhya Pradesh
Moderate (More than 70 to 120 Thousand)	Jammu and Kashmir		Chhattisgarh	Odisha, Rajasthan West Bengal
High (More than 120 Thousand)		Himachal Pradesh Delhi Gujarat Haryana Karnataka Punjab		Andhra Pradesh Kerala Maharashtra Tamil Nadu Uttarakhand

Note: Gross state domestic product per capita figures are for the year 2018-19 at constant prices. <https://statisticstimes.com/economy/india/indian-states-gdp-per-capita.php>

Source: Author's calculation

3. Factor Analysis

In order to assess the inter-state differences in the difference in the rates between the quarters in a systematic way we have attempted factor analysis of the following variables: decline in the LFPR of males and females (MLFPRDIFF and FLFPRDIFF), decline in the WFPR (MWFPRDIFF and FWFPRDIFF), and rise in the unemployment rate in the April-June 2020 quarter over the January-March 2020 quarter among males and females (MUNEMDIFF and FUNEMDIFF), ratio of the share of the male workforce engaged in the secondary sector to that in the tertiary sector (SEC/TER), taken to represent the nature of economic structure, gross state domestic product per capita (GSDPC2018-19), level of urbanisation (URBAN), rural to urban male and female decadal migration rate (RUMIGM and RUMIGF), and the incidence of urban poverty (UPOV). Urbanisation and migration figures are from 2011 census and the poverty estimates are also backdated (NSS, 2011-12) as no information is available for the later years. If we presume that similar situation - particularly in terms of inter-state variations - prevailed with respect to migration, urbanisation and poverty even after ten years, then the current changes in the labour market indicators can be analysed to bring out greater insights.

Four factors turn out to be significant and we focus on the factor loadings after the factor matrix has been rotated by the varimax technique in order to delineate statistically independent factors. From factor 1 (Table 7) we note that the inter-quarter decline in the work force participation rate and the rise in the unemployment rate take high factor loadings. Both the variables at their face value are negatively associated implying that greater is the decline in the work participation rate, lower is the rise in the unemployment rate. However, this interpretation is wrong because the inter-quarter differences in the work force participation rate across states are mostly negative. So, considering the absolute difference, the correct analysis can be presented. This would mean that higher is the decline in the WFPR, greater is the increase in the unemployment rate. In the case of females, the decline in the LFPR also takes non-zero factor loadings, and since the differences are mostly negative, they indicating that some women withdrew from the labour market. On the other hand, in the case of males the decline in the LFPR is not significant, going by the magnitude of the factor loadings. In other words, though the decline in the LFPR and the decline in the WFPR occurred simultaneously in the case of females, suggesting that some of them withdrew from the labour market and some of them became unemployed, the males mostly lost jobs but did not withdraw from the labour market considerably. Strikingly, the factor loadings of urban poverty turn out to be positive, though low in magnitude. This suggests that the rise in the unemployment rate did aggravate the incidence of poverty while many non-poor households also experienced a rise in the unemployment rate subsequent to the lockdown.

From factor 2 we observe that growth and relative industrialisation measured in terms of the ratio of the share of secondary vis-à-vis services are moderately associated which encouraged rural-to-urban migration of both the sexes. The females in such regions seemed to have suffered less as the decline in the female LFPR and WFPR tend to fall (considering the negative figures) with industrialisation and growth. Further, from factor 3 it is evident that urbanisation and growth have strong overlaps, implying that states with higher levels of urbanisation also experienced higher magnitudes of growth possibly due to the agglomeration economies. This tends to encourage only the migration of males to some extent, reflecting on the gender bias involved in the economic growth process and also in the phenomenon of agglomeration economies benefitting the rural migrants. Further, women in such areas with high growth and

high levels of urbanisation seem to have suffered more during the lockdown as the inter-quarter rise in the female unemployment rate takes positive and non-zero factor loadings. Also, the labour force and work force participation rates of females in such areas declined more compared to the other areas while the males do not seem to have undergone similar patterns as the factor loadings are highly insignificant. The only silver lining is that the overall poverty in such areas with agglomeration economies and growth is lower in magnitude compared to the areas which lacked them. Another set of cluster can be identified from factor 4 where regions with higher migration rates from the rural areas witnessed lower decline in the LFPR and WFPR of women and the WFPR of men. As urbanisation is negatively associated with this phenomenon, relatively small urban settlements may be said to have experienced such patterns. On the other hand, the large urban settlements seem to have witnessed massive decline in the job losses.

On the whole, while both poor and non-poor have been affected by the rise in unemployment subsequent to the lockdown, aggravation of poverty seems to have taken place. States with both relatively higher and lower incidence of poverty seem to have witnessed a rise in poverty due to an increase in the unemployment rate. Further, women in particular, suffered more even in the regions which are highly urbanised and growth-centric. Regions which were relatively more industrialised drew more migrants from the rural areas; hence, the lock down must have added to their misery. However, regions with a dominant services sector caused greater vulnerability, particularly to the women workers.

Table 7: Results from Factor Analysis

Variables	Factor1	Factor2	Factor3	Factor4
GSDPPC	0.0047	0.3482	0.8895	-0.0150
MLFPRIFF	-0.0565	-0.1690	0.0247	-0.0353
FLFPRDIFF	-0.2700	0.4604	-0.1451	0.8243
MWFPRDIFF	-0.9459	-0.0971	0.0529	0.1379
FWFPRDIFF	-0.5851	0.3234	-0.2356	0.6531
MUNEMDIFF	0.9793	0.0379	-0.0533	-0.1555
FUNEMDIFF	0.8048	0.0032	0.2683	-0.0651
RUMIGM	0.0920	0.9011	0.1998	0.2826
RUMIGF	0.0349	0.9490	-0.0453	0.1744
URBAN	0.0513	-0.1579	0.9430	-0.1794
UPOV	0.0862	-0.0403	-0.3040	-0.0136
SEC/TER	-0.0609	0.2841	0.0342	-0.0596
Eigen Value	3.77495	2.89727	2.23738	1.21749
% EXPLAINED	0.3219	0.2471	0.1908	0.1038

N=22

Source: Author's calculation.

4. Nature of Employment and the Self-employed Households

Usually, the impression is that the casual labour market was affected to the greatest possible extent of severity. Based on the CMIE data Mitra and Singh (2020) pointed out that the negative association between the unemployment rate (average of April-May 2016-19) and the share of casual labour across states during the pre-COVID period was reversed to positive after the

implementation of the containment measures. This change shows that the states having larger share of casual labour are also the ones, which witnessed large increases in the unemployment after the measures were taken to contain Covid-19. However, regular wage employment does not necessarily mean that all employees in this category hold permanent positions. Many are temporary workers or long-term contract workers. Hence, collapse of economic activities leading to retrenchment could not have spared many of these employees even in the formal or organised sector. On the other hand, those who are self-employed usually suffer from disguised unemployment even under the normal circumstances. When there is no continuation of economic activity, they all appear to be working as many of the self-employed enterprises are supply-driven and engaged in a variety of residual activities with meagre earnings. Excess number of units and labour, low levels of productivity and the lack of bargaining power are some of the standard features of these enterprises. Even when they manufacture specialised products or operate as the sub-contracting units of the relatively large enterprises, incomes remain modest due to the role of the intermediaries who facilitate the business sub-contracting arrangements (Mitra and Pandey, 2015).

Turning to the operational components of the category of self-employed workers it is seen to include (a) own account workers, employers and (b) helpers in self-employed enterprises. However, the two groups do not add up to the total self-employed workers because some of them who had work in household enterprise but did not work due to sickness or other reasons are included in the category of self-employment. During the pre-COVID and pre-lockdown quarters the discrepancy was much less in the sense that the addition of (a) and (b) as mentioned above, narrowly fell short of the total self-employment (3 to 4 percentage points difference). Surprisingly, during the lockdown quarter (April-June 2020) the combination of own account workers, employers and helpers add up to around 25 per cent of the total male workers and 23 percent of the female workers in the urban areas though actually around 43 and 34 per cent of the male and female workers are said to be in the self-employment category. This huge discrepancy can be attributed to the fact that all self-employed workers were not working during this quarter. A very large number of them were employed for the namesake or were not thrown out of their jobs as they were not engaged by an employer from outside the household. But for all practical reasons, they were not engaged in any specific activity as the economy had shut down and there was no forward or backward chain operating during those months. On the whole, at least one third of those who reported to have been in this category of self-employment were without any economic activity. The self-employed workers, as mentioned above, are characterised by gross underemployment and low productivity even during the normal times; during the lockdown period their vulnerability increased further. Many of them remained idle and had little access to earnings. Since a large percentage of these enterprises operate within the informal economy, the possibility of skill formation is rather limited. Even if some of them migrated back to the rural areas during the lockdown, their participation in rural activities could not have been high due to the lack of occupational flexibility. Further, the variations in the nature of employment across states or in other words, the inter-spatial differences in the incidence of self-employed households would explain why the difference in difference in the work force participation and unemployment rates between the quarters have been strongly associated.

Table 8: Nature of Employment across Quarters

Male	own account worker, employer	helper in household enterprise	Self-employed	Regular wage	Casual
April – June 2019	34.0	3.9	38.7	48.0	13
July – September 2019	34.3	4.1	39.4	47.5	13.1
October – December 2019	34.0	4.0	39.0	48.0	13.1
January – March 2020	32.5	3.8	39.3	48.5	12.2
April – June 2020	22.3	2.8	42.9	50.4	6.7
Female					
April – June 2019	23.8	8.9	33.3	58.3	8.4
July – September 2019	23.9	9.1	34.0	57.4	8.6
October – December 2019	23.5	9.7	34.4	57.3	8.4
January – March 2020	22.9	9.8	34.8	57.5	7.7
April – June 2020	15.4	7.7	34.0	61.2	4.8

Note: In column 4, self-employed workers who had work in household enterprise but did not work due to sickness or other reasons are also included. Hence column 2 and column 3 do not add up to column 4.

Source: Same as Table 1

Some of the components, especially the household enterprises and home-based workers, within the informal sector, do bear close linkages with the formal sector. In such a situation if the formal sector is growing rapidly, the informal sector too would be expected to benefit through the backward and forward linkages. However, in reality many of these units are characterized in terms of low productivity and meagre earnings, explaining considerable overlaps with poverty. In large cities agglomeration economies work and they contribute to productivity growth as a result of which the real earnings in the large cities tend to be higher compared to the rural areas. Yet, urban poverty exists which may call for an explanation. As mentioned above, there are residual activities with almost no entry barriers and they often involve excess supplies of labour relative to demand. Similarly, there are self-employed households both in manufacturing and services, operating with inadequate resources, low level of technology, poor market information and with almost no product or process innovation. Upward mobility in such segments is rather difficult. The business outsourcing activities are carried out through intermediaries who deny a variety of benefits to the home-based workers and those who are engaged in the own account enterprises. Neither in terms of employment nor productivity and

earnings the units with a linkage with the formal sector are better-off in comparison to those who function independently (Goldar and Mitra, 2013).

In what way the vulnerability of the self-employed households can be reduced is an important question, particularly after the recent pandemic and the lockdown hit the urban sector drastically. What lessons can be drawn from other countries and what relative advantages these enterprises have, must be assessed thoroughly. The export potentiality and possibility of creating high value products through specialised skills and labour intensive methods need to be explored. Often it is seen that the self-employed workers pursue petty activities: even those in manufacturing activity are located at the lower end with no prospects for growth and expansion. Information regarding new products and credit and marketing assistance can always help them expand their business and capture a large market instead of serving the local market and the low income households only. The role of NGO in this regard is important as a great deal of engagement and guidance is essential for these workers to develop a new perspective.

5. Conclusion

The work participation rate fell drastically during the lockdown and the rise in the unemployment rate compared to the immediate past was unbelievably high. The most surprising part is that the fall in the work participation rate and the rise in the unemployment rate show wide variations across states. If the lockdown was nation-wide why such variations in outcomes were observed? A number of factors influenced the interspatial difference in difference in the participation and unemployment rates between the pre-lockdown and the lockdown quarters. While both poor and non-poor have been affected by the rise in unemployment subsequent to the lockdown, aggravation of poverty seems to have taken place. Depending upon the poverty profile that existed during the pre-lockdown period across states, outcomes must have varied inter-spatially. However, states with both relatively higher and lower incidence of poverty seem to have witnessed a rise in poverty due to an increase in the unemployment rate. Further, women in particular, suffered more even in the regions which are highly urbanised and growth-centric. Regions which are relatively more industrialised drew more migrants from the rural areas; hence, the lock down must have added to their misery, causing interspatial variations in the fall in the participation and the rise in the unemployment rates. Regions with an overwhelming services sector resulted in greater vulnerability, particularly to the women workers, compared to the industrialised areas. The underemployment, especially among the self-employed workers, shot up abnormally. The casual labour and the self-employed workers faced the brunt though some of the temporary workers in the category of regular wage employment could not have escaped the loss of livelihood.

Now, in the context of reviving the economy the urban informal economy must receive a great deal of planning and intervention. Given the heterogeneity within it, the recommendation of a uniform set of policy does not appear meaningful though a couple of strategies may sound logical. The role of the intermediaries (both the business and the labour contractors) will have to be regulated; else, in the name of flexibility the workers within the informal economy will remain deprived of the minimum benefits. The home-based workers and the own account enterprises in manufacturing activities, receiving work consignments through the business contractors, do not often receive the minimum entitlements of 'decent jobs'. The self-employed

workers in the trade and services activities are characterised by low productivity and meagre earnings with no opportunity for upward mobility. Excess supplies of labour are an endemic problem though there are many other constraints they face. There are irregularities and harassments regarding space on which the informal economy functions. Reservation of space is essential for controlling the rent seeking behaviour of the local authorities. Product innovation and process innovation will have to be encouraged with greater disbursement of loans and dissemination of information about the market so that the own account enterprises become economically viable and they engage themselves in profitable opportunities. In order to create livelihood opportunities, the short-term interventions in terms of employment guarantee programmes will have to be introduced in the urban context as it was done for the rural population decades back. This can also benefit the casual workers who are a vulnerable lot in the urban job market. With employment volatility and no job security their bargaining power is the weakest among all and the possibility of skill formation is almost nil. Training for improvisation of skill among the workers engaged in the informal economy is essential. Even many of the long-term contractual employees will be able to benefit in the process as on-the-job training or skill upgradation scope in their work sphere is dim. Further, the implementation of minimum earnings for the informal workers has been a difficult process which may be eased through the urban employment guarantee programmes.

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