

A 'lost generation' of young Indian workers urgently needs job opportunities

*A year after the pandemic hit India, urban individuals are facing work without pay and long spells of unemployment. **Swati Dhingra** and **Fjolla Kondirolli (LSE)** say a national-level commitment to provide job opportunities is needed prevent a lost generation of young workers.*

Across the world, urban areas are at the frontlines of the pandemic – and the livelihood crisis arising from it. Necessary responses to the pandemic have heightened the risks of immediate income shortfalls and the prospect of long-term unemployment for individuals who work in informal sectors in developing countries, where workers lack basic social protections. Young workers, who are over-represented in these sectors, are particularly at risk of long-term worklessness. This can have life-long scarring impacts on their employment and earning prospects as well as their mental health, and is [detrimental to the overall wellbeing of their communities](#).

India has a large informal workforce, and [our previous report](#) highlighted the way the pandemic ravaged urban livelihoods. Our first survey of a random sample of more than 8,500 workers in urban India aged 18-40 from May to July 2020 showed that unemployment increased dramatically in India under the first wave of COVID-19. We found 15.5 percent of workers lost their jobs and 21.7 percent worked zero hours during the survey months. Unlike many developed and some developing economies, 52 percent of urban workers went without work or pay and, on average, earnings fell by 48 percent in April and May 2020, compared to the pre-COVID months of January and February 2020. Financial assistance from the government or employers was available to less than a quarter of the workforce.

The World Bank has estimated that the pandemic [will push an additional 119 million to 124 million new people](#) into extreme poverty (living on less than \$1.90 a day) in 2020. South Asia is expected to account for 60 percent of the new poor, with a greater concentration in urban areas.

Our new report shows that even before the second wave (which started in February 2021 and is now starting to flatten out) the pandemic had pushed urban workers towards a trajectory of longer-term unemployment and livelihood loss. The new CEP survey interviewed more than 4,750 respondents between January and March 2021 in the three lower-income states of Bihar, Jharkhand and Uttar Pradesh, where urban livelihoods had been decimated by the first wave of the pandemic.



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While the economic situation improved by 2021, a stark new finding is that the longer-term livelihood impacts of the pandemic are already evident. This second survey recontacted over 3,000 of the respondents from the survey during the first wave of the pandemic. Forty percent of these individuals, who were all employed before the pandemic, had no work or no pay ten months on from the first wave lockdown in April-June 2020. 'No work' refers to lack of work in the week preceding the survey, and 'no pay' refers to lack of earnings in 2021. Some of them have even stopped looking for work. Younger lower-income individuals are doing worse, with a higher share (47 percent) having no work or no pay.

To focus on the unemployment crisis, the new survey expanded coverage to a door-to-door survey with a boost sample of more than 1,500 unemployed individuals who lost work since the pandemic (i.e. after January-February 2020). A second new finding from the phone survey and the door-to-door interviews is that urban unemployed individuals had been out of work for the last six months on average. It also found that the share of employed individuals who had over 40 weeks of work in the year dropped to a third from 85 percent in the previous year, and those who are working have seen an average reduction of six working hours per week.

With the second wave leading to further unemployment and an extended period of worklessness, urban unemployed individuals are getting close to being in the severe risk category for long-term unemployment (9-11 months) or actual long-term unemployment (12 months or more).

Social safety nets continue to be out of many people's reach. Only 12 individuals (out of 4,763) had an account with the Employees' State Insurance Corporation (ESIC) or the Employees' Provide Fund Organisation (EPFO), despite their expanded coverage to provide a safety net outside of formal employment. Urban individuals are keen on labour market institutions. Eighty-four percent of them would like an urban job guarantee in their areas, and a majority would like higher minimum wages.

The debate on urban job guarantees is far from over, and existing active labour market policies will need a substantial increase in scope to help alleviate the deep worklessness crisis that is unravelling (see, for example, [Jean Drèze's proposal for an urban work programme](#)).

As the country comes out of a second vicious wave of the pandemic, lives and livelihoods are again imperilled, and the economic hardship of already suffering workers has amplified. The second wave of the pandemic will make rebuilding livelihoods even harder, and the [lack of adequate social protection will continue to be a challenge](#).

Lockdowns are necessary to save lives. Following them up with active labour market policies is also imperative to save livelihoods in the aftermath. A national-level commitment to provide job opportunities would help prevent a lost generation of young workers from falling into long-term unemployment and the ills that accompany it.

This post represents the views of the authors and not those of the COVID-19 blog, nor LSE.