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Synthesis of the Impacts of Covid-19 on India's Labor Market

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Introduction

The new World Bank report 'Synthesis of the Impacts of Covid-19 on India's Labor Market' revealed the effects of the lockdown and its aftermath on the most vulnerable communities. Women, youth, and historically disadvantaged castes experienced the worst brunt of the economic shock induced by Covid 19. One of the primary reasons found was the vulnerable and informal nature of the pre-pandemic occupations of these communities. Large sample of developing countries showed that work stoppage, pay cuts and income loss were expected consequences and occurred at a disproportionately high rate among those with low education, informal jobs in urban areas, women, and youth. The report explores the evidences of the projected consequences.

Key Highlights

Women

- Women were more likely to lose their jobs and face more significant domestic burdens due to the pandemic.
- Women, non-college-educated, and urban workers suffered larger initial shocks in employment. They were also the communities that did not recover enough to close the gaps caused by initial disparities in losses.
- Women had alarmingly low employment rates even before the pandemic, a trend that continued post 2020 and was exacerbated for women with higher household burdens. - Women experienced a larger drop in employment during Covid than men 4 months after baseline, and the long-term drop in employment during Covid was also larger for women.

Youth

- The labor force participation rate for youth dropped by around 20 percent during the lockdowns relative to the same month in 2019 and remains below pre-pandemic levels. - Youth from disadvantaged backgrounds may be forced to enter the labor market. But this changes in households that are well off or enjoy better access to credit. There are higher chances of the youth from the latter to improve prospects of upward mobility through more schooling or unpaid work experience.
- Male youth experienced a larger negative shock on labor force participation during Covid compared to female youth. Considering that women were less likely than men to enter the labor force during the pre-Covid period, the extent to which Covid affected was smaller.

Caste

- The effect of the pandemic was not neutral along caste-lines. During the nation-wide lockdowns as well as the second wave, Scheduled Castes saw the highest spike in unemployment in levels and relative terms.
- The differential impacts of Covid-19 along caste lines are driven by the overrepresentation of marginalized castes in informal work.
- Casual-wage workers saw the largest drop in employment in the immediate aftermath of the pandemic.

Evidence from other countries were used in the report to understand Global South trends. Findings from Nigeria show that labor market impacts of the pandemic can persist even as aggregate employment numbers recover. Even though labour recovery was best seen amongst women and the

poor but the uptake of work in retail and trade jobs in nonfarm household enterprises shows a lack of secure earnings. Similarly in Vietnam, probability of having employment with a labor contract, is estimated to have declined as a result of the pandemic in second and third quarters of 2020.

Read More:

<https://documents1.worldbank.org/curated/en/099335003162316683/pdf/IDU0033327e00090c04ed90b88900e2290079692.pdf>

Author: Sohini Sengupta, PILOT at Pratham.