Cover Story

REWIND, RESET, AND DO NOT FORGET

The Iran war has again exposed the fault lines in India's political economy, as the pandemic did in 2020. Will the cost of the disaster again be borne by those who had no hand in its making? **ASHWINI DESHPANDE**

The haunting image from May 2020 of a young man breathing his last in his friend's lap as they sit on the side of a highway inspired the widely acclaimed and moving film *Homebound*. The two friends were among millions of workers who constitute India's circular migrants who were forced to move from the cities where they worked back to their native villages, as the COVID-19 induced sudden and complete lockdown closed factories and workspaces. Unable to survive in the city as their income stopped, workers had no choice but to return home, a decision that cost many their lives as they walked hundreds of kilometres on foot because of the complete absence of transportation.

The COVID-19 pandemic led to widespread distress and disruption, and a voluminous amount of analysis of the fault lines that were exposed during those brutal years. Recommendations about how the world order needed to be reset intensified, as the lockdown gave the world the bandwidth needed to pause and reflect



▶ **Women walk past** a deserted camp for migrant workers inside a ceramics tiles-manufacturing factory in Morbi, Gujarat, in March 2026. The factory has partially shut down amid the energy crisis and most of its workers have left. INDRANIL MUKHERJEE/AFP



A migrant worker prepares food on a wood-fired earthen stove at a rented shanty in New Delhi on April 9, 2026. Migrant workers have been hit the hardest by the war-induced energy crunch.
SAJJAD HUSSAIN/AFP

When an exogenous shock hits—a pandemic, a war, a sudden domestic policy misstep—the informal worker has no buffer. There are no savings to fall back on for households that live week to week.

on how the status quo was faulty and unsustainable and what needed to be fixed. While the "reset" recommendations were mostly confined to institutions in each country, the inequity in vaccine access, where richer countries of the Global North had access to vaccines much ahead of those in the Global South, brought to the fore stark asymmetries in the international economic order.

The conversations about a reset, however, were short-lived. As soon as lockdowns ended and vaccines became widely available, the urgency of rebuilding differently was overtaken by the urgency of simply rebuilding. Equity markets climbed to fresh highs, GDP growth figures were headlined, and the very institutions that had failed the most vulnerable during the crisis were applauded for their resilience. The fault lines–an underfunded public health system, the near-total absence of portable social protection for informal workers, the callousness with which migrants were treated–were papered over rather than mended. The pause did not yield repair; it became an interlude before a return to business as usual.

In April 2020, a few weeks into India's lockdown, my colleagues at the Centre for Economic Data and Analysis at Ashoka University and I co-authored a policy brief titled "The Coronavirus Pandemic: Are we ready for the long haul?" Its central argument was that this pandemic would not be a one-time shock, that recurring waves and future outbreaks were to be expected, and that India needed to be prepared with a forward-looking, institutionalised policy framework rather than go with reactive, last-minute announcements that left millions stranded. We argued for a monthly cash transfer to every ration-card-holding household supported by in-kind transfers through a strengthened public distribution system (PDS). We called for the creation of a Pandemic Preparedness Unit at the level of the Central government, with dedicated offices for disease surveillance, public health response, economic relief, coordination with States, and clear communication. A principle running through the brief was that entitlements should be known in advance so that people can plan and governments do not have to improvise in the middle of a crisis.

SIX YEARS ON, that brief reads almost like a ghost document. Some of its recommendations were partially acted upon during successive COVID-19 waves–free foodgrains through the PDS were extended, a handful of one-off cash transfers were made, the One Nation One Ration Card scheme was rolled out–but the larger institutional vision, of a standing framework to protect the most vulnerable in the event of future shocks, never materialised. No "Preparedness Unit" was set up to tackle sudden exogenous shocks. Portability of entitlements for migrants remains



Workers carry LPG cylinders during disruptions in supplies in Patna in March 2026. PTI

patchy in practice. Cash support to households continues to be targeted, fragmented, and tied to multiple overlapping eligibility regimes rather than forming a predictable, countercyclical safety net. The preparedness we argued for is still missing.

And now, we are in the middle of another shock. The ongoing war—not of our making, but whose consequences are reaching Indian households every single day—has disrupted global supply chains, driven up fuel and fertilizer costs, squeezed export-oriented sectors, and placed pressure on the remittance flows that sustain lakhs of families across Kerala, Punjab, Bihar, Uttar Pradesh, and elsewhere. The question of who bears the cost of this shock has a predictable answer. It is not equity market participants, who have diversified portfolios and cushions enough to ride out turbulence. It is not the corporate sector, which has enjoyed years of tax concessions and can absorb input-price shocks over multiple quarters. It is the street vendor whose customers are spending less, the construction worker whose site has fallen silent, the woman running a tailoring unit from her home whose fabric has doubled in price, the migrant abroad who has been sent back home. As in 2020, the absence of buffers at the top of the distribution chain is imagined; the absence of buffers at the bottom is real.

To understand why external shocks hit Indian workers so hard, one has to understand the structure of the Indian labour market. The latest rounds of the Periodic Labour Force Survey continue to confirm what we have known for decades: the overwhelming majority of India's workforce—close to 90 per cent—is employed informally. This means work without written contracts, without access to social insurance, without paid leave, without legal recourse against arbitrary termination, and without the most basic entitlements that salaried workers elsewhere take for granted.

Self-employment accounts for the largest share of workers, and much of this self-employment is not the entrepreneurial kind celebrated in policy speeches; it is subsistence activity: small-scale, own-account work undertaken because wage work is unavailable. Casual labour, particularly in urban construction and rural agriculture, forms the next large category. Regular salaried employment with the kind of protections that wage-earners associate with decent work covers less than a quarter of the workforce, and even within that category, a significant share is informal: no written contract, no social security.

The consequences of this structure are straightforward and brutal. When an exogenous shock hits—a pandemic, a war, a sudden domestic policy misstep—the informal worker has no buffer. There are no savings to fall back on for households that live week to week.

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There is no unemployment insurance for workers without contracts. There is no furlough scheme for the self-employed. And there is rarely a human resource department at the employer's end to absorb temporary losses because the bulk of India's employers are themselves tiny and precarious.

The Annual Survey of Unincorporated Sector Enterprises for 2023-24 counted 7.34 crore unincorporated non-agricultural establishments in India, employing close to 12 crore workers in all, an average of well under two workers per enterprise. A striking 86.4 per cent of these are what the National Statistical Office calls "own-account enterprises": units run by a single person, the owner, with no hired employees at all, often supported only by unpaid family labour. Even among enterprises formally registered on the Udyam portal for micro, small, and medium enterprises, around 97 per cent fall in the "micro" category.

To expect individual employers of this scale to cushion their workers against a war-induced input-price spike or a pandemic-induced demand collapse is simply unreasonable; many of them are themselves one bad month away from shutting down. The household, therefore, becomes the shock absorber, and within the household it is typically women and children who absorb the deepest losses: through reduced nutrition, sacrificed medical expenditure, interrupted schooling, and an expansion of unpaid care work.

Women's vulnerability in these moments deserves particular attention. India's female labour force participation rate is among the lowest in the world, and whatever modest gains have been made in bringing women into paid work are easily reversed by shocks. During the pandemic, women lost their jobs at disproportionate rates and returned to them more slowly. Domestic violence spiked, access to contraception and maternal health services was disrupted, and unpaid care burdens within households swelled.

None of the architecture we need to protect women against these cascading harms—functioning helplines, accessible shelters, guaranteed access to reproductive health services, direct and independent cash entitlements—has been meaningfully strengthened in the years since. A new shock will find the same gaps exactly where we left them.

▼ **Children in Gadahumma village** in Odisha's Ganjam district have their midday meal at an anganwadi. When a crisis hits, one of the first questions should be whether midday meals are still reaching children. THE HINDU



CHILDREN BEAR COSTS that outlast the shocks that produced them. India remains home to a disproportionate share of the world's stunted children. An exogenous shock that reduces family incomes for such households translates almost immediately into worsened nutritional status for their children, and that worsened status is carried through life. This is why, every time a crisis hits, the question of whether the PDS is functioning, whether anganwadi workers are supported, and whether midday meals are reaching children when schools are disrupted should be the first question asked; it should not be an afterthought.

What would genuine preparedness look like? The outlines are not mysterious; they have been argued for many times, including in our own 2020 brief. First, a predictable, non-discretionary income floor for vulnerable households—announced in advance, activated automatically when a shock is declared—so that the rules of relief are known before the need arises rather than improvised in the middle of the emergency. Second, a strengthened and expanded PDS, with a wider basket of essentials, truly portable entitlements for migrants, and doorstep delivery where mobility is constrained.

Third, institutional infrastructure for crisis response: call it a Crisis Response Unit, or anything else—what matters is that it exists, is adequately staffed, has a clear remit spanning surveillance, health response, economic relief, and communication and is empowered to coordinate across ministries and States.



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Self-employment accounts for the largest share of workers in India. Here, a rickshaw puller walks past graffiti featuring Prime Minister Narendra Modi in election-bound Kolkata, on April 1, 2026.
DIBYANGSHU SARKAR/AFP

Fourth, specific protections for the most vulnerable groups: a real registry of migrant workers linked to benefits, safety and reproductive health services for women, nutrition support for children, and working-capital support for the self-employed. Fifth, and perhaps most importantly, a recognition that fiscal resources spent on prevention and protection are not a cost to be minimised but an investment whose returns dwarf the long-run costs of crises repeatedly absorbed by fraying households.

THERE IS ANOTHER FAULT LINE this war has exposed, one that the pandemic only partially illuminated: India's structural dependence on imported energy. India imports close to 88 per cent of the crude oil it consumes, making it among the world's most externally exposed major economies on the single most fungible commodity in the international system. Roughly half our crude originates in West Asia, and about 40 per cent of imports pass through a single choke point: the Strait of Hormuz. The mechanism by which a distant conflict becomes an immediate domestic burden runs directly through this import dependence. Every rise in international crude prices translates swiftly into higher pump prices, higher fertilizer costs, and higher freight charges, which then ripple through food, manufacturing, transport, and electricity. Rural households, which spend a disproportionate share of their incomes on fuel and fertilizer, feel it at their doorstep; urban informal workers watch their commuting costs eat into their earnings before the working day has even begun.

A reset conversation worth having would ask why, more than three decades after the oil price shock of 1990-91 helped precipitate India's balance-of-payments crisis, progress on reducing this dependence has been so halting and why the transition to renewables, efficient public transport, deeper strategic petroleum reserves, and domestic alternatives in fertilizer and battery supply chains, which is simultaneously a climate and a security imperative, continues to move at a pace far below what our exposure demands. Energy experts have pointed out several actionable steps that would reduce our dependence on petroleum imports.

Every crisis offers a reset moment, and every reset moment has been missed. The pandemic gave us the largest such opening in living memory, and we let it close without substantive repair. The war whose fallout we now live with is exposing the same gaps, punishing the same people, and demanding the same response. It is not too late to build what we did not build then, but we should not pretend that the fault lines running through our political economy are invisible, or that governments that let people walk into this crisis without safety nets do so for lack of warnings. The warnings have been on record for years. The question is whether, this time, the cost of unpreparedness will be borne by those who design the response or, once again, by those who had no hand in designing anything at all. ■

Ashwini Deshpande is an economist. The views expressed in this article are personal.