

Unemployment dimensions of COVID-19 and Government response in India –An analytical study

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Abstract

The present article has made an attempt to insights the impact of covid-19 on unemployment in India. The COVID-19 induced economic disruptions, up to 135 million jobs could be lost and 120 million people might be pushed back into poverty. All of which should have a hit on consumer income, spending, savings and their living standards. The worst of COVID-19's impact would felt by India's most vulnerable in terms of job loss, poverty increase and reduced per-capita income, which in turn will result in a steep decline in the Gross Domestic Product (GDP). Especially informal/unorganised migrate labour force severely affected due to Covid-19, nearly 70 percent of the labour force lose their jobs. It is essentially to accelerate the recovery which includes strengthening the 'safety net' significantly for the most vulnerable, enabling the survival of small and medium businesses, restarting the rural economy and providing targeted assistance to at-risk sectors. The study also emphasised on policy package of the government towards the depress caused due to covid-19.

Keyword: covid-19, poverty, unemployment, migrant workers, GDP, unorganised sector.

Introduction

The corona virus pandemic disrupts the whole world and most of the economies badly hit in the sphere of GDP growth rates, employment, poverty and living standards of the people with lower income groups. The economic and labour crisis created by the COVID-19 pandemic could increase global unemployment by almost 25 million (UN & ILO report) the ILO Based on different scenarios for the impact of COVID-19 on global GDP growth, the ILO estimates indicate a rise in global unemployment of between 5.3 million ("low" scenario) and 24.7 million ("high" scenario) from a base level of 188 million in 2019.

The first case of the COVID-19 pandemic in India was reported on 30 January 2020. As of 25 May 2020. The Ministry of Health and Family Welfare have confirmed a total of 138,845 cases, 57,721 recoveries (including 1 migration) and 4,021 deaths in the country. India currently has the fourth largest number of confirmed cases in Asia with number of cases reaching the 100,000 mark on 19 May 2020. India's case fatality rate is relatively lower at 3.09%, against the global 6.63% as of 20 May 2020. Six cities account for around half of all reported cases in the country – Mumbai, Delhi, Ahmedabad, Chennai, Pune and Kolkata. As of 24 May 2020, Lakshadweep is the only region which has not reported a Covid case.

The lockdown came into force on March 25, initially for three weeks then extended to May 17 and then to end of May. Some curbs were eased on April 20, but many commercial activities and all public transport remain suspended. Migrant laborers are suffering. Many started losing jobs as construction sites shut down. With no money, tens of thousands abandoned cities, trodding to their hometowns and villages, some hundreds of kilometres away in the absence of public transport, reflecting their level of distress. This deep slowdown and across the board pain leaves large swathes of India's informal workforce vulnerable, particularly in the construction, manufacturing and services sectors," Crisil Research said in an April 30 note. "The most affected are daily-wage earners and those with no job security. About 90% of India's 500-million strong workforce toils in unregulated businesses and jobs, part of a vast informal economy. India has seen a sharp spike in new corona virus cases with the total crossing 1,30,000 and the nationwide death toll has crossed 3000 so far, about 70% of which surfaced in this month alone. In this back drop the present study efforts to analyse the impact of COVID -19 on Indian labour market.

Objectives

The present study sets the following objectives

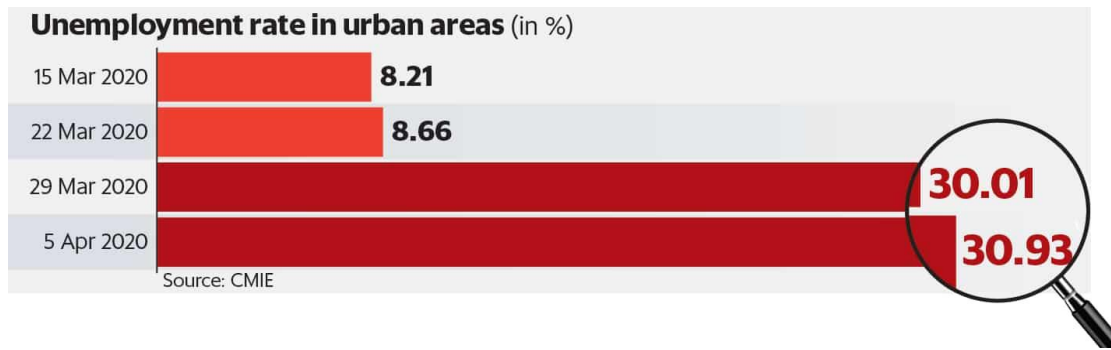
1. To examine the current status of unemployment in India.
2. To study the state wise growth rate of unemployment during COVID-19 period..
3. To analyse the sector wise job loss during pre Covid and during covid period.
4. To assess the government action towards the crisis.
5. To give effective suggestions for the recovery.

Methodology

The study used only secondary data and it has been collected from various reports, such as CMIE report, RBI report, and economic times and from various websites such as my gov.com and Times of India.com.

Unemployment rise to 35 per cent from 7.6 per cent resulting in 136 million jobs lost and a total of 174 million unemployed. Poverty alleviation will receive a set-back, significantly changing the fortunes of many, putting 120 million people into poverty and 40 million into abject poverty. "India is headed towards a W-shaped economic recovery with a potential GDP contraction of 10.8 per cent in FY 20-21. An opportunity loss of USD 1 trillion is staring India in its face.

The informal economy runs on a daily basis, so the real brunt of the lockdown has to be faced by the people such as rickshaw pullers, vegetable vendors, small pity shops and construction workers. They are the worst hit segment in the economy.



With every passing week of the nationwide lockdown, more workers and labourers are losing trust in the job market and leaving it. The labour participation rate has dropped by 7.2 percentage points to a mere 35.4 per cent during the lockdown so far, showing a big portion of the working-age population has quit the labour markets, said the Centre for Monitoring Indian Economy (CMIE). It also underlined that over 7 crore people have quit the labour markets in a month. The severe fall in the labour participation rate has also pulled down the unemployment rate to the lowest level during the national lockdown as people who do not intend to work are not considered unemployed.

The unemployment rate stood at 21.1 per cent during the week ended April 26, from the 26.2 per cent rate recorded in the preceding week. The national lockdown did not just throw 7.2 crore out of the labour force but it also drove another 8.5 crore to some kind of desperation to look for jobs in the middle of a national lockdown when none were available and this desperation suggests that people were highly vulnerable to a loss of livelihood caused by the lockdown,

Meanwhile, lakhs of migrant workers got stranded after the centre suddenly announced a nationwide lockdown. With almost all the businesses coming to a standstill and travel restrictions everywhere, the workers and labourers had almost nothing to rely on for their livelihood. As of the end of April, had the highest rate of unemployment in the country. It is presented in the following table-1, it represents the state wise unemployment growth rate during the lockdown period.

Table-1, showing state wise growth rate of unemployment in India during

Sl.No.	State	%
1	Puducherry	75.8
2	Tamil Nadu	49.8
3	Jharkhand	47.1
4	Bihar	46.6%.
5	Haryana	43.2
6	Karnataka.	29.8
	Uttar Pradesh	21.5
7	Maharashtra	20.9 Maharashtra

Source-Economic times.Telecom.com

Data shows a steady increase in unemployment since the start of the pandemic, with the week to March 29 showing the sharpest spike to 23.81% with the monthly unemployment rate in April at 23.52%, up from March's 8.74%

Hilly States had the lowest incidence of unemployment as of April, pointing out that the rate in Himachal Pradesh stood at 2.2%, Sikkim at 2.3% and Uttarakhand at 6.5%.

According to Aditya Narayan Mishra, director and CEO of CIEL HR Services - Total Manpower in the telecom sector is approximately 20 lakhs. This includes Operators, Infra Providers, Towers, and Data Centres & Handsets. Jobs lost due to Covid-19 has been 70,000 (This excludes the 7 lakh employed in handset manufacturing, which was shut during the lockdown). Losses are likely to be in the areas of operators, ISPs, Tech solutions due to cost optimisation drive. Some losses in Handset sales due to lack of demand.

Massive unemployment has started hitting urban India. For many sectors, the worst is yet to come. Thousands of young Indians are losing jobs, most with minimal notice, in a country without formal safety net. Tech, ed-tech and banking/finance are the few bright spots.

Table-2, sector wise unemployment during pandemic in India.(in Millions)

Sl. No.	Sectors	Pre-covid employees	Job loss due to covid
1	Auto manufacturing	5 millions	2 to 3 million
2	Auto dealership	4 millions	200000
3	Retail (organised and unorganised)	46 million	6 million
4	Real estate	70 million	14 million
5	Travel and tourism	55million	38 million
6	Restaurant	7.3million	2 million
7	Media &entertainment	6 million	6 to 7 Lakhs
8	Education	18 million	3.6m to 4.5 million
9	Telecom service, manufacturing	2million	70,000
10	steel	2 million	200000 to 2,40,000

Source-Economic Times, Tele.com

Discussion and findings

Hardest hits are migrant labours, nearly 70 percent of the labour force lose their jobs, as far as auto manufacturing sector it may get worst because the demand likely to stay low and 55 percent of employees on contract who can be fired easily., in auto dealership is concerned it became worse because labour is the 40 percent of the dealer cost hence cutting jobs is easy way to cut cost. In retail organised and unorganised sector due to down fall in consumes trade, more jobs may go, and Samsonites largest franchisee Bag zone lifestyle is shutting 100+ stores.

In real estate sector the demand has already been a very low; due to pandemic the middle class may defer home buying.

Tourism unlikely pick up even later this year, allied sectors such as guides and tourist transport can see 10-12m more job losses. Restaurant sector may not recover for months, 4 out of 10 restaurants may not open. If industry, real estate stays down, most job losses may be in secondary steel sector. If entertainment industry faces a demand crunch with virtually no ad revenue, media industry has been hit hard. Broadcast 5 percent job cuts, radio 8 to 10 percent and print media are facing job losses too. Low demand and tight funding may claim more jobs; Ola has fired around 5000 this year. Only IT sector has been a minimal effect on job loss. Internet business has also been recorded the job loss of 80,000 to 1 lakh.

According to the CMIE weekly report, the unemployment rate fell from 27.1 percent to 24 percent for the week ended May 10 while the labour participation rate rose from 36.2 percent to 37.6 percent as the government opens up industries in a staggered manner. Employment rate also rose from 26.4 percent to 28.6 percent. Data from CMIE's Consumer Pyramids Household Survey shows youngsters in the age group 20-24 years accounted for 11% of those who lost jobs while they constituted 8.5% to the total employed persons in the country in 2019-2020. According to CMIE, another 14 million jobs were lost in the age-group 25-29 years. "This loss again, was disproportionately high as this group accounted for 11.1% of total employment in 2019-20 but it accounted for 11.5% of the job losses.

Government response towards covid crisis.

Countries are taking unprecedented measures to combat the spread of the disease, while ameliorating its pernicious effect on the economy and labour market. Country policy responses are presented within the four pillars of action defined by the ILO to lessen the impact of COVID-19 on businesses, jobs and the most vulnerable members of society.

Pillar 1: Stimulating the economy and jobs.

- Active fiscal policy
- Accommodative monetary policy
- Lending and financial support to specific sectors including the health sector

Pillar 2: Supporting enterprises, employment and incomes

- Extend social protection for all
- Implement employment retention measures
- Provide financial/tax and other relief for enterprises

Pillar 3: Protecting workers in the workplace

- Strengthen OSH measures
- Adapt work arrangements (e.g. teleworking)
- Prevent discrimination and exclusion
- Provide health access for all

- Expand access to paid leave

Pillar 4: Using social dialogue between government, workers and employers to find solutions

- Strengthen the capacity and resilience of employers' and workers' organizations
- Strengthen the capacity of governments
- Strengthen social dialogue, collective bargaining and labour relations institutions and processes

The government should launch "Make in India 2.0" to capture global opportunities, build 'Modern India', accelerate Digital India and Innovation, strengthen global investment corridors with the US, UAE, Saudi Arabia, Japan and the UK, debottleneck land and labour and transform banking and financial markets in a bid to secure a sustainable economic future for 1.3 billion Indians.

Government of India (Finance minister) announced on 24th March 2020 certain relief measures in view of COVID-19 outbreak. March 26: INR 1.7 trillion (~USD 22 billion) relief package announced by the Finance Minister and 20 lakh cores package in the month of April to the farming sector and agribusiness activities followed by weavers, construction workers, auto and taxi drivers MSME.etc,. The relaxation in the lockdown can immediately reduce some pain and damage done to the livelihoods. The partial relaxation of the lockdown from the week of April 20 did have an impact on employment, majorly in the agriculture and rural areas because the initiatives under taken by the central Government to ease the situation.

Employment related policies.

- About two-thirds of population will be covered under the Pradhan Mantri Garib Kalyan Anna Yojana (Food scheme)
- Everyone under this scheme will get 5 kg of wheat and rice for free in addition to the current 5 kg allocation for the next 3 months
- In addition, 1 kg of preferred pulse (based on regional preference) will be given for free to each household under this Food scheme for the next three months.
- This distribution will be done through Public Distribution Scheme (PDS) and can be availed in two installments.
- Farmers currently receive INR 6,000/- every year through the PM-KISAN scheme (minimum income support scheme) in three equal instalments. The government will now be giving the first instalment upfront for fiscal year starting April 2020. About 86.9 million farmers are expected to benefit from this immediately.
- MNREGA workers: Wage increase from INR 182/- to INR 202/-. Such increase will benefit 50 million families. The wage increase will amount into an additional income of INR 2,000/- per worker.
- 30 million senior citizens, widows, disabled to get one-time ex-gratia amount of INR 1,000 in two installments over the next 3 months.
- 200 million woman Jan Dhan account holders to be given ex-gratia amount of INR 500 per month for the next 3 months, to run the affairs of their household.

- Women in 83 million families below poverty line covered under Ujwala scheme will get free LPG cylinders for 3 months.
- For 630,000 Self-help Groups (SHGs), which help 70 million households, the government is doubling collateral-free loans to Rs 200,000.
- State governments have been directed to use the welfare fund for building and construction workers. The District Mineral Fund, worth about INR 310 billion, will be used help those who are facing economic disruption because of the lockdown.

Healthcare related

- The Finance Minister has announced medical insurance cover of Rs 5 million per healthcare worker. About 2 million health services and ancillary workers will benefit from such insurance scheme.

Organized sector related – Social security

- The Employees Provident Fund Organization (EPFO) has announced - employees who contribute to EPF can withdraw up to 75 percent of the account balance or 3 months' basic salary and dearness allowance, whichever is lower.
- Establishments which employ up to 100 employees and if 90 percent of whom earn up to INR 15,000 per month, the government will pay the employee provident fund contribution both of the employer and the employee (12 per cent each) for April 2020 to June 2020
- EPFO have extended the due date for payment of contribution for wage month of March 2020 from 15 April 2020 to 15 May 2020 (30 days grace period)
- Non-refundable advances may be granted to a member of a provident fund, subject to certain conditions.
- India will provide free food grains to millions of migrant workers hardest hit by a weeks-long lockdown as well as offer employment under a rural jobs program.
- The government will spend 35 billion rupees (\$463.06 million) on food for nearly 80 million migrant workers over the next two months, Sitharaman told a news conference.
- The allocation is part of a 20 trillion rupee (\$266 billion) fiscal and monetary package to prop up the ailing economy. Millions of workers have fled large towns and cities after they lost their jobs during the lockdown, which is aimed at curbing the spread of the novel corona virus.
- "The government is concerned about migrant workers," Sitharaman said, and had provided funds to states to provide shelter, food grain and transport for migrants.
- Since April, the government has spent 100 billion rupees to offer work to near 23 million unemployed people in rural areas under the ongoing rural job guarantee program.
- The government also plans to extend a bank loan interest subsidy program for affordable housing to rented housing for migrant workers.

- it announced new credit lines by offering bank guarantees on loans of over \$60 billion to small businesses, shadow banks and power companies.
- In an address to the nation, Prime Minister Narendra Modi said the package was equivalent to 10% of India's gross domestic product, and was meant to support workers and businesses reeling from the impact of the prolonged shutdown.
- Street vendors and farmers would get new subsidized bank loans, and that nearly 30 million farmers had so far benefited from a three-month moratorium on bank loans amounting to 4.22 trillion rupees.

Suggestions and conclusions

- It has been suggested that, to implement a holistic approach to address and mitigate the problem of unemployment in the formal as well as informal sector in the country.
- Government should give keen interest for SHGs and provide financial assistance, so as to involve themselves in their won works.
- Intensification of Rural industrialization to create enough employment opportunities for unorganized labours in the rural areas and to reduce migration.

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