Introduction: the Critical Connection Between COVID-19 and Employment

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The Indian Society of Labour Economics (ISLE), the Institute for Human Development (IHD) and the International Labour Organization (ILO), India Office, organized a two-day Virtual Conference on the COVID-19 Crisis and Employment on 8 and 9 June 2020. Many leading researchers from India and elsewhere participated. Short notes based on the presentations, along with some additional contributions, have been collected in this symposium in the Indian Journal of Labour Economics. The catastrophic impact of the pandemic on health and mortality has been widely documented elsewhere. Here we focus on the economic consequences. This Introduction sets the scene for the detailed analysis in the articles that follow.

1 Background

The pandemic and the lockdown measures taken to contain the spread of COVID-19 did not create India's current economic crisis. Rather, the lockdown measures exacerbated an already developing crisis. India's growth rate had already almost halved from 8.0% to 8.2%, respectively, in 2015–2016 and 2016–2017 to just 4.2% in the year 2019–2020 (RBI 2020), which ended on 31 March 2020, just a week after the lockdown started.

Thus, the Indian economy was already facing falling growth even before the pandemic struck. A key macro-economic factor in this falling growth rate was the decline in saving and investment over the last decade. Gross fixed capital formation fell from 34% of GDP in 2011–2012 to 28% in 2019–2020. This was part of a broader problem of inadequate aggregate demand to sustain a high rate of growth,

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which could also be seen in the declining share of exports from 24.5% of GDP to 18.4% during the same period, and signs of a shortfall in household consumption, suggested by the NSSO household consumption survey in 2018–2019, which showed a decline in monthly per capita expenditure. There were therefore several indicators of a rapidly emerging crisis of growth in the Indian economy.

1.1 Lockdown into Recession

In India, the policy response to counter the spread of COVID-19 was one of the strictest lockdowns in the world. Not only did factories, offices and transport services close down, but the lockdown equally hit the vast informal sector. It was announced with only a few hours notice, and without any income support for those who had lost their employment and livelihoods. Within a few days, once the poorest had exhausted whatever meagre savings they had, there began the tragic spectacle captured on TV sets in India and around the world of millions of migrant workers and their families walking back to their rural homes, often hundreds of kilometres away. State governments and voluntary organizations made some arrangements for feeding those who had lost their livelihoods, but it was mostly too little for workers who also needed to pay rent and meet other non-food expenses. Some States, notably Kerala, moved quickly to provide support to those affected, but most did not.

The lockdown was initially successful in slowing the spread of COVID-19, but the impact on production was severe. Only small-scale retail and then e-commerce continued to supply essentials to those who could afford it. Agricultural activities continued, including the harvest of the Rabi (winter) crop and later sowing of the Kharif (monsoon) crop. But the urban economy was badly affected.

What the pandemic-induced lockdown did was to push a slowing economy into recession. The growth rate fell by almost 10% points from +4.2% into substantially negative territory. The IMF and ADB forecast growth rates of –4.9% and –4.0%, respectively, in 2020–2021, while credit rating agency ICRA puts it at –9.5%. Even the conservative IMF and ADB estimates suggest negative growth rates unknown in India since 1979; this may turn out to be the most severe shock to the economy since Independence.

As parts of the economy struggled to resume production after the lockdown was eased, government stimulus measures were mainly restricted to support for loans and guarantees of different types. There was little income support, which could have improved the prospects of a reasonably quick economic recovery in India by offsetting the collapse of demand. The situation was exacerbated by supply disruptions at both international and national levels. In addition, the balance sheets of many enterprises have been damaged by large amounts of debt, which further undermines investment.

1.2 Global Crisis

Of course, the crisis is global in nature, not only in terms of health but also in the economic impact. The IMF estimates that GDP will decline in 2020 by 8% in

Fig. 1 Country Fiscal Measures in Response to the COVID-19 Pandemic (% of GDP). As of 12 June 2020. Source: IMF, World Economic Outlook Update, June 2020

industrialized countries, and by 3% in emerging and developing countries (World Economic Outlook, June 2020).

No country escapes. Only China among major economies is forecast to see positive economic growth, and that a measly 1%. The IMF foresees a substantial rebound in 2021, but that is uncertain speculation since there have been no comparable economic crises in the past—the impact on the economy of the coronavirus is many times greater than that of the Global Financial Crisis of 2008. Different authors foresee different patterns of recovery, V shaped, U shaped, W shaped, L shaped and even K shaped if upper-income groups recover fast, but low-income groups continue to lose ground. And it may be that all of these patterns will be observed in different countries, for the profile over time depends on the social and sanitary policies implemented to stop the spread of the virus, and the nature of the economic stimulus.

Figure 1, taken from the IMF World Economic Outlook of June 2020, gives an idea of the diversity in the economic policy response. It shows the % of GDP being devoted to fiscal policy to combat the crisis in G-20 countries. The red columns refer to increased spending or tax cuts, and the blue columns to loans and guarantees. We see large differences between countries. Italy and Germany are backing

their economies with enormous amounts of credit and guarantees, mainly to prevent businesses from folding. So, to a lesser extent, are Japan, the UK and France. Other countries, for instance the USA and Australia, give higher priority to demand side measures such as income support. Some countries, notably Germany and Japan, combine substantial measures on both demand and supply sides. The size of the overall package varies greatly from country to country, up to 40% of GDP or more. But in many countries, especially middle-income countries, the package is much more modest, 5% of GDP or less in several countries shown in the graph, including India. In low-income countries, not reported here, the size of the fiscal effort is certainly lower still.

1.3 Employment and Inequality

This great diversity of economic measures combines with equally diverse strategies on the employment front. All the evidence suggests that the brunt of the crisis is borne by workers, for the fall in production has directly affected jobs, of all types. Some workers, notably in professional and technical occupations, have been able to continue working from home. But enterprise closures during national lockdowns have caused many wage workers to lose their jobs. Personal services, tourism, transport, restaurants and other sectors have faced a collapse of demand, and with it the demand for workers. The self-employed have seen their markets shrivel.

National policy responses have varied greatly. In some countries the goal has been to protect jobs, even if income falls; in others, the goal has been to protect incomes, even if unemployment rises. Some governments have put in place schemes to provide short-term income support, but the generosity of these schemes varies greatly from country to country and many are excluded (migrants or non-citizens) or fall through the cracks. Some countries have expanded unemployment insurance, or have provided subsidies to firms that avoid lay-offs. Others have tried to encourage home working. Some, absurdly, have tried to take advantage of the situation to flexibilize labour laws. Many have lifted lockdowns once infection rates have fallen. There are some success stories, but many cases of premature or incautious reopening of the economy which has led to a surge of new infections and a need to lock down again.

There is diversity, but there is also great inequality. A particularly noteworthy aspect of the pandemic is the inequality of its impact.¹ There are at least three different dimensions. First, the consequences of the pandemic for health and mortality are very unequally distributed across the population. The particular vulnerability of older age groups, and of medical staff and care workers, is well documented, but it is also the case that those who were already poor or deprived are hit hardest. In many countries, there are notably high mortality rates among racial minorities and other communities subject to discrimination or exclusion. More generally, the impact of the pandemic tends to be greater among lower income groups, who often live in

¹ Among other writings see Jayati Ghosh, 'Global inequality in a time of pandemic', *Real-world Economics Review*, issue no. 92, June 2020: <https://www.paecon.net/PAEReview/>

crowded, insanitary conditions where the virus spreads rapidly. Those who have to work to survive are less able to protect themselves. They have neither the resources to withstand the pandemic, nor adequate access to health services.

Second, prevailing inequalities in work and livelihoods are reinforced. Those in precarious jobs or in the informal economy are hit hardest by the sharp economic downturn, because livelihoods disappear overnight, and informal workers almost everywhere are ill-served by social security systems. The situation of casual migrant workers in India is a case in point, and it is replicated around the world, affecting migrant fruit pickers in the UK, migrant sex workers in Amsterdam and many others. Women are hit hardest, because they are overrepresented in the most precarious jobs, and often lack adequate social protection.

In fact, there are already some signs that the more unequal the country, the worse the COVID-19 crisis. Chile, Brazil and the USA, all countries with extremes of inequality, show very high rates of spread of the disease. South Korea, Uruguay and New Zealand, all much less unequal, have been more successful in controlling the spread. There are many other factors involved, but there is strong reason to believe that high inequality has made the pandemic worse.

Third, as we saw above, the richer the country, the more resources it is able to devote to policies to counter the crisis (not only economic stimulus policies but also health resources, including medicines and medical equipment). Since richer countries have more effective health systems and more testing, the pandemic is much more visible. But there is reason to believe that the extent of the pandemic has been understated in the lowest income countries, and not just because their populations are younger, but also because the disease is less likely to be diagnosed and treated and its incidence measured. One must fear that this is also true of India.

1.4 Pandemic and International Solidarity

In the debate on COVID-19, attention within each country is heavily focussed on what is happening at the national level. While there is awareness that this is a global crisis, the news media are dominated by local impacts, statistics and policies. That is true almost everywhere, in the UK or the USA, in Brazil, in France or in India. And yet, this is one issue where the whole world is living a collective trauma. There should be global solidarity and global responses to an issue that affects humanity as a whole. But in reality, despite the best efforts of the World Health Organization (WHO), there is very little international policy coordination. Instead, we have individual countries trying to control medicines and vaccines, using the crisis for political purposes, and blaming other countries (or WHO) for their own failures. An almost universal response to the crisis has been to close borders. Restricting international travel makes sense as part of a strategy to reduce the circulation of the virus, if it is combined with national lockdowns, but there are strange cases of countries with high rates of infection restricting entry from countries where infection is low—reflecting the classic nationalist reaction in which the spread of the virus is the fault of foreigners, including, in India, labelling people from the North-eastern states as ‘foreigners’ and carriers of the coronavirus.

1.5 The Symposium

There is an intense debate in India, as elsewhere, on what is really happening, who is affected, in what ways, and above all what can be done to counter the effects of the crisis and establish the conditions for recovery. Participants in this symposium contribute to these debates from a variety of different angles. These pieces were written during the period June–July 2020, in a rapidly evolving and in many ways unforeseeable situation, so some details may soon be out of date—but that is the nature of the crisis, and key issues are already clearly visible. Structure and policy together lead to a manner of path dependence.

The short notes will, we believe, help readers to critically assess the factors driving both short-term and medium-term developments as they have been impacted by the pandemic and the policy responses. At the same time, they raise fundamental questions about the process of growth and development. For the pandemic is not just a brief interruption of an established growth path, but rather a symptom of the inadequacies of that growth. Indeed the pandemic is itself endogenous, in the sense that it was made possible by the structures, relations and networks that characterize the global economic system. Dealing with the pandemic requires rethinking the growth path.

The articles in the symposium fall into two broad sections. In Sect. 1 are papers that set the pandemic in international or global context. Section 2 includes papers on various aspects of the Indian experience. This section has six subsections. In 2.1 are articles which give an overview of India's experience. 2.2 provides a more detailed analysis of employment and gender issues. 2.3 deals with labour regulation, followed by 2.4 with analysis of sectoral impacts, in agriculture, the informal economy and industry. 2.5 deals with ways in which social security could be or needs to be redesigned. 2.6 deals with some longer-term concerns, including economic, technological and institutional issues of economic reorganization. The last contribution to the symposium summarizes the findings of a quick survey of the members of the Indian Society of Labour Economics (ISLE), conducted in late-May 2020, of views on the type and scale of stimulus measures that were and are needed.

1.6 The International Context

The first contribution discusses the pandemic from the global perspective of the International Labour Organization. Sangheon Lee, Dorothea Schmidt and Sher Verick document the impact of the crisis on informal workers and on youth around the world, and present the policy framework developed at the ILO, addressing not only the economic shortfalls, but also targeted interventions for those most affected. Then K. S. Jomo explores how national policies to limit the spread of the virus have interacted with national production systems and labour markets, and in particular the implications of nationalist responses for international trade and economic openness. Michael Danquah, Simone Schotte and Kunal Sen examine the impact of the international economic shocks on a number of African economies, arguing that policy responses have been inadequate because they mainly aimed at formal workers in

countries where informal work is dominant. Ian Prates and Rogério Barbosa review the impact of COVID-19 on the labour market and deprivation in Brazil, and critically assess the policy responses and their implementation to date. Selim Reihan points out that the Bangladesh stimulus package was largely directed towards the garment industry, in which factory workers were paid directly by the government and the amounts were charged to the low-interest loans provided to factories. And Marty Chen highlights the impact of COVID-19 on informal workers across the world, particularly women workers, and the need for inclusive policies that recognize not only their economic importance but also their vulnerability.

2 India: Patterns and Strategies

2.1 Overview

The first paper by Dagmar Walter points out that the ILO in India was quick to recognize that this was not just a health crisis but, equally, an economic and labour market crisis. She makes a plea to ‘build back better’ through social dialogue on the basis of internationally accepted labour standards. Deepak Nayyar rejects the false dilemma of saving lives or preserving livelihoods and further points out that the grossly inadequate response of the government has made the task of recovery more difficult. Sudipto Mundle offers some scenarios for the future. He finds that while inflation, the fiscal deficit and the current account deficit may all be somewhat elevated, they are unlikely to reach alarming levels under any scenario. He thinks that the most likely outcome for GDP would be a decline of (–) 5% in 2020–2021.

2.2 Employment and Gender

Contributions in this section look in some detail at the impacts on employment, including the differential impacts on women and men workers. Ajit Ghose gives a rural–urban breakdown of jobs lost, with most in the urban economy being the self-employed, and most in the rural economy being casual labourers. He thinks that a ‘big push’ is unlikely, and thus, an employment revival would be difficult. Mahesh Vyas presents CMIE (Center for Monitoring the Indian Economy) data showing severe stress in April 2020, with a gradual improvement since then, though there is still a hit on 1.1 crore (11 million) jobs. He concludes that while the immediate impact was very severe on small traders, hawkers and daily wage earners, there has been a more lasting impact on salaried employees. Ravi Srivastava argues that circular migration and precarity have gone hand in hand. Summarizing the human costs of the unprecedented urban-to-rural exodus, he concludes with a call for a growth path that would be inclusive and equitable, rather than one of increased inequalities. Ashwini Deshpande points out that women workers lost proportionately more jobs than men. In addition, women hold much of the risky, hazardous and stigmatized jobs, such as ASHA (Accredited Social Health Activists), ANM (auxiliary nurse and midwife) and Anganwadi (child care centres). She also points out that the lockdown

increased hours spent on domestic work for both women and men. Other aspects of the gendered impact of the lockdown are discussed in other sections in papers by Marty Chen, Jeemol Unni and Reema Nanavaty on the unorganized sector.

2.3 Labour Regulation

Kamala Sankaran points out that through the job crisis, workers came to occupy centre stage in public discourse. She argues that the transition to formalization of workers, and not merely of enterprises, requires an inclusivity in labour codes and universal access to social security. K. R. Shyam Sundar argues that trade unions share the responsibility for non-implementation of laws with regard to unorganized workers, since they continue to neglect these workers. He points out that there were various forms of protests by workers, such as petitions, protest letters, demonstrations, processions, courting arrest, and strikes. It is likely that these protest actions, in combination with media exposure, had an effect in forcing governments to organize measures, such as special trains to take back migrant workers to their places of origin.

2.4 Sectoral Impacts

In looking at some specific and sectoral impacts, Sudha Narayanan and Shree Saha question the view that agriculture is doing well and can lead the economy out of the current downturn, pointing out that there were many value chain gaps, including the difficulty in moving harvested goods to markets. They question the ‘more of reform than relief’ policy of the government and stress the importance of decentralized foodgrain procurement and the use of MGNREGA for building community assets. K. Nagaraj and Vikash Vaibhav argue that the upward revision of the definition of MSMEs will benefit the corporate sector, rather than increase the benefits to MSMEs. Jeemol Unni stresses the importance of overcoming the digital divide and addressing the skills mismatch, so that women and the youth in the informal economy are not left behind.

2.5 Redesigning Social Security

Much attention has been paid to the need for redesigning social security, particularly in the urban context. J. Krishnamurty points to the need to extend NREGA-like employment guarantee to the urban poor, which would help raise wages, improve bargaining power of workers and build infrastructure. Mahendra Dev suggests a combination of cash transfers for women, more days of MGNREGA employment in rural areas and a new 150-day scheme for urban unemployment. The question of social security is also stressed by K. P. Kannan, who asks for a revisit of the proposals on social security of the National Commission on Enterprises in the Unorganized Sector (NCEUS), whose recommendations were based on privileging decent work as the overarching goal of economic development.

2.6 Longer Term Concerns

In looking at the manner in which the economy needs to be organized in the ‘post-coronial’ period, Dipankar Gupta proposes abolishing altogether the thresholds separating MSMEs from large enterprises, arguing that they provide perverse incentives to remain small, while also enabling a denial of rights to workers. Reema Nanavaty asks for development with a stress on building localization, meaning local production, management and consumption. Sumit Mazumdar points to the need to reform the health system in terms of increasing capacity, reducing fragmentation across its building blocks and building a transparent and robust information architecture. He makes the critical point that it is a matter of political economy, i.e. of building the political will for responsive reform of the health system. Uma Rani points to the replacement of regular labour by platform labour across sectors and discusses the implications for workers’ rights, for the future organization of production and for economic stability. In looking at trends that have been accelerated by the recession, Dev Nathan points to digitization with its impact on the reorganization of global value chains (GVCs), some of it driven by geo-strategic concerns, and the rise of hyper enterprises even in the Indian economy.

Taken as a whole, these contributions to the debate on COVID-19 show that it is a mistake to take too narrow a perspective. The pandemic has highlighted major challenges, not only in the public health system in India and elsewhere, but also in the inequalities and vulnerabilities that characterize the present growth path, and the structural and institutional changes that are needed if India and the world are to respond in a fair, effective and sustainable way.

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