

'Second COVID Wave To Hit Jobs, Economy Harder'

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Bengaluru: India's economy, which was showing signs of recovery in early 2021 after the first COVID-19 surge, has now been hit by the second wave of the pandemic. Multiple states are enforcing lockdowns of varied severity, leading to reduced mobility and unemployment. What will be the long-term impact of this second round of disruption?

More jobs will be hit and more economic distress will follow, said economists Amit Basole and Rosa Abraham of the Centre for Sustainable Employment (CSE) who co-authored the recent report, State of Working: India 2021. The report analyses the impact of the first wave on India's economy and employment sector between March and October 2020. It estimates that the number of Indians reporting less than the national floor-level minimum wage of Rs 375 increased by 230 million in this period. The findings are contrary to the Reserve Bank of India's assertion that the economic impact of the second wave is not as severe as that of the first.

The crisis is creating a large population of poor who are not used to thinking of themselves as poor, Basole and Abraham told **IndiaSpend** in an interview. The report, with research inputs from researchers Rahul Lahoti, Surbhi Kesar and Mrinalini Jha, also concluded that

women and younger workers were disproportionately affected by the downturn. Informality, poverty and inequality increased, and households coped by reducing their food intake and borrowing.

Edited excerpts:

This report deals with the impact of the first wave of the pandemic but now, with the second surge raging across the country, what's your assessment of its effect on employment?

The latest data from the [Centre for Monitoring Indian Economy](#) (January to April 2021) indicate that employment rates continued to stagnate, and saw a marginal fall for men and a substantial fall for women in April. This was the month when many states started informal lockdowns. As more and more states announce lockdowns, it is likely that the employment rate will further fall, and earnings too. Even for those who remain employed, earnings will feel the pinch as more and more workers crowd into fallback employment options. The impact of the second wave is likely to be more serious because people have not yet recovered from the first wave's impact.

As India continues to report record-breaking COVID-19 caseloads and fatalities every day, there are calls for a second national lockdown. If the Centre were to announce another shutdown, how should it be planned?

The most important lesson from last year is that the lockdown hurt the poorest the most. Before lockdowns are announced, support measures like rations and cash transfers must be in place and they must be announced. There should be no lockdown without these basic measures. Prior to a lockdown the Public Distribution System (PDS) must be universalised (on-demand) for those who are away from their domiciles and cannot avail of it.

The report estimates that more than 230 million Indians fell below the national minimum wage due to the COVID-19 crisis. Many of those who had lost their jobs during the 2020 lockdown had found employment again but there was a fall in aggregate income--90% due to lower earnings and the rest, due to job loss. What will be the long-term effects of this?

Poverty estimate is about where we place the threshold for the poverty line. Traditionally, it was based on consumption. The Pew Research Centre [estimate](#), for instance, uses a \$2-a-day poverty line. However, we use the national floor-level minimum wage, as recommended by the Anoop Satpathy [committee](#), of Rs 375 a day for rural and Rs 430 a day for urban households of an average of 3.6 members.

The Satpathy committee report not only uses calorie or food intake, but also includes rent, clothing, non-food essentials etc. It captures the basic needs better and is a higher line compared to other thresholds [Suresh Tendulkar, D.T. Lakdawala, C. Rangarajan

committees]. Even prior to the crisis, the proportion of people who lived in households with per capita incomes below this line was large--25.4% in rural and 15.6% in urban areas. This increased to 41% and 35.3% in the first eight months of the pandemic (based on the average income from March 2020 to October 2020). The absolute number of individuals below this threshold were 226.2 and 72.4 million in rural and urban areas respectively before the pandemic and increased to 365.2 and 163.8 million in the first eight months of the pandemic.

Thus we are pointing out that due to the crisis, there are many more people falling below the line. This is concerning because the crisis is creating a large population of poor, who are not used to thinking of themselves as poor as they may have been earning Rs 10,000 a month for a family of four. It is not a lot, but it is not deprivation.

The long-term effects are hard to foresee with any exactness, but we do know from earlier pandemics and such large shocks (the financial crisis of 2007, the Asian financial crisis) that there can be lasting effects on nutrition, health, education, and career prospects.

If high indebtedness, increased informality, and reduced earnings last long, that can make it difficult [for poor households] to re-emerge, which means that it is not a temporary movement into poverty. Households can get caught in a poverty trap owing to the cumulative loss of earnings and no respite in terms of an increase in earnings into the near future.

How should this increase in the number of Indians pushed into poverty shape the country's welfare policy?

If this is a temporary phenomenon, it will require short-term support like cash or subsidised food. On the other hand, we will have to look at a long-term class of people [who are poor] if they are forced to sell assets, go into debt or remain unemployed. A lot depends on how we handle the crisis in the next few months.

The biggest driver of reduction of poverty is economic growth. Welfare policies are important but they cannot substitute for growth. However, we are not going to see growth come back to the levels we saw in the last 20 years any time soon. The pandemic has undone some of the gains. We do need to increase public spending for growth. This is what the government tried to do with the stress on capital expenditure in this year's budget. But with the coming of the second wave, the challenge is once again to balance long-term growth and short-term welfare considerations, with a strong emphasis, for now, on the latter.

Your study has concluded that those in the 15-24 age group faced more job and income losses. What does this mean for Indian families, for its young, for economic mobility and for the country's socio-economy?

Younger workers are typically more vulnerable to job loss during economic recessions. Firms have less investments in them, their productivity is often lower owing to less experience, and so they are often the first to go in times of economic stress. And, fewer job-search networks,

lower experience also means that they are less likely to find work again.

This can have scarring effects for the youth workforce. The impact on career prospects mentioned earlier, comes in here. If there is a lost year or so of experience right at the beginning of the career, this can be hard to overcome later on.

In policy terms, special attention has to be paid to women and younger workers because both have been disproportionately affected. We need to incentivise employers to hire women and younger workers. The employee provident fund (EPF) based Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) is an example. The government can think of a EPF-based subsidy for the employer linked to hiring for these groups.

As we emerge from lockdowns and the economy restarts, it will be good to think of policies that incentivise firms to hire women and younger workers.

The poor and marginalised caste groups in India were also disproportionately affected during the pandemic, and exposed the faultlines and leakages in the social security net. What does this mean for how our welfare systems are designed and implemented? If this turns out to be a prolonged wave, what could be some of the short-, medium and longer-term solutions?

In the short term, as we have explain in our report, we need to extend free ration under PDS at least until the end of 2021, make cash transfer of Rs 5,000 for three months to as many vulnerable households, and provide COVID hardship allowance to 2.5 million Anganwadi and ASHA workers of Rs 30,000 (Rs 5,000 for six months).

In the medium term, we need an urban employment guarantee programme specifically targeted at women, leveraging existing administrative databases to expand the social security reach. We need an increased enrollment in Jan Dhan [Yojana, which provides universal access to banking facilities], and [we need to] find other ways of increasing the cash net like the [one provided to] Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) job-card holders or other beneficiaries of government schemes who may have Aadhaar-linked bank accounts. All these can be pressed into service for delivering future transfers.

In the long-term we are paying a high price for underinvesting in our public health. We must learn a lesson from this crisis, stop the privatisation of healthcare and expand public spending to ultimately get to universal basic services (including publicly provided health and education).

Nearly half of formal salaried workers moved into informal work either as self-employed (30%), casual wage (10%) or informal salaried (9%) workers, between December 2019 and December 2020, says the report. Up to 90% of India's workforce

was employed in the informal sector even before the pandemic. Does this situation call for a re-think on skilling, training and education, and of incentives and support for firms? What must be done immediately?

The question of skilling and education is a long-term one, [and] there is not much that can be done now. Informalisation is a result of firms firing workers because they cannot afford to keep them on payroll or they see an opportunity to reduce labour costs. These workers are forced to resort to self-employment. If this is to be prevented, firms need to be supported financially if they are struggling and also prevented from firing workers.

Developed countries have a better registry of firms and better mechanisms to reach out to them, and therefore are able to deliver wage subsidies directly to firms and prevent layoffs or closing down. In India, there are cash transfers to BPL households [in welfare schemes]. Considering many people are self-employed, it is like supporting their firm. But small units (employing up to 10 workers) are struggling. We will need to think of creative ways of building a registry of micro or small firms and deliver direct support. These are not loans and credit, but [cash] transfers.

The easy thing is to do what the Centre did by promising loan guarantees and extending existing loans. [But] It does not address the crisis, as people need resources immediately. We do not have a good way of targeting this relief and do not have adequate data on small units who will need this support.

As on May 4, 2021, only 60% of 29 million households that demanded work under MGNREGS have been provided work. Up to 1,925 families have already completed 100 days of work. While the 2021 budget allocated Rs 73,000 crore to the scheme, you have recommended that it be more than doubled to Rs 1.75 lakh crore. How can MGNREGS be leveraged as we see state-specific lockdowns?

Even during normal years, MGNREGS has been oversubscribed due to the condition of the rural economy. It runs out of funds and people are rationed out of it. The usual allocation of Rs 60,000-70,000 crore is inadequate. There have been estimates (normal years) that find that it needs at least Rs 1 lakh crore.

The need to expand the budget right now is more severe because there are no employment alternatives. It is difficult to carry on MGNREGS work when COVID is spreading into villages too, but that does not mean it has to stop. Depending on the local situation, worksites can be created which respect distancing rules, and pandemic relief work can be brought temporarily into the ambit of allowable MGNREGS works.

How can an urban employment programme be developed when there is limited mobility for migrant and informal workers, especially women?

It is possible to create employment through programmes that will directly address some of the constraints we face now. For example, Kerala's Kudumbashree programme focused on creating PPE kits/masks as a means of addressing shortage while also promoting women's employment. While they did face raw materials shortages, this can be addressed through a coordinated policy.

Migrants can be employed under these [urban employment] programmes in the destination state where they should not be excluded [even] if they have lived and worked in the state for say, [only in] the past few months.

The general lesson from the crisis is that local contexts are different but resources are with the Centre. The Centre can devolve resources and allow states to make decisions so that they can design [urban employment programmes] in a state-specific manner. Some states may want locals to be protected for employment because they are migrant-receiving states, while others may be sending migrants and their problems will be different. Like the ASHA and anganwadi systems, we can include pandemic relief work and compensate it under urban employment.

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