THE INDIA FORUM
A JOURNAL-MAGAZINE ON CONTEMPORARY ISSUES

April 16, 2020

# Locking out the Working Poor

India's Inadequate Response to Covid-19's Economic Crisis

**By: Ishan Anand,Anjana Thampi**

*With more than three-quarters of India's workforce either self-employed or in casual work, and earning low incomes, the lockdown was bound to devastate their livelihoods. Conditions were poor before the lockdown because of the slowdown. They have now worsened.*

Governments around the world are scrambling to come up with a cogent and comprehensive response to the public-health crisis that Covid-19 has unleashed. India's major response has been to lock down 1.3 billion people and restrict all but essential services, all at a notice of four hours. The boldness of this ambitious move was not matched by the necessary planning and preparation.

This has resulted in a humanitarian crisis, vividly illustrated by scenes of hundreds of thousands of migrant workers desperately taking to the streets to find a way back home. Some lost their lives on the way. Over 14 lakh workers have now been shifted to relief camps. There have been reports of fights over food in camps and of demonstrations by workers in Surat and Mumbai to be allowed to go back home. With the extension of the lockdown until May 3, rising hunger and desperation among workers, and poor government outreach, the situation can soon lead to a massive unrest.

One can only hope that governments engage with the workers, provide immediate relief, and do not treat this as a mere law and order problem needing brutal police action. The relief package that the central government announced after the lockdown was imposed-the Pradhan Mantri Garib Kalyan Yojana-is neither comprehensive in scope nor substantial in terms of allocation.

> The timing of the lockdown has made its economic impact more severe. The burden will disproportionately fall on the working poor.

The worst fears are already coming true. There have been reports of starvation deaths of an eight-year-old boy of the Mahadalit Musahar community in Bihar, a 29-year-old female construction labourer in Karnataka, and a 70-year-old tribal woman in Jharkhand, among others. Numerous ground reports from different parts of the country (see stories from Muzaffarpur and Guntur) suggest that the poor are on the brink of starvation. A survey of migrant workers from central and north India, reported that 4 in 10 workers had no rations left for the day, let alone for the rest of the lockdown period

The timing of the lockdown has made its economic impact even more severe. The growth rate of the Indian economy had slowed down considerably over the previous two years. The distress in the economy has been confirmed by official surveys on employment (the release of which was delayed by the government) and on consumption (which was not released at all).

The Periodic Labour Force Survey (PLFS) revealed that the unemployment rate was 6.1% in 2017-18-the highest in four decades. Around 81% of India's workers earn less than Rs 15,000 a month. Media leaks of the now-buried Consumer Expenditure Survey of 2017-18 showed a decline in food expenditure and average per capita consumption in 2017-18 over 2011-12 levels, suggesting a rise in poverty and food insecurity.

It is yet to be seen whether the lockdown will be successful in 'flattening the curve'-slowing and reducing the transmission of Covid-19-which is bound to benefit everyone. The burden of the lockdown will, however, disproportionately fall on the working poor, who were already reeling from joblessness, low incomes, and worsening economic conditions.

## Differing Impacts

The lockdown is bound to affect different segments of the workforce differently, depending on the location of workplaces, nature of work, and income levels. According to the PLFS 2017-18, 52% of India's workforce is self-employed, 23% are regular wage/salaried, and 25% are casual workers. A large majority of workers, mostly self-employed or casual, are in the informal sector. Most of them are not registered or eligible for any job security.

> Workers, already suffering from falling real wages, suddenly have run out of savings and are uncertain about finding work when the lockdown is finally lifted.

Rural India is dominated by self-employed (58%) and casual workers (29%). The share of regular workers is only about 13%. In urban areas, the share of regular workers is higher (47%) than self-employed (38.3%) and casual workers (14.7%).

**Casual workers**

The most vulnerable are casual workers who do not have access to work on a regular basis. Many of them are daily wagers who work as farm labour in peak agricultural seasons, and in MGNREGA, construction, or other work in rural or urban areas during lean seasons. The average daily wage in MGNREGA in 2019-20 was Rs 182 per day, and average days of employment provided per household was 48 days. The median daily wage for casual workers in non-public works was Rs 250 in rural areas and Rs 300 in urban areas, as per PLFS 2017-18. Wages for female casual workers were significantly lower.

Source: Labour Bureau, *Wage Rate in Rural India* series, adjusted for inflation using CPI (Rural)

The wages of agricultural, construction, and non-agricultural operations show a trend of negative wage growth in the last few months (Figure 1). Rural wage growth has remained subdued for most parts after 2014, reversing the impressive performance between 2007 and 2013. There is no reason to believe that urban wages have behaved any differently.

In January 2020, the average rural wage was around Rs 300. Assuming 20 days of work in a month, casual workers are staring at a loss of Rs 6,000 during the lockdown period. Workers, who were already suffering from falling real wages, suddenly find themselves running out of savings and uncertain about finding work when the lockdown is finally lifted.

**Self-employed workers**

The largest self-employed group, particularly in rural areas, comprises people engaged in agriculture and allied activities, such as cultivation, rearing livestock and poultry, fishing, and collecting and selling forest produce. After a decent performance between 2004 and 2013, agricultural growth collapsed following droughts in 2014-15 and 2015-16, and due to worsening terms of trade and the disruptions in the economy following demonetisation.

> Farmers cultivating perishable crops are doubly hit: by labour shortages at harvest time and by hurdles in selling their produce.

The lockdown has coincided with the harvest season. This has created shortages of farm labour to carry on harvest- and post-harvest operations. There are reports of farm machinery and trucks being stuck at state borders, further compounding harvest woes. Farmers are also facing difficulties in buying inputs for crops to be sown in March and April. This sudden shock from the lockdown will lead to the highly indebted farmers borrowing even more-at exorbitant rates of interest-to support sowing in the next season and to support consumption.

Wheat cultivators may get some relief if governments procure the crop on time. But farmers cultivating perishable crops - flowers, fruits, vegetables - are doubly hit. Labour shortages have led to hurdles in harvesting. When they do manage to harvest, farmers are not able to sell their produce. Media reports show farmers selling for absurdly low prices, or destroying their unsold stock of fruits and vegetables, or seeing their produce rot in mandis for lack of buyers. Farm incomes from such crops are bound to take a huge hit. There is hardly any mechanism in place to compensate for these losses.

The work of most non-agricultural self-employed persons falls in the category of 'non-essential' activities (from the point of view of exemptions from the lockdown). They can be drivers of passenger or goods vehicles, shopkeepers and street vendors, artisans, masons, shoeshine workers, and so on. They are likely to lose their entire income. The median monthly income of a non-agricultural self-employed person was Rs 9,500 in 2017-18. About 62% of the self-employed earned less than Rs 10,000 a month (Figure 2). Only about 1% of the self-employed earned over Rs 50,000 per month. Small businesses, petty producers, and farmers are unlikely to get any compensation for their loss in income, or monetary support to tide over the recession that will surely follow the lockdown.

Source: Authors' calculations using PLFS 2017-18

**Regular workers**

Other than India, countries that have imposed restrictive lockdowns include China, France, the United Kingdom, Italy, and New Zealand. The share of regular workers in the total workforce in India is around 23%, compared with 53.3% in China, 88.4% in France, 77% in Italy and 85% in the UK. Countries with a higher share of regularised workers in the workforce are better equipped to deal with a complete lockdown. Such workers are likely to have more provisions for paid leave, unemployment benefits, or direct cash transfers. With regular workers constituting such a low proportion of the workforce in India, those options do not exist for a majority of the workforce here.

Regular workers in India are relatively better placed than casual workers and the self-employed. Still, about 45% of regular workers earned less than Rs 10,000 per month in 2017-18 (Figure 3). There has also been a casualisation of the workforce over the years, with a large proportion of regular workers now hired in temporary and contractual positions. Only about half of the regular workers in India are eligible for paid leave.

Source: Authors' calculations using PLFS 2017-18

## Poor Relief Measures

The central government called upon employers to pay full wages to their workers during the lockdown period-permanent, contractual, and inter-state migrant workers. This call would have carried more weight if the centre itself had paid the wages of MGNREGA workers. In any case, these directives are not backed by any law. The Stranded Workers Action Network (SWAN), reported that almost all of the 4,314 workers who reached out to them were not paid during the lockdown, as of April 12. Instead of passing on the obligations of paying workers to private employers-particularly small businesses who may themselves be in dire straits-governments need to take on the responsibility of ensuring that workers have enough money and access to purchase essentials.

> The actual transfer of relief payments has so far been low in most parts of the country. Even where it is decent, many unregistered workers are bound to be left out.

### Farmers

One of the responses of the central government has been to pay in advance the Rs 2000 farmers were to receive as an instalment under the PM-Kisan scheme. As of 12 April, 6.93 crore farmers had received this instalment. Apart from the obvious problem that this is not an additional benefit, this payment excludes farmers who were not receiving the benefit in the first place. This could be a sizeable number, with only 3.12 crore farmers out of a target 12.5 crore reported as receiving all three instalments in 2019. No additional measures have been announced to compensate for the loss in incomes due to problems in harvesting and sale.

### Casual Workers

The central government announced an increase in MGNREGA daily wage by Rs 20, a hike that was anyway due. With MGNREGA jobs crashing to 1% of the usual rate, a far more useful plan is to pay full wages for the lockdown period to all active card holders. The centre also needs to clear its massive dues to states that were pending even before the Covid-19 crisis. There are reports of delays in wage payments and compensation in the programme due to the fund crunch that is a regular feature towards the end of every financial year.

The states' responses have been varied. Kerala issued an order to complete distributing MGNREGA wages by 31 March, without workers needing to reach the panchayat office. Although cash support has been announced by state governments, the amounts vary widely: Rs 5000 for daily-wage earners and construction workers in Delhi; Rs. 1000 per week in Haryana; full wage payment during the lockdown period for registered daily-wage earners in Jharkhand; Rs 1000 to registered workers and Rs 2000 to families belonging to the extremely backward Baiga, Sahariya, and Bhariya communities in Madhya Pradesh.

The actual transfer of payments has so far been low in most parts of the country. Even where it is decent, many unregistered workers are bound to be left out.

> In this crisis situation, bureaucratic delays in distributing food can make the difference between life and death.

**Other Cash Transfers**

The centre announced additional amounts of Rs 1,000 to those receiving old-age and widow pensions, and payments of Rs 1,500 over a period of three months to 20 crore women with Jan Dhan bank accounts. State governments too have announced benefits. Andhra Pradesh, Bihar, Odisha, and Rajasthan announced one-time benefits of Rs 1000, but only to 'needy' households with ration cards, which carries the risk of excluding genuinely needy people due to identification errors.

**Public Distribution System**

Among the few useful moves by the central government is the announcement that the "poor and needy" households that are eligible for rations will get an additional 5 kg of wheat or rice along with 1 kg of pulses for the next 3 months. There is an urgent need to ensure that rations reach households. As of April 12, 48% of the 2,021 workers who reached out to SWAN said that they only had one day of rations left.

Jean Drèze has pointed to the urgent need to distribute the Food Corporation of India's excess food stocks to the states. With food stocks bulging, it would be easy for states to universalise the coverage of the Public Distribution System. In this crisis situation, delays in distributing food, for bureaucratic reasons such as errors in identification or unclear eligibility criteria, can make the difference between life and death. Aadhaar (or any such document) and authentication on its basis should not be a hurdle to accessing rations.

> Like demonetisation, the lockdown too seems to be without a clear plan or strategy, and with scant regard for the vast majority of India's working poor.

## Conclusion

On the whole, the relief measures that have been announced are inadequate and poorly designed. Although some states have acted better than others , the overall response towards easing the pain of the lockdown leaves much to be desired. Workers have largely been left to fend for themselves. Much like demonetisation, the lockdown too seems to be without a clear plan or strategy, and with scant regard for the vast majority of India's working poor.

Alongside the public-health crisis, India is currently dealing with disruptions in supply chains of essential commodities, a rise in hunger and starvation of the vulnerable, and loss of income for workers to restart the economy. There is an imminent threat of a collapse in aggregate demand due to loss of income, fall in private investment, and bleak export prospects. The government must step up to prevent the economy from going into a deep recession. Will it rise to the occasion with bold steps or stick to the economic orthodoxy and impose austerity on the working poor?

***Postscript***

After announcing the extension of the lockdown until 3 May, the centre issued an order listing economic activities that would be permitted from 20 April onwards. The order allows for the resumption of a variety of institutions and activities such as mandis, construction sites and industries in rural areas, and the manufacture of essential goods. MGNREGA worksites are to be allowed, with priority given to irrigation and water conservation works.

These are important announcements, which if implemented properly, can provide some respite to rural workers. The challenge now will be to provide adequate workdays under MGNREGA, along with timely payment of wages. But there is not much in order for the urban working poor.

As we move towards a phased exit from the lockdown, prevention of infection, testing, and quarantining potentially infected persons need to be stepped up to ensure that the health of workers does not become the casualty of an attempt to restart the economy.