



## SOCIOECONOMIC IMPACT ON INFORMAL SECTOR EMPLOYEES DURING COVID-19 PANDEMIC AT JAMSHEDPUR

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### ABSTRACT

Coronavirus (COVID-19) pandemic has created an unprecedented loss and disruptions over all across the world. From developed to developing, no country has been spared from its brunt. In this paper, we have analyzed the implications of COVID-19 on the economy and society of India so far. The informal sector, despite being a huge contributor to India's GDP, is often neglected when it comes to supportive policies especially in times of crises. Currently, with the spread of the COVID-19 virus, there is significant rallying by governments, policymakers and health professionals for 'social distancing' and maintenance of proper hygiene. This implies minimising contact with the outside world and taking precautionary personal hygiene measures such as frequent use of hand sanitisers, wearing masks when ill and other such. The all sectors of the economy has been disproportionately affected and even within a sector, there is a disproportionate loss. The societal impacts are dire too with job losses, mental illness, increased domestic violence, and so forth. Some positive effects can be seen in terms of improved air quality, water quality, wildlife but the sustainability of such impact is conditional upon post-COVID and people's habits and future policies related to the environment.

**KEYWORDS :** Socioeconomic Impact, Employees, Covid-19 Pandemic, Jamshedpur

### INTRODUCTION

The COVID-19 pandemic has so far infected more than 7.7 million people and claimed over 433,000 lives.<sup>1</sup> It has also had devastating impacts all around the world. It is projected that the global economy will shrink by some \$7.5 trillion—an amount larger than the combined GDPs of Latin America and the Caribbean (LAC) and the Middle East and North Africa (MENA) regions.<sup>2</sup> The International Labor Organization (ILO) estimates that four out of five people in the global workforce of 3.3 billion are currently not at work due to full or partial lockdown closures.<sup>3</sup> Economic recessions typically have uneven impacts on women and men, depending on their sector, status in employment, and place of work. In 2008, for example, more men than women became unemployed because job losses were concentrated in male-dominated sectors such as construction and manufacturing.<sup>4</sup> In the current downturn, the adverse economic impact of COVID-19 has been most pressing for women, particularly women working in the informal economy. Nearly 432 million women in developing countries who are engaged in paid jobs work informally. Further, the ILO estimates that 42 percent of informal women workers are engaged in “nonessential” sectors, such as wholesale and trade, hospitality, and food services.<sup>5</sup> A household survey from Kenya reports that more than half of working women “have been rendered jobless by the coronavirus pandemic.”<sup>6</sup>

India is also amid a severe crisis. “This is the greatest emergency for the Indian economy since independence,” said Raghuram Rajan, former RBI Governor. This is worse than the financial crisis of 2008, which affected the demand side but workers/people could still go to work, the financial conditions of government of India was sound but it seems that everything is against the economy this year.<sup>7</sup> Almost all the countries due to COVID-19 are affected similarly in terms of demand-supply shocks and disruptions but in India, there was already a downturn in the economy. In Pre-COVID era India was encountering with major macroeconomic issues such as nearly recession with the sluggish GDP growth rate of 4.7% in 2019 which is lowest since 2013 (as indicated by the official statistics), high unemployment rate, decline in industrial output of core sectors—the worst in 14 years, stagnancy in private sector investment, decline in consumption expenditure for the first time in several decades. Also, the informal sector of India which is the largest in the world employs nearly 90% of the total working population and contributes significantly in overall GDP (more than 45%) has been hit by two major shocks (or reforms) already due to demonetization in 2016 and GST in 2017.<sup>8</sup>

The financial sector who has got the most important role to play in the crisis times has also been having huge problems in India like Twin Balance Sheet (TBS), high levels of non-performing assets (NPAs) and an inadequately capitalized banking system. In the private corporate sector too, firms are financially weak and over-leveraged (Sengupta & Vardhan, 2019).<sup>10</sup>

In this article, an attempt is made to investigate the socioeconomic implications of the draconian coronavirus pandemic (COVID-19) in India. The motivation behind this is to provide an overview of the loss that occurred to different sectors of the Indian economy and society to have a better understanding of the issues to the government.

### SECTORAL IMPACTS OF COVID-19 ON INDIAN ECONOMY

#### Primary sector

Agriculture and allied activities

To contain the spread of COVID-19, just like how other countries did, India imposed a complete lockdown in march which coincided with the peak of harvesting season of Rabi crops in India mainly in the north-west which posed significant losses to the farmers.

Before this pandemic, the rural economy of India was witnessing a decline in incomes of mainly casual workers along with declining rural wages (real). Some rays of hope were seen in January 2020 when food prices started rising but all hopes collapsed with this new crisis. (Mukhopadhyay, 2020)<sup>11</sup>

Agriculture and allied activities are not a homogenous group of activities, in fact, an umbrella of different activities having their different dynamics each. So, the impact of COVID-19 on this sector varies according to the set of activities, that is, on crops, livestock, fisheries, and so forth. Horticulture and Foodgrains production is part of crops and is impacted differently. Horticulture is likely to face the brunt more because of the nature of perishability whereas food grains are non-perishable and apart from problems in harvesting and labor shortage, this is not impacted much. Rabi harvesting has gone well and MSP hike has also been announced for the Kharif crops which assures farmers a 50–83% return on their production cost. With declining demand and reduction in exports of fruits and vegetables, horticulture is hit hard. Similarly, floriculture has been affected because of less demands due to shut down of religious places, postponement of marriages, and so forth. In livestock (milk, meat, eggs), milk is the major contributor that has been impacted and fortunately, had stability during the lockdown.

#### Secondary sector

##### • Manufacturing sector

The manufacturing sector is the major contributor of GDP and employment in the secondary sector and has been recognized as an engine for vibrant growth and creator of the nation's wealth (Rele, 2020).<sup>12</sup> The manufacturing sector is important in the way that it has strong linkages with other sectors, both forward and backward linkages so any impact in this sector will affect other sectors as well. Overall, the manufacturing sector is going to be affected badly by demand-supply disruptions and global value supply chain.

The micro, small and medium enterprises (MSMEs) as a whole form a

significant share of manufacturing in India and play a crucial role in providing employment opportunities and also in the country's exports. As indicated by recent reports MSMEs contribute 30% in India's GDP and 50% in the employment of industrial workers. But this sector has issues like the non-availability of adequate, timely, and affordable institutional credit. Although all the businesses and sectors are affected due to the pandemic, this sector is badly hit due to reduced cash flows, supply chain disruptions, shortage of migrant workers due to reverse migration, less demand, and so forth. Like China, India is also expected to have major destructions in this sector with more challenges to small firms as compared with upstream firms (Dev & Sengupta, 2020).<sup>13</sup>

It is not easy to re-start MSMEs once they are shut down. India's Sherpa to the G20 also said that small industries are most vulnerable and it is difficult for them to survive without financial assistance because of their incapability to deal with such sudden disruptions.<sup>14</sup>

### Service sector

#### • Financial market and institutions

The financial sector who has got the most important role to play in the crisis times has also been having huge problems in India like Twin Balance Sheet (TBS), high levels of non-performing assets (NPAs) and an inadequately capitalized banking system. In the private corporate sector too, firms are financially weak and over-leveraged. (Sengupta & Vardhan, 2019).<sup>10</sup> Some more problems like IL&FS crisis, decline in commercial credit of around 90% in FY2020—first half, and a near-demise of a well-known and reputed private bank—Yes Bank, and so forth.

There is no such impact on the banking sector, but because banks are at the forefront of public attention the indirect impact of several other sectors that are hit by the pandemic is likely to be on the banks and other financial institutions. Banks are the major source of help in times of crisis, therefore when all other sectors are hit badly, banks will also face the brunt. The already existing problems in the financial sector are expected to multiply due to this draconian crisis.

Subramanian and Felman (2020)<sup>15</sup> suggested that around one-third of industrial and service firms have applied for moratoria on their bank loans. The stock of non-performing assets (NPAs) may increase by Rs. 5 lakh crore even if only a quarter of these deferred loans go bad, eventually. And this is a conservative estimate. Senior bank officials have been quoted as estimating that the stock of NPAs could increase by as much as Rs 9 lakh crore. In this case, we would be looking at NPAs of Rs 18 lakh crore, equivalent to around 18% of current loans outstanding. For planning purposes, it is worth considering who will pay for such losses, if they do materialize.<sup>16</sup>

### SOCIETAL IMPACTS OF COVID-19

#### Gender gap and inequality

It has been estimated that globally, women are more likely to be vulnerable to losing their jobs as compared to men due to the COVID-19 pandemic.<sup>17</sup>

Considering the disproportionate burden of the crisis on low skilled workers, poor, other vulnerable sections, many economists think that COVID-19 is most likely expected to raise inequality within and among countries and the results of study conducted by (Furceri, Loungani, Ostry, & Pizzuto, 2020) confirms that those having basic education (low skilled) are affected more than those with higher and advanced degrees, in terms of loss of income hence confirming increase in income inequality after during and after pandemics.<sup>18</sup>

#### Health crisis—rural/urban

Due to the paucity of testing services, shortage of doctors, health equipment, beds even in the developed area of India, COVID-19 is a major threat for India. With a subsequent rise in the no. of confirmed cases India's capacity to contain the further spread and to handle the current cases is questioned by many experts. As per the National Health Profile of India, 2019, India's expenditure on healthcare as % of GDP was merely 1.28% which is lower than poorer countries of the world. Coronavirus Pandemic has disproportionately affected the rural and urban areas. Presently, the brunt is faced more in urban areas because of the high density of people. But the risk is much more to the rural areas where around 70% of India's population resides. India's healthcare sector is still developing and there are large differences in the healthcare systems of rural and urban areas. The rural health care

system which is a three-tier system is comprised of—

- Sub-centres with 23% shortfall in healthcare facilities,
- Primary Health Centres with 27% and
- Community Health Centres with 28% shortfall, as of July 1, 2019. 14

The healthcare system in the rural area is not adequate to handle this pandemic and the transmission especially in the northern states where population density is high because of doctors' shortage, healthcare facilities like very less availability of no. of beds per thousand people, equipment, and so forth. (Kumar, Nayar, & Koya, 2020)<sup>17</sup>.

#### Reverse migration

As indicated by the Census of India, 2011 Delhi and Maharashtra had the most extreme number of the flow of migrants for the most part from the states of UP, Bihar, Rajasthan, Odisha, Assam, Punjab, West Bengal, Madhya Pradesh. And at present Maharashtra is followed by Delhi in the highest number of COVID-19 cases. (Ministry of Health and Family Welfare, Government of India).<sup>19</sup> Now, due to COVID-19 there is mass reverse migration due to limited employment opportunities, fear of more destruction due to the uncertainty of future crisis, financial crisis, health crisis, and so forth. The extent of this reverse migration was such that the efforts of government through policies could not match this crisis. (Mukhra, Krishan, & Kanchan, 2020)<sup>20</sup>.

Singh (2020)<sup>21</sup> studied the impact of the coronavirus pandemic on the rural economy of India mainly about the plight of migrant workers and the short run—long run implications of COVID-19 on the rural economy. He stated that COVID-19 is going to affect the rural economy in both the short run and long run with reverse migration exerting excess pressure on the agriculture and rural economy that will significantly affect the poverty and will put a greater number of people into abject poverty. He also discusses that although the government is announcing schemes and helping in many ways. But mass corruption in the system is the biggest challenge in the effective implementation of plans.

#### Poverty, job losses and informal sector

At least 49 million individuals all over the world are expected to dive into "extreme poverty" as a direct result of the destruction caused by the pandemic and according to World Bank, India is estimated to have its 12 million citizens pushed in extreme poverty.

According to the Centre for Monitoring Indian Economy (CMIE), in India more than 122 million people lost their jobs in April 2020, out of them largely were the small traders and wage-laborers. According to a phone survey of 4,000 workers conducted by Centre for Sustainable Employment, around 80% of urban workers in the sample lost jobs with a sharp decline in the earnings of farmers and those who were self-employed in sectors other than agriculture.<sup>22</sup>

Pre-existing similarities in the formal and informal sectors in India are more likely to be increased because the informal or unorganized sector or workers do not have access to social security benefits and there is a lot of uncertainty in their work. The informal sector workers were already facing issues like low wages and income and in this pandemic, they are among the most affected people.

#### Psychological impact—mental illness

Apart from the health and economic crisis, this is the major challenge to every country hit by the pandemic. Due to lockdown, mass unemployment, the collapse of various businesses, loss of income, increasing inequalities and poverty, deaths, less mobility, and so forth. there is a huge impact on the mental status of people. From older to younger, rich to poor, everyone is affected.

The psychological challenges can be severe to marginalized people like farmers who already have psychological burdens due to pre-existing problems in the agriculture sector. Nearly 16,500 cases of farmers' suicide are reported every year due to their poor socio-economic conditions and due to COVID-19 such cases can be aggravated. (Hossain et al., 2020)<sup>14</sup>

Recent studies in psychological science and evidence show that similar pandemics like the current one increased mental health problems like post-traumatic stress disorder (PTSD), confusion, loneliness feeling, boredom during and after the quarantine too. (Brooks et al., 2020)<sup>23</sup>

Older people are battling with larger health risks as well as are likewise prone to be less fit for supporting themselves in isolation. Although social distancing is important to contain the spread of the virus, if not executed effectively, such measures can likewise prompt expand social confinement of older people when they might require the most support.

### Positive impact on environment

With serious negative implications and destruction to the economy and people, COVID-19 has got some positive implications too.

One such is a gift to the river Ganga. In just 34–35 days of lockdown due to COVID-19 in India, the pollution in the river has decreased significantly which the two major plans, Ganga Action Plan, 1986, and Namami Gange, 2014, with hundreds of crores investment could not do, said Prof. B. D. Tripathi, Chairman, Mahamana Malaviya Research Centre for Ganga.<sup>12</sup>

There is a positive impact on air quality, water quality, wildlife and vegetation due to less traffic, less pollution due to lockdown and less business activities etc.<sup>24</sup>

### CONCLUSION

COVID-19 pandemic has incurred unprecedented loss globally but India being an emerging economy is likely to get more affected in every sector and that too disproportionately. Manufacturing sector especially automotive sector and MSMEs are suffering more loss and due to global supply chain disruptions this sector is affected badly. Service sector which is the key driver of economic growth and largest contributor of GDP has been hit hardly due to various restrictions on mobility, halt on tourism and hospitality for the time being, very less transport activities, shutdown of schools/colleges, and so forth. The overall loss to the economy and to different sectors depends on the severity and longevity of crisis. Although there are some positive impacts also but the sustainability of these impacts on air quality, water quality, wildlife is conditional to post-lockdown scenario and people's behavior and habits. The COVID-19 pandemic has drastically changed the life trajectories of millions of informal workers across India. Those hoping to transition out of poverty prior to the pandemic have now had to respond to the immediate health and economic shocks that they suffered. Collectivisation holds the promise for transforming socio-economic rights of informal workers, particularly women workers who are further marginalised within the informal economy. It can serve as a platform for not only availing the rights and entitlements that they are eligible for, but also for advocating and demanding additional state support in matters of social security, labour rights and community-level infrastructure.

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