

Modi-fare in the time of Covid-19: India's Employment Crisis and the New Poor by Keerty Nakray

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Photo taken by Mr Piush Prashant Singh

To date, over half a million lives had been lost globally since the reporting of the outbreak of the coronavirus (COVID-19) back in December 2019. In India, the pandemic so far has claimed already **over 20,000 lives**, with a rising trend. This unprecedented public health crisis has unleashed wide-ranging social, economic and political implications everywhere. Economically it unleashed a job crisis amongst workers in both the formal and informal sector, the latter being of great importance in countries such as India. As a response to the pandemic, Prime Minister Modi announced a lockdown from 25 March 2020, which severely impacted the livelihoods of **40 million internal migrants** as well as having negative impacts on formal workers.

The public health measures resulted in work at reduced hours, temporary furloughs, and a massive rise in unemployment where work from home was not possible. Estimates by the **Centre for Monitoring Indian Economy** indicate the Indian unemployment rate rose in April 2020 to 23.5%, up from 7.6% a year ago. Modi's lockdown was only announced on 24 March, giving 1.3 billion Indian people merely four hours to prepare for the economic and social consequences of the stay-at-home orders. Informal migrant workers from states such as Bihar, Uttar Pradesh and Chhattisgarh had to walk their way back home, **potentially spreading the virus** on their long routes. All workers, including from the formal sector, experienced the staggering number of layoffs as loss of income and thus financial insecurity – often this news was communicated to the employees over email, phone or video call. Industry lobby groups such as the National Association of Software and Services Companies (NASSCOM) have influenced some state governments to enable labour law relaxations to boost the service sector, relaxing daily and weekly work-hour limits, allowing female employees more flexibility by working at night to facilitate domestic care work during day-times.

A study by Sherilyn Raga of the Overseas Development Institute showed that many Low and Middle-Income countries such as India initiated stringent lockdowns to mitigate public health impacts of COVID-19; however, they failed to mitigate the social and economic impacts with the generous fiscal response. An exception was Malaysia which introduced a relief package worth 16% of GDP, including a range of provisions such as loan guarantees, wage subsidies and even free internet during the period of social distancing. India, in contrast, has announced a plan to help the poor worth 1.7 trillion rupees (GBP 18 billion), only about 0.8% of GDP which included **previously budgeted outlays** that will merely be spent sooner in the year. On paper, the much-delayed stimulus package announced on 12 May 2020 was meant to be 10 per cent of India's GDP.

Following the lockdown, some initiatives taken by the Modi Government include one-off cash transfers of GBP5.40 to the bank accounts of female beneficiaries and GBP10 for the elderly, poor widows and the disabled. To help the formal economy, the government announced the reduction of the private sector employers' contribution to the Employees' Provident Fund (EPF) from 24 per cent to 20 per cent of the salaries for three months. Similarly, the Pradhan Mantri Garib Kalyan Yojana (PMGKY) (Prime Minister's Poor Welfare Scheme) provided private firms with EPF funding for workers who earn less than GBP150 a month. Besides, Finance Minister Nirmala Sitharaman reduced the **TDS** (tax deduction at source) and TCS (**tax collection** at source) rates for non-salaried payments by 25 per cent up to 31 March 2021 and extended vital deadlines related to income tax return filing. Modi's stimulus package also included GBP 32 billion collateral-free automatic loans for Micro, Small and Medium Enterprises. The stimulus package is big on ideas with an initiative called '**Atma-Nirbhar Bharat Abhiyan**' (**self-reliant India campaign**), resting on five critical pillars: economy, infrastructure, tech-driven system, demography and demand with a focus on land, labour, liquidity and law. However, its impact on mitigating the COVID-19 effects will be limited due to high levels of unemployment, **weak domestic demand, low investments and falling exports** which will weaken the response amongst its population to this COVID-19 shock.

My prior work with **Stefan Kuehner** drew on **Gough's and Wood's (2006)** characterisation of the Indian welfare state as an informal-insecurity regime. The Indian welfare state is characterised by clientelism and failure to protect its citizens against the markets. India stands out like a sore thumb amongst other large emerging economies with its bulging informal labour economy, which forms the dirty underbelly of India's growth story and a weak stimulus package. Jan Breman, in his recent book **Pauperism in Present and Past**, argued that Modi's 'Made in India' campaign is a euphemism for making paupers out of workers. The stimulus plans have little to support the workers. COVID-19 has exposed India's informal and formal labourers to grave risks posed by the markets. Without substantial state-led social policy supports India's aspirational middle-class looks at the prospect of becoming the new poor. Under the garb of efficiency, retrenchment will be counterproductive to the Indian economy, with further deepening of India's job and welfare crisis.

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