

# The direct and indirect effect of Covid-19 pandemic on informal workers in India.

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## Abstract

Developing nation like India where 90 percent of the working population are informally employed requires special attention while dealing with covid-19 pandemic because the greater the share of workers in informal employment, higher is their degree of vulnerability and incapacity to deal with a pandemic like this. They are vulnerable due to their weak economic condition and therefore, a pandemic like Covid-19 is going to adversely affect not only their lives but also their source of livelihood. Right from congested dwellings to unhygienic working and residential space, they also survive on minimum daily wage which implies they have minimum or no savings to either incur any health expenditure or buy essential goods during any emergency situation. Apart from the direct effect of covid-19 on their health, they also suffer from indirect effects like job loss, unemployment, future uncertainty, poverty, hunger, malnutrition and so on. Since this section of the people is contributing significantly towards the economic growth and development of the nation, therefore, the responsibility of protecting them lies with the government and the economically well-off citizens. This paper tries to understand the various direct and indirect repercussions of Covid-19 pandemic on informal workers in India with the help of various existing narratives related to this particular area.

*Key words-* Covid-19 pandemic, informal workers, agriculture workers, health, unemployment, poverty, food security, India.

## 1. Introduction:

The coronavirus or Covid-19 pandemic tormented not only the lives of people residing in more than 200 nations who are infected but it has also jeopardised the normal functioning of it. Its detrimental upshot can be realised both at micro and macro levels where, on one hand, individuals are facing severe constraints in reclaiming their livelihood and the country, on the other hand, is facing a downfall in global production, rise in unemployment, inflation and in other vital growth trajectories. Globally, a disruption in demand and supply chains has led to trade tensions and tremendous loss of income and employment. China's export reduced to 17.2% and sale of automobiles declined to 80% (Singh & Neog, 2020). Pakistan will witness negative GDP growth and for India, economic growth is predicted to hover around 1.5 and 2.8 percent (Shaikh, 2020). India, which is one of the fast growing economy, will experience a slowdown in industrial production, growth of manufacturing sub-sectors, infrastructure and construction goods industries (Swamy, 2020). But, the magnitude of the pandemic on health and the economy will differ depending on the coping up and resilient capacity of nations. Some literature have pointed out that while developed nations can provide the necessary health care facilities to those infected and other financial aid to sustain life, the difficulty lies with the governments of developing countries where health infrastructure is not strong enough to manage such a nationwide shock within a short notice. For instance, Ataguba (2020) pointed out higher economic cost in South Africa due to its high incidence of poverty, weak infrastructure and health systems. Further, implementation of strict norms of frequent washing of hands, self-isolation, social distancing and maintaining other safety measures is required to halt the spread of the virus. Obeying these safety norms may not be possible for every person living in a densely populated country like India, and the nation-wide lockdown have made things worse for especially the economically weaker section of the society. Without containment of the virus, normalcy in the economy cannot be expected and this requires robust health infrastructure. But a country like India where expenditure on health is only 1% of GDP (Singh & Neog, 2020) and where majority of people are poor and needy, the responsibility to safeguard their lives is a huge challenge for the administration. The economically weak people here mostly comprise of informal workers that include daily wage earners, agricultural labourers, migrant workers and all those who are not regulated by the government. It is no surprise that among the South Asian countries, India boast of the highest share of informal employment which is close to 90% (Khan & Mansoor, 2020; Buheji, 2020) and their share in GDP is as high as 45%. Although, the informal workers play a significant role in growth and development of the economy, yet they are the ones who are already burdened with lower wages, poor housing conditions, lack of social safety measures and have a greater degree of vulnerability to a pandemic like Covid 19 (Corbum et al, 2020). Ignoring them will only worsen the overall mitigation process and will further aggravate the loss incurred to life and livelihood. But as pointed out by Stiglitz and Fitoussi "Anything unmeasured is invisible to policymakers" (Narula, 2020) which will make the task of governments challenging in this respect. This paper will try to address the various direct and indirect repercussions of the pandemic on the informal sector workers

on the basis of literature review from various existing work where direct effect implies effect on health whereas indirect effect relates to effect on employment, income, expenditure etc.

## **2. Objective of the study:**

To analyse the health and economic impacts of Covid 19 on informal workforce.

## **3. Methodology :**

The present work is based on secondary sources of data and is a review paper which makes use of the available existing work relevant to this particular topic and the various sources includes newspaper articles, online blog post and research articles.

## **4. Results and discussions:**

The informal workers are those who are not regulated by the government and they do not come under any labour laws (Shaikh, 2020; Narula, 2020). They mostly work as daily wage earners or involved in domestic work, construction work, agricultural labourers etc(Wiego,2020) and lack any job contract and are not provided any paid leave and other benefits like pension, health insurance etc. They may establish their own businesses with very less or no labour and their business are solely dependent on the demand conditions. The nature of the work makes them more vulnerable to cope up with sudden shocks and they have lesser resilience capacity. They are also not included in various beneficial government schemes which are targeted, because of a lack of proper statistics and data on the magnitude of informal workforce (Shaikh, 2020). This particular pandemic will have severe direct and indirect ramification on the livelihoods of these informal workers which are discussed below.

### **4.1. Literature related to direct effect of the pandemic on informal workers:**

Since the Covid 19 belongs to the family of SARS (Severe Acute Respiratory Syndrome), therefore it directly affects the respiratory system and the rate of morbidity and mortality is higher among older people and those suffering from diabetes, hypertension and other chronic ailments. But it also spreads easily in unhygienic residential location that is devoid of adequate sanitation facilities, drainage system, common toilets and congested dwellings. Most of the urban informal workers who reside in slums are surrounded by such filthy conditions (Buheji, 2020). In a recent article by a central trade union named SEWA, pointed out the plight of these informal workers in urban areas. Findings from the primary survey show that the norm of self-isolation and social distancing is not possible for them and therefore, they are more likely to spread the virus. Frequent hand washing which is recommended as a standard preventive measure by WHO is a distant reality for them as they lack water sufficient for even drinking purpose. Some of these workers have even considered returning back to work so to mitigate the degree of contacting the virus by staying at congested dwellings. But if they still go to work, then also they have higher exposure to the virus because of the working conditions they are involved. Therefore, it seems that unless these informal workers follow strict precautionary measures, spread of the disease cannot be contained and this requires staying at home which, in turn, have indirect effect on their life and livelihood.

Again, the implementation of 21 day lockdown nationwide on 24<sup>th</sup> March, 2020, has taken a toll on the lives of migrant workers. In the absence of work, income, food and shelter they were forced to return back to their native villages. Not only this, they walked on foot to their homes for several hundreds of kilometres due to a halt in all means of public transportation which resulted in death of many migrants. As pointed out by Dutta (2020), about 26.4% of the total road accidents that occurred during the 21 day lockdown comprised of migrant workers. That is 198 migrant workers were killed while returning back home and the reasons being fatigue and lack of food and water. This shows the administrative failure in handling these workers. A study by Qui et al (2020) on the psychological impact of Covid 19 on Chinese people shows that migrant workers have experienced the highest level of distress among all other occupations which can be attributed to factors like uncertainty in getting back jobs, fear of contacting the virus, meeting daily expenditures etc. Incidence of racism, stigma against the poor, vulnerable and migrants has also increased during the pandemic (Corbum et al, 2020).

Although agricultural labourers also fall under the informal category, yet the chance of contracting the virus is lesser compared to urban informal workers because they live in villages where dwellings are seldom congested. Even though they are less vulnerable to the direct consequences of the pandemic, they are equally likely to fall prey to the indirect consequences of it.

## 4.2. Literature based on the indirect effect of the pandemic on informal workers-

The indirect effects of the pandemic on informal workers are many. According to Evans and Over (2020), some of them will last for a shorter period of time like fall in wages and increase in poverty level whereas loss of human capital and infrastructural deterioration will linger for quite some time. From the existing literature, the various indirect effects of the pandemic are discussed under broad sub-headings.

### 4.2.1. Loss of income and employment:

One of the foremost negative consequences of the lockdown is the loss of jobs of thousands of informal workers. The scenario is different for formal sector workers who are getting their monthly dues and can even work from home. But without any employment contracts and non-availability of paid leave or health insurance facilities, informal workers are likely to fall in the pool of unemployed category of workers. Although, in India there was an ever increase in the unemployment rate since 2017-18, but on June 2020, it reached 11% which is higher than the pre-lockdown period of 8% (Vyas, 2020). Labour Force Participation Rate (LFPR) which is an indicator of the share of people who are either working or looking for jobs to the total population has also witnessed a fall from 44.6% in January, 2020 to 35.5% in the second week of April, 2020, i.e by a figure of 9.1% within a short span of less than four months (ibid).

Again, many rural individuals working under MGNREGA will not get work and remain unemployed as demand for construction activities have come to a standstill (Mukherjee et al, 2020). Mukherjee et al (2020) also pointed out that around 40 million semi-skilled workers and workers under unorganised sector will lose job due to a disruption in transport services and industrial activities. Moreover, around 114 million people who work in micro, small and medium enterprises will remain unemployed even after normalcy is returned (ibid). This will result in great loss as the micro, small and medium enterprise sector contributes about 30 to 35 percent of the country's GDP (ibid). In villages, on the other hand, farmers are incurring huge losses due to over accumulation of harvest and disposing their produce at lower prices (Wiego, 2020). Absence of adequate storage facilities for perishable goods, halt in export of agricultural produce and restriction in transportation within the country has left farmers with excess supply, which will eventually needs to be dumped in the absence of demand for it (Narula, 2020). Again, while Sleet (2020) pointed out that with the return of migrant labourers, unemployment in rural regions may rise, Laborde et al (2020), on the other hand, reflected on the positive side of reverse migration as the involvement of these migrant workers may increase agricultural production. This might come with a cost related to fall in agricultural wages when supply of labour exceeds their demand.

In the long run, farmers will face the problem of scarcity of labour for sowing other seasonal crops (Mukherjee et al, 2020). This may happen in those States where reverse migration has taken place. Also, shortage of fertilizers, pesticides and other inputs will reduce agricultural production in future. Rice producing and exporting countries like India, Laos, Vietnam, Thailand etc have suffered significant losses due to export restriction. On one hand, drought have reduced rice production in Northern Laos and to meet rice requirements, farmers need income which they can get if they are engaged in any non-farm activity but the pandemic has prevented them from doing so (Fox et al, 2020). Therefore, all forms of informal workers, whether in urban areas or villages will have to face the problem of unemployment.

### 4.2.2. Problem of poverty and food security:

With loss of jobs and no income, informal workers will fall victim of poverty and food insecurity. Globally, poverty will be severe in South Africa with 80 million people below the poverty line while in South Asia, the figure is around 42 million (Laborde et al, 2020). As per ILO report, about 400 million informal workers in India will be pushed deeper into poverty (Sleet, 2020; Vishandas & Thakwani, 2020). Although FCI<sup>1</sup> has a food grain stock of 73.85 million tonnes, yet due to inadequacy of transport facilities, the food may not reach the target groups (Vishandas & Thakwani, 2020).

Again, poverty will be more severe for daily wage earners as they barely live from hand to mouth and in absence of bank accounts, transfer of money to them is not possible (Buheji, 2020). Moreover, this section of the society finds it difficult to buy essential goods in bulk during the entire period of the lockdown (Wiego, 2020). This means that they will be more food insecure than before. As pointed out by Evans and Over (2020), there are certain dimensions where the effect of this crisis will last for a longer time period and will be more severe for the poorest segment of the society. This is a vicious circle where unemployment results in no income and which lead to poverty and finally food insecurity. This will result in nutritional deficiency, especially in

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<sup>1</sup> FCI= Food Corporation of India

children and their growth may be retarded leading to inability in acquiring knowledge and skills in the future. Again, the closure of educational institution for an infinite period will increase the rate of drop outs for this section of the society. Already burdened with financial crisis, the children of informal workers are most likely to never return to school and continue formal education.

Similarly, with loss incurred in agricultural produce, the farmer's capacity to fulfil daily requirements is reduced and thus they are more likely to fall in the poverty trap and suffer from food deficiency and malnutrition. The long term effect will be a fall in agricultural produce due to restriction in import of fertilizers, pesticides and shortage of labour (Vishandas & Thakwani, 2020). Apart from scarcity of inputs, harvesting will also get hampered due to shortage of labour (Dev & Sengupta, 2020). Moreover, closure of mandis in several states has resulted in post-harvest loss of farmers (ibid).

Devereux et al (2020) have elaborated on Sen's "Entitlement Approach" that can be used to understand the implications of this pandemic on food security. Sen identified the demand side constraints in accessing adequate food and under conditions of prolonged halt in economic activities and mobility of people, Covid 19 will hit hard on farmers and informal workers. The demand for food and other essential items will decrease if some of the farmers themselves fall sick. Their income will also fall when they are not able to dispose off their produce.

## 5. Conclusion and policy suggestions:

Literature that pointed out certain policy measures are discussed in this section along with the problems associated with its implementation. These policy measures, which are applied in other nations, focuses on the prevention of the virus thereby allowing people to lead a normal life, and which can be followed in India are briefly discussed below.

Narula (2020) stated the steps taken by other countries in mitigating the plight of people and it includes strengthening the health system and expansion of social safety nets along with tax relief measures and other concessions. Wang et al (2020; as cited in RajKumar, 2020) also emphasised on disseminating accurate information and applying preventive measures to reduce the high rates of anxiety and depression witnessed among people during the lockdown period. Laborde (2020) on the other hand, suggested that high income countries and international organisation should cooperate to provide financial relief to low income countries, strengthen the food supply chain and keep trade channels open to avoid wastage of food price crisis. Since food is an essential requirement and will be on demand irrespective of the present crisis, therefore, to ease out the process of cultivation, the Thai and Cambodian government have either given direct cash or offered some debt relief to farmers. Also, augmenting investment in health expenditure may reduce significant cost associated with Covid 19, especially in developing countries (Ataguba, 2020). Again, providing a helping hand is also a responsibility of each and every citizen and in Vietnam, it is the private businessman who are giving daily supply of rice to poor households, thereby helping both farmers and the unemployed (Fox et al, 2020).

The Finance Minister of India introduced a package of Rs 1.7 crore to provide financial aid to the poorest of the poor section of the society, particularly the unorganised workers and urban and rural poor households. The scheme under which the financial aid will be provided is the "Pradhan Mantri Garib Kalyan Yojana" and it includes provision of free food grains, LPG for the next three months, and other financial aid like increase in MGNREGA wages from Rs 182 to Rs 202 (Dev & Sengupta, 2020). Although a great initiative by the government, yet there are certain issues related to the unorganised workers that need attention, otherwise the whole process of financial relief will be biased. Some of these lacunae in the system are pointed out below-

1. Lack of accurate data regarding the actual figure of informal workers makes it difficult to trace them and as a result, they are automatically excluded from any government schemes (Shaikh, 2020).
2. Unorganised workers are also exempted from direct cash transfer as most of them also lack bank accounts making it impossible for any transfer (Buheji et al, 2020).
3. It is found by Jan Sahas, an NGO that 94% of workers do not have the BCOW<sup>2</sup> card which makes them ineligible for any transfer (Khan & Mansoor, 2020).
4. Inefficient government agencies also may make it an arduous to reach out to this people and benefit them with various government relief measures (Narula, 2020).

Therefore, to help this section of the society in coping up with the prevailing situation and lead a normal life, the responsibility lies both in the hands of individuals and the government. If the loopholes are addressed and

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<sup>2</sup> BCOW= Building and other Construction Workers.

proper channels are made available for implementing the various relief measures, then only a normalcy in the economic front can be expected and further loss of life and source of livelihood can be prevented.

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