

# The Battle of Unemployment in India – Fighting Beyond the Pandemic

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**Abstract:** The employment scenario all across the world has been significantly impacted due to the COVID-19 crisis. The second wave of the Covid-19 outbreak has wreaked havoc on India's economy. Despite the fact that the second wave looks to have caused less economic harm than the first, key growth metrics suggest otherwise. The main aim of this research study is to analyze and assess the depth of this impact on India and find out possible ways which can help the Government to successfully revive the economy from this downturn of employment. A number of factors like the structure of the economy, severity of the impact of the pandemic, the employer-employee contract among various other factors play a great role in influencing the response of the labour market to the pandemic situation. It is not a concealed truth as to how COVID-19 has handicapped the world labour market and governments across the globe are battling to reduce its impact. With the help of this research study, it is possible to understand the unemployment situation of the Indian economy and tackle it with an appropriate approach.

**Keywords:** COVID-19, economic impact, pandemic, underemployment, unemployment.

## 1. Introduction

The economic crisis caused by the COVID-19 pandemic is extremely different from any of the previous economic crises. The lockdown imposed in order to mitigate the impact of the pandemic has adversely affected numerous businesses leaving them with no other choice but to resort to downsizing and attrition strategies. A direct impact has been felt on the production of non-essential products and services due to the lockdown imposed thereby resulting in the reduction of the number of hours worked and job losses.

Businesses that were viable in the pre COVID-19 era are now under a threat to survive unless they receive some sort of government assistance. When the first signals of the second Covid-19 wave appeared in India a few months ago, many analysts believed that the economic damage would be less severe than the first wave, which occurred in 2020. Data on jobs, income, household income, consumer mood, and demand demonstrate that the second wave has wreaked havoc on India's economy, particularly among the poor and small companies. Even rural communities, which were a lifeline during the first wave, have been hit hard this time. While India's economy was predicted to recover quicker than the rest of the world's in the financial year 2021, the second wave has already taken a toll on

the country's development in the first quarter.

During the second Covid-19 wave, rising unemployment has emerged as the most pressing economic worry, affecting the informal economy and poorer households disproportionately. While there was no nationwide lockdown this time, the state-by-state limitations have had a similar disastrous effect on small firms and their staff. Given the current circumstance, states may need to take a little longer to fully liberate critical economic activities. This may result in poorer households losing even more jobs and money.

The impact has been quite severe especially in labour intensive and low income economies, India being one of them. The labour market is far more volatile in nature and India also has a huge amount of foreign debt. It is essential that the impact of the crisis be reduced and the issue of unemployment be addressed effectively by the Government of India.

## 2. Objectives of Study

- To study the impact of the COVID-19 pandemic on the employment situation in India.
- To suggest various measures that can be adopted to revive the economy and recover from job losses.

## 3. Research Methodology

The data for the following research paper has been collected using secondary data sources such as online blogs, websites, articles and various other secondary sources to analyze and assess the unemployment scenario in India due to the COVID-19 pandemic in order to better understand the topic "The Battle of Unemployment in India - Fighting Beyond the Pandemic."

## 4. Review of Literature

According to CMIE Managing Director Mahesh Vyas, the number of job openings has decreased. Joblessness is more acute in metropolitan areas as labourers return to their villages. Vyas added that some people get dissatisfied with their jobs and leave. The issue is that the Indian economy is unable to provide enough employment for those who desire them, resulting in a drop in income. The increase in the unemployment rate is due to localised lockdowns enforced by numerous states, with over 70 lakh jobs lost in April compared to March. The impact of

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lockdowns, according to CMIE data, has resulted in a higher rate of unemployment in metropolitan regions. According to figures from the private think tank Centre for Monitoring Indian Economy (CMIE), the jobless rate increased to 11.9 percent in May, up from 7.97 percent in April, while most states remained under lockdown during the second round of Covid-19.

The second Covid-19 outbreak has wreaked havoc in India and the second wave of coronavirus resulted in the loss of around 10 million or 1 crore jobs. Since the beginning of the pandemic last year, 97 percent of households' incomes have decreased, he noted. He believes that when the economy improves, the situation will improve, but that it will not be completely fixed. Many analysts believe that the second wave of illnesses has peaked, and that states will gradually begin to loosen the limitations on economic activities. People who lose jobs, according to the CMIE CEO, have a difficult time finding work. While jobs in the informal sector return fast, job possibilities in the formal sector and of higher quality take a year to return.

In April, CMIE undertook a nationwide survey of 1.75 lakh homes, which revealed a worrying trend in income generation over the previous year, according to Vyas. In a year that saw two waves of COVID-19, only 3% of respondents reported a rise in income, while 55% reported a decrease. Another 42% indicated their earnings were unchanged from the previous year. "When we adjust for inflation, we discover that 97 percent of people in the country have seen their incomes decrease throughout the pandemic," he said in an interview with the news agency PTI. He claims that the labour participation rate has dropped to 40% from 42.5 percent before the outbreak.

### 5. The Battle of Unemployment in India - Fighting Beyond the Pandemic

With a GDP of 2.59 trillion USD, India is the world's third largest economy. As the first wave of Covid subsided, the economy began to recover. However, with the arrival of the second wave, all efforts to rebuild the economy have been undermined. The ease of supply that followed with the lifting of the lockdown was expected to lead to a V-shaped recovery, but that did not appear to happen. The government's policy actions were all supply-side in nature, with the goal of increasing liquidity and capacity. Despite the lifting of the lockdown, industries were operating at less than full capacity, which is due to low aggregate demand, which is the actual devil in the game.

In April 2021, India's jobless rate hit a four-month high of nearly 8%, and the future is bleak, with state governments extending lockdowns to stem a record increase in virus cases. According to figures from the Centre for Monitoring Indian Economy Pvt., a private research agency, unemployment rose to 7.97 percent in April 2021 from 6.5 percent in March 2021, with more than seven million jobs lost in the previous month. Local governments have been compelled to increase restrictions as the country's ageing health infrastructure struggles to cope with the influx of virus cases, threatening the country's fragile economic recovery. India's hopes of achieving double-digit economic growth this year are jeopardised by a dismal

employment picture.

Many analysts have already cut their forecasts, and others are warning of future reductions if provincial restrictions are expanded. As a result of localised lockdowns imposed in numerous regions, the unemployment rate in the country has risen to a four-month high. Over 70 lakh jobs have been lost. It's also worth noting that the country's current wave of unemployment is primarily hitting informal or gig economy workers. Despite the fact that white-collar occupations have remained unaffected, hiring activity fell in April. Due to the ongoing Covid-19 crisis, the reduction in job posting activity began in March 2021, and the frequency has continued to drop in April.

The high unemployment rate in May demonstrates the lack of work in both urban and rural areas. The unemployment rates in urban and rural areas are 14.73 percent and 10.63 percent, respectively. It's a big jump from April, when urban unemployment was 9.78% and rural unemployment was 7.13%.

### 6. Recommendations, Suggestions and Conclusion

Short and medium-term actions include gradually resuming economic activity and aiming for universal vaccination as soon as possible. Jobs will help to boost consumer confidence and contribute to an increase in labour demand and availability, which will benefit production and company attitude. Increasing job prospects will result from increased company confidence, setting the demand-supply cycle in action.

#### A. Increase in Aggregate Demand

When demand for products and services falls, investors reduce their investment, resulting in lower production. Due to decreasing output and sales, investors drop wage rates, and individuals are laid off to decrease costs. As unemployment rises, consumers cut back on their spending, trapping the economy in a vicious cycle that stifles growth. During the Great Depression of 1929-30, a situation comparable to this occurred, and the global economy was able to recover by raising demand. Demand stimulation is the only method to resurrect and strengthen the economy.

#### B. Direct Benefit Transfers

The multiplier impact will then feed into the longer-term investment cycle, necessitating a number of Direct Benefit Transfers (DBT) reaching a larger number of people. Previously, economists such as Abhijit Banerjee and Rathin Roy argued that providing income support and minimising wealth shocks were important to address this unique circumstance. The pandemic has disproportionately affected the poor and those who do not get Social Security benefits. While identifying the impacted population may be challenging, it will not be impossible if Aadhaar and a coordinated effort between the federal and state governments are used. DBT can help to boost consumption and aggregate demand by providing temporary income support for six months.

#### C. Job Assurances

The government should offer migrant workers with job

assurances in order to boost consumption demand. The lower-income group's Marginal Propensity of Consumption (MPC) is high, which will stimulate the market and aid the economy's recovery. The multiplier effect will increase as the MPC grows.

#### *D. Tap the Potential of the Debt Market*

The government should try to tap the debt market by issuing COVID bonds at floating rates, expecting that interest rates will remain low for a while. Because many large funds, institutions, and high-net-worth people may choose a COVID bond with an assured return (guaranteed by the Indian government) even if the rate of interest is lower. Borrowing from the RBI at a fixed rate lower than the repo rate and for a longer tenure can help finance a portion of the fiscal deficit (at least 10-year).

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