India: Impacts of Covid-19 on Labour

Saturday 8 August 2020, by EPW Editorial (Date first published: 1 August 2020).

The novel coronavirus (COVID-19) pandemic and ensuing lockdowns have severely affected the labour market. In India, the pandemic and the prolonged lockdowns have led to a reduction or complete loss of their livelihoods, which has disproportionately affected the migrants and the working poor. Others, such as health workers and those in essential services, have experienced a huge increase in workloads and schedules amidst the onslaught of the pandemic. In the services sectors, the pandemic not only led to layoffs and retrenchments but has also been a catalyst for the transformation of the workplace. Most technically qualified employees, especially in the services sectors, have been able to continue their work from home through remote working arrangements. This has often caused shifts in their work–life balance, which in turn has created uncertain net effects on productivity. Most employees have been forced into working remotely, often under stressful situations due to the pandemic, which could erode motivation as well as focus. Most often, longer working hours have not been compensated at wages prevalent before the onset of the pandemic.

The pandemic has, thus, directly disrupted the lives of millions of workers in countries across the world by causing lay-offs, reduction in working hours and wages. Emphasising on the catastrophic effects of the pandemic on working hours and employment globally, an International Labour Organization (ILO) report states that it is expected to erode 6.7% of working hours in the second quarter of 2020, which is equivalent to that of 195 million full-time workers. The scale of reductions leading to large-scale unemployment globally was expected to vary with higher percentages accounted by the Arab nations, Europe, Asia and the Pacific regions, while the sectors most at risk comprised accommodation and food services, manufacturing, retail, and business and administrative activities.

The global economy has also been witnessing a decade-long declining phase in labour productivity since the global financial crisis of 2007–09. Studies also reveal that pandemics have had adverse effects on labour productivity. Drawing from a data set covering 35 advanced and 129 emerging market and developing economies, the World Bank study shows that four epidemics that occurred during the period 2000–18 had adversely affected labour productivity, through investment declines occasioned by an increased sense of uncertainty. Further to it, the growing sense of uncertainty about the current global pandemic and its duration could hinder trade and foreign direct investment. However, it was expected that changes in behaviour resulting from the pandemic would accelerate the adoption of new technologies, spur greater efficiencies, and the pace of scientific innovation among businesses.

Many emerging and developing economies were witnessing much weaker growth before the onset of the pandemic. Combined with the structural nature of the slowdown, this would exacerbate the long-term effects of deep recessions associated with the pandemic. The Indian economy was also passing through a deep slowdown, even before the pandemic struck the country. The real gross domestic product (GDP) growth had fallen over nine consecutive quarters. The prospect of revival in private and corporate investment is expected to be delayed, given the risk aversion at the global level.

However, to mitigate the shortage of humanpower amid the pandemic, the manufacturing sector could also witness mass adoptions of technologies, such as robotics, artificial intelligence, and big data, according to the Federation of Indian Chambers of Commerce and Industry. This would lead to a 10%–20% cut in existing jobs, particularly in labour-intensive sectors. In countries like India, with a labour surplus, the adoption of technologies that displace labour would have adverse impacts on employment generation. However, new jobs that would be created are expected to accommodate up to 5%–10% of highly skilled workers.

In the organised manufacturing sector, the analysis of Annual Survey of Industries (ASI) data had revealed that labour productivity had fallen significantly over the last eight years. Labour productivity was also significantly lower than that of neighbouring China. However, much of this decline was blamed on India's complex labour laws. In order to benefit from the disruptions in global supply chain due to trade conflicts, to invite foreign investments for international firms seeking to move production out of China, and help businesses recover from the shock of the pandemic, several state governments, such as Maharashtra, Madhya Pradesh, Haryana, Uttarakhand, Himachal Pradesh, Uttar Pradesh and Gujarat, in recent months, declared a slew of labour law suspensions. These policy changes have led to undermining worker rights and dismantling of decades-old protective measures that were framed to abide by ILO conventions and constitutional obligations.

The impacts of the pandemic and proposed changes disproportionately shift the costs of the pandemic and revival to be borne by labour—impinging on labour rights and adoption of labour-displacing technologies. This has been done without exploring suitable and viable alternatives to expand public investment in the economy, which could be financed through measures such as the introduction of wealth tax, to raise resources for the government to revive the economy by stimulating aggregate demand and increase purchasing power.

EPW Editorial

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