

IMPACT OF COVID-19 ON UNEMPLOYMENT IN INDIA

Seema Aggarwal

Asstt. Prof. in Commerce, M.D.S.D Girls College, Ambala City

Abstract

Population explosion, poverty, illiteracy always hinders the growth of Indian economy. The problem of unemployment is the main cause of all these problems. With the advancement of technology and increase in population the percentage of unemployed youth is increasing at an alarming rate. The COVID-19 pandemic has increased the intensity of the problem. Not only in India even in advanced countries, COVID problem is very acute. In a recent OECD survey, 44% of households report having at least one member whose work had been disrupted by the crisis – such as by a job loss, a lay-off, a retention scheme, reduced working hours, unpaid leave or resignation. Before this the situation of unemployment was severe at the time of great depression of 1930 and in 1945 i.e. after world war second.

As during lockdown most of the private sector companies have fired their employees and the informal sector employees are the most adversely affected by this lock down. This has lead to many economic, social, and mental problems. By this paper the investigator has tried to find out the impact of COVID-19 on Unemployment. Secondary data collected through books, journals, newspapers, authentic internet sources, etc. has been used as base of the study.

Keywords: Unemployment, COVID-19, Lockdown, Employees.

Population explosion, poverty, illiteracy etc. always hinders the growth of an economy. The problem of unemployment is the main cause of all these problems. Unemployment on personal basis results in financial hardships, hunger, lack of knowledge and physical and mental suffering. But when talking about a country as a whole its effects are even worse especially in the case of under-developed and developing countries.

This is also true in the case of our country, India where unemployment has retarded the growth of the economy. Even though the Indian economy has achieved great

success in different sectors, particularly in the secondary and tertiary sectors, the advancement in technology has adversely affected the employment scenario in India. Use of capital intensive technology has increased the percentage of unemployment in the country. Moreover, the increase in population and illiteracy also result in unemployment and poverty.

The COVID-19 pandemic is yet another reason that has increased the severity of the problem. In early January 2020, a new strain of Corona virus (SARS-CoV-2) producing a respiratory disease (COVID-19) began spreading across the globe. On the 30th January 2020, the World Health Organisation declared a global health emergency and on 11th March a pandemic was confirmed. The closure of businesses to restrict movement and the spread of the virus has affected 81% of the global workforce (ILO, 2020a). People are concerned about their overall financial, social and economic well-being and that of their families. Many say they haven't been able to cover usual expenses, such as rent, mortgage, utilities or credit card bills. Covid-19 has affected the lives and livelihoods of many people in our country and across the world. While all sections of the economy and the working population have been adversely affected, those already at a disadvantage in the labour market— due to factors such as their status as migrant workers, lower incomes, lower educational attainment etc.— are finding themselves at greater risk. Similarly, enterprises that function on lower working capital, employ fewer workers, and make lower profits are more susceptible to risks.

There will be a huge economic pain ahead, both politics and policymaking have to work together to get the edge out of it (Parul 2020). The report of the International Labor Organization (ILO) estimates that more than 2.5 crore jobs have been threatened worldwide as a result of the spread of the novel corona virus. The United Kingdom, the United States, Canada, and various European and Asian countries have registered a huge loss of employment, which increases their unemployment rate (Parul 2020).

OBJECTIVE:

The main aim of this paper is to study the impact of COVID-19 on unemployment in India.

STATEMENT OF THE PROBLEM :

A Study of Impact of COVID-19 on Unemployment in India.

METHODOLOGY:

This is a descriptive study based on the secondary data collected from Books, Journals, research papers and Internet.

DISCUSSION:

According to Business Today report India's unemployment rate rose to its highest level since 1991 during 2020 as COVID-19 caused a halt to economy. According to centre for economic data and analysis report India's unemployment rate sharply rose to 7.11% in 2020 from 5.27 % in 2019. In the months of July- August 2020 it starts reducing but with the second wave of COVID-19 the problem again started to grave.

Table 1. Unemployment rate of India June 2020 to May 2021

| Month | Unemployment Rate | | |
|-----------|-------------------|-------|-------|
| | India | Urban | Rural |
| May 2021 | 11.90 | 14.73 | 10.63 |
| Apr 2021 | 7.97 | 9.78 | 7.13 |
| Mar 2021 | 6.50 | 7.27 | 6.15 |
| Feb 2021 | 6.89 | 6.99 | 6.85 |
| Jan 2021 | 6.52 | 8.09 | 5.81 |
| Dec 2020 | 9.06 | 8.84 | 9.15 |
| Nov 2020 | 6.50 | 7.07 | 6.24 |
| Oct 2020 | 7.02 | 7.18 | 6.95 |
| Sep 2020 | 6.68 | 8.45 | 5.88 |
| Aug 2020 | 8.35 | 9.83 | 7.65 |
| Jul 2020 | 7.40 | 9.37 | 6.51 |
| June 2020 | 10.18 | 11.68 | 9.49 |

Source: Centre for Monitoring Indian Economy Pvt. Ltd.

Table shows that unemployment rate in india was 10.18 during the lockdown period of 2020 but after that in july 2020 as the unlock started rate of unemployment also started to come down and in the month of November it was reduced to 6.50. but again as

the lockdown started in the month of April 2021 unemployment rate again start rising and in the month of May 2021 in is at the maximum level in the year 2021 i.e 11.90. The rate of unemployment in urban India stands higher at 14.73 per cent as against rural 10.63 per cent as in urban areas more people are involved in secondary and tertiary sector as compared to rural areas where people are involved in agriculture and allied activities.

A Study of CMIE highlighted that as compared to its closest neighbors India displayed the highest rate of unemployment. As unemployment is a very dangerous situation for the individual and economy as a whole. It is not possible for any country to feed its huge population..

India needs to address massive job losses; strengthen public healthcare for COVID-19 and beyond; develop institutional mechanisms and leadership to respond to emergencies; devolve decision-making and funding to states, local bodies and scale up public spending to infuse life into the economy, all of which call for structural changes

Initial assessment of COVID-19's impact on the global economy is out. The latest issue of The Economist says the world economy **shrank by 1.3%** in the first quarter of 2020. It draws on different datasets to say that China's GDP dropped by 6.8% and the US's by 12% (these and most other developed economies count their fiscal year from January to December).

The magazine expects COVID-19 to leave behind a smaller economy, which it describes as "**the 90% economy**", for at least another 12 months because of fear and economic uncertainty. The "new normal" would be **more fragile, less innovative, and more unfair** (inequalities will deepen), it warns.

This is an indication of what can be expected. India needs to assess the damage to different sectors of its economy and the challenges to revive, and rebuild in view of massive reverse migration, job losses, healthcare deficiencies, and fund constraints of businesses and states.

It is clear that the revival and rebuilding exercise would entail addressing **structural deficiencies** too, without which it would end up as a temporary one and inconsequential in the long run. The biggest challenge the lockdown presented is massive unemployment, which the reverse migration of millions of workers demonstrates. If they

are desperate to return home after 40 days of lockdown and if their account is to be believed, most of them have lost their jobs and hope for rehire.

Initiatives Taken by Indian Government to reduce unemployment: In spite of hardships the Indian government has launched many programs to reduce the unemployment rate and to accommodate the large unemployed youth.

Labor being in concurrent list is considered as the joint responsibility of centre and state governments. Central govt. has instructed the States and UTs to provide financial assistance to construction workers.

Govt. helped the workers to get their due wage of Rs.295 Crores from different employers.

According to Union Labour and Employment Minister Gangwar till September 2020, 5000 crore rupees were transferred to bank accounts of 2 crore workers from building and other construction workers cess accounts of states.

To accommodate the unemployed people govt. of India has Launched Aatamanirbhar Rozgar Yojana. The scheme was launched to create new employment opportunities along with social benefits and restoration of loss of employment. From October 2020 to March 2021 more than 16.5 lakh people have got benefit from it.

Suggestions to reduce unemployment in India:

As unemployment has increased and Govt. is doing its best to cope up with the problem by taking the following measures we can reduce unemployment up to some extend

Support to Businesses and Enterprises: All affected sectors may be considered for an enhanced working capital limit along with reduced rate of interest, if possible. This would help bring down the cost of capital for entrepreneurs to restart and scale-up their operations and provide much-needed livelihoods. Self-certification in lieu of inspection for one year for all enterprises may be encouraged along with a fine to act as deterrence for providing wrong information. A single-window nodal agency in each state could be set up to resolve current and pending issues for all businesses. The Central government has already announced that it will pay the monthly contribution of both employees and

employers under the Employees' Provident Fund (EPF) for workers earning below Rs 15,000 a month in establishments with up to 100 employees for the next three months. In addition to the above, both employers and employees may be given the option to defer their contributions to EPF and Employees' State Insurance (ESI) for up to one year. While the employees may be allowed to pay their contributions later in easy instalments without any penalty, the employers too, could pay their contributions in instalments with the accrued interest. Doing so, would enable a greater amount of 'in-hand salary' for employees and enhanced working capital for the employers. All businesses, particularly small and medium enterprises will also need to be advised and encouraged to adopt the required health and behavioural standard operating procedures to prevent further transmission of the virus as they get their operations back on track. This would include following hygiene and health-oriented guidelines. For worksites that have onsite accommodation, necessary hygiene and physical distancing would be even more important.

Support to the Most Vulnerable Workers: While the Central Government has already given directions to states for using the funds available with the building and other construction workers' welfare boards for providing immediate relief to construction workers, there could be some without an active membership or those who are not registered with these boards. It is suggested that all construction workers may be reached out to, with the help of employers' associations/civil society organizations and assisted with immediate registration and relief through the welfare board funds. All migrant workers may be registered on a state portal of the recipient state with details of their place of origin, occupation etc. All state portals could later be integrated into a national portal. This will help in creating a database of migrant workers, which would be useful while formulating schemes for providing welfare and social security benefits to them. This data could be filled in by the migrant worker, who could be assisted by a call centre upon giving a missed call. The portal, in turn, would need to be popularised through wide publicity campaigns.

Some other suggestions are as follow:

1. Self employment should be encouraged.
2. To boost the MSMEs steps should be taken

3. Education also needs overhauling. Vocational education should be made as an important component of education.
4. Attamnirbhar bharat programme should to launched at massive level.
5. To solve unemployment, problem, population growth should be reviewed. Family planning policy should be uniformly and efficiently enforced.

It is believed that as the economy develops it increases the job opportunities, therefore when a country is making progress and its production is expanding, employment opportunities will be increasing. Thus, for the overall development of any country economical growth is considered a must. While immediate measures have been announced, it would also be important to make sure that businesses, particularly micro, small and medium enterprises, and the self-employed, have the resources they need to restart and stay afloat. All micro-enterprises and the self-employed such as vendors, owners of small eateries, artisans, craftspersons, etc., may be allowed to avail credit facilities on reduced interest rates to meet their working capital requirements for a period of one year. This would help all small businesses and self-employed persons to restart their businesses. Also, state handicrafts and handloom corporations as well as private entities/civil society organizations may support traditional artisans and craftspersons to get better access to markets for their products, including through e-commerce platforms. These supportive measures from the Government for enterprises, wage/salaried workers, and the self-employed, combined with the abilities of enterprises to evolve and adapt, of larger enterprises to support smaller ones, and together come up with ways to support businesses and livelihoods, can significantly help in reducing the negative impact of the current situation on the labour market and the economy at large.

References:

1. Akhter Ali, Mohd & Kamraju, M. & Wani, Muzafar. (2020). AN ANALYSIS OF COVID-19 LOCKDOWN 5.0 UNLOCK 1.0, INDIA. International Journal of Scientific Research in Engineering and Management (IJSREM) Vol.04(06),1-7
2. Akhter Ali, Mohd & Kamraju, M. & Wani, Muzafar. (2020). Impact of COVID-19 on Industries. Agriculture & food: e-Newsletter 02. 9-11.

3. Dobriyal, K. (1970, January 01). Unemployment in India Issues policy and perspective. Retrieved
4. July 10, 2020, from
<http://shodhganga.inflibnet.ac.in:8080/jspui/handle/10603/58192>
5. Kamraju, M. & Manisha, P. (2018). Influence of Goods and Service Tax on Ganesh Idols: A Case
6. Study of Hyderabad City. Jai Maa Saraswati Gyanadyani,03(03),320-329.
7. Parul (2020) Unemployment during COVID-19 – the most severe impact in this pandemic faced by individuals and economies, Inventiva
8. Giri, V. (1973, January 01). Labour Problems in Indian Industry, third edition. Retrieved May 10, 2020.