

# ENDURING PAIN

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Decline in income and employment will increase hardship the loss of life and livelihood continues to mount relentlessly. Health infrastructure, which anyway had very limited capacity, has been completely overwhelmed in different parts of the country. Consequently, state after state is imposing restrictions and lockdowns. Restrictions on public mobility are again affecting demand, supply, and incomes. The latest monthly economic review of the finance ministry notes the higher Covid caseload, deaths, and positivity rates present a challenge for the ongoing recovery. But it argues that the impact on economic activity is likely to remain muted compared to the first wave. The experience from other countries also shows a lower correlation between the decline in mobility and economic activity.

It is correct that India is not witnessing a decline in economic activity at a scale like last year but there are two points worth highlighting here. First, the current decline in economic activity is on an extremely weak base. A significant delay in full recovery will have wider economic implications, including for households. Second, a higher caseload and deaths beyond a point might begin to hurt economic activity more significantly. As things stand today, while some of the high-frequency indicators are showing a big year-on-year increase, it is reasonable to assume that output in the current quarter would be lower than in the last two quarters sequentially. This would have also reversed the recovery in individual incomes.

While it would take years to gauge different dimensions of the cost imposed by the pandemic once it's over, a new report by Azim Premji University gives early insights into how the first wave affected income and employment, among other things. About 100 million people lost jobs in the April–May 2020 lockdown. While most were back and found jobs, about 15 million people remained jobless even by the end of 2020. Besides, it's worth noting that though most workers were back at work, informality went up sharply. About half of salaried workers took informal work. As a result, monthly income on average fell by 17 per cent. Loss of employment and income affected women disproportionately. The study further notes that the number of individuals earning below the national minimum wage threshold went up by 230 million. This has led to a significant increase in poverty. Unsurprisingly, households responded by cutting food intake, selling assets, and borrowing from different sources.

It is likely that the condition would have worsened again with the rise in Covid cases and decline in economic activity. In this context, the government has done well by restarting the free food grain distribution programme. It would help reduce the pain to some extent. But a significant loss of income for a large number of households and an increase in poverty levels will add to policy challenges. In fact, it could end up undermining the economic recovery. To be sure, the state of the labour market and most vulnerable households will require both a short- and medium-term policy response. The focus, however, at the moment needs to be on containing the pandemic. India lost two major advantages in its battle against the coronavirus — early decline in infections and having a large vaccine-manufacturing base. Further

policy oversights will only increase the pain in terms of lives and livelihoods lost — something that the headline numbers may not be able to adequately capture.