International Labour Organization

ILO brief

Rapid Assessment of the Impact of the COVID-19 Crisis on Employment

June 2020

India[1]

Even before the Covid-19 crisis, India had been experiencing slower economic growth and rising unemployment – problems that were dramatically worsened by the pandemic and the ensuing lockdown. The number of workers vulnerable to the lockdown could reach 364 million or more, including those in casual work, self-employment and unprotected regular jobs (lacking social protection coverage). These workers could face cuts in working hours, layoffs, furloughs and reductions in incomes, and for some, this could continue beyond the lockdown. Building on the stimulus packages and other policy responses, economic recovery will require a strategy that restores jobs and supports incomes of both enterprises and workers – re-establishing supply lines and building back demand, while protecting the health, rights and incomes of workers and their families, especially for migrant workers and those in the informal economy.

Prior to the COVID-19 crisis, the Indian economy had entered a period of slower growth (Table 1). According to the IMF, over the period 2015-2019 growth fell from 8.0 to 4.0 per cent.[2] By 2018, the unemployment rate exceeded 6 per cent, while from 2012 to 2018, the youth unemployment rate more than doubled from 10 to 23 per cent.[3]

India faces longer-term labour market challenge, including slow and uncertain structural transformation. In 2017-8, 85 per cent of workers were in the informal sector and a further 5 per cent were employed in the formal sector but under informal conditions in that they lacked social protection or other employment-related benefits. There are also many gender disparities: women are less likely than men to participate in the labour force and young women have a higher unemployment rate than young men.

▶ Table 1. Slowing trend in economic growth, 2015-2020

Real GDP growth annual change %	2015	2016	2017	2018	2019	2020
IMF	8.0	8.3	7.0	6.1	4.2	1.9*
Ministry of Statistics and Programme Implementation	7.4	8.o	8.3*	7.0#	6.1@	5.0+

IMF: * - April 2020 estimate; MOSPI: * - Third Revised Estimates; # - Second Revised Estimates; @ - First Revised Estimates; + - Second Advanced Estimates

Source: IMF World Economic Outlook April 2020, www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC7IND, Government of India, Ministry of Statistics and Programme Implementation, http://www.mospi.gov.in .

[1] This rapid assessment was jointly prepared by the ILO Employment, Labour Markets and Youth Branch (EMPLAB), Geneva and the ILO Decent Work Technical Support Team (DWT) for South Asia and Country Office for India, New Delhi.

[2] IMF, *World Economic Outlook*, April 2020.

[3] Government of India, *Periodic Labour Force Survey 2017-18*. Accessed from ILOSTAT, ilostat.ilo.org

In January 2020, India reported its first case of COVID-19, and by May 26 2020, the number of people affected had risen to more than 145,000 and there had been almost 4,200 deaths.[4] In response, the Government of India instituted a 21-day lockdown on 24 March 2020. This was one of the world's strictest, suspending most economic activities, maintaining just basic services and only keeping open shops that provided essential consumption goods. One month later in an effort to protect the economy, the Government relaxed the measures in less-affected regions and on 29 April, allowed inter-state movement of people, mainly migrant workers. Subsequent lockdown phases, currently number 5, further opened up sectors and regions for economic activities to resume.

The lockdown combined with global headwinds delivered a severe blow to the economy. For 2020, the IMF estimates GDP growth of just 1.9 per cent, the lowest rate since the 1991 balance-of-payments crisis.[5] Both exports and imports are expected to decline.[6] Between March and April 2020, the IHS Markit Purchasing Managers' Index which shows the more recent impact of the pandemic, fell from 52 to 27, the most severe deterioration and the lowest reading since data collection started. Over the same period the IHS Markit India Services Business Activity Index fell from 49 to 5, also the lowest-ever level.[7]

A prolonged economic downturn, both global and national, will lead to a substantial increase in unemployment, underemployment and working poverty, and declines in labour income and enterprises' profit and competitiveness. Though up-to-date labour force survey data is not available, this brief considers the likely impact of the crisis on enterprises and the livelihoods and incomes of workers – regular and non-regular, protected and unprotected.[8] It also looks at the policy responses to the economic crisis and examines initiatives to protect both enterprises and workers, especially the most vulnerable.

Sectoral impacts

The lockdown placed immediate restriction on economic activity, stifling both supply and demand.

Wholesale and retail trade – Restrictions on movement have had a direct impact on trade, and especially on retail trade the majority of whose workers are self-employed and make up 15 per cent of India's self-employed. There will also be second-round effects from a slowdown in formal higher-end activities in this sector that employ regular but unprotected workers.

Manufacturing – Manufacturing employs 22 per cent of regular but unprotected workers. Over recent years, Indian manufacturing had already experienced a slowdown due to a decline in both domestic demand and exports, along with the effects of the credit crunch. Between 2018-19 and 2019-20 the rate of growth of manufacturing gross value-added fell from 6.9 to 2.0 per cent.[9] On top of this trend, COVID-19 hit Indian manufacturing hard. A UNIDO survey of 85 enterprises in April 2020, for example, showed that many had stopped production. These activities included manufacture of automotive components, bicycles, paper, textiles, and ceramics, as well as foundries, tea factories and rice milling. Businesses reported cash constraints, degradation of machinery and raw materials, and a reduced labour force as migrant workers returned to their regions of origin. Some, however, had innovated, such as a bicycle manufacturer who switched to producing ventilators.[10]

[4] Johns Hopkins, Coronavirus Resource Centre, May 2020

[5] IMF, *World Economic Outlook*, April 2020.

[6] Economist Intelligence Unit, 5 May 2020. [Incomplete reference]

[7] IHS Markit, *India Manufacturing PMI,* May 4, 2020. The index is derived from surveys of senior executives in private sector companies and is highly correlated with outcome variables, such as GDP.

[8] This brief considers workers in four major, overlapping categories:

- Regular workers – Have employment contracts, usually in the formal sector.
- Non-regular workers – Typically are casual workers or self-employed. Some are in the formal sector, but most are in the informal sector
- Protected workers – Have contractual social protection.
- Unprotected workers – Have no contractual social protection and have to fall back on family, community support or ongoing state schemes such as employment guarantees or emergency distributions of food or cash.

[9] India, *Economic Survey 2019-20*. Financial year is April 1 to March 31

[10] UNIDO, India's manufacturing reels from the impact of COVID-19, 24 April 2020.

▶ **Table 2. Employment by sector, 2017-18**

Sector	Share in total employment (%)	Share of women workers (%)
Accommodation and food service activities	2	17
Manufacturing	12	22
Wholesale and retail trade; repair of motor vehicles and motorcycles	10	11
Real estate; business and administrative activities	2	11
Construction	12	8
Arts, entertainment and recreation, and other services	3	33
Transport; storage and communication	6	4
Mining and quarrying	0	10
Financial and insurance activities	1	17
Agriculture; forestry and fishing	43	28
Human health and social work activities	1	49
Education	4	46
Utilities	1	7
Public administration and defence; compulsory social security	2	15

Source: Periodic Labour Force Survey 2017-18, extracted from ILOSTAT.

Construction – Construction employs 12 per cent of all workers and nearly 40 per cent of the casual labour force. In this sector, the impact was direct and immediate as construction largely ceased.

Agriculture – Agriculture relies heavily on casual labour and self-employment. Although not affected directly by the containment measures, the sector could become the refuge employer during the economic slowdown.[11] In some parts of the country, a large number of casually employed urban workers, particularly in construction, have returned to their villages. This will reduce remittances, while adding to the burden on rural areas in terms of both employment and food security.

Transport – Transport employs many regular but unprotected workers. During the crisis, workers have lost their jobs as long-distance movements of people and goods across state and district boundaries have been curtailed. However, some urban businesses still operate because of increased use of home delivery systems.

Domestic workers – In 2017-18, there were an estimated 4.9 million domestic workers, classified as regular but unprotected. Around two-thirds were women. These workers are vulnerable to second-round effects when households facing losses can no longer employ them. The most vulnerable are those who do not live on the premises.[12]

Smaller enterprises are highly vulnerable

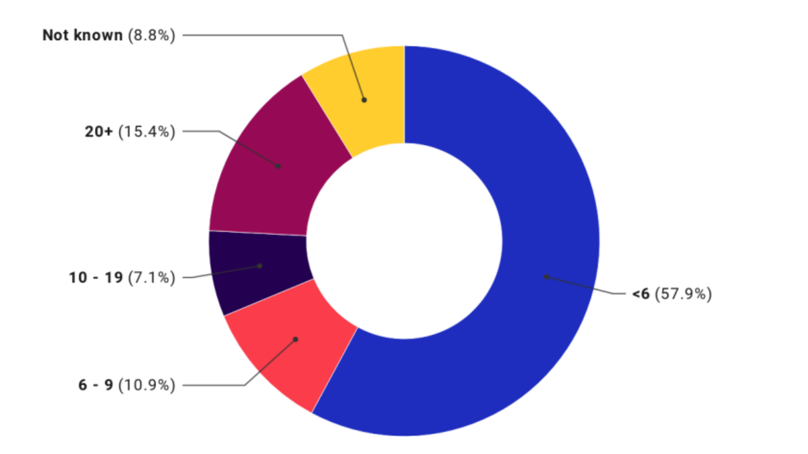
The Indian economy is dominated by small and mostly informal businesses. Around 69 per cent of all businesses employ fewer than 10 people (totalling 325 million) while 58 per cent are micro-enterprises employing fewer than six (Figure 1).[13]

[11] The decline from 2012 to 2018, not just in the share but also in the absolute number of employed persons in agriculture, is likely to reverse.

[12] UNIDO, India's manufacturing reels from the impact of COVID-19, May 2020.

[13] Based on Majid, N. (forthcoming).

▶ **Figure 1. Employment by enterprise size, 2017-28**



Source: Majid, N. (forthcoming), based on the Periodic Labour Force Survey 2017-18. Created with Datawrapper.

Most workers are in smaller enterprises where they are likely to be in non-regular employment lacking contractual social protection. Using 2020 population figures, around three-quarters of workers in enterprises employing fewer than 10 people are in non-regular employment, totalling 245 million, of whom 164 million are self-employed and 81 million casual workers. Such workers are highly exposed to the economic fallout of the pandemic – lacking credit, savings or access to measures for support. These enterprises need specific financial and credit facilities. However, many micro units are best described as basic livelihood strategies, rather than businesses, so measures need to be tailored to enterprise size. While smaller enterprises are more vulnerable, efforts are also needed to protect larger enterprises from bankruptcies and mass layoffs, which would further impact the labour market and risk creating more informal employment.

Workers most at risk

Those most likely to lose their work and incomes are casual workers and the self-employed. Around three-quarters of employment in India is non-regular – either self-employed or casual workers (Table 3). Using 2020 population figures (which generate an estimate of 473 million workers), around 118 million workers in India are casually employed, representing around 25 per cent of the total Indian workforce, while slightly more than half or 246 million are self-employed. Women are marginally more likely than men to be in non-regular employment. The first four categories in Table 4 are listed in order of potential distress. Unprotected regular workers, who account for around 14 per cent of employment or 65 million, are likely to suffer as industries restructure and contract in the face of the crisis.

▶ **Table 3. Employment structure, 2017-18, % of workforce**

Type of workers (15+)	Male	Female	Total
Regular protected	9.5	8.1	9.1
Regular unprotected	13.9	13.0	13.7
Total regular	23.4	21.1	22.9
Self employed	52.3	51.9	52.2
Casual workers	24.3	27.1	25.0
Total non-regular	76.6	78.9	77.1
Total	**100**	**100**	**100**

Source: Periodic Labour Force Survey 2018-18.

Note: This table uses the usual principal status and subsidiary status (UPSS) approach. If a person has engaged in any economic activity for a period of 30 days or more during the preceding 365 days, they are considered as employed.

Taking these categories together, the number of people adversely affected by the lockdown is, therefore, in the range of 364 to 429 million. These workers suffer the consequence both of immediate restrictions in movement and the ensuing economic downturn. The total also is likely to rise if those in regular employment lose their jobs due to industry closures. Young people are particularly vulnerable; during a crisis they are often the first to lose their jobs and face intense competition for fewer jobs in the labour market.

The result will be a steep rise in unemployment, particularly in urban areas and among young people. Official labour survey data are not yet available from the National Sample Survey or the Period Labour Force Survey. However, estimates from the Centre for Monitoring Indian Economy (CMIE) indicate that average unemployment rate during the period April to December 2019 was 8 per cent, but by April 7 2020 it had risen to 23 per cent.[14] At the same time, in March 2020 the employment rate fell to a record low of 38 per cent. The CMIE data indicate that in April 2020 about 27 million people in their 20s, and 33 million people in their 30s, lost their jobs. Even though CMIE data is collected on a different basis, it shows clearly a sharp rise in unemployed from March to April 2020.[15]

Women are in vulnerable employment and do most of the care work

India has one of the world's lowest rates of female labour force participation, which declined from 32.2 per cent in 2005 to 20.8 per cent in 2018. The largest decline occurred in rural areas where the female labour force participation rate dropped from 36.7 per cent in 2005 to 21.6 per cent in 2018. When women do work, they are typically employed in low-paid occupations and in largely informal sectors, such as agriculture. And, as in most other countries, there are significant gender wage gaps.

Using 2020 population estimates, half of women were outside the labour force, representing around 508 million women. Even before the crisis these numbers had been increasing (Figure 2) – partly because more girls and women were staying in education, but also because 29 per cent or 149 million were attending to domestic duties (and hence, classified as "not working").[16]

Figure 2. Outside the labour force categories (%) (15+ population), 2000-2018

	2000	2005	2012	2018
Attended educational institution	7.6	7.9	11.5	12.9
Attended domestic duties only	16.8	14.2	15.2	22.7
Attended domestic duties for household use	7.4	8.2	11.3	6.7
Rentiers, pensioners	1.0	1.4	2.1	4.8
With disability	1.0	1.2	1.6	1.4
Others (including begging, sex work, etc.)	4.6	3.4	2.5	1.8
Total OLF	38.4	36.3	44.1	50.2

Source: Majid (forthcoming) based on NSSO and PLFS (various years). Created with Datawrapper.

Note: The female share in the categories of attended domestic duties only and attended domestic duties for household use are 98.7 and 97.8 per cent, respectively.

Another vulnerable group are unpaid family workers. Around half of these are women, who represent around 15 per cent of total employment, or 32 million people. Together with the 149 million attending domestic duties, this means that around 181 million people in households, mostly women, are bearing the brunt of the increased care and work burden.

Urban casual workers, many of who are migrants, lose both jobs and accommodation

The total lockdown on March 24 was announced with only four hours' notice. This was an immediate shock for many urban casual workers who in 2017-18 made up 15 per cent of urban employment, around 19 million people.[17,18] Not only did these workers suddenly lose their only employment and income, they were at risk of losing their accommodation if this was in their work premises or arranged for them by contractors. Such workers often have little choice but to return to their villages.

[14] Vyas, M. Unemployment rate over 23%, Centre for Monitoring Indian Economy, April 2020

[15] See CMIE Methodology for more details, https://unemploymentinindia.cmie.com/kommon/bin/sr.php?kall=wtabnav&tab=4000&sectcode=20010000000000000000000000000000000000000000

[16] Based on calculations in Majid, N. (forthcoming).

[17] The Census's basic category of migrants makes no distinctions for persons who migrate for less than one year. Assuming that the migrants returning post lockdown are indeed short-term migrants who come to urban areas for a much shorter period than one year, then distinguishing these persons from the rest who come for a year or more would indeed be impossible, even if there were current Census data.

[18] Estimate based on PLFS (2017-2018) indicates 130 million workers are in urban rural employment (Majid, forthcoming).

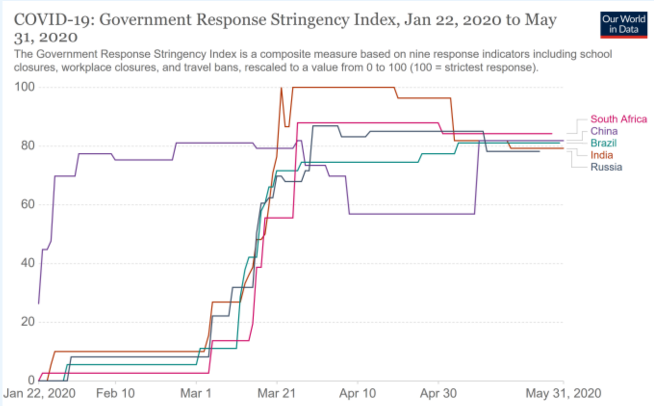
Urban casual workers are generally employed in manufacturing, services, and construction.[19] Around a quarter of these, about five million, have inadequate accommodation – neither owned, nor leased, nor rented with written contracts.[20] The majority live in employer-provided spaces – construction sites, for example, spaces near factories, or in makeshift quarters. Given the opportunity, these people, and their families, would probably return to their rural homes. If other casual workers in inadequate accommodation are also included, the number would be much higher. This return migration will put pressure on agricultural land while household incomes decline as remittances from urban areas dry up.

Estimates of interstate and intra-state migrants (including both urban and rural) based on other definitions and alternative surveys range between 20 million to 75 million.[21] While numbers of migrants who lost jobs and accommodation during the pandemic and returned home are difficult to estimate given the lack of data, they are at least five million as noted above, but possibly much higher.

A severe lockdown is gradually eased

Towards the end of March, India implemented one of the strictest lockdowns for large middle-income countries (see Figure 3 for a comparison with other BRICS countries). There have been four phases of containment (Table 4). The first phase started on 24 March with a 21-day countrywide lockdown. In the second phase this was extended until 3 May – with an easing from 20 April in the areas where the spread was under control – and subsequently extended until 17 May. The fourth phase of containment was announced till May 31, with considerable easing, especially in areas where the virus was under control.

▶ Figure 3. Stringency of lockdown measures in the BRICS



Source: Hale, Webster, Petherick, Phillips, and Kira (2020) Oxford COVID-19 Government Response Tracker – Last updated 4th June 2020.

Note: This index simply records the number and strictness of government policies, and should not be interpreted as 'scoring' the appropriateness or effectiveness of a country's response. OurWorldInData.org/coronavirus.

The country has been divided into three zones: red for the virus hotspots defined as districts with a high reproduction rate and a large number of active cases; orange for areas showing fewer cases; and green composed of districts with no confirmed Covid-19 cases in the previous 21 days.

On 20 April, in order to mitigate the economic and social costs of the lockdown, the Government declared a gradual exit strategy, which included resuming activities in some economic sectors under certain conditions. In green zones work could restart in agriculture, logistics, infrastructure, e-commerce, and factories in rural areas, and also in plantations but with no more than 50 per cent of the workforce. Also permitted were construction activities, including roads, irrigation infrastructure and buildings, and industrial projects with on-site workers. Work could also restart through the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) – a public

[19] The NSS Housing Survey of 2018, permits identification of urban casual workers, their sectors of occupation, their duration of stay on premises, and their residential contractual arrangements. It also enables distinctions between owned, owned-leased and rented accommodation with written contracts. This is in contrast to informal arrangements based on employer-provided spaces and informal rentals without written contracts. Two broad categories of these arrangements are discernible. One is constituted by adverse accommodation arrangements and the other covers non-adverse accommodation contracts based on the above.

[20] Alternative definitions of inter-state and intra-state migration may well yield different numbers. For example, see Professor Ravi Srivastava's webinar. For concepts of circulatory migration, see, Breman, J. (1996), *Footloose Labour: Working in India's Informal Economy*. (New York: Cambridge University Press, 1996).

[21] For example, see Prof. Ravi Srivastava, https://www.youtube.com/watch?v=8y5MOaqN9SY. For concepts of circulatory migration See Breman, J. (ibid), Prof. Kundu on NDTV (April 8 2020).

employment programme targeting the poor in rural areas. In green zones the self-employed were also allowed to work.

From 3 May, the containment was further relaxed. Private offices could function, though with compulsory hygiene measures and only one-third of their staff. Certain industries in urban areas could operate. These included manufacturing of essential goods, such as drugs, medical devices, their raw materials and intermediate inputs, IT hardware, packaging, and renewable energy projects, as well as construction with on-site workers. The fourth phase of lockdown, effective from May 18, eased restrictions considerably by allowing inter-state movement of buses and cars, and also permitted shops to open, except in malls and containment zones. The one-third restriction on the workforce in offices was also lifted. Current lockdown 5.0 implements a phased approach of opening up Malls, Religious places, Offices, Hotels and Restaurants. Standard Operating Procedures have been issued by Ministry of Health and Family Welfare. Subsequently Schools and Educational Institutions would reopen in July. States also further advise on when the opening can take place depending on local situations. Reopening of regular international air passenger traffic is still pending.

▶ Table 4. Lockdown phases

Phase 1	March 24 – Government announces total lockdown from the next day with 4 hours' notice. March 25 – All services and factories suspended; arrests of people violating the lockdown. March 26 – Government announces US$24-billion stimulus package to help people affected by the lockdown. March 27 – The Reserve Bank of India declares measures to help mitigate the economic impact of the lockdown.
Phase 2	April 14 – Nationwide lockdown extended until 3 May. April 16 – Lockdown areas classified in red zones (infection hotspots), orange zones (some infection), and green zones (no infection). April 20 – Government announces relaxations, including agricultural businesses, including dairy, aquaculture and plantations and farming supplies shops; public works programmes resume (with physical distancing); cargo transportation (ground and air) allowed; banks and government aid distribution centres re-open. April 25 – Small retail shops reopen with 50 per cent of their staff. April 29 – Government issues guidelines to allow inter-state movement of stranded persons.
Phase 3	May 1 – Lockdown extended by two weeks from May 4 with normal movement in green zones (limited capacity of buses to 50 per cent); private vehicles only in orange zones; and total lockdown in red zones. The provisions for the zones are revised weekly. May 12 – Government introduces a support package increase up to 20 trillion rupees (INR), or 10 per cent of the GDP, in the form of fiscal and monetary interventions. May 13 – Government announces support measures targeting SMEs and workers in the formal sector, real estate companies and lenders other than banks. May 14 – Government unveils specific support to migrant workers, informal companies, farmers and middle-income households support equalling 1.6 per cent of the GDP. May 15 – Government announces fiscal support measures for the agriculture sector of 1.1% of GDP. May 16 – Government introduces structural reforms for 8 industrial sectors, including coal, minerals defence-related production, airspace management, social infrastructure projects, power distribution companies, space sectors and atomic energy. May 17 – Government scales up the resources of the Mahatma Gandhi National Rural Employment Scheme (MGNREGA), health, and education. States debt limit will be raised from 3 to 5 per cent of the GDP on the condition of implementing government reforms. Borrowing limits for the states are also to be raised from 3 to 5 per cent of GDP, conditional to the implementation of reforms, including on insolvency and bankruptcy.
Phase 4	May 17 – Lockdown extended by two more weeks from 18 May
Phase 5	May 31 – Lockdown extended, introducing 3 phases over June/July– opening of malls, religious places, offices, hotels and restaurants; schools and educational institutions; international passenger air transport. SOPs issued.

Source: Various government notifications.

Fiscal and income support

On 24 March the Government created an emergency health fund of INR150 billion (US$2 billion) specifically for health infrastructure to treat Covid-19 patients, including equipment, personnel and testing facilities.

Cash and other transfers – On 26 March, the Government announced a stimulus package of US$25 billion, around 0.8 per cent of GDP. Low-income households benefited from cash transfers as well as in-kind support – for food and cooking gas. Low-wage workers received income support and for those who had lost their jobs the criteria to apply for benefits were relaxed. For health sector workers the package also provided insurance. Box1. Vital income support for the poorest households

▶ Box 1. Vital income support for the poorest households

The March 26 stimulus package provided 800 million people with five kilograms of wheat or rice and one kilogram of pulses per month over a three-month period. Women Jan Dhan account holders were to receive INR500 per month for three months, while workers under the MGNREGA programme would see their revenues increased from INR182 to INR202 per day – benefiting 136 million families. Over the same period there would be INR1,000 per month for particularly vulnerable individuals, including poor senior citizens, widows and people with disabilities – totalling around 30 million people. In April, farmers were paid INR2,000 as part of the Kisan Yojana which provides a minimum income to 87 million farmers. The central Government also instructed State governments to support construction workers through the Building and Construction Workers Welfare Fund

Source: Elaborated by the authors.

Pension fund, tax support and credit – Support was also given to formal sector workers and employers through the Employee Provident Fund. For some enterprises the Government would cover the employee and employer contributions. Workers could also withdraw three months' wages in advance. In addition, tax refunds up to INR500,000 were to be released immediately and the deadlines to apply for tax returns were extended. There would also be a three-month moratorium on all loan repayments, with no impact on the borrower's credit history.

Banking liquidity – The Reserve Bank of India also took steps to increase banking liquidity. The Bank reduced the cost of borrowing money for commercial banks, from 5.15 to 4.4 per cent. In addition, it reduced the required cash reserve ratio to 3 per cent of net demand and time liabilities. These measures were expected to release liquidity of about US$18 billion into the banking system.

At the same time there were measures by State governments. Some announced relief packages for workers in the unorganised sector and issued ordinances against reduction of salaries during the lockdown period, including in Andhra Pradesh, Delhi, Haryana, Kerala, Himachal Pradesh, Maharashtra, Meghalaya, Punjab, Rajasthan, Tamil Nadu, West Bengal, Madhya Pradesh and Orissa. Other states such as Bihar, Chhattisgarh and Rajasthan provided support to migrant labourers under MGNREGA. Chandigarh, Goa and Daman Diu have notified that workers and employee required to stay at home were to be treated as 'on duty' and paid in full.

A large stimulus package announced

On 12 May 2020, to rejuvenate the economy, the Prime Minister announced an additional economic stimulus package as part of the Atmanirbhar Abhiyan (Self-Reliance Mission). This amounted to INR20 trillion, around 10 per cent of GDP. The package comprised measures to be taken on "law, liquidity, land and labour" and involved a mix of immediate, medium-term and long-term measures. These were designed more to enhance productive supply-side capacity than to support demand.

Migrant workers – Nearly 80 million migrant workers were to be provided one kilogram of grains per person and one kilogram of pulses per family per month for two months. These workers were housed in government and privately run relief camps in different states, and not covered under the food distribution system,

Rural workers – An additional INR400 billion was sanctioned for the MGNREGA. With many more people in the rural areas, including migrant workers, expected to use the scheme, the focus should now be on effective implementation, and it may be prudent to consider removing the 100-day per year limit per household. Wages should be paid by the scheme without any delay.

Small businesses – Micro, small and medium enterprises could take advantage of collateral-free loan schemes amounting to INR3 trillion. This emergency credit line is expected to provide working capital for around 4.5 million units to help them resume activity and safeguard jobs. Notably, the Government will extend a sovereign guarantee for the entire amount, otherwise banks might be reluctant to lend to already strained enterprises. This bolsters the supply side. However, the real challenge is to boost effective demand and purchasing power so that enterprises can operate at full capacity.

Street vendors – The Government will provide bank credit facilities for each vendor up to INR10,000 for working capital. The scheme will cover five million vendors both urban and rural. However, most banks lack experience in dealing with such small loans so they will need to develop simple and pragmatic procedures. The required documentation should be clear and short, and the money should be released quickly.

Some States aim to amend labour laws

While central Government has not announced changes in labour law, many State governments have issued important notifications in this regard. State governments can legislate on labour-related matters, though these cannot negate the provisions of the national laws without assent from the President. In the absence of duly deliberated legislation in the Parliament or legislative bodies, the Centre and States have the power to bring in legislation through ordinances, method through which several State governments have enunciated two sets of labour legislation.

1. Extended work hours – In early April, to accommodate the requirements for physical distancing and the influx of migrant workers some States such as Gujarat, Punjab, Himachal Pradesh, Uttar Pradesh, Rajasthan and Madhya Pradesh amended the provisions of the Factories Act of 1948 by extending working hours from 8 to 12 daily and from 48 to 72 weekly.[22] Odisha, Goa and Bihar also issued notifications to this effect. Some States allowed these extended hours to be paid at the statutory overtime rate (double), but others (notably Uttar Pradesh and Gujarat) allowed the extended hours to be paid at normal rates. All these ordinances/notifications were to be valid only for three months.

2. Exemptions from labour laws – In order to attract investment and provide flexibility to investors, Uttar Pradesh, Madhya Pradesh and Gujarat have sought exemptions from the provisions of labour laws – including statutory inspections and submission of multiple returns, for three years, 1,000 days and 1,200 days, respectively.[23]

While Uttar Pradesh and Gujarat's ordinances of labour law exemptions apply to all industries,[24] the Madhya Pradesh labour law relaxation is mainly for 'greenfield' industries. Significantly, these ordinances would suspend provisions of the Trade Union Act 1926 and the Industrial Disputes Act 1947, which recognise the collective rights of representation and protect workers from arbitrary dismissal. However, these proposals await Presidential assent. Trade unions have opposed these changes, viewing them as violating the fundamental rights of workers.

At the current time there is a need to weigh the prospect of a deep industrial recession by attracting investment, while providing employment and decent jobs to millions of workers. Planning a programme of employment recovery without compromising workers' rights and working conditions will require concerted social dialogue and widespread consultation with social partners and other stakeholders.

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[22] Uttar Pradesh and Rajasthan have already withdrawn their orders. Madhya Pradesh has mandated the need for legal consent before workers are asked to work overtime.

[23] Except those relating to approval, licensing and registration, safety, hazardous processes, overtime wages, earned leave and the obligation of the employer to notify the authorities about accidents that result in death or serious bodily injury. Furthermore, in Gujarat, the new firms will be exempt from all labour laws, except the Minimum Wages, Act, the Employee Compensation Act and safety-related rules in factories. In Uttar Pradesh, the State removed Minimum wages, but included Payment of Wages Act. The proposed asks also for abolition of all labour laws, except safety related, timely payment of wages, bonded labour and provisions related to women and children. Madhya Pradesh exempts also new factories from the provisions of the Industrial Disputes Act for a period of 1000 days from the date of publication of the notification (except those relating to lay off, retrenchment and closure) and exempted 11 types of industries from the application of the Madhya Pradesh Industrial Relations Act (relating to recognition of trade unions by employers). This State also exempted all factories from all the provisions of the Factories Act for 3 months

[24] The scope in Uttar Pradesh is still pending and to be determined, they are applicable to all manufacturing and related units that hired "new employees", which means existing firms, and all new companies being set up in next three years.

Public employment services

Many services for workers seeking employment or retraining have moved online. The National Career Service, India's public employment agency, which had been overhauled in 2015, encourages work from home and offers a number of online options. For example, to help jobseekers find jobs that can be performed online it has added a dedicated "Work from Home Jobs" component to its online portal.

The system allows online hiring of registered users, and employers can post jobs and internship offers that can be done from home. In addition, all job fairs and events have been moved to "bridge the gap between jobseekers as well as employers by maintaining social distancing." Furthermore, all training offered by government departments have been moved online. Other services include online training for jobseekers, the creation of a video profile (a video CV), and online career counselling, all of which are free of charge.

A future beyond the pandemic

The COVID-19 crisis hit an Indian economy that was already slowing. Recovery is unlikely to be V-shaped and more likely to be sluggish and uncertain. Damage will persist throughout the whole economy but most notably in the unorganized sector.

The shock to jobs is severe, and the worst at the lower ends of the employment structure where it will affect large numbers of people. This will be reflected in worsening employment quality, and rising rates of unemployment and underemployment, more people out of the labour force, and increased poverty. A decline in consumption will further stifle demand and hinder growth. A key priority across these dimensions is migrant workers who have been the backbone of the Indian economy and are now some of the hardest hit. Allowing for interstate migrant workers to return to places of work will be critical to reopening the economy but will require sufficient protection of these workers both in terms of exposure to the virus and their incomes and working conditions.

As well as boosting immediate support, it is important to set out a strategy for the medium and longer term to address declining demand and speed up the recovery. This should include a comprehensive employment strategy promoting jobs and productivity in key sectors, along with measures for robust social protection, while strengthening occupational safety and health. It will be important to support enterprises and their workers, particularly small enterprises and those in the informal sector. Reskilling and upskilling of worker may be needed in light of changes to labour demand across sectors and occupations. Monitoring wage trends, especially for low skilled workers, needs to be regularly carried out.

Enterprises under financial pressure may be forced to fall into informal sector or tempted to lower working conditions including workers' protection. However, this would only result in a greater jobs crisis. Instead, based on social dialogue, there should be a priority for incomes and decent work to stimulate demand and productivity, protecting existing rights and working conditions, and where possible extending them, for example, by ensuring access to health care. These are all crucial policy choices that will shape the 'national interest' for years to come.

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