

Effect of COVID-19 on Unemployment in India

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Abstract

The recent outbreak of the COVID-19 pandemic affected the global economy and intensified the unemployment crisis. India is the second most populated country in the world and one of the fastest developing countries. It has a severe unemployment crisis due to the economic burden on Indian businesses in the background of the declining economic situation caused by this pandemic situation. This article examines the effect of COVID-19 on the unemployment situation in India and will provide significant views of the effect on the unemployment rate with some suggestions for policy makers to make their policies to overcome this intense circumstance.

Keywords: Effect, COVID-19, Pandemic, Unemployment, Unemployment Rate, India.

Background

The outbreak of the COVID-19 pandemic is a grave danger to the entire world by influencing millions of people. It was identified in the Chinese city of Wuhan and swiftly spread to other nations, with many cases documented globally. After thorough monitoring, the World Health Organisation (WHO) has declared it as widespread. An intense lockdown was available worldwide and trading also stopped completely worldwide. This affects the global economy severely and the economic burden is increased in countries worldwide. In India, COVID-19 was first reported in Kerala on January 30, 2020, and then multiple positive cases were reported in numerous cities. With a population of about 1.34 billion people, India is the world's second most populous country. It is difficult to control virus transmission among people. So, the Indian government took the primary action to control the transmission of the virus by implementing a complete lockdown throughout the country for 55 days from March 25, 2020. This scenario affects the Indian economy and industrial sectors severely (Kumar et al., 2020).

Due to the worldwide lockdown, there was a considerable impact on unemployment, affecting more than 93 per cent of the workforce. There was a loss of total global working hours of 8.8 per cent, which equates to 260 million full-time employments. The USA, Europe and Asia all had major job losses in this pandemic (S, 2021).

The European Union countries also faced an unemployment crisis during this pandemic, with a significant increase in unemployment among young people (Lambovska et al., 2021). In the US, (Bianchi et al., 2021), it is estimated that COVID-19-related unemployment shock is 2 to 5 times higher than the average unemployment shock. India is a fast developing country. For a long time, unemployment was a major issue in India. So, it is necessary to look into the current unemployment crisis in this pandemic. Hence, this article will provide significant views on unemployment in India during this COVID-19 pandemic scenario.

Unemployment in India: Pre-COVID-19

The unemployment level in India in the pre-pandemic situation was reviewed here. A measure of unemployment was developed by various subgroups of the population and showed that unemployment fell in the period of 1993-2012. The distribution of unemployment also worsened (Motiram & Naraparaju, 2014). The relationship between socio-economic deprivation among the states and union territories of India and the spatial patterns data was analysed by (Khan et al., 2012) and showed that spatial variations in the unemployment level were mainly due to the rural unemployment rate and population density. The decline in youth unemployment in the period from 1993 to 2007-08 was due to the low workforce participation rates of young people in the labour force (Dev & Venkatanarayana, 2011). Despite the increased literacy level, India faces youth unemployment as a major challenge. In the period from 2004 to 2010, around 49 per cent of young job seekers were among the total unemployed in India (Sinha, 2013). So, several initiatives have been taken by the Indian government, some of the measures are Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Swarna Jayanti Shahari Rozgar Yojana (SJSRY), Nation Skill Development Mission to reduce the unemployment level in India (Biswas, 2016).

The effect of economic growth on the unemployment rate in India from the period of 1991 to 2016 was examined by (Chand et al., 2018) and showed that there was a negative impact on

GDP and the Unemployment rate. (Singh, 2018) stated that unemployment in the current market scenario was not only caused by direct economic costs but also by social issues. Some of them are population growth, poverty, illiteracy, and lack of professional skills. There is a significant long-run relationship between the GDP, labour force, literacy rate, and unemployment rate, and of this, GDP, labour force, and domestic private investment cause unemployment (Sahoo, 2019). Unemployment frequently occurs in all the developing economies and it also affects the GDP, living standards and price levels (Xia, 2021). The expenditure cuts that might be made by the government will be an important fiscal tool to control unemployment. There was a high unemployment rate in the states of India, which had a more educated population (Nepram et al., 2021). The annual report of the Periodic Labour Force Survey (PLFS) (National Statistical Office, 2021) states that from the period of 2017-18 to 2019-20, there was a slight reduction in the unemployment rate in India. Unemployment mostly resulted from rapid changes in technology, the recession in the business cycle, seasonal elements, and pandemic situations. Further, this article examines the effect of COVID-19 on unemployment in India.

COVID-19 on Unemployment in India

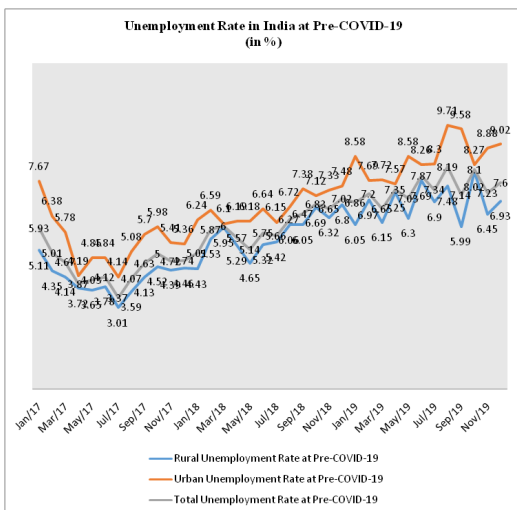
The main objective of this article is to highlight the effect of COVID-19 on unemployment in India. The nationwide lockdown due to the COVID-19 pandemic is severely affecting the unemployment level. Nearly 90 per cent of India's workforce works in the informal sector, where there is no basic wage or social protection. Due to the sudden lockdown announced by the Government of India (GOI), millions of migrant workers were left unemployed and returned to their native villages. People who are working in the unorganised sectors and those who do not have any written contracts and those who are on the verge of completion across many industries are hit by this pandemic. Lakhs of migrant labourers in India have lost their jobs, leaving them without earnings, food, or shelter. This lockdown and subsequent recession affected migrant workers' livelihoods and hunger (Khanna, 2020; Sengupta & Jha, 2020; Suresh et al., 2020). This massive crisis in

India affected the women migrants' loss of livelihood by resulting in debt, burden of responsibility, and insufficient support (Azeez E P et al., 2021).

This pandemic caused made the loss of employment and decline in income of the labour. During this lockdown, women workers were mostly affected than men workers, and women workers did not return to their work. Women were more jobless than men in domestic work during this widespread situation (Abraham et al., 2021; Deshpande, 2020a). Gender disparities in paid and unpaid labour have narrowed significantly for men and women. When compared to the pre-pandemic period, women had a 9.5 per cent lower likelihood of being employed than men (Deshpande, 2020b).

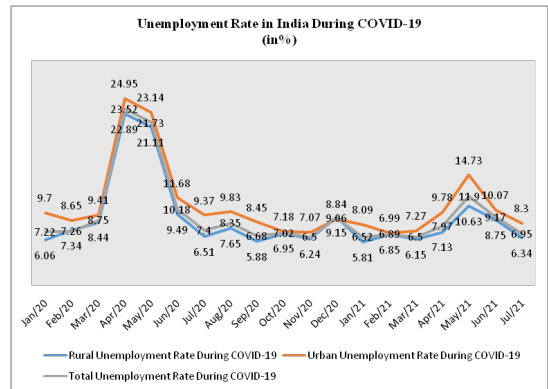
This COVID-19 pandemic Crisis on labour market by completely affecting people's livelihoods and jobs. The major industrial developed states, which are considered as the major industrial hubs of India, like Maharashtra, Tamil Nadu, Gujarat, and Karnataka, reported higher positive cases and this affected the free flow of labour from distinctive sectors who were engaged for their livelihood, especially from the states which have a high surplus of labour like Jharkhand, Bihar, Odisha, and West Bengal. These workers lost their jobs due to this lockdown and migrated to their natives (Raman et al., 2021).

Figure 1. Unemployment Rate in India at Pre-COVID-19



Source: Authors Constructed Using Data from the CMIE Database

Figure 2. India's Unemployment Rate in COVID-19



Source: Authors Constructed Using Data from the CMIE Database

From the above figures, the unemployment rate in India at Pre-COVID-19 and during COVID-19 will show the difference in the unemployment rates. In the Pre-COVID-19 period, the last three years of data were taken to show the average unemployment rate in rural, urban and total. The rural unemployment rate increased from 5.11 to 6.93 and the urban unemployment rate increased from 7.67 to 9.02. Then the total unemployment rate increased from 5.93 to 7.6 in the last three years at a slow rate.

During the scenario of COVID-19 in India, the unemployment rate increased drastically due to the lockdown and economic burden on businesses, making millions people jobless. The graph shows that the total unemployment rate peaked from 8.75 to 23.52. This indicates how severely the unemployment rate was affected. After some relaxation, the unemployment rate turned down to 10.18 in June and 7.4 in July.

Due to the second wave of COVID-19, the lockdown was announced in many states in India from April 2021 to June 2021. So, the total unemployment rate increased drastically to 11.9, but the urban unemployment rate peaked at 14.73 in May 2021. Then it turned down in July 2021 by 8.3.

Conclusion

In the future, the unemployment rate in India is predicted to double from the present situation, as forecasted by (Barbate et al., 2021; Lai et al., 2021).

To overcome this scenario, policymakers should take several measures to control this unemployment rate by continuing the MGNREGS for country wide to guarantee the income for the migrants and strengthening the wages of MGNREGS by increasing it to help the workers of informal sectors fight against this hardship (Satpathy et al., 2020). In addition to this, the service, retail, and industrial sectors need to be supported to prevent the current unemployment situation among people (Ceylan et al., 2020). Therefore, these measures might be put forward to control the unemployment situation in India and to boost the economy. Thus, this article highlighted the effect of COVID-19 on unemployment in India and suggested some measures to control this situation, so policymakers might consider this to overcome this scenario.

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