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# The Pandemic Shock on Employment and Labour Structure: An Empirical Based Study

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## ABSTRACT

*The paper attempts to understand the effect of the pandemic COVID-19 shock on employment and the labour market in India by examining the vulnerabilities of the workforce using data from the Periodic Labour Force Survey for the year (2018-19). The paper is divided into six sub-heads and authors have analyzed the reports. Firstly, explaining the topic or explaining the whole idea about the topic i.e. according to different organizations like the International Labour Organization (ILO) and the Asian Development Bank (ADB) who states that nearly 41 lakh youth in our country lost their jobs due to the Covid-19 pandemic which is a huge number. Monitoring the Indian Economy, unemployment rates in April and May 2020 stood at over 23%, which later on increased from a rate of 7% at the same time year 2020. Secondly, it talks about the global recession which has been seen in many countries especially the economic crisis in many countries. Thirdly, how the step of migration affected the whole employment thing in India. The largest number of migrants set off from the states of Bihar, UP, Bengal and Assam. I have mentioned bar data from Census 2011 which clears out the real image. Next, this pandemic showed its effect on micro-small and medium enterprises (MSME), specifically in retailing, tourism transportation, etc. Examining the vulnerability of India's workforce according to the Periodic Labour Force Survey (PLFS, 2018-19) requires everyone to understand the basic structure of the country's workforce. Further determine the employee arrangement 90% of India's workforce/ labour class is engaged in informal work arrangements. 75% of the workforce was engaged in self-employment and casual wage employment. In India, the rate of unemployment in India was seen around six per cent. The authors have shown the actual Distribution of Workers by Employment Status in 2018-19 in a table form where the age of workers is 15 plus. Now, to access the security benefits there is another parameter that enables us to understand the actual vulnerability of Regular Wage Salaried workers the degree of job security and their contract offers. Then there is sector-wise composition of the workforce according to ILO (2020) which has classified sectors based on their susceptibility to the ongoing crisis. To overcome these problems government have come up with different policies, benefiting the labour sector i.e. Pradhan Mantri Garib Kalyan Yojana. Protection of low wage regular formal jobs in enterprises. Lastly, the conclusion*

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which clearly states that 'Yes' COVID-19 crisis has increased the problem of high unemployment and weak aggregate demand that the Indian economy was grappling with even before the onset of the pandemic.

**Keywords:** *Employment, Unemployment, Working conditions, Informal labour markets, Policies to prevent Covid-19, Global recession, Secondary Data, Reports Analysis.*

## I. INTRODUCTION

Talking of the year 2020, one could not think of anything beyond Coronavirus and sudden emergence of pandemic Covid-19 preliminary resulted in loss of employment, which was considered as the most severe immediate impact of the crisis, on the other hand lower economic growth and rise in inequality were probable long-term impact.<sup>3</sup> This pandemic poses an unprecedented challenge globally and affected other sectors as well like crises in public health sector, economic crises arises across the world. According to the International Labour Organization (ILO) and the Asian Development Bank (ADB) nearly 41 lakh youth in our country lost their jobs due to the Covid-19 pandemic.<sup>4</sup> To reduce Covid-19 transmission one step taken by the government was cessation of economic activity completely that has followed has presented an unexampled shock to labour markets/sector and levels of unemployment have surged. When the first cases were notified, the number of contagions and deaths has been continuously increasing and confinement measures and necessary restrictions on economic activities have been implemented in most countries from late February to halt the spread of the virus.<sup>5</sup> For India, the report estimates job loss for 4.1 million youth. Construction and agriculture have witnessed the major job losses among seven key sectors<sup>6</sup>. In India, it was the estimation from the Centre for Monitoring the Indian Economy (CMIE), although it is a private organization which provides high frequency employment or unemployment statistics, only based on a large household survey which shows that unemployment rates in the months of April and May 2020 stood at over 23%, which later on increased from a rate of 7% at the same time year 2020.<sup>7</sup>

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<sup>3</sup> Radhicka Kapoor, "COVID -19 and the State of India's Labour Market" ICRIER Policy Series no 18 (June 2020).

<sup>4</sup> ILO Monitor: COVID-19 and the world of work. Seventh edition Updated estimates and analysis. (25 January 2021).

Last accessed on Feb 11, 2021.

<[https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms\\_767028.pdf](https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_767028.pdf)>

<sup>5</sup> Marta Fana, "Employment impact of Covid-19 crisis: from short term effects to long terms prospects", Journal of Industrial and Business Economics, (15 July 2020)

<sup>6</sup> ILO-ADB, "Tackling the Covid-19 youth employment crisis in Asia and the Pacific" (Aug 18, 2020).

<sup>7</sup> Supra note 2.

This paper gives an idea to understand the effect of the Covid-19 and containment measures on labour markets by examining the vulnerability of India's workforce in terms of the nature of work arrangements includes their status in employment, security of tenure and the sectorial composition of employment. Such an exercise is meaningful as the harsh impacts of Covid-19 are not evenly distributed across the workforce.

## II. GLOBAL RECESSION

Due to a wide spread of pandemic the world economy faces the thread of a serious recession. Organization like Economic Cooperation and Development (OECD) forecasted that in a best case scenario, its fallout would slash global growth by half a percentage point<sup>8</sup>. Similarly, organization like the International Monetary Fund (IMF), the World Bank and the Secretary-General of United Nations also predicted global recession and significant economic crisis in many countries.<sup>9</sup>

The threat of recession is very important especially for India. The pandemic came at a time when the country was already facing critical problem of economic slowdown. Early estimates by the government suggest that there will be a hit of 0.3–0.5 per cent on the GDP in the next fiscal year and growth in the first two quarters of the next fiscal could be as low as 4–4.5 per cent.<sup>10</sup> Indian sectors like as tourism, aviation, hospitality and trade are severely affected and these sectors are the one to face the impact firstly. According to the International Monetary Fund (IMF), micro-, small- and medium-sized enterprises (MSMEs) and the services sectors are likely to be among the most affected due to reduced consumer spending. Fitch has cut GDP growth forecast for India to 2 per cent for the fiscal year ending March 2021, which would make it the slowest growth in India over the past 30 years.<sup>11</sup>

### *(A) Migration and Employment Conditions in India*

Economic crisis in the destination reduces the number of migrants. Also, it reduces remittances and disrupts migrant systems. The Economic Survey 2016–2017 had estimated that more than 9 million people migrate annually within the country, and most of such migration is for job or education. Also, it estimated that there are an estimated 100 million internal migrants in India, which make up about 20 per cent of the total workforce. While Delhi, then followed by the state

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<sup>8</sup> Anoop Khanna, "Impact of Migration of Labour Force due to Global COVID-19 Pandemic with Reference to India" *Journal of health management* (August 11, 2020), LAST ACCESSED FEB 9, 2021

<<https://journals.sagepub.com/doi/full/10.1177/0972063420935542>>

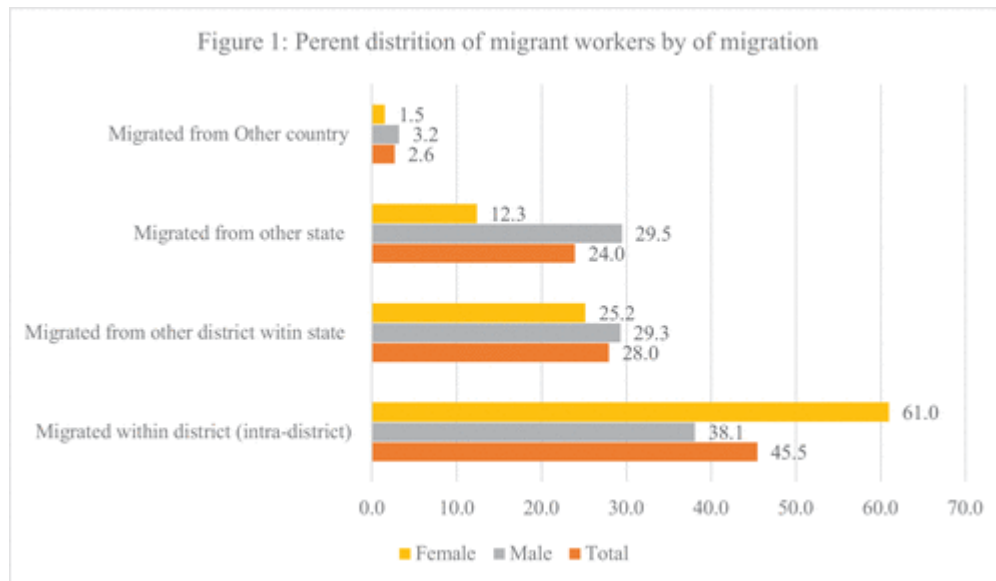
<sup>9</sup> Ibid, also see *Business Today*, 2020, April 3.

<sup>10</sup> Supra note 6, also see *Economic Times*, 2020, March 17.

<sup>11</sup> Ibid, also see *Business Today*, 2020, April 3

Mumbai is one of the top destination for migrants and many people are migrating to the cities in southern states, for instance Bangalore, Chennai, etc. The largest number of these migrants sets off from the states of Bihar, UP, Bengal and Assam.

The data shows (in the image/figure 1 given below) in India a large proportion of migration of the workers is within the district and to the other districts within the state.<sup>12</sup> Around one-fourth of the total migration is to the other state. The migration of workers is more in urban areas due to the availability of educational and employment opportunities.



The biggest impact of covid-19 which can be clearly be seen as the slowdown in business expected on micro-small and medium enterprises (MSME), specifically in retailing, tourism and transportation, etc. It would also affect the self-employed workers. The start-ups, which are in development stage, would also be affected, as their demand is not likely to pick up immediately after the lock down.<sup>13</sup>

***(B) Another challenges brought by Covid-19:***

This pandemic brought another challenges as well on the food security and nutrition of the country. Available evidence suggests that insecurity is one of the main reasons why people abandon their livelihoods and move to other places.<sup>14</sup> Crisis increases food insecurity and limits the livelihood options of migrant populations. On the second hand, lockdowns and social distancing measures are drying up work and incomes, whereas they are likely to disrupt agricultural production, transportation systems and supply chains on the other.

<sup>12</sup> Census 2011.

<sup>13</sup> Supra note 6

<sup>14</sup> United Nation's World Food Programme (WFP).

### III. COVID-19 AND THE WORLD OF WORK

The report calls on governments in the region to adopt urgent, large-scale and targeted measures to generate jobs for the youth, keep education and training on track, and to minimize future scarring of more than 660 million young people in the region. Even before the Covid-19 crisis, youth in countries i.e. Asia and the Pacific faced challenges in the labour market, resulting in high unemployment rates and large shares of youth excluded from both school and work.

In 2019, the regional youth unemployment rate was 13.8 per cent, compared to 3 per cent for adults; and more than 160 million youth (24 per cent of the population) were not in employment, education or training.<sup>15</sup>

#### *(A) Vulnerability of India's workforce.*

Now, the necessity to examine the vulnerability of India's workforce requires everyone to understand the basic structure of the country's workforce. We attempt to do so through two lenses using the unit level data from the Periodic Labour Force Survey (PLFS, 2018-19). One, the nature of employment arrangements and whether workers in different employment arrangements have access to social security and/or written contracts. Two, given the asymmetric effect of COVID-19 on different sectors, we examine the vulnerability of the workforce by studying the sectorial composition of employment.

It is noted that four in five young workers in the region were engaged in informal employment i.e. a higher share than among adults and one in four young workers was living in such conditions where there is extreme or moderate poverty.

*"The pre-crisis challenges for youth are now amplified since Covid-19 hit. Without sufficient attention, our fear is that this risks creating a 'lockdown generation' that could feel the weight of this crisis for many years to come,"*<sup>16</sup>

#### *(B) Employment Arrangements.*

It is a very well established percentage that almost 90% of India's workforce/ labour class is engaged in informal work arrangements. The report of PLFS (2018-19) shows that approximately 75% of the workforce was engaged in self-employment and casual wage employment and thus outside the ambit of standard employer-employee relationships which offer workers social security benefits, security of tenure or continuity of income.<sup>17</sup>

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<sup>15</sup> 41 lakh youth lose jobs in India due to Covid-19 impact: ILO-ADB report, *The Hindu*, (August 18, 2020).

<sup>16</sup> Sara Elder, lead author of the report and head of the ILO Regional Economic and Social Analysis unit.

<sup>17</sup> Annual report PLFS, 2018-2019.

India being a developing country, ranked fifth in the world's largest economy in 2019.<sup>18</sup> However, it still lacks equal labour force representation between men and women in the country. There were only 27% of adult Indian women who were employed compared to 79% of men in 2012 as stated by the World Bank.

In the month of September year 2020, the rate of unemployment in India was seen around six percent. This was a significant improvement from the previous months. A damaging impact on an economy as large as India's caused due a total lockdown was imminent. Unemployment went up around to 24 percent in May 2020.<sup>19</sup> This was possibly a result of a decrease in demand as well as the disruption of workforce faced by companies. Furthermore, this caused a GVA loss of more than nine percent for the Indian economy that month.

The proportion of RWS workers/labour who had access to at least one social security benefits like Provident Fund / pension, gratuity, health care & maternity benefits and a minimal social protection provided was mere 40.6%. These workers are one of the regular formal workers having same salary amount, accounted for a mere 9.6% of the total workforce. It needs to be noted that the definition of 'formal employment' was completely based on having access to just one social security benefit i.e. provident fund / pension, gratuity, health care & maternity benefits and a minimal social protection. If we move to a more stringent criteria and then examine the actual share of Regular Wage Salaried (RWS) workers who have access to all available forms of social security cover, the proportion recorded mere 17.7%. This in turns means that a mere 4.2% of the workforce had jobs which offered them the maximum possible degree of protection and would therefore fit the criteria of what is often described as a 'good job' or 'decent work'.<sup>20</sup>

Table below shows the actual Distribution of Workers by Employment Status in 2018-19<sup>21</sup>, the age group is more than 15 years.

<b>UPSS WORKERS STATUS</b>	<b>MALE</b>	<b>FEMALE</b>	<b>TOTAL</b>
<b>SELF EMPLOYED</b>	51.62	53.34	52.04

<sup>18</sup> Anonymous

<sup>19</sup> "COVID-19 impact on unemployment rate in India 2020", Published by Statists Research Department, Dec 7, 2020.

<sup>20</sup> It is worth noting that even in the National Sample Survey's employment unemployment surveys conducted in 2004-05 and 2011-12 and the PLFS of 2017-18, the share of the workforce which had jobs which offered the maximum possible degree of protection was around 3.7% of total workforce. This points to the fact that there has hardly been any improvement in the quality of employment over the time period during which India witnessed spectacular economic growth.

<sup>21</sup> PLFS unit data (2018-19).

<i>Own account workers</i>	41.32	21.90	36.58
<i>Employers</i>	2.76	0.67	2.25
<i>Unpaid family workers</i>	7.55	30.77	13.21
<b>REGULAR WAGE SALARIED WORKERS</b>	24.41	21.91	23.80
<i>RWS workers having at least one social security benefit (Regular Formal)</i>	10.08	8.39	9.66
<i>RWS workers eligible for all social security benefits (PF/pension, gratuity, health care &amp; maternity benefits)</i>	4.41	3.68	4.23
<i>RWS workers eligible for all social security benefits and having a written job contracts of more than 3 year.</i>	2.33	1.84	2.21
<i>RWS workers not eligible for any social security benefit (Regular Informal)</i>	14.33	13.52	14.13
<b>CASUAL WORKERS</b>	23.97	24.74	24.16
<i>Casual Public Works</i>	0.25	2.73	0.86
<i>Casual Other Works</i>	23.71	22.01	23.30

Further to access the security benefits there is another parameter that enables to understand the actual vulnerability of Regular Wage Salaried workers is the degree of job security and their contract offers. In the years 2018-19, the actual share of RWS workers who had no job contract was as high as 68.8%, Although, this is considered as the slight improvement from the share of 70.2% in the year 2017-18, the rising incidence of work with no written contracts is apparent from the fact that the shares of RWS workers with no written contracts was lower in 2011-12, mere 64.7 % and in the year of 2004-05 it was recorded as 57.0%.

***(C) Sector wise composition of workforce:***

Economic activities has halted across the world and almost in all the sectors as a consequence of the COVID-19 pandemic. Some sectors have been more severely impacted than other sector. ILO (2020) has classified sectors on the basis of their susceptibility to the ongoing crisis. Outside of the agricultural sector, which accounts for the largest share of total employment



(42.4%), three key sectors-manufacturing, construction and trade, hotels and restaurants (each of which account for 12% of total employment) have borne a significant brunt of the COVID-19 shock.

#### **IV. POLICIES**

Explaining the condition before Covid-19 pandemic, India was grappling with high unemployment and underemployment. 2017-18. During this year the open unemployment rate was recorded at a 45-year high of 6.1%. According to the Usual Principal and Subsidiary Status (UPSS) it was recorded as 8.9% as per the Current Weekly Status (CWS). Now, in 2018-19, the unemployment rate was 5.8% and 8.8% by UPSS and CWS respectively. This was the overall record from the year 2017 to 2019. The discussion in the previous section suggests that the severity of the jobs crisis is likely to be accentuated as a consequence of the dual shocks of the pandemic and lockdown. Tackling this challenge requires appropriate and timely policy responses. The first and foremost line of action current situation is to produce immediate relief to the poor, displaced and vulnerable employees who are rendered jobless and lost their support. There's a widespread accord that there's associate pressing want for direct financial gain support. Next, in the Pradhan Mantri Garib Kalyan Yojana which was launched in the month of March, 2020), the government has announced monetary transfers to targeted groups or community. This includes ₹ five hundred per month for Pradhan Mantri Jan-Dhan Yojana (PMJDY) ladies account-holders for 3 months and rupees 1,000 over 3 months to senior voters, widows and Divyang. Given the enormity of the crisis, each targeting and quantum of the transfers leaves a lot of to be desired.

The targeting of this theme is just too slim providing immeasurable daily wage employees, casual employees, landless agricultural labour, self-utilized like street vendors and waste recyclers and many more in non-standard employer-employee relationships are doubtless to own lost employment and livelihoods as a consequence of the twin shocks. In addition, the ability of those people to figure or build efforts to find work could also be adversely wedged in the immediate aftermath of the crisis because of a deterioration within the condition of their health.

This may not merely be a consequence of infection from the virus, but conjointly because of malnourishment and untreated diseases that wither away their productivity. Temporary direct financial gain support won't solely facilitate offer the vulnerable and displaced a money cushion, however conjointly offer a positive stimulus to consumption that has unsurprisingly additionally folded after the internment because of job losses and financial gain losses. After all

for transfers to if truth be told boost consumption, they have to be a lot of generous than what has been proclaimed so far.

### ***Can policy facilitate temporary reallocation of workers?***

The interesting outcome under this scenario would be of two types, firstly, finding a way to reallocate some workers only to those sectors who were facing temporary labour shortages and then whilst allowing them to return seamlessly to their original work once the crisis/pandemic is over.

## **V. PROTECTION OF LOW WAGE REGULAR FORMAL JOBS IN ENTERPRISES**

During the year 2020 or period of economic uncertainty, there is a need to provide wage support to enterprises so that they can retain workers and prevent future job losses. As reports of large-scale layoffs in many companies trickle in, a jobs preservation scheme assumes significance.<sup>22</sup> The initial policy response in many countries has been to put in place such schemes to prevent employment relationships from being severed. For instance, the UK Job Retention Scheme offers employers grants of up to 80% of an employee's wage for all employment costs – up to a cap of pound 2,500 per month to avoid redundancies. Denmark has implemented a paycheck guarantee program wherein the government will compensate as much as 75% of the wages for some private sector employees who face the risk of losing their jobs. Such schemes not only help keep workers employed and incomes protected but also keep links between firms and workers intact and prevent the destruction of firm-specific human capital.<sup>23</sup> According to the Retailer Association of India<sup>24</sup> almost about 40 million people who were working in the informal sector are affected and in the formal sector almost about 6 million people who are employed by the retail sector were affected, from those 6 million people nearby 3-4 million people are employed on a contractual basis.<sup>25</sup> Migrant workers in a large number are at immediate risk of losing their recent jobs whether working temporarily or permanently. The risk is similarly higher for those who are working in the un-organised sector and also for those who do not have any written contracts. Lastly, on those whose contracts are at the verge of

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<sup>22</sup> “COVID-19 Effect: Organised private sector planning layoffs, salary cut”, *The New Indian Express*, (14th May 2020).

<sup>23</sup> The importance of firm specific human capital which involves skills and knowledge that have productive value in only one particular company is well established in the literature. A workers' knowledge about their company's operation and colleagues, or their proficiency in just the right combination of skills for the job, enables them work more productively and possibly earn more in their current firm that employs them than if they were to work somewhere else (Fujita, Moscarini and Postel-Vinay, 2020). Further, as Fujita et al (2020) note the destruction of this 'matching capital' as employment links get severed during a crisis can adversely impact worker welfare and productivity further dampening aggregate demand and prolonging the downturn.

<sup>24</sup> *Retailer Association of India*, 2020 <<https://rai.net.in/>>

<sup>25</sup> Supra note 6.

completion. The lockdowns and recession are likely to first hit contract workers across many of these industries, across the country.

## **VI. CONCLUSION**

The COVID-19 crisis has increased the problem of high unemployment and weak aggregate demand that the Indian economy was grappling with even before the onset of the pandemic. It has not only resulted in large scale job losses and loss of incomes but also increased poverty all over the world. This pandemic brought the burden on workers working in low-paying, precarious and informal jobs and most of these individuals/workers will not be able to afford to remain unemployed in the months to come. We can see an increase in the extent of under-employment and the size of the informal workforce. There is an urgent need to put in place a comprehensive plan by the government and by the enterprises as well. To boost consumption such strategies need to be cognizant by India's dualistic labour markets where a very small proportion of workers are in formal secure jobs. To prevent any further job losses all needs to be accompanied with wage support for enterprises so that they can protect low wage formal workers in their existing jobs.

In the scenario of a partial or complete lockdown, many of those who are very much willing to work would be unable to manoeuvre freely and create a lively effort to hunt employment or they will merely not be creating a lively effort to search out employment knowing that their prospects of finding employment within the current scenario are bleak. Thus, they might be classified as being 'out of the labour force'. Such people who wish for employment however don't do activities to hunt employment are remarked as available potential jobseekers.

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