

Loss to the household economy due to lockdown: A case of COVID-19 in India

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- ▶ The ensuing lockdowns due to COVID-19 have resulted in multiple economic challenges for transitional economies like India.
- ▶ Households play a pivotal role in the circular flow of goods & services, especially in post-colonial economic systems.
- ▶ Indian labour market vastly differs from geographies like the US, Europe & China (regular wage employment accounts for one-fourth of total employment).
- ▶ In the absence of jobs with any employment relations, employment streams tend to be embedded with the household economy that has principal stakes in production, consumption & distribution.
- ▶ The impact of the lockdown on India while different from the above geographies may be representative of other countries in South Asia.

Objective

- ▶ We attempt to examine these with the COVID-19 breakdown of the economic system as a case.
- ▶ The approach is replicable for other exogenous risks but could become endogenised within the economic system resulting in the suspension or disruption of economic activities.

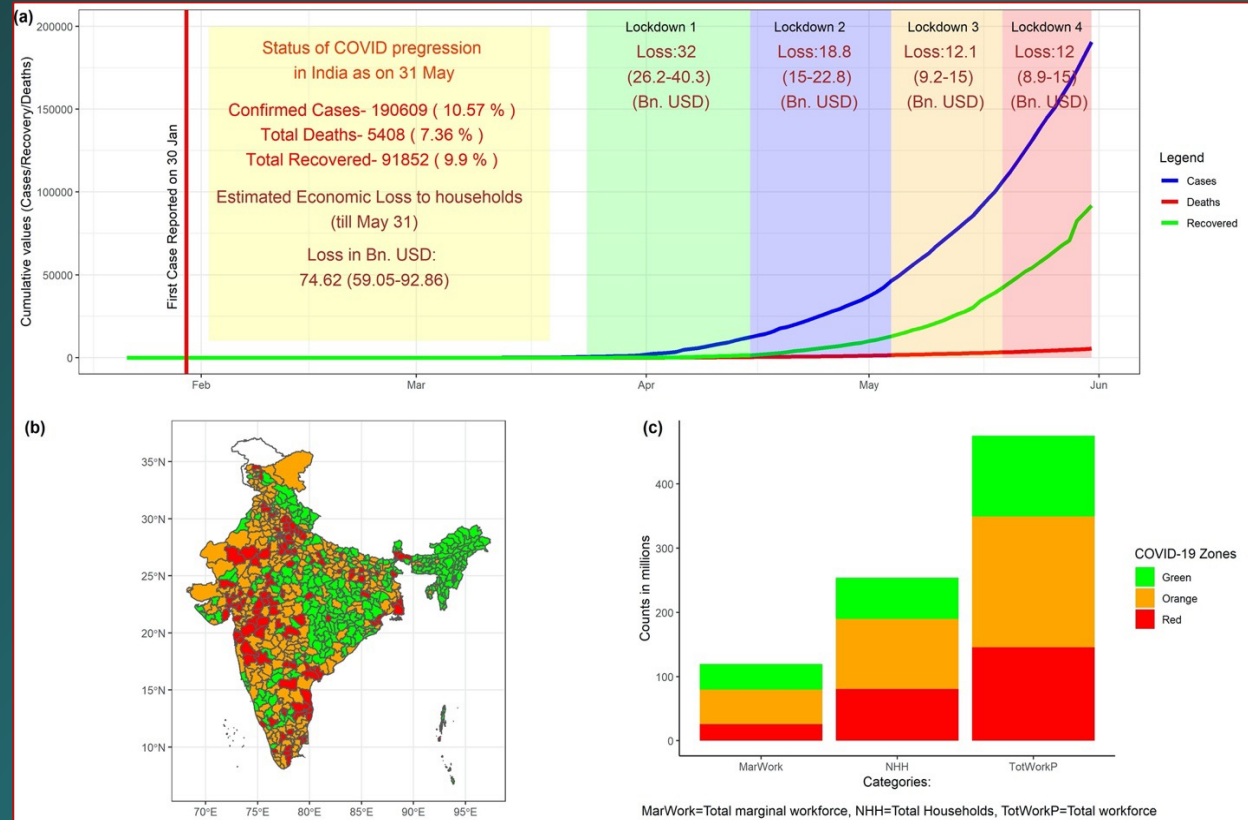
- ▶ Counting & Accounting the labour in the economy
- ▶ Employment & Unemployment Status
- ▶ Types of Employment
- ▶ Status of Employment: Principal & Subsidiary
- ▶ Computing the Losses to Household Engagements due to Lockdown: Wages & Earnings in different sectors
- ▶ Aggregating Employment with Losses across different sectors & groups
- ▶ Scenarios for Loss Calculation during Lockdown Periods

- ▶ Covid-19 Cases: Centre for System Science & Engineering, John Hopkins University
- ▶ Census 2011: Govt. of India
- ▶ Periodic Labour Force Survey 2019 microdata: Govt. of India

Results (Losses)

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- ▶ Economic activity suspensions result in a daily loss of 2.42 billion USD for households.
- ▶ Approximately 0.679 billion USD (28 %) is the wage loss.
- ▶ The rest 1.741 billion USD (72%) is the loss in earnings, discounting for wage protection present for some.



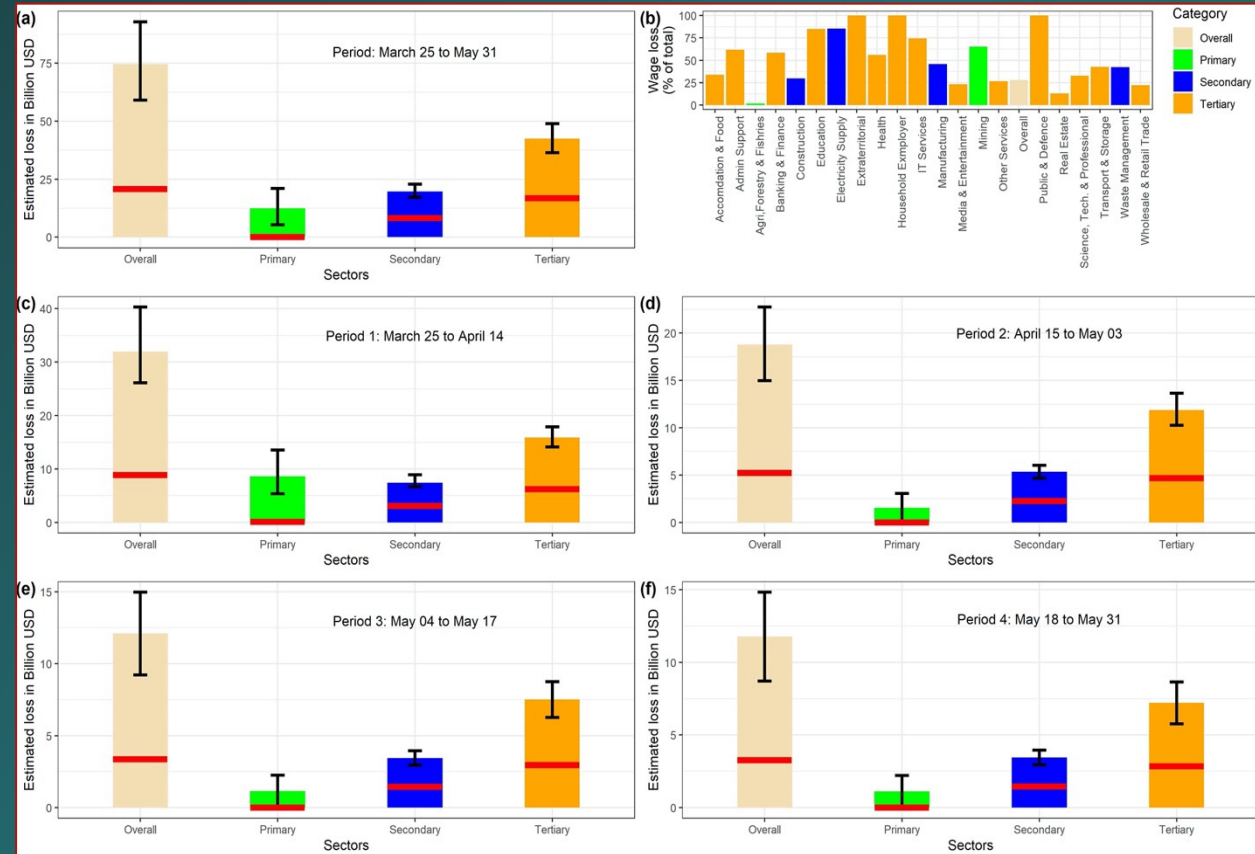
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Does not account for the losses to the industry & government, which would escalate the figure.

Results (Losses)

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- ▶ Maximum impact on the services sector with the loss standing at 33.59 billion USD (28.06-39.44).
- ▶ The secondary & primary sector losses are 19.68 billion & 12.42 billion USD, with high variability.
- ▶ The wholesale (retail & trade) is the most affected with a loss of 16.26 billion USD during 68 days of lockdown
- ▶ Manufacturing sector has a loss of 12.65 billion USD



The estimated loss for agriculture (including forestry & fishing) is 12.21 billion USD

Results (Extremely Vulnerable Employment)

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- ▶ Employment stability is the chance of remaining in the same engagement during a short time.
- ▶ Higher chances of Transition imply more vulnerability.
- ▶ For SE & R, chances vary from 0.07 to 0.1.
- ▶ For C, the measure varies from (0.19 to 0.29).
- ▶ Extremely vulnerable employment is a subset of not just precarious consumption patterns but also uncertainties due to frequently changing occupation

| Nature of Employment | Stream of Employment | Chances of Transition | Share in Employment | Count of Extremely Vulnerable Workforce (Million) |
|---|---|-------------------------|---------------------|---|
| | | $(p_{k \rightarrow l})$ | (α_k) | (EV_k) |
| Casual | Participation in NREGA | 0.291 | 0.004 | 0.6 |
| | Causal Wage Labour | 0.217 | 0.236 | 24.3 |
| | Casual Wage Labour only in Public Works | 0.189 | 0.004 | 0.4 |
| Regular | Worked as Regular Salaried/ Wage Employee | 0.116 | 0.240 | 13.1 |
| Self Employed | Employer | 0.104 | 0.019 | 1.0 |
| | Worked as Helper in Household Enterprise | 0.095 | 0.123 | 5.5 |
| | Own Account Worker | 0.073 | 0.373 | 12.9 |
| Note: Sample Size = 433,339; NREGA is National Rural Employment Guarantee Act of the Govt. of India that ensures 100 days of employment; Source: Authors calculations based on PLFS microdata, 2019 | | | | |

While 25 million casual workforces are extremely vulnerable, the share in R & SE report 13 million & 20 million respectively

Conclusion

- ▶ Structural change, like a lockdown due to COVID-19, may have a permeable impact on the extremely vulnerable.
- ▶ The dominance of informal job contracts & job switching in labour markets intensifies this phenomenon.
- ▶ Public policies may envisage:
 - Upgradation of household-based production into high value-added activities across supply chains in the economy.
 - Absorbing the casual workforce in public work systems, particularly transient actors like migrants, to create assets for a sustainable & inclusive society.
 - Building labour market intelligence systems that coordinate matching between the supply & demand of labour through affordable digital solutions.
 - The direct transfer of monetary benefits to the extremely vulnerable transient labour.



The Impact of COVID-19 on the Household Economy of India

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Accepted: 1 November 2021 / Published online: 17 November 2021

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Abstract

COVID-19 has disrupted the Indian economy. Government-enforced lockdown to restrict the spread of infection has impacted the household economy in particular. We combine aggregates from national income accounts and estimates from the microdata of a labour force survey covering more than 0.1 million households and 0.4 million individuals. The aggregate daily loss to households is USD 2.42 billion. While loss to earnings accounts for 72% of the total, the rest 28% is wage loss. Service-based activities account for two thirds of wage loss, and natural resource-based activities are responsible for most of the earning loss. The dominance of informal job contracts and job switching in labour markets intensifies this, with the most vulnerable group consisting of 57.8 million in casual engagement, who have a high degree of transition from one stream of employment to another on a daily basis.

Keywords COVID-19 · Household economy · Loss · Vulnerability · India

Urkunde

über die Eintragung des
Gebrauchsmusters Nr. 20 2022 102 361

Bezeichnung:

Ein System zur Berücksichtigung der Auswirkungen von Covid-19 auf die
Haushaltswirtschaft in Indien

IPC:

G06Q 10/06

Inhaber/Inhaberin:

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Tag der Anmeldung:

30.04.2022

Tag der Eintragung:

06.05.2022

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Cornelia Rudloff-Schäffer

München, 06.05.2022



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