

Impact of COVID-19 on Indian Unemployment: A Study

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ABSTRACT

The outbreak of the COVID-19 pandemic is an unprecedented shock to the Indian economy. In order to defeat the COVID-19 pandemic, Government of India declared complete lockdown in the country starting on March 24, 2020 and the same was extended to May 3, 2020 in the second phase. On 1 May, the Government of India extended the nationwide lockdown further by two weeks until 17 May. On 17 May, the lockdown was further extended till 31 May by the National Disaster Management Authority. Though the lockdown was necessary so as to prevent the faster spread of Coronavirus (COVID-19) and to save lives of people of the nation, it affected the various sections of our economy severely. Indian economy consists various segments like e-commerce industry, restaurants industry, automobile sector, information technology, software services, travels and tourism industry and lots of others industry having crucial role in Indian economy. The main objective of the study is to assess the impact of COVID-19 on unemployment in India.

1. Introduction

Indian economy characterises as developing economy across the world. India is fastest growing developing economy with 3 trillion US dollar. Indian economy is fifth largest economy by GDP in the world. Economy was going as usual and suddenly at the end of third quarter of fiscal year 2019-2020 a novel coronavirus entered in Indian territory and start to infect the people silently. Gradually number of infected persons increased. The World Health Organization (WHO) on March 11, 2020 declared COVID-19 outbreak a global pandemic. The outbreak of COVID-19 pandemic is an unprecedented shock to the Indian economy. The International Labour Organization (ILO) in its report 'ILO Monitor 2nd edition: COVID-19 and the world of work', describes COVID-19 as 'worst global crisis since World War-II. The head of International Monetary Fund Kristalina Georgieva said the world faced the worst economic crisis since the Great Depression of the 1930s. Informal employment represents 90 percent of total employment in low-income countries, 67 percent in middle-income countries and 18 percent in high-income countries. The condition of low skilled and low paid informal workers is very worrying in low and middle-income countries, where the industries and services have a large share of these informal workers, who account for 61% of the global workforce or 2 billion people and they lack social protection. This sudden loss of livelihood would be terrifying for them. Naturally, this period proved most challenging for youth of India aspiring to be a part of the job market.

2. Literature Review

Evans, O. (2020) in the paper "Socio-economic impacts of novel coronavirus: The policy solutions" studied the socio-economic impacts of novel coronavirus across various continents and provides policy solutions inspired from previous pandemics like proactive management approaches, health policy framework addressing social determinants of health, education and health literacy, national and international shifts

in investments and the establishment of the World Technical Council on Coronavirus.

Kumar, S. (2020) in the article "Impact of coronavirus (COVID-19) on Indian economy" studied the sector-wise impact of coronavirus (COVID-19) on Indian industry. The various sectors taken into consideration are chemical industry, auto industry, electronics industry, foreign trade and poultry.

Hussain, M.M. and Borah, R.R. (2020) in the paper "Impact of COVID-19 on Indian Economy: A Study" studied the impact of COVID-19 on various segments of Indian economy and provides policy changes to reduce uncertainty and improve growth prospects by mobilizing all macroeconomic levers like fiscal, monetary and structural policies.

Jakhotiya, G. (2020) in the paper "Impact of COVID-19 on Indian economy and the road ahead" studied the sector-wise impact of COVID-19 on the Indian economy. The various sectors taken into consideration are labour, unorganised sector, agriculture, MSMEs, large manufacturing companies, service sector, education, public health system, banking, insurance, financial services and government finances.

Baldwin, R. and di Mauro, B.W. (2020) in their study revealed that the pandemic has affected all major economies basically G7 countries, who jointly share 60% of world supply and demand, 65% of world manufacturing and 41% of world manufacturing exports.

Jadhav, G. (2020) in his study "Impact of COVID-19 on Indian Industry: Challenges and Opportunities" revealed the potential impact of the shock on various sectors like manufacturing, financial services, banking, infrastructure, real estate and services and put forward a set of policy recommendations for specific sectors.

Wren Lewis, S. (2020) in his study "The economic effects of a pandemic" revealed that reduced workforce, higher production cost, reduced social consumption, higher temporary inflation as the major reasons for slowing economic growth.

3. Objectives of the study

1. To study the impact of COVID-19 on unemployment in India.
2. To study the impact of COVID-19 on unemployment in major states of India.
3. To study the impact of COVID-19 on rural and urban unemployment in India.

4. Research Methodology

This paper is a descriptive paper based on secondary data, The data for the research purpose collected from various

government websites, research journals and newspaper articles.

5. Impact of COVID-19 on Unemployment in India

The COVID-19 pandemic and the subsequent lockdown measures adopted, yielded an unprecedented spike in India's unemployment rates, particularly during the months of April and May. As many as 41 lakh young Indians lost jobs due to the COVID-19 pandemic with most job losses in the construction and farm sector, according to a joint report by the International Labour Organization and the Asian Development Bank. The below table shows the rise of the unemployment in the time of COVID-19 in comparison to previous years.

Unemployment Rate (%) : India					
Months	2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%) (Till October)
January	8.7	5.9	5.0	6.9	7.2
February	8.5	5.0	5.9	7.2	7.8
March	8.7	4.7	6.0	6.7	8.8
April	8.9	3.9	5.6	7.3	23.5
May	9.7	4.0	5.1	7.0	21.7
June	8.9	4.1	5.8	7.9	10.2
July	8.5	3.4	5.7	7.3	7.4
August	9.6	4.1	6.3	8.2	8.3
September	8.4	4.6	6.5	7.1	6.7
October	6.7	5.0	6.8	8.1	7.0
November	6.5	4.7	6.7	7.2	
December	6.4	4.7	7.0	7.6	

Table 1 : CMIE Data

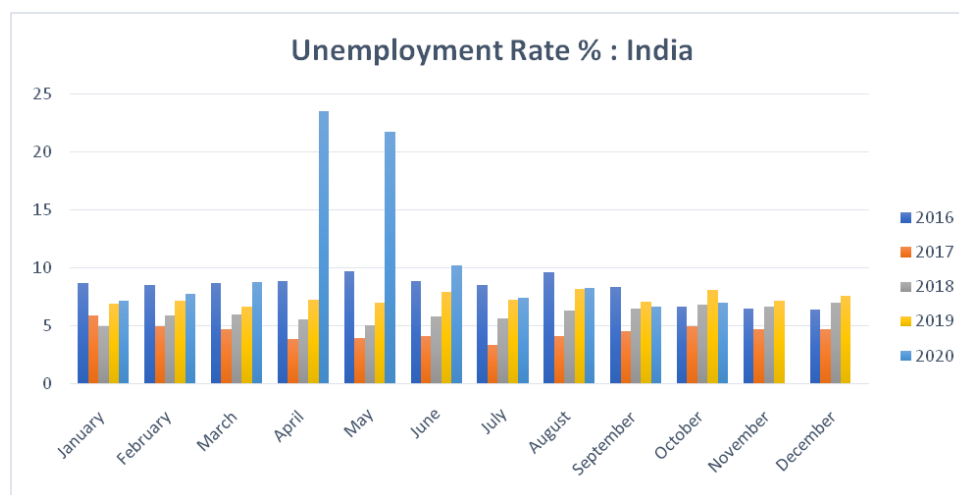


Figure 1

Unemployment Rate in Major States (%)										
States	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	June 2020	July 2020	Aug 2020	Sept 2020	Oct 2020
Andhra Pradesh	5.5	5.8	5.8	20.5	17.4	3.3	8.3	7.0	6.4	6.6
Bihar	10.6	10.3	15.4	46.6	46.0	17.8	12.8	13.4	11.9	9.8
Delhi	22.2	14.8	17.0	16.7	42.3	18.2	20.3	13.8	12.5	6.3
Haryana	20.3	25.8	25.1	43.2	29.0	26.7	24.2	33.5	19.7	27.3
Jharkhand	10.6	11.8	8.2	47.1	59.2	20.9	7.6	9.8	8.2	11.8

Karnataka	2.9	3.6	3.5	29.8	20.0	8.4	4.0	0.5	2.4	1.6
Madhya Pradesh	4.1	4.6	2.2	12.4	22.0	6.5	5.1	4.7	3.9	3.1
Maharashtra	5.0	4.7	5.8	20.9	15.5	9.2	3.9	6.2	4.5	4.1
Puducherry	0.6	1.8	1.2	75.8	58.2	4.2	15.5	5.0	10.9	6.2
Tamil Nadu	1.6	2.1	6.4	49.8	33.2	12.2	6.8	2.6	5.0	2.2
Uttar Pradesh	7.6	9.0	10.1	21.5	20.4	9.5	5.6	5.8	4.2	3.8

Table 2: CMIE Data

The above table shows that, at the end of April, Puducherry had the highest number of unemployment at 75.8%, followed by Tamil Nadu 49.8%, Jharkhand 47.1% and

Bihar 46.6%. At the end of May, Jharkhand had the highest number of unemployment at 59.2%, followed by Puducherry 58.2%, Bihar 46% and Delhi 42.3%.

States with over 40% Unemployment rate in May

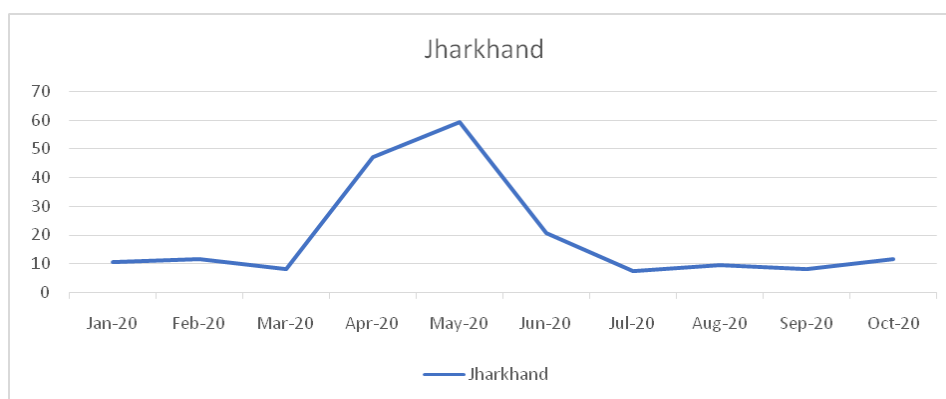


Figure 2

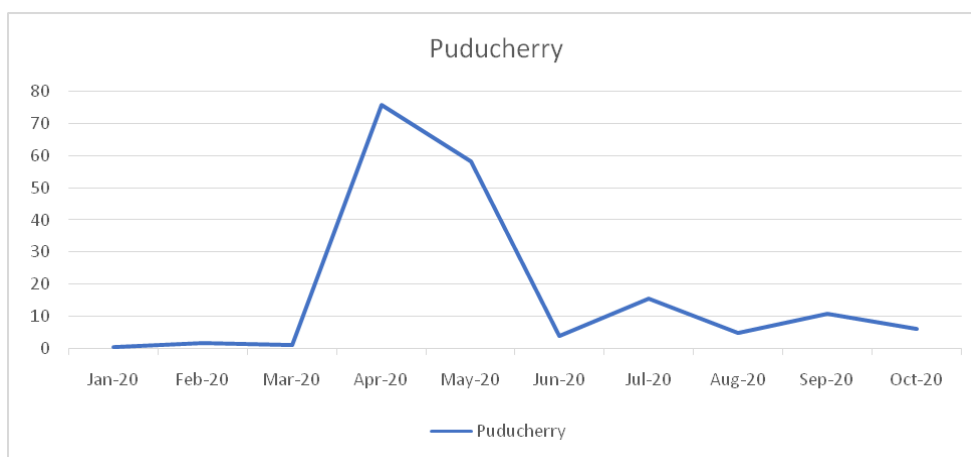


Figure-3

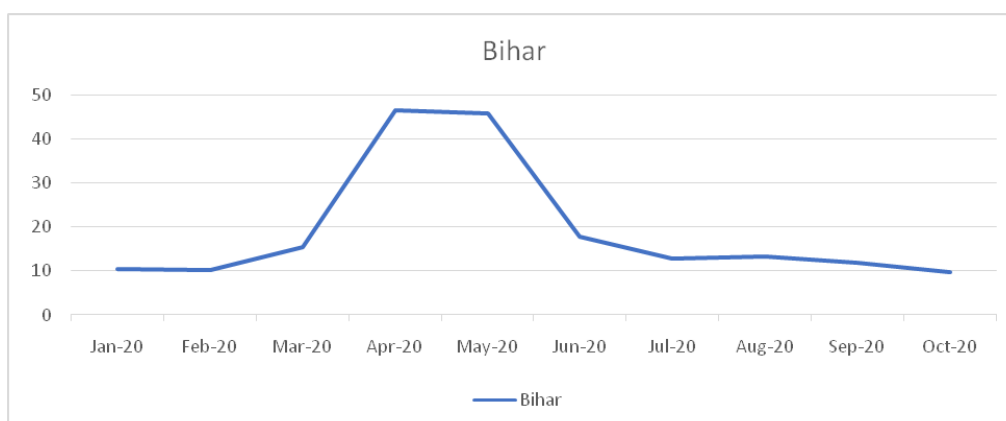


Figure-4

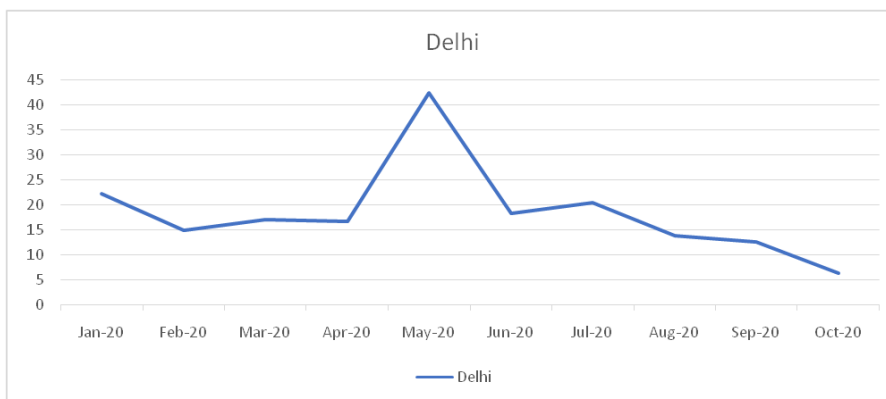


Figure 5

Rural and Urban Unemployment in India

As per the data published by Statista Research Department, In a survey conducted across India in April and May 2020, approximately 87 percent of self employed

respondents in urban areas and 66 percent of casual workers in rural areas claimed to have lost their employment due to coronavirus pandemic.

	Urban (%)	Rural (%)
Regular salaried	77	61
Casual	82	66
Self-employed	87	45

Table3 Source: www.statista.com ,2020

The above table shows that employment loss was highest in self employed in urban areas and among casual workers in rural parts of the country.

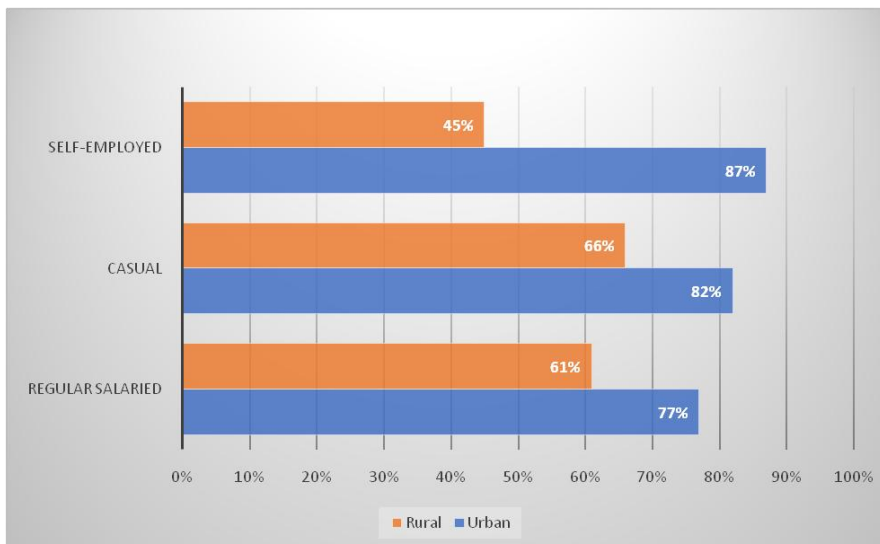


Figure 6

From the above figure, it can be observed that employment loss in urban areas was higher than in rural areas.

Month	Unemployment Rate (%)	
	Rural	Urban
January 2020	6.06	9.70
February 2020	7.34	8.65
March 2020	8.44	9.41
April 2020	22.89	24.95
May 2020	21.11	23.14

June 2020	9.49	11.68
July 2020	6.51	9.37
August 2020	7.65	9.83
September 2020	5.86	8.45
October 2020	6.90	7.15

Table 4: CMIE Data

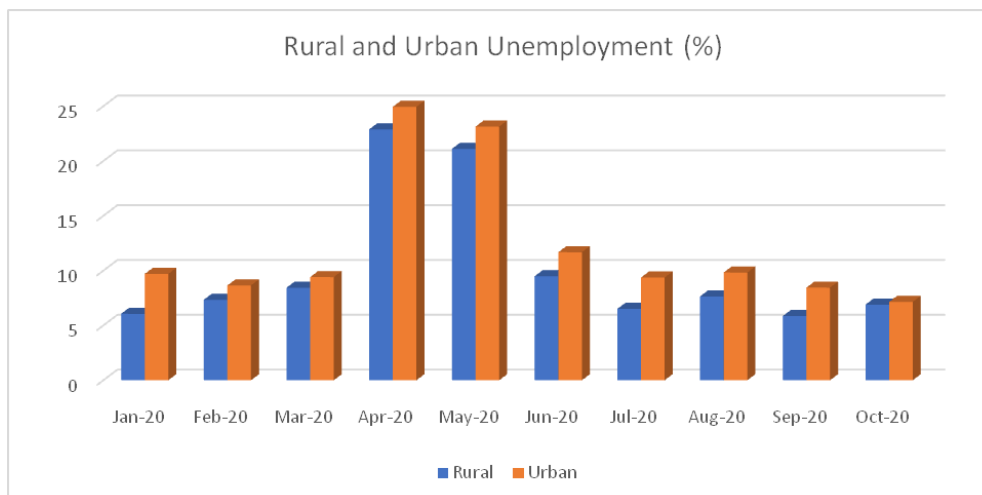


Figure 7

The above figure shows that unemployment rate in urban India was higher than in rural India. In April 2020, unemployment rate in urban areas stood at 24.95% as against 22.89% for the rural areas. In May 2020, unemployment rate in urban areas was 23.14% while in rural areas it was 21.11%.

6. Conclusion

The spiralling and pervasive COVID-19 pandemic has distorted the world's growing economy in unpredictable terms. This paper was aimed to study the impact of COVID-19 on unemployment in India. The national lockdown declared to curb

the spread of the coronavirus has affected businesses, according to the ICRA, and their activities ceased. The findings of the study show that, COVID-19 pandemic and the subsequent measures adopted, yielded an unprecedented spike in India's unemployment rates, particularly during the months of April and May. In April 2020, the unemployment rate hit an all time peak of 23.5%. During the months of April and May, employment loss in urban areas was higher than in rural areas. The COVID-19 crisis will be penned in history as one of the worst the world has undergone.

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