The Impacts of Second Covid Wave on Industry and workers in India

Surendra Pratap, May 08, 2021

The second wave of Covid-19 has created an unprecedented multi-dimensional crisis in India. Daily cases have surged to more than 0.4 million, and daily deaths have surged to more than 4000 as on 8th May 2021 (see here and here). Deaths are still under-reported, mainly due to not counting or under-counting those who are suffering and dying at home. According to Institute for Health Metrics and Evaluation (IHME), actual Covid deaths from March 2020 to May 2021 in India may be 0.6 million; thrice the government reported figures (see here). The alarming rise in Covid cases exposed the chronic deficiencies in health infrastructure; reports reveal unimaginable sufferings, helplessness of the people and near collapse of the system (see here and here); people are seen crying for help to get hospital beds, Oxygen cylinders and crucial medicines; and waiting at crematoriums for hours to get the deceased cremated or buried (see here, and here). Exceptional people's initiatives emerged across the country to reduce the pains of the crisis (see here, here and here). Higher courts also took exceptional steps, compelling the governments to insure that no one suffers/dies for lack of health facilities (see here, and here). National lockdown is not imposed yet, but state level lockdowns, curfews and restriction are in place (see here, here and here).

Impact on the Economy and Employment

Rather than a double-digit economic growth as predicted before the second wave, India's economic output in 2021 is expected to remain below 2019 level (see here). The government's fiscal deficit may also double to 14% of GDP, and push India's debt-to-GDP ratio over 90%. The Indian rupee is already down by nearly 2%. Foreign debt may also increase significantly (see here).

A study on 'State of Working India 2021: One Year of Covid-19,' covering the period between March 2020 to December 2020, concludes that 100 million jobs were lost during the April-May 2020 lockdown and 15 million did not get their job back post lockdown. Moreover, during post lockdown nearly half of the formal salaried workers were transformed in to informal workers, either as self-employed (30%), casual wage (10%) or informal salaried (9%). Cumulative impact was reflected in 230 million workers pushed below national minimum daily wage of Rs.375. The impacts were more severe to women workers (47% women faced permanent job loss, against 7% men). The poverty rate has increased by 15 percentage points in rural, and nearly 20 percentage points in urban areas. (see the report here). The crisis is bound to aggravate further.

Industrial Crisis and Feared Second Wave of Reverse Migration

Nearly all economic sectors, excluding the health sector, have entered into a severe crisis. They were still struggling to recover from the first crisis, when they were thrown into another crisis. Manufacturing shows a declining trend, in terms of output and employment, primarily due to Covid restrictions and lack of demand. Another important factor cited for manufacturing slowdown is an alarming rise in input costs (including chemicals, metals, plastics, rubber and textiles etc) in recent periods (see here). Ajit Lakra, president of the Ludhiana Knitters Association, says that cartelisation of yarn-making mills and monopoly of polyester manufacturers brought the alarming rise in garment input costs; the prices of cotton yarn have increased from Rs. 190 per kg (pre-lockdown) to over Rs. 300 per kg now and so have the cost of petrochemical-based synthetic fabrics. But the garment brands/buyers did not increase the prices for suppliers; hence knitting units are not

accepting any new orders as business is unsustainable in current cost-price dynamics (see here). Cumulative impact is creating a serious industrial slow down and serious unemployment crisis.

 All the industries across the country, including garments and automobile manufacturing, are worried about second wave of reverse migration. In Textile hubs of Maharashtra, the looms with export orders are functioning with 50% capacity, domestic supply has completely stopped, primarily due to Covid related factors including labour shortage. G.R. Senthilvel, a textile maker and secretary of Tirupur Exporters and Manufacturers Association, says that around 40% of migrant workers did not come back after first Covid wave. If a new wave of reverse migration starts then it may hit production badly (see here, here, and here). Recent lockdown/curfews in Karnataka, Tamilnadu, Maharashtra and NCR Delhi have already created a fear of losing jobs among garment workers and workers (not in large numbers yet) have already started moving back home. The Karnataka Employers' Association (KEA) and Apparel Export Promotion Council (AEPC) have appealed to the governments to avoid stringent lockdowns, allow at least 50% of operations and consider textiles under essential services to exempt it from lockdown (see here, here and here).

In general, it seems that the second wave of reverse migration has already started. Railways are already running special trains from major industrial cities; all trains and buses running between states are already overloaded (see here and here). Around 20% of workers in Micro, Small, Medium Enterprises in Noida have already left for hometowns last week (see here). Similar situations appear to be developing in Bagalore and Tiruppur as well (see here and here).

The state governments are gradually coming out with financial and other assistance to help poor and stop any wave of reverse migration; e.g., Delhi Government is offering: a) free ration for two months to 7.2 million ration card holders; b) one-time financial aid of INR 5,000 to Autorickshaw and taxi drivers; and c) INR 5,000 to construction workers registered in Welfare Board (see here).

Vaccine may be a saviour for people as well as the economy. A fast vaccination drive is possible only with mass production of vaccines, which is possible only by waving patent rights (see here).