

## **From the frying pan to the fire: unorganized sector under COVID-19**

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The GDP estimates by the National Statistics Organisation [NSO] for the first quarter of Indian economy have taken the 'pandits of projection industry' for a major shock. The recorded negative growth rate of 23.9 per cent (loss of almost a quarter of the GDP), turned out to be the highest fall in the world and was way apart from the projections made. There is, however, reason believe that the GDP estimates at the national level involve substantial under estimation because of the near exclusion of the unorganised sector. As per the estimates of the National Commission for Enterprises in the Unorganized Sector (NCEUS) 98 per cent of employment in the agricultural sector, 75 per cent in industry and 72 per cent in services are informal in India (Sengupta et al., 2009). As per National Accounts Statistics (2019) unorganized sector accounts for 52.4 per cent of GDP.

Although the GDP data in India on a quarterly basis is made available by NSO since 1996, such quarterly data is not available for the states. Data on State Domestic Product (SDP) is available only on an annual basis and that too with a lag of at least one year. Hence, one has to wait until the next Economic Review for precise estimates on the impact of COVID at the state level. However, thanks to the Department of Economics and Statistics, we are fairly well informed with respect to the unorganised sector in Kerala. Here it may be added that in Kerala also, the unorganized sector plays no less significant place. As per the Periodic Labour Force Survey (PLFS) in 2017-18, there were 88.4 lakh workers. Out of this 12.5 lakh (14%) are in the formal sector of both public and private domains (Jose 2020). Further around 33

lakhs (37%) are employed in agriculture and other sectors. The remaining 43 lakhs (49%) are employed in the non-agricultural segment of the unorganised sector.

The informal sector, which dominates our economy, has already been under stress on account of the demonetisation, poorly implemented GST and the unprecedented flood that followed. What has been the impact of Covid-19 on this sector?

### **COVID impact survey**

Our analysis is based on the data obtained from a quick 'Covid-19 impact survey' conducted by the Department of Economics and Statistics (DES). The sample survey of 9262 units, covering the entire state, gathered information regarding income, employment, operating expenditure, days operated and other related information for a normal month before the lock down period and also for the period since April 2020. In what follows we shall highlight the income and employment loss during the first quarter of the current fiscal. To begin with it may be noted that the survey was confined to enterprises in the non-agricultural sector and did not include construction sector.

Given the sectoral characteristics Covid impact could vary within and between sectors. Thus viewed, agriculture is likely to have lower impact as compared to the industry and services. Within services, hotel and tourism, for example, is said have been most affected as compared to health services. There is also reason to infer that the impact has been more intense in the case of unorganized sector. It is observed that the sample enterprises in four sectors- trade and repair service, manufacturing, hotel and restaurants, real estate, ownership of dwelling and professional services-accounted for 81 per cent of employment and 89 per cent of income.

### **Loss of employment**

With lockdown to ensure social distancing for preventing spread of the pandemic, the loss of employment was as high as 74 per cent in the month of April 2020 and it moderated to 32 per cent in June. For the first quarter as a whole the employment loss has been estimated at 53 per cent (table 1). There has, however, been inter-sectoral difference. In the manufacturing sector that contributed about 35 per cent of the total employment in the sample, recorded employment loss 55 per cent during the first quarter. When it comes to trade and repair services that contributes 27 per cent of the total employment, the estimated loss was slightly

lower at 39 per cent. The loss in employment was still higher in hotels and restaurants (64%) and real estate, ownership of dwelling, professional services (52%)

**Table 1.** Income and employment loss in sample unorganized Sector in Kerala

Sl No	Items	Normal Period Month	Lock down Period Average monthly loss	Normal Period Month	Lock down Period Average monthly loss
1	Manufacturing	4948	57.7	11316	54.6
2	Electricity, gas, water supply & other utility services	44	87.2	77	68.4
3	Trade & repair services	10217	52.3	8634	39.3
4	Hotels & restaurants	1271	82.4	2848	64.1
5	Road transport	117	93	260	61.7
6	Water transport	9	75.2	9	77.8
7	Services incidental to transport	18	81.3	59	60.5
8	Communication & services related to broadcasting	188	72.6	541	51.4
9	Financial services	595	57.7	159	30.6
10	Real estate, ownership of dwelling & professional services	1148	73.3	3672	52.2
11	Education	233	86.7	1630	76
12	Health	303	64.7	708	40.3
13	Other services	737	82.3	2609	66.4
	<b>Total</b>	<b>19828</b>	<b>59.2</b>	<b>32522</b>	<b>52.7</b>

### Income loss

For the month of April, the loss in income was as high as 79 per cent and it reduced to 39 per cent in June with the estimated loss during the first quarter being 59 per cent. As in the case of employment, there have been inter-sectoral differences. Among the major sectors, having more than 5 percent of total employment, the highest income loss was recorded in Hotels & restaurants (82%) followed by real estate, ownership of dwelling & professional services (73%). It is evident that for the unorganised sector as whole, the income loss (59%) was higher than the employment loss (53%) during the first quarter. This tends to indicate that the workers had to live with reduced number of days of work along with reduced wage rates. Here again there are inter-sectoral differences. In the manufacturing, 55 per cent employment loss led to only a marginally higher income loss (58%) where as in trade and repair services, despite the employment loss being lower at 39 per cent the income loss was

52 per cent. Similarly, in hotels and restaurants, 64 per cent loss in employment led to 82 per cent loss in income.

It is evident that despite Kerala being the pioneer to implement schemes worth Rs 20,000 towards saving livelihood of the people, the loss incurred by the unorganised sector by way of income and employment has been substantial - over 50 per cent. Thus the coronavirus pandemic has precipitated an economic emergency in the state. This being the case in Kerala, there is reason to believe that the COVID shock for the informal sector at the national level would have been substantial and that the loss of GDP estimates made is likely to be too optimistic.

Responding in similar circumstances, the industrial economies of the world, in particular, United States, United Kingdom, Germany, France, Italy have come up with stimulus packages to support business and wage payment and to retain jobs. The amounts involved range from 10 to 20 per cent of the GDPs of these countries. In the Indian context, GIFT (2020) argued that the state government is not in a position to finance such schemes and the Union government ought to announce a comprehensive stimulus package at the earliest, lest businesses sink, and jobs disappear accentuating the economic calamity. Till then that the state government could facilitate own account enterprises and establishments with the number of workers up to 20 to borrow from banks with an appropriate interest subvention. It may also consider transferring a part of the wages and salaries of the workers so that the establishments retain jobs. Here it is important to keep in mind the inter-sectoral differences in the impact of the pandemic.

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