

COVID-19 Lockdown and Impact on State Economy

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COVID-19 has been declared a global health pandemic by the WHO. Countries are advised to follow amelioration measures to combat the epidemic. Two strategies are being followed by the countries- i) mitigation and ii) suppression. India has been following the second approach and as part of that a 21-day nation-wide lockdown along with social distancing has been declared during the period 25th March to 15 April 2020. Further a second round of lockdown for an additional period of two weeks has been clamped till 30th April. Government of Telangana has declared a lockdown of entire state even earlier which commenced from 22nd March. A complete lockdown implies shutting all production activity but allowing only essential services to function. The poorer sections are the hard hit and require social security provision to survive the lockdown period. The national and state governments have declared plethora of measures to ensure survival of these segments. In this scenario it is important to make an assessment of the economic impact of the COVID-19 to also find ways for reviving the economy while protecting the livelihoods of the bottom of the pyramid.

Telangana economy has witnessed fast economic growth since formation of the state in 2014. As the state was deprived of 'socio-economic development' in the past it undertook heavy investment for building economic infrastructure on priority. An important outcome of providing irrigation at a massive level is the surge in the food grain production. Agriculture sector contributes around 16 percent to GSDP, and industry around 19 percent and the rest of 65 percent is contributed by the service sector. The total lockdown impacted mostly the industry and service sectors as ongoing farm operations are continued to some extent. Most of the manufacturing, the MSME and service activities operate in the informal sector. Hence the livelihoods of workers in these sectors get affected in a big way.

The loss that the state is likely to suffer every day in lockdown is estimated employing GVA estimates of the state for the year 2019-20 (Advanced Estimate, current prices). The possible loss for each of 19 subsectors of the economy for a day of lockdown has been assessed by assuming a percentage of slowdown in activity for these sectors depending on the level of activity¹. The formula used to assess the loss per day is

$$l = l/365 * s$$

where s = percentage of slow down

The per day loss in production in the economy due to lockdown works out to be 1784 crore rupees. Most of this loss is incurred in the industry and service sectors of the economy. The three sectors - Manufacturing, Trade & Repair services and Real estate together suffer a loss

¹ Lockdown may not have any bearing on the agriculture sector as its activities are likely to continue without any disturbance (currently it is harvesting). Therefore, we assume that lockdown has 'zero' slow down effect on agriculture. For livestock, the assumed slowdown is 25%, the main production activities are likely to suffer due to disruption in procurement operations especially for milk in rural areas. We also assume total slowdown (100%) in the activities of mining and quarrying, manufacturing, transport sector and real estate. For sectors like trade and hotels and restaurants we assume 80% slowdown- because of restrictions on timing and confining these activities to only essentials. The activity level in sector - electricity, gas and water supply is likely to sustain at current level without any Lockdown effect.

of nearly Rs. 1200 cores per day. The total loss for the entire period of lockdown (23 March to 30 April) would be around 70,000 crores. This accounts to 7.9 percent of the GSDP (based on the GSDP of 2019-20).

What would be the loss in tax revenue due to this production loss? Assuming 10 percent tax-GSDP ratio (as observed in the Tax and GVA data of 2019-20), the per day loss would account for 178.4 crore and the loss for the entire lockdown period accounts for Rs 7,000 crores. This is a rough estimate as tax GSDP ratio differs across sectors.

Impact on employment and livelihoods

Working age group population (15-59 years) in the state is 2.5 crore constituting 68.4% of population. Of this 2.5 crore population in the working age group 1.34 crore are workers accounting to 53%. Among the 1.34 crore workers 31.91 lakh or 24% are casual labour. Among these 31.91 lakh casual labours 19.85 lakh or 62 % work in agriculture sector and 12.06 lakh or 38% work in non-agriculture sector. This segment is most vulnerable. However casual labour working in agriculture sector may not be as vulnerable as those in the non-agriculture sectors as the latter are completely shut down.

Urban workers constitute 40 percent of all workers and 13 percent of them (working as casual labour) are most vulnerable. Overall, around 32 lakh casual labour working on daily wages may have lost work due to lock down. Migrant workers fall under the vulnerable category but there is no reliable data on their numbers².

Among the 1.34 crore workers in the state 46 percent fall are self-employed and around 30 percent are salaried workers. While casual labour is the most vulnerable in periods of lockdown or any crisis, there is no unemployment insurance³ for a majority of the workforce in other categories too if lockdown persists for a longer time.

Within the urban category construction is the major activity. There are 13,08,535 workers registered under the 'Building and Other Construction Workers Act' in the state (Annual report 2018-19, Labour, Employment Factories and Training dept, GoT). The social security measures of the 'Building and Other Construction Workers Welfare Board' do not cover situations like the present lockdown. If building and construction companies lay off unskilled workers due to lockdown, they are not legally eligible to get any retrenchment compensation as they fall under the non-workman category. Similarly, self-employed category of workers also does not get any compensation due to unemployment. If lockdown extends cash transfers may have to be made to these categories too to meet their essential needs.

Measures to be taken in the short run to address revival of economy and protect livelihoods and welfare of the vulnerable

Revival of economy can start with agriculture and non-agriculture self-employment segments which can still maintain social distancing and need not travel more than a radius of 10-20 km.

² A recent district survey had identified 3,35,669 migrant labourers in Telangana (Scroll. In April 11 2020).

³ Limited schemes like under Employees State Insurance Act offers unemployment benefit which applies to those working in organized sector and who have contributed to ESI at least for 2-3 years and whose monthly wages do not exceed Rs 21000.

The needed investment has to be pumped by the State. Some specific welfare as well as revival measures are as follows:

1. To reduce the pressure on the vulnerable sections of the population cash payments are inevitable. Informal reports from villages and tribal areas inform that people are facing cash constraints to purchase vegetables, milk and essential food items affecting their consumption. Movement of the agriculture labour above 3-5 kms is also restricted currently. In non-hot spot zones movement of agriculture labour could be extended to a longer distance so that they could participate in crop harvesting (paddy, chilli picking). Alternatively, labour requirements and supply can be matched within a radius of 25 km and arrangements can be made to stay put workers in the destination area and in a limited way enforcing social distancing.
2. The state has proposed recently to the GoI to utilise MGNREGS workforce for agriculture activities wherein 50 percent wage would be borne by the Centre thereby making available the required workers for harvesting activities as well as subsidising the cost of labour. As migrant workers from urban have moved back, they can be allowed to work in MGNREGS works temporarily by issuing individual cards. Meanwhile state can release some grant for those working within village – Village Employment Assurance Programme in the lines of Kerala Govt.
3. Mis match between supply and demand due to imperfect supply chains can be restored but also by having some restrictions in movements of agricultural commodities, especially fruits, vegetables and so on. SHG women and farmer groups can be roped to link the local supply chains.
4. Self-employed enterprises in the unorganised sector also can be allowed to function with on and off systems after due discussions with the employers/ employees.
5. Small loans can be given to SHG women on soft interests for carrying out production activities based out of households. Most food processing can happen this way which also ensures continuous supply of food.
6. Powerloom/ handloom sector can be roped to prepare suitable material for masks and PPE while SHG women can stitch them (which is ongoing)
7. Registered construction workers may be given relief of Rs 3000 from the Cess collected by the construction Workers Welfare Boards as directed by the Union Ministry of Labour
8. A separate portal can be started to register the unorganised sector workers to transfer cash under DBT platform.

The State Government can start a COVID-19 Economic Response Task Force (CETF) similar to the GoI to take up the following activities

- a) Quantification of impact of COVID-19- assessing damage/loss to economy
- b) Assess loss of livelihoods and work out calibrated relief measures to impacted sectors and to help revive various sectors of the economy
- c) To assess costs of various relief measures and the issues in their implementation
- d) Collect detailed data from various sectors of economy
- e) Hold discussions with various stakeholders to arrive at appropriate and timely measures

Annexures

Table 1: Estimated Loss in GVA and Tax Revenue

S.No.	Sector	Slowdown in Activity Level (%) during lockdown	Loss in GVA (%) on a day of lockdown*	GVA(2019 -20) Current Prices -Rs. Crores	Loss Per Day of lockdown -Rs Crores
1.1	Crops	0	0	60586	0
1.2	Livestock	25	0.068	66403	45
1.3	Forestry and logging	50	0.137	3752	5
1.4	Fishing and aquaculture	50	0.137	4368	6
2.	Mining and quarrying	100	0.274	27275	75
3.	Manufacturing	100	0.274	92505	253
4.	Electricity, gas, water supply & other utility services	0	0.000	14321	0
5.	Construction	100	0.274	35229	97
6.1	Trade & repair services	80	0.219	131435	288
6.2	Hotels & restaurants	80	0.219	11434	25
7.1	Railways	100	0.274	2937	8
7.2	Road transport	100	0.274	35660	98
7.4	Air transport	100	0.274	1579	4
7.5	Services incidental to transport	100	0.274	8314	23
7.6	Storage	0	0.000	271	0
7.7	Communication & services related to broadcasting	0	0.000	9390	0
8.	Financial services	25	0.068	50408	35
9.	Real estate, ownership of dwelling & professional services	100	0.274	194399	533
10.	Public administration	50	0.137	37026	51
11.	Other services	100	0.274	87205	239
	Total GVA Rs. Crores			874497	1784
	Loss of Tax revenue, Rs Crores (Assuming Tax-GVA ratio of 10%)				178.4

Table 2: Number and percentage of workers across categories (2017-18)

Sl No	Category	Number	Percentage (%)	Vulnerability
1	Population (15-59)	2,52,53000	68.4	-
2	Workers (15-59)	1,34,60000	53.3	-
2.1	Self-employed	62,12,095	46.2	Vulnerable
2.2	Salaried	40,57,055	30.1	Some what
2.3	Casual labour	31,91000	23.7	Most vulnerable
2.4	Casual labour in agriculture	19,85000	62 (% of casual labour)	Vulnerable
2.5	Casual labour in non-agriculture	12,06000	38 (% of casual labour)	Most vulnerable
3	Urban workers	54,49,146	40.5	-
3.1	Urban Self-employed	16,26,063	29.8	Some what
3.2	Urban Salaried	31,10,972	57.1	-
3.3	Casual labour in urban	7,12000	13.1	Most vulnerable

Source: Periodic Labour force survey 2017-18