

WORKERS' INCOME FELL BY 17%, SAYS REPORT

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

The COVID-19 pandemic has substantially increased informality in employment, leading to a decline in earnings for the majority of workers, and consequent increase in poverty in the country, according to 'State of Working India 2021: One Year of Covid-19', a report brought out annually by Azim Premji University's Centre for Sustainable Employment, Bengaluru.

This year's report, which covers the period March 2020 to December 2020, dwells on the impact of one year of COVID-19 on employment, incomes, inequality and poverty.

100 million jobs

Regarding employment, the report notes that 100 million jobs were lost nationwide during the April-May 2020 lockdown. Though most of these workers had found employment by June 2020, about 15 million remained out of work. As for income, "for an average household of four members, the monthly per capita income in Oct 2020 (Rs. 4,979) was still below its level in Jan 2020 (Rs. 5,989)," the report noted.

The study found that post-lockdown, nearly half of salaried workers had moved into informal work, either as self-employed (30%), casual wage (10%) or informal salaried (9%). The fallback option varied by caste and religion. "General category workers and Hindus were more likely to move into self-employment while marginalised caste workers and Muslims moved into daily wage work," noted the report.

Education, health and professional services saw the highest exodus of workers into other sectors, with agriculture, construction and petty trade emerging as the top fallback options.

Due to the employment and income losses, the labour share of the GDP fell by 5 percentage points, from 32.5% in the second quarter of 2019-20 to 27% in the second quarter of 2020-21. "Of the decline in income, 90% was due to reduction in earnings, while 10% was due to loss of employment. This means that even though most workers were able to go back to work, they had to settle for lower earnings," observed the report. Monthly earnings of workers fell on an average by 17% during the pandemic, with self-employed and informal salaried workers facing the highest loss of earnings.

While the poorest 20% of households lost their entire incomes in April-May 2020, "the richer households suffered losses of less than a quarter of their pre-pandemic incomes." During the period from March to October 2020, an average household in the bottom 10% lost Rs. 15,700, or just over two months' income.

Significantly, the study has found a clear correlation between job losses and the COVID-19 case load, with States showing higher case load, such as Uttar Pradesh, Maharashtra, Tamil Nadu, Kerala, and Delhi, "contributing disproportionately to the job losses".

Women and younger workers were more affected by the pandemic-related measures. During the lockdown and in the post-lockdown months, 61% of working men remained employed while 7% lost their job and did not return to work. But in the case of women, only 19% remained employed while 47% suffered a permanent job loss, "not returning to work even by the end of 2020".

With 230 million falling below the national minimum wage threshold of Rs. 375 per day during the pandemic, poverty rate has “increased by 15 percentage points in rural and nearly 20 percentage points in urban areas,” the report said. Households coped with the loss of income by decreasing their food intake, selling assets and borrowing informally from friends, relatives and money-lenders. The report notes that 20% of those surveyed said that their food intake had not improved even six months after the lockdown.

These findings are a serious cause for concern in the absence of an inclusive social welfare architecture. Among other ameliorative policy measures, the report calls for extending free rations under the Public Distribution System till the end of 2021, expansion of MGNREGA entitlement to 150 days, and a “Covid hardship allowance” for the 2.5 million Anganwadi and ASHA workers.

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