



# CPRG NEWSLETTER

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ECONOMIC  
POLICY



SOCIAL POLICY



REGIONAL  
INTEGRATION



GOVERNANCE

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## IMPACT OF COVID-19 ON MIGRANT WORKERS IN INDIA

### INTRODUCTION



Nations after nation have announced lockdowns in order to prevent the spread of Novel Coronavirus. Until a month ago, this seemed unlikely as it was believed that the spread of coronavirus would be contained within China and any spill over effect on the rest of the world will be taken care of. It is clear that the spread of virus was allowed unhindered in China which led to its growth as a global health emergency.

Now that the whole world is under seize, it is imperative to discuss its impact on the worst-affected social group which is the labourers, dominantly the migrants who left their homes in search of livelihoods. The migrant workers are at extreme and disparate peril from the effect of Corona pandemic. This is because of the abysmal living conditions, inadequate healthcare facilities, and poor working conditions. News reports of thousands of stranded migrant workers marching to their native lands are surfacing. With businesses shut down and transports suspended, lack of food and money has forced these migrant workers to walk miles back home.

## INFORMAL SECTOR AND MIGRANT WORKERS: A GLANCE

The Informal sector in India amounts to almost 450 million workers i.e around 90% of the workforce.<sup>2</sup> It also contributes almost half of the GDP but has no security when it comes to income or healthcare. A recent report by World Economic Forum (WEF), basing its numbers on 2011 census stated that total migrants in India stood at 139 million.<sup>3</sup> Further, the Economic Survey of India 2017 estimated that inter-state migration in India during 2011-2016 was around 9 million.<sup>4</sup> However, time and again during testing hours, the poor state of these migrants has been exposed and raised questions on the inefficient system which has been put in place to safeguard their interests. These informal sector workers and migrant labourers are the most vulnerable sections in these hours of crisis. What hurts more is despite having mechanisms put in place for their welfare, they are unable to reap benefits, due to lack of implementation, when they need it the most and hence face the most severe side of such emergencies.

### RECOMMENDATIONS BY INTERNATIONAL LABOUR ORGANISATION

International Labour Organisation (ILO) in its 1<sup>st</sup> monitor edition for COVID 19 pandemic titled '*COVID 19 and the World of Work: Impact and Policy Responses*' noted the far-reaching impacts on labour markets especially the most vulnerable groups and called for co-ordinated policy responses to overcome the after effects of pandemic.<sup>5</sup> ILO has laid certain standards for dealing with such crisis and one of the most recent recommendations of 2017, *The Employment and Decent Work for Peace and Resilience Recommendation* mandates guaranteeing respect to basic human rights and adherence with international labour standards.<sup>6</sup> This includes stabilizing livelihood and income through social security schemes, promoting economic recovery, building and restoring labour markets e.tc. In pursuance of the *Migration of Employment Convention (Revised), 1949*, it is the duty of every government to provide appropriate and adequate medical facilities<sup>7</sup> which in this case means proper testing and hygienic conditions. *The Migrant Workers Recommendation, 1975* provides that all measures must be taken to prevent any special risk which the migrant workers might be exposed to and the employers must also provide complete instructions and safety measures.<sup>8</sup> Further, the *Migration of Employment Convention (Revised), 1949* provides that all lawful migrant workers within a states' territory must be given access to all social security schemes (including

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<sup>2</sup> National Database of Workers in Informal Sectors, available at <https://economictimes.indiatimes.com/news/economy/indicators/national-database-of-workers-in-informal-sector-in-the-works/articleshow/73394732.cms?from=mdr> (last visited on 21<sup>st</sup> April 2020).

<sup>3</sup> COVID-19 and India's Nowhere People, available at <https://thediplomat.com/2020/04/covid-19-and-indias-nowhere-people/> (last visited on 21<sup>st</sup> April 2020).

<sup>4</sup> *Id.*

<sup>5</sup> ILO Monitor 1<sup>st</sup> Edition, COVID- 19 and the World of Work: Impact and Policy Responses, available at: [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms\\_738753.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_738753.pdf) (last visited on 26th April 2020).

<sup>6</sup> Preamble and Paras. 7(b) and 43 of the Employment and Decent Work for Peace and Resilience Recommendation, 2017 (No. 205), available at: [https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_INSTRUMENT\\_ID:3330503](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:3330503) (last visited on 26th April 2020).

<sup>7</sup> Article 5, Migration for Employment Convention (Revised), 1949 (No. 97).

<sup>8</sup> Para. 20 of Migrant Workers Recommendation, 1975 (No. 151).

cash and kind) and other healthcare facilities.<sup>9</sup>

It has been provided that migrant workers must be treated at par with other nationals and must receive security of employment, relief work and other benefits. Migrant workers (permanent) must not be stripped off their right of residence in case they lose their work or are not in capacity to work due to the crisis.<sup>10</sup> Last but definitely not the least, the cost of return these migrant workers shall not be borne by them but the government.<sup>11</sup>

The standards laid down by ILO are agreed upon by all the members and it is imperative that adherence to these standards is ensured in order to mitigate the impact on the most vulnerable sections. India being one of the founder members of ILO has the onus to comply with these standards and lead with example.

## SOCIAL SECURITY SCHEMES AND MIGRANT WORKERS

The ILO backed standards and regulations provide a framework to alleviate the risk by mandating that migrant labourers must be given benefits of all the social security schemes as per the established rules of any country.

In India, *the Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979* was enacted to regulate the conditions of migrant workers, however the provision remains the least implemented and has also been alleged to be discriminatory.<sup>12</sup> The law does not include local labourers and also requires at least 5 workers in an establishment for the provisions to be invoked. In 2008, *The Unorganised Workers' Social Security Act* was passed to provide security to the workers of unorganised sector. However, only 5-6% workers were found to be enrolled under the scheme as the policy-makers insist on scheme based social security instead of statute based.<sup>13</sup>

Currently, India has around 40 laws regulating labourers and in 2019 it was decided that all these laws will be merged into 4 labour codes namely *Wage, Social Security, Industrial Relations and Industrial Safety Welfare*.<sup>14</sup> The Wage code has already been passed in August 2019 while the draft of Social Security Code is to be tabled in the Parliament despite opposition. These Social Security Schemes do not provide express recognition to Migrant Workers and include them within 'wage workers' under the unorganised sector and contract workers.<sup>15</sup> The Social Security Code does not provide any scheme for the wage workers (which includes the migrant workers) and it is unclear whether the benefits of these schemes extend to the unorganised sector as well.<sup>16</sup>

In the status report submitted to the Supreme Court, Central government had stated that roughly 5-6 lakh migrant workers were on road. While the government announced relief measures for all classes, it is clear that the migrant workers have not benefitted much and continue to suffer amidst the deadly pandemic. Recently government formed

<sup>9</sup> Art 6(1) (b) of C. 97 and 10 of C.143, Migration for Employment Convention (Revised), 1949 (No. 97).

<sup>10</sup> Art 8, 9 of C.143, Migration for Employment Convention (Revised), 1949 (No. 97).

<sup>11</sup> Migrant Workers (Supplementary Provisions) Convention, 1975 (No. 143).

<sup>12</sup> <https://www.caritasindia.org/india-needs-to-address-concerns-of-migrant-workers/> (last visited on 26th April 2020).

<sup>13</sup> <https://www.hindustantimes.com/analysis/address-the-gaps-to-help-migrant-workers-during-this-crisis-opinion/story-1TTIFickk6lx5L4nGYDZBN.html> (last visited on 26th April 2020).

<sup>14</sup> <https://medium.com/@indiamigration/indias-social-security-code-2019-4fe5be609faf>, (last visited on 26th April 2020).

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

Empowered group on *Economic and Social Welfare* to look after the issues and ensure benefits for the migrant workers and unorganised sector. The Home Ministry and Labour Ministry have also asked the state governments to coordinate and create a database of all the migrant workers stranded in various shelter homes and relief camps.<sup>17</sup> The database will help the government ascertain the exact needs and means to ensure that benefits reach the target groups.

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<sup>17</sup> “*Recommendations for Asian Garment Manufacturers*” available at [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/briefingnote/wcms\\_741642.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/briefingnote/wcms_741642.pdf).

## Economics of “The Great Lockdown”

*As industries shut down, shops close and streets stay vacant throughout world, the sharp downfall of the world economy leaves even the most optimistic economists scratching their head. With people worldwide being advised to stay at home and avoid contact with others, the COVID-19 pandemic is all set to claim its most frail victims; the economies of nations.*

A report by the IMF notes that GDP per capita will shrink across 170 nations in lieu of the coronavirus epidemic. To help put that into perspective, 87% of all nations in the world will go into recession!

The impact of the pandemic is unprecedented but there are more red flags up ahead as the IMF comments that (their current report)"may actually be a more optimistic picture than reality produces."

Even a short-lived outbreak would've dragged the world into a 3% GDP contraction, but the spread has been accelerating for 3 months now and is nowhere near finished.

### The U.S. Crisis

Despite the best efforts of President Donald Trump to beat the rationality of public lockdowns in favor of his “endeavors” to save the U.S. economy, the U.S. is entering recession--if not already in one. The western superpower has been hit the hardest by the spread of the epidemic, no thanks to dangerously late prevention measures along with ridiculous “anti-lockdown” public protests, which may prove to be the final blow in the combination of blows which weighed down its economy in the first half of the year:

- The effects of the spread of the virus;
- The suspension of Boeing 737 MAX production and exports; and
- The recent Saudi Arabia-Russia standoff, which has resulted in negative oil prices and knock-on effects on energy investments.

As per the U.S. government sources, the outbreak is predicted to peak around May. The decent growth in earlier stages of the first quarter will keep the growth afloat to just below 1%, however sharp contraction in the second quarter waits, around -6%.

Assuming that the recovery curve follows its U-shaped through the second half of the year, 2020 GDP growth for the US will be zero (versus a previous estimate of 1.9%). Unfortunately, the path of the outbreak still is the final determinant.

It is abundantly clear that COVID-19 will be a major blow to U.S. economy in the short term, though the lasting impact largely depends on how long of a stay it has. The path of an outbreak is very uncertain, should it not be contained, which is probable as a result of the delay in prevention measures, the U.S. economic impact--and the credit implications--could be much more severe in 2020.

### An Indian Perspective

The lockdown continues to unspeakable damage to India's already fragile economy. This fact is irrefutable. The Indian economy foregoes \$4.5 billion in income every day the lockdown persists. This means that the Indian economy has already lost over \$200 billion to the virus and continues to lose more each day.

The number is significant to a developing nation such as ours. While some may not feel the immediate effects of it, the money eventually aggregates to each citizen. Therefore, we collectively as a nation are now poorer by over \$200 billion.

Additionally the large scale labor migration in the country poses of a problem to the looming harvest season, as it leads to a shortage of labor forces. Should there be insufficient people to man the farmlands, another food crisis could potentially be triggered and the Agricultural industry will fall further into its pit. With that availability of resources and supplies could take a hit and propel inflation. Unemployment has already risen by well over 20% and the end of the crisis is nowhere near close.

While India is yet likely to retain its title of the world's fastest growing major economy by narrowly escaping a recession, the pandemic will still cause an economic tsunami in the nation.

According to the World Bank, India is expected 1.5 per cent to 2.8 per cent. IMF projected a GDP growth of 1.9 per cent for India in 2020. This is the largest economic downturn in Indian history.

Weak domestic consumption and negative consumer sentiment can further delay investment which will only add pressure on the country's growth.

## **Sector-wise impact on Indian industry**

**Chemical Industry:** Many chemical plants have closed down in China as the epicenter of the crisis which has led to restrictions on shipments. Denim makers in India rely heavily on Indigo supplied by China for processing, however, it is also an opportunity. The US and EU having been exposed to the material risk of putting all their eggs in one basket, try and diversify their markets. Some of the business can be diverted to India which can also be taken as an advantage.

**Shipping Industry:** Cargo movement service providers have been affected dearly by the coronavirus outbreak. Dry bulk trade has declined by 75-80% per vessel/day.

**Auto Industry:** The current levels of inventory seems to be sufficient to service the domestic market with an already falling demand. Expect the industry to contract by 8-10% this year.

**Pharmaceuticals Industry:** Perhaps the only industry being perceived to grow during this crisis, the pharmaceutical industry also faces several side-supply challenges as a result of the lockdown. The earnings for the sector should be down by 8-10% this year.

## **India's fight against Recession**

The top brass in the Indian Government and its central bank have been fighting desperately to keep the Indian economy afloat in these desperate times. The RBI in particular has peeled out a variety of economic relief measures to keep the fragile Indian Banking System alive.

A 25 basis point reverse repo cut, TLTRO (Targeted Long Term Refinancing Options) of Rs 50,000 targeted at NBFCs; relaxation of asset classification norms; more funds for states - the RBI has increased the limit under Ways and Means .

Advances for states to avail short term funds to 60 per cent of the existing limit. A special refinance facility of Rs 50,000 crores was announced to meet sectoral credit requirements - this is to specifically boost liquidity of financial institutions like NABARD, SIDBI and National Housing Bank.

NPA (Non-performing Assets) norms of 90 days have been relaxed. The period of moratorium will be excluded from the 90-

day classification norms of NPAs for those accounts, which would avail the moratorium facility. The NBFCs (Non-Banking Financial Companies) have been given flexibility to give such relief to their borrowers.

Subhash Chandra Garg, former finance secretary, Government of India, explains that the reverse repo rate cut is to encourage banks to start lending.

Moreover, the Indian government is contemplating the approval of a Rs. 20,000 crore relief fund in order to help Indian MSMEs which have been struck the hardest.

## **Conclusion**

As seen above, the COVID 19 outbreak will have a tremendous impact on the economic systems of the world, India included. However, this analysis does not factor in the human cost. By persisting with the lockdown, we have much better chances of containing the spread of the infection. We are also able to save more lives in the process. And so despite the grave economic consequences, as government's across the world persist with sanctions and lockdowns, we can all only stay at home to show our solidarity in these hard times.

The Centre of Policy Research and Governance (CPRG), India strongly believes that in the 21st century an India deprived of gainful opportunities, necessary for the flourishing of a young and emergent India, will prove to be an impediment in the development of human capital and preservation of global security. CPRG thus works towards providing gainful opportunities in an effort to promote the involvement of young people in policy making and politics.



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