

# JOB LOSS IN PANDEMIC : PLIGHT OF THE INDIAN SALARIED WORKERS

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*[The COVID-19 pandemic has triggered economic disruptions with heavy blow to the labour markets. Steep economic contraction due to lockdown has resulted in a huge amount of job loss in most emerging economies like India. This paper attempts to analyse the Indian job loss scenario from the dimensions of area of residence, gender, education and age. The conditions of the salaried workers have been analysed using CMIE data on employment over the time span of March 2020 to May 2020. A pronounced rural-urban divide has been found in the case of overall job loss scenario. Higher levels of education have been found to act as a shield against job losses. It is the rural youth who was found to be in a more challenging position than their urban counterpart. An increasing informalisation of the salaried workers have been noticed.]*

**Keywords:** Job Loss, Salaried Workers, Informalisation]

## Introduction

The all-engulfing pandemic, irrespective of the geographical location or the sector concerned, has created a dramatic impact on the world economy. As the pandemic brings the world to its knees, with complete lockdown being the only resistance against the spread of virus, it seems that India like the rest of the world is fighting two wars in a way, one is against the corona pandemic the other is the economic crisis. The cessation of economic activity to tackle the health crisis has however triggered a dangerous shock to labour markets with a massive loss of employment.

Job loss is generally understood as

indicating involuntary separation that occurs when workers are fired or laid off, where layoffs occur as a result of firms downsizing, restructuring, closing plants, or relocating. (Brand, 2013). Large hikes in permanent layoffs among workers can be brought about by major economic downturns. Scholars refer to this type of job loss event as a displacement. Using Displaced Worker Survey of United States from 1984-2014, Farber (2015) observed a record high rate of job loss in the Great Recession with almost one in six workers reporting having lost a job in the 2007-09 period. According to World Bank's recently published report *Global*

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*Economic Prospects*<sup>1</sup>, Covid 19 has triggered the deepest global recession in decades leading to contractions across the vast majority of emerging market and developing economies. Such an unprecedented level of recession has thus already made job-loss common in the Covid-hit world. Due to dearth of data worldwide, ILO used changes in working hours which reflects both layoffs and temporary reductions in working time, in forecasting about job losses. ILO's global estimates claimed a 6.7% decline in working hours in the second quarter of 2020, which is equivalent to 195 million full time workers.<sup>2</sup>

India has been long traversing a path of job-loss growth, in contrast to the widely accepted view of the country's experience of soaring unemployment inspite of its stellar growth rates, commonly termed as 'jobless growth'. And with the Coronavirus outbreak, India, like most other countries of the world has been hit hard on the economic front and the brunt is being borne by the country in terms of massive job losses with the countrywide lockdown.

According to the State of Working India 2019 report, published by Azim Premji University's Centre for Sustainable Employment, while educated youth struggle to find a job in the market, five million men lost their jobs in three years (2016-2018) which implied that India's unemployed are mostly the youth and the higher educated. The less educated (informal) workers have also seen job

losses and reduced work opportunities since 2016. Thus with the stoppage on economic activities pan India, nation's youth and educated were expected to be the worst sufferers of the pandemic.

The wage and salaried workers are those employees working for employers in the public or private sector and receive compensation in forms of salary, wage, commission or in kind etc. (ILO, 2002) The employment trends of these workers are an important indicator of the "health" of the economy. Recent news stories highlight millions of layoffs of these workers triggered by the pandemic and lockdown. According to the NCEUS (2007a) definition, even the workers in the formal sector without any employment benefits/social security benefits from the employers can be marked as informal workers and thus are more vulnerable to the adverse shocks of the lockdown. Notwithstanding the fact that the casual workers and the self-employed have been the worst sufferers of the lockdown, the plight of the salaried employees can't be denied as given the sharp decline in aggregate demand, firms have been found to lay off many regular formal workers.

The rural-urban divide in terms of employment has always plagued the Indian economy. CMIE data reveals as rural India is not coming up with employment opportunities especially for the salaried workers, it would be costly for them to go back to their workplaces in towns and cities as salaried jobs will

<sup>1</sup> World Bank(2020): Global Economic Prospects, World Bank Group, June 2020

<sup>2</sup> ILO(2020):Covid 19 and the world of work, 3<sup>rd</sup> edition, 29th April, 2020

be hard to find after the economy is unlocked, while the decision would be justified for the non-salaried workers as scope for informal jobs increase both in rural and urban areas.

This paper attempts to analyse the job loss scenario in India during the pandemic. The Indian overview of the scenario is presented with a look on the rural-urban and gender dimension of job loss. The education and age dimension of job loss in India is also presented in the subsequent sections. Then an overview of hardship of the salaried workers is presented, which is followed by an analysis of the question of informalisation and dignity of these workers.

### Literature Review

Job loss is one of the most important issues in the capitalist world today. (Massey and Meegan ,2014) A huge literature have come up in this direction which discusses the reasons, costs and the implications of job loss. While Farber et al (1993), Farber (2004) and Davis and Wachter (2011), focuses on the incidence, costs and other consequences of job loss, Kannan and Raveendran (2019) has emphasized specifically on the dimensions and plausible reasons for a jobloss growth in India.

With the strike of the pandemic, the literature on labour market impact of COVID 19 is evolving rapidly. Dev and Sengupta (2020) opined that revenue losses will force businesses to either close down or opt for wholesale retrenchment of workers. They even claim that operations of a large number of companies

in specific sectors will not see business getting back to normalcy even after the lockdown ends, as the labour has moved out. According to Kapoor (2020) with simply 24 % of the workforce engaged in regular wage salaried jobs offering a steady flow of income and a mere 2.2% in regular salaried jobs with a written job contract for a period of more than three years and access to all social security benefits, a disproportionately large share of the workforce is likely to face job and income losses as a consequence of the dual shock of the pandemic and lockdown.

Alon et al. (2020) highlights that unlike regular recession, COVID 19 induced social distancing policies have a larger effect on women than men, while pointing to the persistence of the impact of the epidemic on working mothers. Montenovio et al (2020) on comparing the impact of different recessions on labour market, observes young workers (ages 21-24) as the worst sufferers with a decrease in employment among them which is almost 4.5 times as large as the one occurred during the Great Recession.

### Methodology and Data

CMIE monthly statistics for the period spanning from March 2020 to May 2020 has been primarily considered for this paper. Fall in employment rate and/or that in the number of employed persons during the period of study has been used to reflect the job loss scenario in India during the said period. For an Indian overview of job loss, the data on employment rates during the period under study is considered.

To study the relation between job loss and

education, CMIE data on employment rates of the five categories – No education, Primary, Secondary, Higher Secondary and Graduation and above is taken care of. For highlighting the job loss situation of the youth population, data on the employment rates of population above 15 years and that in the range of 20-24 years are used. An overview of the

salaried workers is presented using number of employed persons across the occupation groups. And data on month-on-month subscriber additions to EPFO, ESIC and NPS are used to reflect on the formalisation of the salaried workers during the months of March 2020 and April 2020.

### Job Loss: The Indian Overview

**Table 1: Employment Rates by Region and Gender from March 2020 to May 2020**

		March 2020	April 2020	May 2020
<b>All India</b>	Total	38.24	27.21	29.19
	Male	64.56	46.96	50.00
	Female	8.55	5.32	6.16
<b>Urban</b>	Total	35.97	24.37	25.51
	Male	62.10	41.95	43.71
	Female	7.10	5.01	5.35
<b>Rural</b>	Total	39.39	28.65	31.06
	Male	65.79	49.49	53.20
	Female	9.30	5.48	6.57

Source: CMIE

From table 1, we find that although the employment rate in India fell from 38.24% to 27.21% between March and April, it rose almost by 2% in the month of May. During this period of lockdown in consideration more than 10% jobs were lost in urban India while rural India faced

lesser amount of job losses. Among all the Indians, the urban males have been hit hard the most as more than 18% of them lost jobs during the lockdown, while the position of rural female have been worse than their urban counterparts.

### Education and Job Loss

**Table 2: Employment Rates of Indians for March 2020 to May 2020 by Levels of Education**

	No Education	Primary*	Secondary#	Higher Secondary**	>= Graduate
Mar'20	38.24	37.57	36.47	36.35	53.30
Apr'20	27.21	21.51	25.89	29.79	43.93
May'20	29.19	23.84	28.50	31.22	46.25

Source: CMIE

\* upto 5<sup>th</sup> standard; # 6<sup>th</sup>-9<sup>th</sup> standard; \*\*10<sup>th</sup>-12<sup>th</sup> standard

Education is certainly one of the most decisive feature of workers in any labour market. Kannan and Raveendran (2019) highlights education as a strong differentiating factor between those with less than secondary level of education (less than 10 years ) and those with secondary or higher level of education. From table 2, we find that although the month of May has witnessed an upward trend in the employment rate across all levels of education, however a significant drop in the rate is noticed over the period of study. The figures in the table reflect in contrary to the conventional notion, that it's not the uneducated (people with 'no

education') who has been the worst sufferers of the recession, while it is the people with Primary education who have been hit the hardest. It is observed that employment of the latter group has fallen by 13.7%. Even a degree or diploma at the graduate level or beyond has not acted as a shield against job loss as the employment rate for people with such credentials is found to fall by 7%. The fall in the rate of job loss from primary to higher secondary levels of education points to the fact that higher levels of education can reduce the incidence of job loss.

### Youth and Job Loss

**Table3: Employment Rate of Population Above 15 Years and 20-24 Years of Age by Region During March 2020 to May 2020**

		Mar'20	Apr'20	May'20
<b>Above 15 years</b>	Urban	35.97	24.37	25.51
	Rural	39.39	28.65	31.06
	All-India	38.24	27.21	29.19
<b>20-24 years</b>	Urban	22.44	15.12	14.41
	Rural	27.49	16.85	18.47
	All-India	25.82	16.29	17.08

Source: CMIE

Youth population of India has borne the maximum brunt of the lockdown due to the pandemic. Job losses during the lockdown have been proportionately high among younger Indians with six crore people between the ages of 20 and 39 losing jobs in April. From table 3, it is observed that it is the urban population above 15 years of age, who have been

facing the hardest times as their employment rate is seen to have fallen by 10.46% over the period of study, with their rural counterpart too facing fall in employment rate though by a lesser percentage. The job loss scenario of the young workers however present a different picture with the rural cohorts facing larger fall in employment rate than

their urban counterparts. CMIE's Consumer Pyramids Household Survey (CPHS) shows youngsters in the age group 20-24 accounted for 11% of those who lost jobs while they constituted 8.5% to the total employed persons in the country in 2019-20. According to CMIE

another 14 million jobs were lost in the age-group 25-29 years. This loss again was disproportionately high as this group accounted for 11.1% of total employment in 2019-20 but it accounted for 11.5% of the job losses.

### Job Loss of Salaried Employees: The Indian Overview

**Table 4: No. of Employed Persons by Occupation Groups and Region from March 2020 to May 2020**

	All occupation groups			Salaried employees		
	All India	Urban	Rural	All India	Urban	Rural
<b>Mar'20</b>	395,840,756	125,503,217	270,337,539	83,231,264	47,698,757	33,907,094
<b>Apr'20</b>	282,203,816	85,198,095	197,005,721	68,370,218	42,446,843	31,250,101
<b>May'20</b>	303,372,839	89,398,995	213,973,844	68,252,021	40,799,840	32,856,171

Source : CMIE

Regular wage/salaried employees have risen from 22.8% to 23.8% in the last two PLFS rounds. The percentage is still very low as compared to people under self-employment category. However with the lockdown compared to the average employment figure of 2019-20, which was 404 million, there has been a massive fall of about 30% in the month of April which translates into a loss of 122 million jobs which Mahesh Vyas, CEO of the private sector think tank, CMIE, called as 'mind boggling'. The count of salaried employees dropped from 86 million in 2019-20 to 68 million in April 2020, a drop of 21%, which implies that one in every five salaried employees seems to have lost jobs during the lockdown. Although CMIE reports addition of 21 million jobs

in the month of May, the sole segment that did not see any increase in jobs was that of the salaried employees. Adding to the worse scenario, count of salaried jobs even found a fall in the month of May, though very marginally, from 68.4 million in April 2020 to 68.3 million in May 2020.

Table 4, shows a fall of 92 million jobs pan India, while more than 14 million salaried employees lost jobs during the period from March 2020 to May 2020. Regular salaried employees are generally higher in number in the urban areas than in the rural areas. While the rural-urban gap is more pronounced across all occupation groups, it is not so for the salaried workers. Still the urban salaried workers is seen to be in a more challenging position than their rural counterparts. **Kannan**

**and Raveendran (2019)** highlighted that there has been a net loss of women’s labour force as well as workforce during 2005-12 and 2012-18. The process was seen to have accelerated during the latter period than the former. Gender bias in case of regular salaried workers was not found to be so pronounced. This paper too suggested that the reason behind female job loss during this period was a fall in employment of women in rural areas to the extent of 24.71 million. CMIE reports that the rural urban gap has widened over the period of March 2020 to May 2020, with urban regular jobs rising faster than rural jobs with the gap accentuating more for the female than for the males.

**The Challenge of Informalisation: An Added Worry for the Salaried:**

Although India is said to be burdened with an ever-increasing share of informal sector, an increasing trend of informalization in the organised sector marked by a fall in formal employment in this sector during the time span of 2004-05 to 2011-12, has been regarded as even more disconcerting feature of the Indian labour market by many scholars. However there was a reversal of this trend as share of formal employment in

organised sector rose to around 50% in 2017-18 compared to 45% in 2011-12. **(Economic Survey, 2019-20)**. Moreover PLFS 2018-19 reveals that more than 69% of the salaried employees didn’t have any written job contract, out of which 71.4% of the urban female employees had no job security in white and black. Adding to their woes was the ineligibility of more than 50% of these employees for paid leave and/or any kind of social security benefits during the PLFS 2018-19. Such facts indicate the precarious situation that these salaried workers have been exposed to, during the lockdown period.

However as per SBI Ecowrap, new jobs i.e. first time jobs, started facing a decline much before COVID hit the economy. Employee Provident Fund (EPF) and New Pension System (NPS) payroll data reflected that new jobs had shown a significant decline in 2019-20 itself with the speed of formalisation of jobs too facing a fall. New EPF payroll in 2019-20 were 6.1 million, down 2.9 million from the previous year. Formalisation, as measured by EPF additions by businesses filing electronic challan-cum-return (ECR) on EPF contributions for the first time, also declined by 0.2 million on y-o-y basis to 1.1 million in 2019-20.<sup>3</sup>

**Table 5: MoM % Change in Subscriber Additions to ESIC, EPFO and NPS for All Occupation Groups and Age Groups**

	Mar’20	Apr’20
<b>ESIC additions</b>	-30.57	-70.62
<b>EPFO additions</b>	-46.09	-73.42
<b>NPS additions</b>	46.46	-26.43

Source: CMIE

<sup>3</sup> <https://www.financialexpress.com/economy/new-epf-payroll-first-jobs-had-started-declining-much-before-covid-hit-finds-imf/2005387/>

April 2020, as per the employment outlook released recently by Ministry of Statistics & Programme Implementation (MoSPI) for the period from September 2017 to April 2020, saw an addition of 241,422 new subscribers to the Employees' State Insurance Corporation (ESIC) April 2020. During the same period, a net of 106,820 new enrolments with the Employees' Provident Fund Organisation (EPFO) were recorded while 64,647 people joined National Pension System (NPS) under the Pension Fund Regulatory & Development Authority (PFRDA).<sup>4</sup> From table 5 it is found that while there has been a fall in subscriber additions to ESIC and EPFO on a month-on-month basis during both the months of March 2020 and April 2020, NPS additions turned negative only in April 2020 compared to March 2020. These figures point to the fact that the lockdown in the COVID scenario has posed the serious challenge of informalisation for the salaried workers.

#### **Insecurity and Backlash on Dignity**

Negative impacts of joblessness of the salaried employees could be prevented if workers are able to perform their jobs at home. Fortunate are those among the salaried employees whose jobs could be saved using the WFH arrangements. **Saltiel (2020)** using World Bank's STEP survey shows that formal employment status, educational attainment and household wealth are positively associated with the possibility of working from home, while indicating that a very

small share of workers in those countries could feasibly carry out their jobs from home. **Chatterjee et al (2020)** observes that the potential WFH workers constitute 19% of the Indian workers with evidences from the PLFS survey 2017-18. For the case of salaried workers, two of the largest occupations employ only 15% of these workers and fall under non-WFH category. **(Bhatt et al, 2020)** Although many business leaders are of the same opinion that telecom and IT is key to survival and revival of the economy post lockdown, as they have been the nervous system and flesh of the industries with a lot of salaried people working from home, whether a move towards more digitalisation will be a silver lining on the fate of salaried workers is still a question since WFH is not feasible for all of them. This reflects the insecurity of majority of the salaried workers in the pandemic scenario for whom WFH is not the new normal.

Job loss is an involuntary disruptive life event with a far-reaching impact on worker's life trajectories. Although jobs are important sources of income, classical theorists like Marx point to the centrality of jobs to the individual ego, social dignity and prestige. **Sperling (2020)** claimed that in a dynamic economy, a job loss is too often a direct threat to people's economic dignity. It is not poverty, but loss of dignity which is the saddest thing in the world. **(Glennie, 2015)** Indian newspapers have put up anecdotal evidences of salaried workers reporting how layoffs have

<sup>4</sup> See <https://pib.gov.in/PressReleasePage.aspx?PRID=1634219>

thwarted their social dignity. Job losses during pandemic have pushed a number of salaried workers to take up whatever menial jobs they get during these hard times. The principal of a private school in Khammam is running a food cart, trying to sell idli, dosa and vada. A Social Science teacher in Ranchi is working on his paddy field. And an English teacher in Nalgonda has started selling insurance policies. Some salaried workers have even started selling vegetables in roadside stalls.<sup>5</sup> These people are just representatives of the suffering lot as we find the count of unemployed persons among the salaried workers rising during March 2020 to May 2020 with the urban workers facing higher challenge than their rural counterparts.

### Conclusion

The employment impact of COVID 19 are deep, far-reaching and unprecedented. According to World Economic Forum, COVID-19 will have profound long-term consequences for the reallocation of jobs, workers and capital across firms and locations. The pandemic has plagued Indian economy with considerable amount of job losses. A pronounced rural-urban divide has been found in the case of overall job loss scenario. Higher levels of education have been found to act as a shield against job losses. It is the rural youth who was found to be in a more challenging position than their urban counterpart. The situation of salaried

workers is truly abysmal since recent CMIE reports reveal that salaried jobs have not been growing with increased informalisation of these workers. Arguably and hopefully the street hawker may return to her beat after the lockdown. Her challenge is to survive lockdown. However the challenge for salaried employees could be to get the job that was lost due to lockdown. Salaried jobs are not easy to get. According to ILO<sup>6</sup> immediate policy responses on an unprecedented scale are required across all pillars of ILO's policy framework with special focus on a job rich recovery.

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<sup>5</sup> See <https://indianexpress.com/article/india/coronavirus-lockdown-telangana-school-principal-6468772/>

<sup>6</sup> ILO(2020): A policy framework for responding to the Covid 19 crisis

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