

Impact of Covid-19 on the Indian Economy & Workforce

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ABSTRACT:

With COVID-19 coming into the picture, the Indian economy is going through a major slowdown, which was evident over the recent quarters even before the crisis struck. In the third quarter of the current financial year, the economy grew at a six-year low rate of 4.7%. With all these problems hitting the world of work from multiple directions, companies are finding it difficult to sustain in this environment. They are forced to take tough decisions such as cutting down the salaries, giving pink slips to employees and opting for other cost-cutting measures. The outbreak has presented new roadblocks for the Indian workforce and especially for the daily wage and contractual workers.

KEYWORDS: Slowdown in Demand & Supply, Survey Results and Need for policy Intervention.

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I. INTRODUCTION

Slowdown in demand & supply

Coronavirus has disrupted the demand and supply chain across the country and with this disruption, it can be seen that the tourism, hospitality, and aviation sectors are among the worst affected sectors that are facing the maximum impact of the current crisis. Closing of cinema theatres and declining footfall in shopping complexes has affected the retail sector by impacting the consumption of both essential and discretionary items. As the consumption of any product or services goes down, it leads to an impact on the workforce. In the current scenario, with all the retailers closing down their services, the jobs of the employees are at a huge risk.

The financial market has experienced uncertainty about the future course and repercussions of COVID-19. An estimated Rs 10 lakh crore of market cap was reportedly wiped off due to the fall of sensex in the second week of March 2020. The fall has continued till date as investors resorted to relentless selling amid rising cases of coronavirus. (Reference – ET & SEBI).

The supply-side impact of shutting down of factories resulted in a delay in supply of goods from China which has affected a huge number of manufacturing sectors which source their intermediate and final product requirements from China. Some sectors like automobiles, pharmaceuticals, electronics, chemical products etc were impacted big time.

According to a survey by the Federation of Indian Chambers of Commerce & Industry (FICCI), the immediate impact of COVID-19 reveals that besides the direct impact on demand and supply of goods and services, businesses are also facing reduced cash flows due to slowing economic activity which in turn is having an impact on all payments including to those for employees, interest, loan repayments and taxes.

MAJOR SURVEY RESULTS

- A significant 53 per cent of Indian businesses indicate the marked impact of the COVID-19 pandemic on business operations even at early stages.
 - The pandemic has significantly impacted the cash flow at organizations with almost 80 percent reporting a decrease in cash flow.
 - The pandemic has had a major impact on the supply chains as more than 60 per cent respondents indicate that their supply chains were affected. The companies also highlighted that they are closely monitoring the situation and expect the impact of the pandemic on the supply chain to worsen further.
 - Organizations have brought in a renewed focus on hygiene aspects concerning the pandemic. Almost 40 per cent have put in place stringent checks on people entering their offices and disinfection. Nearly 70 per cent organizations have already put in place Work-from-Home policies for their employees.
- For some of the sectors, the work-from-home proposition is posing implementation challenges as it has a direct bearing on the business operations. This is particularly true for manufacturing units where workers are required to be physically present at the production sites, and services sectors like banking and IT where a lot of confidential data is used and remote working can enhance security threats. Hence, companies operating in these

sectors are finding it difficult to implement work-from-home facilities without compromising on their day to day operations.

IMPLICATIONS ON THE WORKFORCE

Job losses and salary cuts are likely in the high-risk services sector, including airlines, hotels, malls, multiplexes, restaurants, and retailers, which have seen a sharp fall in demand due to lockdowns across the country. If the current global and domestic economic slowdown persists, it will impact demand and realization.

Undoubtedly, with this crisis impacting the business around the country, it will create very challenging situations for the workforce. Companies are not meeting the revenue targets hence, forcing employers to cut down their workforce. The World Travel & Tourism Council has predicted 50 million tourism jobs getting eliminated because of the pandemic. Not only the employees of multinational companies, but daily wage workers have been impacted the most during this crisis.

While on one hand, Indian employees are losing their jobs and receiving a salary cut, there is also an assumption that the majority of expats have gone back from India and they will take time to return. Different sectors such as automobile, banking and manufacturing employ a large number of expats. Indian companies need expats for several industry verticals and job functions such as after-sales services, business development and market audits.

NEED FOR POLICY INTERVENTION

There is an urgent need to take instant steps to not only contain the spread of the virus, but also to address the key pain areas of the industry which can help in minimizing the impact of the outbreak on the Indian economy and businesses. The Indian Government & RBI need to support the Indian industry and economy at this juncture in different ways:

- Maintain liquidity at surplus levels and provide special liquidity support for any companies / NBFCs / banks that come under strain due to intensifying risk aversion in financial markets or due to large demand shock.
 - Increase credit limits for all regular banking accounts by 25 percent across the board. Also, Increase overdraft facility to state governments from the RBI. Pay the pending GST compensation immediately.
- Since a large number of people will stand to lose their jobs especially in the retail, hospitality, travel, construction sector, the government can consider giving incentives for employers to keep the workers, while the coronavirus problem tides over.

II. CONCLUSION

The government is taking necessary steps that will not damage the economy further but the damage that has been done in the previous few months will definitely last for a longer period of time. As the country is locked down for the coming three weeks, India Inc has to stretch themselves to sustain the situation and face the challenge. The Indian government has also urged employers to not cut jobs and salaries. But the situation will be worse & the **COVID-19 RECESSION** hits our country very bad.

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