

Life & Livelihood: A Balanced Approach

Dr. D.R. Agarwal*, Dr. Richa Chaturvedi**, Dr. Deepika Jain***

Author's Affiliation:

* Professor Emeritus, Starex University, Gurugram, Haryana 122413, India

** Associate Professor, Starex University, Gurugram, Haryana 122413, India

*** Assistant Professor, Starex University, Gurugram, Haryana 122413, India

Corresponding Author: D.R. Agarwal, Professor Emeritus, Starex University, Gurugram, Haryana 122413, India

E-mail: dragarwal40@gmail.com

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Abstract

India Possesses nearly 2.4 percent of the total land area of the world, but has to support about 1.4 billion population (about 17.7 % population of the world). The term density of population implies the average number of person living per square km. Here the denominator is fixed and the numerator is constantly increasing. As a result density of population increases, the moment an additional birth take place. Industrialisation has led to the problem of urban slums, where a small room is shared by a number of persons. Everywhere, a crowd is found. Frequent lockdowns in phases (1st phase from 24th March to 14th April 2020, 2nd phase 15th April to 3rd May 2020, 3rd Phase 4th May 2020 to 17th May 2020 and 4th Phase 18th May 2020 to 31st May 2020) have been declared by the government in order to check the corona virus 2019. Social distancing is the only way for protection. All activities have been stopped. Some relaxations have also been announced for a limiting set of economic activities. Pockets have been classified into categories of red, orange, green and containment zones. Opening of offices and shops to a limited degree has been ordered. Migrant workers have left to their hometowns- where job opportunities are not there and these states will have to create jobs for them. When economic activities would start, for example the operation of MSME and large industries, there will be an acute shortage of labour (particularly of semi-skilled and skilled labour). Definitely there would be a gap when they are likely to return back along with unnecessary bearing of relocation costs. Northern and eastern states provide supply in the labour market. They were so desperate that they were undertaking the risk of movement of long distance on foot along with their family members including babies in arms. Some states have also adopted labour reforms- like hiring and firing policies, fixation of wage rate, increase in working hours etc. This paper is an outcome where labour laws are being amended along with so many challenges and uncertainties.

Keywords: Jobless, Scaring Experience for millions of workers, ensuring balance for healthy wellbeing.

At Princeton University, a webinar was held in the 2nd week of 2020, Economics Noble Laureate A. Deaton said "Countries with strong administrations and health systems could enforce social spacing, comprehensive testing, isolation and treatment. But in poor countries with weak administrative and medical capacity, shutdowns would not check the disease. Social distancing was impossible in densely populated urban slums, crowded bazaars and huts, where several people slept. Virus testing capacity weak, so detection, isolation and treatment were highly incomplete and the disease would spread during shut downs."¹

INTRODUCTION

The world is passing through a phase facing with the problems of tracking the virus as well as the recessionary tendencies in the economy. British economy is facing the worst crash in 300 years. Virus batters UK economy as GDP shrinks 5.8 percent in March 2020. Chancellor Rishi Sunak says UK is facing significant recession.² US jobless number has gone up to 33.5 million and unemployment benefits are being claimed by 7 lakh person per week.³ West Asia is staring an economic crisis. 8 million Indian people work in this region and send 50 billion dollar in the form of remittances. A significant reverse migration in the post Covid 19 era will add extra strain on the Indian economy because job market is faltering. A combination of pandemic induced recession globally and travel restrictions says a World Bank report that India’s remittances may go down by 25% in the financial year (2020-21).⁴

More than 90% of the work force in unorganised sector is the poorest and marginalised in India, who are hit the most. A United Nations University Report says a millions more people could slip below the poverty line due to the crisis. India could sink further into poverty. India ranks at 72nd Position in the list of 113 countries in Economist Intelligence Unit’s 2019. (Global Food Security Index). As per Global Hunger Index of 2019, India is at 102nd position out of 117 countries. Since 2017 consumption expenditure financed by the government has grown by rapidly – at an average real rate of 10.6%. Big reforms – Goods and Service Tax (GST), insolvency reform, inflation targeting – have been implemented. Ease of Doing Business Index has improved from 130 in 2016 to 63 in 2019. A significant part of the expenditure is committed, including Rs. 7.1 Lakh crore of Interest expenditure. Expenditure on Schemes such as the employment guarantee scheme and food subsidy will go up considerably. This crisis is necessitates comprehensive expenditure management.

But economic growth has slowed down from 8.3% in 2016-17 to 4.2% (Lowest in the 11 years) in 2019-20. As a percentage of GDP, new project announcements were the lowest in 2019-20. Since the crisis is destroying considerable value in the economy, there will be many competing demands on fiscal resources. Each week the lockdown costs Rs. 2,00,000 crore.⁵ Presently a number of states are amending labour laws so that there should be more flexibility in the hands of entrepreneurs in hiring and firing of labour and in determining their wages. Classical economists were also of the view that for maximisation of profits, wages are to be paid at the subsistence level and if needed working hours should also be increased.

REVIEW OF LITERATURE

Lord J. M. Keynes came at the time, when the economies of the west were facing the problem of great depression of thirties. The following basic principles of classical theory could not bring the equilibrium in the economy that is why Keynesian economics is regarded as revolutionary and a trend setter. His studies relating to the phenomenon of depression marks the beginning of a chronological study of growth economics. A distinction between classical theory and Keynesian theory is very relevant.

S. No.	Micro analysis (Study of individual relevant) Classical Approach	Macro analysis (Study of individual aggregate) Keynesian Approach
1.	Full employment is a normal situation in the economy. Involuntary unemployment did not exist.	Full employment is never full and equilibrium could be established before the position of full employment. Involuntary unemployment did exist. Workers were ready to accept a wage cut but could not find the job during depression.
2.	Says law of market is the central core of classical economics ie supply creates its own demand.	Supply does not create its own demand as the philosophy of whatever is earned, is automatically spent on consumption does not apply Keynes gave his psychological law of consumption $0 < MPC < 1$

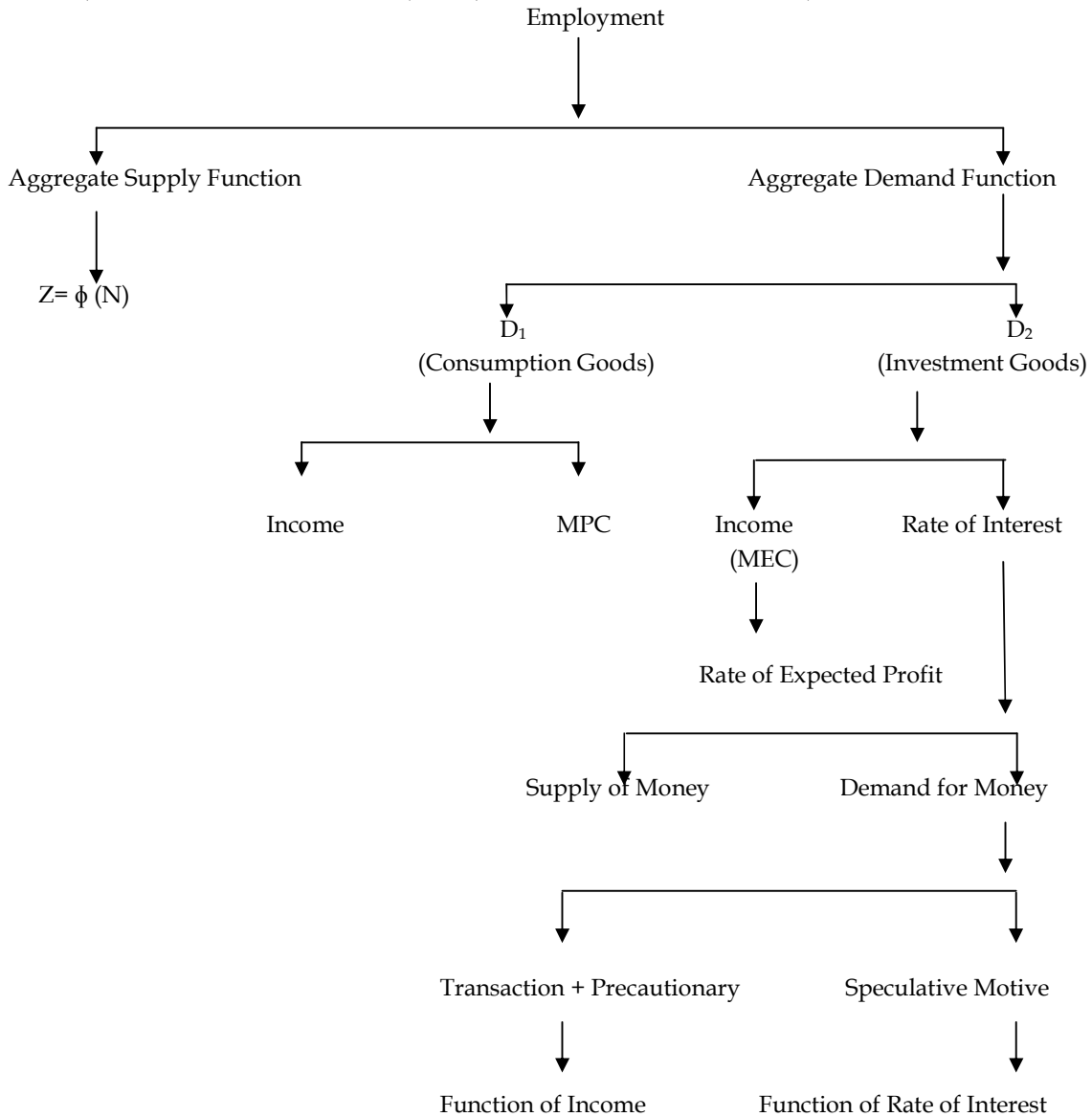
3.	Automatically adjustment was possible under the laissez faire policy.	This phenomenon has not found valid during the days of great depression.
4.	Wage flexibility could bring equilibrium in the labour market.	Wages are not only cost but source of demand also. Theoretically as well as practically the idea of wage cut is not workable.
5.	Saving and Inv both are functions of int and int rate brings equality in the capital market.	Saving is a function of income and rate of interest and Inv a function of expected rate of profit and rate of interest.
6.	Saving is a PVT and also a social virtue.	Saving could be private virtue but a social vice.
7.	Money is just a medium of exchange.	Money is not passive, it affects rate of interest and then income, output employment in the economy.

Employment Model - Keynes

Z = Aggregate supply price, O = Output

D = Aggregate Demand

$D = D_1$ (Demand for Consumer Goods) + D_2 (Demand for Investment Goods)



A Path Breaking Contribution of Keynes

Flow diagram

Gap-Deficiency in Aggregate Demand



Govt. should come with fiscal stimulus



Employment ↑



Consumption ↑



Aggregate Demand ↑



$Y = 0 = N \uparrow$



$\Delta Y = K \Delta I$

OBJECTIVE

Following are the objectives of the paper:

Objective 1 - WHO warning corona-virus may never go away and Indian economy.

Objective 2 - Boosting aggregate demand in the economy.

RESEARCH METHODOLOGY

World Health Organization has released its annual report card of the Global Health status on May 13, 2020. The average life expectancy in India is 68.8 years with women living close to three years longer than men (life expectancy is 70.3 years for women in India and 67.4 years for men - World Health Statistics Report).

The healthy life expectancy in India is 59.3 years and lags far behind developed Nations. It is similar for women and men with women living 59.9 yrs compared to 58.7 yrs for men. The healthy life expectancy is the highest in Japan, with people living 74.2 years of disease free life. It is also high in France, Italy, Norway, South Korea and Australia where people live healthy between 73 years and 73.5 years. The adolescent birth rate (birth per 1000 women aged 15-19 years) in India was still high at 10.7, with around 72% women in the reproductive age having access to the modern method of contraception.

"It is disappointing to see India among the bottom of all countries in the context of healthy life expectancy which is now primarily driven by non communicable diseases such as diabetes, cancer, heart and lung disease and stroke".⁶

The paper is based on mainly on the secondary data but obtained from standard and authentic sources e.g. the reports published in daily Hindustan Times of various authentic agencies. This is the work on what is what. But presentation has been quite systematic and logical.

ANALYSIS

Objective 1

The new corona-virus may never go away and populations around the world will have to learn with it, the World Health Organization warned on 14th May 2020 (Wednesday) “we have a new virus entering the human population for the first time and therefore, it is hard to predict when we will prevail over it. This virus may become just another pandemic virus in our communities and never go away.

Michael Ryane the WHO Emergencies Director-

The lockdown was imposed when the country had just over 500 cases. Now India holds its 9th position among the top 10 worst hit nations. It goes without saying the lockdown has not flattened the curve, as expected. Each phase of India's lockdown has looked different, with varying degree of relaxation introduced in red, orange and green zones since May 4 2020. It has also not led to the adequate opening of the economy from workers to business, all segments have been devastated. On 8th of May, 16 people were run over by a train in Aurangabad (Maharashtra). Having lost their livelihood, they were making the painful walk home from their workplace. The life and livelihood both were lost. IMF predicts India's GDP growth will drop to 1.9 % as bad as in 1991 when India went bust. Tens of millions have lost their job, production has come to half and the aggregate demand has reached rock-bottom due to a steep fall in exports, investment and consumption demand.

The macro economic impact of the pandemic is turning out to be more severe than initially anticipated. GDP growth in 2020-21 (as per RBI latest estimates) may remain in negative territory, with some pick-up in growth impulses from second half of 2020-21. India once became the fastest growing economy.

Now it is the time to re-define the term abundance, scarcity and prosperity. Prosperous, healthy and well governed communities can take public health emergencies well. With the highest one day natural surge of 8042 new Covid -19 cases, India on 29th May 2020 over took two nations to become 9th biggest hot spot of the pathogen, which has rapidly swept the globe claiming and leaving health care systems overwhelmed in its wake.

Objective 2

Countries have declared shutdown ranging from mild to very stringent. These are causing the greatest economic collapse since the Great Depression of thirties. Many experts contest the accuracy as well as the validity of the imperial college model- A shutdown flattens the curve of infection.

In order to boost aggregate demand in the economy at close to 10% of GDP, the fiscal stimulus announced by the government is only slightly lower than what has been announced in the United States. Four areas of focus mentioned, are

1. Liquidity
2. Land
3. Labour
4. Laws

While liquidity enhancement is equally important, Global experience points to the weakness as a method of reviving an economy that is in crisis.

Announcing in five sets of components of Rs. 20 Lakh Covid -19 economic stimulus package (i.e 10 % of GDP), financial minister made it clear that the measures will help spur growth and build a very self reliant India. The five pillars of a self reliant India are Infrastructure, System, Demography (Yong

population with average of 28 years) and Demand. Aggregate demand has to push up through these measures with an increase in consumption demand and the demand for net exports.⁷

RBI also announced monetary measures to revive the ailing economy hit by the Covid-19 pandemic. Key rates (repo-rate and reverse repo rate have been reduced from 4.4% to 4.0% and 3.75% to 3.35% respectively on 22-5-2020. Maximum period of loans sanctioned by banks to exporters have been increased from 1 year to 15 months. Line of credit of Rs. 15,000 crore to EXIM Bank has been provided to facilitate and promote foreign trade.

Thus steps have been taken in the right direction to boost aggregate demand in the economy.⁸

CONCLUSION

Through these monetary and fiscal measures, our purpose is to put money in the hands of individuals, businesses and relief to the poor and marginalised. The package has well taken care of the persons, who are at the bottom of the pyramid.

We may conclude in the words of Prof Pulapre Balakrishnan - Professor of Ashoka University, Sonipat and Senior Fellow IIM Kozhikode.⁹

“Foreclose to six decades after the funding of RBI, money financing was routine, this was discounted in the 1990, growth had accelerated two more times. Self reliance was the motive of policies pursued in India in the 1950s. May freshly minted Atma Nirbhar Abhiyan succeed”.

SUGGESTION

India with 20.1 million births tops the nations, with anticipated highest number of births in the nine months since WHO on March 11, 2020, declared Covid-19 outbreak pandemic. India will be at the centre of a baby boom triggered by the Covid -19 outbreak, which has prompted lockdowns across the world and confined residents indoors. As estimated 116 million babies will be born under the shadow of Covid-19.¹⁰ A study may be conducted in India and there could be clusters of disease where the density population is very high. We have to take care of the present as well as future generation. Every Indian has to strictly follow the norms of Planned Parenthood.

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