A Niggardly Response to an Extraordinary Crisis*

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In a show of solidarity, some of India's opposition leaders have declared the much-delayed relief package (titled Pradhan Mantri Garib Kalyan Yojana) announced by Finance Minister Nirmala Sitharaman on March 26 to mitigate the effects of the Coronavirus pandemic on the poor as a welcome "first step". But any serious scrutiny of the contents of the package, which reads almost like a hastily put together and incomplete laundry list, cannot but conclude that it is woefully inadequate even as an initial response.

To summarise, there are five broad components to the package. One is a set of measures aimed at reaching essential food requirements to those who just cannot access or would find it difficult to access them through the open market. The second is to quickly put money into the pockets of chosen sets among poor, so that they can meet essential expenditures. The third is to facilitate economic activity of the self-employed, assuming they can undertake them in the near future, by giving them access to liquidity via credit channels. The fourth is to provide financial assistance to the state governments, which are the principal agencies working to contain the spread and mitigate the effects of the virus. And, the fifth is to support the frontline medical workers, doctors, nurses and paramedics, who are addressing the health impact of the virus at much personal cost.

As part of the first of these components, the government has declared that it would provide, free of cost, the 800 million beneficiaries of the National Food Security Scheme, five kilograms of rice or wheat per person per month and one kilogram of pulses per household, for the next three months. This would be in addition to the five kilograms they are already eligible to access on payment through the public distribution system. Beneficiaries of the Ujjwala scheme would also be provided one free LPG cylinder per month for these three months.

The elements constituting the second component of the package include making an ex-gratia payment of Rs. 1,000 per individual to poor senior citizens, widows and the disabled, and transferring an even smaller sum of Rs. 500 to 200 million Jan Dhan accounts held by women. Besides, the government plans to bring forward to April 1 payment of the first instalment of three of Rs. 2,000 to be paid to 87 million farmers under the PM Kisan Yojana. It has also allowed those organised sector workers who are covered under the Employees Provident Fund Scheme to avail of a non-refundable advance amounting to 75 per cent of their contribution or the equivalent of 3 months' wages, whichever is lower. In addition, the government will cover the contribution due to the EPF from both employers and employees in companies with less than 100 workers for three months. It has also announced an increase in the wage to be paid for employment under the MGNREGS by Rs. 20 per day from Rs. 182 to Rs. 202.

Signalling the third component is a single announcement that the ceiling on loans without collateral available in principle to self-help groups is to be raised from Rs. 10 lakh to Rs. 20 lakh.

Elements of the fourth component are bald announcements that states can use funds from the Rs. 31,000 crore available under Building and Other Construction Workers'

Welfare Fund to provide relief to workers in that sector who are badly affected, and from the District Mineral Fund for financing medical initiatives.

And, finally, in the fifth component, the government has recognised the work being done and risks being taken by health workers, by providing them with medical insurance of Rs. 50 lakh each.

There are four features that undermine the value of the package. The first is that the best of its components fall short of what is needed and what is potentially possible given circumstances. The second is that some of the measures announced cannot be implemented given lockdown conditions, and therefore are unlikely to deliver benefits during the period when they are needed most. The third is that many elements of the package are not new initiatives, but a mere extension or rescheduling of benefits available under schemes that are already in place. Finally, there is nothing in the announcement which indicates how exactly the government, using the potential benefit from the lockdown of delaying an expected explosion in infection and disease rates, is going to either protect frontline workers dealing with the crisis or ramp up facilities to deal with those requiring to be tested and needing treatment. These features make the package a half-hearted response to an unprecedented health, economic and humanitarian crisis. It is almost as if the government feels that having imposed a lockdown, only marginal interventions are needed to address the crisis.

The crisis resulting from the pandemic is severe because it affects both demand and supply in the economy. With the population locked down and economic activity near frozen, the flow of incomes to unorganised workers and even some formal sector employees and of earnings of small and medium businesses and agriculture producers have stopped. This has meant that there are many, such as informal sector, especially migrant, workers, who have little means to meet their essential requirements and there are others who are having to hold back on consumption because their incomes have shrunk, and their savings are being eroded.

Simultaneously, as a result of the sudden stop in economic activity, stocks in some sectors are dwindling, are being held back in others because of hoarding, and are not being transported and delivered in adequate quantities where needed in yet others. So, despite reduced demand the prospect of shortages confronts even those who have the wherewithal to buy and consume.

This unusual crisis, the intensity of which is still to be gauged, required a huge outlay of physical and financial resources, the magnitude of which was to be decided without consideration of principles the government may adhere to in normal times. But undeclared considerations seem to be holding the government back. A crucial component of the package announced is doubling the quota of rice or wheat available through the PDS to around 80 crore beneficiaries from 5 to 10 kilograms a month and providing a kilo of free pulses to somewhere around 16 crore households. Firstly, restricting the access to food grain to only those holding the required cards, would not only deprive those, such as migrant workers, who are known to be excluded from the scheme, of the benefits of the measure, but also those who may not be eligible to be enrolled in the scheme when circumstances are normal but have now been pushed into a dire situation by the impact that the crisis has had on their livelihood, and need the support. Some way of including such sections, or universalising access must have been found. Moreover, given the crisis, there is no reason why the government could not have considered providing all 10 kilograms available to each beneficiary free of cost. For three months that would have required around 25 million tonnes of grain. The government is currently sitting on a huge amount of food grain stock, with some undoubtedly rotting, and is expecting to procure large quantities of Rabi wheat because of a good crop. According to the prevailing buffer stock requirements, the Food Corporation of India is require to have as on April 1, a total of 16 million tonnes of rice and wheat as operational stock to service the PDS, and an additional 5 million tonnes as a strategic reserve, making for a total of 21 million tonnes. As of this month, stocks with the government stood at 58.5 million tonnes. So even if the requirement for the three months is distributed immediately, stocks would be above buffer requirements. This physical resource could have been deployed to not just provide individuals and households with a reasonable quantity of free grain, but also ensure supplies to a vastly expanded initiative to provide cooked meals to the homeless, the destitute and to migrant workers displaced from work and seeking to return home. But this opportunity seems to have been lost, even while images of return migrants fearing starvation walking home and thronging locations in the hope of finding transportation flood the airwaves. The most favourable explanation for this failure would be that the government does not want to outlay the finances required to support the operation for fear of widening its fiscal deficit. And that would not be a reasonable justification in the midst of the unprecedented and still evolving crisis.

What is disconcerting is that even the niggardly push on the food front appears positive when compared with what is available in the rest of the package. When a crisis of unprecedented proportions throws a large number out of work and leaves them without an income, the obvious solution is a direct income transfer that allows them to manage through the crisis and protect themselves as best as they can. In a city like Delhi, where even the official minimum wage for unskilled workers is close to Rs. 15,000, a transfer to take account of an absence of incomes should aim to cover at least half that sum. The fact that the shortages that are resulting from the lockdown are pushing up prices suggests that it should be even more. So, Rs. 7,500 per month per eligible adult is a reasonable floor to target, with the scheme being made applicable to individuals registered under different schemes of the government without a protected source of income. What we have instead is a one-time Rs. 1,000 ex gratia payment for the most disadvantaged and a one-time transfer of Rs. 500 to poor women with Jan Dhan accounts. That definitely is little more than tokenism.

The increase in the ceiling on loans without collateral for SHGs is also a non-starter to say the least. When all services and production units other than those engaged in essential services are closed, and when production is expected to contract even after the lockdown is lifted, because of severely depressed demand conditions, expecting poor women organised in SHGs to borrow to launch or expand businesses is to stretch imagination.

Meanwhile, the Finance Minister has graciously allowed them to use resources that are already at their command through the Building and Other Construction Workers' Welfare Fund and the District Mineral Fund to provide relief and finance testing, containment and treatment. The state possibly did not need the permission at least in the case of construction workers. The inclusion of these in the package appear to be a means of sidestepping requests from the states, that must largely drive the effort to contain the virus attack and mitigate its medical and economic fallout, for more resource transfers from the Centre and relaxation of FRBM norms relating to the maximum size of the fiscal deficit and volume of borrowing they must adhere to. Here again limiting expenditure rather than resolving the crisis seems to be the objective. The state of Kerala, with around 3 per cent of the country's population, which has thus far been among the most affected and has responded extremely well on all accounts, has prepared a plan to address the crisis that is expected to cost Rs. 20,000 crore. That amounts to close to 12 per cent of the national package of Rs. 1.7 lakh crore announced by the Finance Minister. Given the implicit difference in perspective, it is unlikely that the Centre would be of any help to that state or for that matter any other. With states cash-strapped and not as proactive as Kerala has been, that would result in a huge shortfall in effort relative to what is required.

Finally, with doctors all over the country complaining the they are not being provided adequate personal protective equipment and are forced to work in conditions that make their work harder and unduly expose them to infection, it was reasonable to expect that any package would address how the work being undertaken by those on the frontline would be facilitated and their health protected. Shockingly, all that the package provides for is medical insurance for the medical community in case they are infected, and not for ramped up spending on protection and treatment conditions.

The crisis triggered by the virus attack is severe not only because India's health infrastructure is woefully inadequate and a large part of the population vulnerable, but also because the economic fall-out of the crisis involves a combination of massive demand compression and huge supply shock and production and distribution are disrupted. This calls for a multi-pronged approach that must combine spending that stimulates demand with a plan for allocation of resources to safeguard essential production, ensure transportation and guarantee distribution, all managed from war rooms involving collaboration between the centre and the states. The state governments are willing because the crisis is at their doorsteps, but the Centre seems neither up to the task nor interested in moving much beyond the lockdown.

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