Labour Hours Lost During the Pandemic*

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The International Labour Organization (ILO) has for some months been bringing out a report that monitors the impact of the pandemic on the world economy, especially the labour-hours lost because of the lockdown and their ramifications. The statistics it provides are not compilations of official data from different countries; they are based on the ILO's own estimates made with whatever information is available from these countries. One cannot say how accurate the figures are, but they are the only figures we have, and given the meticulousness with which they are estimated, and their approximate compatibility with other data we have, we can form judgements on their basis.

Labour hours lost are calculated from a certain baseline, which is the seasonally adjusted fourth quarter figures of 2019. Compared to this baseline the world economy as a whole witnessed a 5.6 per cent, 17.3 per cent, and 12.1 per cent loss in working hours respectively in the first three quarters of 2020. Taking the three quarters together the loss of labour-hours for the world economy was 11.7 per cent. Significantly, the losses for the first three quarters of 2020 for the South Asia region were 3.1, 27.3 and 18.2 per cent respectively. In fact after the region "Latin America and the Caribbean", which was the worst hit among all the regions of the world, South Asia was the next worst-hit.

This fact is borne out by other figures as well. The ILO translates working hours lost to an income loss for the workers. For the three quarters taken together the percentage of labour income lost was 19.3 for Latin America and the Caribbean; for South Asia it was16.2. These figure were higher than those for every other region in the world; in fact for the world as a whole labour income lost was no more than 10.7 per cent. Since India dominates the South Asia region because of its sheer size, and since, as is well-known, its neighbouring countries including Pakistan were much less severely affected by the pandemic and also took much less drastic measures to counter it, the extraordinarily high figure for income loss in South Asia is mainly on account of India. It follows that the income loss of the workers in India was among the worst in the world, next only to Latin America and the Caribbean, and not too far behind the latter. The ILO figures in short confirm what many have been saying for some time, namely that the Modi government has been among the most incompetent in the world in its handling of the pandemic.

But that is not all. The income loss figures of the ILO are calculated before taking into account the fiscal support measures adopted by the governments of the respective countries. In fact the ILO calculates what it calls the fiscal stimulus provided by various governments to fight the income loss inflicted upon workers by the pandemic. Fiscal stimulus is defined by the ILO to include additional government spending, income transfers or forgone revenue (tax cuts). One of the important findings of the ILO study is that countries with a higher fiscal stimulus as percentage of GDP had a lower percentage of labour-hour losses. The ILO itself provides no explanation for this inverse relationship, but it is not too difficult to find one.

If the entire amount of labour-hour loss was because of the lockdown, i.e. if it arose from the “supply-side” as dictated by the government, then there would be no reason why there should be an inverse correlation between such loss and the size of the fiscal stimulus; the magnitude of the loss then would depend solely on the stringency of the lockdown and not at all on the size of the fiscal stimulus. But the lockdown also has a “multiplier” effect through the demand side. If there is an income loss because of the lockdown then people would reduce their demand for a range of services, from those provided by hair-cutting saloons to eateries to repair-shops of various kinds, even when these are allowed under the lockdown. If these service-providers close their shops, the reason for it would lie not in lockdown restrictions as such, but in the absence of demand caused indirectly by lockdown restrictions. The income loss imposed from the “supply-side”, i.e. by lockdown restrictions, is thus supplemented by a further income loss imposed from the demand side.

This is where the fiscal stimulus comes in. It directly or indirectly puts some purchasing power in the hands of people who experience income losses on account of the lockdown, and thereby reduces the demand-side supplementary effects, or the “multiplier” effects, of the lockdown. The larger the size of the fiscal stimulus relative to GDP, the smaller is the multiplier effect of the lockdown, and hence the smaller proportionately is the labour-hour loss. This is exactly what the ILO study finds.

The ILO study makes a further estimate, of the size of the fiscal stimulus relative to the labour-hours lost. It converts the labour-hours lost into full-time job equivalents; likewise it also converts the fiscal stimulus into full-time job equivalents by estimating the expansion in economic activity that the stimulus would have given rise to. The ratio between the two gives the size of the fiscal stimulus relative to the magnitude of the labour hours lost. And it turns out that among all the regions of the world, taking “Latin America and the Caribbean” and “Sub-Saharan Africa” as single regions, South Asia had the lowest size of fiscal stimulus relative to the labour-hours lost. And again, the main reason for South Asia’s poor record in this regard was India’s fiscal niggardliness.

This finding has two obvious implications. First, the paltriness of the fiscal stimulus in India has aggravated the loss of labour-hours by increasing the multiplier effects of the initial loss owing to the direct effects of the lockdown, which itself was an extremely severe one in the case of India. Secondly, a fiscal stimulus, quite apart from its impact on the loss of labour-hours, provides income support to the workers; it is an essential means of keeping them afloat in the midst of the pandemic-caused economic crisis. The Indian government’s stinginess therefore is doubly reprehensible: it hurt the working people in two distinct ways whose impact was additive. It hurt them by aggravating an already draconian lockdown; and it hurt them by not providing them adequate succour when they most needed it. It shows the Indian government to be among not only the most incompetent but also the most uncaring governments in the world in the context of the pandemic.

For India which supposedly has a robust economy, as successive central governments have been loudly proclaiming, the paltriness of the fiscal stimulus can be attributed to the government’s bloody-mindedness; but in the case of large numbers of other third world countries, they have little choice in the matter. The ILO report shows that the relative size of the fiscal stimulus has been meagre over much of the third world. Their economies in the neo-liberal era have been reduced to a state where any adequate fiscal stimulus would require additional external debt; and such debt is not forthcoming.

There has therefore been an extreme diversity in the fiscal response of different countries to the pandemic-caused lockdown and the consequent loss of work. While the advanced countries have been much more open-handed in their fiscal support for their economies, and in particular for the workers, the third world countries have been extremely niggardly, not necessarily out of choice (except in the case of India) but mainly out of compulsion. Because of this fact the pandemic has been particularly severe on third world workers compared to those of advanced countries. The misfortunes of the former have not visited the latter with the same acuteness.

The workers everywhere of course have suffered, while the billionaires have never had it so good (People's democracy Oct.18-25). But within the workers the sufferings of the third world workers have been particularly intense, which is a fall-out of the loss of autonomy of third world governments in the era of globalization.

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