

Impact of COVID-19 on Kerala's GSDP and Employment

Sarin Giji

Assistant Professor on contract, Department of Economics, St. Michael's College, University of Kerala

Abstract

The World economy has experienced COVID-19 pandemic since December 2019. It has spread to more than 200 countries in the World. According to World Bank report, COVID-19 recession will be the worst global recession since 1945-46. The pandemic has spread at an unprecedented rate throughout the World. By July 1, 2020, the total cases increased to 107.73 lakh and total death to 5.22 lakh and by September 1, 2020, the total cases went up to 259.08 lakh and 8.65 lakh death. Most of the countries has been implementing lockdown, quarantines and social distancing practices ever since the pandemic has hit the world. Mobility of people both within and outside of the country came to a halt. Operation of all modes of passenger transport – road, rail, water, air – was stopped. People who flew to foreign countries for jobs, studies, business and other purposes were nearly stranded with no other option but to stay back. The pandemic has created a panic situation throughout the World. It created multiple crisis in several fronts such as health, travel, economy, finance, production and output, employment and unemployment, prices, emigration and remittances, fiscal situation of governments etc. The paper particularly analysis the effect of the pandemic on Kerala's GSDP and employment during the COVID period.

Keywords: COVID-19, Kerala GSDP, Employment

1. Objectives of the Study

The study aims to explore three main objectives as listed below:

- To analyse COVID-19 cases reported in Kerala.
- To evaluate the impact of COVID-19 on GSDP of Kerala
- To analyse the impact of the pandemic on sectoral employment in Kerala.

2. COVID-19 and India

India's first case was reported in January 30, 2020. By July 1, 2020, the total cases increased to 6.05 lakh and deaths to 17,847. There was a spurt in the total cases and deaths during July and August. By September 1, the total cases in India went up to 37.66 lakh and deaths 66,460. The states having largest number of cases were Maharashtra, Andhra Pradesh, Tamil Nadu and Karnataka. The 68-day national lockdown has resulted in severe functional damage to all sectors in the country. Top six industrialised states in India that account for 60 percent of industrial output were in red and orange zones. Forecast of GDP of India for FY2021 given by various organizations are as follows: World Bank (-)3.2 growth rate, Centre for Monitoring Indian Economy (CMIE) (-)5.5 percent growth, IMF (-)4.5 percent growth, Asian Development Bank (-)4.0 growth and CARE rating (-)6.4 percent growth. However, most of these GDP projections gives only a dismal picture.

The Indian economy has been experienced the worst recession ever since the lockdown has begun. COVID-19 has resulted in huge loss of employment in all sectors of the economy. According to Centre for Monitoring Indian Economy (CMIE) total jobs loss in India was 12 crores in April 2020. The CMIE estimates that the unemployment rate had increased to 24% in May 17, 2020. The unemployment rate in rural India was 23% and that of urban India was 27% during.

3. COVID-19 and Kerala

The first COVID-19 case in India was reported in Thrissur District of Kerala. The growth in the number of COVID-19 cases reported in Kerala was very minimal until May 2020, but there has been a spurt in growth ever since July 2020. By September 1 the total cases in the state were 76,526 and deaths 299. As on September 8, the district having the largest number of COVID cases and death reported was Thiruvananthapuram. Malappuram, Ernakulam and Kozhikode districts were ranked second, third and fourth.

Table 1: Status of COVID-19 cases in Kerala

Month/Date	Total	Active	Dead
30 January	1	1	0
2 February	2	2	0
2 March	3	0	0
1 April	265	237	2
1 May	498	102	4
1 June	1,327	708	11
1 July	4,594	2,130	26
1 August	24,743	10,862	82
1 September	76,526	22,512	299

Source: <https://www.worldometers.info/coronavirus/>

In order to overcome this crisis, producers, traders, hotels, educational institutions etc introduced new ways of doing business, i.e., shift of activities from work place to homes. Government and private establishments, IT industrial units etc began to ask their employees to work from their homes instead of coming to the work place. Schools, colleges and other educational institutions resorted to online teaching. Students were asked not to come to educational institutions. Shops and hotels began to deliver the items to the residences of the consumers. The self-employed who conducted small scale production activities in their units began to shift the productions to their homes. Hence there is an unprecedented change in the way of living in the post COVID-19 period. A change in the sense that the home of an individual has become a work place, an educational institution, a production unit and at times, even a quarantine centre.

4. Impact of Lockdown on GSDP of Kerala.

Kerala has implemented lockdown for more than 100 days. This may be classified in to 3 phases on the basis of nature of lockdown. First phase of 27 days (March 24 – April 19), a lockdown similar to curfew was implemented. All modes of passenger transport road, rail, water and air were stopped, all education institutions, places of worship, functions and gatherings were stopped. Except a few essential services such as shops, medicine, petrol pumps, LPG distribution etc all other activities were restricted. This has

paralysed all most all production of goods and services in the state economy. In the second phase of lockdown of 14 days (April 20 – May 3) a few relaxations were made and in the third phase of 28 days (May 4 – May 31) the restrictions were eased to a great extent.

GSDP or state income is defined as the aggregate of all the money value of final goods and services produced within the geographical boundaries of the state, without duplication during a period of one year.

Table 2: Loss of GSDP due to Lockdown in Kerala

Item	Percentage Loss of 1 st Phase of Lockdown	Percentage Loss of 2 nd Phase of Lockdown	Percentage Loss of 3 rd Phase of Lockdown	Total Loss As % of GDSP 2018-19
Primary	74	55	47	11.2
Secondary	88	82	71	15.1
Tertiary	79	69	58	12.9
GSDP	82	72	61	13.5

Source: Impact of COVID-19 on Kerala, B. A Prakash (2020), quick estimate.

According to the estimate the total loss of GSDP during the first phase is about 82% (Table 2). During this phase secondary sector witnessed severe loss of GSDP (construction & manufacturing) and in tertiary sector severe loss was reported in transport, storage, financial services, real estate, other services etc. During the second phase the total loss of GSDP was estimated as 72% and in the third phase due to large relaxations in lockdown, the situation improved and hence during this phase the total loss of GSDP was estimated to be 61%. The total loss of GSDP for 69 days was estimated as 105431 crores. This is equivalent to 13.5% of GSDP for the year 2018-19 (Table 2). The estimate is an underestimate (around 10%) as GSDP of 2018-19 was taken as the base for calculation.

5. Impact of COVID-19 on Employment in Kerala

Out of the total employment in Kerala, the share of self-employed is 37.8%, casual labour 29.3% and regular wage/salary 32.9% (Table 3).

Table 3: Distribution of Workers in Usual Status (ps+ss) In Kerala (2017-18) (%)

Category	Category of Employment			
	Self-employed	Regular wage/salary	Casual labour	All
Male	40.8	27.5	31.7	100.0
Female	29.6	47.5	22.9	100.0
Persons	37.8	32.9	29.3	100.0

Source: NSO (2019) Periodic Labour Force Survey 2017-18.

The entire self-employed, casual labour and a major share of regular, wage/salary employed come under informal sector (Nearly 84%). The lockdown has resulted in huge loss of employment of the self-employed and casual labourers. Informal sector workers participate in almost all sectors viz. primary, secondary and tertiary. The subsectors which suffered severe loss of employment during the lockdown were mining and quarrying, construction, transportation and storage, accommodation and food services, real estate, arts, entertainment and recreation. The lockdown has pushed more than two third of self-

employed and casual workers to acute unemployment, financial crisis, indebtedness and economic distress.

COVID-19 and the subsequent lockdown has resulted in a huge loss of demand for services and activities such as travel and tourism, which provide direct employment to more than 10 lakh people in the state. Similar is the situation with regard to entertainment activities such as film production, cinema theatres, drama, stage programs etc. Majority of the private educational institutions such as nursery schools, parallel colleges, coaching centres, other private educational institutions etc are closed due to lack of demand and inability of functioning. Lack of demand for passenger transport led to the stoppage or substantial reduction in transport services such as buses, tourist vehicles, taxis, auto rikshaws, metro rail, rail and air transport. Also, there is a total ban on all categories of sports activities. All this has resulted in an unprecedented loss of employment in the economy.

Table 4: Loss of Employment due to 69 days of Lockdown

	Division	Total Workers (%)	Loss of Employment (More Than 50 %)
Total Primary		20.11	
1	Manufacturing	11.31	✓
2	Construction	19.11	✓
Total Secondary		31.07	✓
1	Trade, repair of motor vehicles	14.02	✓
2	Transportation and storage	9.21	✓
3	Accommodation and Food services	2.74	✓
4	Information and communication	1.47	
5	Financial and insurance	2.97	✓
6	Administrative and support services	1.68	
7	Public administration and defence	2.11	
8	Education	4.96	✓
9	Human health and social work	3.46	
10	Arts, entertainment and recreation	0.60	✓
11	Other services	2.70	✓
Total Tertiary		48.82	✓
Total		100.0	✓

Source: NSO (2019) Periodic Labour Force Survey 2017-18.

As per NSO survey of the total workers in Kerala, primary sector account for 20.11%, secondary 31.07% and tertiary 48.48% (Table 4). A rough estimate of loss of employment during the lockdown period shows that lockdown has inflicted not much damage to agriculture and allied activities. According to the estimates, the loss of employment in manufacturing and construction sector was more than 50%. In tertiary sector, the following sub-sectors suffered more than 50% loss of employment: trade, repair of motor vehicles, accommodation and food services, financial and insurance, education, arts, entertainments and recreation and other services. This is an unprecedented loss of employment during the period of 69 days. According to the National Statistical Office (NSO), the unemployment rate of youth in the age group 15-29 was 36.3% in Kerala during 2017-18. This means that out of the 100 persons in the labour force, 36

persons are unemployed, prior to the COVID-19 period. This was the second highest rate of unemployment among states in India. Due to the effect of COVID-19 on employment front, the unemployment rate of youth is likely to be doubled (72%). The degrees and other qualifications attained in general higher education for getting a white-collar job will become irrelevant in the post-COVID-19 labour market situation. There will be huge fall in employment of white collar in the public sector as well as private sector in the post-COVID-19 era.

6. Conclusion

The loss of GSDP due to lockdown in Kerala is huge and the present recession is likely to become a full-blown depression. The secondary sector experienced huge loss of GSDP compared to other sectors. During the year 2020-21, the GSDP is likely to register a negative growth rate for Kerala. The lockdown has resulted in an unprecedented loss of employment in Kerala especially in industry and construction sectors. Informal sector workers which account for 84% of total workers faced severe loss of employment during the lockdown. Some of the sub sectors which witnessed total loss of employment include travel and tourism, film production, cinema theatres, stage programmes, private nursery schools, parallel colleges, coaching centres, tourist vehicles, sports etc. The lockdown has doubled the rate of youth unemployment. Due to the lockdown in the first two phases (41 days) almost 90 percent of the migrant workers lost their jobs and more than one third of the migrant workers returned to their native states. Nearly 3.47 lakh Keralite returned from the foreign countries including temporary migrants and nearly 5.62 lakh Keralites returned from other states. All of this has significantly affected the economy of Kerala.

7. References

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