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Economy and Unemployment Due to COVID19: Secondary Research

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Abstract. The coronavirus pandemic has hit a hard blow on the world economy and employment rates. Countries like India, with a high population, have faced major economic degradation and high unemployment rates. Most of the countries are expected to face a major economic recession as most internal and external economic activities have ceased to operate due to the worldwide lockdown and quarantine measures being taken. This might affect the socioeconomic relationships between countries. It has also affected the economically challenged sector of the world largely. In India, about 41 lakh people lost their jobs, including several migrant workers. Several G7 countries have ensured subsidies as the jobless rates vary from 30million in the US to 1.76 million in Japan.

Keywords: GDP · year-on-year · subsidies · recessions · G7 countries · World Bank.

1 Introduction

The COVID19 pandemic has created a truly global crisis for the first time since the Second World War. Life, as we knew it in 2019, has changed forever. As countries all around the world begin to tentatively emerge out of lockdown, they are being confronted with a reality that had seemed impossible only a few months ago. This apparent "new normal" is reflecting the true extent of the vast divide between the rich and the poor and, indeed, sees it extended even further [1]. Millions of people are affected, died, lost their jobs due to COVID19 [2]. The virus has brought even superpowers like the USA and the UK to their collective knees and devastated the world economy. The effects of this devastation have been felt most by those most vulnerable. Unemployment levels have soared as companies cut losses in order to save their own existence. This led to a loss of spending power of the average consumer and further restricted the flow of currency in the global market sending stock markets spiraling downwards. As economists begin to cautiously hope with various vaccines slowly becoming available, this

paper will analyze the damage that has been done by the pandemic to the global economy and job market [3].

2 Data Analysis

India’s economy has faced a significant contraction amidst the pandemic. In the first quarter of 2020, the Indian GDP grew by 3.1% yet recording the slowest GDP growth since quarterly data was made available in 2004 [4]. As the Country followed a nationwide lockdown to control the spread of coronavirus from the end of March 2020. Figure 1 represents the GDP growth in India in the financial year

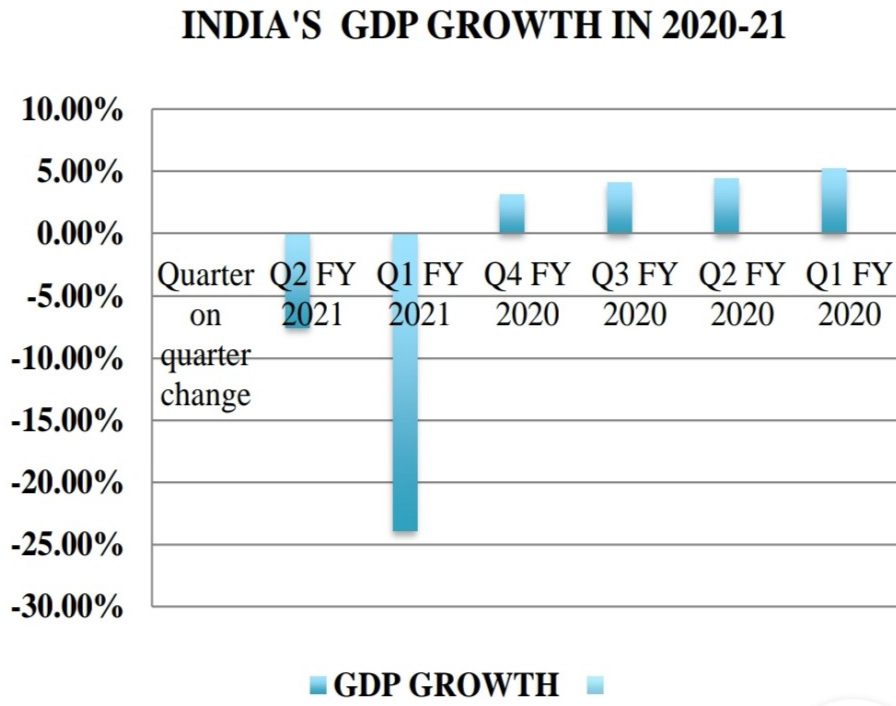


Fig. 1. GDP in India.

2020-21 in all the quarters. The country experienced the first wave of recession in the second quarter of the same year, registering a contraction of year-on-year Extending the lockdown time and again has resulted in the postpone of economic activities throughout the country, recording the greatest plunge in the country’s economy till date. The nation recorded a 7.5% year on year shrink in the third quarter of 2020, lesser than what the economists predicted would

be 8.8%. The pandemic however seems to be far from controlled, and the GDP is still seen falling in the fourth quarter of the year. However, the government has announced a 10\$ billion stimulus package to balance the entire economic scenario of the country.

3 Effect on World Economy

As the spread of the virus continues to haunt all over the world, the world economy has witnessed massive contraction. It is said to be one of the largest blow to the world economy till date with a baseline forecast of 52% contraction in the global GDP. The lockdown imposed all over the world has brought most of the economic activities to a halt. The Corona Virus outbreak is predicted to cause major recession waves in most countries in the world is the greatest recession since World War I, as reported by the World Bank in June 1020.

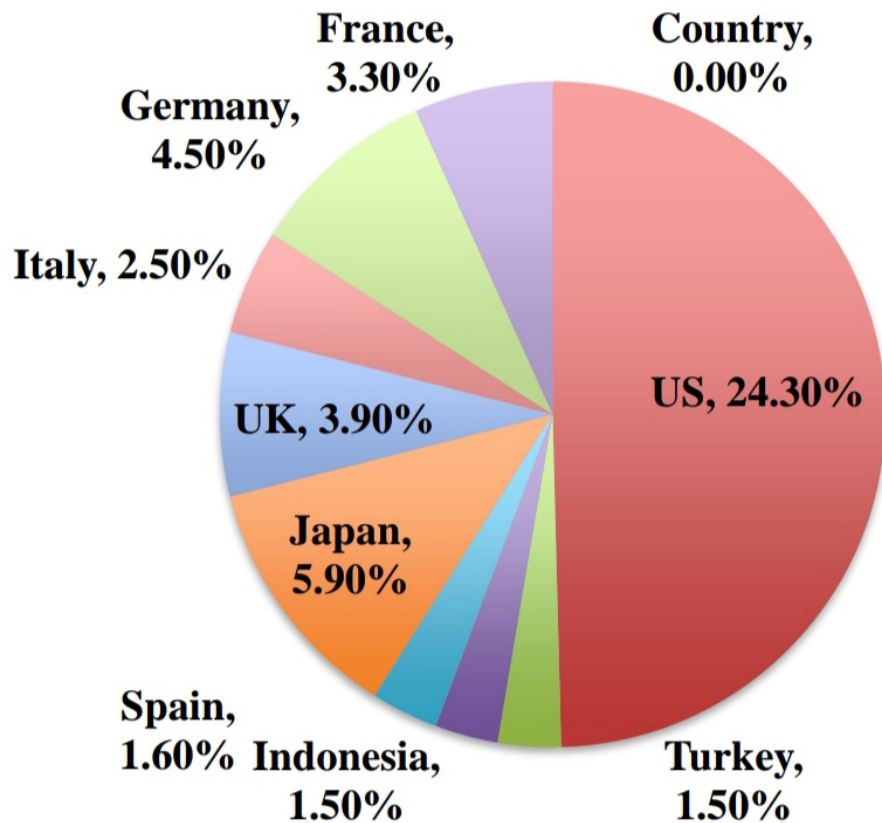


Fig. 2. Global economical downfall.

4 Employment rates in India

Majority of the Indian population who work belong to the low-waged informal sector, having the lowest income jobs. The catastrophe seems to be awaiting a huge shock to all the global industries and advanced economies most countries depending on global trades, tourism. Exports and external financing will bear a large scar post-pandemic. The per capita GDP all over the world is estimated to fall by 6.2%. Figure 2 shows the economic downfall in each of the countries [5]. Several migrant workers all over India migrate from one place to other all over

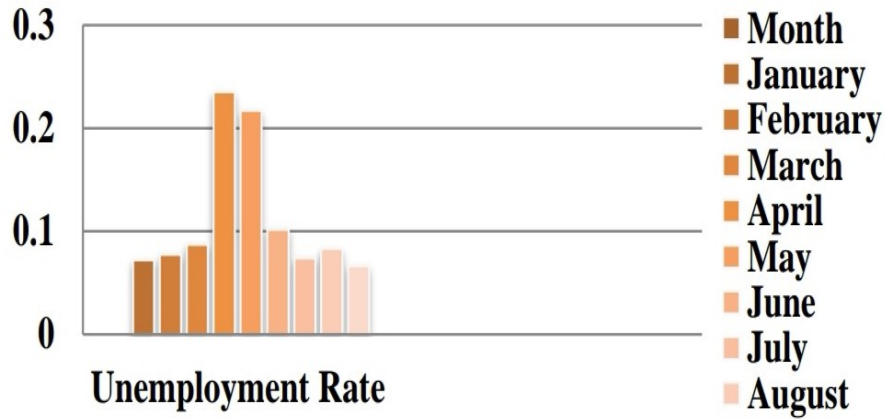


Fig. 3. The unemployment rate in India during COVID19.

India to work as day laborers, daily wagers, etc. No limitation on commutation inside the country makes it easier for these people to move around in search of work. Figure 3 represents the rate of unemployment due to COVID19, from January to September 2020 [6]. Figure 4 represents the unemployment rate in India from 2010-2020 [7]. The rate of unemployment hiked all the way from 7% in mid-March to the beginning of May. The other major sector is the government sector including government offices. Railways, banks, and army forces being the major recruiters. The next formal sector of white collared jobs in the IT sectors and other private sectors. This sector saw the major no. of deployments. Employees from all these sectors faced work crises; layoffs, unpaid leaves, and a major chunk of them were deployed. Unemployed was a problem in the country since 2017-18, reaching almost 6.1%. A sharp decline in the number of jobs in

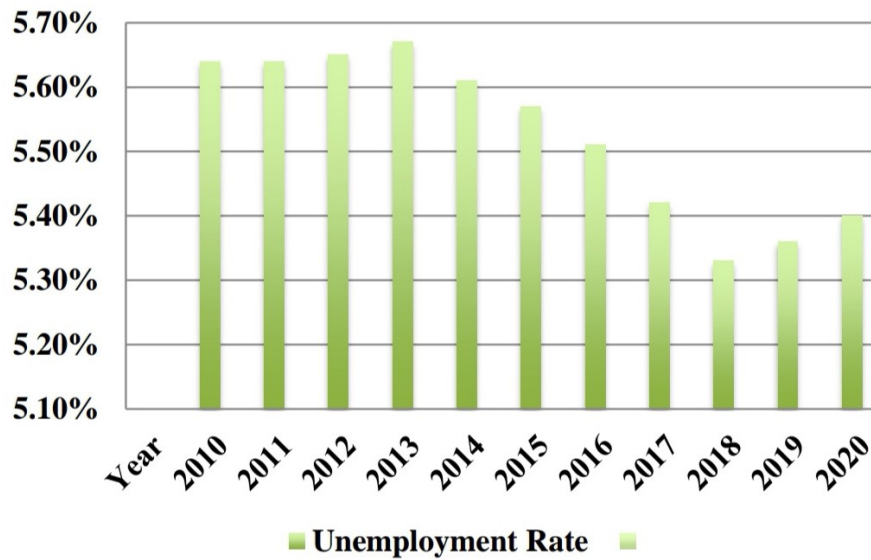


Fig. 4. Unemployment rate in India from 2010 to 2020.

the formal sector has occurred. According to a report in August 2020, about 4.1 million youth lost jobs due to the pandemic. The majority of the job losses belonged to the construction and farmer sector. Applications for jobs have increased as a number of highly qualified candidates apply for recruitment. Most of them lack experience in the particular tech stack, despite being highly skilled. Several employees lost their jobs due to a lack of ability to cope up with the new normal of online work from home. According to the Mumbai-based think tank, the urban areas being the major red zones are affected the most. Urban areas [8] have recorded 29.22% unemployment rates, whereas rural areas have 26.69% unemployment rates.

4.1 Employment rates in India

The pandemic wreaked havoc on job crises all-over the world, especially on the economically vulnerable sector of women and youths. The crisis might subside, but the economic and unemployment consequences might take a long time to refurbish back to normal. Most of the Asian countries that have a huge population are affected by the Corona Virus. Countries namely, India, Iraq, Iran, Turkey, Indonesia. Several European Governments released the unemployment crisis with wage subsidies. In April 2020 3.8 million Americans claimed unemployment that being the fourth consecutive fall in the number of claims. US private sectors shed 20million jobs in April. In the first quarter of 2020, the rate of unemployment was 4% and predicted to be increased to 15% by the

third quarter. In Canada current reports from the countries, the official bureau says the unemployment rate in April was 13%, up from 5.2 percentage points in March. More than 7.2 million people have applied for emergency unemployment assistance, in this recent on-going crisis. Unlike the UK and other G7 countries, Japan's unemployment rate is rising slowly. In March, it was 2.5%, with 1.76 million unemployed – an increase of 20,000 from March 2020 [9]. In the UK, its main statistics office shows employment at a record high and unemployment at around 4%. However, KPMG forecasts this will rise to just under 9% during the lockdown period. Report said that more than 2 million wanted to avail that privilege [10]. A quarter of the UK's employed workforces have registered for the government's job retention scheme, which pays 80% of an employee's wages. In France, a scheme named *chômagepartiel* (partial employment or short-time working) is implemented by the state to support more than 10 million workers in France's private sector. The unemployment rate in Germany has risen far less rapidly than in countries such as the US. This is because of a government scheme to subsidize the wages of struggling employers and employees called the *Kurzarbeit* or short-time work program. By the end of April, more than 10 million people were benefitted from this. Unemployment graph rose in the month of April 2020 and also jobless is 5.8% [11]. In March, Italy recorded the lowest employment rate in 9 years, the unemployment rate dropped to 8.4%. The government has promised around €75 billion of support for families and companies [12].

5 Conclusion

The Coronavirus outbreak undermined economic activities all over the world leading to major unemployment problems. The pandemic might gone away within a few months as the news of the vaccine coming out is all over the town, but the consequent outcomes might persist post-pandemic and might take years to recover. It is expected the GDP as well as the employment rate not only in India but also worldwide will rise within a short time.

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