THESIS STATEMENT

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HOW CAN THE JOB CRISIS AND UNEMPLOYMENT IN INDIA BE RESOLVED?

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2020

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ABSTRACT

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Unemployment is one of the major problems in India and has been one for almost seven decades. However, due to the ongoing pandemic, Indian unemployment has sky-rocketed and is at an all-time high. Following this, numerous surveys and articles have been published about the recent job crisis that haunts the country. This paper aims to observe and make recommendations concerning the worsening job crisis in India since March 2020 and to explore how does one stay safe in the light of the impending loss of jobs and income.

Secondary data on unemployment in India has been collected from reliable surveys to find the consequences of unemployment and to figure out the response of the government. The early signs of loss of employment and warning signals in the economy have also been identified from each sector of the Indian economy. Large sectors that contribute to India's economy are investigated into, and this list includes the Aviation sector, the Tourism and Hospitality sector, the Construction sector, the Automobile sector and the Micro, Small and Medium Enterprises (MSME) sector.

This paper gauges the extent of unemployment caused due to the pandemic and at the same time, discusses the solutions for the rampant unemployment and economic chaos that has occurred. The paper recommends solutions to reduce the rate of unemployment and to create more jobs sector-wise. Additional measures which can be incorporated to ensure a more robust and long-term solution to such problems which may again manifest in future.

The paper finds that fiscal policies such as increases in government expenditure and tax cuts only lead to short term relief, however, supply-side policies are more beneficial for India's long term economic prospects. Specifically, it is essential to invest in education, as this allows jobs to be more occupationally mobile, therefore making India less susceptible to future economic crises similar to the COVID-19 pandemic.

1.0 Introduction

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Unemployment has been a major problem in India for several decades and the Indian government has been concerned with reducing the rate of unemployment for the working-age population. The significance of this issue has increased after the COVID-19 pandemic, as India is now facing its worst recession in a long time. The following paper will first define the different types of unemployment, before identifying the unemployment problem that exists in India as a result of the COVID-19 pandemic through the use of graphs and figures. This will be followed by the impact of the COVID-19 pandemic on various sectors in India's economy. Lastly, potential solutions that could be introduced to mitigate the unemployment problem in India shall be presented.

1.1 Definitions

As mentioned in Tragakes (2012), unemployment refers to individuals in the working population who are actively seeking a job but are unable to find any job. (p.265) The unemployment rate in a country is calculated using the following formula:

$$Unemployment = \frac{Number\ of\ unemployed}{Labour\ force} \times 100$$

Unemployment is one of the main macroeconomic objectives, and governments aim to keep it to a minimum (to the natural rate of unemployment, which is usually around 3%).

There are "3" main types of unemployment.

Seasonal unemployment is temporary and occurs when the demand for labour in certain industries (e.g. Ski industry) changes on a seasonal basis (Tragakes, 2012).

Frictional unemployment occurs when a person is in between two jobs. Like seasonal unemployment, this is also temporary.

While seasonal and frictional unemployment is temporary, structural unemployment "occurs as a result of the change in demand for particular types of labour skills, changes in the geographical location of jobs and labour market rigidities (Tragakes, 2012, p.268). As a result of the nature of structural unemployment, governments mainly seek to reduce the rate of structural unemployment in their respective countries.

The different types of unemployment are illustrated in the figures below.

1.1.1 Changes in demand for particular types of labour

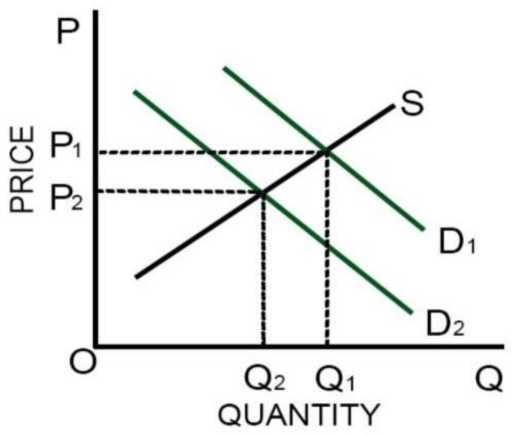

Figure 1

As seen in the above figure, one type of unemployment occurs when there is a change in demand for particular types of labour. A negative change in a particular type of labour leads to demand shifting inwards, and unemployment is represented by the difference between Q2 and Q1. This type of unemployment is the most likely during the COVID-19 pandemic.

1.1.2 Labour market rigidities

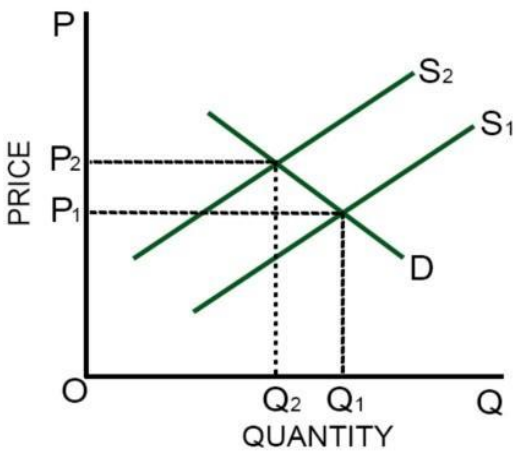

Figure 2

As seen above, labour market rigidities affect the costs of production for a firm. This leads to the supply curve shifting inwards. Unemployment is represented by the difference between Q2 and Q1.

1.1.3 Minimum wage legislations

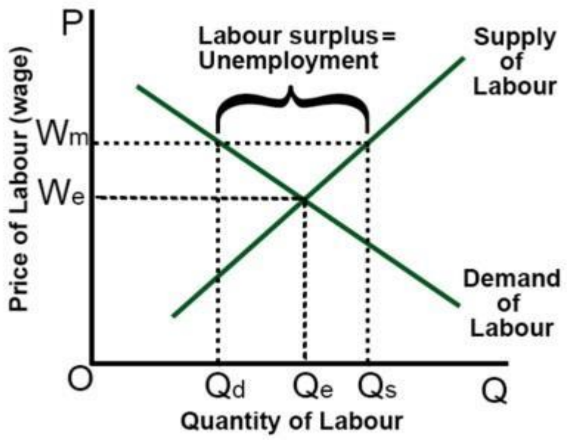

Figure 3

Minimum wage legislation can also affect the level of unemployment in a country. If the trade unions in a country fight to increase the minimum wage level in a country, then unemployment will result. Unemployment is represented by the difference between Qs and Qd.

2.0 BACKGROUND: INDIA’S UNEMPLOYMENT RATE

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As seen below in figure 4, the unemployment rate in India has ranged between 5-6% from 1999 to 2019. However, as shown in figure 5, the unemployment rate rose to approximately 7% in July 2019, and gradually increased until March 2020, where it reached almost 9%. The COVID-19 pandemic significantly increased the unemployment rate in India, with the figure peaking at 23.5% in April and May 2020.

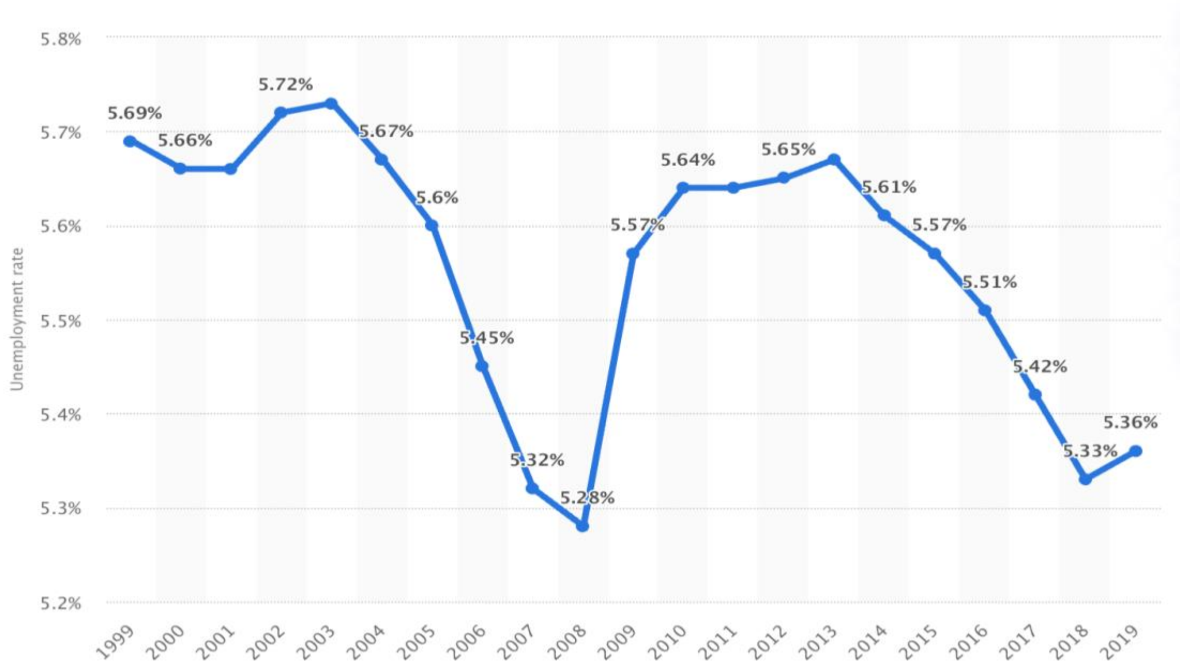

Figure 4 (Statista, 2019)

Exhibit 1: India’s unemployment rate (%) from July 2019 to June 2020 (Trading Economics, 2020)

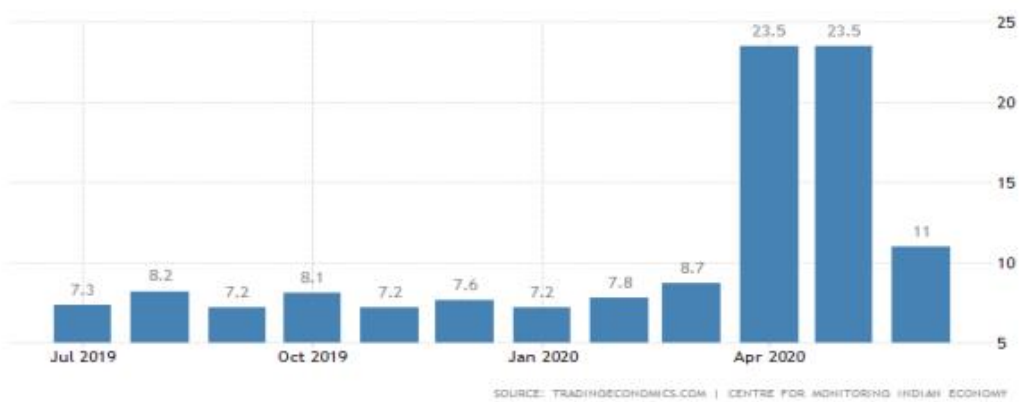

Figure 5 (Trading Economics,2020)

2.1 Why did the economy go into a downward spiral?

As mentioned in Savera (2020), the growing unemployment illustrated in figures 4 and 5 suggested that there was "something inherently wrong with the policies and the whole system." Savera (2020) further goes on to mention that in 2017, approximately 73% of the wealth generated went to the richest 1%, while the bottom 50% of the population (670 million) only saw a 1% increase in their wealth. This difference can also be shown by India's Gini coefficient, which is currently at 0.83. The high inequality in India led to a decrease in the purchasing power of a large proportion of the country. Savera (2020) further states that with no jobs or low paying jobs, many individuals did not have financial "freedoms". The lower financial freedom thus led to a reduction in consumer expenditure in the economy, thus sending the economy into a downward spiral.

According to Savera (2020), the Indian government seemed to be oblivious to the facts and continued its earlier policy of not spending enough in the economy. In addition to this, the government also has to cater to large corporates, the prime example of this being the reduction of Corporate taxes in September 2019. It also began writing off bad loans instead of holding the defaulters accountable. Public money was used to pamper the elite instead of focusing on the general population and social welfare.

2.2 The impact of coronavirus and India's response

COVID-19 was already creating quite a stir in other countries especially China. India was not affected until February. The initial cases of COVID-19 were in Wuhan City of China in Dec 2019 with a link to a food market. India was not effected until the end of February. With the prospect of large scale spread looming across India, the Honourable Prime Minister Modi announced a voluntary lockdown (Janata Curfew) for 1 day on 22nd March with the aim of to breaking the virus transmission chain. By then a lockdown had already been imposed across 80 districts of India. The Prime Minister also cautioned people against venturing out unless there was an urgency. The government was quick enough to realise that the unrestricted movement of people will only aggravate the spread. India was unprepared to deal with a large-scale pandemic as the healthcare facilities were below the required quantity.

With this logic, a nationwide lockdown began on 24th March initially for 14 days which kept getting extended due to the ever-increasing cases.

3.0 EFFECT ON UNEMPLOYMENT

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The lockdown was instant with a 4-hour notice which caught the entire nation unawares and resulted in widespread panic. The entire wheels of the economy ground to an abrupt halt.

With all industries shut across all sectors (exceptions being the essential services), it suddenly dried up the revenue streams which fell to 0. While most firms and self-employed and informal workers would have coped with a 14-day lockdown, they were certainly in no financial position to incur wage bills for 2 months without an incoming revenue source.

3.1 Overall effect on the economy

India's top employment sectors have come to a standstill as a result of the measures intended to reduce the spread of COVID-19. The following sections in this paper will investigate the impact on the main sectors of the economy.

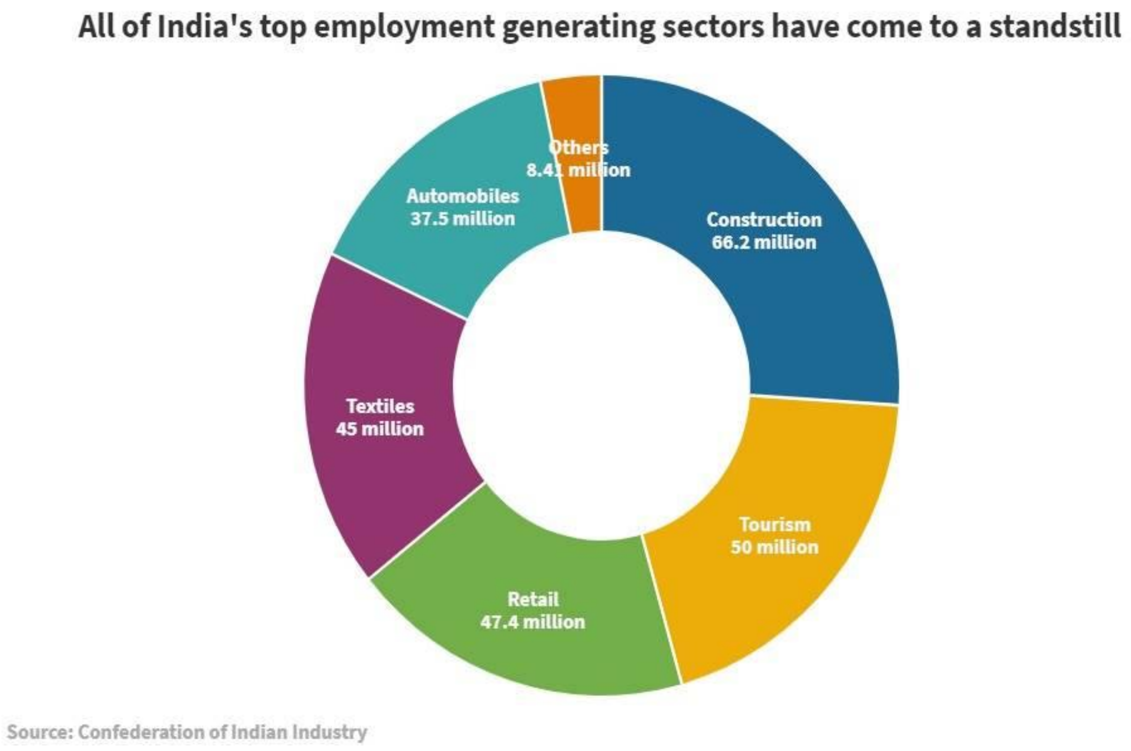

Figure 8 (Iyer, 2020)

3.2 Rural Unemployment

The following section will present the effects on rural unemployment in India.

Although the agricultural sector and allied activities were categorised under essential goods and were exempt from lockdown, the lack of workers in markets and reverse migration of migrants disrupted the smooth functioning of all agricultural related activity. Nearly 70% of India resides in rural areas and therefore, it is imperative to address this area of concern.

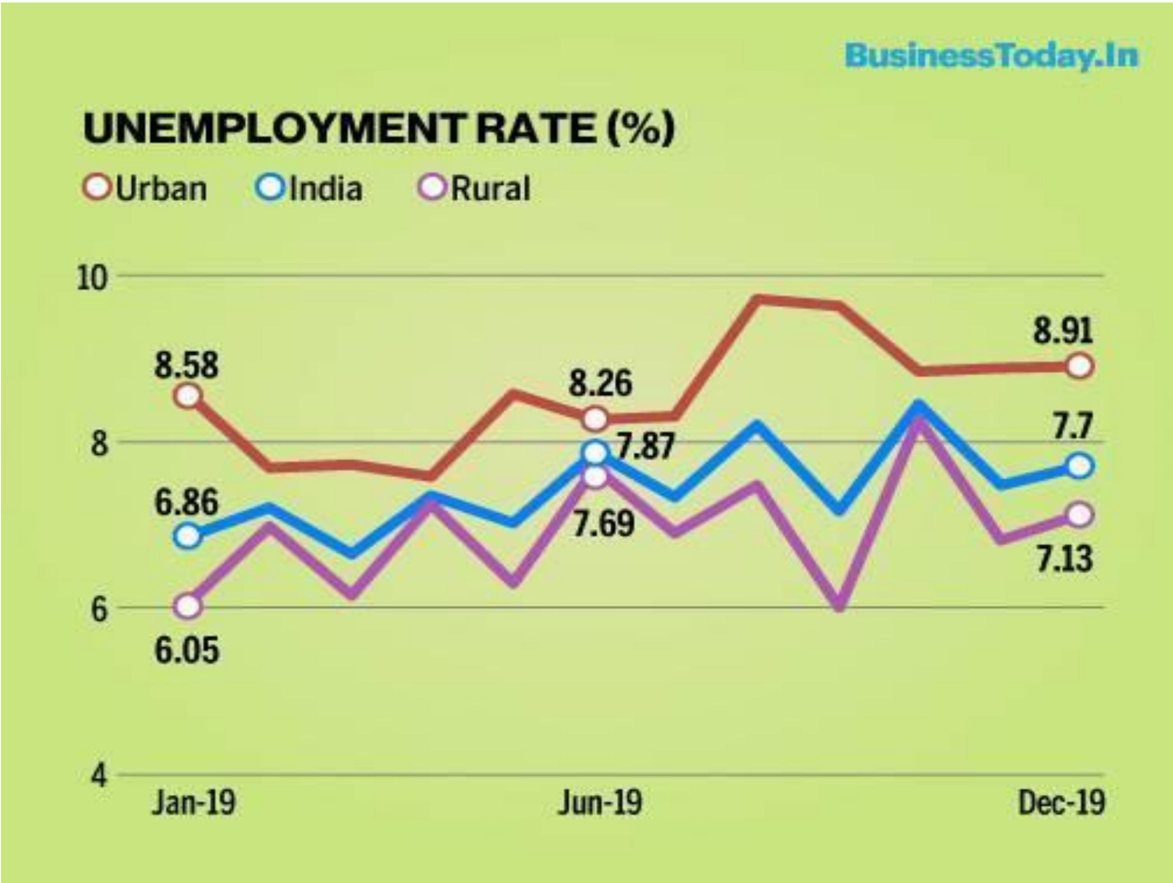

Figure 9 (Kumar, 2020)

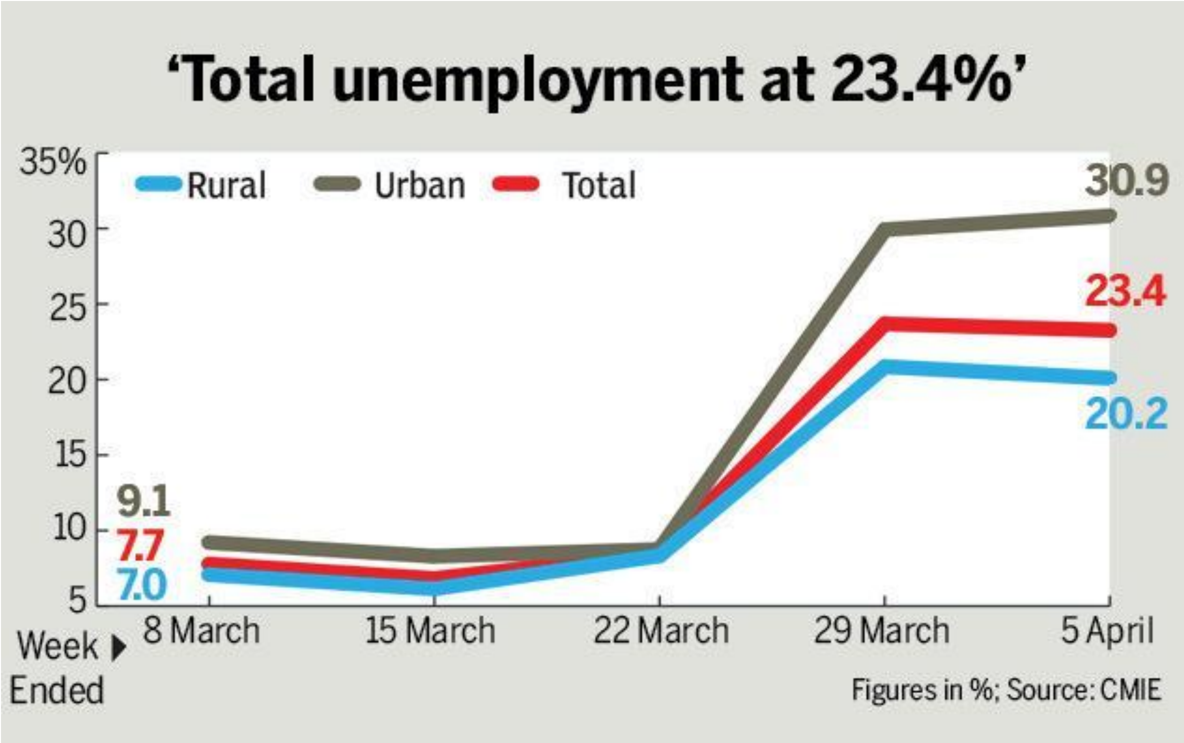

Figure 10 (Thakur and Chakraborty, 2020)

As illustrated by the above 2 graphs, rural India has been hit massively by the COVID-19 pandemic. The unemployment rate in rural India increased from 7.13% in Dec 2019 to an astronomical 20.2% in April 2020.

As summer crop sowing season was approaching an end, the rural unemployment rate again worsened. It increased from 6.34% (as of July 12^{th}) to 7.10% (as of July 19^{th}) (Nanda, 2020).

The graph below shows rural unemployment trends for major states of India.

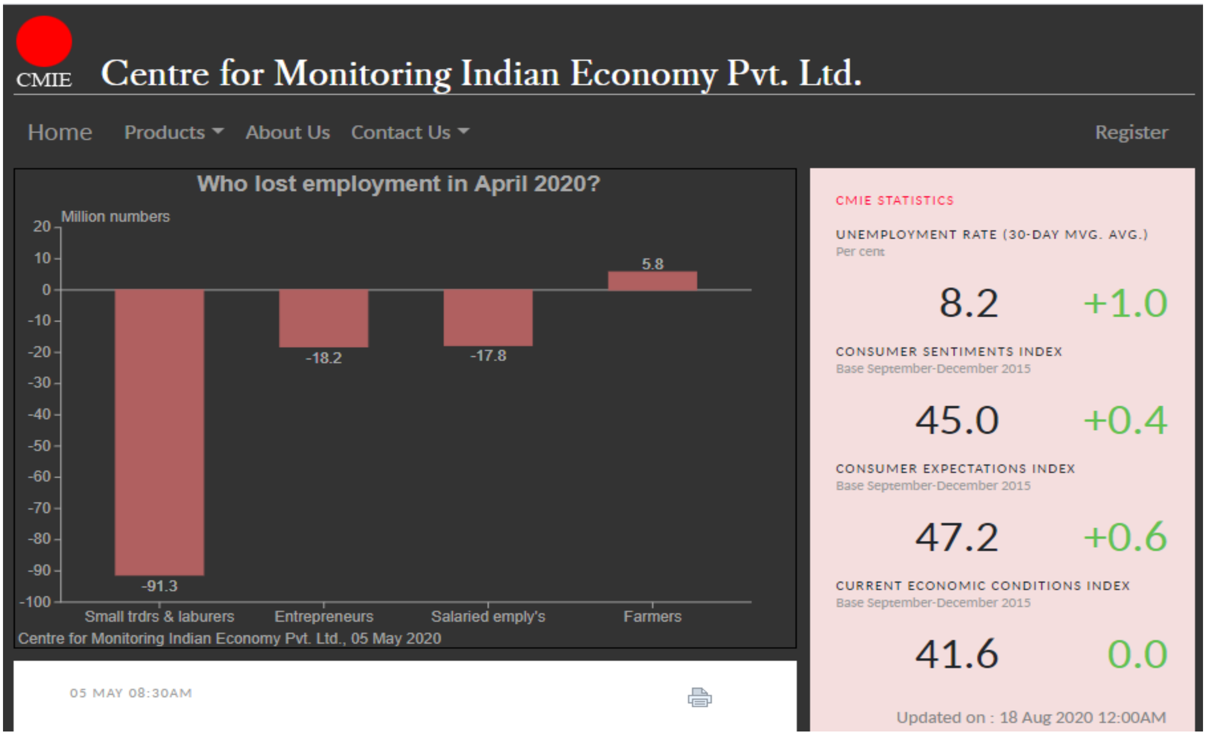

Figure 11

As illustrated above, “small traders and labourers”, “entrepreneurs” and “salaried empty’s” have had significant job losses in April 2020, however, farmers have had an increase in the number of jobs, with 5.8 million. However, as mentioned by Vyas (2020), this is a form of “disguised unemployment”, as many individuals that have been laid off in the cities have migrated back into rural areas to sustain a living.

3.3 Aviation Sector (Tertiary Sector)

As a result of social distancing in India (and between countries), the aviation sector is one of the largest sectors that has been affected by the pandemic. The Economic Times (2020) mention that the lockdown impact has been so severe that companies have witnessed a 30% fall in summer domestic travel. Working capital and liquidity problems have engulfed many airlines which are now on the verge of going bankrupt. Numerous airlines have even reduced salaries and have asked employees to take leave without pay.

As mentioned by the Economic Times (2020), IATA estimates job losses of 2.9 million in the Indian aviation and its allied / dependent industries, together with a decrease in passenger revenue of USD 11.221 billion through the year 2019.

As per CAPA (an advisory firm), the effects on the aviation sector are likely to extend to the year 2021, with estimated losses of $4 billion (moneycontrol.com, 2020). The increase in job losses is likely to get compounded due to the perilous situation of airlines facing bankruptcy which will result in some airlines closing down and others merging, thus leaving a mere 3 to 4 players in the market. A comparison of pre and post COVID-19 booking for leisure (discretionary) reveals that 90% bookings have been made for one-way journey post COVID-19, compared to 40% pre-Covid, these too being a majority for people coming back to their home locations to escape the chaos and pain of lockdown. The government permitting airlines to operate at 45% of summer schedules has not helped airlines come out of the red as price ceilings in the form of a price range have been set on airfares which also have shown a tendency to mostly close at the lower price range of the band (moneycontrol.com, 2020).

The following subsections will describe examples of major firms in India’s aviation sector that have been affected by the pandemic.

3.3.1 Spice Jet

One company that has changed its operating procedures as a result of the COVID-19 pandemic is Spice Jet. As mentioned by Business Today (2020), 92% of employees will get less than their regular salaries for April. The silver lining here is that currently, the airlines have no plans to lay off any employees. All employees would be paid salaries (albeit after taking a cut from their regular pay) based on the number of actual hours worked. Spice Jet would also support their operating crew staff with additional allowances as they stand together in these times of risk of contracting the virus due to their exposure in flights (BusinessToday, 2020).

3.3.2 Indigo Airlines

As mentioned by Chowdhury (2020), in the first week of July, Indigo Airlines (which has 28000 employees, including 40% comprising of cabin crew and pilots) announced that it is laying off 10% staff. It has already reduced the salaries of some pilots in May and June.
Severance pay would be given to these employees, and this would comprise of a one-month salary (calculated as early CTC / 12) for each year of service completion subject to maximum 1-year pay. For those employees who are being laid off but have not completed 3 years, a minimum of 3 months gross salary will be paid (Chowdhury, 2020).

3.3.3 Air India

180 trainees who were supposed to join as cabin crew had their offers revoked and withdrawn by Air India in July (NDTV, 2020). Mr Rajiv Bansal had said in April that COVID-19 has put the financial position of the airlines in a downward spiral and has had a crippling effect on finances (Economic Times, 2020). However, it is with much difficulty that the airlines are still surviving and not shut down completely (Economic Times, 2020).

On March 20th, a 10% deduction from allowance package was announced applicable across all departments except the cabin crew (Firstpost, 2020). It was met with a lot of resistance from the trade unions and employees as allowance package comprised 50-70% of the total salary (Firstpost, 2020).

As mentioned by Tripathi (2020), in July, Air India announced the implementation of the LWP (Leave Without Pay) scheme. The scheme offered employees the freedom to work with another employer for the duration of the leave period. The scheme had a provision where the management had the prerogative and right to pass orders making an employee go on compulsory leave for a 6-month to 2-year period, which was further extendable up to 5 years. An assurance was nevertheless given that management would be unbiased and use the provision in extremes scenarios and after taking into account past performances of the respective employees (Tripathi, 2020).

3.3.4 Vistara airlines

In June, Vistara Airlines announced a 20% cut in salary for its chief executive. This was also applicable for all levels and across all departments till December, with senior management pay cuts of 15% and middle to junior-level pay cuts of 10%. Similar to Spice Jet, the silver lining here was that there were no layoffs.

3.4 Tourism and Hospitality Sector

The tourism and hospitality sector contributed to 10% of global employment (330 million jobs globally) in 2019 (ILO, 2020). These sectors have related sub-sectors of accommodation and food services which use a lot of labour and are responsible for the employment of 144 million workers globally (ILO, 2020). Tourism accounted for 9% of India GDP in 2019 and approximately 12.75% of total employment (moneycontrol.com, 2020). As per WTTC (World Travel and Tourism Council), the impact of COVID-19 in the next 1 year is estimated to be massive resulting in direct and indirect job losses of approximately 38-40 million (moneycontrol.com, 2020). Although the "Unlock India" that began in June allowed hotels to reopen, the lack of customers has meant little for them.

A report by KPMG on 1st April (a consultancy and financial advisory company) estimated the job losses at approximately 38 million which comprised 70% of the workforce in the industry. The continuation of this trend will surely impact the employment and income levels across all states. There is usually a surge in bookings during February and March by students planning to go abroad, vacation and leisure travel bookings, pilgrimage travel bookings, etc. Cancellation of bookings and the issue of refunds led to a chaotic situation with the matter going up to the Supreme Court of the country. For innumerable people who were self-employed and freelancers, it came as a bolt from the blue; they were at zero levels of income all of a sudden with little or no financial back-up. Tourism and Hospitality are greatly dependent on the physical movement of customers and psychological comfort during travel and stay away from home. Both these determinants were affected leading to total closure of business and bookings except where it was unavoidable.

Mridula Tangirala who heads tourism at Tata Trust while speaking to "IndiaSpend" commented that July, August and September have always been low revenue-generating months for tourism and was pessimistic about the revival of tourism post-October as the crisis still had not made known its impact completely. ICRA (credit rating agency) in a report dated 23rd March said that hotel occupancy rates had fallen 40%.

Cambridge professor Mr Santosh Mehrotra who is also Chairperson of JNU for Labour Studies has stated that the indirect impact of the COVID-19 pandemic would be immense on the unorganised sectors such as tourism and transport (Mallapur, 2020).

Naina Thakkar who is a practising professional tour guide with 40 years' experience laments that all assignments were cancelled. It is a dire situation as she was part of a group comprising of over 100 such guides and now all of them are left without income as they were paid on an assignment basis by various travel agencies and tourists who were travelling on cruise ships (Mallapur, 2020).

3.4.1 Make my Trip

Make My Trip laid off nearly 350 employees. However, it announced that medical insurance facility for these employees and their families would continue till December 2020.
(Telangana Today, 2020).

3.4.2 Ola and Uber

Ola and Uber also retrenched employees. In the 3rd week of May, Uber said it is removing 600 full-time staff, inclusive of driver/rider support staff (Pune Mirror, 2020). Each affected employee was given 10 weeks payout and was allowed to retain their laptops in addition to medical insurance for the subsequent 6 months (Pune Mirror, 2020). In July, Uber shut down the Mumbai office. In the 2nd week of May, Ola removed 1400 employees (Pune Mirror, 2020).

3.4.3 Hyatt

Hyatt had globally reduced employees by 1300 till 1st June. In India, it removed 120 employees of Park Hyatt Chennai.

3.4.4 Other

Thomas Cook and SOTC retrenched approximately 350 employees in May. FCM Travel Solutions removed 200 workers and also put 15% of workers on leave without pay.

EaseMyTrip removed employees handling its MICE and packages business. Industry sources were reporting about hotels asking non-local (outstation) employees to leave and the rest of their employees to proceed on compulsory leave without pay. These hotels were also not confirming any employees whose probation period was over. Also, a large Indian Hotel chain was contemplating removing up to 20% of employees/staff.

3.5 Construction Sector

The woes of the construction sector were aggravated by demonetisation in November 2016 which drastically affected the informal underground black money lending business on the foundation of which the sector had been dependent. It worsened with the botched up roll out of GST and in 2019 the industry was already facing a crisis due to a fall in new bookings as unemployment levels increased, construction of large flats not as per consumer demand and financial affordability and liquidity problems in banking. The various government initiatives such as RERA Act implementation in letter and spirit and "National Infrastructure Programme" provided a ray of light which however was eclipsed by the clouds of COVID-19 pandemic (Thomas, 2020). This sector employs approximately 50 million workers (2nd largest after agriculture) as per Government of India's official Invest India website (Rawat, 2020).

Sector	**% share in GVA (Gross Value Added)**	**% share in Employment**
Financial Services	22%	3.4%
Construction	8%	12%

The above figures for 2018-2019 clearly show that construction is a labour-intensive industry (Kishore and Jha, 2020).

Key construction projects have been stalled for many days, resulting in huge migrant unemployment. These migrant workers depend on daily wages for survival and hardly have additional savings, and this caused the massive exodus to their villages. This was the worst since the partition of India in 1947. The level of education in sectors such as construction, hotels and restaurants are low (Over 90% of workers in construction have secondary education or below while it is 76% in the manufacturing sector and 70% in hotels and restaurants sector). Further, the informal nature of these sectors makes workers vulnerable to layoffs which is what happened with the lockdown (Das, 2020).

Although Prime Minister Narendra Modi exhorted firms and employers not to reduce wages, the appeal went unheeded mainly due to the lack of clarity of employer-employee relationship as to who the actual employer of the workers was; was it the developer or contractor or sub-contractor. The informal nature of the sector would have made it impossible to make any particular entity accountable and responsible and as usual, each one washed his hands off the financial burden.

3.6 Automobile Sector

The automobile sector was not in the best of times even before March due to many factors such as:

- → A slowdown in the global economy
- → Indian economy growth rate plummeting
- → Lesser consumer spending on luxury goods due to pessimism
- → New pollution emission norms (BS-VI)

The lockdown in March brought production to a grinding halt and sales fell to almost zero levels resulting in factories closure for weeks and reducing the number of shifts. About

350000 workers were laid off since April by auto manufacturers and part manufacturers and car dealers (DNA India, 2020).

→ Japanese motorcycle manufacturer Yamaha, auto components makers Valeo of France and Subros laid off approximately 1,700 temporary workers in India.

→ Subros belonging to Japan Denso grouping and Suziki Motors laid off 800 workers.

→ Indian parts maker Vee Gee Kaushiko retrenched 500 people.

→ Automotive supplier Wheels India said it may reduce its temporary labour by up to 800 workers.

layoffs were a cascading effect of carmakers such as Honda, Tata and Mahindra facing low sales and so suspending production temporarily. The fallout due to this auto slump could be catastrophic as the sector employs 35 million both directly and indirectly and will have a downward spiralling effect on other ancillary and supporting industries such as rubber, steel and auto retail. Statistically, on average, every PV (Passenger Vehicle) dealership has 100 direct and 100 indirect employees. According to the Federation of Automobile Dealers' Association (FADA) data, recently some 300 dealerships have closed (ETAuto, 2020). At least 7% of temporary workers employed by 15 automakers in India have lost their jobs in recent months, said Vishnu Mathur, director-general at the Society of Indian Automobile Manufacturers (SIAM). He believes that it is a conservative estimate based on the initial analysis (News18, 2020).

3.7 MSME Sector

50-70% of MSME (Micro, Medium and Small Enterprises) are located in 7 Indian States:

State	Percent
Uttar Pradesh	14%
West Bengal	14%
Tamil Nadu	8%
Maharashtra	8%
Karnataka	6%
Bihar	5%
Andhra Pradesh	5%

As mentioned by Misra (2020) the jobs are often undertaken by the migrant population in this sector. The massive migration of workers in April stands testimony to the extent of devastation caused in this sector. What made the problem worse was the fact that MSME was facing numerous problems even before COVID-19 struck. Many individuals were unregistered, therefore, governments had no clue as to how to include them in the relief programs; in fact, some of them were too small to even qualify for GST threshold of registration. The bulk of such firms employed 2-9 workers, with a sizeable proportion of whom constituted migrants. Lack of financing as already a chronic issue facing them even before the pandemic. Banks provide Rs.11 trillion credit to MSME which is less than 1/3rd of the actual requirements. With the lockdown, they were left looking down an abyss of never-ending misery as the inflows reduced to zero leaving them with no option other than asking workers to leave or go without wages for the lockdown period (Misra, 2020).

A joint survey conducted by SKOCH along with Federation of Indian Micro, Small and Medium Enterprises and Tax Law Educare Society estimated 25-30 million job losses by the end of June and also predicted additional job losses of 10-15 million jobs by August end (Dhasmana, 2020). The figure below illustrates the percentage by which the workforce (in MSME's) have reduced since March 2020.

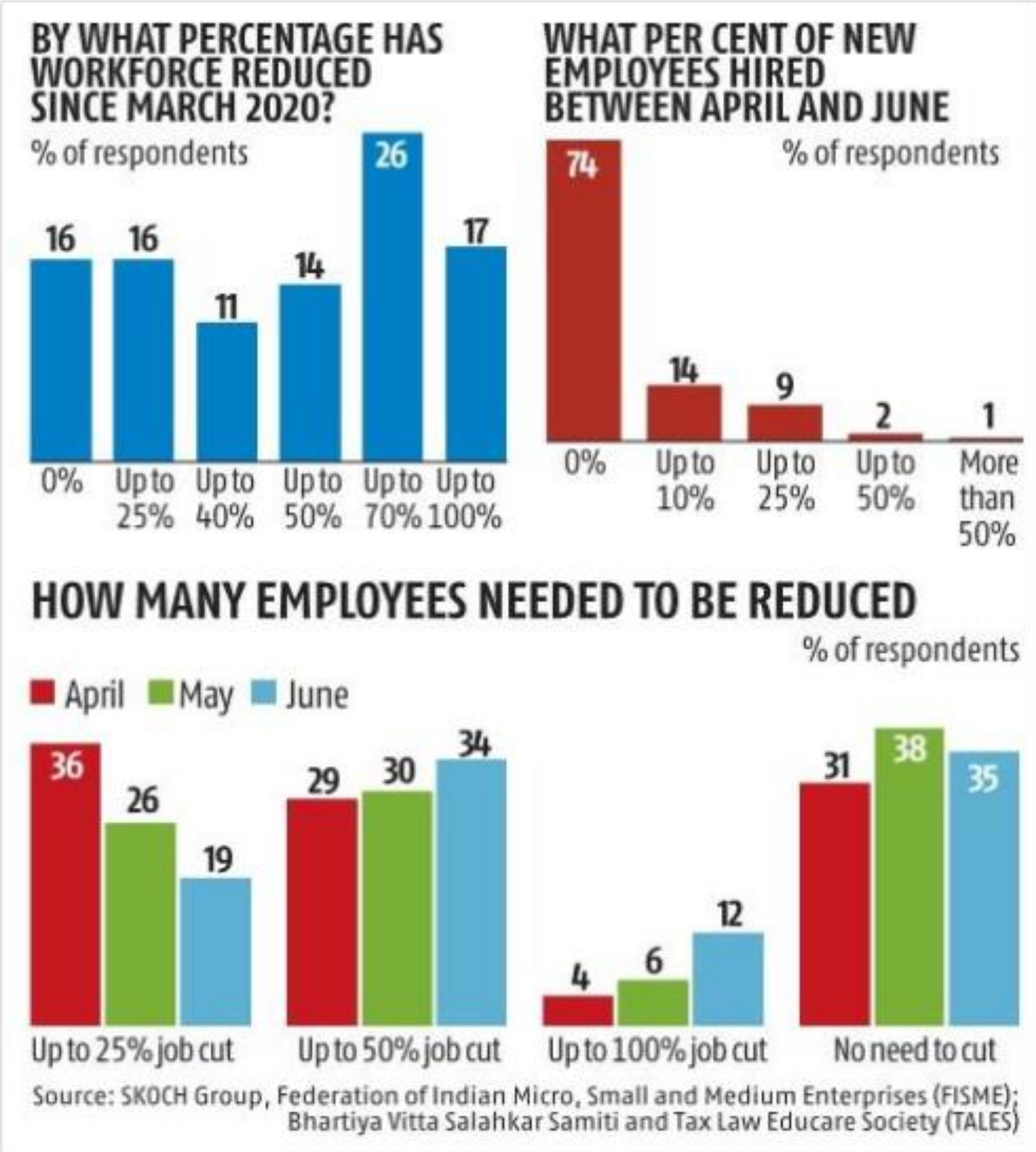

Figure 12 (Dhasmana, 2020)

Senior officials of the MSME department, in a presentation made before Parliamentary Sanding Committee, voiced serious concerns of the probability of 100 million job losses due to the recession that was worsening with each passing day of the pandemic. Moreover, 50% of the COVID-19 cases are in areas that generate 72% of industrial production. MSME was going down even before March and now they were without fresh orders and zero financial support staring at a bleak future.

3.8 Hidden Unemployment

An unintended and unanticipated fall out of COVID-19 has been in the form of underemployment, which in this case primarily refers to disguised unemployment. According to NewsClick, while official statistics state that the unemployment rate has fallen since June 2020 (it was 11% in June and reduced further to approximately 9% in July), one glaring fact which has been ignored due to oversight is that the majority of employment has been created in rural agricultural farm employment. Disguised unemployment occurs when there are more people employed in a certain activity than needed. This means even if these "extra" workers are removed, total output will remain the same. This is precisely the situation facing India today. A mere increase in rural farm employment in numbers without a corresponding increase in the output is in no manner contributing to the GDP. It is only a case of "technically" escaping the unemployment count. In fact, surplus labour in farms and rural areas is only going to worsen the wage rates, thereby further decreasing the income levels of many individuals working on farms. Therefore, this will lead to consumption levels falling, thus having an adverse impact on GDP. Now with the harvest season approaching an end in a couple of months, these "employed" workers will be devoid of jobs.

Another type of hidden unemployment that has seen a phenomenal rise is "underemployment". Underemployment exists when an individual performs a job that requires a lower level of skill or lower qualifications than they possess. An example is Mr. Ram Gaur who has directed the Hindi soap "Balika Vadhu". It is a popular show with one of the biggest audiences in the country. However, due to the lockdown, he has now taken up to selling vegetables as a means of livelihood.

With a massive loss of jobs in the salaried class, people who have lost their jobs have been forced to take up jobs that are not only paying lower but also in an entirely new field. An example is Mr. Manas Kumar, who was working with an automobile organisation and lost his job (DW, 2020). He is now working at a lower salary in the communications department of an organisation, another classic case where we cannot count him as unemployed but clearly is leading to a fall in GDP as it is underemployment.

According to various surveys conducted by the Centre for Monitoring Indian Economy (CMIE), India has an approximate workforce of 520 million (DW, 2020). Out of this, up to 200 million are estimated to be underemployed or employed but earning less than 50% of what they were earning in their previous jobs before COVID-19 led to job losses.

4.0 VACCINE

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A doctor needs to administer the correct medicine to the patient depending on the type of ailment. Given the unique situation created due to COVID, a single medication is not the cure for the differing ailments prevailing in the country. These recommendations are dosages – specific measures for the sectors most affected.

The recovery needs to be addressed from both the social and the economic viewpoints. Social would include consumer and environment. There is a need to ensure that the solution is long term and shockproof from similar scenarios in the future.

The following section will now present solutions by sector.

4.1 Aviation Sector

The recovery needs to be addressed from both the social and economic viewpoint. The social viewpoint would address the consumer and the environment. It is important to ensure that the solution is long term and shockproof from similar future scenarios.

4.1.1 Renewable energy

A high amount of operating expenses comprises of fuel for aeroplanes and electricity for airports. In recent years, many environmentally friendly energy resources have been developed and are available at a low price compared to the conventional electricity grid. Airports would do well if they switch to these cost-effective renewable energies thereby saving on electricity and it would result in substantial savings as airports need to operate 24 hours and 365 days.

4.1.2 Reductions in Tax

While government support in the form of payment protection programs would act as a painkiller, it would not cure the ailment. It would be a short-term crisis management tool at its best and nothing more. The government needs to come up with a package that offers tax concessions along with loans at a subsidised rate of interest to bail out the aviation industry. An immediate measure that the government could implement is urgent tax relief to airports for ensuring business continuity and protecting airport jobs, accompanied by a one-time waiver of airport rents for a predefined time.

4.1.3 Redesign of seats

Airlines need to also address the immediate concern facing passengers which is fear and safety. It needs to be done in a non-obtrusive manner and such that it could potentially become a USP.

Keeping the middle seats vacant as is being done in some cases would not be an economical solution. It means foregoing 1/3rd revenue and is not a sustainable and profit-making proposition in the long run. However, innovative solutions in the long run such as redesigning the seating structure may be appropriate. Stewart (2020) states that there is a proposal by Aviointeriors (an Italian firm specialising in designing) to make the middle seat of the airlines facing backwards and also making a rigid shield of plastic around each seat.

4.1.4 Other

Damania (2020) provides a few suggestions to mitigate the problems in the aviation sector:

- → VAT on ATF by state governments, which ranges from 0-30 %, should be rationalised with immediate effect to a maximum of 4 per cent across all states for the next six months.
- → Bring aviation turbine fuel under 12% GST rates and provide 100% input credit of tax for all goods & services.
- → For airlines and all allied aviation businesses, provide a waiver for space rentals charged by AAI and private airport operators and also waiver on various charges currently levied for route navigation, landing and parking facilities for next 1 year.

4.2 Tourism and Hospitality Sector

A massive package of Rs.20 trillion announced by India in May came as a source of disappointment as there was nothing to address the pain of one of the most affected sectors due to COVID-19.

The policy federation of all national associations representing the complete tourism and travel and hospitality industry of India proposed a dedicated interest as well as a collateral-free long term fund for paying salaries and operating costs. Also, this applied to a minimum of 12 months of complete waiver of fixed central and state statutory and banking liabilities without any penal or compounding interest which was not addressed (Tewari, 2020).

4.2.1 Subsidies

An immediate measure suggested by Hotel Association of India (HAI) includes government subsidy for employee salaries, GST collected to be used as working capital for six months, which should be considered by the government as life-giving oxygen and implemented (Outlookindia, 2020).

4.2.2 Reductions in Tax and Multiplier effect

A short-term fiscal measure that could be certainly implemented is reducing GST on tourist vehicles, dining and travel and hotel accommodation. This will reduce the price and may attract more consumers. 18% GST in these times is certainly not helping the cause of the industry nor is it going to achieve significant inflows for government indirect tax revenues. It would make better economic sense to focus on increasing volumes of transactions and bring back consumer confidence levels. With disposable incomes reduced, not many consumers would likely venture out for a holiday unless it is financially attractive to do so. The icing on the cake would be to allow expenses on hospitality and hotel accommodation to be made eligible for tax exemptions from income tax up to a certain amount. This can be implemented for a period on one financial year. It will help to create a multiplier effect and increase the GDP by stimulating the economy much more than the initial amount spent. The initial spending by tourists will result in much-needed oxygen of finance revenue for cabs and hotels. This will help generate income and employment for cab drivers and hotel staff. They, in turn, will spend on food and household expenses which will provide a fillip to the retail and food industry and thus create a spiral in the upward direction.

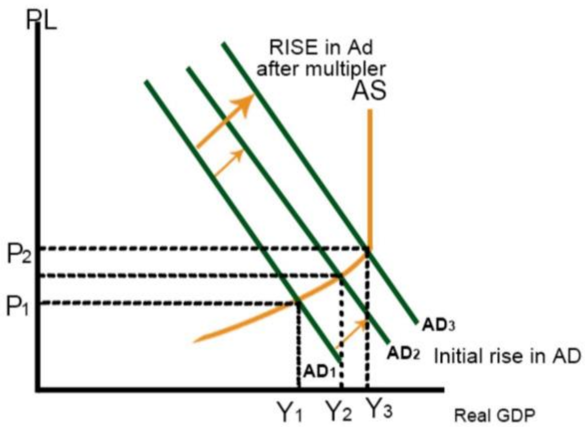

Figure 13

4.2.3 Provision of vouchers to employees

Government offices and private firms should mandatorily provide vouchers to employees instead of LTA (Leave Travel allowance), in cases where LTA is part of the compensation package / CTC. Employees should be restricted from encashing LTA for 2 financial years. They either use the vouchers of the equivalent amount provided to him or forfeits the amount.

4.2.4 Advertising and Nudge Theory

As a long-term measure, there should be a focus on making India a desired tourist destination. This can be achieved via a 2-pronged strategy of leisure with safety. This would require the Nudge Theory by way of positive advertising. The advent of social media has been a boon and it can be used for promoting India as a safe place in all health aspects and assure foreign tourists of a safe and enjoyable visit. The government could look at a dedicated social media cell for promoting and monitoring tourism packages.

4.3 Automobile Sector

Countries across the globe are announcing measures to revive the automobile sector. An article by ETAuto (2020) presents numerous measures that other countries are taking to reduce the impact of coronavirus. Firstly, it states that the US Government has announced USD 2.2 trillion economic rescue package for U.S. businesses hit hardest by the coronavirus pandemic, including the auto industry. It also states that China has given tax concessions and provided subsidies for new energy vehicles, such as electric or plug-in hybrid cars, for 2 years. South Korea has committed to providing liquidity and financial support to its automobile industry in addition to speeding customs clearances and logistic support which includes freight transportation. European Central Bank has launched the Pandemic Emergency Purchase Program to purchase sovereign bonds and commercial papers from member states and commercial companies to infuse €750 billion and maintain liquidity in the financial system.

India would do well if it takes a cue and announces a policy to deal with the slowdown in this sector. Urgent action is imperative to protect 35 million jobs in the industry.

Some measures suggested by SIAM (Society of Indian Automobile Manufacturers) are mentioned below (ETAuto, 2020):

→ Reduction in GST – should be implemented immediately as a fiscal measure

→ Initiating a major procurement programme by state transport undertakings (STUs) – medium-term solution

→ Include wholesale and retail trade and repair of motor vehicles and motorcycles in MSME Development Act of 2006 - should be implemented immediately as a supply-side policy as subsidies and incentives received under this Act would provide liquidity of finance to network partners/ dealers and help improve their liquidity.

→ Localisation to reduce dependence on China imports – supply-side policy

The government should adopt a supply-side policy of encouraging research and development and provide infrastructure and facilities for the same and provide education and vocational training a nominal cost to create an employable pool of mechanical and automobile engineers. An indirect tax holiday for a period of 1 year can be declared as a fiscal measure to stimulate consumer spending and increase Aggregate Demand.

Currently, the government is in the process of formulating a scheme to double exports of vehicles and also in the next 5 years. This is India's effort to create 'champion' sectors to attract investment, generate jobs and boost manufacturing. However, Vina Piparsania who works at Counterpoint Research as consulting director (automotive) says that for ensuring the success of this scheme, it is critical to keep the rules and processes/conditions simple and unambiguous and avoid linking it to sales revenue targets (NDTV, 2020).

4.4 Construction Sector

4.4.1 "Atma Nirbar" Mission

The "Atma Nirbhar" mission launched by the government in May was implemented with the vision of making India a "Self Reliant" nation. It was welcomed by the industry in general. Two critical concerns were addressed. Namely, pandemic disruption will be treated as "force majeure" under the Real Estate (Regulation and Development) Act and all timelines for project completion were extended by six months (Nadgaonkar, 2020). In addition, the government also provisioned Rs.300 billion for a Special Liquid Scheme for Non-Banking Finance Companies (NBFC), Micro Finance Institutions (MFI) and various Housing Finance Corporations and these carried a guarantee of the government.

The pandemic has shifted the demand for housing to Tier II and Tier III cities primarily due to reverse migration, lower construction cost and large space availability. Developers such as DLF, Omaxe and Alpha Corp have shifted their focus to smaller cities to monetise their existing landholdings.

Prior to COVID-19, the housing sector was already witnessing a lot of unsold inventory. The government had announced several measures to stimulate the sector such as tax benefits, RERA Act, PMAY, and GST for infusing demand. This resulted in a gradual increase in real estate. In 2018 and 2019 there was a tremendous increase in demand for affordable housing and mid-income housing which led to many luxury players launching projects for the affordable housing target segment. However, the advent of COVID-19 spelt the doomsday for the construction industry.

The one critical fact that developers need to acknowledge is that demand for luxury housing is not a sustainable concept in the long run and they need to stop behaving like an ostrich burying its head and refusing to see the impending danger. Demand for affordable housing will zoom as people have realised that real estate is an asset in dire times. Developers need to launch more affordable housing projects or a housing project which offers a mix of 1 BHK and 2 BHK houses in Metros especially.

Labour codes which have been announced will ensure better compliance and benefits for workers. The Rs. 700 billion provision for housing through extending CLSS will create job opportunities causing investment of Rs.700 billion in housing and have a multiplier effect, it will stimulate demand for cement, steel, transport. Affordable Rental complexes for migrant workers (similar to Kerala) and urban poor will reduce urban slums and address housing needs for migrants. The government has also increased the threshold to Rs.10 million under Insolvency and Bankruptcy Code (IBC) which will surely reduce the operational/working capital and financial pressure (moneycontrol.com, 2020).

4.4.2 Expansionary monetary policy

The government has been reducing the interest rates as part of its expansionary monetary policy. It has extended the CLSS scheme (for affordable housing) till March 2021 to support the middle-income group (Annual income Rs.600 thousand to Rs.1.8 Million). Currently, there are 1.562 million under-construction units across seven top cities in the country, nearly 39 per cent of which are in the affordable segment, according to ANAROCK (NDTV, 2020).

4.4.3 Labour market

In the long run, the woes of unemployment can be addressed by attacking the root cause which is formalising the informal labour market. A peculiar situation is formed today, where workers are unable and unwilling to return to work sites especially in Metro cities. This unemployment can be attributed to labour market rigidities where the worker fears being left in the lurch should another wave of pandemic occur again. It has created fear of insecurity and this needs to be resolved permanently as a long-term solution. Measures and legislations that would assure labourers of their health and livelihood are the cruces to address this as a permanent solution. Mandatory registration of workers and providing them with a payment protection plan up to 1 month of wages should be made compulsory for developers across all projects. This provision can be included under RERA Act as a precondition to granting various permissions. On its part, the government can come up with an unemployment insurance scheme that is automatically activated in times of disasters and pandemics. The premium for such schemes can be a nominal amount similar to the travel insurance of Rs.0.49 charged by Indian Railways. Land reforms are also long overdue and the obsolete Rent Control Act needs to be abolished and rents brought in sync with market rents especially for commercial rentals. This will help to free up sizeable land portions especially in cities such as Mumbai. Political will is required and the government needs to bite the bullet and consider economic criteria rather than political compulsions.

4.5 MSME Sector

The Medium and Small Enterprise Sector was the worst affected due to the pandemic. This reality was also acknowledged by the government which moved on a war footing to resolve the problem.

4.5.1 Short-run policies

As mentioned by the Ministry of Micro, Small and Medium Enterprises (2020), various initiatives were undertaken. This is presented below:

- → Urging the public for social distancing via social media and posting infographics on Facebook and Twitter
- → MSMEs manufacturing medical items (39) and Auxiliary items (61) – Preparation of list of MSMEs, Sharing the list with the State Govt. and GeM, Facilitation for passes for the functioning of units, UAM/GeM/GST Registrations, Facilitating for Credit etc.

- → Steps that were undertaken by KVIC:
    - o Distribution of food packets in Delhi, Jammu, Nagpur, Bengaluru, Thane, Palghar, Jaipur, Coimbatore, Patna, Varanasi, Cuttack and Hyderabad
    - o Release of 1000 rupees per month to registered artisans from the AWFT, (Artisan Welfare Fund Trust).
- → Steps that were undertaken by COIR Board:
    - o Coir Association (COCOMANS) Pollachi and Coir Board members provided all vegetables and food to public and Coir workers in Coimbatore Districts
    - o Coir Board through coir industries and associations provided shelter, mask, sanitizer and food to all coir workers during the lockdown
- → Steps that were undertaken by NSIC:
    - o MSMEs availing Raw Material Assistance against Bank Guarantee before 01/03/2020 allowed moratorium of 03 months for repayment of outstanding dues
    - o Accounts of MSMEs to be frozen to avoid outstanding in the books in cases where outstanding is going to touch 99.99% of BG value.
    - o Godowns of essential commodities like Polymers in Field Offices allowed to carry out operations

The government of India signed an agreement in July with the World Bank of $750 million intending to address the immediate credit and working capital requirements of approximately

1.5 million MSME to ensure their survival and subsequently protect worker jobs in these firms (Saxena, 2020).

The COVID package announced in May addressed major areas as follows (Sahay, 2020):

→ Collateral free loans up to Rs.3 trillion for 4-year tenure automatic loan. SME are exempted paying any principal component of a loan in 1st year.
→ Rs 200 billion of subordinated debt for MSMEs facing equity problems to enable functioning which are NPA (non-performing assets) / economically stressed.
→ Change in definition of MSME to encourage them to grow and not lose on benefits given to by MSMEs.
→ Procurement tenders b government up to Rs 2 billion will be restricted for global players, allowing MSMEs the chance to compete.
→ The government will pay all due to MSMEs in the next 45 days by June end.

4.5.2 Long-run policies

In the long run, MSME needs to be insulated from pandemics, Chinese products and a fall in Aggregate Demand. It calls for making it easy to start an MSME and eliminating red-tape so that even a layman can dream of and start a business. The current framework is involving elaborate paperwork and small firms and individuals would be unable to produce the entire gamut of documents nor would they have the finance to acquire expert services. Rather, it may be beneficial to have a single identification source for the MSME such as Aadhar Card or PAN or Company GST. MSME should be allowed exposure to become public limited companies sot that they can access additional sources of finance. Production activities that are more technology-based should be encouraged by providing grants and subsidised loans for R&D activities of MSME. Importing global technology needs to be encouraged with the objective of improving product quality.

4.6 Rural Unemployment

Although the agricultural sector and related activities were categorised under essential goods and were exempt from the lockdown, the lack of workers in markets and reverse migration of migrants disrupted the smooth functioning of all agricultural related activity. Nearly 70% of India resides in rural areas and so it is imperative to address this area of concern.

4.6.1 Short term policies

The situation calls for immediate action from the respective state governments and central government to directly procure produce from the farmers, thus assuring them of income inflows. Hygiene and safety measures should be implemented across all mandis and a dedicated medical team needs to be assigned for every mandi so that immediate response can be made available for any medical case. Perishable goods (fruits and vegetables) also should be procured by FCI (Food Corporation of India) and also malls directly from the farmers. Here the intervention of government is needed which can appoint a nodal officer for every village. The "Talati" can be appointed as nodal officer and he can be given access to the online facility as most of them already have computer access with internet facility. This nodal officer can register the farmers online on a common portal created for this specific purpose. It would be similar to Naukri.com where candidates register themselves and then the employers scan and choose from the biodata of prospects. Such an online tool will serve a dual purpose of maintaining social distancing as well as ensuring a steady revenue inflow for rural farmers.

The PM-Kisan scheme is currently covering farmers who are given Rs.6000 directly via cash transfer to their bank accounts annually in 3 instalments. It would be advisable to extend the same for migrants and landless labourers who have reverse migrated. Also, the MGNREGS has a facility for paying unemployment allowances. This can be used for now as there would not be sufficient available work opportunities under MGNREGS, given the millions of migrants who have reverse migrated.

Also, since the sowing season and harvesting season would be on, for now, credit inflows to farmers must be made easily available, as a priority. RBI has suggested a direct cash transfer scheme to beneficiaries as either self-help groups or individual borrowers and giving loans only via KCC (Kisan Credit Card) (Business Today). This policy will surely help farmers in time for the Kharif season and also save farmer exploitation from village moneylenders.

4.6.2 Long term policies

MGNREGA is a reliable scheme but it can only provide subsistence-level wages. Also, it may not be possible to create as many jobs as the number of workers currently enrolled. The centre needs to give a massive boost and spend heavily on building infrastructure, schools, hospitals across rural India. It can revive schemes such as PM Gram-Sadak-Yojana and Awas-Yojana-Grameen. State Bank of India and other rural banks can enrol and train people to come to bank-mitras and thereby also extend the reach of our banking services in areas that were earlier inaccessible for banking (Businessline, 2020).

4.7 The importance of education for long-run development

COVID-19 pandemic affects different sectors in different ways. The extent of adversity depends on the sector involved. Jobs that can be shifted online will be less affected such as web designing and coaching classes. These also involve skilled and educated workforce which is also occupationally more mobile as compared to uneducated labour and so may find it easier to make the switch online and in worse case of losing a job, also probably find another job even though it may pay less. However, labour-intensive industries such as construction which cannot be shifted online and involve low educated and low paying jobs are more likely to be at the receiving end of the unemployment chaos. These sectors will account for the majority of the job losses pushing the already low-income wage earners below the poverty line.

Table 3: Distribution of workers across sectors by educational qualification (2018-19)									
Classification (NIC 2008)	Not literate	Literate without formal education	Literate Below Primary	Primary	Middle	Secondary	Higher Secondary	Graduates & above	Total
Agriculture	37.50	0.42	6.80	15.21	19.77	9.96	6.64	3.71	100
Mining & Quarrying	20.91	0.07	10.31	12.02	21.33	12.54	10.66	12.15	100
Manufacturing	14.00	0.33	5.70	15.79	25.71	14.62	13.89	9.96	100
Electricity, Gas & Water supply	13.33	0.35	3.00	8.15	18.29	15.08	20.29	21.53	100
Construction	27.72	0.62	6.60	18.35	25.86	11.25	6.51	3.10	100
Trade, Hotel & Restaurants	11.13	0.30	4.55	11.98	24.73	17.09	15.86	14.35	100
Transport, Storage & Communication	9.94	0.33	3.85	12.97	25.58	15.05	12.30	19.99	100
Finance, Business, Real Estate	3.00	0.12	1.35	4.61	11.71	10.41	16.08	52.73	100
Health, Education, Public Admin	10.30	0.21	2.68	7.31	13.67	11.45	15.11	39.28	100
Total	24.30	0.38	5.56	13.88	21.28	12.09	10.30	12.22	100

Source: Kapoor (2020) based on PLFS 2018–19 unit data

Figure 14 (Kapoor, 2020)

The figure above illustrates the distribution of workers across sectors by educational qualification. It is evident that the professions that have less-educated workers. For example Agriculture and Mining and Quarrying) are less occupationally mobile, and these workers are most likely to face difficulties during major global events such as the COVID-19 pandemic.

Therefore, the government must allocate more funds into the educational sector of the economy, to increase the level of human capital. Thereafter, to create an environment that enables technological innovation and the diffusion of new ideas that leads to the accumulation of human and physical capital, it is essential to establish inclusive economic and political institutions (Snowdon, 2015). The establishment of inclusive institutions will not only benefit the technological development in India, but it will also encourage FDI flows, which can propel the economy into periods of growth.

5.0 CONCLUSION

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The COVID pandemic is unquestionably one of the most significant difficulties that have influenced both the lives and livelihood of vast areas of the populace around the world. India is no exception and like other countries internationally, India is putting forth all attempts to recoup and come out stronger from this crisis.

This paper aimed at the livelihood aspect, socially and economically, with the main focus on the financial angle.

The government endeavours to battle this danger needs to include 3 phases:

Phase 1 which is prompt measures (Reactive measures)

Phase 2 which is short-run measures (Influencing Aggregate Demand – Fiscal policy)

Phase 3 which is measures over the long haul (Increase the capability of the economy – Supply-side policy)

Phase 1 has been actualized in April and May through direct cash transfers of Rs.500 in 'Jan Dhan' accounts, giving a driving force to the rural employment scheme (MNREGA), free government hospitalization for COVID patients and providing ration of rice and grains to the worst affected sections of the population, including the distribution of cooked nourishment for those who cannot afford the same. Phase 1 was imperative in the light of the widespread misery and loss of employment that had fanned out quickly over the country. These immediate measures were a reaction to the financial chaos and they did their job successfully to an extent despite the debatable the degree to which the relief reached the targeted group of population. However, these measures helped to diminish the difficulties caused on a larger scale. NGOs and individuals additionally should be praised for coming forward and assuming a significant role in dispensing food and materials and liberally adding to relief funds. Mr Ratan Tata who submitted Rs.5 billion via Tata Trusts and Mahindra group by offering their hospitality business premises as a clinical centre is a prime example.

Phase 2 and Phase 3 need to go hand-in-hand for which the government has made its intentions clear through measures like the Rs.20 trillion program and the "Atma Nirbhar

Bharat" strategy. Fiscal policy was actualized perfectly by the method of increased government spending. While decreasing income tax was another choice, it was not the fitting choice during these circumstances and the government did properly address the angle as decreasing income tax would have just increased the savings of consumers who are pessimistic about their job and thus would have abstained from spending, in this manner negligibly affecting the increase of the Aggregate Demand. The Amanirbhar Bharat program that incorporated an additional allocation of Rs.400 billion for MGNREGA was a welcome step in government spending to increase Aggregate Demand. Nonetheless, many other fiscal measures that were announced were only a repackaging thus they were not up to the ideal levels. They involved mere rerouting of existing funds such as Rs.500 billion for Garib Kalyan Rojgar Abhiyan which was a simple consolidation of projects of 12 ministries.

The central bank additionally executed an expansionary fiscal policy by reducing the repo rates from 515% to 440% and by diminishing the liquidity coverage requirements to 80% from 100% for banks to infuse liquidity in the economy. The government focus on paying all MSME dues inside a 45-day timetable was likewise a welcome step to infuse cash for working capital among the MSMEs.

While demand-side fiscal and monetary policies will surely help beat the momentary economic issues, the government needs to take a look at long-term supply-side policies which will make our economy shockproof by expanding the potential. This approach is similar to a vaccine that will make the population immune to COVID. Interventionist supply-side policies like the government spending on education and health care will not just aid in increment the AD but also assist with expanding the potential by developing a skilled and healthy workforce. This ensures an improvement in profitability levels. Similarly, the government support given to the MSMEs will go far in encouraging more entrepreneurs and businesses to set up and increase their potential output. Market-based supply-side policies such as decreasing the interest rates will urge firms to expand investment and thus, increment the productive capital of the economy. For the long run, investing in cold storage and warehousing offices at district levels and reinforcing the supply chain across the nation will guarantee a smooth continuation of daily activities and avoid disruptions.

These positive developments combined with the extra measures formulated upon additional research and statistics would support the revival of the economy. The combination of fiscal policies with emphasis on government spending will address short-run cures and ought to be managed without stressing right now over the fiscal deficit. Supply-side policies, both interventionist and market-based will address the long-run remedies. The blend of fiscal and supply-side policies will ensure that the Indian economy is not just ready to recoup its losses but also become immune and vaccinated from similar situations in the future. The need is to implement these measures and not delay time and resources by an empty talk by the government. Effective actualization and consistent checking at the micromanagement levels is critical for the Indian economy to be stable again and, eventually, surge forward.

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