

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

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Introduction

- The World has been experiencing COVID-19 pandemic since December 2019.
- It spread to 215 countries and territories in the World
- World Bank says that the COVID-19 recession will be the worst global recession since 1945-46
- Indian economy has been experiencing the worst recession since 1947
- This is a preliminary attempt to examine the impact of COVID-19 on Kerala's economy.
- Here we examine the impact on GSDP, employment, unemployment and migration

Table 1
Spread of COVID-19 across the World

Month/Date	Total No. of Cases	Active Cases	No. of Deaths
1 February	14,553	13,921	304
1 March	88,586	40,414	3,050
1 April	9,40,002	6,96,376	49,442
1 May	33,53,067	20,14,686	2,41,377
1 June	63,49,585	30,26,172	3,82,487
1 July	1,07,73,123	42,88,687	5,22,071
1 August	1,79,92,754	59,72,372	6,91,359
1 September	2,59,08,375	68,68,699	8,65,470
Month/Date	Growth Rate (%)		
1 February	-	-	-
1 March	508.7	190.3	903.3
1 April	961.1	1623.1	1521.0
1 May	256.7	189.3	388.2
1 June	89.4	50.2	58.5
1 July	69.7	41.7	36.5
1 August	67.0	39.3	32.4
1 September	44.0	15.0	25.2

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

Spread of COVID-19 in the World

- The pandemic spread to an unprecedented speed throughout the World.
- By July 1, 2020, the total cases increased to 107.73 lakh and total death to 5.22 lakh
- There has been a spurt in the growth of cases in July and August 2020.
- By September 1 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.
- Mobility of people within the country and outside came to a halt.

- Operation of all modes of passenger transport – road, rail, water, air – was stopped.
- People who went to foreign countries for jobs, studies, business and other purposes stranded there.
- The pandemic has created a panic situation throughout the World.
- It created multiple crisis in several fronts: health, travel, economy, finance, production and output, employment and unemployment, prices, emigration and remittances, fiscal situation of governments etc.

Table 2: Status of COVID-19 Cases in India

Month/Date	Total	Active	Death
2 February	2	2	0
2 March	5	2	0
1 April	2,059	1,829	58
1 May	37,263	26,007	1,231
1 June	1,98,371	97,008	5,606
1 July	6,05,221	2,27,405	17,847
1 August	17,52,171	5,67,419	37,408
1 September	37,66,108	7,99,534	66,460
Month/Date	Growth Rate (%)		
2 February	-	-	-
2 March	150.0	0	0
1 April	41080.0	91350.0	0
1 May	1709.8	1321.9	2022.4
1 June	432.4	273.0	355.4
1 July	205.1	134.4	218.4
1 August	189.5	149.5	109.6
1 September	114.5	40.9	77.6

Sources: <https://www.covid19india.org/>

COVID-19 in India

- The 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 went up to 37.66 lakh and deaths 66,460.
- The states having the largest number of cases are Maharashtra, Andhra Pradesh, Tamil Nadu and Karnataka.
- The 68 day national lockdown has resulted in severe damage to all sectors.
- Top six industrialised states in India that account for 60 percent of industrial output are in red and orange zones.

Forecast of GDP of India for FY2021

- 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
- CARE rating (-)6.4 percent growth
- Most of the projections of GDP give dismal picture.
- More pessimistic projections are made compared to April 2020. The Indian economy has been experiencing the worst recession since 1947.

Employment Loss

- The COVID-19 has resulted in huge loss of employment in all sectors of the economy.
- According to CMIE total jobs lost was 12 crore in April 2020
- In June, the number of jobs was just 30 million less than the FY2021 (average)
- The CMIE estimates that the unemployment rate had increased 24% in May 17, 2020.
- The rural unemployment rate was 23% and urban 27%

Table 3: Status of COVID-19 Cases in Kerala

Month/Date	Total	Active	Death
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
Month/Date	Growth Rate (%)		
30 January	-	-	-
2 February	100.0	100.0	0
2 March	50.0	-100.0	0
1 April	8733.3	0	0
1 May	87.9	-56.9	100.0
1 June	166.5	594.1	175.0
1 July	246.2	200.8	136.4
1 August	438.6	410.0	215.4
1 September	209.3	107.3	264.6

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

COVID-19 in Kerala

- The first COVID-19 case in India is reported in Thrissur District
- The growth in number of cases was very small up to 1 May 2020
- But there has been a spurt in growth in July and August 2020
- By September 1 the total cases was 76,526 and deaths 299
- As on September 8, the districts having the largest number of cases is Thiruvananthapuram.
- Districts viz. Malappuram, Ernakulam and Kozhikode districts rank second, third and fourth position.
- The districts reported the largest number of death is Thiruvananthapuram.

Impact of lockdown on GSDP of Kerala

- Kerala has implemented lockdown for 69 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 stopped.

- This has paralysed almost 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 given.
- In the third phase of 28 days (May 4 – May 31) more relaxation were given.
- 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.

Method of Estimation of loss of GSDP

- Following method is used to estimate the loss of GSDP due to lockdown.
- We have taken the sector wise GSDP data for 2018-19 of DES
- The rate of loss of state income for each sub-sector and sector is worked based on the reports published in print and electronic media on the economic effect of lockdown.
- The GSDP loss was estimated for three phases separately.
- The estimate is a lower approximation by about 10 percent as we have taken GSDP data for 2018-19 as base.

Table 4
Loss of GSDP due to 69 day lockdown in Kerala

Item	% of loss for 27 day with strict restrictions	% of loss for 14 day with small relaxation	% of loss for 28 day with large relaxation
Primary	74	55	47
Secondary	88	82	71
Tertiary	79	69	58
Total GSVA at basic prices	81	71	60
Gross State Domestic Product	82	72	61

Note: Based on GSDP 2018-19, Quick Estimate

Table 5
Total Loss of GSDP for 69 day lockdown in Kerala
(₹ in crore)

Item	GSDP 2018-19 (Q)	Total loss of GSDP for 69 days	Loss as % of GSDP 2018-19 (Q)
Primary	77791	8718	11.2
Secondary	176224	26633	15.1
Tertiary	446296	57475	12.9
Total GSVA at basic prices	700311	92826	13.3
Gross State Domestic Product	781653	105431	13.5

Q: Quick estimate

Estimated loss of GSDP for 69 days

- According to our estimate the total loss of GSDP during the first phase is about 82% (Table 4).
- During this phase secondary sector witnessed severe loss of GSDP (construction & manufacturing)
- In tertiary sector severe loss is reported in transport, storage, financial services, real estate, other services etc.
- During the second phase the total loss of GSDP is estimated as 72%.
- In the third phase due to large relaxations in lockdown, the situation improved.
- During this phase the total loss of GSDP is estimated as 61%.

- The total loss of GSDP for 69 days is estimated as 105431 crores (Table 5).
- This is equivalent to 13.5% of GSDP for the year 2018-19.
- The estimate is an underestimate (around 10%) as we have taken GSDP 2018-19 as base.

Based on this we can arrive at the following conclusions.

- 1) The loss of GSDP due to lockdown is huge and the present recession is likely to become a depression.
- 2) During the year 2020-21, the GSDP is likely to register a negative growth rate.
- 3) There will be an unprecedented fall in production of goods and services and employment during 2020-21.

Table 6: Loss of Employment due to 69 days lockdown

Industry 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 service	2.74	✓
4	Information and communication	1.47	
5	Financial and insurance	2.97	✓
6	Administrative and support service	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	✓

*usually working persons (ps+ss) as per NSO survey Source: NSO (2019)

Periodic Labour Force Survey 2017-2018

Impact of lockdown on employment

- As per NSO survey of the total workers in Kerala, primary sector account for 20.11%, secondary 31.07% and tertiary 48.48% (Table 6).
- We attempt a rough estimate of loss of employment during the lockdown period.
- Lockdown has inflicted not much damage to agriculture and allied activities.
- According to our estimate the loss of employment in manufacturing sector was more than 50%.
- Construction sector suffered severe loss of employment due to lockdown (More than 50%)

- In tertiary sector, the following sub-sectors suffered more than 50% loss of employment.
- They are 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.

Table 7
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
Person	37.8	32.9	29.3	100.0

Source: NSO (2019) Periodic Labour Force Survey 2017-2018

Impact of lockdown on informal sector employment

- 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 7)
- 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 worked in all sectors viz. primary, secondary and tertiary.

- Almost all migrant workers from other states are casual workers.
- The subsectors which suffered severe loss of employment are mining and quarrying, construction, transportation and storage, accomadation 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.

Huge loss of employment

- Due to COVID-19 there is no demand for some of the services and activities. Example: travel and tourism, which provide direct employment to more than 10 lakh people
- Similar is the situation with regard to entertainment activities (Film production, cinema theatres, drama, stage programs etc)
- Majority of the private educational institutions are closed due to lack of demand (nursery schools, parallel colleges, coaching centres, other private educational institutions etc)
- Lack of demand for passenger transport led to the stoppage or substantial reduction in transport services (buses, tourist vehicles, taxies, autorikshwas, metro rail, rail and air transport)
- There is a total ban on all categories of sports activities
- All this has resulted in unprecedented loss of employment

Table 8
Unemployment rate in Kerala (2017-18)
Usual status (ps+ss) (%)

Category	Kerala (age group)		India (age group)	
	15-29 years	15 years & above	15-29 years	15 years & above
Male	23.3	6.2	17.8	6.1
Female	63.4	23.2	17.9	5.6
Person	36.3	11.4	17.8	6.0

Source: NSO (2019) Periodic Labour Force Survey 2017-2018

Table 9**Unemployment rate of educated in Kerala (2017-18)
According to usual status (ps+ss) Rural + Urban (%)**

Category	Kerala		
	Male	Female	Person
Secondary	4.3	19.7	7.8
Higher secondary	10.5	46.6	22.6
Diploma/certificate course	18.6	27.1	21.6
Graduate	15.6	46.7	30.6
Post graduate & above	18.4	29.0	24.5
Secondary & above	11.0	35.3	19.8

Source: NSO (2019) Periodic Labour Force Survey 2017-2018

Youth and educated unemployment

- According to the NSO, the unemployment rate of youth in the age group 15-29 was 36.3% in Kerala (Table 9).
- 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 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 in the post-COVID-19 era.

Table 10: Number of Migrant Workers registered for Aawaz Assurance Scheme in Kerala.

No	District	Total cards issued till date	% share of total cards
1	Thiruvananthapuram	61551	12.1
2	Kollam	24849	4.9
3	Pathanamthitta	24059	4.7
4	Alappuzha	36926	7.2
5	Kottayam	19551	3.8
6	Idukki	32908	6.4
7	Ernakulam	112567	22.1
8	Thrissur	41900	8.2
9	Palakkad	24694	4.8
10	Malappuram	29856	5.9
11	Kozhikode	44363	8.7
12	Wayanad	11558	2.7
13	Kannur	28723	5.6
14	Kasaragod	15858	3.1
	Total	509363	100.0

Source: Department of labour and skills, Government of Kerala

Return of migrant workers to native states

- Kerala's labour market is characterised by excess supply of educated labour force on the one hand and shortage of manual labour force on the other.
- Due to high wage rate of manual and unskilled workers, the better labour atmosphere and living conditions in Kerala, a large number of migrant workers migrated to Kerala from other states.
- According to labour department total migrant workers in Kerala is estimated in the range of 6 to 7 lakh prior to the implementation of lockdown (March 23, 2020).
- Number of migrant workers registered with AAWAZ, a free insurance programme meant for migrant workers is 5.09 lakh (Table 8).

- Lockdown has pushed almost the entire migrant workers jobless
- Due to the lockdown in the first two phases (41 days) almost 90 percent of the migrant workers who worked in construction and other sectors had lost their jobs and remained unemployed.
- The Kerala government on June 5, 2020 told the Supreme Court that Kerala has 4.34 lakh migrant workers from other states at the time of announcement of lockdown.
- Of this 1.53 lakh workers returned, 1.2 lakh workers wish to return to their native places and 1.61 lakh do not want to leave the state.

Table 11
Country of Residence of Emigrants

Destination	2018	Emigrants in 2018 (Share %)
UAE	830,254	39.1
Saudi Arabia	487,484	23.0
Oman	182,168	8.6
Kuwait	127,120	6.0
Bahrain	81,153	3.8
Qatar	185,573	8.7
Total Gulf Countries	18,93,752	89.2
Other Countries	228135	10.8
Total	21,21,887	100.0

Source: Rajan, Irudaya S. and Zachariah, K C (2019), Kerala Migration Survey.

Keralite emigrants in Gulf and other countries

- Total emigrants from Kerala is estimated as 21.21 lakh in 2018 (Table 11)
- Of this the share of emigrants in Gulf countries is 89 percent
- The total number of emigrants in Gulf is 18.93 lakh
- The largest number of emigrants is in UAE (8.30 lakh) followed by Saudi Arabia (4.87 lakh)
- Keralite emigrants are there in Oman, Kuwait, Bahrain and Qatar

Table 12: Estimated Emigrants from Kerala, 2018

Sl. No.	District	No. of Emigrants 2018	EMI* per 100 Households in 2018
1	Thiruvananthapuram	137,007	15.2
2	Kollam	240,527	32.8
3	Pathanamthitta	109,836	31.9
4	Alappuzha	136,857	23.6
5	Kottayam	166,625	31.3
6	Idukki	32,893	11.3
7	Ernakulam	53,418	5.8
8	Thrissur	241,150	27.9
9	Palakkad	89,065	12.2
10	Malappuram	406,054	42.1
11	Kozhikode	160,691	19.7
12	Wayanad	30,650	14.5
13	Kannur	249,834	38.8
14	Kasargod	67,281	21.3
Kerala		21,21,887	24.0

Note: * Emigrants. EMI: Equated monthly instalment

Source: Irudaya Rajan, S. and Zachariah, K C (2019), *Kerala Migration Survey*.

District wise distribution of emigrants

- Malappuram district has the largest number of emigrants (4.06 lakh) (Table 12)
- Kannur, Thrissur and Kollam have more than 2.4 lakh emigrants
- Districts having high rate of emigration (emigrants per 100 households) are Malappuram, Kannur, Kottayam, Pathanamthitta and Kollam
- Districts having low rate of emigration are Idukki, Palakkaad and Wayanad.

Table 13**Remittances and Total Expenditure of Government of Kerala**

Year	Remittances (Rs Crore)	Total Expenditure (TE)* of Govt.	Remittances as of TE (%)
1998	13,652	9880	138.2
2003	18,465	17,427	106.0
2008	43,288	30,904	140.1
2011	49,695	50,896	97.6
2013	71,142	66,244	107.4
2018	85,092	120,070	70.9

Note: *total expenditure for fiscal year ending March next year

Source: Rajan, Irudaya S. and Zachariah, K C (2019), *Kerala Migration Survey*.

Remittances from migrant workers

- Estimates on remittances suggest that remittances received in Kerala was more than the total expenditure of government of Kerala (1998, 2003, 2008, 2013) (Table 13)
- Currently Kerala is getting about Rs one lakh crore, a year as remittances
- It is pointed out that there will be a fall of remittances more than Rs 15,000 crore due to the COVID-19 crisis

Return of migrants

- The total number of Keralite migrants returned from abroad and other parts of India was 9.1 lakh as on September 3, 2020
- Of this 5.62 lakh returned from other states of India
- Keralites returned from foreign countries including Gulf was 3.47 lakh.
- The large scale return of Keralites emigrants from foreign countries will have serious economic consequences in Kerala

Conclusions

- The loss of GSDP due to lockdown is huge and the present recession is likely to become a 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
- The lockdown has resulted in an unprecedented loss of employment in Kerala.
- In industry and construction sectors, the loss of employment was more than 50%.
- Informal sector workers which account for 84% of total workers faced severe loss of employment.

- Some of the sub sectors witnessed total loss of employment (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.
- 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
- Nearly 5.62 lakh Keralites returned from other states
- This will have serious economic consequences in Kerala

THANK YOU