

**THE IMPACT OF COVID-19 ON
KERALA'S ECONOMY: A
PRELIMINARY ASSESSMENT**

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I. Introduction

1 The World has been experiencing a rare disaster of Corona virus pandemic (COVID-19) since December 2019. Most of the countries in the World have been implementing quarantines and social distancing practices to contain the pandemic and implemented lockdown. The COVID-19 has spread to 215 countries and territories in the World. The scientists are not able to predict future spread of the disease, its containment, time required to control it or magnitude of loss of human lives. The COVID-19 has created a multiple crisis in several fronts: health; travel; economy; finance; production and output; employment and unemployment; prices; emigration and remittances; fiscal situation of governments etc. The International Monetary Fund (IMF) in its April World Economic Outlook projected that the global growth in 2020 will fall to (-)3 percent. The IMF observes that this makes the great lockdown the worst recession since Great Depression and far worse than the global financial crisis.

2 The 68 days national lockdown in India has inflicted severe damage on all sectors of national and state's economy and pushed the economy to an unprecedented recession. The IMF forecasts that Indian Gross Domestic Product (GDP) will register a negative growth of (-) 4.5 in the fiscal year 2020-21. The Asian Development Bank projects a negative growth of (-) 4 of GDP. Domestic economic activity has been impacted severely by the two-month lockdown and subsequent restrictions. The top-six industrialised states that account for 60 per cent of India's industrial output are largely in red and orange zones. The biggest blow is to private consumption that accounts for 60 per cent of domestic demand. The Centre for Monitoring Indian Economy (CMIE) estimated that India's unemployment rate increased to 24% for the week ended May 17, 2020. The rural unemployment was 23% and the urban unemployment rate was 27%. The available evidence suggests that the spread of COVID-19 has been pushing the Kerala economy to an unprecedented recession.

3 In this context an attempt is made to examine the impact of COVID-19 on Kerala's economy. Here we examine the impact on GSDP, employment, unemployment and migration. We have used data of state, central governments and international organisations and published media reports both print and electronic for the report. We have conducted discussions with a number of persons, experts and organisations on public health, trade, industry, construction, IT, agriculture etc to gather information.

II. Outbreak of COVID-19 Pandemic

COVID-19 Cases in the World

4 The COVID-19, which was identified in December 2019, began to spread at an unprecedented speed throughout the World. In a globalised World where people have the habit of frequent international travel, the disease spread to a large number of countries within a short time. The total COVID-19 patients increased from 14553 in February 2020 to 259.08 lakh in September 1, 2020 (Table 1). The number of deaths increases to 8.65 lakhs. The modern World totally failed to prevent the rapid spread of the pandemic. The modern health care systems of the developed countries are not able to contain the alarming increase in the number of COVID-19 cases and number of deaths. This has created a panic situation in developed as well as less developed countries. In the absence of any vaccine to contain the disease, most of the countries in the World resorted to lockdown of their economies. The COVID-19 has spread to 215 countries and territories.

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/>

Initial Impact on Global economy

5 The emerging market and developing economies (EMDEs) that have weak health systems; those that rely heavily on global trade, tourism, or remittances from abroad; and

those that depend on commodity exports are severely affected by lockdown and other restrictions. The steep decline in oil prices since March 2020, adversely affected the oil exporting EMDEs. In the context of alarming spread of COVID-19, governments around the world have taken unprecedented measures— including lockdowns and quarantines, school and business closures, and travel restrictions—to stem the spread of the pandemic. These measures, together with the spontaneous reactions of consumers, workers and businesses, have caused severe disruptions to activity in many sectors and a sharp global economic downturn.

6 A review of the macro economic effects of COVID-19 by World Bank arrived at the following conclusions. While outbreaks in most advanced economies appear to be abating, the pandemic is rapidly spreading across EMDEs, including low-income countries (LICs), where health care systems have very limited capacity. Along with the public health crisis, EMDEs are facing tighter financing conditions, plunging oil and other commodity prices, sharp decline in remittances, and collapsing international trade. EMDEs that are most vulnerable to the impact of the pandemic include those that have weak health systems, that rely heavily on global trade or tourism, that are vulnerable to financial disruptions, and that depend on oil and other commodity exports. The long-term damage will be particularly severe in economies that suffer financial crisis, and in energy exporters because of plunging oil prices. In the average EMDE, over a five year horizon, a recession combined with a financial crisis could lower potential output by almost 8 percent.

COVID-19 Cases in India

7 India reported the first confirmed case of the coronavirus infection on January 30, 2020 in the state of Kerala. The affected person had a travel history from Wuhan, China to Thrissur district. The total COVID-19 patients in India increased from 2 in February 2, 2020 to 37.66 lakh in September 1, 2020 (Table 2). The number of COVID-19 patients more than doubled during the month of August. The number of deaths increased to 66,460. A state wise review of the COVID-19 confirmed cases and number of death gives the following. The state of Maharashtra has the largest number of confirmed COVID-19 cases and death as on September 1. The other states having the second, third and fourth positions with respect to confirmed cases are Andhra Pradesh, Tamil Nadu and Karnataka. Compared to other major states, Kerala has a lower rate of confirmed cases in the initial phase. A disturbing issue with regard to the spread of COVID-19 in the states is the low rate of tests conducted to detect

COVID-19 cases in the first phase. Also the reporting systems in the country are far from reliable and in a situation such as COVID-19, there could be a high propensity for under reporting at all levels. Therefore the actual number of COVID-19 cases in India could be slightly higher, if not many times more.

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

Source: [https://www.COVID 19india.org/](https://www.COVID19india.org/)

COVID-19 Cases in Kerala

8 The first COVID-19 case in India was reported in the Thrissur district of Kerala. Between January and May 2020, the rate of growth of COVID-19 cases was very small. But during the month of July and August there has been a steep increase in the number of COVID-19 cases. The total number of COVID-19 cases increased to 76,526 and deaths to 299 as on September 1, 2020 (Table 3). The factors responsible for a low rate of infection and death in Kerala during an early phase include: First, the Central Government has implemented a national lockdown for 68 days to prevent the spread of the pandemic (March 25 to May 31, 2020) and Kerala has effectively implemented the same. Second, Kerala had the experience in containing the outbreak of Nipah virus during May and June 2018. Third, Kerala has an effective public health system which consists of hospitals at panchayat, taluk and district levels.

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.COVID-19india.org/>

Table 4
Number of COVID-19 cases: Kerala (District wise) (as on September 9, 2020)

No	District	Confirmed cases	Active cases	Death
1	Thiruvananthapuram	19,260	4,590	129
2	Malappuram	11,327	2,192	26
3	Ernakulam	8,087	2,572	43
4	Kozhikode	7,421	1,827	38
5	Alappuzha	7,041	1,734	15
6	Kasaragod	6,677	2,123	36
7	Thrissur	5,935	1,734	19
8	Kollam	5,903	1,712	26
9	Palakkad	5,588	932	4
10	Kottayam	5,394	1,838	3
11	Kannur	5,093	1,532	35
12	Pathanamthitta	4,368	1,092	3
13	Idukki	2,014	345	3
14	Wayanad	1,810	327	5
Total		95,918	24,550	385

Sources: <https://www.COVID-19india.org/>

9 A review of the district wise COVID-19 as on September 2020 shows that Thiruvananthapuram district has the largest number of COVID-19 patients and deaths (Table 4). The other districts having second, third and fourth positions are Malappuram, Ernakulam and Kozhikode. The district which has the lowest number of cases is Wayanad.

10 The central government announced more relaxations in lockdown from May 4, 2020. More freedom was given to people for travel, use of motor vehicles, opening up of trading establishments and economic sectors. The Keralites stranded in other states in India and foreign countries are given permission to return to Kerala. Due to this, a large number of Keralites returned from other states and foreign countries especially from Gulf countries. This contributed to a substantial increase in the number of COVID-19 patients since July 2020. And the number of tests conducted in the state is meagre compared to the requirement. This is a major error in the strategy to contain the disease.

Shift of activities from work place to home

11 The COVID-19 pandemic has led to imposition of severe restrictions to the mobility of people from their residence. To arrest the spread of the pandemic, strict restrictions were introduced to restrict travel of people from their residence to outside world. All public gatherings were stopped. The operation of all types of passenger transport viz. private motor transport, public transport, rail, metro rail and air transport were stopped or restricted. This has created unprecedented travel hardships to people who used to travel from one place to other using transport vehicles 24 hours of a day. In order to prevent spread of disease, social distancing and quarantine were also introduced.

12 In order to overcome this crisis, producers, traders, hotels, educational institutions etc introduced new ways of doing business (1) A major change is 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. (2) Schools, colleges and other educational institutions resorted to online teaching. Students are asked not to come to educational institutions. (3) Shops, hotels etc began to deliver the items to the residences of the consumers. (4) The self-employed who conducted small scale production activities in their units began to shift the productions to their homes. So there is an unprecedented change in the way of living people in the post COVID-19 period. The change is that the home of an individual has become a work place, and an educational institution and

a production unit and at times even a quarantine centre. This required a lot of changes in the space available in the houses for non-housing purposes. Availability of electricity, water, internet and TV connection, became a pre-condition. There is also the need to convert part of the house for quarantine purposes.

13 In this context the following suggestions are proposed (1) The electricity Board should take urgent steps to provide uninterrupted 24 hour supply of electricity with adequate voltage to all electrified households in Kerala. In most part of the rural areas, there is frequent failure of electricity supply for long hours or major part of the day. (2) The Water Authority should take urgent steps to provide uninterrupted supply of water to all houses which have a water supply connection. At present the water supply is erratic and highly inadequate in most of the municipalities and GPs in Kerala. (3) The internet infrastructure should be expanded to enable all houses to get internet connection. The state government should take urgent steps with the public and private internet providers to expand facilities. Concessions and subsidies may be granted to those which provide internet facilities to inaccessible areas or forest areas. The banks and financial institutions should provide loans for purchasing computer, laptops and smart phones to the students/parents. (4) Houses may need alterations and additional construction of rooms to cater to the new requirement due to COVID-19. The house owners may be permitted to make minor alterations and constructing additional rooms without the permission of GP, Municipalities, MCs (up to one or two additional room subject to a maximum floor area). (5) The banks, financial institutions of state, co-operative credit institutions etc shall provide loans to those needy house owners to make the alterations of the houses. (6) A COVID-19 reconstruction package should be formulated and implemented based on this by the state government to address the above crucial issues. Top priority should be given by state government, electricity board, water authority and local governments to address the issue.

III. Impact of 69 days lockdown on GSDP of Kerala (March 24 to May 31)

14 The lockdown of 69 days may be classified into three phases based on the restrictions imposed and relaxations allowed. The first phase of 27 days (March 24 to April 19) a lockdown similar to a curfew was implemented in the state. All central and state government offices, commercial, private establishments and transport services were closed. All modes of passenger transport - road, rail, water and air - were stopped. All educational institutions, places of worship, functions and gatherings were stopped. Except a few essential services

such as shops, dealing with food, groceries, fruits, ration shops, banks and ATMs, telecom services, delivery of food and medicines, petrol pumps, LPG distribution, power supply etc, all other production, service and trading activities came to a halt. The police enforced the lockdown strictly throughout the state similar to a curfew by inspecting movement of people and motor vehicles on the roads. The curfew like situation that suddenly halted almost all economic activities – travel of people, transport of goods, production of goods and services, employment, trade etc – paralysed the economy. In the second phase of lockdown of 14 days (April 20 to May 3) a few relaxations and in the third phase of 28 days (May 4 to May 31) more relaxation were allowed. The rate of loss in total production of goods and services or GSDP is different for the three phases and separate losses are estimated.

Estimation of loss of GSDP for 69 days

15 We have followed the following method to estimate the loss of GSDP due to lockdown. First, in the absence of GSDP data for 2019-20, we have taken the sector wise GSDP data for 2018-19 published by the Department of Economics and Statistics (DES) as the base. Second, based on the data we have worked out the GSDP for a day for each sector and sub sectors (average). Third, 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 for 69 days and our own assessments. Fourth, the GSDP loss was estimated for three phases separately. Fifth, the 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. Sixth, the estimate is a lower approximation by about 10 percent as we have taken GSDP data for 2018-19 as base. As per quick estimate the GSDP at current prices for 2018-19 is Rs 7,81,653 crore.

16 The estimate on the rate of loss of GSDP for the 69 days lockdown for the three phases are given in Table 5. It also contains the GSDP for one day during 2018-19, the base used for the estimation of the loss per day. We estimate the total loss of GSDP was 82 percent in the first phase, 72 percent in the second phase and 61 percent in the third phase. The primary sector consists of agriculture, forestry, fishing, mining and quarrying suffered a loss of GSDP to the tune of 74% in the first phase, 55% in the second phase and 47% in third phase. The secondary sector consists of industries, electricity, gas and water supply and construction suffered a huge loss due to the lockdown. The loss during the first phase was

88%, second phase 82% and 71% in the third phase. The loss in construction was 100 percent in first phase, 95 percent in second phase and 85 percent in third phase. The tertiary sector consists of trade, repair and hotels, transport, storage and communication, financial services, real estate and ownership of dwelling, public administration etc, suffered a loss of 79% in the first phase, 69% in the second phase and 58% in the third phase.

Table 5
Loss of GSDP due to 69 day lockdown in Kerala

No	Item	GSDP for one day (₹ in crore)	% of loss for 27 day with strict restrictions	% of loss for 14 day with small relaxation	% of loss for 28 day with large relaxation
1	Agriculture, forestry and fishing	204.75	73	53	46
2	Mining and quarrying	8.38	100	95	80
	Primary	213.13	74	55	47
3	Manufacturing	206.49	80	70	65
4	Electricity, gas, water supply & other utility services	24.30	40	40	30
5	Construction	252.02	100	95	80
	Secondary	482.81	88	82	71
6	Trade, repair, hotels and restaurants	368.29	76	61	41
7	Transport, storage, communication	125.30	82	77	66
8	Financial services	75.54	70	65	60
9	Real estate, ownership of dwelling & professional services	312.52	90	85	78
10	Public administration	74.96	40	30	30
11	Other services	266.11	80	70	60
	Tertiary	1222.73	79	69	58
12	TOTAL GSVA at basic prices	1918.66	81	71	60
13	Taxes on Products	241.97	80	71	60
14	Subsidies on products	19.11	80	71	60
15	Gross State Domestic Product	2141.52	82	72	61

Note: Based on GSDP 2018-19, Quick Estimate for Kerala, Q: quick estimate

17 The total loss of GSDP for 69 days and its break up into three periods are given in Table 6. We estimate the total loss of GSDP for 69 days as Rs 105431 crore. This loss will be equivalent to 13.5 percent of the GSDP for a year. The estimate is an underestimate (around

10 percent) as we have taken GSDP data for 2018-19 as base. A sector wise breakup of the losses shows that primary sector incurred a loss of Rs 8718 crore, secondary sector Rs 26633 crore and tertiary sector Rs 57475 crore. In secondary sector manufacturing (industry) and construction suffered huge losses. In tertiary sector, transport, repair, hotels, financial services, real estate, professional services and other services incurred huge losses in productions of goods and services.

Table 6
Total Loss of GSDP for 69 day lockdown in Kerala (₹ in crore)

No	Item	Amount of loss for 27 day (strict restrictions)	Amount of loss for 14 day (small relaxation)	Amount of loss for 28 day (large relaxation)	Total loss for 69 days
1	Agriculture, forestry and fishing	4035.69	150 19.28	2637.32	8192.29
2	Mining and quarrying	226.26	111.44	187.6	525.30
	Primary	4261.95	1630.72	2824.92	8717.59
3	Manufacturing	4460.13	2023.56	3758.16	10241.85
4	Electricity, gas, water supply & other utility services	262.44	136.08	204.12	602.64
5	Construction	6804.54	3351.88	5632.48	15788.90
	Secondary	11527.11	5511.52	9594.76	26633.39
6	Trade, repair, hotels and restaurants	7557.30	3145.24	4228.00	14930.54
7	Transport, storage, communication	2774.25	1350.72	2315.6	6440.57
8	Financial services	1427.76	687.40	1268.96	3384.12
9	Real estate, ownership of dwelling & professional services	7594.29	3718.96	6825.28	18138.53
10	Public administration	809.46	314.86	629.72	1754.04
11	Other services	5748.03	2607.92	4470.76	12826.71
	Tertiary	25911.09	11825.10	19738.32	57474.51
12	TOTAL GSVA at basic prices	41700.15	18967.34	32158.0	92825.49
13	Taxes on Products	5226.39	2391.62	4065.05	11683.05
14	Subsidies on products	412.83	188.86	321.16	922.85
15	Gross State Domestic Product	47339.37	21547.82	36544.20	105431.39

18 The unprecedented lockdown for 69 days and loss of GSDP would have very serious adverse economic consequences on the state economy. First, the loss of GSDP is huge and

the present crisis is likely to be transformed into depression in the near future. Second, during the financial year 2020-21 the GSDP will register a negative growth rate (below zero). Third, it is likely that this will result in a large fall in production and service activities and closure of a large number of small, medium enterprises, trading establishments and service units. Fourth, the depression will result in an unprecedented increase in unemployment of all categories and an increase in poverty in the state. Fifth, the situation in the employment front will become more grave due to the return of Keralite migrant workers from other states and foreign countries especially from Gulf countries.

IV. Impact on employment and unemployment

Impact on Employment

19 As per NSO survey 2017-18 the total workers (employment) in Kerala in primary sector was 20.11%, secondary sector 31.07% and tertiary sector 48.82% (Table 7). A break up of workers into urban and rural will give a different picture about the sector wise share of workers. In rural area primary sector accounts for 27 percent. The share of secondary workers was 30.38 percent and tertiary 42.59 percent. On the other hand in urban area, the share of primary workers is much lower and the share of tertiary workers is much larger. The availability of more regular and remunerative jobs in urban area is the reason for the greater mobility of workers to urban centres.

20 The lockdown implemented in the state has resulted in an unprecedented loss of employment in all sectors of the economy. Due to the prolonged lockdown, quarantine, physical distancing and other isolation measures to suppress transmission of the COVID-19, the state's economy is heading towards a recession. Non-essential services and production were directly affected by the lockdowns, which led, among other things, to a reduction in the number of hours worked and to job losses. The state with greater dependence on the service sector, higher levels of informality and weak safeguards against the termination of employment has been facing higher initial job losses. The lockdown has resulted in a huge loss of employment of all categories – self-employed, regular and casual labours. According to our estimate total loss of employment in manufacturing and construction was more than 50 percent (Table 8). In tertiary sector, the sub sectors which registered more than 50% loss of employment were trade; repair of motor vehicles; transportation and storage; accommodation

and food services; financial and insurance; education; arts; entertainment and recreation; and other services.

Table 7
Distribution of usually working persons (ps+ss)
by Industrial category 2017-18, Kerala (in %)

Broad Industry Division	Rural	Urban	Rural+ Urban
Primary	27.01	11.03	20.11
Secondary	30.38	31.96	31.07
Tertiary	42.59	57.03	48.82
Total	100.00	100.00	100

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

Table 8
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

Informal Sector

21 A characteristic feature of employment is the dominance of the informal sector consisting of self-employed, casual labour and a part of the regular employed which have the features of casual employment. The entire self-employed, casual labour and a major share of regular wage/salary employment come under informal sector (nearly 84%). According to

National Statistical Office (NSO) survey, of the total employment 32.9 percent is regular wage/salary employment consists of jobs in public and private sectors and earn to get a wage on a regular basis – monthly wage or a daily wage or piece wage rate (Table 9). The share of self-employed is 37.8 percent and casual labour 29.3 percent. A rural urban breakup of the employment shows that the share of self-employed and casual labour is much higher in rural areas compared to urban areas.

Table 9
Distribution of workers in usual status (ps+ss) in Kerala (2017-18) (%)

Category	Category of employment			
	Self employed	Regular wage/salary	Casual labour	All
	Rural			
Male	40.7	24.7	34.6	100.0
Female	30.5	41.3	28.2	100.0
Person	38.0	29.2	32.9	100.0
	Urban			
Male	40.9	31.3	27.8	100.0
Female	28.5	55.7	15.8	100.0
Person	37.6	37.8	24.6	100.0
	Rural +Urban			
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

22 The impact of the lockdown was most severe in the case of self-employed and casual workers in all sectors of the economy. Due to a curfew like situation there was a total stop of almost all activities of in the informal sector except the trade of essential goods and agricultural operations. A good portion of the workers engaged in some type of regular employment in private sector also lost their jobs. The only category of workers who were not affected are those workers in public sector viz. state and central governments, public sector undertakings, autonomous institutions, universities and semi government institutions. Based on the loss of GSDP for the various sectors and considering the distribution of workers to various sectors, we feel that the 69 days lockdown has pushed more than two third of self-employed and casual workers to acute unemployment, financial crisis, indebtedness and economic distress.

V. Return of Non-Keralite Migrant Workers to their Native States

23 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. The young educated labour force has an aversion to do manual jobs in construction, quarrying, agriculture and other activities. The shortage of workers has resulted in frequent increase in wage rates. 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 West Bengal, Assam, Bihar, Odisha, Uttar Pradesh, Tamil Nadu, Jharkhand, etc. According to the Department of labour and skills, government of Kerala, the total number of migrant workers registered with AAWAZ, a free insurance programme meant for migrant workers and who are active in the scheme is 5.09 lakh (Table 10). It is likely that a good number of migrants have not registered due to lack of interest, temporary return to native places or other reasons. According to the sources of labour department the unregistered migrant workers in the scheme will be about one to two lakhs. And according to Labour Department the total migrant workers in Kerala is estimated in the range of 6 to 7 lakh prior to the implementation of lockdown (March 23, 2020).

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

24 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. Immediately after the declaration of the lockdown on 23rd March 2020, the state government opened shelter camps for the migrant workers and provided food and accommodation. Three types of camps were arranged for their accommodation viz. shelter camps arranged by the state government, camps provided by the employer and places where the workers already live. An actual enumeration of the workers in the above three places by officers of labour department has estimated the total number of migrant labours as 434,280. It is pointed out that nearly one lakh workers returned to their home states before Ramadan. 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, which has effectively checked the spread of COVID-19. The above estimate of migrant workers by labour department is likely to be an underestimate. But we do not have any other evidence to show the exact number of migrant workers in Kerala. This indicates huge loss of employment of migrant workers.

25 The return of migrants to their native states is not going to create a labour shortage in the post lockdown period in Kerala due to the following reasons. First, among the migrant workers 1.61 lakh do not want to leave the state and will be available for work. Second, a good number of the migrant workers who returned to their native states will come back to Kerala once the restrictions imposed due to lockdown are withdrawn and economy regained to normal situation. Third, a good portion of the unskilled and semi-skilled workers return from the Gulf and other states are likely to take up the jobs done by the migrant workers. Fourth, due to the COVID-19, there is huge loss of employment in many sectors and the people who are likely to be moved to jobs previously held by migrants.

VI. Return of Emigrants from Gulf and other Countries to Kerala

26 Due to the spread of COVID-19, there was panic among the Keralite emigrants in the Gulf and other countries to return to Kerala and a large number of emigrants have registered with NORKA and other agencies of immediately returning to Kerala. The total foreign registrants who want to return, including migrants, their dependents, persons on short visits, students etc was 4.13 lakh as on 3rd May 2020. This include 61,009 emigrants who lost jobs, 41,236 visiting visa expired persons, 27,100 persons whose visa expired or was cancelled and

7276 students. Of this the share of Keralites in the six Gulf countries viz. UAE, Saudi Arabia, Kuwait, Bahrain, Oman and Qatar was about 3.2 lakh.

27 The increase in the number of deaths of Keralites due to COVID-19 (186 death as on June 6, 2020), the lack of facilities for treatment, lack of hospital beds to admit COVID-19 patients, inability to undergo costly treatment in private hospitals, lack of space and facilities for quarantine in labour camps etc compel Keralite emigrants to return to Kerala. The fall in the price of crude oil to an all-time low level, the economic shutdown created due to lockdown in the Gulf countries has resulted in huge loss of employment in the short run. But it is expected that things may improve once the lockdown is lifted. It is likely that two to three lakh migrant workers may lose jobs and return to Kerala due to COVID-19 crisis from the Gulf, if the situation continuous.

28 During the last four decades, the large scale emigration of contract workers from Kerala to Gulf countries and the continuous flow of large amount of remittances has been a major factor in Kerala's economic development. Studies on economic impact of Gulf migration of Kerala's economy came to the conclusion that since the mid-1970s the factor that had the greatest impact on Kerala's economy – especially on labour market, consumption, savings, investment, poverty, income distribution and economic growth – has been gulf migration and migrant remittances. One of the pillars of the Kerala model of development for the last four decades has been emigration and the remittances. The COVID-19 pandemic has started the process of destroying the pillar.

Emigration and Remittances in Kerala

29 We may examine the recent trends in destination of emigrants, district wise distribution of emigrants and trends in remittances. According to a migration survey of Centre for Development Studies, Kerala has 21.22 lakh emigrants (Table 11). Of them 18.94 lakh migrated to West Asian countries viz. UAE, Saudi Arabia, Oman, Kuwait, Bahrain and Qatar. The share of non-Gulf countries is only 11%. USA, UK, Australia, New Zealand, Canada, Singapore and Malaysia are the non-Gulf countries having sizable number of Keralite emigrants. A trend in the country wise emigration indicates that there has been a fall in the number of emigrants between 2013 and 2018 in all Gulf countries except, Qatar. This indicates that there has been a decline in emigration towards the Gulf.

30 An analysis of the intensity of emigration (emigrants per 100 households) shows that the district having the highest intensity is Malappuram. The district wise estimation on emigrants, its variations and emigrants per 100 households are given in the table 12. The

other districts having high intensity of emigration are Kannur, Kollam, Pathanamthitta, Kottayam and Thrissur. A disturbing development has been fall in the rate of emigration in 7 districts. The district which has the lowest intensity of emigration is Ernakulam. The economic effects of emigration are different among districts depending on the intensity of emigration.

Table 11
Country of Residence of Emigrants

Destination	Number		Increase/ Decrease (%)	Emigrants in 2018 (Share %)
	2013	2018		
UAE	8,98,962	8,30,254	-7.6	39.1
Saudi Arabia	5,22,282	4,87,484	-6.7	23.0
Oman	1,89,224	1,82,168	-3.7	8.6
Kuwait	1,83,329	1,27,120	-30.7	6.0
Bahrain	1,49,729	81,153	-45.8	3.8
Qatar	1,06,107	1,85,573	74.9	8.7
Other West Asia	2,12,21	0	-	0.0
Total Gulf Countries	20,70,854	18,93,752	-8.6	89.2
USA	69,559	46,535	-33.1	2.2
Canada	11,200	15,323	26.9	0.7
United Kingdom	38,316	38,023	-0.8	1.8
Other Europe	19,453	0	-	0.0
Africa	15,327	5,657	-63.1	0.3
Singapore	8,842	12,485	41.2	0.6
Maldives	2,947	6,243	111.9	0.3
Malaysia	9,432	11,350	20.3	0.5
Other SE Asia	53,643	0	-	0.0
Australia/New Zealand	38,316	30,078	-21.5	1.4
Other Countries	62,485	62,441	-0.1	3.0
Total	24,00,375	21,21,887	-11.6	100.0

Source: S. Irudaya Rajan, K C Zachariah (2019). Kerala migration survey

31 Kerala has been receiving large amount of foreign remittances every year from the Keralite emigrants. It is estimated that the total remittances received in Kerala from the emigrants increased from Rs 13652 crore in 1998 to Rs 85092 crore in 2018 (Table 13). The annual remittances received in Kerala was higher than the annual total expenditure of government of Kerala, during the period except two years. Prior to the spread of COVID-19, Kerala has received about one lakh crore rupees a year as remittances. In the light of the current crisis, it is expected that the remittances in 2020 in Kerala will witness a fall of about Rs 10,000 to Rs 15,000 crores. According to Centre for Development Studies (CDS)

migration survey, the total emigrants from Kerala was 20.70 lakh. Of this 18.93 were emigrated to Gulf countries. The total migrant remittances received in Kerala was more than the total expenditure of Kerala for several years (Table 13)

Table 12
Estimated emigrants from Kerala, 2018

No	District	Number of Emigrants		Increase/ Decrease (%)	EMI* per 100 households in 2018
		2013	2018		
1	Thiruvananthapuram	2,41,727	1,37,007	-43.32	15.2
2	Kollam	1,99,933	2,40,527	20.30	32.8
3	Pathanamthitta	1,41,343	1,09,836	-22.29	31.9
4	Alappuzha	93,096	1,36,857	47.01	23.6
5	Kottayam	1,07,931	1,66,625	54.38	31.3
6	Idukki	23,967	32,893	37.24	11.3
7	Ernakulam	1,91,373	53,418	-72.09	5.8
8	Thrissur	2,30,081	2,41,150	4.81	27.9
9	Palakkad	70,506	89,065	26.32	12.2
10	Malappuram	4,55,696	4,06,054	-10.89	42.1
11	Kozhikode	2,26,499	1,60,691	-29.05	19.7
12	Wayanad	22,568	30,650	35.81	14.5
13	Kannur	2,91,321	2,49,834	-14.24	38.8
14	Kasargod	1,04,334	67,281	-35.51	21.3
Kerala		24,00,375	21,21,887	-11.60	24.0

*: Emigrants

Source: S. Irudaya Rajan, K C Zachariah (2019). Kerala migration survey

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	9,880	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	1,20,070	70.9

*total expenditure for fiscal year ending March next year

Source: S. Irudaya Rajan, K C Zachariah (2019). Kerala migration survey

32 According to one report the total number of persons returned from abroad and other parts of the India to Kerala was 9.1 lakh as on September 3, 2020 (Malayala Manorama Daily, September 4, 2020). Of them, 5.62 lakh persons returned from other states of India and 3.47 lakh persons returned from foreign countries. The returnees from foreign countries include persons who lost jobs returned due to pandemic, students, persons stranded in foreign countries and short duration visitors.

33 The fall in remittances will adversely affect investment on land, construction of houses and other buildings, consumption, education, health, repayment of loans to banks in those districts which have high intensity of emigration. It is likely that thousands of households which solely depend on remittances for their survival will face severe economic distress. There will be a recession in those districts which have a high intensity of emigration. The districts which are likely to face recession are Malappuram, Kannur, Kasargod, Thrissur, Kottayam, Alappuzha, Pathanamthitta and Kollam. Among the return emigrants nearly half will be likely to be absorbed in the labour market in Kerala. A sizeable number will remain unemployed. And the state government has to give financial and other support for a large number of return emigrants to find gainful self-employment.

VII. Conclusions

34 The outbreak of the pandemic and implementation of 69 days lockdown in the state has resulted in unprecedented loss of GSDP and employment in all sectors of state's economy. It is likely that the recession will become a depression in the near future. During the year 2020-21, the GSDP is likely to register a negative growth. The lockdown has resulted in huge loss of employment in all sectors. In sectors like industry and construction it ranged between 50 to 80 percent. Most of the subsectors of tertiary sector registered a loss of more than 50 percent of employment. Due to a curfew like situation there was a huge loss in employment of informal sector workers. The impact of the loss of employment was severe in the case of self-employed and casual workers in the state. The 69 days lockdown has pushed more than two thirds of self-employed and casual workers to acute unemployment, financial crisis, indebtedness and economic distress. Kerala has about 6 to 7 lakh migrant workers from other states and a good portion of them were returned to native states due to the pandemic. But it is not going to create a labour shortage due to return of Keralite migrant workers from

other states and gulf countries, spurt in unemployment rate and the mobility of the unemployed labour force to the jobs done by the migrants. The possibility of large scale return of Keralite from the Gulf and fall in remittances will have serious economic consequences in Kerala.

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