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Stop or slow?

A quick economic recovery requires that we keep people employed and the economy ticking over

As I write this article, around half the world's seven billion people are under some form of lockdown, with India in its fourth week. India's lockdown ranks at 100 per cent in Oxford University's stringency index. The lockdown has stopped most manufacturing, so zero sales revenue for most companies. Airlines, hotels, malls are shut, with no prospect of normalcy. Shops and restaurants are largely closed. Construction, our biggest job creator, has halted, affecting millions. The net effect is a stalled economy, with dramatic consequences on employment. Mahesh Vyas estimates that the unemployment ratio has risen from 7 to 8 per cent a month ago to 24 per cent last week.

This is particularly devastating for an economy where most employment is informal. Over two-thirds (70 million) of our 100 million urban households rely on informal employment — casual labour, construction, petty traders, delivery boys, drivers, domestic service. Most live day to day, with little cushion. The collapse of these jobs led to the migrant labour tragedy that we saw unfold on our television screens two weeks ago (and at Bandra Station). In dealing with a massive public health crisis, we are rightly focused on reducing the spread of the virus. But we must avoid unnecessary economic costs through poor implementation, protect the most vulnerable, and communicate transparently and fully. The migrant pain is a national shame, fully avoidable with better care and communication.

Given this wide-reaching carnage, what must we do? This is the question a fine Confederation of Indian Industry (CII) report addressed last week, in *Towards an Organised, Safe and Sustainable Restart of the Economy*. Here are four focus areas:

First, address the really needy — the millions in the informal sector left with nothing, those in slums across our cities and in the new migrant labour camps. Provide immediate regular delivery of food on a daily basis from our 80 million tonnes of grain

stored in government warehouses, or the resources that went to our school mid-day meal programme. Use Jan Dhan accounts for direct cash transfers, say, ₹3,000 to ₹5,000 every two weeks through June. We should forget targeting and ensure no one is left out. Reassure migrant workers still stuck in cities that they will be looked after until they get back to work or are safely transported home — the choice must be theirs.

Second, address employment in enterprises. Do not consider whether these enterprises are small shops, large construction firms, medium, small and micro enterprises (MSMEs), hospitals, or large corporations. Cover them all. Use the banking system to provide loans covering salaries through June at an interest rate of 4 to 5 per cent, guaranteed by the Union government and administered through the Reserve Bank of India (RBI). As this is the same rate at which banks borrow from the RBI, the cost to the government will only be of the guaranty. And, as in the UK, ensure that banks don't ask enterprises for a personal guarantee (the mark of a lazy banker if there ever was one!). Let these loans be repaid over two years, after a moratorium of six months. Enterprises should protect employment, but need support from the government to enable it to happen.

Third, restore manufacturing now. Let all sectors begin with 25 per cent of employment strength at any given time to enable social distancing. Expect every factory to put in place its own protocols for safe working (the CII document details recommended safe working practices sector by sector) and self-certify that they are following them. Be unforgiving of any lapse. Encourage larger enterprises to spread Covid-safe practices across society — through training materials and demonstrations of what social distancing means for transport or waiting in a queue, why washing one's hands thoroughly once an hour matters, and how wearing a

mask protects both society and oneself. As manufacturing comes on stream, let retailers launch new e-commerce options with no essential-goods distinction. After two or three weeks of safe working, let standalone retail outlets, say, for vehicles, clothing, appliances, or furniture reopen.

Fourth, get logistics moving again. The lockdown was particularly poorly implemented in the gap between notifications issued in Delhi (lacking in last-mile detail) and interpretations by the policeman in each state. On March 29, the Union government issued a clear note saying that all goods could be freely transported across the country, without any distinction being made between essential and non-essential goods. This note was largely ignored, with each state following its own principles. Finally, two weeks later, on April 12, a second circular finally removed all ambiguity. The net effect of this stop-go implementation has been gridlock. We cannot control nationwide truck movement with an on-off switch. To quickly win the struggle of getting logistics moving again, we need to have petrol pumps, *dhabas* and repair shops operating along highways. And we should institute a health insurance scheme for truck-drivers and their families, paid for with a surcharge on transport invoices.

This combination of restoration in economic activity with financial support from the government is both the humane thing to do and needed to ease the immediate supply bottlenecks we see across the country. And we are also laying the foundation for a quick and full recovery.

Just as logistics cannot be switched on and off without serious damage, so too with manufacturing and — especially employment. In most sectors, it is easier to go from 25 to 100 per cent of capacity than to go from 0 to 25 per cent. Restarting manufacturing will also enable Indian industry to meet export obligations — essential to support any aspiration of making in India for the world.

But it is by sustaining employment that we can ensure a truly quick and full recovery. Our massive urban informal employment system — 70 million strong — has been taken for granted for too long. Unless we wish to spend years rebuilding the networks of delivery boys to deliver, waiters to wait, shop-assistants to assist, and security staff to secure, we had better convey they are themselves valued in our towns and secure in their employment. The same applies even more to our own direct employees. The only grounds for laying off people at the current time is to save the company. Adequate government support for employment would defer this last resort. Any recovery will need the skill-sets and talent we have so assiduously developed over the years. A quick economic recovery requires that we preserve jobs and keep the economy ticking over. We can then get back to our destiny of being the world's growth engine for the next 30 years.

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INDIA'S WORLD?

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