COVID-19 Pandemic and its Impact on Inequality: A case study of Peru, El Salvador, and India

InfoSphere
A Centre for New Economics Studies Initiative
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The socioeconomic inequality (income, access to health services, education etc.) can be glanced through both between countries and within countries inequality.

The social, economic, and health crisis posed by the COVID-19 pandemic had been aggravated because of the pre-existing inequalities.

Various sections of the society have been affected as a result of pandemic and the death associated with the virus. The worst hit were the people who belonged to the socioeconomically marginalized sections including the informal workers.

This Issue aims to analyse the effect of COVID-19 fatality rates on the informal workers in the countries that observed the highest death rate.
These are the top 30 countries with the highest COVID-19 case-fatality ratio in 2020; given that the average death rate at the beginning of the pandemic was 2%, the government response was inadequate in providing access to resources to those who needed them the most.

Source: John Hopkins University
Metrics for between country inequality analysis: An effective resource allocation was dependent on resource’s availability and accessibility. We analyse this using indicators of income, development, and health.

Source: InfoSphere
## Correlation Table: Analysis using 30 countries

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Correlation with Case Fatality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gini Coefficient</td>
<td>-0.008947634</td>
</tr>
<tr>
<td>Decile Ratio</td>
<td>0.075825634</td>
</tr>
<tr>
<td>Social Progress Index (access to essential health services)</td>
<td>0.218036637</td>
</tr>
<tr>
<td>HDI</td>
<td>0.045120754</td>
</tr>
<tr>
<td><strong>Difference in Labour force participation rate (% of total population ages 15+) (modelled ILO estimate) between 2019 and 2020</strong></td>
<td><strong>-0.439777086</strong></td>
</tr>
<tr>
<td>Score given for health infrastructure (GHS, 2019)</td>
<td>0.328752935</td>
</tr>
<tr>
<td>Hospital beds per 1000 population</td>
<td>-0.146226176</td>
</tr>
<tr>
<td>Doctors per 1000 population</td>
<td>0.028565229</td>
</tr>
<tr>
<td>Health spending as a % of budget</td>
<td>0.048690136</td>
</tr>
<tr>
<td>STC Index 2021</td>
<td>0.112588376</td>
</tr>
<tr>
<td>Healthy life expectancy at birth (years)</td>
<td>0.101981211</td>
</tr>
<tr>
<td>Maternal mortality ratio (per 100,000 live births)</td>
<td>-0.152437732</td>
</tr>
<tr>
<td>Probability of dying from any of CVD, cancer, diabetes, CRD between age 30 and ext. age 70k (%)</td>
<td>-0.022073978</td>
</tr>
<tr>
<td>Mortality rate attributed to exposure to unsafe WASH services (per 100,000 population)</td>
<td>-0.077056869</td>
</tr>
</tbody>
</table>

Source: InfoSphere’s calculations
Impact of the pandemic on labour force participation rate

All the 30 countries witnessed a decline in their labor force participation rate from 2019 to 2020; the decline for middle case fatality was lower than expected.

- We observed a correlation of -0.43 between the change in the labor force participation rate from 2019 to 2020 and the case fatality ratio. This is indicative that the major impact of the pandemic was on employment and income. This makes it paramount to analyze who was the worst hit.

- In the set of countries tracked, the two highest decline in the labor force participation rate was observed in Peru (-12.69) and El Salvador (-6.69) who had very contrasting case fatality ratio of 9.3% and 3.0% respectively.

- Both the countries have more than 60% of informal non-agricultural employment which was impacted the most during COVID-19.

Source: John Hopkins University and World Bank Data
The Case of PERU – Pandemic creating devastation of informal economy due to lack of financial deepening

On March 15, with 28 confirmed cases and no deaths, the government declared a strict lockdown. The fallout out of this was large scale unemployment; existing labour market situations aggravated. Peru’s high informal sector, comprising of 70% of total employment for the past decade led to worsening conditions. Job losses to informal workers meant they had no savings to fall back on. Government granted monetary relief only to formal sector employees but still had inadequate channels to reach them.

Amongst the informal sectors the urban informal services sector was the worst hit due to the pandemic. The effect still persists as there was 23% job loss in Q1 of 2021 (base 2019 Q4).

Share of informal employment in different sectors in 2019

- Services: 58.9%
- Industry: 59.9%
- Agriculture: 94.9%

Share of Informal Employment in Urban/Rural Location

- Urban: 61.1%
- Rural: 95.7%

Source: ILO (2018) and ILO (2021)
In Peru COVID-19 wreck financial resources for service workers in the urban informal sector

This majorly consisted of employees in hotels and restaurants, retail trade, street vendors, and personal services; all of which required personal interaction. The unavailability of financial resources and inaccessibility of medical resources left them to fend for themselves.

The source for “Emergency Funds” for bottom 40% income earners; the low income segments of the society had no income to sustain in emergency situation in 2019 and the declining trend in GDP per capita meant a further draining of the resource pool.

Unavailability of resources for healthcare services; the public health service was understaffed and underfunded to tackle the pandemic. Further, the financial backing to the poor, most of whom were informally employed, was a public funded insurance with insufficient coverage.

Source: ILO
Peru’s “el éxodo del hambre” (the exodus of hunger) - The acute financial crisis faced by the migrant informal services’ employees forced them to migrate back to their rural roots in order for sustenance. This became the failure of the strict lockdown and cases started to increase and weak public health system could not manage the fallout.

Alto Piura was the destination for the return migration from the following areas

- PUIRA, 56%
- LIMA, 32%
- LAMBAYEQUE, 4%
- TUMBES, 1%
- LA LIBERTAD, 1%
- FOREIGNERS, 3%
- OTHERS (<1%), 12%
- OTHERS- AMAZONAS, AREQUIPA, CAJAMARCA, MOQUEGUA, EXTRANJERO AND ANCASH

LOs caminantes” (the walkers) decision to migrate was not based on the pandemic, rather it was the result of the evaluation of a set of factors: absence of government aid, savings, household situation, little possibility of recovering employment, travel risks, travel expenses, among others.

The time frame of increase in cases during lockdown coincides with the return migration; the migrant became the source of the spread.

Source: CENTRO DE INVESTIGACIÓN Y PROMOCIÓN DEL CAMPESINADO

Source: WHO
The Case of El Salvador – “Aid amiss” for those in need; huge loss of livelihood in the informal sector

Imposes strict lockdown on 21 March 2020 which restricts movement and forces workers out of their jobs.

The country witnesses a 6.69% contraction in the labour force participation between 2019 and 2020.

1.7 million workers are forced out of work.

Out of this 818,000 are informal workers. These were the worst impacted.

Informal workers were vulnerable since they were being laid off with minimum compensation.

Comparison of informal workers’ unavailability of financial resources to sustain their life in El Salvador to an average Latin American country

On an average, the informal workers had no means to sustain themselves and the governmental support was insufficient for many; households resorted to various coping strategies that could contribute to other long-term problems.

For more: Informality in Latin America in the post COVID-19 era: towards a more formal “new normal”?
Women working in the informal sectors badly affected in El Salvador; face a significant setback

The country has a high rate of informal employment (average – 69.3%) out of which 71.4% of women were employed in the non-agricultural sector in 2019.

Women in the informal sector are primarily employed in three areas: tourism industry, domestic workers or running small-businesses.

With the lockdown, the demand for tourism fell sharply with an estimated reduction to loss of $300 million* and approximately 120,000 direct and indirect jobs were lost.

On an average 45.5% of them were vulnerable to economic shocks.

The restriction in movement meant that the domestic workers could not go to their employer’s house or were forced to stay there with minimal pay while the business owners reported huge loss in income.

Despite the government announcing transfers and subsidies, it did little to improve the employment situation, thus a high contraction in LFPR was registered.

For more: El Faro | * $1664 million tourism receipts; exports declined approximately 20% which implies a $300 million loss (IMF)
In a survey of 1661 microfinance recipients for whom the authors already had baseline data prior to the pandemic, most are self-employed women (84%) that run small informal businesses (median daily sales of US$35 pre-COVID). Roughly a quarter of individuals reported skipping a meal on at least one day of the past week, and almost 60% of those skipped a meal everyday in the past week.

**Economic impact and government support (by pre-pandemic income level):** policy implementation was inadequate in identifying who needed these benefits.

<table>
<thead>
<tr>
<th>Monthly Income (Before COVID-19 pandemic)</th>
<th>Less than US$100</th>
<th>US $100-250</th>
<th>More than US $250</th>
</tr>
</thead>
<tbody>
<tr>
<td>STopped Activities During Lockdown</td>
<td>83%</td>
<td>85%</td>
<td>81%</td>
</tr>
<tr>
<td>Received the 300$ Transfer</td>
<td>48%</td>
<td>41%</td>
<td>37%</td>
</tr>
<tr>
<td>Received Food Parcel</td>
<td>61%</td>
<td>61%</td>
<td>54%</td>
</tr>
</tbody>
</table>

For more information: [LSE](#)
Case of India – Pandemic’s worsened impact due to high informal sector and migrant laborers’ lack of security net

<table>
<thead>
<tr>
<th>Worker group</th>
<th>India</th>
<th>India Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Women</td>
</tr>
<tr>
<td>Home-based worker</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Domestic worker</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Street vendor/market trader</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Waste picker</td>
<td>76.2</td>
<td>83.9</td>
</tr>
<tr>
<td>Informal construction</td>
<td>96.7</td>
<td>98.7</td>
</tr>
<tr>
<td>Informal transport</td>
<td>89.7</td>
<td>40.2</td>
</tr>
<tr>
<td>All groups</td>
<td>96.6</td>
<td>98.8</td>
</tr>
</tbody>
</table>

Groups of workers by whether informally employed and by sex in India (%)

- India’s large informal sector employs around **80% of the labor force** and contributes about **50% of the GDP**.
- Out of the **384 million employed in the informal sector**, half work in agriculture, living mostly in rural India, and the other half are in non-agricultural sectors.
- The workers in the informal non-agricultural sector were the most affected by the pandemic.

*survey of 5000 respondents across 12 states of India

Source: WIEGO and Tandfonline
Impact of Pandemic on Informal Workers in India – Case for Migrant Daily Wage Workers

• Daily wage laborers usually have meagre or no savings and depend on their daily income for food and other necessities.

• The lockdowns meant no jobs which essentially translated to not even having money to buy themselves a meal.

• Many of them were migrant workers, coming from different rural parts of the country, and working in cities for better incomes. They felt stranded, away from their homes with no transportation available to take them back.

• Government schemes were announced, and rations were distributed to alleviate the situation. However, the benefits didn’t reach to many and over millions didn’t qualify for the same

India has a dominant informal sector, which lacks social security and does not have a good bank of savings to rely on.

A threat to livelihood can translate into a threat to lives and non-availability of food and essential services.

During the COVID-19 pandemic, almost 80% of households experienced a reduction in food intake, more than 60% did not have enough money for a week’s worth of essentials.*

On 24th March 2020, government declared a strict lockdown which meant that informal sector workers who depended on day to day work were left with no means.

They were supported though Public Distribution System. But there were sections who could not avail these facilities and did not have access to food, accommodation, or essential services.

The worst hit were migrant labourers who came to urban centres from rural areas.

*survey of 5000 respondents across 12 states of India

Source: WIEGO and Tandfonline
COVID-19 led to reverse migration of the urban casual migrant workers, generally employed in manufacturing, construction, and services.

In 2017-18 these made up 15 per cent of urban employment, i.e. around 19 million people.

Most of these migrants relied on accommodation by their employers. Due to COVID-19, the same was lost.

The migrants were unable to access food because they did not have a ration card, which was necessary to access Public Distribution System support. This condition was removed only 50 days post the lockdown.

Helpless, these migrants had no other choice than to walk back to their villages. They became the transmitters of the infection.

<table>
<thead>
<tr>
<th>Occupation Categories</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislators, senior officials professionals and managers</td>
<td>9.69</td>
<td>11.42</td>
<td>6.02</td>
</tr>
<tr>
<td>Technicians, associate professionals and clerks</td>
<td>11.44</td>
<td>12.13</td>
<td>9.98</td>
</tr>
<tr>
<td>Service workers and shop and market sales workers</td>
<td>15.92</td>
<td>19.3</td>
<td>8.8</td>
</tr>
<tr>
<td>Skilled agricultural and fishery workers</td>
<td>6.91</td>
<td>2.31</td>
<td>16.59</td>
</tr>
<tr>
<td>Craft and related trades and plant and machine operators/assemblers</td>
<td>48.34</td>
<td>50.22</td>
<td>44.4</td>
</tr>
<tr>
<td>Elementary occupations and workers not classified by occupation</td>
<td>7.7</td>
<td>4.62</td>
<td>14.2</td>
</tr>
<tr>
<td><strong>Total percentage</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td>Number of migrant workers (non-agricultural) (in million)</td>
<td>64.96</td>
<td>44.04</td>
<td>20.92</td>
</tr>
</tbody>
</table>

Source: Census (2011) and ILO
India failed its migrant workers yet again during the second wave of Covid-19

Amid massive job losses, up to a 51% decline in earnings and reduced food intake, labourers struggled through the lockdown in Gujarat.

Migrant workers and COVID-19: Listening to the Unheard Voices of Invisible India

Sangeeta Yadav, Kumar Ravi Priya
First Published December 1, 2020 | Research Article | Check for updates
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Abstract

The internal migrant workers in India, despite being highly vulnerable in terms of physical and mental health, have remained the backbone of the Indian economy. However, the recent lockdown situation created by pandemic has put them in a more precarious condition. On one hand, they have lost their jobs and earnings, while on the other, they did not have enough resources to survive at the place of migration. As a result, the nation witnessed mass exodus, where men, women, children were seen returning to their native places on foot. This article, through a critical review of interdisciplinary and ethnographic research, focuses on the status of migrant workers in India amidst lockdown and strategies that may help to mitigate the situation. This article also explores the future course of action that can improve migrant workers’ condition.
Spurt in cases as 1.23 crore migrant workers migrate back to native states – Uttar Pradesh, Bihar, West Bengal, Rajasthan, and Odisha; these five states together recorded 67% migrant workers returning home

- Till May 2020, 80% of cases were concentrated in urban areas, however, reverse migration of migrant workers led to the fear of spread to rural areas.
- In Bihar, 70% of the new cases between May 1-10, 2020 were detected in migrant workers.
- Further, Surat, the biggest centers for migrant workers emerged to have second highest number of cases in Gujarat, after Ahmedabad.
- The migrant workers were lost without proper accommodations leading to the rapid rise in cases in India.

For more information: HinduBusinessLine and HTIndia
India’s Policy Response

Availability of food

The government claimed to ensure food supply through PDS system which required ration cards, which the migrant laborers lacked. Thus, they were unable to avail the benefit till 50 days post the lockdown when ration card requirement was removed and 80 million people (without ration cards) gained access.

Access to salary/wage

On 29th March 2020, the government issued notice for employers to pay full salaries and wages to employees, however, it was withdrawn with lockdown extension on 17th May 2020.

Access to accommodation

On 29th March 2020, the government issued orders directing landlords to not demand for rent during the lockdown period.

Mobility

On 1 May, the Indian Railways was permitted by the Central Government to launch "Shramik Special" trains for the migrant workers and stranded population.

*survey of 11,159 migrants

For more information: ScienceDirect, Journal of Anthropological Survey of India and SWAN
## Bitter-sweet response to India’s policy support to migrant workers’ problems

<table>
<thead>
<tr>
<th>Problem</th>
<th>Effectiveness of Government’s solution</th>
<th>Migrant’s criticism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of food</td>
<td>States like Kerala established community kitchens to ensure that no one goes hungry during the lockdown.</td>
<td>A survey of 11,159 migrants claimed that only 72% of them had rations for next 2 days and 96% had not received any ration from the government.</td>
</tr>
<tr>
<td>Access to salary/wage</td>
<td>Bihar as a state with a high share of migrant and informal workers, launched the ‘Corona Sahayata’ scheme on 7th April 2020 to provide Rs 1000 to the natives of Bihar stuck in other states.</td>
<td>The businesses were cash-starved and were not able or in some cases willing to pay the workers without government support. The European countries bore up to 50-80% of salary expenses for their private companies, while in India the government only agreed to pay provident fund for people earning below Rs. 15000 per month.</td>
</tr>
<tr>
<td>Access to accommodation</td>
<td>Apart from the waiver in rent, a lot of government schools and other facilities were converted as temporary shelter homes for the migrant workers.</td>
<td>The migrant workers claimed that despite the order, the landlords did not exempt their room rent.</td>
</tr>
<tr>
<td>Mobility</td>
<td>From May 1 to June 15 2020, 60 lakh migrants had taken 4,450 Shramik specials at an average ticket price of Rs 600, of which the Railways had recovered 15%.</td>
<td>This was chargeable for the migrant laborers, 70% of whom only had Rs. 200-300 remaining for their duration of the lockdown*. Further, the travellers faced issues regarding lack of food, water, and sanitation facilities.</td>
</tr>
</tbody>
</table>

*survey of 11,159 migrants

For more information: ScienceDirect, Sage Journal, SWAN, Hindu, and NDTV
Conclusion

1. Inequality has been a cause and result of the fallouts due to COVID-19 pandemic.
2. The pandemic aggravated the situations of economically marginalized segments of the society, in particular informal workers.
3. A high correlation between the COVID-19 fatality rates and difference in labour force participation rate was observed \( (\text{Infosphere}) \).
4. Following impacts were observed - unavailability of jobs/means of livelihood in both the present and future, lack of accommodation and inefficient policy response by the concerned authorities.
5. Both Peru and India experienced a return migration which became the cause of the spread of cases. Having inadequate health infrastructure and staff the public health system collapsed under the pressure.
6. El Salvador’s military led lockdown and response showed success in saving lives of the people but it came at the expense of their future livelihood sustenance.
7. Any policy support provided in cash or kind could not be availed by the sections of the society that required it the most.
8. This further exasperated the inequalities in these countries.
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Thank you!