The Budget does not help those facing hunger, unemployment and loss of educational opportunities

The euphoria with which the Budget was received petered out upon close examination of it. Instead, it is a disappointment because it fails to address the multiple crises facing the nation.

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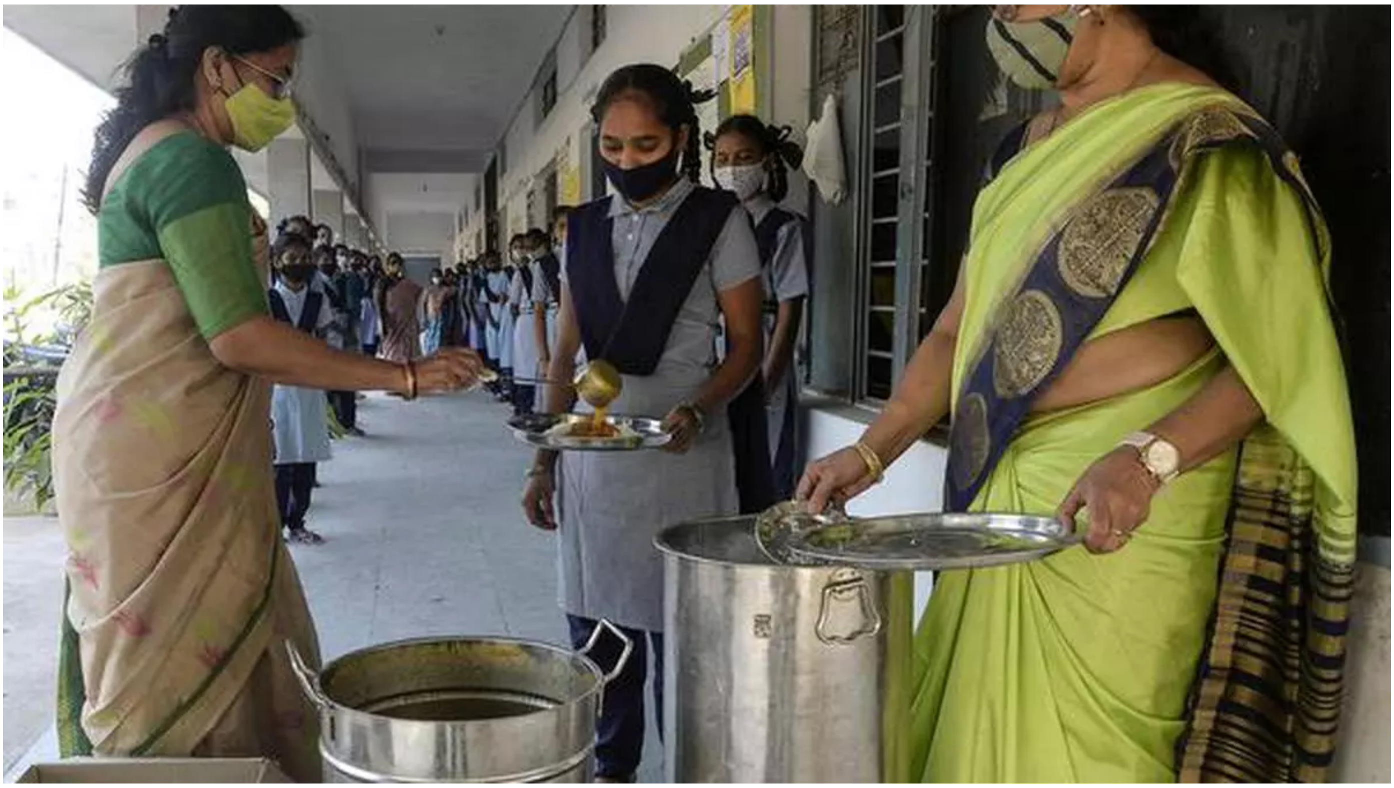

Teachers serving students the midday meal at a school in Hyderabad on February 3. Schools reopened for Standards IX and X after being closed for nearly 10 months because of the COVID-19 pandemic.

This Budget was set in the context of a once-in-a-century pandemic that devastated lives and livelihoods in an already slowing Indian economy. The pandemic and the measures to contain it have created a multidimensional crisis—economic, nutritional and educational—in addition to the original, and still ongoing, health crisis. These crises, if not addressed, can have sustained long-term negative ramifications for generations to come. For instance, the pandemic-led job losses may result in a marked shift in the structure of the Indian economy, pushing it towards higher levels of precarity and even lower earnings. The rise in food insecurity that India is experiencing in the face of this pandemic could increase malnutrition levels among mothers and children for many years to come. The learning losses due to the closure of schools could be permanent for many children. Even before the pandemic, India's job market was weak and the nutritional status of its citizens and the learning levels of its children were abysmally poor. This Budget was an opportunity to redress these issues.

In this piece, we highlight the economic impacts of the pandemic, specifically in terms of job losses, increase in informality, fall in earnings, rise in inequality and hunger, and adverse impact on schooling. We show how the Budget has fallen gravely short of addressing these impacts. We also highlight an alternative budgetary allocation that could have gone a long way in addressing the vulnerabilities of the masses.

Crisis of livelihood

The pandemic and the containment measures, that is, the lockdown, led to an enormous loss in jobs and only a partial recovery after these measures were eased, with women and youth being the most impacted. Some recent studies by Rosa Abraham, Amit Basole and Surbhi Kesar based on nationally representative data from the Centre for Monitoring Indian Economy (CMIE) show that about 38 per cent of the working population in December 2019 (pre-lockdown) lost jobs in April 2020 (during the lockdown). The impact, however, was heavily gendered. While 35 per cent of men lost their jobs during the lockdown, the corresponding figure for women was 70 per cent.

Furthermore, women are also facing a much slower recovery. Post the lockdown, in December 2020, while 11 per cent of men who were employed before the lockdown in December 2019 were out of work, the corresponding figure for women was 58 per cent. Significantly, most of the job losses were concentrated among the young, 15–24-year-olds, and they have been particularly slow to recover. The job loss recovery is only partial as there were 11 million fewer jobs in December 2020 relative to the corresponding month in the previous year.

Also read: The Union Budget is marked by an overall compression of expenditures for agriculture

Notably, for those who “recovered” employment, they did not necessarily continue in the same type of employment arrangement or industry that they were employed in before the pandemic. There has been a marked shift towards more precarious forms of employment. The Indian workforce has always been characterised by high levels of informality with only 21 per cent of workers employed in salaried employment even before the pandemic (in December 2019) and the rest in more precarious and informal forms of employment, including casual daily wage employment or self-employment (mainly comprising petty enterprises). However, the situation has further worsened post the lockdown. By December 2020, only 39 per cent of salaried workers continued in salaried work, while 17 per cent withdrew from the workforce and 44 per cent of them moved into informal forms of employment, mainly self-employment. Furthermore, 68 per cent of workers experienced a fall in their earnings between the pre-lockdown month of December 2019 and post-lockdown month of August 2020, with the median fall in earnings being 26 per cent.

These marked shifts during the pandemic—specifically the job losses, the further withdrawal of women from employment in an economy where women’s workforce participation is already abysmally low, the fall in earnings and a further shift towards precarious forms of employment—are, at the least, extremely worrying. While the Indian economy is in dire need of long-term, pro-workers structural reforms to generate secure forms of employment, these do not directly fall under the purview of budgetary allocations. However, the fact of the matter is that this Budget failed to use even the several existing measures it has at its disposal to address these job crises.

In this context, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), which has acted as a safety net for rural households, could have been strengthened and funded further, but the government chose to shrink the programme. Findings from the Azim Premji University Livelihoods survey covering 12 States indicate that there was more demand for MGNREGA work then was being provided, with 45 per cent of MGNREGA card holders in the survey unable to get any work under the scheme. Further, of those who did get work, almost all (98 per cent) reported that they would have worked more days under the scheme had work been available. However, the government astoundingly pushed the Budget in the opposite direction. The Budget has decreased its allocation by 34.5 per cent, from Rs.1,11,500 crore (Revised Estimates) in 2020-21 to Rs.73,000 crore in 2021-22. This is likely to further deepen the crisis of employment. Apart from this existing employment guarantee, there is an urgent need to extend it to urban areas by introducing an urban employment scheme as several academics have suggested. According to a proposal by the Centre for Sustainable Employment at Azim Premji University, an urban employment programme would help strengthen small and medium-sized towns in India by providing urban residents a legal right to employment, improving the quality of urban infrastructure and services, restoring urban commons and ecology, skilling youth, and increasing the financial and human capacity of urban local bodies.

Also read: A Budget that doubly punishes victims of the pandemic

Some States such as Jharkhand, Odisha and Kerala have introduced small-scale urban employment programmes, but the Central government has the resources and scale to implement such a programme on a larger scale if it chooses to. The employment schemes should not be looked upon as handouts or doles but rather as an opportunity to repair dilapidated local infrastructure. But the government continues to view it as wasteful expenditure and does not utilise its potential. In a recent article in *The India Forum* , Amit Basole, Rajendran Narayanan, Anand Shrivastava and Rakshita Swamy show that to finance an urban employment guarantee programme that provides 20 million urban casual workers 100 days of work at a wage rate of Rs.300/day would cost the Union government around Rs.1 lakh crore. This amounts to less than 0.6 per cent of the gross domestic product (GDP). The Budget, however, falls miserably short and does not address the employment crisis in a meaningful way.

Crisis of inequality

The COVID-19 pandemic had a large impact on incomes of all households, but the decline disproportionately fell on lower income groups, leading to an increase in inequality. India was already a highly unequal country even before the pandemic struck: according to the World Inequality Database, on the basis of tax and survey information, the share of the richest 10 per cent of the population was 56 per cent in 2014. With the burden of the crisis falling disproportionately on the poor, this will only get worse.

A study by Rahul Lahoti, Mrinalini Jha and Amit Basole found that during the first six months of the pandemic (March to August 2020), the period for which data is available from the CMIE, an average household had 17 per cent lower income relative to what it earned in the corresponding six months in the previous year. This is equivalent to losing 36 days of income for an average household. Notably, the relative loss of the bottom 10 per cent of the households was 2.7 times larger compared with the overall average loss. The chart shows the share of pre-pandemic income and income losses in the first six months of the pandemic by decile (groups of 10 per cent each arranged from poorest to richest). The bottom deciles bore a higher loss compared with their share in incomes, while the loss for the top deciles was lower than their share of pre-pandemic incomes. This differential impact has led to an increase in inequality, with the ratio of mean incomes of the richest 10 per cent to the poorest 10 per cent increasing dramatically from 11 to 17. Additionally, as per recent World Bank estimates, the number of poor is estimated to increase by 70 million in South Asia, with the majority of them coming from India.

Also read: Union Budget 2021-22: Wages of inequality

Households also incurred debts and resorted to asset sales to maintain basic consumption levels during the lockdown. A recent survey of 47,000 low-income households across 15 States in India, led by Swetha Totapally *et al.* , found that the average household's debt levels had risen to two thirds of its pre-pandemic monthly income levels. The second round of the Azim Premji University Livelihoods survey found that 22 per cent of households had sold or pawned their assets to cover basic expenses during the lockdown.

The recent Economic Survey, on the basis of a flawed analysis, argues that India should not worry about inequality at the moment and should focus on growth to reduce poverty. Such a take presents a false binary choice between inequality and poverty, as this instance has clearly shown. In addition, several research studies have shown that in developing countries inequality is bad for growth and poverty reduction. While the entire size of the pie might grow or shrink, the distribution of the total pie continues to remain centrally important.

In this context, the Finance Minister could have announced an enhanced monthly direct cash transfer for the next few months for vulnerable households. As several public intellectuals have proposed, a modest cash transfer of Rs.7,000 a household for 80 per cent of all households for three months would have cost only 2.3 per cent of the GDP. The Finance Minister could have adopted either this or some modified version of this. This would have provided direct support to the households who have lost a significant proportion of their income and been pushed to indebtedness. In addition, it would have also provided the much-needed stimulus to the economy. Given that the poor, unlike the rich, have a high propensity to consume out of their income, such a transfer would have resulted in high multiplier effects, facilitating a recovery (*a la* Keynes). While the Jan Dhan cash transfer announced during the pandemic was helpful, it was vastly inadequate. The direct cash transfer of Rs.1,500 paled in comparison to the loss of Rs.17,585 in the first six months of the pandemic among the poorest 10 per cent of households. The Finance Minister, however, chose not to address the economic distress by providing such direct relief.

Crisis of nutrition

The pandemic led to a sustained increase in food insecurity and the closure of critical nutrition programmes, both of which will worsen the undernutrition status of adults and children in the country. Before the pandemic, India's nutrition status was among the worst in the world. The pandemic has made the situation worse. Data from the National Family Health Survey 2019-20 (NFHS-5) reveal that important child nutrition indicators saw no improvement between 2015-16 and 2019-20. In seven out of the ten major States where the survey was conducted, the proportion of underweight children has increased and stunting has increased in six States. Undernutrition in childhood has long-term negative impacts on children's cognitive and physical development, productive capacity and health.

The closure of critical nutritional programmes and loss in incomes among vulnerable households during the pandemic are likely to worsen the nutritional status of these households further. Nutrition-related schemes such as the midday meal scheme and those that come under the Integrated Child Development Services (ICDS), under which most nutrition programmes fall, and anganwadis provide crucial services, including provision of hot, cooked meals to schoolgoing children and micronutrients like iron and folic acid and antenatal care to pregnant women. These schemes have been mostly shut for the last one year. In many States, no proper alternatives for these are in place, almost a year after the pandemic started. In addition, several household surveys have found that food insecurity across India has reached dismally high levels. The Hunger Watch survey by the Right to Food campaign of about 4,000 individuals across 11 States found that the nutritional quality of the food being consumed had declined for two thirds of the respondents compared with before the pandemic.

Also read: Latest NFHS data reveal high levels of anaemia across nation

The Finance Minister could have taken this nutritional crisis seriously and allocated funds to open anganwadis, improve on the midday meal schemes and extend the expanded rations that were provided under the Pradhan Mantri Gram Kalyan Yojana. According to the Azim Premji University Livelihoods survey of about 3,000 vulnerable households, an overwhelming majority of them (84 per cent) got 5 kg or more of cereal in September–October 2020. This served as an important lifeline for many households, but the expanded allocations were discontinued in November. The Budget could have extended these and universalised access to rations for at least the next six months. Further, more than 14 lakh anganwadi and accredited social health activist, or ASHA, workers, who served as front-line workers during the pandemic, need to be paid decent wages for their tremendous contributions instead of the paltry amounts they are paid now.

The Budget, astonishingly, has gone in the opposite direction by cutting allocations for nutrition programmes and not taking any initiatives to open anganwadis or expand midday meal schemes in schools. When the economy was in need of an expansion in these programmes, according to calculations by the economist Jean Dreze, the real expenditure on the ICDS scheme decreased by about 36 per cent and that on the midday meal scheme declined by about 38 per cent between 2014-15 and 2021-22.

Moreover, for the last few years, the actual expenditures for the ICDS have tended to be lower than the budgeted amount. The actual expenditure was Rs.8,000 crore lower than the budgeted amount in 2020-21 and Rs.5,000 crore lower in 2019-20. The government could have used part of the allocated amount to reopen these services last year but chose to not prioritise it. This year, instead of increasing allocations to nutrition schemes to run special immunisation programmes, enhance nutrition supplements and provide resources to open up anganwadis and midday meals safely, the Budget decreased the allocations by more than Rs.4,000 crore compared with last year. The budgeted expenses for the midday meal scheme in 2021-22 are 11 per cent lower than the Revised Estimates for 2020-21. These allocations run opposite to what should have been done if the government had prioritised addressing the frightful crisis of nutrition the country faces.

Crisis of learning

School closures and lack of access to alternative learning resources and activities are certain to worsen the learning levels and increase the educational inequalities in the country. Learning levels in India were already low before the pandemic. As per Annual Status of Education Report (ASER) 2018, only half of Standard V students could read Standard II level text and only about a quarter of students could do division. Now, with no schooling for a year and a majority lacking any access to online or other learning resources, the situation is expected to worsen. As per ASER 2020 findings from 584 districts, in September 2020 about two thirds of students did not receive any learning activities or resources. Further, children with parents who have finished Standard IX or higher are far more likely to receive help at home compared with children with parents who have completed Standard V or less (89 per cent versus 55 per cent). According to the Azim Premji Foundation survey of more than 1,500 schools across five States, about 60 per cent of children cannot access online resources. These learning losses and the consequent increased inequality can persist for decades, resulting in long-term productivity losses, if not remedied soon.

Also read: Digital divide deprives have-nots of proper online education

Here, too, the response from the government appears ignorant of the crises that we face. The progressive response in this context would have been reopening of schools with safety protocols in place, allocating extra resources to remedy the learning losses in the past year, and taking extra measures to monitor school dropouts, especially among girls, due to economic hardship. Instead, the budgetary allocation and expenditure moved in the opposite direction. While last year the Department of School Education and Literacy spent close to Rs.8,000 crore less than the budgeted amount, this year's Budget has further reduced the nominal amount allocated to the department by Rs.5,000 crore. Rather, reopening movie halls at full capacity instead of schools is higher up in the honourable Finance Minister's priority list.

Abysmal failure

The Budget and, more broadly, policymaking during the pandemic provided the government with an opportunity to undertake bold policies to combat the vulnerabilities that have been plaguing the Indian economy and have been further enhanced multifold in the face of the current pandemic and the economic lockdown. This Budget, however, is an abysmal failure in terms of providing support and relief to the majority of the population. Despite promising a "Budget like *never before*", the Finance Minister has only delivered more of the same. The government's preoccupations appear to centre around the rich, while the interests and concerns of the vulnerable, who constitute the majority of the Indian population, appear to have faded from its memory

As the rich get richer and the poor more distressed and invisibilised, we, as a society, might be at the cusp of a dystopian future.

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