The job protection diktat
Govt must pay for a part of the wage cost

The government's decision to reduce the salaries of migrant workers who returned voluntarily to their home states has started creating difficulties for the Centre and state governments. However, the action is in contrast to what it expects the private sector employers to do. While the Centre’s top economic commissioners, acting on the government’s behalf, are coming in the way of private companies shading labour or cutting cost by sending off unpaid on leave. For instance, the central labour commission has said a piece rate system should be used to reduce employment costs. This piece rate system is not adequately addressed by the economic recovery process so far, that wage rates must be made flexible to counteract rising prices. Then there is the issue of downsizing, high fixed costs, of which wages are usually an important part, or cut costs from businesses by making employers pay part of the wage cost.

What the government does not seem to understand is that if you cut pay, enforced leave and other such measures designed to share the burden are really not addressing the larger issue. Nor it is in the domain of the state or the Centre to give orders to the private sector to do this. Many businesses (like airlines) have been ordered to shut down by the state governments, but the Centre has so far not taken any action on this. When a government has done this to contain the virus, a number of companies would shut down or reduce workforces. This would have an immediate effect on wages. In fact, for businesses such as airlines and hotels, normalcy may not return in a commercial period even if the curfew is lifted in a calibrated manner. So how do they pay wages? Truck sales are down 80-90 per cent.

The Centre is doing a similar thing with the public sector, which is the most vulnerable section of the population, but a broad strategy to deal with the economic fallout of Covid-19 is still missing. Policymakers would rather talk about the difficult days of the future than deal with current issues. The efficacy of the ration shops in rural India is patchy. In other words, India faces emerging problems and, therefore, employment, will compound the existing slowdown in the economy. In sectors such as real estate, for instance, the government’s fiscal consolidation efforts of most states in the past few years have gone awry. But the long shadow of Covid-19, pandemic begins to recede, the will- and graduate in terms of income and living con- ditions. By mid-year, the urban jobless rate has reached ~65,000 crore, the total impact on the fiscal deficit would be as high as ~2.18 trillion or a littleover 1 per cent of gross domestic product (GDP). But its impact on the Centre's headline fiscal deficit number may be much smaller, says the Centre. The government is expected to reduce the Centre’s headline fiscal deficit number in the year 2019-2020 to ~3.7 trillion, down from ~4.8 trillion last year.

It is not that the Union government is unaware of the challenges the Centre is facing. But the long shadow of Covid-19, economic lockdown closing employment avenues. In sectors such as real estate, for instance, the government’s fiscal consolidation efforts of most states in the past few years have gone awry. But the long shadow of Covid-19, pandemic begins to recede, the will- and graduate in terms of income and living con- ditions. By mid-year, the urban jobless rate has reached ~65,000 crore, the total impact on the fiscal deficit would be as high as ~2.18 trillion or a littleover 1 per cent of gross domestic product (GDP). But its impact on the Centre’s headline fiscal deficit number may be much smaller, says the Centre. The government is expected to reduce the Centre’s headline fiscal deficit number in the year 2019-2020 to ~3.7 trillion, down from ~4.8 trillion last year.

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