

**EXCLUSIVE: BHILWARA COLLECTOR ON CORONA SCARE  
HOW WE CAME BACK FROM THE BRINK**

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# THE WEEK

CSIR CHIEF SHEKHAR MANDE  
WE WILL TEST LEPROSY  
VACCINE FOR COVID

DEVENDRA FADNAVIS  
MAHARASHTRA NOT TAKING  
SPEEDY DECISIONS

MP: SITTING ON A  
COVID TIME BOMB



**LIFE  
VS  
LIVELIHOOD**

Economic cost of lockdown:  
The pain, the loss and the  
way out

**PLUS**

**RAJIV MEHRISHI**  
CAG of India  
Companies will rethink their  
China-based operations

**ARVIND VIRMANI**  
Former chief economic adviser  
Lockdown was needed  
as a shock therapy

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**BUMPY ROAD AHEAD**

As epidemiologists race to find a vaccine for Covid-19, the world may never be the same again. What the lockdown has done is to press a reset button, where businesses, social interactions and lifestyles have been forced to change.



# BUSINESS AS UNUSUAL

As India is still counting the cost of the lockdown, things are unlikely to go back to normal even after its removal

BY PRATUL SHARMA

**S**ocial distancing is the new world order. As of now, it is the only effective intervention against the Covid-19 pandemic. Its more stringent version, lockdown, however, comes with severe side effects like loss of jobs and decelerated economic growth. But the Narendra Modi government has made its approach clear and taken the tough path, as it extended the all-India lockdown from April 14 to May 3.

Even in its initial response, the government had rightly put lives ahead of the economy. The first phase of the lockdown slowed the spread of virus, buying time for the local authorities to ramp up medical infrastructure, set up isolation facilities and ensure supply of medical equipment. It is likely to continue in some hotspot districts even after May 3.

It comes, however, at a debilitating cost to the economy, impacting livelihoods, social security and jobs. "If it is extended to end May, the additional cost will be 9 per cent of the GDP," said Arvind Virmani, former chief economic adviser to the government. Economists say the current crisis is far worse than the one in 2008-09. The 2008 slowdown had its origin in one country and it created ripples across the world. But Covid-19 is leaving behind destruction simultaneously across the globe. All economies are in recession, and there might not be a solution in the near term.

"Even if the situation stabilises in the next one month, we have to take care of the next six," said Bimal Jalan, former Reserve Bank governor. "The government should give fiscal stimulus and release funds for the poor and the states. The stimulus should be used where it is needed to create jobs, and not just as administrative expenditure. Those projects which are in the pipeline or ongoing should be completed rather than starting new." The state governments have demanded financial assistance in addition to the Central funds that are due to stay afloat.

As the harvest season is on, the government has announced some relaxations in the lockdown, which

#### SHADES OF GREY

The shutdown of the hosiery industry in Kolkata has left thousands of people jobless

primarily will help the rural economy, by allowing some economic activities to restart after April 20. These will allow MGNREGA work to restart, goods trucks to resume service, e-commerce sites and courier companies to go full steam, and IT companies to work with 50 per cent staff. Plumbers, electricians and carpenters will be allowed to work, and so would sections in construction work and manufacturing. All these activities will require sanction and passes from local administration.

"The relaxation has come at the right time as the situation was very grim to keep construction workers at the site afloat," said Niranjan Hirrandani, president of National Real Estate Development Council. "With this order, the economic drivers of the country will start moving again, even as we extend the lockdown."

Modi had asked all his ministers to prepare a 10-point business plan to put the economy on track. The government will come out with a detailed plan after discussions with the NITI Aayog and the Prime Minister's Office. The next bailout package is likely to be for the micro, small and medium enterprises (MSME) sector, which forms a quarter of the economy, and may have a special fund to provide bank loans for working

capital needs of the sector and tax relaxation to small units. The government is also looking at doubling its spending on infrastructure projects in an attempt to create more jobs.

#### THE LOSS

"The situation is pretty bad," said Mahesh Vyas, managing director and chief executive officer of the Centre for Monitoring Indian Economy. "It will get worse in terms of unemployment. A large number of daily wagers, agricultural labourers, and self-employed entrepreneurs are facing severe job problems."

The first victims of the lockdown are the workers in the unorganised sector and migrant labourers. Surya Pratap, a migrant labourer from Uttar Pradesh, was forced to leave Delhi after the cooker factory he worked in shut shop. "I called my employer for salary, he told me he could not pay as

he had no money. The local grocery shop stopped giving provisions on credit. I am going to Shahjahanpur," he said, on the way to his hometown along with his wife and two children. He had brought the family to Delhi for Holi. He does not have a ration card or a bank account.

It is the same story for lakhs of migrant labourers who had walked back to their native places. They had left their villages for economic security in big cities, but are now returning for emotional security. "The workforce will return to the cities, but it will take time because of the uncertainty around virus transmission," said Prof Chinmay Tumbe of IIM Ahmedabad. "There are likely to be massive labour shortages from mid-April onwards in major cities. I suspect most will return only later in the year since June-July is anyway spent at home even during normal times." Since the

**According to an estimate, private domestic carriers in India are expected to post consolidated losses of up to \$600 million in just one quarter.**



start of the lockdown, some 12.5 lakh people, a majority of them migrant labourers, have been housed in around 21,000 relief camps across the country.

The Modi government responded to the initial distress with three key interventions—₹15,000 crore for the health care sector, ₹1.7 lakh crore for the poor, and the ₹3.7 lakh crore liquidity infused into the market by the RBI. In the first three weeks, the government distributed about ₹29,000 crore to about 32 crore poor people.

Ironically, the industry is yet to come out with a figure for the losses it suffered. "The economic cost is huge," said Rathin Roy, former member of the Prime Minister's Economic Advisory Council and director of the National Institute of Public Finance and Policy. "But I am not seeing any assessment, from either the government or the private sector, of what has been the cost to them. If they are paying wages, if they are laying people off, then what is the loss? If they are paying interest on the working capital which is not being used, then what is the loss? Only when you get quantification of losses that you can give money. I am very disappointed that the private sector

is not doing its job in this respect."

Finance Minister Nirmala Sitharaman, head of the financial task force, has held several meetings with experts, MPs and industrialists to garner inputs for a stimulus package. The package may offer tax concessions, more government spending and bailout for key sectors.

#### THE PAIN

All sectors are affected by the lockdown, and they are all worried about the uncertainty that the pandemic has brought with it. Even if the government eases the lockdown, sectors like hospitality, aviation and entertainment will continue to reel under the virus-induced fear and forced lifestyle changes. Restaurants, cinemas, airlines and railways will have to devise plans keeping in mind the norms of social distancing.

Social distancing can severely dent consumption and lead to a vicious cycle—uncertainty coupled with less availability means there is a drop in consumption, which makes companies look at cutting costs by less investment and job or salary cuts, which will lead to even further drop in consumption. "Recovery will be gradual. We are staring at a cascading effect down the line," said

## Ash to cash

BY SNEHA BHURA

**NASEEM KHAN** from Moradabad, Uttar Pradesh, is embarrassed about the fact that his business is booming in the middle of a pandemic. "Yes, because of this outbreak, unfortunately, we have seen a surge of about 30 per cent in sales," says the 52-year-old for whom the phrase "ashes to ashes, dust to dust" has literally translated into a winning business idea since he started LoveUrns in 2011. In his factory in Moradabad, Khan manufactures brass urns for cremation ashes. LoveUrns has a network of sales and distribution centres across the US and Europe, with warehouses in the US and the Netherlands. Now, with the rising number of Covid-19 casualties in the US and Europe, funeral services has been deemed an essential service by the US government.

Although many producers in Moradabad have sought to ride the global trend towards cremation by manufacturing designer cremation urns on the back of a thriving brass industry—estimated to be worth over ₹6,000 crore—they are mostly exporters and do not own a registered company in the US, which Khan does. Khan's Moradabad factory, which has around 200 artisans, used to produce around 12,000 cremation urns every 20 days. The cheapest one costs \$180. But now, with his factory shut, he is not sure how long his warehouse stocks will last.

"Things are fine for me now financially, but I am not sure for how long it will remain so if the lockdown in India continues," says Khan. "If we run out of stock, the customers will turn to urns produced in China. We might even have to source from them."

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# DISASTROUS DOWNTURN

HOW COVID-19 IS WREAKING HAVOC ON INDIA'S ECONOMY

## GROWTH PROJECTIONS SLASHED

Various international agencies have slashed India's growth projections. The International Monetary Fund (IMF) says India and China are the only major economies likely to register any growth in FY21

**WORLD BANK** **1.5-2.8% FROM 6.1%**  
Older estimate is from World Bank's Global Economic Prospects, Jan 2020

**IMF** **1.9% FROM 5.8%**  
Older estimate is from IMF's World Economic Outlook, Jan 2020

**ASIAN DEVELOPMENT BANK** **4% FROM 6.5%**  
Older estimate is from ADB's Asian Development Outlook Supplement, Dec 2019

**S&P GLOBAL RATINGS** **3.5% FROM 6.2%**  
Older estimate is from spglobal.com article dated March 23, 2020

**FITCH RATINGS** **2% FROM 5.1%**  
Older estimate is from fitchratings.com article dated April 3, 2020

## INDICATORS AND OUTLOOK

CRUDE OIL (INDIAN BASKET)



EXCHANGE RATE (₹ TO \$)



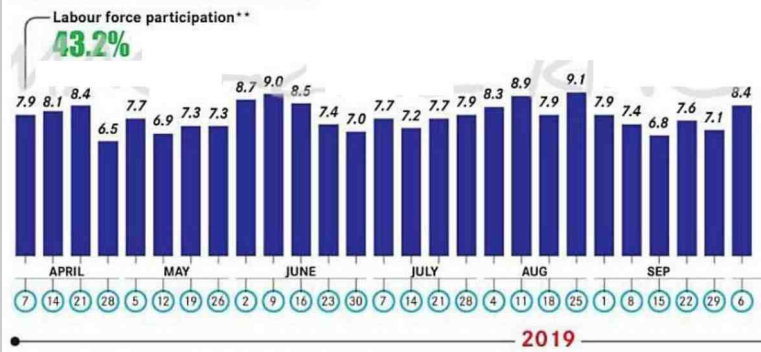
GLOBAL GROWTH (FY21)



FISCAL DEFICIT (% OF GDP)



## UNEMPLOYMENT RATE (%)



\*RBI expects the deficit to remain within 2020-2021 Union budget estimate

\*\*Indicates section of working-age population employed or actively seeking employment

SOURCE CMIE; MONETARY POLICY REPORT, APRIL 2020, RBI; AND IMF



Ajay Bakaya, managing director of Sarovar Hotels & Resorts.

The hospitality sector, along with travel and tourism, has borne the brunt of the first wave of the pandemic, and the lifting of the lockdown is unlikely to give any immediate relief. With international travel set to be virtually non-existent in the foreseeable future, the hotel industry is pinning its hopes on the domestic traveller to help the business get back to normal. Even for that, the best case scenario, according to Bakaya, is 50 per cent functional by the end of June, "with business hopefully getting normal by October." That, of course, would depend on the lifelines from the government, like moratorium on EMIs and deferment of taxes.

Aviation associations have claimed that the global air transport industry could lose \$113 billion in revenues from the passenger business in 2020. Centre for Asia Pacific Aviation, an aviation consultancy, has claimed that the Covid-19 pandemic will push most airlines in the world to bankruptcy by the end of May. According to an estimate, private domestic carriers in India are expected to post consolidated losses of up to \$600 million (₹4,500 crore) in just one quarter, while the losses of the national carrier Air India could go up to ₹3,700 crore in the same period. Airlines were the first to pass on the losses to its employees. SpiceJet, Vistara, GoAir and IndiGo have announced 10 to 30 per cent pay cuts for their employees. Air India has asked for \$1.6 billion bailout package from the government.

While the economy may survive the impact on hospitality or aviation sectors, any downturn in its lifeline, the MSMEs, can send the economy into a tailspin. Chandrakant Salunkhe, founder and president of SME Chamber of India, presented an ominous picture. "Nearly 7.5 lakh MSMEs may shut shop over the next

■ INTERVIEW

Rajiv Mehrishi, Comptroller and Auditor General of India

## **Companies will rethink their China operations. India can attract them**

BY NAMRATA BIJI AHUJA

**A**s the government brainstorms on how to minimise the economic fallout of the Covid-19 lockdown, Comptroller and Auditor General Rajiv Mehrishi says we need to shift focus from worrying about GDP to increasing what he calls GGP, or gross goodness product. Mehrishi, an external auditor of the World Health Organization and member of the United Nations board of auditors, spoke to THE WEEK on how India can tackle the challenges.

Excerpts from the exclusive interview:

**Q/ What do you think will be the economic impact of this crisis?**

**A/** That there will be a worldwide economic fallout is not debated. The extent of the adverse impact is what economists and policymakers will have to think about. But GDP growth cannot be the main focus at this point of time. It is better to be poor than be dead. As Warren Buffett famously said, you have to survive to succeed.

Once the infection curve starts flattening, we can start discussing the best ways of handling an

economic situation where both top and bottom lines of companies would have shrunk, the purchasing power eroded, and tax revenues of the government reduced. But there are also silver linings—[there is] still a pretty large [domestic] market, low oil prices and, by all accounts, a bumper rabi crop.

**Q/ India has witnessed disasters in the past. What lessons have we learnt?**

**A/** All of us need to understand that this is a major disruption—of the kind we have not witnessed in the last four or five generations, perhaps since the 1918 flu. Once we understand this, and most of us seem to have, what we do not need to do is indulge in armchair criticism, or display our post-facto six-by-six vision and wisdom. By all means, make constructive suggestions. But, at a time when the authorities are faced with an unprecedented challenge—most doctors and officials involved in handling the crisis are doing 18-hour shifts—distracting them with criticism and court cases is really only shooting ourselves in the foot.

What we need to do instead is to fully abide by the lockdown and government instructions, which





SANJAY ARAVAMUDAN

a real conundrum. In times of crisis, we all want to go home, for both economic and emotional reasons. In India, the numbers involved are very large, perhaps around 100 million. On the other hand, sending back people from the cities may mean spreading the infection to rural areas. That is a genuine and major risk.

So, for migrant labourers who are still in cities, or those who are trudging back home, can we make sure that they have food, medicines and water? As you can see, a lot of this is already happening, with efforts being made both by the government and civil society. I hope more of us well-to-do people would join in to help, directly or by contributing to an organisation or fund of one's choice. Also, a majority of migrant labourers have Jan Dhan accounts. The transfer announced by the government recently should help the poor tide over any immediate crisis.

**Q/Apart from the medical emergency, what are the major challenges currently facing us?**

**A/**Two critical things. First, the challenge of ensuring availability of essential items—milk, groceries, vegetables and medicines. This is a huge organisational and management challenge in a country as large as ours, with so much inter-state movement involved.

Second, the maintenance and con-

tinued supply of essential services like electricity and water, and a minimum level of municipal services. The nation has rightly recognised the selfless service of doctors and the medical staff that support them. They have also been insured for ₹51 lakh each.

Similarly, we also need to spare a thought for the officials who are directly handling the crisis. The municipal workers and officials maintaining our power and water supplies; secretariat and district-level officials and the police, who are monitoring the lockdown and maintaining public order with extraordinary resolve and effort.

**Q/ The government is incurring a lot of expenditure in providing food, shelter and quarantine facilities and in procuring medical supplies such as ventilators and personal protective equipment. Will the CAG audit these expenditures strictly for compliance with rules and procedure?**

**A/**We do not work in a vacuum, oblivious of our surroundings or circumstances. Even normally, we do try to distinguish between bona fide action and incompetence or ill-intent.

**Q/ Any positives you can think of?**

**A/**First, many companies will rethink their China-based operations. Wet markets (a place that sells meat, fish and other perishable goods) may well become a tipping point. If we do some things right, we can attract these companies to India. They are employers and job multipliers.

Second, we have much to learn from the clear night sky and good air quality observed in dozens of cities across the world. We humans really have to reinvent the way we live, work and produce goods and services. This crisis may just provide the impetus for that. ●

are based on the best medical advice available, and not add to the problem by violating them. What we also need to do is to see how we can help. For instance, can we give money or rations to those who most need them—our colony's *dhobi*, carpenter, electrician or the *kacchi basti* nearby? Raising the GDP and per capita income is indeed important, but as a nation, we also need to increase what I call gross goodness product, or GGP, especially at times like this.

**Q/ How can the government reach out to those who are not covered under the various welfare schemes? Migrant labourers, for instance.**

**A/**The problem of migrant labour is

**“ Humans really have to reinvent the way we live, work and produce goods and services. This crisis may just provide the impetus for that. ”**



BIHANU PRAKASH CHANDRA

few months," he said.

Most of these companies were taken by surprise when the lockdown was announced. "The lockdown was imposed at the last moment, so most of the SMEs were not able to prepare," said Salunkhe. "Many products are perishable and have expiry

dates. So, the loss will be very big, and SMEs will find it difficult to manage."

Just like MSMEs, lakhs of retailers are also staring at a bleak near-term outlook. According to the Retailers' Association of India, there are more than 15 lakh retail stores in the country, generating a busi-

#### SHATTERED DREAMS

Migrant construction labourers from Bihar, Uttar Pradesh, Odisha and West Bengal at shelters in Bengaluru

## Season of sorrows

BY NACHIKET KELKAR

**AMBARISH JHA** runs an ecotourism resort close to the Bhitarkanika National Park in Odisha, where the peak season is from October to March. The bookings had already been dropping because of the economic slowdown when the Covid-19 pandemic started. By March, there were no bookings at all.

Jha's Estuarine Village Resort used to receive around 800 tourists during the season. This time, the numbers were less than 500. "Even if this pandemic stops by June, July or August, I do not think people will travel, as the economy will be impacted badly," he says. "In such circumstances, travel will be the last thing on anybody's priority list."

For resort owners like Jha, even if there are no tourists, some of the expenses are unavoidable—be it the staff wages, general resort maintenance or bank EMIs. "I have six employees [at the resort]. With the business taking a hit, I may have to ask a few to leave," he says.

Apart from the resort, Jha also runs a small travel agency. That business, too, has been hit. Having managed the resort for over nine years, Jha was looking at bigger opportunities in the resort business. He had been getting offers from those interested in taking over the resort. "Given the current situation, I do not think there will be any takers," he says.

Big resort groups can always restructure their business, and temporarily or completely shut some of their properties. However, Jha cannot even think of a shut down. He can only wait and pray for the good times to return once again.

ness of around ₹1.74 lakh crore and employing more than 60 lakh people. "If the lockdown continues till June, then there could be a scenario where 30 per cent of the retail stores have shut shop for good, leading to 18 lakh people losing their jobs," said Kumar Rajagopalan, CEO of Retailers' Association of India.

Apparels, jewellery, shoes, consumer electronics, durables and mobile phones are among the most affected segments in retail and they are struggling to pay rentals and wages. "Rent accounts 10-15 per cent of the costs while 8-10 per cent is salary," said Govind Shrikhande, former managing director of Shoppers Stop. "When there is no sale at all, how do you bear these expenses?"

According to Mahendra Kajiwala, former chairman of South Gujarat Chamber of Commerce and Industries, the daily loss in the textile industry in Surat is estimated at ₹100 crore to ₹150 crore. The diamond industry in Surat, which has an annual turnover of around ₹1,48,000 crore and employs seven lakh workers, had been badly hit even before Covid-19 cases started emerging in India, said Dinesh Navadia, chairman of Gujarat unit of Gem Jewellery Export Promotion Council.

The automobile industry, which was losing ₹2,300 crore a day even before the lockdown, has fallen into deeper troubles, as lockdown has washed away a few weeks. "Right now the patient is in the ICU; so the whole effort will be to get him out of there," said Rajeev Chaba, president and managing director of MG Motors India. "(In) April and May it all depends on when the government lifts the lockdown and how many days of production we get. After three months, the whole question will be on the consumer demand. How many would want to buy a car? The regeneration of demand

## INTERVIEW

Arvind Virmani, former chief economic adviser

# Crisis may persist for nine months

BY PRATUL SHARMA

### Was there an alternative to the lockdown?

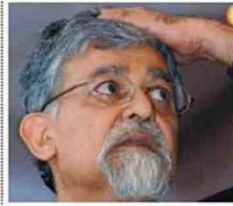
Lockdown was needed as a shock therapy for those who were not taking this pandemic seriously, not taking necessary precautions or behaving irresponsibly. It is time to start phasing out the lockdown, keeping in mind the source of the spread (international travel from infected countries), its geographical variability, the need for social distancing and the necessity of wearing masks and washing hands.

### What more should the government do to deal with the economic and social impacts of this crisis.

There are three stages for handling this crisis. During the lockdown, the Union and state governments have to ensure the survival of those who do not have sufficient savings to tide over the loss of income and jobs. After the lockdown is lifted, the crisis will persist for six to nine months. During this time, the government has to ensure the survival of badly affected sectors like air travel and hospitality, and indebted, cash-poor firms which are basically sound but will go bankrupt, permanently destroying jobs in the economy. In the third stage, the government must put in place economic reforms and policies that ensure a quick recovery from the crisis and a speedy return of the economy to its full growth potential.

### The government has suggested staggered lifting of the lockdown. How should it be done?

The time has come for phasing out the lockdown. This will be faster in unaffected and mildly affected districts and slower in highly affected districts. Similarly,



phasing out must be quicker in goods sectors (agriculture, mining, manufacturing) and in transport, than in contact sectors. However, some restrictions must remain.

### What changes are we looking at in the post Covid-19 scenario?

I expect a far greater understanding of the difference between public health issues dealing with communicable diseases, cleanliness, sanitation and pollution, and personal health issues such as heart disease, diabetes and cancer. Globally, I expect a slowing, even a temporary reversal of the trend, towards international travel and tourism. I also expect an increase in the trend growth of digitisation, dispersal and decentralisation.

### What are the lessons for India and the world.

We have to draw a distinction between risk which is measurable and uncertainty which is a black hole. Thus, when the uncertainty is very high, as it was for the SARS coronavirus 2, it is probably better to overreact than to be overcautious. Countries that acted earlier and more comprehensively seem to have done better than those that delayed it. ●

will be a slow process."

While the lack of consumer demand is a threat looming in the distance for the real estate and construction sector, the immediate concern is the availability of labour and raw materials. "It is a challenging situation," said Hiranandani. "The pandemic may have migrant labourers running to the perceived safety of their villages, but earning money is something which will have them returning to the cities, to the construction sites."

Hiranandani believes there will be increased demand in residential real estate. "Families living in rented homes will appreciate the advantage of living in one's own home during emergencies like the Covid-19 pandemic," he said.

The pharma and health care sectors stand to gain from the export demand for essential medicines and medical equipment. For long, Indian drug makers have been importing active pharma ingredients (APIs) from China because they are cheaper than the locally made APIs. That seems to be changing. "India has become a preferred supplier of APIs and API intermediates for global markets. In the long run this will have a great positive impact on overall Indian economy," said Kushal Suri, head of international business development at the pharmaceutical company Morepen Laboratories.

The IT sector, however, does not see any light at the end of the tunnel. Its main revenue generating markets, the US and Europe, have been severely hit by Covid-19, and it is likely to have a long-term impact.

According to a recent report by the research firm International Data Corporation (IDC), there would be a decline of 3-4 per cent in global IT spending. "Given the complex business scenario today, most of the IT companies have to keep pace with maintaining client deliveries with most staff working from home. The



**MOUNTING TROUBLE**  
Lack of consumer demand is a threat looming in the distance for the real estate and construction sector

ANVUSH GOEL

new business development will see a much slower growth rate for the next two quarters," said Deepak Mittal, CEO of To The New, a digital technology company.

As the government gets busy with identifying sectors that need a bailout, one sector which may be overlooked is the startups. As several

projects have gone on a hold mode, startups are struggling to deal with the sudden drop in revenue. "Post the lockdown most of the startups will be affected, irrespective of the sectors they come from, as their revenue streams have been hit," said Jyoti Bowen Nath, managing partner at Claricent Partners. "The focus

is to sustain the business with minimal costs and prepare to bounce back when the economy opens up."

#### THE REMEDY

During the 2008 financial crisis, prime minister Manmohan Singh advised the G20 nations on a Keynesian financial stimulus. Many experts now are pushing for the same intervention to put more money in people's hand and boost demand.

Most economists agree on three immediate solutions for the current crisis—ramp up health infrastructure to deal with the disease; provide food and transfer cash to workers and migrants; give a bailout package for the stressed industry. "We have to do what it takes to protect two things, one is the migrant labour, and second the unorganised sector," said Roy. "An interesting thing is that both migrant labour and unorganised labour are part of the third problem, which is to maintain supply chain, because supply chains are not maintained by Swiggy. Supply chains are maintained by migrant labourers who load and unload goods and move trucks. You have to take care of your unorganised sector, and that will take care of your supply chain."

He is surprised that no window has been opened for the state governments. "Release of disaster funds is very little," he said. "I have been arguing that the government has to put up to ₹2 lakh crore at the disposal of the state governments."

Many economists have asked for putting in place a universal basic income programme to help people in distress. Another suggestion is to make public distribution system geographically neutral. Many

migrant workers rushed home during the lockdown because they have ration cards at their native places. "Currently, the One Nation One Ration Card scheme is slated to be released in June. Ideally, this should be implemented at the earliest," said Tumble.

Industry is asking for a bigger package of 2 to 3 per cent of the GDP (about ₹6 lakh crore), which would be comparable to what other countries have announced. "India may be losing close to ₹40,000 crore daily because of the national lockdown, with an estimated total loss amounting to ₹7 to 8 lakh crore during the first 21 days of the lockdown. Close to 40 million jobs are at risk during the April-September 2020 period. Hence an urgent relief package is critical," said Sangita Reddy, president of FICCI and joint managing director of Apollo Hospitals.

Various industry bodies have submitted a list of suggestions to the government, ranging from deferment of taxes and subsidised loans for MSMEs to immediate release of payments owed by the government and PSUs to vendors. "Special support is also needed for severely affected sectors such as tourism and hospitality," said Chandrajit Banerjee, secretary general, Confederation of Indian Industry.

As epidemiologists race to find a vaccine for Covid-19, the world may never be the same again. What the lockdown has done is to press a reset button, where businesses, social interactions and lifestyles have been forced to change. The lasting effects of this change remain to be seen.

**With K. Sunil Thomas, Nachiket Kelkar, Pradip R. Sagar, Abhinav Singh and Nandini Oza**

#### INTERVIEW

**Manish Sabharwal**, chairman and cofounder, Teamlease Services

## India's recovery will be driven by domestic consumption

BY ABHINAV SINGH

**T**here are apprehensions that the national lockdown may have a long-term impact on the Indian economy, like large-scale job losses and uncertainties for the workforce in the country. If the lockdown is not lifted in a few weeks, there will be unbearable pain on the economy, according to Manish Sabharwal, chairman and cofounder of Teamlease Services, one of the largest staffing and human capital firms in the country. The firm has over 1.4 lakh employees currently on its rolls, and have hired 17 lakh people in the last decade. Sabharwal is a member of the National Skill Mission and the Central Advisory Board of Education. He also serves as an independent director on the Reserve Bank of India board. A Wharton School alumnus, Sabharwal talks to THE WEEK about the likely effect of the lockdown on jobs. Excerpts:

**Q/ The lockdown seems to be a major challenge for human resource departments across sectors.**

**A/** The situation is not modifiable.

Everything we are doing to murder the virus, murders the economy. Even though that is the right [action], it is important to recognise that shareholders or banks do not pay salaries. Customers do. The lifting of the lockdown must be decided by medical professionals, but we must recognise that if the lockdown is not lifted in a few weeks there will be unbearable pain.

**Q/ How do you think things will turn out once the lockdown ends and organisations start rethinking their business and hiring strategies?**

**A/** I do not think anybody should be making firm decisions about jobs cuts or pay cuts before the lockdown [extension] decision. The input of an end, extension or glide path for lifting the lockdown is important for the operational and financial viability for employers. To use a medical analogy, if the lockdown was lifted on April 15, it would have been the equivalent of a bruised knee. If May 1, it will be a broken leg. Anything beyond June 1 will be an amputation. Companies are rivers, not ponds. They are about flow, not stock.

**Q/ How are things going to work for different sectors as far as job creation and job losses is concerned?**

**A/** Where you stand on this issue depends on where you sit. Companies with huge loans will take longer [to recover] than companies with cash or low leverage. Companies that are diversified may suffer more than focused players. Companies in tourism, travel and hospitality may not only take time to recover, but also have to face a new normal. The virus has also brought e-learning, tele-medicine and working from home forward by 10 years. So the impact will depend on how long the crisis lasts.

Every organisation stands to be impacted in some way or the other.



But it is difficult to predict how. The essential services sector, one can assume, should be the least affected. However, e-grocers and e-commerce companies have struggled to meet demand as even the existing workforce left. Most organisations have chosen the path of being non-committal about the future.

**Q/ What kind of people are going to be preferred in different organisations vis-a-vis those that may be laid off due to the slowdown?**

**A/** The virus is the equivalent of a natural disaster, though for the first time it is global. A thoughtful calibration of employee costs at this stage should be considered. This crisis will get over and people will remember how each employer behaved as it would be the sensitivity, clarity and maturity with which employers communicate that would differentiate organisations as they recover from

Covid-19. Of course, an employer has to survive to succeed, but the communication, fairness and transparency in decision making will go a long way (towards making) employees (willing) to share the pain.

**Q/ New ventures or business moves are going to take a hit.**

**A/** I think some of the hormonal imbalance in funding new ventures was overdue for correction. The winner-takes-all thinking got too many early-stage ventures to sacrifice prudence, but this crisis reminds us that resilience is as important as performance. This kind of a crisis makes the strong stronger and the weak weaker and also reinforces the importance of sustainable business models. A crisis of this kind does not create new trends but amplifies existing ones.

**Q/ What kind of jobs will be in demand in the coming year? And which sectors are expected to bounce back fast?**

**A/** I think the fastest jobs to come back will be bottom of the pyramid jobs in sales, customer service and logistics. Global trade and growth will be muted, but I anticipate that India's recovery will be driven by domestic consumption. This could include FMCG, financial services, telecom, e-commerce and much else. The industries that will take time to come back will be hospitality, airlines, hotels, construction and retail. How quickly sectors like aviation, tourism and construction can make a comeback will be directly linked to how the country is able to build confidence among domestic consumers. Besides this, there is apprehension in the IT sector given their dependencies on the west for revenues. However, the IT industry also has the relative advantage of being able to continue delivering from a remote environment. One can nonetheless anticipate wavering demand in the IT sector. ●

**“ This kind of a crisis makes the strong stronger and the weak weaker and also reinforces the importance of sustainable business models. ”**