

Relaxing Lockdowns: Lives, Livelihoods, Supply, and Demand

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Suppose, for a moment, that the Great Indian Lockdown is lifted tomorrow. How do you think people will change their behaviour? Obviously in quite different ways, depending upon their financial wherewithal.

Supply and demand

The affluent will probably prefer not to leave the security of their homes. If continuing to work from home is not possible, they might volunteer to go to their workplaces only if adequate social-distancing is guaranteed. The poor, on the other hand, having suffered serious economic deprivations in the month of the lockdown, will be desperate to rejoin the workforce under any terms. In essence, with respect to labour supply, the rich will want to protect their lives, while the poor will make every effort to renew their livelihoods.

But the story does not end there. The ongoing pandemic will also impact people's demands for goods and services. Everyone will demand health-goods to fight the virus – from face-masks and test-kits to hospital-beds and ventilators. At the same time, many will temporarily stop buying all kinds of inessential durable goods – from small-ticket items like clothes, shoes, and beauty-products, to big-ticket items like white goods, cars, and apartments. And then there will be necessities – foodstuff, hygiene products, medicines, cell-phone talk-times – whose demands will not change much. There will still be demand for *roti*, but for *kapda aur makaan* not so much.

It is important to recognize these demand changes because whether a poor person can indeed renew her livelihood once the nation-wide lockdown concludes depends crucially upon these changes, and upon the degree of lockdown relaxation. While policy-makers have recognized that Covid-19 will cause a general demand reduction in the country (e.g., see Rajasthan's [action-plan](#) to restart its economy), the change in demand composition has not been adequately emphasized. Once we recognize this change, as also the likelihood of a partial relaxation of the lockdown rather than its complete withdrawal, the following issues come to the fore.

The problem of vanishing demand

There are 450 million [informal-sector workers](#) in India – with more than 30 million workers in the garment industry, 11 million street-vendors, 10 million construction workers, 7 million artisans, and 6 million domestic workers. It might be safe to say that due to Covid-19, at least 100 million informal workers will confront vanishing demand. The act of un-locking the nation by itself will not make much economic difference to these people.

To help them – and other unskilled labourers – survive the pandemic, we will need to give them direct transfers in cash or kind, and/or include them in food-for-work programmes. Regarding the latter, we will be smart to leverage the fact that the pandemic is generating new demands for health-goods – PPEs and face-masks, and for new public works programmes – expansion of quarantine and treatment centres. The government must look to recruit unemployed labourers – especially garment and construction workers – for these jobs.

The need for accessing demand and supply

Then there will be producers whose outputs will enjoy sustained demand during the pandemic. But they will still need to access stable input supply chains and marketing channels to rejuvenate their economic lives after lockdown relaxation. While interstate movement of (essential) goods and services is permitted under the lockdown, its volume has fallen drastically over the last month – daily truck movements have [gone down](#) by 90 per cent, while 700 freight trains have been [stuck](#) holding inessential goods loaded on to them before 25 March. Such transportation bottlenecks will limit economic recovery under any lockdown relaxation that continues to restrict – as it should, given increasing disease-spread in many hotspots – unfettered movement of people and freight across district- and state-lines. The agricultural sector will suffer greatly if farmers, having harvested their Rabi crops, find it hard to market them. The obverse problem will befall many manufacturers who have willing buyers – like producers of Covid test-kits – but are unable to maintain input supply chains needed to expand production.

Simply permitting inter-state freight movement is not enough, the government must do more. It must recognize that in this pandemic, where mass movement of people is likely to aggravate disease-spread, a dedicated cadre of ‘transport workers’ – who will transport raw-materials and finished products (and people if necessary) across districts and states – is as essential as health workers. Such a cadre can be created from the nation’s existing informal transport workers as well as from its security forces, and these people must be given adequate protective gear. The government’s role in nurturing a resilient ‘cross-country public transportation network’ is vital for preserving life – by ensuring production and distribution of medical equipment and necessities, as well as for renewing livelihoods – by enabling more people to start earning again.

In the ‘life versus livelihood trade-off’ in India, judicious relaxation of the lockdown will be a proactive step towards renewing the livelihoods of many. But to realize its gains “wholly or in full measure”, certain concomitant steps – devising ways to support workers whose earning capacities have been destroyed by Covid-19, and ensuring a robust nation-wide public transportation network – need to be taken. The rationale behind these steps are to be found in a simple supply-demand analysis.