

# India's Lockdown and the Great Exodus Some Observations

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**Abstract** The pandemic-induced lockdown in India caused a great exodus of millions of seasonal workers from cities, an impact for which the government was completely unprepared. This essay considers the socio-economic setting of the exodus, the potential economic and epidemiological impact, policy suggestions, and evaluation of the policy (non)response of the Indian government. We consider the underlying political economy of policy distortion and suggest ways that might enable incentive compatible corrections.

**Keywords** Internal migration. Lockdown. Informal economy. Public policy distortions. Political economy of policymaking. Incentive compatibility.

**Summary** 1 Introduction. – 2 “Othering” and Distortion. – 3 Economic Impact. – 4 Policy Proposals. – 5 The Policy Stance of the Government. – 6 Lockdown and Inconsistent Government Policy. – 7 The Selectively Absent Leviathan. – 8 A Ray of Hope?

## 1 Introduction

The threat of COVID-19 assumed ominous proportions in India by mid-March 2020, and even the Government of India, which had so far made few attempts to prepare for the looming crisis, could not brush it aside any longer. In an attempt to contain the spread of the disease, the government announced a total lockdown on March 24, 2020. The announcement came at 8 pm on March 23, with lockdown in effect from midnight. As the incessant churn of life of a billion people across overcrowded metropolises and sprawling semi-urban conurbations of India came to a sudden halt, as transport stalled, shops put down



their shutters, public places fell silent, and a billion people huddled indoors, a surreal saga unfolded on television screens across the country. In several big cities, roads that were supposed to be empty were in fact teeming with masses carrying children and bundled possessions, waiting at bus and train stations, and, having given up hope of finding transport, embarking on journeys of hundreds of kilometres on foot. These are the seasonal workers of India – a labour force of over 120 million villagers who travel in search of work to urban centres in the fallow seasons. They live in city slums and work mostly in the informal sector in industries such as construction, garment making and small manufacturing, or work as street vendors, rickshaw pullers and domestic help. Once the lockdown was imposed, most of these jobs vanished overnight. The employers themselves faced a cash crunch and stopped paying casual workers. Having little access to the public welfare system (a problem we will come back to later), and in many cases evicted from tenements by landlords concerned about the virus, the workers had little choice but to try to return to their villages. In an article in the *Financial Times*, the writer and activist Arundhati Roy writes movingly about their plight:

Many driven out by their employers and landlords, millions of impoverished, hungry, thirsty people, young and old, men, women, children, sick people, blind people, disabled people, with nowhere else to go, with no public transport in sight, began a long march home to their villages. They walked for days, towards Badaun, Agra, Azamgarh, Aligarh, Lucknow, Gorakhpur – hundreds of kilometres away. Some died on the way. (Roy 2020)

The great exodus and its human cost raise several economic questions, to which we now turn. How might we think about the economic impact of the exodus? Where in the economy would it show up? What policies might ameliorate the human cost? What role has the government played and what light does that shed on the nature of government policy? If government policy is inadequate, what is the source of the distortion? And, last but not the least, how should social institutions change to address any endemic government failure?

## 2 “Othering” and Distortion

But before we talk about such questions, an ontological issue deserves our attention. The seasonal workers come to urban centres from villages across the country – and in most cases they travel across states<sup>1</sup>

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<sup>1</sup> India is a federal union of 28 states and 8 union territories.

to seek work. Crossing a state border by an Indian citizen should be an unremarkable event, yet these workers are labelled migrants. Indeed, even those who cross state lines to settle elsewhere, but remain poor, are routinely referred to as migrants. This “othering” through categorisation is unfortunate to say the least and reflects a public attitude that makes for institutional discrimination and insidious biases in public policy. As we discuss economic aspects of the exodus below, this socio-political background is worth keeping in mind. In seeking policy solutions, we need to look for appropriate incentives within this structure. As will become clear later, simply making policy proposals assuming the utopia of a welfare-maximising policymaker is not very useful in the current context.

### 3 Economic Impact

Returning to the questions we posed above, let us first try to decipher the potential economic impact of the exodus. Here it is key to gain an understanding of the setting within which the problem manifests. The Indian economy is large, but mostly informal and most of the over half-a-billion labour force is engaged in relatively unproductive employment. Indeed, this lack of productivity is a crucial reason for the majority of the 1.3 billion population to remain so poor. A staggering 90% of the employment is in the informal sector including agriculture, and produces a little more than 50% of the GDP, leaving the formal sector, with 10% of the labour force, to produce the other half. The productivity gap is obvious.

Even though many of the informal sector workers have basic bank accounts, they lack access to credit or insurance, and are therefore largely financially excluded. The Government of India spends relatively little on health and education,<sup>2</sup> and in the poorer areas people largely rely on their social networks to provide some support. In this backdrop of endemic poverty and low levels of infrastructure provision, the remittances sent by the seasonal workers play an important role in supporting a large number of households.<sup>3</sup> Removing these remittances not only hurts the households concerned, but has a multiplier effect on many others in the local economy. In the absence of formal credit or insurance, social networks can take some of the strain when only a few households receive a negative shock. But when

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**2** Health spending is 1.28% of GDP and education spending is 3.8%. To compare, Brazil spends 9.2% of GDP on health and 6% on education. The UK spends 9.6% of GDP on health and 5.5% on education.

**3** See Deshingkar, Akter 2009 for a detailed description of the occupation structure of migrants and their contribution to GDP.

whole local economies get a macro shock, the networks run out of capacity to cope. Poverty and deprivation rise. Many small businesses go bust permanently. The result is a deep recession in these local economies. And while the removal of the remittances will have an impact on certain areas, it also serves as a weathervane, signalling ill-winds of lockdown for the whole of the informal economy, where many jobs will be lost permanently. This will eventually reduce overall GDP growth estimates. Indeed, the informal sector had already suffered a setback in 2016 from the poorly conceived demonetisation policy,<sup>4</sup> which drained liquidity from an economic system entirely dependent on cash transactions and had a large and long-term negative impact. Given the long duration of the lockdown,<sup>5</sup> the total impact on the informal economy is likely to be even greater this time.

The exodus has a negative impact also from an epidemiological point of view. Large numbers travelling to remote locations carry the risk of introducing COVID-19 to previously disease-free areas. These are also precisely the areas without any public health infrastructure, exacerbating the potential downside risk.

#### 4 Policy Proposals

What policies might mitigate these problems? In an insightful and wide-ranging work, Debraj Ray and S. Subramanian (2020) have written about the impact of the lockdown. This includes a condensed analysis of policy suggestions made by a variety of commentators. Two broad themes emerge from this. The first is an observation on macroeconomic policy. Given that the contraction in economic activity is driven by a pandemic, both demand and supply sides are hit, and normal channels of monetary policy do not work. On the other hand, fiscal policy stands a much better chance of being effective. If the government were to invest heavily on public infrastructure and create a safe working environment through testing, distancing, and provision of proper equipment, that could indeed have a positive impact on the economy, including the informal economy. Second, and more relevant for our focus on seasonal workers, a consensus has emerged on calling for direct transfers, perhaps the obvious policy in such a crisis. In India, the main channel for transfers is the Public Dis-

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<sup>4</sup> See Kumar 2018 for a description of the impact of demonetisation on the informal sector. See also Chodorow-Reich et al. 2018 for a theoretical and empirical analysis of demonetisation in a macroeconomic model, which finds strong evidence of the effect of money on output in India and shows why cash matters a great deal in India.

<sup>5</sup> The lockdown started on March 24, 2020, and was extended in phases until May 30, 2020. Subsequently, some restrictions were lifted, but a lockdown continues in several areas that have been identified as COVID-19 hotspots.

tribution System (PDS). Access is through home-state issued ration cards, so that out-of-state workers are excluded from PDS transfers. Expanding the scope of transfers in a crisis requires relaxation of such requirements. Many commentators, including the dream-team of Amartya Sen, Raghuram Rajan and Abhijit Banerjee (2020), have made the case for universal access to the PDS with minimal checks.

Writing in *The Wire*, Dipa Sinha (2020) discusses a specific policy along these lines. She proposes that the government allocate 10 kg of grains per head per month, and make the coverage universal, requiring minimal documents simply to keep track of everyone. She estimates that if 20% of the population were to self-select out, the plan would require 65 million tons of grains over 6 months. The government of India has a large stockpile of 75 million tonnes of grains, with another 30 million tonnes incoming soon, so that the plan is feasible. In our view, apart from the virtue of being simple to implement, the plan has exactly the right incentives. Given universal coverage, the scope for capture by special interests or middlemen is low (and in any case, a second-order concern in a crisis). Further, the long queues that are bound to form to access the rations would serve as an endogenous incentive for the better-off to stay away. The policy therefore targets the needy and goes a long way to solve the problems of hunger and starvation.

## 5 The Policy Stance of the Government

Contrast the proposals with the actual schemes adopted by the government. The policy response has been surprising, mainly because even the most obviously effective suggestions about greater transfers with broader coverage and fewer checks seem to have fallen on deaf ears. The government did announce certain relief measures including transfers of 5 kg of grains per head per month through the PDS list just after the lockdown started. However, as noted above, seasonal migrants had no access to such transfers. Almost seven weeks later the government announced further measures that expanded coverage for two months to those without a ration card, but then required other documents to grant access. This pathological insistence on identity checking for basic food transfers in a time of crisis – a stance diametrically opposite to the proposals mentioned above – has limited the effectiveness of the policy for migrant workers. A report from the Stranded Workers Action Network (SWAN 2020) notes that as late as early June, over nine weeks since the lockdown started, 80% of the seasonal migrants have not received any grains under the scheme. A similar apathy characterised the response to millions walking long distances. The government only arranged special trains to carry workers home after six weeks had passed from the imposi-

tion of the lockdown. Indeed, the government's overall response to the economic crisis brought about by the lockdown amounts to spending only around 1% of GDP – meagre compared to 9% in the US, 7% in Germany and 4.5% in the UK.<sup>6</sup> And if we were to use a deflator taking the relative poverty indices into account, the comparative figure would be much more unflattering.

## 6 Lockdown and Inconsistent Government Policy

The response raises a more fundamental policy question: is the lockdown itself justified? Recall that starting March 24, the lockdown went on till May 30, and as we write it continues in several areas with only some rules relaxed. There is no question that the lockdown has saved lives by halting the spread of the disease. In an ideal world, the government would supplement the lockdown with appropriately scaled transfers to the poor. But given the actual policy response, the lockdown has itself become an agent of death for the poorest and the most vulnerable, who have little to fall back upon when their daily livelihoods vanish. We do not know precisely how many lives have been saved by the lockdown, but one would hazard a guess that far more lives have been destroyed by it given its prolonged duration.

Numbers aside, it is clear that if saving lives is the objective, the lockdown and the subsequent policy response are not consistent with each other. What explains the sub-optimal policy stance? To understand how such distortions arise, we need to delve into the political economy of policymaking in India.

## 7 The Selectively Absent Leviathan

In their recent intellectual tour de force, *The Narrow Corridor*, Daron Acemoglu and James A. Robinson (2019) discuss the idea of liberty, and how it requires both a strong state and a strong society. Liberty, they argue, requires not being subject to the capricious will of another. "It requires the capacity to stand eye to eye with your fellow citizens, in a shared awareness that none of you has a power of arbitrary interference over another" (7). Starting from Thomas Hobbes' idea of "Leviathan" as the solution to anarchy, and using examples from history, they show that liberty can be violated both in the absence of a strong state (absent leviathan) and if a strong state were to declare war on its own citizens (despotic leviathan). The plight of

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<sup>6</sup> See, for example, Jha 2020 and Sibal 2020. Ray and Subramanian 2020 contains a detailed description of policies adopted.

the seasonal migrants in India clearly demonstrate an absence of liberty. Yet, the Indian state power cannot be properly characterised as either absent or despotic. For India, Acemoglu and Robinson point to the caste system as a powerful cage of norms that fragment society against itself. The consequent inability to monitor the state fuels the absence of liberty even in a participatory democracy. We would argue that this is not the whole story. The plight of the seasonal workers points to a further cause of loss of liberty in India. Even in the absence of caste-based fragmentation, the poorest sections of the society are too distracted by their daily struggle for survival to gel as a unified front with 'voice'. The absence of voice is complete: neither the state nor any structure in society including the press pay them much attention. Thus, the leviathan can be selectively absent.

Let us give a further example to delineate a selectively absent leviathan. A second epidemic - deadlier than COVID-19 - rages in India at this very moment. An entrenched disease, it has been ravaging sufferers for several years now. Yet, many Indians are unaware of it, the press hardly reports on it, and the government devotes some, but by no means sufficient resources to combat it effectively. This is the epidemic of tuberculosis. The World Health Organization's latest report (WHO 2019) estimates that in 2018, 2.7 million Indians contracted the disease, of which 450 thousand died. Absolute numbers as well as the death rate (17%) far exceed that of COVID-19 so far. What explains the institutional apathy towards the problem? The answer is again linked to poverty. Indeed, tuberculosis is known as a disease of poverty, proliferating in densely inhabited areas such as urban slums. It is therefore the same absence of voice that distorts the government's response to the plight of the seasonal workers as well as that of the victims of tuberculosis. Clearly, these groups would be denied liberty even without a cage of norms.

## **8 A Ray of Hope?**

Can we envisage a way out of the problem? The National Capital Territory (NCT) of Delhi offers a promising case study. Delhi has a large community of settled 'migrants'. As we discussed before, these are people originating from other states who settle in Delhi but remain poor. Given our previous discussion, it does not come as a surprise that they have historically lacked voice and suffered the absent leviathan. However, with rising numbers, and with a growing recognition that their votes should be cast in a way that brings benefit, their position has gradually changed. Around 2013, a regional political party sensed an opportunity and started putting up members of the community as candidates in a significant number of seats. This helped the migrants leapfrog into a voting bloc, now controlling between 30%

and 40% of the vote, and the party concerned has held sway in Delhi NCT elections since. Indeed, across the political spectrum, anyone in power seeking re-election can no longer ignore migrant welfare issues. To employ another metaphor from Acemoglu and Robinson (2019), by voting as a bloc on development, the settled migrants of Delhi have finally had some success in chaining the leviathan.

For seasonal workers, two entitlements are critical. First, workers who cross state lines should still have access to the Public Distribution System. The government is indeed implementing such a scheme under the banner One Nation One Ration Card, which should be up and running sometime this year. Second, as the Delhi case study shows, to chain the leviathan successfully, the workers also need to participate in India's democracy as an effective bloc. Since voting rights are tied to place of residence, the majority of seasonal workers, working across state lines, are in effect disenfranchised. Even though the group is large - they number somewhere between 120 and 150 million (the government does not have a separate database for seasonal migrants) - their voice is thereby curtailed. Suggestions have been made that they should be allowed postal votes or that individuals should be allowed to carry their vote, enabling exercise of suffrage at the place of work. The government currently has no plans to implement such policies. However, the great exodus has firmly imprinted the worker underclass in the nation's psyche. The political scientist Pratap Bhanu Mehta (2020) writes eloquently about the justice that society owes them. Indeed, if their harrowing stories bring about greater solidarity from social institutions, together they might be able to gain the required rights, escape being subject to the capricious will of others, and have liberty at last. At least we hope so.

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