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Analysing Pandemic Induced Economic Inequality in Developing Nations

Ravneet Kaur Bhogal¹

Abstract

The dawn of the new decade of the 21st century saw an unprecedented global crisis. This crisis led the world to halt economic and social progress. It led to a galloping increase in the economic inequality and migration of people in search of opportunities to save them from the current situation. The developing nations saw a sea of people migrating back to their roots in search of safe havens. This has led to the loss of jobs which has increased income inequality. Migrants face the risk of contagion and also the possible loss of employment, wages, and health insurance coverage. On the contrary, now when the world opens to a new reality, we see a dire shift in wages and salaries of the employee. There is a huge income disparity that has created an imbalance and pushed people to look for better avenues. The paper discusses the political economy of the developing nations and how the power play has led to the crisis of social, political and economic inequality and the movement of people. On how Lockdowns, loss of employment, and social distancing prompted a chaotic and painful process of mass return for internal migrants in nations like India. Immigrants who are potentially in a more vulnerable position in the labour market due to their generally less stable employment conditions are struggling to balance the economic inequality and the maintaining standard of living. Hence, the national governments need substantial structural reforms and social protection programs to help support struggling families. After all, faster economic growth is the quick way to bring people out of inequality.

Keywords: *Inequality, Migration, Health, Digital Divide, Governments*



Introduction

The General Secretary of the United Nations has said that COVID-19 has been likened to an x-ray, revealing fractures in the fragile skeleton of the societies we have built. It is exposing fallacies and falsehoods everywhere: The lie that free markets can deliver healthcare for all; the fiction that unpaid care work is not work; the delusion that we live in a post-racist world; the myth that we are all in the same boat. While we are all floating on the same sea, it's clear that some are in superyachts, while others are clinging to the drifting debris. This is a palpable representation of the situation of the nation today. With

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the dawn of the new decade of the 21st century, the world saw an unprecedented crisis. The infiltration of the SARS Cov2 into the lives of people turned their world upside down. The socio-political conditions of the nations were deeply affected. The sudden lockdown saw a mass movement of the people. Categorically affecting the daily wage workers, the migrants who had come from the remote areas of the nations to the metropolitan localities in search of better opportunities and livelihoods. It has brought out the paradox that we live in. the falling apart of the health institution struggling to provide basic health facilities to the citizens of the nation. The (International Labour Organization) ILO says that in India alone, more than 400 million people risk sliding into poverty because they are forced to rely on informal work. In developing countries like India, the occurrence of the COVID-19 pandemic has worsened the inequality trend and will continue to do so.

Growing Inequality

In the social fabric of the state, Inequality has always prevailed, it is an age-old phenomenon. Though with time through the process of economic development that aimed to bring equality and equity, inequality has grown further. The economist believes that it has ascended and not descended. One of the major factors that have promoted inequality is the neoliberalist economic structures. The neoliberalist economies have promoted the expansion of the market and individualism, this has given rights to individuals, mobility and freedom for the corporation. It has also reduced the involvement of state regulation and government intervention. These economies have both a good and a bad side, as it helps in the growth of the economies, they also promote inequality which is their outcome because of the flawed and exploitative economic system. According to various economists, inequality is one of the core economic issues of our century. And this pandemic has brought this out. It is being popularly called the 'pandemic of inequality'. And no one knows when it will be over. Yet, its end will not define the end of the trouble for the people who have suffered the brunt of the pandemic

In its report, Oxfam has talked about the growing inequality within the nations. According to Oxfam, a non-profit operating across the world has estimated that there are 121 million more people on the brink of starvation today due to mass unemployment, disruption to food production and supplies. "As many as 12,000 people could die every day from COVID-linked hunger," declared Oxfam. The National Human Rights Commission of India has recorded over 2,582 cases of human rights violations early in April 2020. In India, Over 300 informal workers died due to the lockdown with issues ranging from starvation, suicides, accidents and exhaustion. (Esmé Berkhout, 2021)

According to the report from OECD, the COVID 19 pandemic has a much worse impact on developing nations. As they are facing an unprecedented health and economic crisis, with potentially extreme economic, social and sustainable development consequences that may reverse decades of development progress and further jeopardise efforts to achieve the 2030 Agenda for Sustainable Development (OECD,

2020). They in the paper has brought out a clear picture of the vulnerabilities of the developing nations such as persistent social and economic inequalities, conflict and forced displacement, declining trust in government, the impacts of climate change, and environmental fragility. The unprecedented crisis has brought out the cracks in the entire system, wherein the people are suffering due to the lack of the resources to scale-up health interventions, the government side has the fiscal space to implement support measures and minimise disruptions, due to the large scale of the crisis. Short-term projections by the World Bank and the International Monetary Fund suggest that extreme poverty worldwide and income inequality for low-income and emerging economies are likely to increase in 2020 (NARAYAN, 2021). Within countries, early data indicate that labour market impacts of the pandemic are strikingly unequal, varying with characteristics of jobs, workers. According to the data from the UNDP, Income losses are expected to exceed \$220 billion in developing countries (UNDP, 2021). With an estimated 55 per cent of the global population having no access to social protection, these losses will reverberate across societies, impacting education, human rights and, in the most severe cases, basic food security and nutrition

The population shutdown to control the Coronavirus disease (COVID-19) pandemic has had devastating effects on the livelihoods of economically vulnerable populations. In India, just after a national lockdown was announced on March 22nd, thousands of migrant workers in cities found themselves without an income source and unable to sustain themselves started returning to their villages. In general, unemployment has increased substantially, particularly among those in the informal sector. It is now increasingly clear that economically vulnerable individuals are being forced to sacrifice disproportionately more for public health measures that benefit the whole society. Further, the lockdown has also made it difficult for sick individuals to access health services. The African nations have also faced the brunt of the pandemic herein one also needs to understand that Africa faces dual public health and economic crisis that has risked overwhelming healthcare systems, destroying livelihoods, and slowing the region's growth prospects for years to come. Before COVID-19, in 2019, the continent had already experienced a slowdown in growth and poverty reduction overall, although with large differences between countries. The current crisis could erase years of development gains (OECD, OECD Policy Responses to Coronavirus (COVID-19), 2020).

Under the COVID-19 pandemic, all that nations have suffered greatly, however, the developing nations have suffered during the pandemic and will continue to suffer as the pandemic isn't going anywhere. Through the reports of the various leading world agencies, we come to realize that COVID-19 has brought out the ineptitude of the nations. The developed and developing worlds have suffered equally. However, the road is tough ahead for the developing nations, as these nations don't have the fiscal stimulus to boost the economy and generate employment that can help bridge the gap of the inequality. From the analytical reports of UNCTAD, we realize that the nations face distinct pressure and constraints on the stimulus, which makes it harder for them to enact effective stimulus without facing binding foreign

exchange constraints (UNCTAD, 2020). Further, the financial turmoil's from this crisis has already triggered sharp currency devaluation in developing countries. As the currency devaluation leads to increasing debts and paying the higher price for the imports it affects the consumers and due to the job losses and low income, the affordability is affected affecting the economic status of the individuals. In the Oxfam report on the effect of the pandemic, "the costs of the pandemic are being borne disproportionately by poorer segments of society (Esmé Berkhout, 2021). Low-income populations are more exposed to health risks and more likely to experience job losses and declines in well-being. These effects are even more concentrated in economically disadvantaged minorities. The pandemic is not only exacerbated by the deprivations and vulnerabilities of those left behind by rising inequality but its fallout is pushing inequality higher". (Georgieva, 2020) It is observed that the rising inequality is one of the major issues of our time. And it has adverse economic, social, and political consequences. Due to the rising inequality, the economic growth has been depressed due to the dampening aggregate demand and slowing productivity growth. It has stoked social discontent, political polarization, and populist nationalism. And as the pandemic has revealed, it has increased societal and economic fragility to shocks. Over the past decade due to the various economic vulnerabilities, the debt of the nations has ballooned, leaving countries already laden with debt on the brink of bankruptcy. The situation is especially dire for Low-Income Countries. For instance, the developing nations from Africa's low-income economies, were already in debt distress before the pandemic struck. (IMF, 2020) The economic crisis resulting from the pandemic has put a major strain on external resources, with a 20% fall in remittances, a 25% fall in foreign direct investment (FDI) and trade in these nations and others too (UNCTAD, Global foreign direct investment falls 49% in the first half of 2020, 2020). The IMF estimates that recent epidemics of diseases such as H1N1 (swine flu) and Zika virus increased the inequality levels in affected countries by 1.3%. It has been predicted that the impact of coronavirus will be far greater.

Both the IMF and the World Bank (Bank, 2020) have expressed strong concerns that the crisis will lead to a spike in inequality in countries around the world. The Vietnamese government has announced financial relief for affected employers and employees, but most workers are without labour contracts and migrant workers in the informal sector have not received any relief. (Vietnam., 2020) India's initial relief package allocated only 0.8% of GDP to social protection for families, resulting in untold economic hardship for the country's 40 million internal migrants. India saw its biggest migration since Independence, as 10.6 million people (Agrawal, 2020) walked thousands of kilometres to return to their informal social support networks in rural areas, with a significant number dying along the way (Gupta., 2020). Though the Indian government did announce the economic rescue package of \$260 billion for the economy. Along with this the government also promised subsidies loans to small enterprises and farmers and 2-month essential commodities to the daily wagers (Rao, 2020). However, this doesn't ease off the daily struggles of the people as health facilities aren't available and other basic amenities. The coronavirus

pandemic has highlighted the critical need for increased public spending on healthcare, free universal access to quality healthcare, and urgent action to reduce reliance on out-of-pocket payments. The pandemic has also demonstrated the need for a greater focus on health prevention and promotion. It cannot only mean huge increases and equitable access to PPE, clean water to wash hands, tests and vaccines. It means to broadly manage COVID-19, for future pandemics and to close the gap in health outcomes. The government should focus on preventive actions to tackle the underlying economic, racial and gender inequalities. And should ensure that the poorest, most marginalized and most oppressed people always suffer poorer health outcomes and die sooner than those with access to better resources shouldn't suffer (Esmé Berkhout, 2021).

The strong recovery in developing country trade that occurred in 2010 seems less likely this time. Even if the damage to global supply chains is not irreparable, as lead firms recover from the crisis they will likely have to rethink their business model, including fewer links in these chains, and with more that are closer to home.

Role of the government

The management of the pandemic has highlighted the role of the governments and their governance structure and how they have failed to help provide the citizen with the basic amenities in their time of need. In a country like India when the nation imposed a lockdown to stop the spread, the businesses were closed overnight. However, this worse impact was on the daily wage earners. The people who don't have any substantial source of income. Along with the loss of jobs these people had to walk miles at end to reach their desired destination as the world or their nation had come to halt. The systemic fallacy was not to see the citizens as equals the government could predict the severity of the pandemic. A Pew Research report from 2021 suggested that India's poor population doubled from 6 crores to 13.4 crores after the first wave of the pandemic. The migration of people from the remote areas to the metropolitans is a clear reflection of the economic divide in the country and the need for employment and better opportunities pushing people to migrate to the cities. Yet, not everyone can migrate. There may be confounding socio-political factors that might hinder the development and also, migration is often expensive, and those most vulnerable to environmental change are usually poor. The informal sector is not as regulated as the formal sector, leading to the exploitation of the workers. They are devoid of the basic employment benefit making them the most vulnerable upon the strike of the crisis. 2020 we saw the number of job losses as reported to be 12.2 crores of which 9.2 crores were lost from the informal sector making 75% of the job losses. The Oxfam report highlights the plight of the Informal workers, such as domestic workers, street vendors, delivery drivers and construction workers who are experiencing significant distress as a result of the pandemic (Esmé Berkhout, 2021). Globally, 61% of workers are in informal sectors. (ILO, 2020) In African

countries, where between 30% and 90% of workers outside the agriculture sector are in informal work, leading to the severe impacts of the crisis. (Africa, 2020) The Informal workers lack the luxury of working from home or being able to socially distance, and so are forced to put themselves and others at greater risk due to the nature of person-to-person work and cash-based exchange. This highlights the divide experienced by such workers, who cannot survive without daily trade and who generally lack bank accounts, bank savings, credit cards and the capacity for online transactions, and who usually have no unemployment assistance to fall back on. The world in the recent decades didn't face a crisis like this one, the nations were not prepared to handle the crisis. Many nations rely on tourism as the source of revenue generation, with the borders closed and travel restrictions, as highlighted by the Sri Lankan President Gotabaya Rajapaksa, His country has suffered greatly due to the pandemic. Tourism, in particular, a sector that supports nearly 14 per cent of the population, has been devastated, along with small- and medium-sized businesses in many other sectors (Nations, 2021). Hence at the United Nations, he stressed the need for initiatives on development financing and debt relief to support developing countries so they can emerge from uncertainty. The nations need to do more as highlighted by various academicians and economists that this unprecedented crisis is the Crisis of Inequality and if the stimulus isn't pumped into the economy the consequence would be dire and it would take years to gain the balance. The World Bank estimates that in March 2020, there were 103 active social protection programs in 45 countries while it jumped to 1,414 programs in 215 countries by December 2020 (Dooley, 2021). It is assumed that these measures likely kept many families from falling back into poverty. Despite these measures and emphasis on the need for stimulus, the struggle of the people doesn't seem to subside. Under the Human Development Index, the three main criteria on which we evaluate the people and their capabilities leading to the assessment of the development of a country are all being tested by the pandemic. It has tested the Life expectancy Index, Education Index and Gross National Index. The COVID-19 pandemic affects all three areas, the health sector of the nations has been gravely tested by it as we have observed that there have been severe shortages of the health infrastructure and the health workers, which has affected the successful treatment of the people. There is pressure on government budgets from the public health crisis, due to the fear of the spread of the contagion nations have imposed lockdown which has gravely affected the economic cycles. And with the tighter fiscal space and weaker healthcare and social protection systems expose developing countries to higher human and financial tolls while limiting their ability to respond, triggering a potentially dangerous vicious circle. Because the lockdown is in place the Education sector has suffered as the schools have been shut and online education isn't accessed by all causing a great digital and class divide for the upcoming generation. This divide ultimately reflects upon the national income of the country as unemployment becomes an unbridled indisposition. With the galloping inflation due to the cause of the difference between the demand and supply gap. And the cause of concern is international trade. It means significantly lower demand for exports from other developing economies.

And the losses in export volume of their nations, which will be compounded by the sharp fall in energy and commodity prices, which still make up most of the goods that many developing countries export. This trap of inconvenience and lack of affordability leads to inequality among the people. These issues had always prevailed in the societal structure yet have been overlooked because no such emergency had ever occurred.

Failing Health Sector

Health Sector in nations across the world saw a fall in structure, from the developed to the least developed nation the Health Sector crisis was brought to the notice of the world. For every nation provision of health benefits is the primary upholder in the Human Development Index, yet the uninvited pandemic revealed the frailty of the health sector. As it's said it is not just diseased, but social injustice that kills people. (WHO, 2008) The pandemic has highlighted the worst effects of chronically neglected public healthcare systems, particularly for people living in poverty and marginalized communities. (E. Barrera-Algarín E, 2020) In developing and underdeveloped nations the healthcare system is Underfunded and weak. It cannot test, track, trace and quarantine individuals to control the spread of the virus, or to provide appropriate and timely healthcare for everyone who needs it. According to UNDP data, developed countries have 55 hospital beds, more than 30 doctors and 81 nurses for every 10,000 people (UNDP, 2021). For the same number of people in a less developed country, there are seven beds, 2.5 doctors and six nurses. People with poor access to healthcare who experience COVID-19 related symptoms may delay or even forgo being tested, and may consequently turn to medical care only in advanced stages, resulting in poorer outcomes. This may potentially also put their families and communities at risk.

The Digital Divide

The pandemic has introduced the great digital divide among the various class of people. The UNDP analysis depicts that 86 per cent of primary-school-age children in low human development countries are currently not getting an education, compared to just 20 per cent in countries with very high human development. Oxfam reports depict that in 2020, more than 180 countries temporarily closed their schools, leaving close to 1.7 billion children and youth out of school when closures were at their peak. (UNESCO, 2020) The quitting of school during the height of the pandemic was a clear indication of the inequality in income which was reflected upon the priorities in the lives. Children who need education the most to climb out of poverty are those who are most likely to be left behind. Poorer students in both high- and low-income countries are unable to access distance learning programmes and tend to fall further behind in the absence of additional support (Hares, 2020). With online schooling, it's not just the students

who suffered but the teachers too. The employers are exploiting their staff with extra working hours yet paying them half of the salary.

The digitalization of the work is affecting the employability factor of the daily wagers and the low-income families. With the strict lockdown measure and no mobility of people there has been a demand for the digitalization of the process, the process was initially into the application but not quite rampant however with the inclusion of the measures of social distancing and work from home, digitalization of various activities have become a standard thing. However, 3.7 billion people have no internet access. The majority are in poorer countries, where the need to spread information about how to combat COVID-19 is most urgent. Migrants and the poorest are most vulnerable to the virus, says the World Health Organization (WHO). In a region such as Africa, one gigabit (GB) of data costs nearly 40% of the average monthly wage. According to the World Bank, 85% of Africans live on less than \$5.50 a day (Broom, 2020). Hence we come to realise that most of the world finds itself cut off by the digital divide. And it's not just a problem in developing nations. In Australia, almost a third of less well-off homes have no internet connection.

Conclusion

Though the pandemic hasn't come to an end and nations are still struggling to find their way out of the situation. The current situation has brought to light the cracks in the functioning of the governments and governances. It has brought out the existing inequalities of class and caste. The international organisations have emphasised the issue claiming that economic inequality induced via the pandemic won't go away in the short term. Long term measures are required to deal with the situation. When our nations were still recovering from the Economic Crisis of 2008 and were moving towards a better future. The COVID-19 crisis has led us in a different direction. Nations were moving to attain the Sustainable Development Goals, yet it seems that we are now moving in the opposite direction. Herein, the governments need to take responsibility to take initiatives for the citizens, they need to ensure that the benefits are reaching the people of the country. In this hard-hit society to fight the disease and systematising the basic resources to the people is the priority of the governments. However, the governments are struggling to maintain the balance. They are injecting the stimulus packages for boosting the economy, subsidies are being provided along with other social benefits yet the question remains is that whether the individuals are gaining from it or not. However, at both macro and micro levels, this crisis has come as a learning lesson to gain and organise the society in a way to address diversity. For the governments, they need to address the inequality dilemma as it will hamper future growth and development. The late microbiologist and environmentalist, René Dubois, famously articulated that every civilisation created its diseases and epidemics. And the Covid-19 is the epidemic of

this century. Though migration and inequality have been part n parcel of the social structure for aeons. Yet, the kind of migration the people suffered during the pandemic was away from their land of opportunities to the path of uncertainties. Hence, the nations need substantial structural reforms and social protection programs to help support struggling families. After all, faster economic growth is the quick way to bring people out of inequality.

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