



Economic Impact of School Shutdown during Covid-19

For Prelims: Gross Domestic Product, Asian Development Bank.

For Mains: Impact of Covid-19 on Indian Education System and Economy.

Why in News?

According to an [Asian Development Bank \(ADB\) paper](#), the [Gross Domestic Product \(GDP\) of India](#) is likely to see the **highest decline in South Asia due to Covid-19 related school-shutdown**.

- **School closures** led to the **contraction in global GDP and employment**. This scenario is **expected to aggravate further with time**.
- India is among those countries that had the **longest school closures during the Covid-19 pandemic**.

What will be the key impact on Economy?

- **Global Scenario:**
 - **Impact on GDP:**
 - GDP has been projected to **decline to 0.19% in 2024, 0.64% in 2028, and 1.11% in 2030** with a total estimate of \$943 billion.
 - **Impact on Skilled Labour:**
 - School closures will **deny about 5.44 million people around the world employment in the skilled labor force** by 2030.
 - Employment is **likely to decline to 0.05% in 2024, 0.25% in 2026, and 0.75% in 2030** with a total loss of wages amounting to \$94.86 billion.
 - **Impact on Unskilled Labour:**
 - Employment is **estimated to decline to 0.22% in 2025, 0.51% in 2027, and 1.15% in 2030**.
 - Nearly **35.69 million people would migrate towards the unskilled labour-force** amounting to \$121.54 billion lost wages in 2030.
- **Different Impact on Different Economies:**
 - Across Asia, **worst-hit economies** include those with **significant student populations from rural areas and those in the poorest and second wealth quintile**. This is due to internet connectivity issues, therefore, inaccessibility to online education.
 - **As many impacted students shifted to unskilled labour-force, the economies with high share of unskilled labour** employment experienced significant **learning and earning losses**.
- **Indian Scenario:**
 - **Impact on GDP:**
 - In percentage terms, its **GDP will decrease by 0.34% in 2023, 1.36% in 2026, and 3.19% in 2030**.
 - **By 2030, India will account for 10% of the global GDP decline of \$943 billion**.
 - **Impact on Labour:**

- At present, India's workforce comprises **408.4 million unskilled and 72.65 million skilled labour force**.
- A **significant migration towards unskilled work force** is likely to happen with **1% and 2% decline in skilled and unskilled labour jobs**, respectively.

What is Gross Domestic Product?

- **GDP** is a **measure of economic activity** in a country. It is the **total value of a country's annual output of goods and services**. It gives the economic output from the consumers' side.
- $GDP = \text{Private consumption} + \text{Gross investment} + \text{Government investment} + \text{Government spending} + (\text{exports} - \text{imports})$

What is Asian Development Bank?

- **ADB** is a **regional development bank established in 1966**.
- It has **68 members**. **India is a founding member**. 49 are from within Asia and the Pacific and 19 outside.
- It **aims** to promote social and economic development in Asia and the Pacific.
- As of 31st December 2020, **ADB's five largest shareholders** are **Japan** and the **United States** (each with 15.6% of total shares), the People's Republic of China (6.4%), **India** (6.3%), and **Australia** (5.8%).
- It is **headquartered in Manila, Philippines**.

Way Forward

- The Indian Government is **proactively working towards stabilizing the economy through efforts like monetary easing, fiscal stimulus, and supportive financial regulation**. Recently, it has also launched **e-Shram portal**. However, there is a **need for higher investments in the arena of education along with an emphasis on narrowing the digital divide** to counter the effect of learning losses during the pandemic.
- **Learning recovery** can be supported by conducting **assessments for pandemic-affected students**.
- In the budget, government should prioritize spending on education. **Adequate funding and resources must be directed to students from the rural, economically-weaker and socially disadvantaged groups** that were worst affected by the pandemic.
- Additionally, **youth skill training programmes** must be started for the youth already passed out of the school.
- **Educational reforms must be undertaken** to promote face-to-face as well as remote learning.

Source: TH