



Covid 19 & Cohesive Development:

A New Perspective on Enterprise and Livelihood Development

ISED Discussion Paper

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ISED Small Enterprise Observatory
Jointly with
ISED Centre for Social Development

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Published by P.M. Mathew, for Institute of Small Enterprises and Development.

Series: **ISED Discussion Paper**

Price: 300.00 (India); US \$ 6.00 (Overseas)

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Preface

The new global order, as it gets evolved, is characterized by significant inequalities in income and wealth, despite the enhancement and diversification of income opportunities. Such new opportunities, to a large extent, are explained by the contribution of technology and innovation. To what extent such opportunities percolate among different social categories and classes, is the key question that needs to be addressed by development policy today. Covid-19, the pandemic, has exacerbated the situation. While the strategic options are limited they converge into the bare minimum resources that are available with the humanity: enterprise and entrepreneurship. Translating the creativity of the human being into enterprise and entrepreneurship is the key word for cohesive and inclusive development in the coming days. Development through entrepreneurship cannot just remain as an illusion. Unless there is a 'rights approach' the problem cannot be meaningfully addressed.

This Discussion Paper, brought out jointly by the ISED Small Enterprise Observatory and the ISED Centre for Social Development, is expected to contribute to the debates on 'Livelihood Crisis' and 'Enterprise Security', two critical areas of contemporary relevance.

The Institute wishes to thank the research team for its support and cooperation.

Cochin
March 20,2021

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Abstract

The new global order, as it gets evolved, is characterized by significant inequalities in income and wealth, despite the enhancement and diversification of income opportunities. Such new opportunities, to a large extent, are explained by the contribution of technology and innovation. To what extent such opportunities percolate among different social categories and classes, is the key question that needs to be addressed by development policy today. Covid-19, the pandemic, has exacerbated the situation. While the strategic options are limited they converge into the bare minimum resources that are available with the humanity: enterprise and entrepreneurship. Translating the creativity of the human being into enterprise and entrepreneurship is the key word for cohesive and inclusive development in the coming days. Development through entrepreneurship cannot just remain as an illusion. Unless there is a 'rights approach' the problem cannot be meaningfully addressed.

Keywords: Cohesive development, right to enterprise, 'rights' approach, Covid-19

1.0. Introduction

The contemporary development debates focus significantly on the participatory nature of the development process. The terms, 'cohesive' and 'inclusive' have been used as an add-on, often interchangeably. Cohesion can be more specifically defined as the tendency for a social group to be in unity while working towards a goal or to satisfy the emotional needs of its members. Cohesiveness develops over time out of interpersonal and group-level attraction, through collaboration, and as a result of a sense of belonging. Covid-19, the Pandemic, has led to a massive disruption of economies, especially the local economies. The adverse impact has largely been on the poorer sections of the community. To what extent, the agenda of cohesive or inclusive development is influenced by the Pandemic? To what extent, and in what direction, the prevailing strategies of enterprise development and livelihood promotion change, in response to the new situation? Answers to these questions are important, both for policy making and for development action at the grass root level.

2.0. Development Policies and Strategies

State policies and perspectives on livelihoods and enterprise development have been widely debated today. Like the 'right to life' and work, the 'right to enterprise' also has been universally accepted as a key right (ILO,2016). However, the practice, and strategies of enterprise development and livelihood

promotion have to clearly grapple with the objective environment of growth of capitalism, which today, is driven by a new set of inter-sectoral and inter-firm relationships (Dankbaar, 1992). A shifting emphasis in production from 'scale economics' to 'scope economics, has important implications for development policy and strategies. While the post-Fordist strategies of enterprise development can be ascribed to choice, policy, or politics (Amin, 1994), there are two key imperatives from the point of view of ensuring cohesive development: (a) a clear understanding of the forces underlying change; and (b) the pressing need for a sound economic governance system. While the developed countries have picked up some good aspects of economic governance, in the developing and emerging economies, the weak institutions and the hegemony of neo liberal policies limit the operational space for these enterprises and the people living on them. Any, agenda of 'cohesive development' should focus on an analysis, understanding and mobilisation on these lines. The purpose of the following discussion is to examine the various aspects of this task.

3.0. Capitalism and Enterprise Development

Since the beginning of human history, 'enterprise' is embedded in every human activity. The world of manufacture, as we see it today, emerged out of different forms of craft production. The craft form of production was characterized by significant

autonomy for the producer. It was this autonomy that shaped the early forms of self-contained villages. The very concepts of 'region' and 'nationality' emerged through a long history of experimentation.

Following the Industrial Revolution, organised manufacture emerged in its crude form, subsequently leading to its advanced stages. Capitalism also underwent radical changes in the 19th and the 20th centuries. From the early form of Factory production, called Fordism, it gradually grew into much greater stage of specialisation as we understand it today. We are now in an era of 'Flexible Specialisation', or disorganised capitalism (Hirst and Zeitlin, 1996) from where, capitalism is moving towards a more advanced stage: Hubanomics. Not only that production is getting increasingly global, it is also experimenting on 'glocal models, through which capitalist profits and accumulation can be enhanced.

The "new age of capitalism" since the mid- 1970s, has been marked by several post- Fordist features (Amin, 1994). The two main developments are: (1) Changes in the market; and (2) the rise of non-specialist and highly flexible manufacturing technologies, and flexible work practices. The structural changes, since the 1970s, finds at its centre stage, a technological revolution triggered by micro electronics. The new production organisation was facilitated by a second level of growth of micro electronics, characterised by the dominance of two important features: 1) information technologies; and 2) Communication technologies. The base of information technology was laid down by microprocessors, whereas, advances in communication technologies were facilitated by the new ways of transacting in information.

The new era of Information and Communication Technologies (ICT) has significantly revolutionized the global production system, where, the role of capital and of labour were redrawn and redefined in relation to its size and location.

The origin of the capitalist system, historically, led to a polarization in society wherein organised trade unions emerged as a decisive influence in the social organization and change. The state's role, to begin with, was essentially to protect the interests of capital, whereas, the organised a trade unions played a major role in protecting the interests of labour either through direct interventions, or through indirect compulsive sequences.

Between the state and the organised trade unions,

several other actors emerged over time, in order to protect the interests of marginalised sections of society. In fact, where the small producers remained as a marginalised group, their voice often remained least articulated. It was the role of the other- than trade union actors, such as civil society organisations, that were important, at least to some extent, about articulating their case in many countries.

Between the state and the market, the role of enterprise, at the base level, was never respected adequately. Therefore, state repression (the so called 'inspector raj' in India) and exploitation by an oligopolistic market, resulted in a serious marginalisation these small producers even in the so-called democratic societies. Hence, public policy is often ambivalent on their rights and entitlements.

4.0. Enterprise Development Agenda: The Global scene

The capitalist world has changed drastically since the 'Great Depression' of the 1930s. While the Great Depression was a major shock in the global economy, today, there has also been a phenomenon of similar tendencies in many parts of the world. While the era of globalization witnessed an accelerated growth of opportunities and threats relating to enterprise development and livelihoods, more recently, there has been an emerging counter to such globalising phenomena. The new paradigm of 'hubanomics', implies an enhanced and unprecedented concentration of income and wealth in identified centers, internationally and within countries. Such concentration has important implications for the agenda of cohesive development. In a context where the logic of production is extended to the global market opportunities, and much less to the local opportunities and needs, it is natural that the distributive gains are confined to a limited geographical space, and within that, to people having some specialised skills. This has been associated with the concept of "redundant labour", as against a trickle-down of benefits to a large number of people. The more recent spate of hubanomics implies such enhanced concentration of income and wealth. The salience of so many of the icons of the age of mass industrialisation and mass consumerism appears to be diminishing (Amin,1994), and this has important implications for policy and strategies.

In a context, as above, what are the opportunities and threats for this smaller enterprises and livelihood

activities, which provide the base of a dispersed economy? How will cohesive development be affected by such a new trend?

5.0. Enterprise Development in India's Development Policy

In India's development policy, as it evolved during the Planning era, a significant focus was given to decentralised economic activities. It implied that, in the whole process of economic development, and industrialisation, a special thrust was given for the development of smaller enterprises, which formed the base of the enterprise pyramid. Even in such a pyramidal structure, a special thrust again was given for balanced regional development. These thrusts provided, at least conceptually, some elementary conditions for cohesive development.

5.1. Policy Paralysis

The Liberalisation era, was marked by two major developments: 1) the focus on autonomous development of enterprises, with a less regulatory role of the government; and 2) the opening up of the economy, with a substantially reduced role of the government as a promotional agent. Both these points have important implications for the agenda of cohesive development. While the concept of "level playing field" has been often advocated as the base for liberalisation, it often remained ill-defined. This implied that the very concept of economic policy remained vague, with two more implications: 1) a passive role of the state and 2) conflicts among stake holders, wherein, the state remained, by and large, as a passive actor.

5.2. Evidence-based Policy Making

The modern perspective on policy is increasingly in favour of evidence based policy making [EBP). EBP is a discourse or set of methods which informs the policy process, rather than aiming to directly affect the eventual goals of the policy. It advocates a more rational, rigorous and systematic approach. The pursuit of EBP is based on the premise that policy decisions should be better informed by available evidence and should include rational analysis. This is because policy, which is based on systematic evidence, is certain to produce better outcomes. The approach has also come to incorporate evidence-based practices.

Using evidence to inform policy is not a new idea. As far back as ancient Greece, Aristotle put forward the notion that different kinds of knowledge should inform rule making. This would ideally involve a combination of scientific knowledge, pragmatic knowledge, and value-led knowledge (Flyvbjerg, 2001; Ehrenberg, 1999). What is new and interesting however, is the increasing emphasis that has been placed on it in many countries, in the public policy making sphere. For example, it gained political currency in U.K. under the Blair Administrations since 1997. It was intended to signify the entry of a government with a modernising mandate, committed to replacing ideologically-driven politics with rational decision making. EBP has now become a focus for a range of policy communities, whether government departments, research organisations or think-tanks. Evidence in its forms, and perspectives, have been recognized as essential for every decision making process, even where ideology dictates certain end-results. Better utilization of evidence in policy and practice can strengthen cohesive development agenda.

EBP tends to be less well established in developing countries than in developed ones, and therefore, the potential for change is greater. There are three critical issues surrounding the use of EBP as an approach:

i) What evidence is used? Policy should be informed by a wide breadth of evidence, not just hard research. Key issues include the quality, credibility, relevance and the cost of the policy.

ii) How evidence is incorporated? Policy processes ideally involve different stages, from agenda-setting to formulation to implementation. Evidence therefore has the potential to influence the policymaking process at each stage. However, different evidence and different mechanisms may be required at each of the policy stages.

iii) Evidence is not the only factor which influences policymaking. It is important to acknowledge that at each stage of the policy cycle, a number of different factors will also affect policy. This occurs both at an individual level -- for example, a policymaker's own experience, expertise and judgment -- and at an institutional level, for example in terms of institutional capacity. There are also a number of constraints, which will limit the extent to which evidence can affect policy -- for example, the pressure to process information quickly. Policymaking is neither objective nor neutral; it is an inherently political process.