

Labour Market: the Covid 19 Balance Sheet

ISED Discussion Paper



by
J.M.I.Sait
&
Animesh Halder

Institute of Small Enterprises and Development



ISED House, ISED Road, Cochin - 682028

Email: info@isedonline.org, seo@isedonline.org

www.isedonline.org

**Labour Market:
the Covid 19 Balance Sheet**

Labour Market: the Covid 19 Balance Sheet

by
**J.M.I.Sait
& Animesh Halder**

ISED Small Enterprise Observatory
Jointly with
ISED Centre for Enterprise Development

© Institute of Small Enterprises and Development 2021

All rights reserved. No part of this document may be reproduced or utilised in any form or by any means, electronic or mechanical, including photocopying, recording or by any information storage or retrieval system, without permission in writing from the publisher.

Institute of Small Enterprises
and Development, ISED House,
ISED Enclave, ISED Road,
Cochin-682 028, India
URL: www.isedonline.org
Email: info@isedonline.org



ISED Small Enterprise Observatory,
ISED House, ISED Enclave,
ISED Road,
Cochin-682 028, India
URL: www.isedonline.org
Email: seo@isedonline.org

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

Series: **ISED Discussion Paper Series**

Price: 490.00 (India); US \$ 15.00 (Overseas)

About ISED Discussion Paper Series

ISED Discussion Paper Series aims to accelerate the public availability of the research undertaken by ISED-associated people of all categories. It presents research results that, in whole or part, are suitable for submission to a refereed journal, to a sponsor, to a major conference or to the editor of a book. Our intention is to provide access to early results of research at ISED. Readers are encouraged to quote or reproduce material from ISED Discussion Papers for their own publications, as long as they are not being sold commercially. As copyright holder, ISED requests due acknowledgement and a copy of the publication. ISED publications seek to provide evidence and analysis that matters for entrepreneurial people and the planet.

Preface

'Entrepreneurship' is the outcome of a basic labour market choice. While the fundamental choice is that of the individual, it is again influenced by the eco system. Therefore, in the exercise of policy making as also for initiating and implementing programmes for enterprise development, it is necessary to spell out the latest trends in the labour market, in relation to occupational choices and market opportunities.

Under the India MSME Communication Programme(IMCP), the Observatory, in co operation with the various Knowledge Centres of the Institute, makes a rigorous analysis of the latest currents in the MSME constituency, leading to a unique 'Development Report'. This study is a spill-over of this exercise of Development Reporting on micro, small and medium enterprises (MSMEs) at the ISED.

While the team of the Observatory did a meticulous job under the guidance and support of the Project Leaders, individual members of the Team, including the editors and the Associates, have made their special contribution in specific thematic areas. While this title is significant in the present context of the Indian economy , and of the MSME developments in specific, I hope it will contribute to wider discussions in the subject area.

As this title come out as a joint output of the Observatory and the ISED Centre for Social Development, the Institute wishes to thank, without fail, the pains and efforts of the authors, and all who have supported it through inputs and suggestions. ISED has taken best efforts to ensure the quality and reliability of this paper. However, for the findings and views, the authors alone are responsible.



P.M.Mathew

Director, ISED Cochin

September 25,2021

Labour Market: the Covid 19 Balance Sheet

J.M.I.Sait & Animesh Halder

Abstract

'Entrepreneurship' is the outcome of a basic labour market choice. While the fundamental choice is that of the individual, it is again influenced by the eco system. Therefore, in the exercise of policy making as also for initiating and implementing programmes for enterprise development, it is necessary to spell out the latest trends in the labour market, in relation to occupational choices and market opportunities.

Key Words: labour market, entrepreneurship, India

1.0. Introduction

Any discussion on small enterprises needs to be grounded on the specifics of the labour market. This is because, entrepreneurship is the outcome of a basic labour market choice. While the fundamental choice is that of the individual, to be a wage worker or self employed, this choice is again influenced by the eco system, which has been spelled out in terms of the so called 'framework conditions'[1]. Therefore, in the exercise of policy making as also for initiating and implementing programmes for enterprise development, it is necessary to spell out the latest trends in the labour market. The purpose of the following discussion is to examine such developments, as has been reported recently. It also seeks to arrive at some conclusions based on observations and field evidences.

2.0. Evolving Labour Market Trends

The labor market trends in India, as in 2021, can be analyzed only with a detailed background of the global developments. The global development, *par excellence*, since 2020, has been the massive disruption on account of the Pandemic COVID-19. It affected some of the fundamentals of the labour market, both from the demand side and the supply side. On the demand side, there was a period of complete lull wherein, as a consequence of the Lockdown measures announced by governments, most people got their work suspended for about a quarter of the year. While during the lockdown, governments and employers came up with relief

measures of different degrees, post-lockdown the situation was one of labour flux. As in many countries as also in India, since a significant number of workers migrated to their hometowns, this led to a practical lockout of establishments and factories. As against this supply side problem, there was also a demand side problem of partial layoff by employers. As a consequence of forces from both the demand and the supply sides, a new equilibrium of labour market was developed, which essentially meant a decline in employment opportunities. While large establishments utilized the disruption as an opportunity for shaping long term plans, including cutting down employment, many small businesses and establishments were forced to close down due to second-order effects of the disruption, such as, insufficient transport facilities for labor, working capital shortage, and of workers falling ill.

Apart from the disruption *per se*, the results of the Pandemic, as in 2021, to a large extent, indicate the positioning of a "new" normal in the labour market. It is important to understand the specifics of this new normal, in order to plan for the development of entrepreneurship and of SMEs in future. Are the SMEs likely to enjoy the same market opportunities as before? Are they likely to be benefited by the same labour relations as before, or are they prone to new realities and outcomes that may be either beneficial or detrimental? Answers to these questions are important, in order to have a futuristic view of SMEs and their performance. From this angle, let us examine the broad trends that are coming up in the labour market under the following heads:

2.1. Hybrid Work place

'Hybrid work' is going to be an emerging development. It simply means an individual looking for several opportunities of work at a time and pursuing the same during his for search for a livelihood. This implies a mixed labor status, i.e., self-employment and wage employment, meaning that the same worker spends part of his/her time working for one employer, and the rest, remaining self-employed. Hybrid employees can choose to work however and wherever they're most productive. How does it happen?

An 'income opportunity' is defined as an opportunity that is regular or partial. Where the market offers only partial opportunities, it is a reflection of the demand for labour which is, again, partial. Why is demand for labour partial? This is because the employer is not able to or is not willing to offer a full time employment. It may also mean that, the wages offered by the market are not sufficient for the worker for a living, so that he/she is on the search for an additional income opportunity. This, to a large extent, means that apart from other considerations, the objective of the firm gets reduced into profit maximization. During a Pandemic situation, this essentially means withdrawing oneself into a minimum survival strategy, rather than weaving larger objectives of firm growth at the forefront. For labour, it implies essentially to grab an additional income opportunity.

The developments, as above, mean the emergence of a mixed workplace, sooner or later, as the "new normal", is likely to have a shortfall in demand for labour in general. This again, means that much against the conventional theory of wages, real wages have a tendency to come down. This has already happened in some of the 'new economy' sectors, though in specialized areas, such as data scientist, R&D and legal counsel, the situation is different. In the IT sector for example, employment is essentially driven by wage illusion in the market, rather than by the growing real-wage rate. For example, apparently attractive wage packets, as also the prospects of going up the wage ladder have been offered against the backdrop of longer working hours and real- wage cuts. Moreover, there is also the danger of domestication of labour which, to a large extent, goes against the International conventions brought out by the ILO.

2.2. Gig Behavior

The experience of the "work-from-home" model in 2020 following lockdown due to COVID-19, has proved that, at least in some sectors of the economy, regular work force can be substituted by 'hybrid workforce', without having significant negative implications on productivity. Overall job losses during the year, and the influx of fresh entrants (graduates) in the job market boosted the 'gig economy'. 'Gig economy' is a free market system in which temporary positions are common and organisations hire independent workers for short-term commitments.

'Digital labour platforms' are now a vital part of contemporary life, offering access to a variety of services. They connect clients or customers with workers who undertake these tasks or "gigs". The past decade has seen the global rise of "gig workers" or "platform workers", with platforms like Uber, Gojek, Deliveroo, Rappi, Upwork and Topcoder. Such platforms have created unprecedented opportunities for workers, businesses and society by unleashing innovation on a massive global scale. This has a potential of promoting diversity, inclusion and business pressure for cost optimisation and to give the gig economy a major push.

Gig jobs pose serious threats to decent work and fair competition as well. There is a wide range of positions that fall into the category of a gig. Large numbers of people work part-time or on temporary positions. Hence, it offers cheaper and more efficient services. However, the gig jobs are mostly technology-driven. Those who do not engage in using technological services such as the Internet, tend to be left behind by the benefits of the gig economy. Besides, such jobs are often urban-centered.

While the 'gig' concept is not very new, it has become the dominant order of the day, as a consequence of the disruption brought in by the Pandemic. Temporary, flexible jobs, today, are commonplace and companies tend towards hiring independent contractors and freelancers instead of full-time employees. A 'gig economy' undermines the traditional economy of full-time workers with a life-time career. A 'gig', as a work environment,