

Back in Business – Unorganized Service Sectors After Covid-19 Lockdown

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Abstract: Unorganized sectors are made up of small privately-owned companies that are engaged in production and service. They provide large-scale employment to unskilled and semi-skilled laborers standing next to agriculture. This study was done to understand the difficulties faced by the unorganized business owners of foodservice and transport operators in Tamil Nadu during and after the Covid-19 Pandemic outbreak. This is a Qualitative study done across four districts of Tamil Nadu which have a high domestic and international tourist movement which are the base for this business. The findings of the study suggest how these industries rebound back to their business sticking to the newly imposed guidelines for the prevention of pandemic and the business owners' willingness in adopting these ideas.

Keywords: Unorganised sector, Service sector, Covid-19, Financial sources, Pandemic guidelines.

INTRODUCTION

Indian economy faces a rapid expansion of unorganized sectors. These unorganized sectors are highly labor-intensive and serve as a main employment generation sector.

According to Section 2(I) of the unorganized worker's social security act 2008, Unorganized sectors are production or service-oriented enterprises owned by self-employed workers or individuals and if workers are employed, the number of workers should not exceed 10

According to a report by Indian Labor Market (ILO) and NSSO, Unorganized Sector is characterized by local ownership, small scale of business operations, poor distribution network, uncertain legal status, usage of poor technology, flexible

turnover, poor packaging, absence of brand value, high migrations with a lower rate of compensation, unavailability of a good storage facility, lower employment, and job insecurity or lower protection for employees.

The national commission for enterprises in the unorganized sector clearly defines that organized and unorganized sectors in the Indian usage are the same as the formal-informal distinction in the international context (Roy, 2002).

Report of the Committee on Unorganized Sector Statistics estimated that the unorganized sector workers, constitute 88% of the total labor force of 47.29 crores, as per the 66th Round of NSSO Survey of 2011-12. The unorganized or informal sector constitutes more than 90 percent of the workforce and about 50 percent of the national product as of 2012 (Coverage, 2000).

In India, observations from (NCEUS) National Commission for Enterprises in the Unorganized Sector states that informal employment has been 98% in the agricultural sector, 75% in industry, and 72% in services (Sengupta *et al.*, 2009). Needless to say, the economy and growth and development in general and the livelihood and wages of the vast majority of workers in India crucially depend on the economic viability of the informal economy.

In the Indian scenario, the unorganized sector plays an important role in the economy in terms of employment generation and poverty abolition. The income-earning potential is improved for a large number of people through this sector. A large section of the entire workforce in India is still in the unorganized sector, which contributes a sizable portion of the country's GDP.

2020 population figures show that around 118 million workers in India are casually employed which represents around 25 percent of the total Indian workforce, while half or 246 million are self-employed. Women are a bit more likely than men to be in non-regular employment.

UNORGANIZED SERVICE SECTOR

The service sector is a term interchangeably used with the term tertiary sector, which denotes a variety of services, mostly intangible form, generated to sustain the primary and the secondary sector of the economy. There is a steady increase in the workforce in the service sector.

This paper aims in understanding how unorganized service sector business owners are funded to reopen their business and their perception towards new hygiene guidelines and their employees.

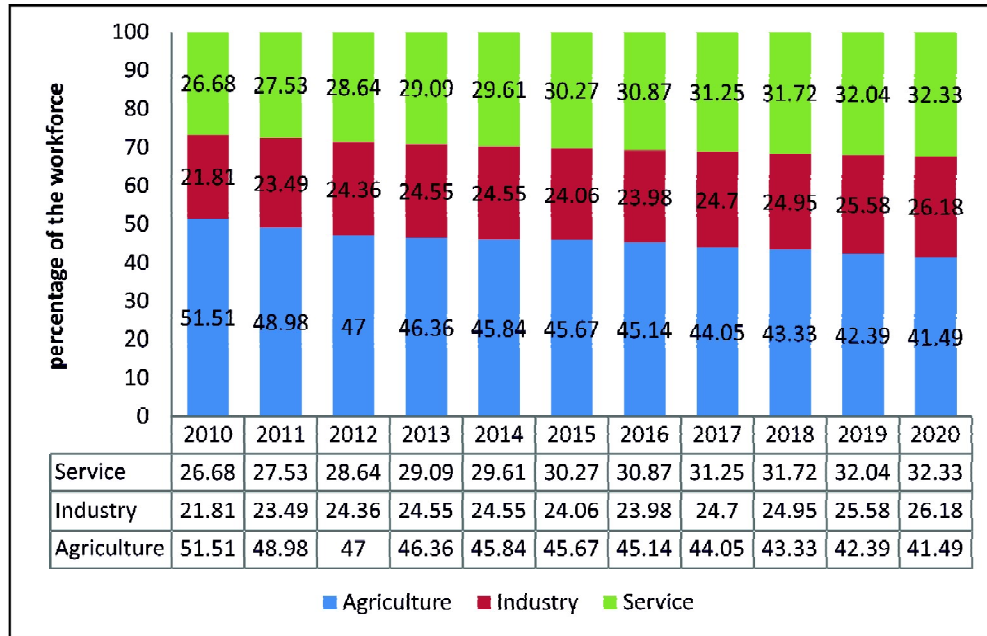


Table 1: Total workforce sector wise

Source: Distribution of the workforce across economic sectors from 2010 to 2020- Statista.com

LITERATURE REVIEW

(Vijayakumar *et al.*, 2020) in their study on “A Meta-Analysis On Effect On The Economy Due To Labour Loss During Epidemic Outbreaks” discussed the possible effect of epidemic spread on the labor loss and its impact on the economy.

(A. Lee & Cho, 2016) this paper on “The impact of epidemics on the labor market: identifying victims of the Middle East Respiratory Syndrome in the Korean labor market” examines the effect of the epidemic on the labor market by considering unemployment status, job status, working hours, the reason for unemployment and underemployment status. The findings of this study state that older workers belonging to a higher age group are at high labor risk compared to lower age group workers. Medical protection should be enhanced to improve the labor market and to prevent unemployment.

(G. O. M. Lee & Warner, 2005) this article on “Epidemics, labor markets, and unemployment: the impact of SARS on human resource management in the Hong Kong service sector” examines the link between the epidemic and its impact on labor markets. This states that there are dramatic demand and supply shocks in the market.

(G. O. M. Lee & Warner, 2006) this study on “Human Resources, Labour Markets and Unemployment: The Impact of the SARS Epidemic on the Service Sector in Singapore” examines the relationship between economic and human resource consequences on the labor market and jobs. The study stated that there is a great impact on HRM in service sectors and its sub-sectors.

(Noy *et al.*, 1918) research paper on “The Japanese Textile Sector and the Influenza Pandemic of 1918-1920” states that the influenza pandemic in 1918-1920 has recorded the highest mortality rate in the 20th century. It is found out in the study that excess mortality is associated with a decline in output and value-added in the industry sector when identifying these impacts across prefectures in Japan during the 1918- 1920 pandemic.

From the literature reviewed it is evident that there is an impact on the labor during the epidemic and pandemic scenarios however all the studies were done on organized sectors and studies mostly included casual laborers from these sectors. There is a scope for an inclusive study on the labor of unorganized sectors and their turmoil during the pandemic lockdown.

Millions of small businesses operating in the informal sector that depend on cash have suffered losses and closed due to demonetization and ineffectively rolled out GST even before the Covid-19 period. A staggering 6.18 million job-loss between 2012 and 2018 was seemingly a result of the demonetization and GST fallout (Kannan&Raveendran, 2019).

RESEARCH METHODOLOGY

A Qualitative study technique is used which involved analyzing non-numerical data collected through interviews with a structured questionnaire containing open-ended questions. This type of study is used to gather insights on problems and generate new ideas.

The structured questionnaire contained questions on demographic factors and open-ended questions were asked to the owner of the business to understand how the owners managed to operate their business during and after lockdown.

SCOPE OF THE STUDY

Unorganized firms categorized under Transport and food services were considered for the study.

This study was limited to Tamil Nadu as it was ranked first in the domestic and foreign tourist visits in 2018 according to Indian Tourism Statistics 2019.

The top four major districts in Tamil Nadu with high domestic and foreign tourist arrival numbers were considered for the study which are Chennai, Madurai, Rameshwaram, and Kanyakumari.

SAMPLING TECHNIQUE

A stratified disproportionate sampling technique is used in which each district is divided into strata based on geography (North, South, East, West) and samples are selected within the stratum.

A total of 480 samples were collected on basis of 120 samples from each district and 30 samples from each stratum.

RESULT AND ANALYSIS

Demographic Profile of the Respondents

<i>Demographics</i>		<i>Frequency</i>	<i>Percentage</i>
Gender	Male	352	83%
	Female	68	17%
Age	24 or under	34	8%
	25-34	58	14%
	35-44	105	25%
	45-54	93	22%
	55-65	74	18%
	66 and above	56	13%
Education Level	School HSC/ SSLC	83	20%
	Diploma	143	34%
	Bachelor degree	127	30%
	Master degree	67	16%
Relationship Status	Married	286	68%
	Unmarried	134	32%
Years of business operation	0-5 years	154	37%
	5-10	122	29%
	10-15	82	20%
	15 years and above	62	15%
Dependents in House	1	27	6%
	2	102	24%
	3	113	27%

contd. table

<i>Demographics</i>		<i>Frequency</i>	<i>Percentage</i>
Number of workers in the company	4	96	23%
	Above 4	82	20%
	Self-employed	198	47%
	1	103	25%
	2	49	12%
	3	38	9%
	4	23	5%
	5 and above	9	2%

ADDRESSING FINANCIAL NEEDS

The unorganized sector accessibility to credit is majorly done through the informal financial system. Their working capital needs were met out through micro-credits available through various sources.

1. From the study, we came to know that the businesses were run on day to day basis. The earnings of the day will serve as the capital for the next day in the foodservice sector.
2. The transport sector was facing financial needs in a different form as they had to foresee the financial dues that they need to pay every month as EMI.
3. Their major loans are from Non-Banking sources and majorly from self-help groups and local money lenders.
4. Nearly 30% of Foodservice sector businesses borrow money under usury interest as their business is run on day to day basis.
5. The gold loan was another major source of finance, 83% of foodservice sector operators and 96% of transport operators have pledged gold in banks, private pawnshops, and with relatives.
6. All the respondents have received relief package and cash support given by the TamilNadu government towards ration cardholders.
7. 63% of the respondents felt hard to manipulate capital after covid-19 lockdown to restart their business.
8. All the Vehicles in the transport sector were covered under insurance either comprehensive or third party. All vehicles have proper tourist permits and 52% of transport operators had faced difficulty in arranging finances to renew their insurance and permits during the covid-19 lockdown.

9. All the respondents have bank accounts in various nationalized banks and 73% of the respondents have opted for PradhanMantriSurakshaBimaYojana. 12% of the respondents have both PradhanMantriSurakshaBimaYojana and Pradhan mantra JeevanJothiYojana. Only 8% of the respondents have other insurance saving schemes.

ADDRESSING SANITATION AND HYGIENE NEEDS

Government Health advisories have given a set of guidelines to be followed by all foodservice and transport operating businesses to avoid the spread of the pandemic. These businesses have strictly adhered to the guidelines and included required changes which are

1. Sanitization and maintenance of social distancing. Food services businesses have higher risk and all the respondents told that they understand the risk of the spread of the epidemic in the eateries and have taken precautions like sanitizing the hands and washing them regularly after every order.
2. The transport sector has faced issues like travel permits within the state and outside the state. As the public transport was stopped during the lockdown, transport operators were operating their vehicles for emergency purposes. All the respondents adhered to advisory like wearing a mask, sanitizing travelers during boarding, and traveling with an allocated number of passengers.
3. All the respondents felt that following government guideline is essential and it will safeguard them and their families from the pandemic.
4. Only 86 respondents have taken the covid-19 PCR test so far and are found negative.

ADDRESSING LABOUR NEEDS

Mobility of labor was restricted and 53% of the respondents have more than one employee working in their business.

1. 86% of the respondents who have employees told that they are concerned about the safety of their employees and ensured sanitation and wearing of mask and gloves during work.
2. 42% of the respondents have their family members as their employees.
3. 23% of the respondents have workers from other districts and districts. 93% of these workers have returned home and during the lockdown, the operators ensured their place of stay and food for the rest who stayed back.

DISCUSSION

When compared to Organized formal sectors, the unorganized/informal sector in India suffers from a low productivity syndrome. The main visible features of the sector are financial access, lower real wages, and poor working and living conditions. Further, the sector is characterized by excessive seasonality of employment, a preponderance of casual and contractual employment, typical organizations and work relations, absence of social security measures and welfare legislations, a negation of social standards and worker rights, and denial of minimum wages. (Has & Shrunk, 2016) Poor education, skill, and training as well as decreased mobilization status of the workforce further add to the vulnerability and weaken the bargaining strength of workers in the informal sector

The unorganized sector has the largest share in the national income, there is a huge growth in the service sector. The foodservice and transport sector plays a vital role as they employ unskilled laborers in large numbers. This study found out that the business owners of the foodservice and transport operations take care of their financial problems through nonformal financial sectors. Even though their capital requirements are not high, a way of including them in the formal financial sector may give a sense of financial security to the business owners. Financial inclusions have helped them in a large way to get access to a bank account and micro-insurance options.

The number of customers to this business is high, the owners of the business are aware of the sanitation and hygiene needs of the hour and do invest time and money to adhere to the health advisory guidelines provided by the government, this shows their social responsiveness. Employee needs and their livelihood during the pandemic lockdown are ensured by the business owners.

CONCLUSION

India's growth towards a five trillion dollar economy can be catalyzed by the growth and development of the unorganized sector. This paper through a qualitative study studied the growing issues of capital requirement in the foodservice sector and travel operators, Additional guidelines on sanitation and hygiene, and how business owners look after their employees during the Covid-19 pandemic lockdown in Tamil Nadu.

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