



The new zoom economy

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(Mains GS 3 : Indian Economy and issues relating to planning, mobilisation of resources, growth, development and employment & Inclusive growth and associated issues/challenges)

Context:

- Most people with the option of working from home have been relatively safe from the economic storms that have engulfed the world since the pandemic struck in early 2020.
- The others whose jobs require them to be at their workplace, or in close contact with customers, have had a far tougher time on average as they have lost livelihoods or faced pay cuts.

However, those who have been at their workplaces have faced greater health risks than those who have been able to plug into the Zoom economy.

Labour market faces crisis:

- The nature of work—and especially the ability to flexibly work from home can provide additional insights into who has borne an oversized portion of the overall pain in the labour market the world over.
- Of course, there are the mandatory exceptions of people losing income in sectors that can shift online and vice versa.
- Meanwhile, the Centre for Monitoring Indian Economy said this week that 7.35 million Indians lost jobs in April, as the virus re-emerged to wreak havoc on the health system.

Statistics of work from home:

- Three economists from the International Labour Organisation have recently estimated that around 557 million employees worked from home in the second quarter of 2020, or 17.4% of the total global labour force of 3.2 billion.
- Sergei Soares, Florence Bonnet and Janine Berg used household and labour force surveys in 31 countries to arrive at these estimates.

- There are some important nuances to the broad conclusion that less than a fifth of the total global workforce can work from home.
- Several studies show that workers in advanced economies are in a better position to work from home than those in emerging economies such as India.
- In advanced economies such as the US, Germany and Singapore, 40% of workers can do their work from home.

Impact of lockdowns is higher in emerging-market economies:

- In a recent paper economists estimate that less than a tenth of urban jobs in developing countries can be done from home.
- This is a large difference, and perhaps explains why the economic impact of lockdowns is perhaps higher in emerging-market economies than in developed ones.
- It may make sense to think about Indian regional economies in a similar manner, with those based on either agriculture or high-end services relatively resilient to lockdowns, in a U-curve relationship.

Inequality within the country:

- The inequality of outcomes is also observed within countries.
- The International Monetary Fund (IMF) has used data from several countries to estimate which sectors are more amenable to teleworking.
- The list, in descending order, reads as follows: information technology, finance, professions such as law, education, public administration, health, manufacturing, retailing, support services, transportation, construction, accommodation and food.
- This is broadly in line with what most people would expect. In India, construction and retailing are the biggest employers after agriculture.

Low income workers suffered most:

- IMF also highlights that the sectors that are the most likely to transition to working from home are also those with higher average earnings.
- Workers at the bottom of the income distribution are already disproportionately concentrated in the hardest-hit sectors like food and accommodation services, which are among those sectors least amenable to teleworking.
- Low-income workers are also more likely to live hand-to-mouth and have little financial buffers like savings and access to credit.

Shift in consumer behaviour:

- The London-based *Financial Times* recently cited a study by consulting firm McKinsey on the change in consumers intending to buy online compared to their behaviour before the pandemic.
- India is one of the nine countries where consumers were surveyed.

- There is a big online shift in India, especially in the purchase of household items, though it remains to be seen how much of this shift sustains in the years ahead.

Conclusion:

- The pandemic has altered the way we work and consume, at least for now.
- The impact has been skewed, with some forms of work doing better than others.
- The impact over the longer term is not clear at this juncture, but this is an issue that governments need to be thinking about.