



ASPEN NETWORK  
OF DEVELOPMENT  
ENTREPRENEURS  
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# Decent Work and Economic Growth in the Indian SGB Sector

ANDE India Issue Brief

August 2021

# About the Brief

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This issue brief is a part of a series formulated by the Aspen Network of Development Entrepreneurs (ANDE) India chapter. It aims to contextualise the findings and strategy regarding our key urgent issues and the small and growing business sector outlined in ANDE's globally focused issue brief, [Decent Work and Economic Growth in the SGB Sector](#), at a regional level. This brief is a starting point for conversations on decent work and is meant to help shape ANDE India's strategy for the region. This is not meant to serve as an exhaustive collection of the research/literature on the topic, and proxy data points have been used to best represent the state of the SGB sector.

This issue brief has been developed in partnership with **Upaya Social Ventures** and **Global Alliance for Mass Entrepreneurship (GAME)**.

**Upaya Social Ventures:** Upaya Social Ventures creates dignified jobs for the poorest of the poor through investment and consulting support to businesses. Their mission is to fight extreme poverty by building scalable businesses, dignified jobs and long-term prosperity in vulnerable communities.



**Global Alliance for Mass Entrepreneurship: GAME** envisions a flourishing environment for small entrepreneurship in India resulting in large-scale job creation. By galvanizing local ecosystems, rationalising compliances and easing access to finance, GAME aims to create an environment that enables existing small businesses to grow and ease inception, formalisation and growth of new ones.



# About ANDE

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The [Aspen Network of Development Entrepreneurs \(ANDE\)](#) is a global network of organizations that propel entrepreneurship in developing economies. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs create jobs, stimulate long-term economic growth, and produce environmental and social benefits. As the leading global voice of the SGB sector, ANDE believes that SGBs are a powerful, yet underleveraged tool in addressing social and environmental challenges. Since 2009, we have grown into a trusted network of nearly 300 collaborative members that operate in nearly every developing economy. ANDE grows the body of knowledge, mobilizes resources, and connects the institutions that support the small business entrepreneurs who build inclusive prosperity in the developing world.

ANDE is part of the Aspen Institute, a global nonprofit organization committed to realizing a free, just, and equitable society.



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# OVERVIEW

With over 10 years of active involvement and experience, ANDE is committed to further deepening our role in the entrepreneurship and development ecosystem. Our updated global strategy, which informs ANDE's global and regional work for the coming years, aligns with the United Nations' Sustainable Development Goals (SDGs), specifically focusing efforts on three urgent issues: decent work and economic growth, gender equality, and climate and environmental action. This brief focuses on the first, for India.

Small and growing businesses (SGBs)<sup>1</sup> play a crucial role in achieving SDG 8: Decent Work and Economic Growth in developing nations, including India. In India, the way micro, small and medium enterprises (MSMEs) are defined can be considered a close comparison to SGBs. More information on the overlap is outlined in the following section. These enterprises are classified in the following manner (definition amended in 2020)<sup>2</sup>:

- Micro enterprises: Enterprises with investment in plant and machinery or equipment not more than US\$ 134,000<sup>3</sup> and annual turnover not more than US\$ 670,000
- Small enterprises: Enterprises with investment in plant and machinery or equipment not more than US\$ 1.3 million and annual turnover not more than US\$ 6.7 million
- Medium enterprises: Enterprises with investment in plant and machinery or equipment not more than US\$ 6.7 million and annual turnover not more than US\$ 33.5 million

MSMEs are major employers, with estimates indicating that there are about 633.88 lakh unincorporated non-agriculture MSMEs, creating 11.10 crore jobs in India.<sup>4</sup> The sector fosters the entrepreneurial ambition of society, creates positive economic and social outcomes, and generates employment for much of the Indian population. The majority of MSMEs in India are micro in nature, accounting for ~99% of the total number of MSME enterprises, present both in rural and urban areas.

## OVERLAP BETWEEN SGB AND THE MSME SECTOR

SGBs, as ANDE defines them, are commercially viable businesses with 5-250 employees that have significant potential and ambition for growth. Typically, SGBs seek between US\$ 20,000 and US\$ 2 million of growth capital. They are those enterprises in the MSME sector that are growth-oriented, unlike the sustenance-driven micro businesses.

ANDE believes that SGBs are vital to encouraging a developing economy, as they contribute to a pro-growth business environment and transform the economic infrastructure of the country. While the SMEs would be a closer fit to what we define as SGBs, as their size indicates an ambition for growth, we give due consideration to the importance of encouraging sustenance-driven micro firms to grow in this brief. The reason for this is that because micro enterprises dominate the sector - over 90% of the 63

1 Small and growing businesses (SGBs) are defined by ANDE as commercially viable businesses with five to 250 employees that have significant potential and ambition for growth. Typically, SGBs seek growth capital from USD \$20,000 to \$2 million.

2 As defined by the government of India.

3 As per a conversion rate on April 29, 2021, where 1 INR = 0.014 US \$. For the purpose of consistency, the same conversion rate is used throughout the issue brief.

4 Annual Report 2019-20, Ministry of Micro, Small and Medium Enterprises, Government of India [https://msme.gov.in/sites/default/files/FINAL\\_MSME\\_ENGLISH\\_AR\\_2019-20.pdf](https://msme.gov.in/sites/default/files/FINAL_MSME_ENGLISH_AR_2019-20.pdf)



million enterprises fall in the micro category – there exists a huge opportunity to unlock the potential for growth of micro enterprises (aside from small and medium enterprises) willing to scale, as well as establish an ecosystem that encourages more opportunity-based entrepreneurs that move beyond sustaining purely livelihood businesses.

This brief analyses how the entrepreneurship ecosystem can support the SGB sector in achieving SDG 8 in the following ways:

- SGBs as job creators
- SGBs as drivers of economic growth
- SGBs' role in the changing nature of work

## DECENT WORK: DEFINITIONS AND CONTEXT

The International Labour Organisation defines decent work as “work that is productive, delivers a fair income with security and social protection, safeguards basic rights, offers equality of opportunity and treatment, prospects for personal development and the chance for recognition and to have your voice heard.”<sup>5</sup> It goes on to state decent work is also central to efforts to reduce poverty and is a path to achieving equitable, inclusive and sustainable development. Ultimately, decent work underpins peace and security in communities and societies.

Over the past few years, India has achieved economic growth surpassing that of other larger middle-income, developing, countries. Though India managed to halve its poverty rate when compared to the 1990s, inequality continues to be a peril in the country. The top 10% income share has grown from around 32% in 1980 to 56% in 2018 whereas parallelly, the bottom 50% income share fell from 23% to around 15%.<sup>6</sup> Additionally, women's participation in the workforce is witnessing a steady decline, going from over 30% in the late 1990s to around 20% in 2020, indicating that the country's growth has not been entirely inclusive.

However, the COVID-19 pandemic has worsened the situation across the country. Due to massive reverse migrations and closures, there continues to be a risk of a significant number of the population slipping back into extreme poverty.

India's Decent Work Country Programme (DWCP), that began in 2018, has the overarching objective of “creating a more decent future of work through better quality of jobs, transition to formal employment and environment sustainability” in line with India's goal to “leave no one behind and reach the furthest behind first”.<sup>7</sup>

The three priorities that have been identified by the DWCP are as follows:

1. Promote, adopt and implement international labour standards for protection of workers from unacceptable forms of work
2. Create sustainable, inclusive and decent employment for women and the youth, especially vulnerable to socio-economic and environmental exclusion and in informal economy
3. Tripartite mechanisms work better for protecting rights of workers through promoting labour administration, occupational safety and health (OSH) and social protection

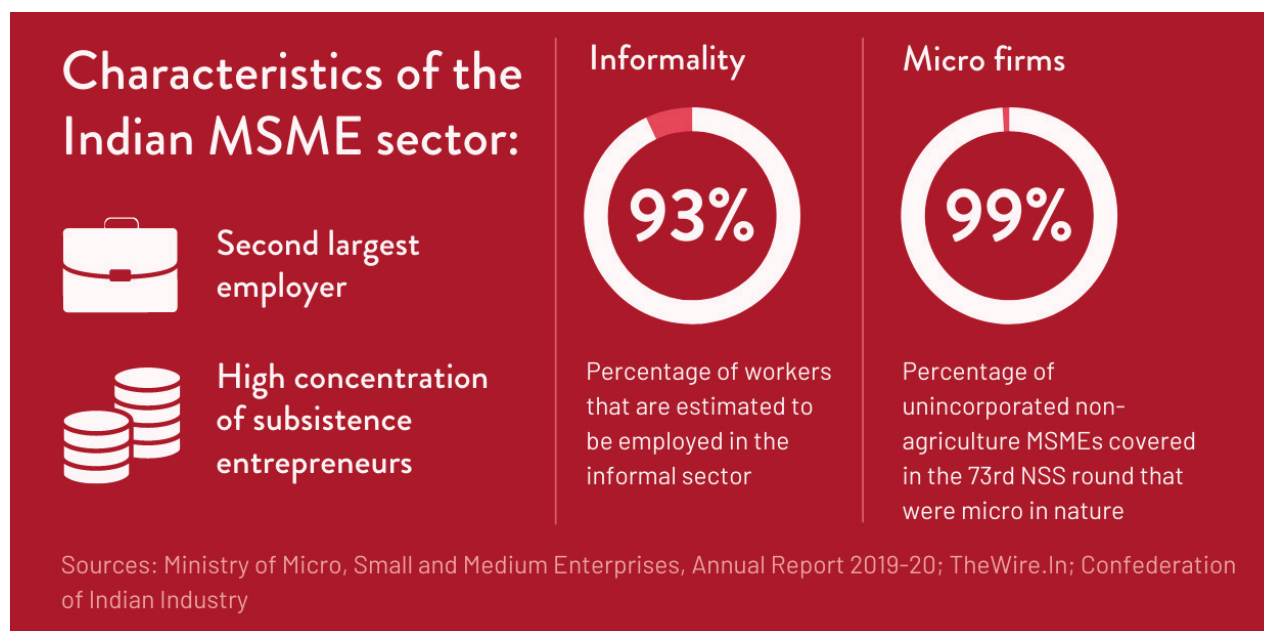
Given that the MSME sector employs many Indians, encouraging quality jobs, and not just job creation in the sector, should be prioritised to drive inclusive development.

5 Decent Work Agenda, International Labour Organization <https://www.ilo.org/asia/decentwork/lang-en/index.htm>

6 World Inequality Database, India <https://wid.world/country/india/>

7 India Decent Work Country Programme 2018–2022. International Labour Organisation [https://www.ilo.org/wcmsp5/groups/public/asia/ro-bangkok/sro-new\\_delhi/documents/publication/wcms\\_650121.pdf](https://www.ilo.org/wcmsp5/groups/public/asia/ro-bangkok/sro-new_delhi/documents/publication/wcms_650121.pdf)

# CURRENT EVIDENCE BASE



## SGBs AS JOB CREATORS AND TYPES OF JOBS

Globally, 50% of employment is generated through SMEs. In developing countries, a majority of these jobs are informal in nature.<sup>8</sup> Outside of agriculture, the MSME sector is the second largest employer in India. A Confederation of Indian Industry survey reveals that the MSME sector created the highest number of jobs in the country between 2014 and 2018, producing over 330,000 net jobs.

What distinguishes the Indian case from other developing nations is that the smaller firms, those with less than 10 workers, collectively employ the greatest number of people compared to the total employment contribution of medium sized firms. The Sixth Economic Census revealed that 58.5 million enterprises employed only 131.29 million people, which suggests that most of these organisations are very small in size. Most of these enterprises start off as informal and continue to remain so.<sup>9</sup> This means that finance may be harder to access, skilled labour difficult to recruit, and employment and wages likely to be stagnant.<sup>10</sup> However, since there are many regulatory and compliance burdens that come with scale, staying informal seems an easier route (for those with the intention to scale). These enterprises also cannot access the capital required to scale as they have limited collateral and do not have the right infrastructure, markets beyond their locality or networks required to drive growth, among other things.<sup>11</sup>

8 Women and men in the informal economy. (2018). International Labour Organization [https://www.ilo.org/global/publications/books/WCMS\\_626831/lang-en/index.htm](https://www.ilo.org/global/publications/books/WCMS_626831/lang-en/index.htm)

9 Informal Economy in India: Setting the framework for formalization (2017). Konrad Adenauer Stiftung. Retrieved May 2, 2021 from [https://www.kas.de/documents/252038/253252/7\\_dokument\\_dok\\_pdf\\_50571\\_1.pdf/93b7292e-c9a2-e0ea-ac34-00baf360e787?version=1.0&t=1539648379678](https://www.kas.de/documents/252038/253252/7_dokument_dok_pdf_50571_1.pdf/93b7292e-c9a2-e0ea-ac34-00baf360e787?version=1.0&t=1539648379678)

10 See 9

11 T. Muralidharan et al. Creating Udyog Sahayak Enterprises Network (USENET) for Employment Generation and Scale-up in the MSME Sector (2021). Azim Premji University. Retrieved Apr 30, 2021 from: [https://cse.azimpremjiuniversity.edu.in/wp-content/uploads/2021/01/USENET\\_Report\\_Final\\_for\\_Release.pdf](https://cse.azimpremjiuniversity.edu.in/wp-content/uploads/2021/01/USENET_Report_Final_for_Release.pdf)

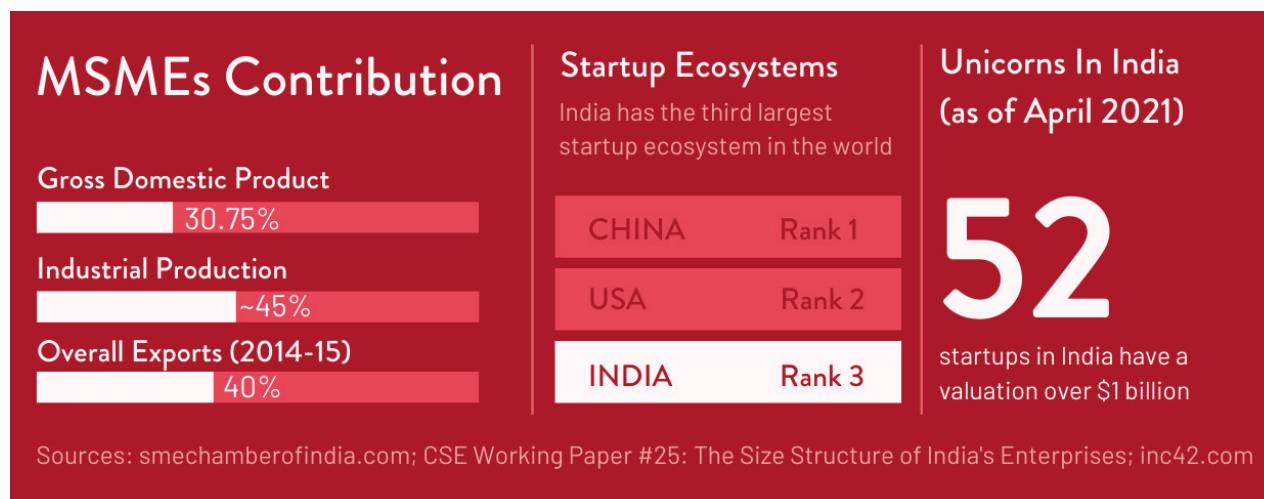


However, while micro enterprises employ the bulk of the population, their net contribution to job creation capacity is more nuanced. In an analysis of the organised MSME sector, the Economic Survey of 2019 found that while small enterprises that employ less than a 100 people and have been in existence for over 10 years generate a higher number of jobs, they also destroy as many jobs, leading to lower levels of net job creation. The survey's results indicated that organisations choosing to remain small despite getting older were the lowest contributors to employment and productivity.<sup>12</sup> Thus, it is important for more organisations to leverage their capacity to grow in order for there to be positive net job creation.

In terms of where employment is expected to be concentrated more broadly, overall job creation is expected to vary across different industries, with some slated to generate significantly larger human resource requirements than others. An assessment of 24 high priority sectors estimated that there would be an incremental human resource requirement of 103.4 million between 2017 and 2022.<sup>13</sup> Over 60% of this expected job creation is expected to occur in just five sectors including building construction and real estate (30.6 million), retail (10.7 million), logistics, transportation and warehousing (8.2 million), beauty and wellness (8.2 million), and textile and clothing (6.7 million).<sup>14</sup>

## SGBs AS DRIVERS OF ECONOMIC GROWTH

MSMEs contribute to approximately 45% of industrial production and 40% of overall exports.<sup>15</sup> In 2014-2015, MSMEs accounted for 30.75% of the GDP.<sup>16</sup> With respect to startups, India has the third highest number of startups globally and is home to 52 unicorns.<sup>17</sup> Startups have contributed to job growth, helping reach new markets and disrupting existing conditions.



12 Economic Survey 2019, Government of India

13 Annual Report 2019-20. Skill India. Ministry of Skill Development and Entrepreneurship. <https://www.msde.gov.in/sites/default/files/2020-12/Annual%20Report%202019-20%20English.pdf>

14 See 13

15 SME Sector in India. SME Chamber of India. <https://www.smechamberofindia.com/about-msme-in-india.php>

16 S. Mehrotra et al. The Size Structure of India's Enterprises: Not Just the Middle is Missing (2019). Azim Premji University. Retrieved on May 14, 2021 from [https://cse.azimpremjiuniversity.edu.in/wp-content/uploads/2019/12/Mehrotra\\_Giri\\_Not\\_Just\\_Missing\\_Middle\\_Revised\\_July2020.pdf](https://cse.azimpremjiuniversity.edu.in/wp-content/uploads/2019/12/Mehrotra_Giri_Not_Just_Missing_Middle_Revised_July2020.pdf)

17 India's Unicorn Boom (2021). The India Today. <https://www.indiatoday.in/magazine/cover-story/story/20210712-india-rsquo-s-unicorn-boom-1822720-2021-07-02#:~:text=India's%2048%20unicorns%20now%20have,and%20analysis%20provider%20Venture%20Intelligence.>



Currently the majority of the MSME sector consists of informal and micro firms. This is not ideal as higher levels of informality leave many workers outside of the protections of law, and limit their bargaining power in terms of wages, and other job-related factors within the firms. Informal firms also tend to employ fewer workers and grow slowly compared to formal ones.<sup>18</sup> It is important to identify ways in which those who are engaged in work in this space can be made more 'visible' to help provide support structures.

There is significant potential for India to encourage informal and micro firms to adopt a growth-oriented outlook by improving the ease of doing business. Simplifying the process of registering a formal business can be pivotal in boosting India's economy in the long run. This simplification of regulatory process should be accompanied along with awareness drives that help enterprise owners understand the benefits of formalization and job creation within local communities. India has a missing middle in terms of enterprise size, which is evidenced in sectors like manufacturing, where there are many small firms, a few large firms, but very few mid-sized companies.<sup>19</sup>

Economies with burdensome regulations tend to remain mostly informal, in part due to the lack of ease in doing business. While India has improved its World Bank Ease of Doing Business rank from 130 in 2016 to 63 in 2020<sup>20</sup>, there is a long way to go for this ease of business to be extended to small & medium businesses as well. Reducing the number of burdensome regulations around starting a business, registering property, paying taxes and trading across borders, are just some of the parameters that need to be relooked at.<sup>21</sup> Along with these regulations, also looking to build a robust financing ecosystem to facilitate greater ease in raising capital will boost more companies to formalize, helping maintain its growth trajectory. However, these improvements should not come at the cost of lowering acceptable standards to increase adherence to regulations.

Improving its ease of business can also help drive new entrepreneurship in the country, which can also help improve job prospects. The World Bank report states that greater ease of doing business is associated with higher levels of entrepreneurship, which in turn creates better employment opportunities and improved personal incomes.<sup>22</sup>

## **SGBs AND THE CHANGING NATURE OF WORK**

Over 5 million young individuals are entering the workforce annually in India. Technological innovation and globalization have changed the way labour markets across the globe and in India operate. The global pandemic has further accelerated the use of digital tools in business operations.

This disruption can serve as an opportunity for SGBs and startups across India to leverage digital assets to improve their efficiency. While many of the existing jobs may become redundant with greater automation, new job roles can emerge as a result of innovation. However, this requires investment in skill development with a futuristic outlook in order to ensure that these job opportunities can be filled by the next generation of Indian employees.

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18 Economic Survey 2019, Government of India

19 Manufacturing sector's 'missing middle'. Hindu Business Line (2019). <https://www.thehindubusinessline.com/opinion/manufacturing-sectors-missing-middle/article27704812.ece>

20 Doing Business in India. World Bank Group. <https://www.doingbusiness.org/en/data/exploreconomies/india>

21 DPIIT focusing on six parameters to push India's EODB ranking. Mint (2020). <https://www.livemint.com/news/india/dpiit-focusing-on-six-parameters-to-push-india-s-ease-of-doing-business-ranking-11578223742801.html>

22 See 20





Another phenomenon that has become prevalent in recent years is the emergence of the gig economy. The gig economy can be defined as “a labour market that allows for short-term or freelance contracts for workers.”<sup>23</sup> The gig economy has become a common part of India’s labour market, with about a quarter of the world’s gig workers being based in India.<sup>24</sup> Over 1.5 million drivers are employed by ride-hailing platforms and the gig economy is a major employer in India’s huge informal economy.<sup>25</sup> Results from a survey of Indian corporates also showed that 73% of respondents would hire a freelancer rather than a conventional full-time worker to optimize operational costs and to bolster the skills of the existing workforce.<sup>26</sup> Similarly, another survey by the Observer Research Foundation and World Economic Forum, indicates that 59% of the youth surveyed were interested in participating in the gig economy for their main income source.<sup>27</sup>

The rise of the gig economy can provide many opportunities for SGBs in India. SGBs can hire gig workers depending on their temporary demands and make best use of their limited resources at lower costs. However, there are considerations with respect to the quality of the job that SGBs must factor when engaging the gig economy. Given the struggles associated with insurance and job rights, the move by the government to recognize gig and platform workers under the Social Security Code 2020 can be seen as a positive sign.<sup>28</sup> This legislation also acknowledges the requirement of social security for gig workers, and once implemented may result in a fund, with contributions from aggregators and the government. It is equally important to ensure that the measures aren’t counterproductive, which may be possible if the companies look to pass on the cost to the employees, and employ a more selective approach in hiring, given higher costs.

One of the hallmarks of informality is the invisibility of employees. By participating in the gig economy, an increasing number of those in the workforce are becoming more ‘visible’, which creates an opportunity for targeted social protection measures, capacity building and upskilling etc. to help them sustain and advance their careers.

## DIGNITY OF WORK

The ILO’s recommendation on the implementation of the social protection floors reflects measures countries should look to undertake to combat poverty and achieve universal rights that ensure life in health and dignity.<sup>29</sup> A dignified job, as defined by Upaya Social Ventures, for the organisation’s own purposes, is “a predictable relationship with an enterprise that leads to access to economic improvement necessary to rise above extreme poverty. In other words, there are three key elements Upaya Social Ventures looks for in a job: it must be predictable (certainty of tenure based on mutually agreed upon terms), dignified and provide income sufficient to move the jobholder out of extreme poverty.”<sup>30</sup>

23 Gig Economy. Investopedia. <https://www.investopedia.com/terms/g/gig-economy.asp>

24 Future of Jobs in India – 2.0 (n.d). FICCI. Retrieved on May 17, 2021 from <https://ficci.in/spdocument/23031/Future-of-Jobs-in-India-2.0.pdf>

25 S. Jain. The coronavirus has left gig economy workers out in the cold (2020). Observer Research Foundation. <https://www.orfonline.org/expert-speak/the-coronavirus-has-left-gig-economy-workers-out-in-the-cold-63525/>

26 The Future of Work is Anywhere: Gig Economy (2019). Noble House. <https://drive.google.com/file/d/1Utp9yA1MRt2-9uU4ljTtoWSfmil4JGr4/view>

27 The Future of Work in India. (2018). World Economic Forum. Retrieved on Mar 23, 2021 from [https://www.orfonline.org/wp-content/uploads/2018/10/Future-of-Work-in-India\\_Report.pdf](https://www.orfonline.org/wp-content/uploads/2018/10/Future-of-Work-in-India_Report.pdf)

28 N. Sharma. Gig Workers May End Up Paying For Their Own Social Security. (2020). Bloomberg Quint. <https://www.bloombergquint.com/business/gig-workers-may-end-up-paying-for-their-own-social-security>

29 Universal social protection for human dignity, social justice and sustainable development, ILO [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_673680.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_673680.pdf)

30 Upaya Social Ventures definition of a job <https://www.upayasv.org/blog/2019/6/12-upaya-fundamentals-what-is-a-job>

From Upaya Social Ventures

## 3

Key Elements  
of a Dignified  
Job

## 1. Predictable

The job must provide a predictable and reliable source of income to the jobholder.



## 2. Dignified

The job must provide a safe work environment where the jobholder is treated fairly and with respect.



## 3. Sufficient Income

The job must provide income sufficient to move the jobholder out of extreme poverty.

Nearly 85% of employment in India is informal in nature, with working conditions more vulnerable, given the unstable nature of jobs, low wages, and the absence of social protection. This is especially true for women who are mainly employed in the informal sector. For reasons ranging from absence of public transport services to lack of accessible and affordable childcare support, women often resort to choosing jobs that are flexible and home-based.

While currently India is considered a young nation, by 2050, every fifth Indian will be aged over 60.<sup>31</sup> Post retirement, most of the country's elderly depend on physical assets and family arrangements to support them. Thus, while we speak about dignity, we should factor in whether individuals are able to create sufficient retirement savings/avail pensions, to ensure a comfortable standard of living. Only 12% of Indians avail a formal pension scheme and absence of insurance causes indebtedness when emergencies occur.<sup>32</sup>

Currently, analysing the number of quality jobs is difficult in India, given the absence of data, particularly on the MSME sector. While we can provide general commentary on job quality based on whether jobs are informal or formal in nature, there is a gap in data that actually supports these accepted notions. There is a need for a concentrated effort by the ecosystem to collect data on this, along with a need to align on a generally accepted definition on what we mean by "dignity" and "job quality."

## POLICY INFRASTRUCTURE

India has a number of government bodies that provide institutional support to MSMEs. Two major central bodies include the Ministry of Micro, Small and Medium Enterprises (Ministry of MSMEs) and the Small Industries Development Bank of India (SIDBI). The Ministry of MSMEs frames and implements policy and promotes programmes and schemes that help MSMEs scale. While the primary responsibility of developing and promoting MSMEs lies with the state governments, this central body is involved with assisting the efforts of the states to promote entrepreneurship and growth of the sector.<sup>33</sup> On the other hand, SIDBI is the apex financial body that promotes and supports the MSME sector.<sup>34</sup>

31 Schemes To Systems | Mind the Gap: Ageing and Pensions. (2019). World Bank. <https://www.worldbank.org/en/news/feature/2019/11/25/schemes-to-systems-mind-gap-ageing-pensions>

32 Schemes to Systems: Lessons from Social Protection in India. (2019). World Bank. <https://www.worldbank.org/en/news/feature/2019/11/21/lessons-from-social-protection-india-schemes-to-systems>

33 Ministry of Micro, Small and Medium Enterprises. <https://msme.gov.in/about-us/about-us-ministry>

34 Small Industries Development Bank of India. <https://www.sidbi.in/en/about-sidbi#overview>



The country also witnessed a major labour law reform in the recent past, which will also have an impact on the quality of jobs at the SME level. Changes like increasing the number of workers in an establishment to get standing orders from 100 to 300 will allow for a lesser compliance burden on SMEs and promote self-regulation. The laws allow flexibility by legitimizing various categories of employment, ranging from permanent employees and fixed-term employees to contractual employees and gig workers. There have been stringent safety norms set that will lead to a cost increase for businesses to comply with, increasing the existing hesitation of organisations to formalize their operations.

Similarly, there are double-edged swords in the updated reforms like the requirement of organisations hiring more than 300 workers to get government permission for layoffs and retrenchment. While this allows freedom for SGBs to grow, it also poses a risk for the workforce involved in smaller organisations to face layoffs without prior government intervention. The code on social security enables provisions to notify schemes for 'gig' workers but suffers from a lack of clarity in definitions. At the centre of the conundrum is how to allow entrepreneurial freedom and unleash its potential without diluting labour protection, and ideally, creating a vibrant labour market.

## IMPACT OF COVID-19 ON JOBS

The COVID-19 pandemic has had a shocking impact on economies the world over. In India, the nationwide lockdown, followed by smaller lockdowns enforced by respective states with brief moments of recovery interspersed have led to unprecedented numbers in job losses and business closures.

India's unemployment rose to its highest level since 1991, experiencing a steep rise to 7.11% in 2020 compared to 5.27% the previous year.<sup>35</sup> Although these numbers seem to be falling back to pre-pandemic levels as the country sees relaxation of curbs, caution must be exercised while analyzing these numbers as experts warn of new COVID waves to come. Another distressing trend is the continuing decline of the female labour force participation rate, falling from 16.4% in mid-2016 to 11% between mid-2018 and early 2020. This disproportionate impact has continued in recovery as well, where by November 2020 most of the men were able to recover their jobs, whereas the same was not true for women.<sup>36</sup>

Similarly, it has been a very rough year for SGBs in the country. In their race for survival, a survey published in late-May 2021 that included responses from over 6,000 startups and MSMEs across 171 districts showed that over 50% of them were likely to close shop or sell their businesses. 41% of the organisations shared that they were out of funds or were looking at a less than one month runway period. Close to half the organisations were looking at permanent layoffs or had plans to reduce compensation for their employees.

In July 2020 as part of the COVID-19 stimulus package, the government amended the MSME definition, in terms of the turnover and investment criteria. To help enterprises battle the adverse impacts of the COVID-19 pandemic, the government implemented the Aatmanirbhar Bharat Abhiyaan economic package to provide collateral free automatic loans, and additional working capital.<sup>37</sup>

There have been initiatives from the government's end to help ease the troubled times MSMEs have been facing. One example is the Emergency Credit Line Guarantee Scheme to facilitate flow of credit

35 Centre for Economic Data & Analysis. Ashoka University. (2021) <https://ceda.ashoka.edu.in/picture-this-indias-unemployment-rate-in-2020-highest-since-1991/>

36 Coronavirus led to a volatile employment trend throughout 2020. (2021). Financial Express. <https://www.financialexpress.com/jobs/covid-19-impact-coronavirus-led-to-a-volatile-employment-trend-throughout-2020/2224185/>

37 Why India's MSME Sector Needs More Than a Leg-Up. (2020). <https://thewire.in/business/why-indias-msme-sector-needs-more-than-a-leg-up>



at reasonable terms. However, the loan moratoriums offered have in effect postponed suffering as SGB recovering after the second wave are still having to pay back loans, with additional interest. The percentage of organisations that have benefited from the government schemes stands at a low 30%.<sup>38</sup>

As SGBs look to rebuild, it is imperative that the private and public sectors begin to look at supporting them through long-term resiliency, beyond the immediate granting of capital to keep businesses afloat. Alliances and networks like the COVID Response Alliance for Social Entrepreneurs, for example, are intervening to effectively channel capital and resources to enterprises tackling COVID-19 in local communities on the ground. Moving from immediate recovery towards building more resilient ecosystems of support for these entrepreneurs so SGBs do not have to look at layoffs as options or cut corners on offering adequate social protections to their employees should be a focus in the coming year.

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<sup>38</sup> Pulse of the Startups & MSMEs - 2021 edition. LocalCircles <https://www.businesstoday.in/latest/economy-politics/story/68-start-ups-msmes-didnt-benefit-from-centre-schemes-covid-year-localcircles-284490-2021-01-15>

# STRATEGIES

## Strategies



### Prioritise talent recruitment and development

SGB support organisations should consider talent development as a critical part of building effective entrepreneurial ecosystems



### Track and support the development of quality jobs

SGBs and SGB support organisations should invest and engage in the monitoring and evaluation process.



### Engage the gig economy, but consider the ramifications

SGB support organisations can assist SGBs in analysing the potential benefits and consequences of engaging the gig economy



### Research and measure characteristics of job creation

Ecosystem players can implement or support research and measurement on the dynamics of job creation among SGBs



### Understand the evolving digital landscape of SGBs and jobs

The pandemic has accelerated the need for digitalisation within and beyond the entrepreneurial ecosystem.

## CONSIDER TALENT DEVELOPMENT AS A CRITICAL PART OF BUILDING EFFECTIVE ENTREPRENEURIAL ECOSYSTEMS

Attracting, hiring, and developing the right talent is a key consideration determining the success of SGBs in today's dynamic world. COVID-19 has further accelerated the adoption of digital solutions, thus requiring employees to be adept in a new range of skills.

Unemployment continues to be a problem that plagues the country, across both rural and urban settings, to varying measures. In 2015, the Indian government launched the Skill India programme





with the goal of skilling 402 million people by 2022. The National Skill Development Corporation (NSDC) was set up to encourage private sector participation in the skilling agenda in India. Data shows that these missions may not have been entirely successful in achieving their goals, with placement rates standing at between 12–15%.<sup>39</sup> One of the reasons cited was that the trainings provided were not sector-specific and industry needs of organisations where these trainees were expected to be placed were not taken into account.<sup>40</sup>

Challenges faced by SGBs arise due to budgetary constraints, limited size of human resource teams, inaccessibility to appropriate talent management tools, and limited career growth opportunities at the outset.<sup>41</sup> Hiring the right individual for the job also becomes all the more critical in a smaller organisation, given that attrition would more severely impact small businesses. However, SGBs are perceived to be lower paying and riskier, and hence face disadvantages in attracting the right talent.<sup>42</sup>

In a 2012 Intellectap study on human resource challenges in Indian social enterprises, 70% of those surveyed identified recruiting qualified staff as the biggest human resource challenge.<sup>43</sup> Definition of roles and responsibilities and distribution of decision making beyond the founding team were the second and third biggest problems identified (39% and 34% respectively).<sup>44</sup> In the same study, respondents identified that recruiting middle and senior leadership members was challenging given a limited pool of candidates, difficulties in offering a competitive salary, and relatively less impactful branding compared to more established firms. This could indicate both a talent gap, particularly in middle management, and a lack of resources to competitively recruit in the labour market.

The problem of staffing and retention is much more nuanced than simply a lack of access to talent or lack of access to capital to remunerate talent at competitive rates. There are likely other factors involved, such as skills required by SGBs may be more complex (compared to a defined role in a larger corporate setting, SGBs tend to have an all-hands-on-deck approach with staff wearing multiple hats and possessing transferable skills), regions where these businesses operate (willingness to move beyond metro cities), etc. But looking at attracting a wider talent pool and aiming to support those who enter it to grow is a good place to start.

This problem, faced with respect to middle management, should be a focus of entrepreneurial support organisations, given the impact it has been shown to have on a business' ability to grow. Solutions relevant to this space were modeled by the finalists of the Argidius-ANDE Talent Challenge.<sup>45</sup> With respect to hiring, organisations like Shortlist can support SGBs in their talent recruitment processes through their technology-based solutions. Beyond hiring the right talent, it is also important to develop existing talent in SGBs. The Leadership for Growth program by the Amani Institute, the winner of the Argidius-ANDE Talent Challenge, is an example of the type of leadership programs that can be targeted towards building capacities of middle and senior level leadership, tuned to the needs of SGBs.

39 64 lakh trained under Skill India but only 14.5 lakh got jobs. (2019). Business Today. <https://www.businesstoday.in/jobs/story/64-lakh-trained-under-skill-india-but-only-145-lakh-offered-jobs-238756-2019-11-18>

40 Why India's skill mission has failed. (2017). Business Standard. [https://www.business-standard.com/article/economy-policy/why-india-s-skill-mission-has-failed-117090200098\\_1.html](https://www.business-standard.com/article/economy-policy/why-india-s-skill-mission-has-failed-117090200098_1.html)

41 Talent Management: A Challenge for SME Enterprises. DBS SME Banking. <https://www.dbs.com/in/sme/businessclass/articles/business-strategy/talent-management>

42 See 41

43 Understanding Human Resource Challenges in the Indian Social Enterprise Sector. (2012). Intellectap. Retrieved on Mar 2, 2021 from [http://intellectap.com/wp-content/themes/intellectap/pdf/intellectap\\_hr\\_report\\_web\\_0.pdf](http://intellectap.com/wp-content/themes/intellectap/pdf/intellectap_hr_report_web_0.pdf)

44 See 43

45 ANDE Argidius Talent Challenge <https://www.andeglobal.org/funding/>





## TRACK AND SUPPORT THE DEVELOPMENT OF QUALITY JOBS

SGB support organisations whose mandate is to help SGBs that create jobs (beyond being financially viable businesses) should require that metrics related to quality job creation be factored into the support and capacity building services. However, it is also important for intermediary organisations to invest the time and money (especially investors/funders), to ensure that SGBs aren't overburdened. Investment and engagement from both sets of stakeholders (as mutually decided) would be ideal in the monitoring and evaluation process. This is especially pivotal given that usually SGBs would be hesitant to accept additional M&E costs, on top of having to adhere to labour regulations.

The focus on quality is important, given that it provides the support organisation a more holistic understanding of the development created. Apart from the parameters mentioned in Fig 1, Upaya Social Ventures puts major emphasis on investing in businesses creating dignified jobs in low-income states. Supporting SMEs in low-income states to implement better hiring and employment practices will help create a more inclusive workforce in these regions where the populace is otherwise neglected and left out. While Upaya's survey findings suggest stark realities in terms of wage inequality across states, they also give a scope of improvement in the jobholders' income, livelihoods and long-term aspirations. While jobholders in states like Uttar Pradesh, Assam, Bihar, Odisha, Sikkim, Chhattisgarh and West Bengal experienced a 78% income increase on average as a result of being employed at the SGB being supported, Upaya through its surveys further evaluated the impact on the short term and long-term livelihood improvement attributing to dignified jobs.

## CONSIDERATIONS REGARDING THE GIG ECONOMY

The gig economy provides many opportunities for SGBs through the ability to hire freelancers to help them with individual projects, thus creating cost saving benefits. It can create new job opportunities, with the particular benefit of having greater flexibility. Some gig employers offer benefits, for example FoodPanda, a food delivery service, offers medical and accident insurance to its delivery personnel, who are gig workers and not directly on the company's payroll.

However, there are perils to the gig economy. The flexibility of a gig economy job that is often touted as a benefit can also have negative repercussions of instability and lack of more formal benefits. In the recent past, there have been numerous strikes all over the country with demands of better pay and social protection for delivery partners, as they have been on the frontlines of the service economy throughout the pandemic, transporting essential goods and services in locked down cities.<sup>46</sup>

Given the benefits that exist with leveraging the gig workforce, SGB support organisations should help SGBs understand what portions of work can be outsourced to the gig, and how to ensure that job quality is maintained. Similarly, those support organisations working directly with gig economy startups can assist them in analysing the potential effects and consequences of the growth of these platforms, in addition to keeping job quality and social protection at the core of the conversation. To do this effectively, more research is likely needed to better understand the relationship between small businesses and gig economy workers to create the most symbiotic relationship, if possible.

As more Indians enter the gig economy, startups like Apna are building professional networks of grey and blue-collar workers. For skilled professionals, Apna offers access to local job opportunities, networking with peers, and a platform to share skills.

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46 A Pandemic of Discontent: The Growing Woes of India's Food Delivery Workers. (2020). The Wire. <https://thewire.in/labour/swiggy-workers-covid-19-paycut-job-loss>



## FIGURE 1

**When Upaya Social Ventures considers investing in SGBs, they favor those who create jobs with the following qualities:**

- Pay at or more than the minimum wage in a community
- Provide a reliable, predictable source of income in exchange for a specified amount of work, effort
- Provide access to basic financial services such as bank accounts, insurance, and other basic benefits
- Provide training, new skill development
- Enhance the income and quality of current profession (such as farming) – increasing efficiency and reducing drudgery
- Increase in income and quality of job with the higher tenure with the employer (dignity must be defined not only in terms of improvement in job quality with respect to the previous job but also a consistent improvement in the current job as well)
- Create an environment in which workers are:
  - ⇒ aware of their rights and recourse
  - ⇒ able to get satisfaction from the work they do/feel respected and worthy
  - ⇒ able to move towards/think about their aspirations (family/living conditions/ studying ahead)
- Create opportunities for members of vulnerable, marginalized, stigmatized, or excluded groups
- Ensure the elimination of the following:
  - ⇒ Any physically arduous or taxing activity that is hazardous to one's health
  - ⇒ Work in unhygienic or dangerous conditions without training, protective gear
  - ⇒ Compensation that is opaque, or arrangements that are potentially exploitative

## UNDERSTAND THE EVOLVING DIGITAL LANDSCAPE AND SUPPORT ECOSYSTEMS OF JOBS IN SGBs

The pandemic has accelerated the need for digitalisation within and beyond the entrepreneurial ecosystem. Both SGBs and intermediary organisations have had to fast track their digital journeys in the past year. Organisations are now looking at building digital-first businesses, which has an important impact on the demand for talent and valued skills. This accelerated pace of digital transformation has also meant that entrepreneurs and businesses are having to upskill themselves on various aspects of digital transactions, social media marketing, digital data collection and analysis, etc.



Another impact of the pandemic has been the acceleration of digital adoption. According to a report by Omidyar Network India, around 500 million Indians from lower rungs of the socio-economic pyramid will have acquired new digital skills by 2022, and a sizeable number of these fall in the 18-34 age group.<sup>47</sup> This creates the opportunity for disadvantaged youth to access jobs that are now going digital, such as online customer service.<sup>48</sup>

## SUPPORT OR IMPLEMENT RESEARCH AND MEASUREMENT ON THE DYNAMICS OF JOB CREATION AMONG SGBs

While we understand that the MSME sector is the major employer in India, there's still a lack of clarity on what type of growing small enterprises drive job growth and what is universally considered a decent job. In regard to the latter, decent work is often broadly defined and lacks specificity that can lead to measurement, likely due to the many influencing factors that differ between geographies. This could be an opportunity to galvanize the Indian entrepreneurial support ecosystem to come together and define what a decent job looks like in India. From there, more research is needed to understand the characteristics of the firms that create decent jobs in order to know where support organizations should target their efforts. Support organisations can also track their own interventions' impact on job creation and job quality. By combining data from both the SGB and support organisation perspective, a more complete view of the decent work landscape can be developed, in turn leading to better mobilization of support and resources to job creating opportunities. An example of one such effort, though not specific to India, would be the SGB Evidence Fund led by ANDE and the International Growth Centre, which aims to understand what works to stimulate SGB growth and build on the existing evidence of social and economic impacts of SGBs.<sup>49</sup>

# RELEVANT METRICS

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To track and understand progress on job creation and quality, the SGB sector will need a common agreed upon set of indicators. The UN defines specific targets and indicators to measure progress towards each SDG. Those relevant to decent work and economic growth (job creation, economic growth and gig economy relevant targets) can be found in our [global issue brief](#).<sup>50</sup>

However, since the SDGs were originally designed in a manner that the implementation was to be government led, they may not be tuned towards the private sector. Organisations like the Global Impact Investing Network (GIIN) have designed metrics systems that align with the SDGs, which can be found in their IRIS catalogue of metrics. What is also important to understand is that given increasing dependance on gig-styles of working, SGBs and larger organisations are coming up with multiple working arrangements, hence making it more challenging to identify and define appropriate metrics.

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47 Innovating for the Next Half Billion. (2020). Omidyar Network India. Retrieved on Apr 20, 2021 from <https://www.omidyarnetwork.in/wp-content/uploads/pdfs/Innovating-for-Next-Half-Billion.pdf>

48 See 47

49 SGB Evidence Fund. <https://www.theigc.org/sgb-evidence-fund/call-for-proposals-timeline/>

50 Decent Work and Economic Growth in the SGB Sector. (2019). Aspen Network of Development Entrepreneurs. <https://www.andeglobal.org/publication/decent-work-and-economic-growth-in-the-sgb-sector/>



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