



## IMPACT OF SERVICE SECTOR ON GLOBAL BUSINESS AND ECONOMY (DURING COVID-19 PANDEMIC SITUATION)

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### Abstracts:

*The covid pandemic impacted the nation drastically and caused things to stir up in the economy. According to some, the economy was paralyzed, while certain areas of varied sectors reached their peaks. This paper aims to draw focus specifically towards the service sector on a global level post the unforeseeable covid pandemic.*

*There were various factors that affected the service sector and the economy as a whole, both at national and global level which resulted it to become what it is today. The major factors to be examined are the changes in technology, the human resource aspect and the productivity of the sector.*

*This study hopes to provide the scholars, economists, companies, as well as all the people associated with the service sector a way to analyse, understand and introspect the working of service sector and forecast how the future events might lead to further changes in the specified areas of the service sector as well as the service sector as a whole.*

**Key Words:** Global business, service sector, technology, human resource and productivity.

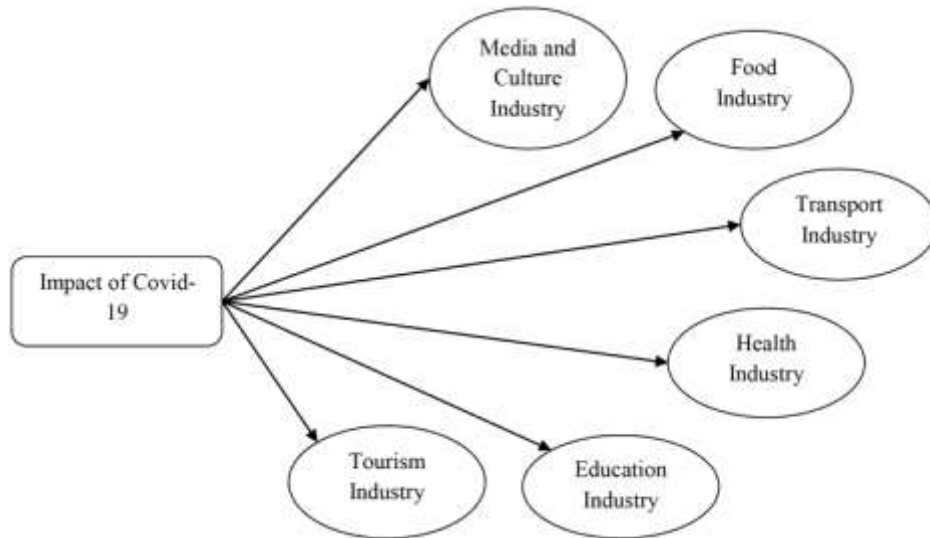
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### Introduction:

No one's spared and unknown to the 2019 most unpredictable and unwelcomed covid pandemic situation worldwide which negatively impacted the business, society and even everyone's life for existence and sustainability and caused things to stir up in the economy. According to some, the economy was paralyzed, while certain areas of varied sectors reached their peaks.

Many sectors, specially the service sector suffered the most because of complete lockdown situation in India and globally. Government made mandatory norms for the safety and security of people around the globe to control the pandemic situation. Necessary measures like social distancing and stay-home restrictions specially for the non-essential services meant offline businesses suffered the most and negatively affected the productivity and performance. However, it was still manageable by many businesses such as education, communication, telecom, banking, insurance with the help of technology by shifting to online mode of operation.

**Figure 1** shows the impact of COVID-19 on the different service sector industries.



### Objectives:

1. To study and identify the main factors associated with service industry affecting its performance and productivity.
2. To understand the impact of main factors identified on economic reforms in service sector worldwide.
3. To discuss and analyse the impact of human resource, technology and productivity on global business and economy.
4. To identify measures to reduce the negative impact of factors on the business and economy globally.

### Analysis and discussion:

After thoroughly researching the authors have identified and observed that the most negatively affected businesses such as health, tourism (hotel and travel), media or entertainment (highly people based) became paralysed due to Covid situation and partly or completely interrupted. Supported by high-tech climate, the healthcare industry has taken a devastating hit due to the sudden increase in covid patients, lack of trained manpower, shortage of staff and lack of resources and keeping people with routine health problems out of hospitals. This sector actively moved toward telemedicine and telehealth solutions.

Another important sector of our service industry which badly thumped was tourism (highly people-based service). Lots of restriction put up on mass gathering, social event, and suspension of flight operations throughout the world had a negative impact on this industry's productivity and performance which indirectly affected the Indian and global economy. Many tourism related services had to shut down for the safety of mass population globally.

Third important sector was entertainment industry (highly people based service) which also faced difficult time in existing and surviving during covid situation and resulted in decreased productivity and performance. In all the three major highly people-based services health, tourism (hotel and travel) and entertainment, the researchers have identified three major factors – human resource, technology and productivity. It has been observed through detailed study of data collected through the secondary research that the people element faced many challenges and issues in covid situation globally than other two factors and thereby resulted in global economic crisis in terms of loss



of production, lower GDP and loss of profits and sales volume.

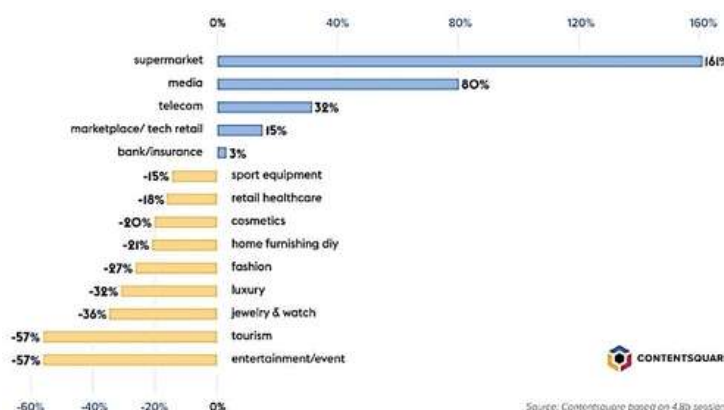
**Human resources:** Main challenges and issues faced by human resources in service industry in India and thereby affected the global businesses are:

1. Loss of job due to no business, termination or closing of business.
2. Fear and anxiety about future (related to job, self, family and work environment) among existing staff at workplace due to spread of viral infection across the world.
3. Risk to health due to highly personalized contact services inspite of many preventive measures adopted (specially in health care sector and daily supplies of essential services).
4. Loss of income and financial instability thereby lowering down the motivation, morale and productivity.
5. Loss of social contact or social touch (social life) with family members, relatives, colleagues and closer ones due to social distancing and complete lock down or work from home situation.
6. Lack of growth and advancement opportunities in economic crisis.
7. Lack of mental peace and work pressure resulted in stress among employees which was highly uncontrollable and unmanageable and thereby causing loss of human life in extreme situations.
8. Strained relationship with colleagues, subordinates, seniors and management and over working without any incentives, rewards and appreciation resulted in decreased bonding among teams.
9. Work life imbalance issues due to the work pressure, use of technology and increased work timings.
10. Lack of team work and coordination and hence more conflicts at work place
11. No clarity of job roles and hence role conflict.

### Technology:

Necessity is the mother of all inventions. The people were helpless during covid. They had no other choice but to switch to the online mode for which they resorted to various developed technologies as well as started developing more of them. The impact of technology can be further divided into various aspects:

- **Online shopping/traffic:** The pandemic forced people to shop online not just for the branded luxury items, but also for the various basic necessities. Various companies started providing daily ration and groceries to attract users, and some are even struggling to keep up with the demand. Medicines were ordered online more than ever before. However this rise was not equitably distributed. Online traffic in various industries like tourism decreased drastically.





Impact of corona virus on online traffic in various industries by Jean-Marc Bellaiche, 2020.

- **Work from home:** During the pandemic, offices were shut down and people had no choice but to turn to online platforms to earn their livelihood. Post pandemic, this has opened various opportunities like working from home anytime and anywhere, organizing and collaborating with a larger mass online, which wouldn't have been possible in offline mode, scheduling meetings and appointments a lot more flexibly. The travel time isn't existent and neither is the stress from staying stuck for hours in traffic.

There was phenomenal rise in the usage of apps, specifically Microsoft Teams which had 20 million users in 2019 and has increased to 270 million users in 2022.

Microsoft Teams annual users 2017 to 2022 (mm)

YearUsers (mm)

2017	2
2018	8
2019	20
2020	75
2021	145
2022	270

Source: Company data

- **Distance learning:** More than 50% of India's population is under the age of 25 and hence, education plays a vital role in such an environment. Due to the advancement in technology, education is now accessible to a larger population, particularly the ones who cannot commute or don't have the necessary resources. This will later result in creating higher employment and will impact the Indian as well as the global economy on a large scale. Not only is it beneficial for the young minds of students and learners, it also has created an expanding market for online courses and classes available to people sitting on one corner of the globe to the other.
- **Cashless payment:** Due to the fear of the virus spreading via touch, payments via digital mode started getting encouraged and has only increased since then. Currently, India clocks 40 percent of real time digital payments and is the leading nation in this sector. One can witness how far India has come from fearing the digital transactions to being the leading nation in it.
- **Medical:** Due to the need of the hour, technology is substituting the tedious activities like the administrative aspect of healthcare so that the experts can focus on the more complex tasks and provide better facilities. Many platforms like MediBuddy.com are developing in order to make the healthcare facilities easily accessible to remote areas and in the comfort of people's home. These platforms can be accessed anywhere and anytime and are user friendly, meaning the people don't need expert knowledge to consult and get advice.

#### Productivity issues:

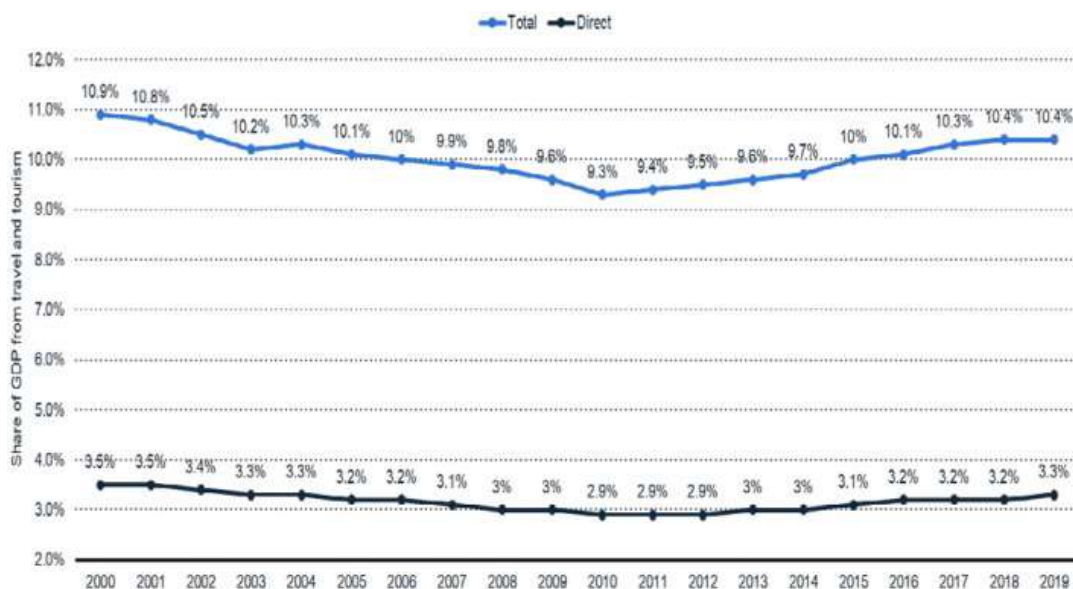
Main challenges and issues related to productivity and performance in service industry in India and thereby affected the global businesses are:

1. Loss of man-hours at the workplace for employees due to lockdown situation resulted in decreased productivity and performance in service organizations.



2. Labour absenteeism- Due to mental health problems and physical health issues, employee's absenteeism rate increased which negatively affected the production and output.
3. Labour turnover- Closure of business undertaking, lesser business operations and activities (half capacity working), retrenchment, layoff, lack of job and career opportunities resulted in increased labour turnover and hence less productivity and deteriorated business performance.
4. Shortage / inadequacy of manpower- Increased demand for multiskilled employees rose due to lesser workforce for saving cost and hence resulted in shortage or inadequacy of manpower for operations and functions.
5. Instability in manpower resources- Labour absenteeism, high labour turnover and retrenchment resulted in instability in manpower resources.
6. Lack of quality service- Untrained workers, unskilled workers and inadequate manpower created many quality issues in delivering the services and hence reduced productivity and performance.
7. Loss of profits, sales and revenue due to decreased quality of services and untrained manpower and inadequate manpower.

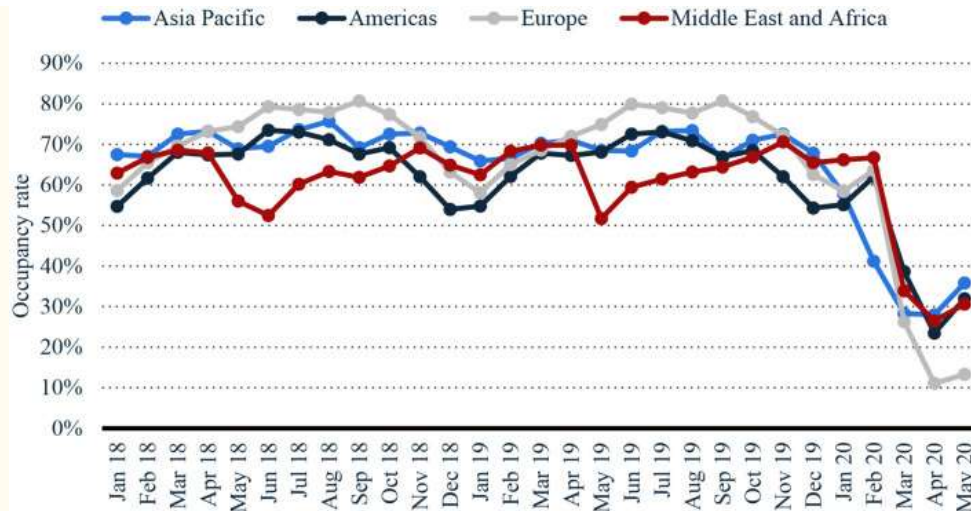
**Figure 2** below is a figure which shows the global GDP share of the travel and tourism industry from 2000 to 2019. Travel and tourism made a 3.3% direct contribution to the global gross domestic product in 2019, but it was stable at 3.2% from 2016 to 2018. The direct contribution to the travel and tourism industry's global gross domestic product was 10.9% in 2000 and 10.4% in 2019. The direct contribution refers to internal spending on travel and tourism.



Worldwide GDP share (travel and tourism industry). Data Source: (Statista, 2020a).

Figure 3 represents the monthly hotel occupancy rate from Jan 2018 to May 2020. The impact of COVID-19 can be seen on the hotel occupancy. The results show that hotel occupancy has been dropped significantly due to travel restrictions. Europe hotel occupancy was declined by 82.3% in May 2020. Indonesia has faced the highest decline in tourist arrivals than other Asian Pacific nations.





Worldwide Monthly hotel occupancy rates (2018–2020). Data Source: (Statista, 2020b).

#### Caselet:

Many companies have switched to a remote work model at a rate never imagined before to secure and protect the life of their employees. As face-to-face collaboration is replaced with e-mail and videoconferencing, it was a difficult task for most of the HR managers to shift to new way of working in this emergency situation to survive the business and to save the life of their employees. Besides safety and security of the employees, HR managers faced difficulty to keep their workforce motivated, engaged and connected in this emergency situation across the world. A video game company, Activision Blizzard based in Santa Monica, Calif., has moved 99 percent of its 10,000 employees (except janitorial, security and other essential staff) to remote work (though never designed considering future uncertainty) to offer their employees different working hours and provide a kind of flexibility that the company had never proposed to its workers before.

But while this situation of uncertainty became the reality of the world, their technology teams worked quickly to create solutions, buy equipment, and provide access to their systems remotely. And hence could provide temporary solutions for teams of employees that normally need to work together in producing a game, such as animators, developers, sound technicians.

The company also empowered managers with the autonomy to work with direct reports to create schedules that best accompanied their work-from-home lives.

#### Suggestive measures:

1. Automating the work processes, standards and procedures.
2. Adopting remote working and flexi working hours.
3. Increasing contractual employment, part time jobs and temporary jobs for more adaptability and adjustment to the changing business scenario.
4. Appointing the permanent counsellors and psychiatrist to monitor the mental health regularly and to mentally prepare the employees to meet up any uncertain workplace situations.



5. More focus on employee well being both physically and mentally to keep them motivated, engaged and committed to their work and business goals.
6. Acquiring and developing new technologies and providing training to the employees for implementing the same in a normal business set up and not just in an emergency.
7. Allocating a certain percentage of finance (from both management and employee side) to create an emergency fund (reservoir) for any unforeseen emergency like pandemic situation arising worldwide to secure the future of business and people.
8. Hiring and training both regular and temporary workers to meet up the specific work requirements as per the situation demands.
9. HR policies and strategies must be flexible and aligned with future changing business needs and scenarios and well communicated to the employees in advance.
10. Lastly to consider employees as the most valuable asset for the organisation hence to design employee friendly policies to keep the business viable.

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