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## RESEARCH ARTICLE



# Impact of COVID-19 and lockdown on the informal sector in India: The case of handloom industry

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The COVID-19 pandemic and lockdown has caused massive disruption in almost every sector of the economy in India and informal sector has been the worst affected. The handloom industry being the second most employers in the informal sector is important to the economy in terms of employment generation, output and export. But, the industry has been engulfed with manifold problems since its inception and COVID-19 crisis worsened the condition of the handloom workers. In this context, the current study is an attempt to look into the impact of pandemic and lockdown on the handloom industry in the informal sector in India and the key problems faced by the handloom workers in their everyday life. Taking information from both primary and secondary sources, it is observed that the handloom industry in India is severely affected by COVID-19 and lockdown which resulted in loss of income and livelihood to the handloom workers. Ban on non-essential transportation facilities led to unavailability of raw materials, inflated price of yarn and dyes. Closure of markets resulted in unsold clothes piling up in weavers' residents which drastically affected revenue generation in this sector. The weavers are living and working in ill standard houses and suffering from poverty, malnutrition, indebtedness etc. Obsolete technology along with unorganised production systems and lack of government support are making their condition miserable. Specific central government policy along with state support is necessary for the revival of the handloom industry which will help to rebuild the informal economy in India.

Keywords: COVID-19, lockdown, informal sector, handloom industry, income and livelihood loss

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### INTRODUCTION

The coronavirus disease (COVID-19) first emerged in December 2019 in the Wuhan city of China, spread across the world at an alarming rate in no time. The World Health Organisation on 11th March 2020 declared COVID-19 a global pandemic owing to its mortality and

morbidity rate (WHO, 2020). In order to contain the spread of the pandemic, countries announced partial or complete lockdown which resulted in a massive disruption in the social and economic life of the people as the world economy came to a grinding halt. The unprecedented nationwide lock down in India

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adversely affected the Indian economy as production, distribution, employment and income was completely shut except some essential commodities and services. Though the pandemic has affected almost every sector of the economy resulting in loss of livelihood across social divide in India, the informal sector workers have been the most affected as they lack employment protection and social security (Sumalatha et al, 2021). India has a vast informal sector, the largest in the world, employing close to 90% of its working population and contributing more than 45% to its overall GDP (Dev & Sengupta, 2020). The informal sector is defined as a business that is not a legal entity owned by households or individuals (ILO, 1993) while informal worker refers to a worker who is not registered nor protected by the legal framework, does not have work contracts, secure work incomes, benefits workers, and social protection (ILO, 2020). In general, both sector and worker is classified in one form of activity, namely informal sector activity. One such activity represents the decentralised handloom industry in India.

Handloom is an ancient industry that constitutes a distinctive feature of the cultural heritage of India. It plays a pivotal role in the economy by contributing to the export sector as 95 per cent of the world's woven fabrics come from India (MoT, 2019). In the informal sector, the handloom industry provides employment on such a large scale that it stands second next only to agriculture. Being the second most employers in the rural nonfarm sector, the handloom industry is important to the Indian economy in terms of employment, output and export. According to Fourth National Handloom Census 2019-20, there are 3.5 million handloom workers in India spread over in 3.1 million weaver households. During 2017-18, production in the handloom sector is reported to be 7,990 million square meters which constitute around 15 per cent of the total cloth production in India (MoT, 2019). The handloom products of India are highly acknowledged all over the world due to its exquisite design and excellent colour combinations.

The industry is capable of providing employment opportunities to large unskilled and semiskilled workforce in the rural and semi-urban areas. But, the handloom weavers hardly get sufficient remuneration for their labour and hence live a miserable life due to negligence to this sector. This poses a serious threat for their survival which needs to be addressed at the earliest. The handloom weavers are already facing problems like inadequate marketing facilities, credit constraints, lack of government support, poor health and education (Meher, 2020) and the COVID-19 lockdown worsened their condition. Unavailability of raw materials, inflated price of yarn and dyes and closure of markets disproportionately affected the weavers. In this context the present study tries to answer the questions (1) what are the key problems faced by the handloom weavers in this industry? (2) How the Corona virus pandemic has impacted the livelihood of the handloom weavers?

## **LITERATURE REVIEW**

Meher (1995) analysed the problems and prospects of handloom industry and the living conditions of weavers in Orissa. He found out that the weavers live in ill-standard houses with inhospitable working conditions. With high working hours, every member of the household has to participate in the weaving work and due to the low level of income; the weavers are indebted to a great extent. Sharma S. (2004) stated that poor designs, sick institutional linkages, technological constraints, low value addition, lack of innovation and entrepreneurship, static weavers' skill and lack of working capital are the major problems faced by the handloom weavers in Pochampally. Supplies of yarn, marketing and sales networks are the major constraints in the way of sustainable development of handloom industry in Jaipur district of Rajasthan (Goswami & Jain, 2014). Nagaraju and Rao (2014) observed that the preference level for weaving as an occupation among the youth is zero. The educational, health and dwelling status of the handloom weavers is very poor but it is worthy to note that most of the handloom weavers have adequate sanitation facilities. Their

economic and social conditions are pathetic as most of the weavers earn below INR 50,000 per annum. Labourers working in the textile firms live in unhygienic and deplorable condition without much provision of social security and coverage of health insurance. According to them, low level of income is a major constraint for the workers and education, working hours and skill training are important factors influencing their earnings. Gender bias is persistent in the determination of wage level (Panda & Komalavalli, 2019).

As an impact of COVID-19 pandemic the MSMEs in Pakistan are mainly facing financial issues, supply chain disruption, decrease in demand, reduction in sales and profit etc. Many firms in order to tackle the current situation and cover cash flow shortages are adopting strategies such as apply for a loan, partially and completely shutting down the businesses, lay off employees and reduce staff salary (Shafi et. al. 2020). Das and Sutradhar (2020) examined the condition of the handloom weavers especially women during lockdown in Sualkuchi cluster of Assam and revealed that the condition of the handloom weavers has already been precarious in the country as well as in Assam and the lockdown worsened it. They found out that looms fell silent due to lockdown and hence it left the workers without any work and payment. The informal sector (IS) workers in Thailand experienced drastic decreases in their monthly income though the reduction in come varied across occupations and geographic regions. Due to income loss, the IS workers used their past savings and increased debt to continue their daily expenses. The income support programme offered by the Thai government reached less than half to the IS workers during shutdown (Komin et. al., 2021). The COVID-19 pandemic and lockdown resulted in massive increase in unemployment, dramatic fall in earnings, large increases in food insecurity, depletion of savings and patchy coverage of relief measures among the informal workers in India (Kesar et. al., 2020).

## Research Gap and Objectives

Given this background, it is observed that not many studies have been conducted to analyse the problems and prospects of the informal workers in the handloom industry and study on examining the impact of COVID-19 pandemic on the handloom weavers is very rare. Therefore the present study attempts

- To analyse the manifold problems faced by the handloom weavers in this sector before lockdown
- To investigate the impact of COVID-19 on the lives and livelihood of the handloom weavers in India

## DATA AND METHODOLOGY

Both primary and secondary data is used for the current study. Information on different issues being faced by the handloom weavers is taken from the reports of National Handloom Census 2019, Annual Reports of Ministry of Textiles- Government of India, journal articles and web sources. Information on major problems encountered by the weaver households during lockdown was gathered from the print and electronic media and news pieces. A small primary study was conducted to understand and verify the microeconomic impact of COVID-19 on the handloom weavers. The study consisting of 15 handloom weaving households was conducted at a major handloom pocket named as Bijepur in the Bargarh district of Odisha state. Taking into account the COVID situation, the sample households were conveniently and purposively selected and necessary COVID protocol was followed while visiting the households. The field study was conducted in the first week of August 2021 using semi structured questionnaires, interviews and observation method. The data was processed in Ms-Excel and qualitative descriptive statistics were used to analyse the data. Based on both primary and secondary data, inferences were drawn and conclusion was made.

## **FINDINGS AND DISCUSSION**

The major findings of both primary and secondary analysis are discussed in the following sections.

### **Issues being faced by the Handloom Weavers in this Sector**

The report of National Handloom Census 2019 along with some research articles and news piece is followed in this section to observe different issues of the weavers under the following heads.

#### **Dwelling Status**

Dwelling need is more for a handloom weaver as the weaving activity is generally carried out at the residence of the weaver along with the assistance of his family members. According to the report of National Handloom Census 2019, most of the handloom weavers' households are staying in Kuccha houses which constitute 60.2 per cent of the total households. 21.2 per cent households are having pucca houses whereas 18.7 per cent live in semi-pucca houses. This shows that the dwelling status of the handloom workers are not improved which indicates their poor living and unproductive working condition.

#### **Income Generation and Acuteness of Poverty**

Having a reasonable amount of income is necessary for the survival of the handloom workers. Low level of income results in poverty, hunger, malnutrition and indebtedness and hence decreases productivity of the workers. The Handloom Census Report 2019-20 shows that 67.1 per cent handloom worker households are having income of below INR 5000 per month which means that the households are earning below INR 166 per day. This shows the acute level of poverty prevailing among the handloom workers. As per the report, the average household size of the handloom workers is 3.88 from among which 1.12 persons are workers and the rest are dependents. So, the average wage per person in the household is much lower than the national minimum wage level of INR 178/day (Tradingeconomics.com). This shows that the handloom workers are suffering from poverty, hunger

and malnutrition which are responsible for low level of productivity among them.

#### **Production System and Marketing Strategies**

Broadly, there are three systems of production under which all the handloom workers are organised. They are independent weavers, master weavers (MV), and cooperatives. The marketing strategies of the weavers depend on the production system under which they are working. Independent weavers purchase, produce and market the final product on their own. Master weavers supply raw material to other weavers, who, in turn, carry out the production and then deliver the final product to the former. On the other hand, in the case of weavers' cooperative societies (WCS), they supply the input to the weaver-members to carry out production. Finally, cooperatives market the produce (Bhowmik 2019). From among the three systems of production, working under a master weaver is found to be more exploitative in nature (Meher, 1995).

It is observed from the data of Handloom Census 2019-20 that most of the handloom workers (73.2%) are working as independent weavers and the least number (7.4%) are working under different institutions which include WCS, Khadi & Village Industries Commission and State Handloom Development Corporation. A reasonable number of handloom workers are under master weavers which constitute around 19 per cent. Even though most of the workers are independent still their income is not impressive. Most of the handloom worker households in India are producing traditional clothes like Shawls, Mekhla, Chadder, Loi, Stole, Scraf, Muffler in north eastern states followed by Sari in other states. So, this might be a reason for their low level of income.

#### **Technological Development**

Technological development among the handloom workers can be measured by looking into the types of the loom being used by them. There are different types of looms being used by the handloom workers in India which include pit loom with Dobby/Jacquard & other

pit looms, frame loom with Dobby/Jacquard & other frame looms, loin looms and others. According to the report of Handloom Census 2019-20, highest numbers (42.2%) of the handloom weavers are working in the pit looms with doobby/jacquard and other pit looms followed by frame looms with doobby/jacquard and other frame looms. Weaving with pit looms is the conventional method, the weavers are still following. This reveals that technological development has not happened till now and hence the weavers are not productive enough to procure handsome profit from weaving work.

### **Government Assistance**

In the current time, one of the major problems faced the handloom workers is the competition from the power loom and mill sector. So, in order to save the handloom industry and the workers, government assistance is necessary. Though the government has been formulating different policies for the handloom workers, the benefits are not reaching to the actual needy. The National Handloom Census report shows that more than 65 per cent of the weaver households are not aware about the existing schemes and training facilities available for them. A very small section of weaver families who are aware of the individual schemes designed for them has been benefited from the same.

The All India Handloom Board (AIHB) was abolished by the central government on 27th July 2020 which is another instance of neglect and reveals partisan favouritism towards big industries and the capitalist lobby rather than the employment generating informal sector. At a time when it should be extending great support to a sector that employs a large section of the population, the government is pampering capital-intensive mega-enterprises at the cost of people-intensive traditional and informal sectors that provide livelihoods to the poorer sections across the country (First Post). This shows the insensitiveness and dire negligence of the government towards the handloom

workers and the industry as a whole which stands as the second most employers in the informal sector.

### **Impact of COVID-19 and Vulnerability among the Handloom Weavers**

Information in this section is presented from both secondary and primary sources to analyse the vulnerability impact of Corona virus pandemic and lockdown in India.

#### **Secondary Evidence**

The informal sector was hit by two consecutive shocks in a short span of time, from 2016 to 2019. The first was demonetization in 2016 and the second was the haphazard introduction of GST in 2017 (Dev & Sengupta, 2020) which left the informal handloom workers in complete lurch. Now, the COVID-19 lockdown has hit hard to their livelihoods, many fearing starvations if the situation continues. According to Business Today “coronavirus pandemic has severely affected exports of cotton yarn, fibres and garments in West Bengal. At the same time handloom weavers and artisans have been hit hard by slump in sales due to lockdown restrictions. Weavers and craftsmen are facing wage loss as their businesses, which depend on retail stores for their sales, have come to a standstill. The sales of handloom tant, cotton and silk sarees of West Bengal, which are a source of income for local weavers and artisans, have come to a halt due to suspension of production amid coronavirus outbreak”. As per The Times of India “Many weavers in the Bargarh district depend on the open markets for sale of their handloom products. But they have been unable to sell the fabrics owing to lockdown now. More than 12000 families of this region depend on weaving activities to earn their livelihood which has been impacted badly as the markets are shut”.

The New Indian Express described “since the COVID-19 pandemic and subsequent lockdown, the time has stood still for these weavers and their looms in Gadag district. Over 6,000 skilled workers are hired by the traditional weaving sector in this region. These skilled

workers, who have worked at the looms for generations, have been hit hard by the current circumstances, as they least expected their work to be halted amidst the lockdown. With marriages being put off for the time being, the sector has also been deprived of earning from one of its major sources of revenue". "Covid-19 lockdown has impacted the weavers as hundreds of looms producing Pochampally Ikkat clothes, went silent in erstwhile Nalgonda for the last two months. In all 10,000 looms, including 6,500 in erstwhile Nalgonda district and 3,500 looms in Warangal district have been dedicated in weaving Pochampally Ikkat sarees and clothes, which have good brand image in international market. Stocks of Ikkat sarees, worth INR 200 cr, accumulated with master weavers due to lack of marketing facility during lockdown." reported Telengana Today. The New Indian Express wrote up "hit hard by the coronavirus- induced lockdown, 'Himroo' weavers in Maharashtra's Aurangabad district are waiting for return of foreign tourists, prime customers of their products, and full-fledged start of normal activities for revival of their business."

### **Primary Evidence**

The study area Bijepur is a major handloom cluster in the Odisha state having a total of 9801 handloom weavers and allied workers spread over in 4223 households (MoT, 2019). The study conducted in 15 weaver households shows that all the weaver respondents are male and belong to other backward class (OBC) and majority of them are in the age group of 30 to 61 years. The average size of the household is 4.5 from among which 2 to 3 persons are workers and the rest are dependents. Most of the respondents have education level of primary schooling followed by upper primary. Majority of the households are living in rented houses and having semi pucca dwellings. Weaving was reported as the main work occupation of the sample respondents with average monthly household income of INR 9080. This shows the poor socio economic background of the weaver respondents in the sample handloom cluster in India.

From this study it is observed that the handloom weavers followed proper lockdown measures as handloom weaving is a home based activity but staying in home severely affected their livelihood. Most of the respondents (90%) completely lost their livelihood for an average of six months in different phases of lockdown in India. As the markets were closed the independent weavers were neither able to buy raw materials nor able to sell their finished products. The weavers working under master weaver/middleman reported to have received less than 30 per cent of their wages and irregularity in work. The cooperative society believed to be helpful for the handloom weavers also could not cope with the lockdown, shutdown measures and could not provide complete protection of employment to the weavers. Closure of markets led to stoppage of raw material procurement and lack of sale of the finished products resulting in fabrics piling up in the stores.

Majority of the handloom weavers reported that the situation has not been normal yet and it will take around six months to become normal. The total income loss of the handloom weavers since March 2020 is reported to be from INR 60,000 to INR 130,000. Due to lack of savings, most of the weavers encountered financial crunch to maintain their daily expenditure leading to high level of mental stress and trauma. As very few of them had past savings and most of them are debt burdened, their family was run by taking loans from village money lender and government mercy. The finance minister of India in March 2020 announced a relief package of INR 1.70 lakh crore under "Pradhan Mantri Garib Kalyan Yojana" for the unorganised sector workers, especially daily wage workers, and urban and rural poor (PIB, 2020). The handloom weavers in the study area mostly received free ration and financial assistance to female Jan Dhan account holders. Some of them also received free cooking gas under Ujjwala scheme. But the sample weavers mentioned that these helps by the

government is very minimal and not enough to maintain the family.

The central government also announced a Corona relief package of INR 3.0 lakh crore in May 2020 to support the MSMEs but there is no specific announcement for the handloom sector. The primary data also reveals that there is no support scheme has been declared either by the state or central government to support the handloom workers in the country. The weavers didn't receive any other kinds of assistance either from fellow villagers or from any NGO/civil society in the locality. Upon asking what kind of assistance will be beneficial for the handloom weavers to resume work in the post lockdown period, they told that financial help in terms of easy loan, work shed and proper implementation of the existing government schemes is very much necessary. This will help them to revive the weaving activities which will generate employment in the informal economy.

### SUMMARY AND CONCLUSION

The present study briefly depicts a general picture of the handloom weavers in the country and the multidimensional problems being faced by them. Both the primary and secondary data shows that handloom workers are living in ill standard houses which are responsible for their poor health and unproductive working condition. They are having very low level of income resulting in acute poverty and hence malnutrition among them. The production and marketing techniques of the weavers are found to be unorganised, the technology used by them are out dated. Lack of government support and ignorance towards the handloom industry is making the life of the workers even more pathetic and desperate. Their situation got aggravated due to the sudden onset of COVID-19 pandemic and lockdown. It is observed from the study that COVID-19 and lockdown has hit hard to the handloom industry leaving the informal workers without work, income, food and other basic necessities. A huge income loss has been experienced by the workers and still their situation has not been

improved. The corona relief measures are not adequate and hence there is urgent need for specific policies for the handloom weavers along with proper implementation of existing government schemes.

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