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Post-Pandemic Informal Employment of Handicrafts Firms in Kathmandu Valley

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Abstract

This study tries to examine the informal economic activities during the post-pandemic period on the basis of primary data analysis. The data were generated during the pre-pandemic period whereas the main attributes of economic activities have been compared to the post-pandemic periods. The labours of informal employment in handicrafts firms in the pre-pandemic period have completed just 6.19 classes of education—unorganized and untrained—termed as unskilled with low production efficiency. Their income was estimated with an average of Rs. 23417.84 per month just to survive workers for family level in the capital city of Kathmandu.The family's monthly income was highly impacted (1640.965 at $p < 1\%$) by the allocation of average per day working hours (12.66 hrs.) on a family basis. In the lockdown situation, informal workers were unemployed completely—reached poor conditions—returned to their homes all 54 percent of migrated and homeless workers in Kathmandu Valley. However, during the post-pandemic situation, all informal workers in the Valley shifted their occupation from handicrafts to other side wage earners shocked by the lockdown. Informal economic activities in this sector are still facing different challenges of social security, job guarantees, and social networking facilities provided by the government. Their estimated monthly income does not seem to be sufficient due to the present increasing inflationary rate of 8.5 percent. Thus, growing informal economic activities are the cause of the hard lockdown during the pandemic of COVID-19. Similarly, the Ukraine-Russia war and undecided government policies have made the situation further worse.

Keywords: informal economic activities, informal employment, informal labour, the pandemic of COVID-19, the post-pandemic period

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Introduction

There are altogether 923356 establishments in Nepal. However, among them, 462,605 establishments (50.1 percent) were found to be registered and 460,422 establishments (49.9 percent) were unregistered. Similarly, a large part altogether 34,101 street businesses (3.7 percent) employed 45,330 people and there were 386,323 establishments (41.8 percent) of home businesses reported by an analytical report on the informal sector (CBS, 2018).

The economic survey of Nepal has highlighted that the world economy contracted by 3 percent in 2020 due to the pandemic of COVID-19. The growth rate of the Nepalese economy was estimated to remain at 2.3 percent, it was actually achieved by 0.5 percent in the same period, and the situation was found 0.4 percent in the case of low-income developing countries. However, the growth rate remained at 7.3 percent over the last three years (MOF, 2020). As the cause of the lockdown by COVID-19, the Nepalese economy was projected to grow by .06 percent in 2021 which was 0.2 percent in 2020. As per World Bank, it was disrupted highly in tourism r (World Bank, 2020).

As a changing pattern of pandemics, informal employment is expanded rapidly. More than 70 percent of the active population has been involved in informal economic activities (ILO, 2022). As stressed by Prasain (2022) that half of the economic activities and businesses in Nepal are unregistered, unmonitored, and untaxed. These economic activities are basically envisaged as street vending of multiple products including agro-based or non-agriculture products in the urban and semi-urban peripheries of the villages. These activities are out of government rules and regulations. Obviously in this situation workers of informal employment were subject to exploitation and deprivation of their rights.The informal-sector employee seemed multiple problems in surviving their families in the sense of social protection policy for the workers in the informal sector is a major issue in Kathmandu Valley(ILO, 2022).

However, the importance of informal sectors to generate employment and poverty alleviation has still been invisible in national statistics on the labour force. The need for formalization has been advocated in every issue of labour unions but given low priority when they get political power. Thus Nepalese informal sector has been positioned of doubled and triple times exploitations by contractors and every time cheated by political leaders.Politically they are in the state of vote banking in big cities like other South Asian cities("South Asia Econ. Updat. October, 2020," 2020).

Statement of the Problem

However, the immensity of informal economic activities in macroeconomic stabilizations in the sense of foreign currency exchange from the tourist area and handicraft trades in the national and international markets, the economic activities in these segments are likely to be poor due to low wages (Adhikari, 2022). It is because of their low access to education and health they provide low-quality of services. They earned low wages and are less socially protected by government laws. Further, they cannot collect sufficient taxes, and provide basic goods and services to the whole population. Women are more likely in low-paying categories of informal employment because they lack in education and health services compared to male workers. (Prasain, 2022). Growing informal economic activities are also social problems that are the basis for employment in the urban labour force. Informal businesses accounted to be 70 percent of Nepal (ILO, 2022). Self-employment household businesses have mostly prevailed in urban areas of Kathmandu Valley. These are pottery work, clothes weaving, wood carving, and metal crafts. There is heterogeneity cause to grow in the informal economy in Kathmandu Valley (Adhikari, 2011). This shows the informal economy—is far from visualized in formal policy. Thus this study tries tohighlight some informal economic activities during pre-lockdown period to compare with post-lock conditions of Nepal.

Objective

The objective of this study is to examine the impact of informal employment and income of handicrafts firms workers in Kathmandu Valley influenced by post-COVID-19 Pandemic.

Review of Literature

The International Labour Organization (ILO, 2013) identified the informal economy; as those who work in the informal sector as employers and employees in informal enterprises and as self-employed workers. Also included were those who labour outside the informal sector and were informally employed in formal firms or as domestic workers, not covered by labour law protections. The employees in the informal economy also included unpaid family workers, whether employed in informal enterprises or in formal firms or in domestic service.

Wegren et al (2017) showed that there was growing situation of the informal economy in the post-Soviet by 25 percent of the GDP in 2000 and onward.

Yasin, (2022) had indicated that about 35 percent to 88 percent of Bangladesh's workforce were employed in the informal economy, and the informal economy was contributed around 49 percent to 64 percent of the country's GDP. The agricultural sector was Bangladesh's largest informal sector. More than 92 percent of female workers were involved in the informal sector i.e. 43 percent of GDP and employment basis for 88 percent of people. However formal sector employs 12 percent and contributed GDP by 57 percent of GDP in the same period.

Dhoot (2022) reported that the share of the Indian informal economy in the gross value added was at 53.9 percent in 2011-12. It decreased marginally to 52.4 percent in 2017-18. In 2014 around 93 percent of workers were involved in informal sectors for their livelihood purposes. The same article reported that the informal agriculture sector was 97.1 percent in 2017-18 and decreased to 70 percent-75 percent in 2020-2021 due to driven by the Kisan Credit Card facilities provided by the government. The informal activities in the real estate of the Indian economy were seen at 52.8 percent in 2017-18 and reduced to 20 percent-25 percent in the last years.

Per World Bank's South Asia Economic Focus (2020), showed that the Nepalese economy was projected to grow by .6 percent in 2021, which was estimated at 0.2 in 2020 as lockdowns caused by COVID-19 disrupt economic activity, especially tourism.

Joshi et al. (2021) highlighted that the COVID-19 pandemic impacted every sector of the Nepalese economy such as the remittance inflow, tourism industry, international trade, and labour market. The country set back from the targets of SDGs goal by increasing the situation of poverty by 18 percent and more than the pre-pandemic period. The study further extended that thousands of Nepalese labour who were employed in the informal sector and depended on the daily wages to join hand to mouth were shocked negatively. The effects of COVID-19 impacted negatively on sustainable development and income distribution of the Nepalese economy.

This work is a new knowledge for using tools and techniques for the study of informal-sector labours in post pandemic situation of the Kathmandu valley. Similarly, the conclusions drawn in this study are facts, not hypothetical.

Methods

This study is based on both the secondary and the primary data sources to generalize the main research question of why the informal workforce hit high in the

post-pandemic. The answer to the research question has been based on qualitative as well as quantitative methods. The data were collected during the month of November and December in 2019. All the information has been presented with the SPSS . The economic activities of workers' families have been measured on the basis of a regression equation as given below-

Monthly income = F (Age of respondent workers, completed years of education and per day working hours and residual factors), the regression equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_1 + u_e \quad \ldots\ldots\ldots\ldots\ldots\ldots 1$$

Y = Monthly family income, $\alpha = Constant\ term, \beta_1, \beta_2, and\ \beta_3$ are the coefficient of the variable, X_1 = Age of the respondent workers, X_2 = Completed years of educations and X_3 = Working hour per day and u_e is the unexplained parameter. Now the working equation is reduced after hat ($\widehat{\beta_1}$) form as -

$$\hat{Y} = \alpha + \widehat{\beta_1} X_1 + \widehat{\beta_2} X_2 + \widehat{\beta_3} X_1 \quad \ldots\ldots\ldots\ldots\ldots\ldots 2$$

The equation 2 indicated working equation after omitting the unexplained parameter (u_e) and hat including in equation 1.

Findings of Economic Activities

Socio-Economic Status of Informal Sector's Labour

In the pre-pandemic situations, there were a total of 1485 populations observed in 426 workers' families with a family size of 3.48 people per family. The share of males and females were 51.7 percent and 48.3 percent, respectively. An economically active population was observed by 69.9 percent where males and females shared 37.2 percent and 32.7 percent respectively. Altogether 660 workers participated in informal-sector work—the share of a single participant and two participants of 45.1 percent and 54.9 percent, respectively. Similarly, literate and illiterate populations were 79.4 percent and 16.6 percent, respectively—male and female literacy rates contained 45.5 percent and 34 percent while their completed class of education was measured by 6.19 classes indicated they just completed xix class of education in a lifetime. Observed workers further characterized that 54 percent of them migrated from out of the Katmandu Valley. About 68.3 percent of workers have their land either in Valley or outside of Valley while only 42.3 percent of workers lived in their own homes in the Valley or semi-peripherals. A majority of 37.3 percent of workers used a single room for living with few household facilities provided by donors. All of them used mobile phones in

the family and used LP gas for cocking fuel but irregular in electric supply and water supply facilities. A few 14.08 percent of workers were organized in any organization. This indicated that the socio-economic status of informal-sectors workers was low in Kathmandu Valley were produced low qualities of goods with earning low wages.

Economic Activities

Workers were observed in four handicraft firms: metal, wood, Dhaka clothes weaving and pottery work. They performed four occupations in handicrafts firms as own account work/self-employed workers (26.3 percent), wage labours (39.7 percent), piece-rate workers (29.6 percent), and contractors (4.5 percent). Their monthly income sources were piece-rate based on employers, contractors and employees, wages based only on employees, and kind-based by trainer groups. Workers on the wages-based found the highest by 39.7 percent in all four handicraft firms. Workers performed 12 different types of informal jobs in four handicraft firms and four occupations. Jobs such as machine cutting & brace washing were watched highest by 21.1 percent in metalwork. Next, it was 16.3 percent of jobs as preparing, burning and colouring in pottery works. Thirdly 15.5 percent of males jobs as weaving at Dhaka Clothes weaving. Likewise, jobs such as preparing, burning and drying were performed in pottery by 7 percent and 5.9 percent jobs as washing/polishing in woodworking, and 4.9 percent work as thread drafting in Dhaka clothes female only. In carpenters, carving and shining/polishing in wood firms share by 4.2 percent for each job and a least of 3.3 percent female workers job as conning/grossing in Dhaka weaving.

Role of Gender

In metalwork, males worked as a collection of raw materials, layout of small statues through the wax frame, cutting, machine washing and wilding. In contrast, females did brace washing with bare hands, shining, silver and gold polishing providing casual work only. In woodworking, males worked on designing, carpentering, carving, curving and finishing the final product. At the same time, females worked in washing, polishing, shining, and carving jobs. In Dhaka clothes weaving work, males were employed in collecting and distributing raw materials, marketing and machine loom handling while females were worked as grossing and conning of thread and rapping clothes. In the pottery working sector, males worked collecting soil and preparing mud, layout clay works, burning, and marketing products. In contrast, females work in drying, baking, colouring, shining, and decorative and storing work usually.

Employment Basis

Informal employment was based on the completion of work that they contracted in handicraft production. Workers demanded in handicraft firms as the handicrafts products demanded in the markets. Employment basis was measured in a particular product needed to complete days for it. In the metalwork sector, informal workers were employed to produce small statues, bronze plates and other home utensils, religious metals like Vajrayana and so on. For preparing a 1-foot small statue, labours were required to complete it for an average of 3 days. Sales of the 1-foot small statue were considered high in the metal work, employment based on the demand for such products in the market. A 60" inches height 'Buddies statue' or 'window frame' or 'main door fame' were required to complete an average of 9 days to 25 days in which workers provided labour jobs until completed such handicraft products finally. In a simple frame, they completed the work within 9 days while they needed up to 25 days if the architecture (cultural carving) demanded high. Employment basis in Dhaka clothes weaving firms were observed that a male worker produced 20 to 36-meter clothes in a day while female labour prepared 40 to 60 gross/cones in a day. Their employment depended on the market demand conditions of garments. Similarly, more than 100 units of 12 inches of the piggy bank were produced by a male worker in a day while females worked combined with males preparing this product in a day. However, they produced and traded verities of clay works in markets as demanded by the market order. Thus employment in the sector seemed irregular and uncertain often informal sector jobs.

Income-earning Activities

In income-earning activities, informal workers who worked in the aforementioned sector allocated time usually 6 days a week. In some cases, Saturday they used to work up to 9 o'clock which was counted in extra time contribution of the workers. For such activities, workers' families used to work an average of 12.67 hours a day. This study designed workers' average income of Rs. 23417.84 per month spanning a maximum of Rs. 50000 to a minimum of Rs 5000. The average income was dispersed between males and females by Rs. 17811.86 and Rs. 11248.16 respectively. Workers' monthly income was dispersed unevenly in handicraft firms and occupational status as the analysis above of socio-economic attributes.

Model Interpretations

In a predicted income model (2), the descriptive statistics of dependent family Income was Rs.23417.84 a month and the other independent variables, notably the age of respondents, completed years of education, and per day family working hours were 34.44 years old, 6.19 classes, and 12.67 hrs per day respectively (Table 1).

Table 1
Descriptive Statistics

	Mean	Std. Deviation	N
Monthly Family Income	23417.84	11134.06	426
Age of Informant	34.44	13.26	426
Labours Families' Total Working Hours Per Day	12.66	4.00	426
Completed of education	6.19	3.48	426

Note. Mean = was measured in Rs., Age = Years, Working hr. = Hours per day, completed education = years

The standard deviations of monthly income and other independent variables were higher values indicating that there was a higher dispersion of income among individual workers and the same cases were observed in independent variables.

Model Summary

Correlations depend on family income with predictors: age of respondents, completed years of education, and per day family working hours were positive and the coefficient of the determinant (R^2) = 0.48 at ($p < 1$ percent) significant providing the best result for the protection in social sciences.

Interpretations of Coefficients

The total family income in a month was highly impacted by the working hours of the family. The impact of average per day working hours (12.66) on family income was measured by1640.965 at ($p < 1$ percent) indicating higher significance. In other words, family income increased by 1640.965 times if additional hours increased during the month. Next, completed years of education impact by 27.294, and informant age by 9.644 at ($p < 1$ percent) indicated all these independent variables were positively impacted on the monthly family income of workers at a significant level. Thus, all three independent variables were good predictors and significant ($p = .000$) (Table 2).

Table 2

Coefficients

Monthly Income Model	B	Std. Error	t	Sig.
(Constant)	-5176.315	1636.320	-3.163	0.002
Age of Informant	136.140	34.721	3.921	0.000
Families' Working hrs Per Day	1640.965	112.151	14.632	0.000
Completed Classes of education	505.143	116.487	4.336	0.000

a. Dependent Variable: Monthly Family Income

The informal economic activities were highly impacted by the workers' time allocations in the prediction and trade the handicrafts product.

Discussion

Before the pandemic period, all ages of workers participated in the informal economic activities in handicraft firs in Kathmandu Valley. The age span seemed high from 15 years to 67 years old. Some workers started informal work in early life and were involved their whole life in the same job with low quality of education and absence of vocational training on occupations. All the 54 percent of migrated workers were returned to their home villages due to the strict lockdown announced by the government without social security program in turn to informal sector workers. The remaining 46 percent of residential workers were completely unemployed during the lockdown by the COVID-19 pandemic. Similarly, the workers who lived in rented houses with single rooms were highly impacted by the poverty level and went to street vending with couples and children. Workers dispersed across the Valley in the post-pandemic period except for the pottery. The situation reversed the economic activities in informal sectors. Many workers went out of contract while some replied they went on wage labour on construction and repairing directed by contractors. Their income situations have still been in the process of revival in poverty due to the pandemic. Despite this, some workers started alternative occupations as an opportunity for the pandemic.

Conclusion

This study has focused on the post-pandemic economic impact on informal sectorlaboursemployed in the handicrafts occupation in Kathmandu valley. The family-income data of the pre-pandemic period—collected during the month of November and December in 2019 for the purpose of Doctor of Philosophy in the informal-

sector economy—has been compared with that of the post-pandemic period of the same occupations. The average income of the labours' family, working jointly 12.66 hr. per day in the family, was found to be Rs. 23417.84. The study showed that the coefficient of per day family's working hours (1640.96) was statistically significant at the .o1 level in the pre-pandemic period. The study concluded that the informal-sector labours' joint family daily wages,a means to live hand to mouth existence, has been negatively influenced the COVID-19 pandemic. The family's poverty level increased due to the declining working hours in their occupations and the gradual increase in inflation rate. Their economic conditions remain unchanged owing to limited skills and little technical know-how despite the changes in times.The home-based occupations—as well as working in such activities—are regarded as an economically low status. Hence, the home-based labours cannot save enoughfor future investment—the main crisis of the worker in the informal society. The status of the informal sectors labours on the goal of needsto be raised to lead a sustainable physical life in the post pandemic period. The new labour laws have to address the informal economic activities for their economic upliftment.

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