

Approach Note Textile & Leather Industry

Good and Better Jobs in India: Inclusive Finance for Workers' Welfare (Grow Jobs-II)

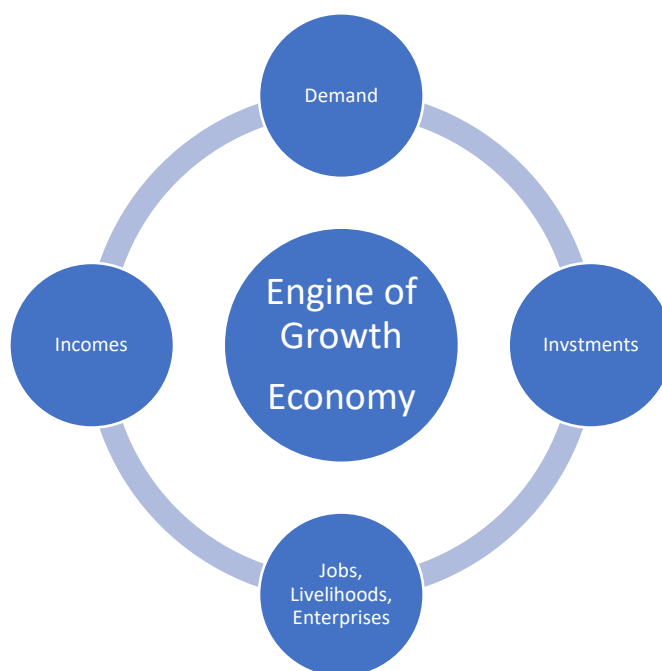
1. About the Project

India is at the cusp of economic transformation, where it is laying the foundation for building a better and more sustainable work environment, particularly now after the downturn due to the Covid pandemic, which has had a huge impact on our jobs market. The Centre for Monitoring Indian Economy highlighted that of 403.5 million jobs, only 282.2 million survived the world's most severe lockdown. The average income of almost 97 percent of Indians has fallen during the pandemic, resulting in more inequality in the Indian economy and society. Moreover, for better sustainability of the Indian economy and our society 90 million additional jobs need to be created by 2030. This is a pre-condition for reducing inequality in India.

CUTS International, in its endeavor to assess inequality in the Indian economy, initiated a project titled '*Strengthening the Discourse on Good & Better Jobs in India*'. The ongoing project aims to examine structural issues in the economy by deep-diving into different labour and investment-intensive sectors. The idea is to bring to the fore sectorial evidence from the ground to learn how the compaction of industry, state, and community can balance productivity and competitiveness with higher wages & better social security standards for workers.

It further dwells on exploring the relationship between investments and workers' welfare. Though the overall investment in productive sectors in India is rising, the distribution of the gains is skewed. The connection between investment and human capital, that is, workers' welfare and skills development is in the shadows.

The question is whether 'worker's welfare is an important determinant of investment decisions?



Source: A New Industrial Policy for India, CUTS International & Arun Maira¹

The engine of growth is driven by demand, leading to investment which results in the creation of enterprises and livelihoods and hence incomes which, in turn, generates demand. However, it appears that the factors causing inequality, when factored into the cycle of growth turn it into a vicious cycle. Therefore, it is important to identify an appropriate entry point or a lens to diagnose the problem objectively.

Good and better jobs can be the lens through which this diagnosis could be effectively undertaken. In other words, if the factors preventing the creation of good and better jobs can be understood, it may lead to a more nuanced identification of some of the sources of inequality.

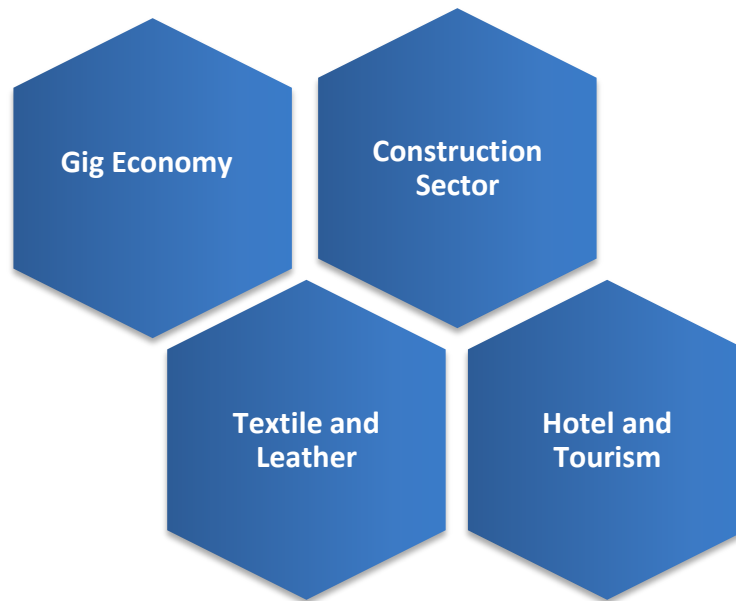
2. Taking the project forwards: Selection of Upcoming Sectors

Going forward, the idea is to capture a comprehensive picture of conventional as well as emerging employment opportunities., the gig economy, which is emerging as a major employer in the informal realm, has been chosen as one of the sectors to explore the concept of Good and better Jobs in the context of the ‘Future of Work’ in India. In line with the key objective of the project, the project will aim to focus on the relationship between an enterprise (or platform, in the case of the gig economy) and the workers, to determine what factors can be enhanced for improving outcomes simultaneously for workers and enterprises through the Investment lenses.

¹ https://www.cuts-ccier.org/pdf/A_NEW_INDUSTRIAL_POLICY_FOR_INDIA.pdf

Key factors for sector determination are the number of employees and the flow of investment in a sector. The following sectors based on the above factors have been finalized for the project

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The outcomes, in this case, will be a more channelized form of Investment into the industries for the welfare of the workers. Grow Jobs-I, worked on the outcomes in terms of better incomes and enhanced social security. While keeping in mind the outcomes, Grow Jobs-II study will be also focused on capability enhancement through skill development and overall job satisfaction. Insights from enterprises and workers will be collected through this study. It will feed into the larger discourse at the industry level and the overall economy, to improve outcomes for the workers and enterprises. The focus will be on investment flows and Skill Development.

3. Textile & Leather Industry: Overview and Arguments

3.1 Overview of the sector

The Indian textile sector is one of the oldest industries in the Indian economy. The textile sector is among the largest contributors to India's exports with ~13% of total exports. The textiles industry is also labour intensive and is one of the largest employers. The textile industry has two broad segments i.e. unorganised and organised. The unorganised sector consists of handloom, handicrafts, and sericulture, which operate on a small scale and through traditional tools and methods. The organised sector consists of spinning, apparel, and garments, which apply modern machinery and techniques such as economies of scale. **The textile industry employs about 45 million people directly and 20 million people indirectly.**

3.2 Leather is one of the most widely traded commodities globally. The growth in demand for leather is driven by the fashion industry, especially footwear. Apart from this, the furniture

and interior design industries, as well as the automotive industry also demand leather. The leather industry has a place of prominence in the Indian economy due to substantial export earnings and growth. The Indian leather industry accounts for ~13% of the world's leather production of hides/skins. The country ranks second in terms of footwear and leather garments production in the world and accounts for ~10% of the world's footwear production.

In terms of skill, India enjoys a population of skilled manpower in terms of the textile and leather sector. It was announced by the Minister of Textiles, in March 2021, that India will become self-reliant in silk production in the coming two years.

3.3 Investments: Huge funds in schemes such as integrated textile parks (SITP) (US\$ 184.98 million) and technology up-gradation fund scheme (US\$ 961.11 million) were released by the government during 2015-16 and 2019 – 20 to encourage more private equity and provide employment. India's Textiles industry has around 4.5 crore employed workers including 35.22 lakh handloom workers across the country. The industry contributed 7% to the industry output (by value) in 2018-19. The Indian textiles and apparel industry contributed 2% to the GDP, 12% to export earnings, and held 5% of the global trade in textiles and apparel in 2018-19. Exports of textiles (RMG of all textiles, cotton yarns/fabs/made-ups/handloom products, man-made yarns/fabs/made-ups, handicrafts excl. handmade carpets, carpets, and jute mugs, including floor coverings) stood at US\$ 22.89 billion between April 2021 and October 2021.²

The Leather industry is an employment-intensive industry providing jobs to more than 4 mn people, mostly from the weaker sections of society. Women employment is predominant in the Leather products industry with about 30% share. The Leather industry in India has one of the youngest workforces with 55% of the workforce below 35 years of age.

Large millennial population - Youth contributes 1/3 of the total Indian population with a higher focus on branded consumption is driving the consumption of premium footwear.

Rising demand for athleisure footwear - Changing consumer lifestyles has led to an increased focus on athleisure and non-leather footwear. The global athleisure footwear market is valued at USD 114.8 Bn by 2022, growing at a CAGR of 2.1 percent during the forecast period 2016 – 2022.

Organized Retail Market in India - The overall retail market, which grew to USD 0.7 Trillion (Tn) in 2019, is expected to cross the USD 1.1 Tn mark by 2025.

Growing domestic market - 40 percent of the Indian population is expected to be in urban areas by 2030, up from 21 percent in 2011.

Availability of manpower - Young trained workforce with 62 percent of the population in the working-age group of 15 to 59 years

² <https://www.ibef.org/industry/textiles.aspx>



4. Building the way forward

From the arguments developed for uptake of the Construction sector and Gig Economy Sector and their inherent sectoral traits, it becomes clear that the two are completely contrasting and hence will aid in providing a wide picture of labour dynamics in India. Given the individual importance of each of these sectors and the potential the two have for creating jobs, a choice between the two becomes difficult. Thus, as per deliberations with the PAC and amongst the research team, it is envisioned that both sectors will be taken up for study under this project. The approach, in this case, will be a simultaneous one. While the gig economy finds a large presence in Tier I and Tier II cities, these locations are also the hotbed for infrastructure development. Hence, the study will aim to identify locations with the optimum presence of both gig economy and construction workers and carry out simultaneous in-depth primary research for both. A systemic approach will be adopted to understand the linkages between enterprises and workers in both the sectors, the parameters which will be explored for linkages with Good and Better jobs, will be different for each sector.

Preliminary research will be conducted by the team in Jaipur, Rajasthan on all the four identified sectors. Based on the research, a preliminary report will be finalised with a way forward on the project.

5. Proposed Research Methodology

The following approach is envisaged for the upcoming sectors:

Step 1: Secondary research and stakeholder mapping for getting an overview of the sectors.

Step 2: Simultaneous identification of hotspots for ongoing construction activities and locations with maximum and diverse coverage of the gig economy. Overlapping the two types of locations across Tier I, II, and III cities for identification of field locations

Step 3: Initial discussions (online/phone/meetings) with key stakeholders for setting the base and building networks for primary research

Step 4: Pilot field visit to one or more locations which has the coverage of all the sectors identified. A holistic approach will be adopted for covering the length and breadth of both sectors in the same location. Few parameters across sectors will be identified for causality.

- For construction, a basket of projects differing in scale, type of funding, and thrust activity will be explored
- For the gig economy, a basket of diverse platforms and ‘partners’ operating in the city will be explored. The focus will be on services such as ride-hailing, food delivery, logistics, and hospitality.
- Due to the significant impact of the Covid – 19 crisis on the economy and livelihoods of informal workers, this critical factor will also be factored in during data collection.

Step 5: Preliminary analysis of the findings of the pilot visit & using it to strengthen the approach and develop reference points using a systems approach. The reference points will act as a baseline across the locations/sub-sectors/services selected for the pilot inquiry. It will also act as a nodal point for in-depth study of other locations/sub-sectors/services.

Step 6: After the preliminary analysis an immersive pan-India field inquiry will be held, on the same lines as that of the pilot visit, with a focus on Tier I, Tier II, and Tier-II cities.

Step 7: The data collected will be analysed us a systems approach for identifying relevant challenges and interventions for workers' and enterprises' welfare. Appropriate qualitative and quantitative methods will be used for rich and comprehensive analysis.

The study of the upcoming sectors will be undertaken keeping in mind the ‘new normal’ initiated by the Covid – 19 pandemic. The tools for data collection will involve a mix of physical and virtual interviews and focus group discussions, as per the requirements of the situation. Further, given the sensitive nature of the challenges and keeping in mind the vulnerability of the stakeholders involved, an ethical approach will be adopted throughout the study.