

The Socio-Economic Challenges Faced by the Handicraft Industry: A Review

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ABSTRACT

This review paper explores the socio-economic and market-related challenges confronting the handicraft industry, a sector deeply rooted in cultural heritage and traditional craftsmanship. Despite its potential to support livelihoods, especially in developing countries, the industry grapples with persistent issues including labor dissatisfaction, gender disparities, inadequate compensation, and lack of access to market knowledge. Key findings highlight that artisans often work under exploitative conditions with limited social protection and financial security. Women, who constitute a significant portion of the workforce, face both challenges and opportunities in their roles, depending on regional and cultural contexts. The study also examines how the evolving market landscape - marked by shifting consumer trends, the dominance of mass retailers, and segmentation of price markets - complicates producers' ability to compete. Globalization, while expanding access to international markets, poses both a threat through commoditization and an opportunity through rising global demand for future research, focusing on market education, sustainable practices, government policy support, and a deeper understanding of consumer behavior. These efforts are critical for fostering resilience and sustainable growth in the handicraft sector.

INTRODUCTION

Handicrafts are one of the earliest industries in our society, and it is an industry where artisans make products from inexpensive materials by hand with the help of handmade tools (Yadav et al., 2022). Handicrafts can also represent culture, local traditions, and craftsmanship. We can see a community's values and spirituality from its handicrafts, symbolizing its cultural identity and can be transmitted from era to era (Mustafa, 2011).

While the handicraft industry has historically been a significant source of income in many developing countries, recent studies indicate a notable decline in its growth rate, especially during the COVID-19 pandemic. Additionally, gender disparities persist in employment within the micro, small, and medium enterprises sector, with women significantly underrepresented. A major challenge faced by the industry is the lack of sufficient data on handicraft practices, hindering the implementation of effective protective measures (Ding et al., 2022); including addressing the gender gap in handicraft employment that is crucial for fostering gender equality and providing more opportunities for women in the industry (Yadav et al., 2022).

Furthermore, handicraft production plays a vital role in employment and constitutes a substantial portion of the export economy in many growing countries. However, as globalization advances, products become more homogenized and standardized, intensifying competition for handicraft artisans. The demand for handcrafted goods is often evaluated through the home accessory market, heavily influenced by trends in fashion, consumer purchasing habits, and economic conditions in end markets. Accessing the end market

poses a challenge for artisans, requiring support to navigate these changes (Barber & Krivoshlykova, 2006)

SOCIO-ECONOMIC CHALLENGES

One of the main sectors of the handicraft industry is the artisans. The term handicraft refers to the hand-made products produced by artisans or craftsmen with or without tools, according to the definition of handicraft by the Report of Development Commissioner Handicraft Board (Garg & Vaishali, 2014), showing the massive role of the artisan in the handicraft industry. Knowing the artisans' challenges would significantly impact improving the handicraft industry.

In recent years, there has been a growing awareness of and concern over fair labor practices, the safety and health of workers, and environmentally sustainable production in developing countries. These issues are expected to increase in prominence over the next decade, especially as continued growth in Chinese manufacturing will have an increasing local, regional, and global environmental impact—an issue China is only just starting to address. Europeans in particular have been vocal proponents of fair trade and environmental protection, advancing international discourse on the impacts of global trade. This dialogue is increasingly resonating with consumers and becoming an important consideration for importers and retailers in the United States, Canada, Europe, Japan, and elsewhere.

Employee Work Satisfaction

Understanding the satisfaction of artisans in their jobs would give insights into whether artisans are given the necessities they need while having a healthy work-life balance. Satisfaction of employees is related to positive business outcomes such as loyalty, profitability, customer satisfaction, and lower employee turnover, which is essential in any industry (Harter et al., 2022).

Some of the problems that are detrimental to the employees' well-being can be seen from the conclusions of the paper of Dhingra and Dhingra (2011), whose population comes from employees of the handicraft firm registered with the Export Promotion Council for Handicrafts, state that handicraft employees social and financial status could be more favorable and progressive, including the employees' social security and health care measures. The research also states that the educational level of the employees could be higher. According to Shah and Patel (2017), Artisans who mainly work in traditional and unorganized sectors are vulnerable to low wages and exploitation. The research shows that artisans who shared their experience mostly answered that there is more laborious work but less gain. The research respondents also say that most of the profit comes to them rather than the middlemen, and this is due to the need for selling techniques, marketing, and other modern publicity and promotion methods.

Furthermore, a study by Nayak et al. (2012) looked into the handicraft sector of Odisha, India, and found that 42% of their respondents wanted more than their wages and salary structures. Their respondents are also dissatisfied with other factors, such as allowances and welfare measures. The researchers concluded that “There is no doubt about the direct and positive relationship between motivational factors as discussed above and labor” productivity level” (Nayak et al., 2012).

Finally, a study by Arifany et al. (2022) investigated the effect of Job Satisfaction, Direct Compensation, Work Stress, and Work Environment on Turnover Intention at PT—Indonesian Bamboo Craft. The researchers used a multiple linear regression analysis method which is a statistical method used to examine the relationship between two or more independent variables and a dependent variable to analyze if Direct Compensation affects the Turnover Intention of the Bamboo Craft employees. The results show that variable dependent variable value -2.445 is negative, and the significance value is 0.017 which is less than

the conventional threshold of 0.05, a significance level below 0.05 typically indicates that the observed relationship is unlikely to have occurred by random chance, meaning that direct compensation has a statistically significant effect on turnover, showing that poorly compensated employees are likely to quit the job. This research gives a statistical result on why salary wages have an affect on business outcomes.

Gender Roles

The advancement of women's empowerment stands as a significant focus for both developmental institutions and governments worldwide. Recognizing that women may face discrimination in diverse forms, this issue is acknowledged even in highly developed nations (Debnath et al., 2019).

The handicraft industry is deeply intertwined with gender roles, with women often being the primary producers and promoters of traditional crafts (Sethi, 2020). This is particularly evident in the case of self-employed women in craft production in Orissa, India, where the division of labor and gender identity are significant factors (Acharya, 2002). In the unorganized handicraft sector in Srinagar, women face exploitative work environments but also find a sense of liberation (Mohsin, 2022). However, the decline of the handicraft industry in Mubarakpur town, Uttar Pradesh, has had a negative impact on female weavers (Shazli, 2014). These studies collectively highlight the complex and varied experiences of women in the handicraft industry, and the need for further research and support in this area.

HANDICRAFT INDUSTRY MARKET CHALLENGES

The market available for the handicraft industry has become a hot topic due to the emerging challenges. According to Mahgoub and Alsoud (2015), Fashion trends, consumer purchasing patterns, and economic conditions in end markets strongly influence the market.

End Market and Changes in Market Trends

One of the main challenges the handicraft industry faces right now is that Producers lack the knowledge of what category of end market categories their product flows into. The end market is the final destination or segment within the consumer market where handicraft products are ultimately sold. These categories delineate the various consumer groups or markets that purchase and utilize handicrafts. Lacking knowledge of their end market would make producers unaware of the current trends and retail channels. A Study by Kashyap and Raut (2006) identified that artisans lack knowledge about the dynamics, local market trends, price fluctuation, market channels, and other factors. This problem prevents them from precisely assessing their target's demands or what retail channel they can use to increase their income. Research by Khan and Amir (2013) titled "Study of Handicraft Marketing Strategies of Artisans in Uttar Pradesh and Its Implications" also states that artisans who are unaware and out of touch with the end market find it challenging to export their products.

Their conclusion states that handicraft products often command prices beyond standard rates due to buyers' preferences. This creates opportunities for middlemen and retailers to profit, sometimes at the expense of artisans. Categories for these products include price, market, maintenance, storage, utility, and orientation. Knowing this information can help improve the quality and uniqueness of handicraft products and shed light on what kind of products their target usually buys. Most importantly, information about their target can help them price their products appropriately based on their competitor's and buyer's demands.(Barber & Krivoslykova, 2006). It is also stated in a study by Menon(2010) that applying quantitative marketing strategies is getting favored worldwide, and handicraft marketing is a vital aspect of supplying information about the products and feedback on product quality.

Retailers

According to Barber and Krivoshlykova (2006), various channels present distinct challenges for producers in the complex landscape of handicraft production and retail. The discounters/mass retailers, characterized by high volume and low service, offer potential but entail risks and short-lived relationships. Below are the different mass retailers and the challenges: Department stores, undergoing consolidation and losing ground to discount stores, prove an unpromising avenue for developing-country producers due to declining home accessory sales and a historical reluctance to source from artisans.

Specialty and lifestyle retailers, while holding promise, pose challenges related to those of discounters. Catalog and internet retailers, though experiencing growth, vary in size, affecting the flexibility in quantities ordered.

Independent retailers, traditionally significant outlets, confront the dual challenge of competing with big-box stores on price and the imperative to offer unique products and experiences. Global sourcing complexities, changing consumer trends, and economic factors further contribute to the complexity. In this dynamic environment, producers must navigate shifting market dynamics, fierce competition, and regulatory considerations to thrive in the evolving handicraft industry.

The evolution of market channels, characterized by a shift to multi-channel strategies and direct sourcing, presents challenges for handicraft producers. The trend towards shorter distribution channels emphasizes the complexities in navigating direct relationships, with intermediaries like buying agents persisting. The integration of online platforms by retailers necessitates adaptation by producers to changing consumer preferences and technological advancements. All at once, challenges faced by independent retailers, especially in Europe, mirror those of handicraft producers, emphasizing the struggle to differentiate products in a competitive market. Acknowledging regional disparities in retail dynamics emphasizes the complexity of addressing distinct sub-markets, emphasizing challenges in tailoring approaches to diverse retail landscapes. Examining market trends provides concise insights for handicraft producers navigating the intricate pathways of retail distribution.

Price Segments

According to the study of Barber and Krivoshlykova (2006). Products in the handicraft industry can fall into different market segments. According to a book by Morris and Turok named Handmade Money, there are four basic artisan markets:

1. Functional wares: mass-produced products made in a workshop or small factory.
2. Designer Goods: Products suited for fashion trends in the export market.
3. Traditional art: High-quality products marketed locally with culture as its interest.
4. Souvenirs: Inexpensive traditional crafts for local retail.

Market segment experts believe that these segments remain the primary market segment for handmade products. These segments can be distributed to price segments (see Table 1).

Table 1: Price Segment

Segment	Key Products Characteristics
Low - end	<ul style="list-style-type: none"> ● Mass Produced ● Lacks in Quality ● Cheaper Materials ● Functional Wares, Souvenirs
Middle - end	<ul style="list-style-type: none"> ● Affordable and has value ● Functional Wares, Traditional Art

	<ul style="list-style-type: none"> • Better Materials
High - end	<ul style="list-style-type: none"> • Very high quality materials • Traditional Art, Designer Goods

Trends in the home accessory market include the increase in polarization, and this means that the low-end and luxury market segments are increasing in value while the middle market remains stagnant. The influx of cheap products is dragging down the average retail prices, creating a higher consumer expectation for quality and lower prices. There is a rising trend in the United States, with an increasing demand for home accessories due to larger houses. These market changes pressure producers to increase their product quality and quantity.

On the lower end of the spectrum, the influx of inexpensive imports is pushing down the average prices in retail, creating a consumer expectation for better quality at more affordable prices. In the United States, where homes are generally larger, there's a rising trend of consumers buying an increasing number of home accessories. This, coupled with the significant growth of discount stores, is making these accessories more disposable. These market changes are putting added pressure on producers to step up their game—improve quality, speed up delivery, and find ways to cut costs, possibly through more efficient production and cheaper labor.

Consequently, there is a shift in how consumers make their purchases, with discount chains expanding while many mid-level department stores and independent retailers grapple to support their revenues. Conversely, high-end stores like Neiman Marcus and Saks Fifth Avenue are growing remarkably. A noteworthy trend is emerging where consumers acquire distinctive accent pieces from luxury stores to complement the oversized, more affordable items they buy at mass-market retailers.

A study by Unity Marketing suggests that the future of retail lies in catering to the luxury market, a sentiment echoed by research from Home Accents Today, indicating that a staggering 122 million Americans have the financial means to indulge in luxury goods. In Europe, consumers have a rising preference for unique, high-end home accessories, even though their homes are generally smaller, and they tend to adopt a more minimalist approach to furnishings. Industry experts believe this growing preference indicates a shift towards more excellent selectivity, emphasizing quality over quantity—a direction the U.S. market might be heading in the next decade. This shift is potentially driven by soaring real estate prices, prompting a move towards smaller homes. With Americans becoming more selective in their home décor purchases, there is an anticipation that they will be spending more on gifts, creating opportunities for both high-end and creatively designed products.

Impact of Globalization

According to the findings of (Barber & Krivoshlykova, 2006), the impact of globalization on handicraft production presents a complex set of challenges and opportunities. On the one hand, integrating world markets driven by technological advancements, competitive transportation and communication costs, and reduced trade barriers has led to the commoditization of handicrafts. This trend is familiar, as historical examples show replacing artisanal goods with mass-produced factory items. The current fear is that globalization, through increased global competition and mass production coupled with rapidly changing trends in fashion, cultural taste, and aesthetics, may further jeopardize the existence of artisan communities. This doomsday scenario envisions a downward spiral in retail prices, shortened product life cycles, and the potential exclusion of most small producers from the market.

On the other hand, globalization has created new market opportunities for handicraft producers. The

demand for handmade global and cultural goods is said to be growing, fueled by factors such as increased international and domestic tourism, a rising interest in interior decoration, more lavish spending on home furnishings, and a reaction, particularly in upscale markets, against the homogenization of mass-produced goods. However, these opportunities also bring new challenges. Handicraft producers must adapt their products to meet buyer requirements, ensure timely production and delivery to precise specifications, and enhance production efficiency and quality. Additionally, they compete with other suppliers in their own countries and producers and entire industries in other countries that may receive higher government support, direct or indirect. Therefore, while globalization presents growth opportunities, it also imposes demands that require adaptation and innovation from handicraft producers to thrive in the evolving global market.

CONCLUSIONS

The handicraft industry is embedded in the cultural heritage of locals globally and has represented their craftsmanship. The handicraft industry has also become a viable source of income for developing countries despite the fast progress of technology. Despite the progress of the handicraft industry, it still faces multifaceted challenges such as socio-economic challenges, employment issues, lack of understanding of the market dynamics, and the impact of globalization.

Socio-economic challenges have become one of the industry's challenges, encompassing fair labor practices, worker safety, and environmental sustainability. Artisan's work satisfaction is also crucial to look into as work satisfaction is correlated to employee loyalty, profitability, and customer satisfaction, all of which affect business outcomes. Financial aid and salary wages also remain pressing concerns, with vulnerable artisans in traditional and unorganized sectors often facing low wages and exploitation. Gender roles also play a significant role in the handicraft industry, where women are often primary producers and promoters of traditional crafts. However, their experiences vary, ranging from exploitative work environments to a sense of liberation. The industry's complex interplay with gender dynamics necessitates further research and support to address women artisans' diverse challenges. The handicraft industry faces many challenges in the contemporary market landscape. The need for more understanding regarding end markets and consumer trends poses a significant hurdle for producers, hindering their ability to tailor products to consumer preferences and navigate retail channels effectively. This knowledge gap affects pricing strategies and limits expansion and export opportunities.

The wide variety of retail channels further complicates the industry's dynamics. From department stores facing consolidation to the challenges posed by online platforms, producers must cope with a rapidly evolving market. The shift towards multi-channel strategies and direct sourcing adds complexity, requiring adaptation to changing consumer preferences and technological advancements.

Market segmentation adds another layer of complexity, with products falling into distinct categories such as functional wares, designer goods, traditional art, and souvenirs. The polarization of the home accessory market, with a growing emphasis on both low-end and luxury segments, puts pressure on producers to enhance product quality and quantity while maintaining affordability. Globalization introduces a dual-edged sword, presenting both challenges and opportunities. The commoditization of handicrafts due to increased global competition and mass production threatens artisan communities. However, the global market's demand for handmade, culturally rich goods creates opportunities driven by tourism, interior decoration trends, and a rejection of mass-produced homogeneity. While globalization opens new avenues, handicraft producers must adapt to meet buyer requirements, enhance production efficiency, and contend

with competition on both national and international fronts. The evolving global market demands innovation and resilience from artisans, encouraging them to navigate challenges, seize opportunities, and ensure the continued vibrancy of the handicraft industry in the face of globalization's transformative forces.

RECOMMENDATIONS

The conclusion highlights several areas where future research can contribute to a deeper understanding of the challenges and opportunities within the handicraft industry. Here are the potential areas for further investigation:

- Researchers could explore strategies for educating artisans about end markets, local market trends, and consumer preferences. It may involve developing training programs, workshops, or collaborative initiatives with industry experts.
- Investigating the actual impact of globalization on artisan communities is crucial. Researchers can assess how increased global competition and mass production affect artisans' livelihoods and identify successful strategies for adapting to global market demands.
- Future researchers could also focus on innovative practices within the handicraft industry, including sustainable production methods, eco-friendly materials, and technology integration. This research would align with growing consumer preferences for ethically produced and environmentally conscious products.
- Understanding the role of government policies and support mechanisms in different countries can provide insights into handicraft producers' challenges and opportunities. Researchers can evaluate the effectiveness of existing policies and recommend improvements to strengthen the industry's growth.
- Researchers could also study the changing consumer preferences, both globally and regionally, which is essential. It includes studying the factors influencing the shift towards luxury goods, the impact of home sizes on purchasing behavior, and the role of cultural trends in shaping consumer choices.

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