

THE ETHICAL TRADING INITIATIVE (ETI)

HOMEWORKER GUIDELINES

MADE SIMPLE



HomeNet South Asia

October 2016

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PART 1: The Context and Background

The Ethical Trading Initiative (ETI) was established in 1998 and is an alliance of companies, NGOs and trade union organizations. It aims to improve the lives of workers in global supply chains by promoting responsible corporate practice that supports this goal. ETI specializes in developing cutting edge approaches and tools for implementing codes of practice that address supply chain labor conditions, and is widely recognized as a global leader in this area. ETI is funded by member contributions and a grant from the UK Department for International Development (DFID).¹

The ETI Base Code, founded on International Labour Organization (ILO) Conventions has become a model on which other codes are based. A summary of ETI's Base Code is given below.

The ETI Base Code:

- Employment is freely chosen
- Freedom of association and the right to collective bargaining are respected
- Working conditions are safe and hygienic
- Child labor shall not be used
- Living wages are paid
- Working hours are not excessive
- No discrimination is practiced
- Regular employment is provided
- No harsh or inhumane treatment is allowed

Background: The application of codes of practice to homeworkers is an important and complex issue for retailers and suppliers as well as trade unions and NGOs active in the labor rights field. The presence of Homeworkers in ETI members' supply chains and research, as well as their experiences, clearly indicate that homeworkers frequently have poor terms and conditions of work, which proved to be a cause for concern. As a response to this, a Homeworkers Group an experimental project with representatives of ETI's retailer, trade union and NGO members was formed in 2002.

Five years of study, work and consultations from 2002 to 2006 under an ETI Homeworkers Project Group project, resulted in a set of guidelines and working tools, for those working within international supply chains that source from homeworkers. They seek to provide guidance on how retailers, suppliers, trade unions (TUs) and non- governmental organizations (NGOs) can

¹ For more information visit www.ethicaltrade.org

take action to help improve the working conditions of homeworkers, thus adhering to internationally agreed labor standards for home-workers, specifically those of the ETI Base Code.

Rationale for ETI Guidelines:

The complexity of supply chains involving homeworkers, as well as the typically wide gap between retail point and homeworker, makes application of codes of conduct particularly challenging. Inspired by ILO Convention 177 and Recommendation 184 which specifically deal with homeworkers, ETI members articulated a need for more specific, practical advice including interpretation of the ETI Code and indicators for Code compliance. Therefore, these guidelines were drafted to meet this need. They seek to provide practical guidance on:

- Identifying the presence of homeworking in supply chains;
- Applying, implementing and monitoring the ETI Base Code with home-workers;
- Meeting the standards of the ETI Base Code with homeworkers.

Target Audience for the Guidelines:

The guidelines are intended for use by a range of stakeholders active within international supply chains sourcing from homeworkers. Though developed by and for ETI members, these guidelines are also intended for a wider audience – more specifically:

- Retailers
- Suppliers, including agents, co-operatives, exporters, contractors and subcontractors
- Commercial auditors involved in the inspection of home-workers or suppliers
- Home-workers (HWs)
- Trade unions (TUs)
- Non-governmental organizations (NGOs)

PART 2: HOMEWORKERS AND THE SUPPLY CHAIN

Homeworking is an important aspect of the world economy. In the developing world, homeworkers constitute 300 million workers of whom more than 50 per cent are women and 80 per cent are from the poorest families². They do paid work at home, making a significant contribution to household incomes. But few homeworkers have legal status as employees and are thus vulnerable to exploitation.

Home-based work is common in handicraft production. But it is also found in modern industries such as garments, footwear, accessories, electrical assembly and plastic products and non-traditional handwork like footballs.

Advantages of homework include the fact that income generated from homework is important for the survival of poor families. For many women, homework constitutes their employment of

² **Gupta, Neelam (2001)** *Invisible labor: social security for home-based workers of the garment, agarbatti and papad industries*, Delhi, SEWA Bharat, p v and vi

first choice as it enables them to do multiple tasks at home. Further, it provides ease of entry and re-entry so that they can continue even after breaks for marriage, childbearing and so on.³

The most common concerns related to homework are: Low piece-rates for their work; delayed payments; arbitrary cuts in payments; lack of contracts and transparent records of work given and received back; insufficient and irregular work; unclear employment status; no or lack of social security and benefits; occupational health and safety concerns; discrimination and exploitation of women; foggy understanding of what constitutes child labor; lack of awareness of rights and their location in supply chains; organizations to who they supply; scattered and not organized; lack of negotiating skills.

Homeworkers are at the bottom of export supply chains that are best visualized as frequently changing webs. There are few cases of retailers buying direct from suppliers who buy direct from homeworkers. Usually there are agents between retailers and suppliers and one or more contractors / sub-contractors between suppliers and homeworkers. They are not employees and work on a contract basis as casual workers or on a commission/piece-rate basis. Contractors may belong to the same locality or community as the homeworkers and are likely to have non-commercial relations within the community as well.

The key issue is that the employee-employer relationship is not clear. Retailers do not directly employ homeworkers but their purchasing decisions clearly have a direct impact on them. The suppliers do not directly employ homeworkers but it is their products that the homeworkers work on. And contractors do not see themselves as employers as everything is 'on contract'.

PART 3: PRINCIPLES AND APPROACHES OF THE ETI GUIDELINES

The ETI Homeworker Group recommends that ETI members should adopt certain core principles in their approach to homeworkers in their supply chains and their implementation of minimum labor standards.

General principles:

1. Home-workers have an important role in production worldwide
2. Home-workers are equal members of the workforce
3. A gradual approach is needed to improve homeworkers' conditions

Implementation Principles:

1. Continuous improvement is required
2. Understand the supply chain before taking action
3. Begin with more achievable actions in more fluid supply chains
4. Work towards transparency in supply chains
5. Long-term relationships (with retailers, suppliers, contractors and home-workers) are key.

³ Bajaj, Mahjul (2000) Op cit, p 45

6. A combination of action works best: organizing from below plus pressure from above
7. Commit to protecting the livelihoods of homeworkers in existing supply chains by maintaining orders to suppliers committed to implementation of the ETI Base Code with homeworkers.
8. Involve home-workers directly in setting priorities for the implementation of labor standards/ETI Base Code, as well as in monitoring progress.

PART 4: WHAT RETAILERS CAN DO?

Homeworkers can be critical in a retailer's supply chain because they carry out specialized and intricate work which often cannot be mechanized cost effectively, such as embroidery and beading. It is the responsibility of retailers to manage their supply chains in a way that does not prejudice homeworkers. Below are some things retailers can do for this.

1. Make a commitment by way of adopting a formal company policy on homeworkers in order to prevent their exclusion from, or concealment within, their supply chain.

2. Inform everyone of their commitment - buyers, technologists and sourcing teams, agents and suppliers must be informed that homeworking is acceptable to the company, provided that suppliers commit to implement the ETI Base Code.

3. Map their supply chains to understand where and how homework occurs within them by Identifying industries with potential homeworker involvement, collecting information and engaging with suppliers, gathering information through audits, assessments and visits to factories.

4. Find out more about homeworkers in their supply chain, through research to establish their concerns and priorities.

5. Use the mapping results to decide where to start implementation of the guidelines.

6. Plan actions using the application framework⁴- consult with your suppliers individually or jointly to priorities actions for implementing the Base Code.

7. Build their suppliers' capacity to implement actions by encouraging suppliers to use the ETI guidelines, providing help in maintaining paper trails and records.

8. Revisit their pricing and ordering procedures by incorporating labor standards as well as quality and price: keep in mind the vulnerability of home workers as well as the costs of observing the Base Code while negotiating with suppliers; making explicit homeworkers' piece-rate payments and documenting them; ensuring that suppliers use a robust technique to verify that prices paid to homeworkers are compatible with the Base Code; reviewing lead-times, so as to reduce excessive working hours.

9. Set up a system of internal review to help monitor progress.

⁴ Tool Kit C of the ETI Homeworker Guidelines

PART 5: WHAT SUPPLIERS CAN DO?

Suppliers, including exporters, co-operatives, contractors and subcontractors are likely to be up front in implementing these guidelines. The following principles and guidance set out the responsibilities of suppliers buying from homeworkers, either directly or through contractors or subcontractors.

1. Make a commitment and inform all concerned - confirm the company's acceptance of the role of homeworkers within the supply chain and its responsibility towards them and communicate this to all contractors etc. in your supply chains, emphasizing that homeworking is acceptable, provided that supply chain actors commit to ensuring good working conditions for homeworkers.

2. Map the current situation of their contractors and/or subcontractors and homeworkers - to understand where homeworking occurs so that an action plan for implementing the ETI Base Code with homeworkers can be developed.

3. Find out more about homeworkers - what are their concerns and priorities - which areas of the Base Code are or are not covered.

4. Use the mapping results to decide where to start with implementation of the guidelines. For example where there are simpler supply chains (fewer contractors between your company and homeworkers); or where the largest number of homeworkers are concentrated etc.

Before going further, take stock of the resources available to achieve your goal - Funds? Expertise? Technology? Human resources? Records? Consider setting up a homemaker team or officer to handle all issues to do with homeworkers.

5. Dialogue and consultation - Set up communication channels and provide materials for supply chain players.

6. Using the application framework - determine what actions to undertake with other supply chain actors (homeworkers, subcontractors, contractors, and retailers) keeping in mind resources and priorities. Decide areas of responsibility; Implementation schedule and kind of support contractors will need. Where collaborative action is required, identify stakeholders such as other suppliers (with common sourcing locations, common processes, common interests), NGOs, local groups, trade unions, government agencies; Initiate a working group for this and develop an action plan based on the *application framework*.

7. Transparency and cost - It is possible that improvements necessary for meeting the Base Code will increase the product cost beyond what can be absorbed by suppliers. Costs may therefore need to be shared with retailers.

The following are important principles that suppliers should comply with to enable them to implement the guidelines and work effectively in partnership with retailers to improve labor conditions of home-workers: (i) The cost of managing homeworkers should be factored into the product price by the supplier and the retailer. (ii) Their negotiations with retailers need to take into account the costs of homeworkers and the reasons for which they are being used. (iii) Since one will want to retain competitiveness, they could consider reviewing production efficiencies, time and motion studies, automation and such like.

PART 6: WHAT TRADE UNIONS AND NGOs CAN DO?

Trade unions and non-governmental organizations have valuable roles to play in organizing & representing home-workers and raising awareness of their rights.

1. Follow basic principles

Trade unions and NGOs should seek to work closely to explore appropriate and creative ways to organize and represent home-workers, as well as raise awareness of their rights recognizing their complementary roles and areas of expertise. It is essential to involve homeworkers themselves in determining the priorities for Code implementation and monitoring progress. Once trust has been established homeworkers are likely to need training and support in creating awareness of their rights as workers and the ETI base code; developing leadership skills; understanding their position within the supply chain; negotiating possible changes with those who supply them with work etc.

2. Organize home-workers. Homeworkers are part of many global chains of production. The ETI Base Code states that all workers should enjoy freedom of association and the right to collective bargaining. Homeworkers need to be organized in order to get good terms and conditions of employment.

3. Adapt Approaches based on what unions have learned - Unions need to address and adapt to the needs of informal workers, which are different from other workers, and organizing strategies must reflect this. Given the complicated nature of production chains, trade unions should build alliances with others who may have contacts with homeworkers. An important starting point for organizing home-workers is understanding and mapping the often complicated chain of production. This exercise also makes clearer to homeworkers the channels they can use to communicate collectively with their agents and managers.

The approach should be to organize 'for' providing benefits (related to health care, credit, training, social insurance) rather than organizing 'against' an employer. Since most trade unions tend to be male dominated, which may limit communication with, and access to women homebased workers, there is a need for trade unions to promote a cadre of women organizers.

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HomeNet South Asia Group (HNSA) comprises of HomeNet South Asia Trust and Association of Homebased Workers in South Asia. It is the sub-regional network of organizations of home based workers. Born out of the Kathmandu Declaration in 2000, HNSA Group currently has a presence in 8 countries of South Asia - Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. It aims to build regional solidarity among home-based workers, especially women workers, and empower them to lead a life of dignity, free of poverty, through obtaining decent work and social protection, within a rights based framework. HNSA Group strives to make home based workers and their issues more visible; to ensure secure livelihoods for them; and to strengthen their collective voice and organizing efforts in the region. It also advocates for the implementation of national, regional and international policies for homebased workers; inclusion of home based workers in the existing policies and laws, as well as promotes access of homebased workers' products to local, national, regional and international markets.

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