

# The challenge of code implementation in supply chains that include homeworkers and/or smallholders

Sourcing companies involved in ethical trade are becoming increasingly aware of the large number of homeworkers and smallholders in their supply chains. Applying labour codes in supply chains involving these workers poses a very real and important challenge for all those involved. This workshop was organised to increase awareness of why effective code implementation is important for such producers/workers, and to explore the practical measures required to apply labour standards to these sectors. It drew on the experiences of Marks & Spencer and International Resources for Fairer Trade (IRFT)<sup>3</sup>, India, of working with smallholders, and on the experiences of Hallmark Cards plc and Homeworkers Worldwide<sup>4</sup> in working with homeworkers.

## 6.1 Background

Homeworkers, smallholders, and those who perform work on smallholder farms, are rarely protected by national labour law, and face legal and practical barriers to organising. Due to minimal legal protection and the nature of their employment, many face some of the worst working conditions and are most in need of any protection that company codes can offer.

Unfortunately, they also pose some of the most difficult challenges when it comes to implementing a code of labour practice. Due to the large numbers and geographical dispersion of smallholders and homeworkers, companies are finding it a real challenge to identify them, let alone monitor and improve their conditions.

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3. International Resources for Fairer Trade (IRFT) aims to address poverty and unemployment in India through encouraging and monitoring socially responsible behaviour amongst Indian businesses, and supporting the development of community-based enterprises.

4. Homeworkers Worldwide is the UK centre for HomeNet, the international solidarity network of homebased workers' organisations and others who support the rights of homebased workers to decent working and living conditions. Homeworkers Worldwide is a member of ETI.

## 6.2 Who are homeworkers?

Homeworkers may be defined as people who work in their own homes or other premises of their choosing, rather than the workplace of an employer. They may produce goods or services that meet specifications determined by an employer or they may produce and sell goods and services independently.

There are two general categories of homeworker:

- **'Own account'** homeworkers buy their own raw materials, work at home and sell their own finished products. They thus have a fair degree of independence. They tend to be involved in traditional craftwork, some weaving and textile production and certain types of horticultural production. Although some of their products go to international markets, a large proportion tends to go to local and national markets.
- **'Piece-rate'** homeworkers obtain the raw materials from a firm or agent, work on them at home, and then return the worked items to the firm or agent. In some cases they produce finished goods, but in many cases they carry out one particular operation in the production process. These homeworkers have no direct access to markets and are entirely dependent on their employer or contractor. The majority of homeworkers involved in international supply chains are piece-rate workers.

People carry out homework for a variety of reasons, but often to supplement an insufficient family income and to combine work with childcare and other domestic responsibilities. Women account for 90–95 per cent of homeworkers.

## 6.3 Who are smallholders?

While there are different perceptions of what constitutes a smallholder, they can be characterised by the fact that they:

- own and/or manage small-scale farms, producing relatively small crop volumes on relatively small plots of land;
- are part of the informal economy;
- rely on informal labour arrangements, often depending heavily on their own and family labour, using hired labour primarily at peak times and on a casual basis;
- are likely to be growing the export crop(s) alongside crops for the domestic market and subsistence crops to feed the family;
- are often poor, with limited access to capital, agricultural inputs such as fertiliser and pesticides, credit, and market and technical information.

Smallholders are typically a mainstay of agricultural production in developing countries. They are involved in producing crops for the export market to a varying extent depending on the crop and country.

## 6.4 Where are smallholders and homeworkers found in the supply chain?

Companies' experience is that the closer they look at a supply chain, the more homeworkers and smallholders they find. Generally homeworkers are found where there is labour-intensive hand or machine work which is easily transported. This includes garments, knitwear, leather, footwear and traditional handicrafts. Smallholders are found

in a variety of product supply chains including fresh produce, coffee, cocoa, flowers, tea and nuts.

### 6.5 Why suppliers use homeworkers and smallholders

Suppliers tend to outsource to smallholders those crops which are labour-intensive and require delicate handling. As well as savings on labour costs, suppliers benefit from the resulting geographical dispersion of growing locations, which reduces risks from adverse climatic conditions and ensures continuity of supply.

Use of homeworkers provides manufacturers greater flexibility in labour costs, enabling factories to outsource detailed hand and light machine work in periods of over production. Not supplying a workspace, or employment benefits, means that producers benefit from cost savings.

### 6.6 What are the concerns?

**Homeworkers** rarely earn a living wage. Pay can be as little as half the legal minimum wage in contracts that are often seasonal and/or irregular. Many homeworkers are poor women from marginalised communities. Working in isolation, they have restricted access to information about other work options and little opportunity for further training or advancement. They rarely have access to insurance or other social protection benefits offered to factory-based permanent employees. Because few have formal contracts of employment and are rarely members of unions, they have little legal or trade union protection. Child labour is common as children often assist their elders to complete commissioned work. Health and safety, in an unregulated environment, is often compromised, and employers typically fail to provide health and safety training or equipment to homeworkers.

As with most homeworkers, **workers on smallholder farms** generally do not have formal contracts of employment and so are not protected under national or local labour law. In many countries there are legal barriers to freedom of association for agricultural workers in general, that do not apply to other types of workers. The geographical dispersal of smallholdings means that local trade unions often lack the resources to support workers on smallholder farms, so union presence is mostly poor. Their geographical dispersal also restricts these workers' ability to organise and their access to information, including information on labour rights. The latter is often compounded by high levels of illiteracy. As with homeworking, child labour is common, and health and safety conditions are often poor.

**Smallholders themselves** often lack a written contract with exporters or agents and are not informed about terms and conditions of the trading relationship. With poor access to facilities, capital, credit and information, most are not able to improve conditions for their workers without external help.

### 6.7 Challenges

There are some very real challenges to monitoring and improving conditions for homeworkers, smallholders and workers on smallholder farms.

**It is difficult to reach large numbers of geographically-spread workers.** For example, the Kenyan Tea Development Agency has 8,000 smallholders supplying one collection centre, and a total of 50 collection centres supplying 50 factories. As a result access is limited and monitoring very difficult and expensive. The same logistical challenges apply to homeworkers. Because of these challenges, there is a real risk that sourcing companies may react by shortening supply chains, that is, putting pressure on suppliers to remove homeworkers and smallholders from their supply base. This has happened for example in Sialkot, Pakistan, where sourcing companies were deterred by the prospect of monitoring large numbers of homeworkers stitching footballs.

The often **large gap between actual working conditions of homeworkers and the minimum standards in codes** also daunts sourcing companies. Rather than working with suppliers to improve conditions, sourcing companies may be tempted to shift production to a supply base that is less reliant on homeworkers.

Due to poor unionisation, their informal employment status, high job insecurity and weak bargaining power, **homeworkers often fear that asserting their rights may lead to loss of work.**

## 6.8 Company experience of improving homeworkers' conditions

**Hallmark Cards plc**, a manufacturer of greetings cards, giftwrap, Christmas crackers and accessories, employs homeworkers to carry out various tasks including hand packing and attaching badges to greeting cards. They have a number of policies and procedures in place for homeworkers, including:

- agreed written terms and conditions with homeworkers, including specification of a minimum working age;
- health and safety assessments of homeworkers' workplaces, supply of safety equipment, and provision of health and safety training;
- ensuring prompt payment, and that piece rates enable homeworkers to earn at least a minimum wage;
- ensuring working hours are not excessive, and ensuring wherever possible that regular employment is provided;
- providing contact details for complaints channels (National Group on Homeworking and ETI).

They also plan to provide homeworkers with more information about Hallmark and about the ETI Base Code and the rights it embodies.

## 6.9 Moving ahead

Workshop participants felt that the following key issues needed to be taken into account when developing approaches to code implementation with smallholders and homeworkers.

### 6.9.1 Homeworkers

- **Sourcing companies should adopt the underlying principle of protecting the livelihoods of homeworkers** as key to any approach.

- **Sourcing companies need to acknowledge that conditions can be unacceptable.** Difficult as it may be, it is essential that companies map their supply chains down to the level of homeworkers, are transparent about the existence of homeworkers in their supply chains, and acknowledge when there are problems.
- **Code implementation needs to involve an incremental rather than ‘checklist’ approach.** Improvements will take time to implement, so a long-term approach is necessary.
- **Companies and code initiatives need to involve homeworkers’ organisations** in setting priorities, monitoring progress and prioritising corrective action.
- **Providing homeworkers with access to micro-credit and savings schemes could also be helpful** as an alternative means for providing social protection and insurance.
- **Multi-stakeholder involvement can enhance the effectiveness of initiatives.** Working collectively with other suppliers, retailers and homeworker organisations can help suppliers to identify common issues, improve their grasp of homeworking issues and improve retailers’ understanding of homeworkers and suppliers.

### 6.9.2 Smallholders

- **The development of practical guidelines for importers, exporters and smallholders** is critical to code implementation in supply chains involving smallholders. Each of these groups needs practical and tailored guidance on what they need to do to ensure implementation of ETI Base Code principles. Guidelines and action plans for smallholders were seen to be most effective where these were developed in collaboration with smallholder co-operatives or relevant community-based organisations.
- **Effective communication up and down the supply chain is key.** This requires appropriate structures, which may involve strengthening or facilitating the development of smallholder and worker associations. Effective communication also involves creating opportunities for retailers, suppliers, smallholders and their workers to understand each other’s perspectives. Communicating effectively with workers will also require the development of appropriate tools, for example videos and workbooks.

### Further information

**Presentation slides** for IRFT, Marks & Spencer, Hallmark Cards and Homeworkers Worldwide are available from the ETI Secretariat.

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**ETI Smallholder Project:** contact the ETI Secretariat.

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