



Why retailers should address homeworkers' working conditions: The business case

Homeworking is an important aspect of the world economy, present in a huge range of sectors and countries. Homeworkers themselves form an essential part of the supply chain. Not only do they carry out specialised and intricate work that often cannot be mechanised cost effectively – such as embroidery, beading, finishing and packing – but they also provide much-needed flexibility in production.

Many retailers have homeworkers in their supply chains

ETI member companies have identified homeworking in the UK, Portugal, India, Pakistan and Indonesia, and to a lesser extent in Greece, Italy, Spain, Turkey, the Balkans, China, Malaysia and the Philippines. This is likely to be the case for many retailers, even if they are not aware of it.

Homeworkers are likely to be working under poor conditions

Despite their value in the supply chain, homeworkers usually have very poor working conditions (low pay, insufficient and irregular work). They can be very vulnerable as their employment status may be unclear, and so they may not receive basic entitlements such as holiday and maternity pay, social security benefits and job security. They are often the main breadwinner for the household, and don't have the opportunity to earn money outside the house.

Failing to address homeworkers' conditions presents a business risk

If homeworkers are working under poor conditions, this could have a major impact on a retailer's business, in terms of:

- **Quality of work.** Homeworkers' physical environment and working patterns can affect the quality of their work. For example, they may have inadequate lighting, or be working in unsuitable premises – even outdoors – where products can get damaged or dirty. They may be working long hours to try and earn sufficient income, or be under pressure to meet short-term deadlines – all of which can affect their work.
- **Security of supply and interruptions to production.** Homeworkers who are vulnerable to accidents or ill health may become unavailable at short notice, which could result in skills shortages or lack of production capacity. They may have little loyalty to their contractors, and switch employer at short notice when the opportunity for increased income or additional work arises.
- **Quality assurance.** Quality assurance systems rely on transparency in the supply chain. Without understanding where homeworking is happening and under what conditions, retailers cannot put systems in place to assure them about the quality of their products. This presents a range of risks – for example, in terms of compliance with product safety standards.
- **Compliance with codes/standards.** Employers may not be meeting minimum legal standards for homeworkers on health and safety, wages, child labour or bonded labour, which means that retailers fail to meet codes of labour practice or other commitments they have made about their products.
- **Public opinion.** Where poor working conditions are uncovered, there is a real risk to businesses from high-profile exposés in the press, by NGOs, trade unions or other interested groups – all of which can have a negative impact on company reputation, investor behaviour, customer loyalty and the bottom line.

Doing nothing, or trying to address the issue by banning homeworkers through a 'no homeworker' policy, usually leads to concealment of homeworking, which exacerbates the potential risks and makes it very difficult to raise homeworkers' pay and conditions.



Working to improve conditions for homeworkers can have real benefits

Working with suppliers and others to identify homeworkers and help improve their working conditions, will not only improve the lives of homeworkers and their families, but can have real benefits for retailers' business.

- **Improved relationships with suppliers.** Spending time discussing the importance of homeworkers and possible ways of addressing their working conditions can help develop trust and openness with suppliers. This can lead to:
 - **Increased transparency along supply chains.** Suppliers and contractors will not feel the need to conceal the presence of homeworking in the production process, which will help reduce risk. “There is much more transparency in the supply chain now. There can be a lot of last minute changes at the supplier’s end, in terms of moving production. Suppliers previously might not have been keeping us updated, but this is changing now.” (Ethical Trading Manager, India, Monsoon Accessorize)
 - **Enhanced communication.** Suppliers may feel more able to discuss a range of production and workforce issues with retailers.
 - **More efficient supply chains.** Better transparency and improved communication can mean better production planning, increased opportunity for efficiency, and less disruption to production.
- **Better quality products.** Homeworkers working in safe and healthy conditions, with regular and secure work and reasonable hours, and who earn a living wage for that work, are much more likely to produce good quality work, on time and to the specifications required. Evidence shows that training homeworkers and promoting more stable and transparent supply chains can dramatically lower product reject and return rates. “Communication has improved and, according to feedback from our suppliers, that has helped improve quality.” (Ethical Trading Manager, India, Monsoon Accessorize)
- **Security of supply.** Processes carried out by homeworkers are often highly skilled; retaining skilled homeworkers is important to ensure continuity of supply of particular processes.
- **Improved compliance.** All retailers need to comply with national and international labour standards, and many have made public commitments to company or other codes of labour practice, such as the ETI Base Code. Addressing homeworkers' conditions can help improve compliance, as well as bringing additional benefits through improved supply chain relations.
- **Enhanced public image.** Interest and campaigning around workers' conditions in supply chains is growing. Recent experience shows that it is no longer uncommon for retailers to find themselves at the centre of a media storm due to exposés about conditions of workers making their products – and customers have held them responsible for those workers, no matter how far down the supply chain they are. In contrast, companies that can demonstrate they are actively addressing workers conditions – particularly for vulnerable workers such as homeworkers – can enhance their public image, thus protecting their reputation and potentially even increasing sales.
- **Better lives for homeworkers.** It seems obvious, but we shouldn't forget probably the most important benefit of all. Taking action to improve homeworkers' conditions can help improve the lives of millions of people – not only the homeworkers themselves, but their families and the communities they live in.
- **Reduced risk.** Overall, identifying whether homeworkers are present in supply chains, as well as starting to address their working conditions, can help reduce production risks and reputation risks (see above). “We have better communication with a lot of suppliers (and) get more questions from suppliers... Communication decreases risk.” (Ethical Trade Manager, India, Primark)