



Informal Economy

Sector Summary: Home-Based Workers¹

Invisible but Vital to Value Chains of Production

Home-based work is a global phenomenon found in countries rich and poor. Today, many home-based workers produce under subcontracts for global value chains (Carr, Chen and Tate 2000). To cut costs and maximize profits, firms outsource production to home-based workers. Advances in technology have also facilitated the outsourcing of production (Chen, Sebstad and O'Connell 1999; Raju 2013).

Although largely invisible, home-based workers produce for both domestic and global value chains across many industries. They may work in the new economy (assembling micro-electronics) or the old (weaving carpets).

Home-based workers represent a significant share of total employment in some countries, especially in Asia. Home-based work represents a larger share of women's than men's employment.

Definitions

There are two basic categories of home-based workers. The distinction is important in understanding the challenges these workers face:

- **Self-employed home-based workers** assume all the risks of being independent operators. They buy their own raw materials, supplies, and equipment, and pay utility and transport costs. They sell their own finished goods, mainly to local customers and markets but sometimes to international markets. Most do not hire others but may have unpaid family members work with them.

- **Sub-contracted home-based workers** (called homeworkers) are contracted by an individual entrepreneur or a firm, often through an intermediary. They are usually given the raw materials and paid per piece. They typically do not sell the finished goods. They do, however, cover many costs of production: workplace, equipment, supplies, utilities, and transport.

Both categories are impacted by irregular or cancelled work orders, an unreliable supply of raw materials, delayed payments, and rejected goods. Larger economic trends such as fluctuating demand and increases in input prices affect both groups, but particularly the self-employed.

Types of Work

Historically, home-based work has involved labour-intensive activities in textiles, garment, and footwear manufacturing industries as well as skilled artisan production. Today, home-based work is also found in



Photo: L. Vryenhoek

To see the latest news from around the globe on home-based workers, visit WIEGO's news section at www.wiego.org/news-events.

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high-end modern industries, including manufacturing of airline and automobile parts, assembly work in electronics, and packaging work in pharmaceuticals. In developed countries especially, clerical work and higher-skilled work in information technology, telecommunication, telemarketing and technical consulting may be home-based.

Contributions & Linkages

The recent Informal Economy Monitoring Study (IEMS), coordinated by WIEGO, provides critical insight on home-based workers in Ahmedabad, India; Bangkok, Thailand; and Lahore, Pakistan. It found that **home-based workers make significant contributions to their households, society, and the economy:**

- They **contribute to the household budget**, often helping to keep their households out of extreme poverty.
- By working from home, they are **available to care for children and the elderly** and maintain the quality of family life.
- They are an important **part of the social fabric of their communities**.
- Since they do not commute daily and often rely on bicycles, walking or public transit, they **reduce air pollution and traffic congestion**.
- Self-employed home-based workers **provide goods and services at a low cost** to the public.
- Homeworkers **produce goods at low prices for domestic and global value chains**.

- They **buy supplies, raw materials, and equipment and pay for transport and services**.
- They **pay taxes** on raw materials, supplies, and equipment they purchase.
- Firms up the chain that sell their finished goods often **charge sales taxes, adding to the public coffers**.

Many informal home-based workers have links to formal firms. Around 30 per cent of self-employed home-based workers in the IEMS sample purchase materials from formal firms; just under 30 per cent of both groups sell to or produce for formal firms.

Economic Value

A 1999 study estimated the contribution of women home-based workers in some sectors across South Asia, drawing on available studies and focus group discussions (Bajaj 1999). While these estimates were rough and not based on a representative sample, they offer insight:

- In India in 1989-90, the total domestic and export sales of the *agarbatti* (incense stick) industry were worth approximately USD 198 million and USD 42 million, respectively; the industry employed approximately 500,000 workers – 90 per cent women and 80 per cent homeworkers.
- Pakistan is the single largest manufacturer and exporter of match grade footballs, generating over 80 per cent of total world production. About 58 per cent of football stitchers are women homeworkers.
- In Nepal, over 100,000 persons – mostly women – are engaged in collecting and processing medicinal plants and other non-timber forest products trade and contribute around 4 per cent of the share of forestry to the national GDP. Most processing is done at home.

A study of some 600 homeworkers in three sectors in India found they contributed, on average, 35 per cent of household incomes in rural areas, and 35.6 per cent in urban areas (Sudarshan et al. 2007).



Photo: L. Tuttle

Statistical Snapshot

Data on home-based workers have begun to improve in recent years, but challenges to counting this “invisible” workforce remain. For example, some countries do not include questions on place of work in labour force surveys and population censuses, which is key to determining who is a home-based worker. Also, enumerators are often not trained to count home-based workers, so list them as doing only (unpaid) domestic work and/or home-based workers often do not perceive and report themselves as “workers”.

WIEGO compiled existing data on home-based workers and other groups of urban informal workers for *Women and Men in the Informal Economy: A Statistical Picture, 2nd Edition*, published by ILO and WIEGO in 2013:

Home-based work accounts for a significant share of urban employment in some cities/countries:

- Buenos Aires: 3 per cent
- India: 18 per cent
- South Africa: 6 per cent

Most home-based workers are informally employed:

- Buenos Aires: 60 per cent
- South Africa: 75 per cent

The vast majority of home-based workers most everywhere are women:

- Brazil: 70 per cent
- Ghana: 88 per cent

The WIEGO Statistics Programme has developed guidelines for estimating home-based workers and other groups of informal workers. To develop a full statistical picture of home-based workers, information must be gathered on status in employment, type of contracts, and mode of payment (Vanek, et al. 2012).

WIEGO has commissioned, using these guidelines, analysis of recent labour force data in four South Asian countries:

- In **Bangladesh** in 2009-10 there were 2 million home-based workers representing 12.1 per cent of women in the non-agricultural workforce, and 5.9 per cent of men in the non-agricultural workforce (Mahmud 2014).

- In **India** in 2011-12, home-based workers comprised over 15.2 per cent of the non-agricultural workforce: 31.7 per cent of women in non-agricultural employment and 11 per cent of men (Raveendran, Sudarshan and Vanek 2013).
- In **Nepal** in 2008, there were nearly one million home-based workers, about 30 per cent of all non-agricultural workers: nearly one-half of women in non-agricultural employment (47.6 per cent) compared to 21.6 per cent of men (Raveendran and Vanek 2013).
- In **Pakistan** in 2008-9, home-based workers were a smaller proportion of the labour force than in other South Asian countries, accounting for just 5.3 per cent of non-agricultural employment. Home-based work represented nearly 40 per cent of non-agricultural employment for women but only 1.5 per cent for men. And 75 per cent of home-based workers in Pakistan in 2008-9 were women (Akhtar and Vanek 2013).

Developed Countries

In developed countries, home-based work is sometimes defined quite differently, referring to those who do not commute to a workplace but rather telecommute from home. For some, telecommuting is a job-related benefit providing flexibility. For others, however, home-based work may be associated with lower quality conditions of employment and possibly a different employment arrangement, for example own account self-employment.



Photo: C.Wills

Statistics for the United States (USA) report on the total population of telecommuters and defines a home-based worker as anyone who works even one day a week from home. According to U.S. Census Bureau data, the proportion of workers fitting that definition was 9.5 per cent in 2010. About one half of these home-based workers were self-employed. About one quarter worked in business, management, and finance occupations. See <http://www.census.gov/prod/2012pubs/p70-132.pdf> for more.

Driving Forces & Working Conditions

Low Earnings and Long Hours

Several factors, including financial need, drive many home-based workers to do this work. In the IEMS sample, over three-quarters said their households rely entirely on earnings from informal work. The home-based workers' earnings play a critical role in meeting basic family needs.

However, home-based workers, on average, earn little – particularly homeworkers who are paid by the piece and depend on contractors or middlemen for work orders and payments. Homeworkers who produce for global value chains receive a marginal percentage of final profits. In India, for every 100 rupees paid by a customer, gold thread (*zardozi*) embroiderers earn 15 rupees, home-made cigarette (*bidi*) rollers earn 17 rupees, and incense stick (*agarbati*) rollers earn only 2.3 rupees (Mehrotra and Biggeri 2007).

A multi-country study found that home-based work can involve long days: the average varied from 5.2 hours per day to 9.2 hours per day. The longest reported average work day was 15 hours per day (Mehrotra and Biggeri 2007). In the IEMS sample, many reported that they suffered body aches and pains due to their long working hours.

Capital, Technology and Infrastructure Deficits

Productivity is negatively affected by the low levels of technology used by home-based workers. Irregular and low pay mean they lack the ability to save. Most lack capital to build their businesses, invest in new machinery or in training.

Basic infrastructure deficiencies, such as electricity shortages, further hinder productivity, while utility costs eat into available income. In Lahore, 78 per

cent of the IEMS sample cited costly, unreliable electricity as a problem.

Home-based workers must travel to markets or to pick up raw materials and drop off finished products. Many must walk long distances, or rely on public transportation or other forms of transport such as rickshaws. The costs of transport reduce earnings. Among the IEMS sample, around one-third of business costs was on transport, and among those who spent on transport, one-quarter operated at a loss.

Impact of Economic Crisis

The global economic crisis that began in 2008 made it harder for home-based workers to make a living. In 2009 and 2010, WIEGO and its Inclusive Cities partners conducted studies on how informal workers were affected by the economic crisis. Home-based workers who produced for global value chains experienced a sharp decline in their work orders. The self-employed home-based workers reported increased competition; many reduced their prices to remain competitive. Expansion of retail chains has also created serious competition for local enterprises. See <http://wiego.org/informal-economy/links-economic-crises> for more.

Homeworkers in Global Value Chains

Often, a multinational firm based in an industrialized country will outsource production to homeworkers scattered across one or more countries. Links between the homeworker and the lead firm can be



Photo: M.Chen

obscure. This can make it difficult to negotiate rates or receive payment for completed work. This case offers an illustration:

When a trade union organizer in Canada tried to help one immigrant Chinese garment worker get her back wages, she found that the garment worker did not know whom she worked for ... the man who dropped off raw materials and picked up finished garments drove an unmarked van. When the garment worker eventually found a tag with a brand label on it among her raw materials, the trade union activist was able to trace the “label” from a retail firm in Canada to a manufacturing firm in Hong Kong to an intermediary in Canada: in this case, the global value chain began and ended in Canada.

When the local intermediary was asked to pay the back wages due to the garment homemaker he replied: “Put me in jail, I cannot pay. The manufacturer in Hong Kong who sub-contracted production to me has not paid me in months.”

Source: Stephanie Tang of UNITE, personal communication.

Home as Workplace Issues

For home-based workers whose homes double as their workplaces, inadequate housing is a major challenge. Taking bulk work orders is not possible when there is no storage space. Work is frequently interrupted by the competing needs of other household activities. Many home-based workers meet other household demands during the day and work long hours at night, leading to exhaustion and eye strain.

Some home-based work generates dust or uses hazardous chemicals. However, there is often no separation between the work space and living space. This can endanger both the home-based worker and other family members, including children.

Poor quality housing leads to damaged goods and raw materials. In all three IEMS cities, women reported that monsoon rains force them to suspend or reduce production.

- Equipment, raw materials or finished goods get damaged when roofs leak or houses flood.
- Products (e.g. incense sticks and plastic) cannot dry due to leaks and humidity.
- Work orders are reduced due to decreased demand and/or difficulties associated with transport during the rains.

In some cases, home-based workers involved in the IEMS study were relocated with no concern for their livelihood activities. See <http://wiego.org/cities/home-based-workers-urban-planning> for more.

Home-Based Workers and the Law

The legal regulatory environment for home-based work is uncertain. In most countries, the self-employed are not recognized as independent operators, while the sub-contracted homeworkers are not recognized as dependent workers.

Many in both groups do not have secure tenure to their home-cum-workplace. Also, it is often unclear whether commercial activities are allowed in the areas where they live.

See http://wiego.org/informal_economy_law/home-based-workers-and-law for more.

Policies & Programmes

Some positive developments in policies have been achieved in the past two decades.

Home Work Convention (C177)

An international Home Work Convention (C177) was approved by the International Labour Conference in 1996. C177 calls for national policies to promote equality of treatment between homeworkers and other wage earners. It also specifies areas where such equality of treatment should be promoted, including inclusion in labour force statistics.



Photo: C.Wills

Around the globe, home-based worker organizations are advocating to have their national governments ratify and implement C177. By 2013, 10 countries had ratified it.

Legal Protection in Thailand

HomeNet Thailand, with support from WIEGO and other partners, campaigned for more than a decade to win legislative protection for homeworkers. Both the Homeworkers Protection Act B.E.2553 and a social protection policy came into force in May 2011. The law mandates fair wages – including equal pay for men and women doing the same job – be paid to workers who complete work at home for an industrial enterprise.

The Kathmandu Declaration

The Kathmandu Declaration addresses the rights of South Asian home-based workers. It was adopted in 2000 by representatives of South Asian Governments, UN agencies, NGOs and Trade Unions from five countries at a regional conference organized by UNIFEM and WIEGO and supported by the International Development Research Centre. WIEGO provided the research findings on which the Kathmandu Declaration was based.

Tripartite Welfare Boards in India

One of the models developed in India for providing social security protection to workers in the informal economy are Tripartite Welfare Boards on which representatives of workers, employers and government sit. Several such boards exist for sectors of home-based workers such as *bidi* (cigarette) rollers, *agarbatti* (incense stick) rollers and many other urban home-based workers. The advantages

of the boards are that they involve all interested parties in implementation and enforcement. Funds are raised by levying a tax on the production of specified goods, or through contributions from various sources including employers, employees, and the government. The funds are used for expenditures related to the welfare of workers, such as health care, child care, and housing, as prescribed in the laws or schemes under the Board.

Organizing & Voice for Home-Based Workers

Because they are often isolated and scattered, home-based workers are difficult to organize. Despite the challenges, there are a growing number of organizations as well as national and regional networks of such organizations. When home-based workers organize and have collective voice, their ability to bargain increases.

The **Self-Employed Women's Association (SEWA) in India** is the world's largest trade union of women informal workers. It now has almost 2 million members, about one fifth of whom are home-based workers, and has been instrumental in achieving higher wages and better working conditions for home-based workers in many industries.

HomeNet South Asia, born out of the 2000 South Asia regional conference on home-based workers, organized by SEWA, UNIFEM and WIEGO, is a network of 600 organizations representing over 300,000 home-based workers from eight countries in South Asia.

HomeNet South-East Asia organizes homeworkers to democratically manage self-sustaining organizations and networks at the national and sub-regional levels that will help them achieve better working conditions and standards of living, steadier employment, and access to social protection.

PATAMABA in the Philippines is a grassroots organization run and managed by women home-based workers. It has a membership of more than 18,000 informal workers.

Home-based workers in Eastern Europe are increasingly networking their organizations, and have recently formed and registered **HomeNet East Europe**.

Visit <http://wiego.org/informal-economy/organizing-organizations> to learn more about organizations and organizing.



Photo: S. Tubsakul

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Photo: C.Wills

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Photo: S. Trevino

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About WIEGO: Women in Informal Employment: Globalizing and Organizing is a global research-policy-action network that seeks to improve the status of the working poor, especially women, in the informal economy. WIEGO builds alliances with, and draws its membership from, three constituencies: membership-based organizations of informal workers, researchers and statisticians working on the informal economy, and professionals from development agencies interested in the informal economy. WIEGO pursues its objectives by helping to build and strengthen networks of informal worker organizations; undertaking policy analysis, statistical research and data analysis on the informal economy; providing policy advice and convening policy dialogues on the informal economy; and documenting and disseminating good practice in support of the informal workforce. For more information visit: www.wiego.org.