



Position Paper

Corporate Sustainability and Due Diligence: What It Means for Subcontracted Workers in Workshops and Homes

The Corporate Sustainability Due Diligence Directive (CSDDD) – an effort by the European Union (EU) to foster responsible corporate behaviour in companies' operations and global value chains – came into force on 25 July 2024. The Directive covers *all* workers in *all* tiers of supply chains and represents a major win for the millions of subcontracted workers¹ who work in global supply chains.

Millions of workers in supply chains, both in factories and outside factories, work informally.² According to the International Labour Organization (ILO), informality means that – in law or in practice – the employment relationship is not subject to national labour legislation. All workers in informal employment – whether they work in factories, workshops or homes – face higher risks of human and labour rights abuses because of their employment status. And many industries – including construction,³ food and agriculture,⁴ and electronics⁵ – subcontract tasks to workers outside of factories. The further down the chain one goes, the less workers earn, the more precarious their work is, and the less likely they are to have their fundamental rights at work respected. Focusing efforts to protect this essential labour force is therefore crucial to a successful implementation of the CSDDD.

This position paper focuses on homeworkers (a subset of subcontracted workers) and discusses what they do, the size and importance of this workforce, and why it is crucial that when the CSDDD is transposed into national law, care is taken to explicitly include them.

How many homeworkers work in global supply chains?

The number of subcontracted workers who work in both workshops and homes is significant. The ILO estimates that there are at least 49 million subcontracted homeworkers globally.⁶ Contracted directly by factories or indirectly through

¹ Subcontracted workers do not have a direct contractual relationship with the company for which they work and can be found in factories, workshops and homes.

² For a review of informal work in the garment sector, see Asia Floor Wage Alliance, "Threaded Insecurity: The Spectrum of Informality in Garment Supply Chains". March 2024. At: <https://asia.floorwage.org/wp-content/uploads/2024/03/AFWA-2024-Threaded-Insecurity-Report.pdf?ref=tansyhoskins.org>

³ Davies, Steve, Nikolaus Hammer, Glynne Williams, Rajeswari Raman, Clair Siobhan Ruppert and Lyudmyla Volynets. 2011. "Labour Standards and Capacity in Global Subcontracting Chains: Evidence from a Construction MNC". *Industrial Relations Journal* 42(2): 124–38; European Trade Union Confederation (ETUC). 2021. *Securing Workers' Rights in Subcontracting Chains: Case Studies*. Brussels. September. At: https://www.etuc.org/sites/default/files/2021-10/Securing%20workers%20rights_EN_LR.pdf

⁴ ETUC. 2021. "Securing Workers' Rights in Subcontracting Chains: Case Studies". Brussels. September. At: https://www.etuc.org/sites/default/files/2021-10/Securing%20workers%20rights_EN_LR.pdf

⁵ Martin-Ortega, Olga. 2018. "Public procurement as a tool for the protection and promotion of human rights: a study of collaboration, due diligence and leverage in the electronics industry". *Business and Human Rights Journal* 3(1): 75-95.

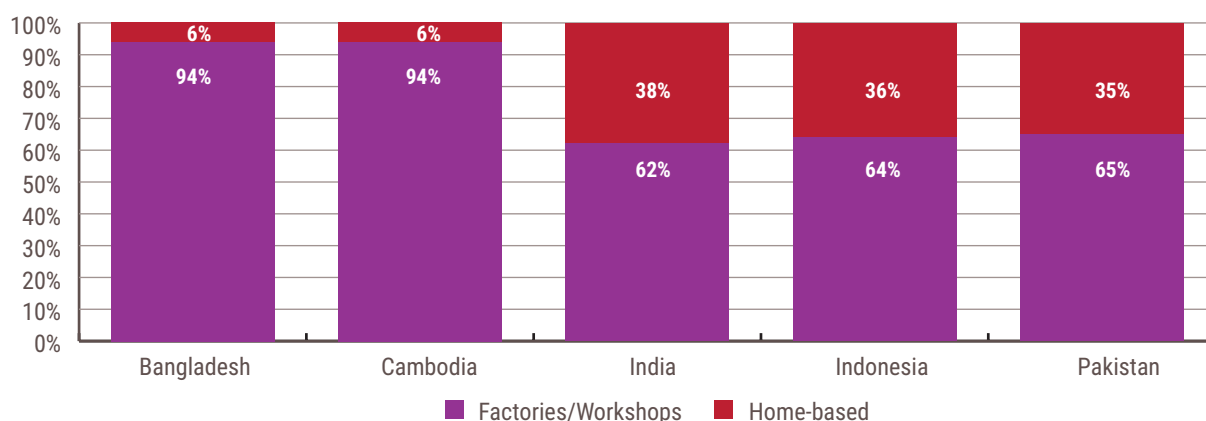
⁶ ILO. 2021. Working from home: From invisibility to decent work. p. 41. November. At: <https://webapps.ilo.org/digitalguides/en-gb/story/working-from-home#introduction>

intermediaries, homeworkers are the last link in the supply chain. Homeworkers may be contracted on a permanent basis and work between seven and twelve hours a day six days a week, or they may only be employed when the factory has an oversupply of work.⁷

The ILO Home Work Convention, 1996 (No. 177) (known as C177) defines homework as: “work carried out by a person, to be referred to as a homeworker, (i) in his or her home or in other premises of his or her choice, other than the workplace of the employer; (ii) for remuneration; (iii) which results in a product or service as specified by the employer, irrespective of who provides the equipment, materials or other inputs used, unless this person has the degree of autonomy and of economic independence necessary to be considered an independent worker under national laws, regulations or court decisions;”.

Figure 1 represents the percentage of homeworkers in garment and footwear supply chains in five countries in Asia. These countries were selected because their labour force surveys include questions that reflect their place of work, which allows statisticians to determine the percentage of workers who work from their homes. These percentages are derived from country labour force surveys that are submitted to the ILO and form part of the ILO statistics database, which is known as ILOSTAT.

Figure 1: Percentage of homeworkers in the garment sector in five countries



Drawing on the same data, Table 1 presents the number of workers working in factories and from their homes.

Table 1: Total numbers of garment workers in workshops, factories and homes in selected countries

	Bangladesh	Cambodia	Indonesia	Pakistan	India
Garment (Workshops/Factories)	3,967,199	1,096,271	3,502,058	3,009,452	11,474,693
Garment (Home-based)	254,536	73,085	1,975,430	1,611,684	6,944,275

As shown in the data above, in India, Indonesia and Pakistan, more than one in three garment workers work from home. In India, it is estimated that in the garment sector (which includes roughly 18.4 million workers), 38% of production is home-based

⁷ Von Broembsen, Marlese. 2018. “Constitutionalizing labour rights: Informal homeworkers in global value chains.” *International Journal of Comparative Labour Law and Industrial Relations* 34(3).

(6,944,275 workers). According to a survey of 340 garment factories in Delhi and Bengaluru, 58% of surveyed factories outsource to homeworkers.⁸

Indonesia has the second largest garment sector after India and 36% of garment work is home-based (1,975,430 workers). In Pakistan, 35% of the garment workforce (1,611,684 workers) is home-based. According to Labour Force Survey data, over half a million (569,676) women home-based workers in Pakistan's textile and apparel industry are contracted on a piece-rate basis and would be considered "dependent contractors".⁹ And, in Bangladesh and Cambodia, 6% of garment work (254,536 and 73,085 workers, respectively) takes place in the home.

What is the scope of the CSDDD and how does it apply to homeworkers?

The CSDDD makes clear that companies' due diligence obligations include their own operations, as well as those of their subsidiaries and their "business partners". This includes business partners with whom they have a "direct" contractual relationship and partners with whom they have an "indirect" relationship in that there is no contract but they perform business operations related to the operations, products or services of the company as part of its "chain of activities".¹⁰ This is appropriate because the structure of supply chains in many industries has multiple tiers.¹¹

In the garment and footwear manufacturing industry, tier-1 factories (the direct business partner) subcontract to tier-2 and tier-3 factories (indirect business partners), who in turn subcontract to workshops and industrial outworkers (or homeworkers) who work from their homes. Whether they work in a factory, workshop or home, under the CSDDD all of these workers form part of the company's "chain of activities".

As the CSDDD is transposed into national law, it is important to ensure that subcontracted workers, including workers who work in workshops and homes, are indeed included in human rights due diligence obligations in compliance with the CSDDD. Relatedly, contractual provisions between enterprises and their suppliers must ensure that an enterprise fulfils its due diligence obligations to the subcontracted workers in its supply chains.

⁸ Anner, Mark. 2019. "Predatory purchasing practices in global apparel supply chains and the employment relations squeeze in the Indian garment export industry". *International Labour Review* 158(4) 705-727.

⁹ Akhtar, Sajjad. 2020. "Home-Based Workers in Pakistan: A Statistical Profile." WIEGO Statistical Brief No. 26. At: <https://www.wiego.org/research-library-publications/home-based-workers-pakistan-statistical-profile/>

¹⁰ Article 3(1)(f).

¹¹ LeBaron, Genevieve, Jane Lister and Peter Dauvergne. 2017. "Governing Global Supply Chain Sustainability through the Ethical Audit Regime". *Globalizations* 14(6) 958-975.

Why should governments and enterprises care about homeworkers?

- 1. Complying with legal obligations:** The CSDDD includes subcontracted workers and once it is transposed into national law, enterprises will have a legal duty to fulfil the Directive's requirements.
- 2. Recognizing the real structure of the chain:** Homework is largely driven by the purchasing practices of firms. Outsourcing of work to workshops and homeworkers, and the associated downloading of costs and risks to these workers, is inextricably linked to how global production is organized. Suppliers subcontract tasks to reduce the costs of production (for example, by downloading costs of machinery and electricity), to meet fluctuations in the demand for labour, and because homeworkers are often excluded from the scope of labour laws, to avoid paying minimum wages and contributing to social protection **Homeworkers and workers in workshops add value:** Some work, such as hand embroidery and embellishments, cannot be done in factories and is often subcontracted to homeworkers and workers in workshops.
- 3. Recognition of subcontracted workers is a gender issue:** In the garment sector, women are most often migrants, first-generation labour-market participants and from lower castes and classes. Homework and work in workshops provides jobs for people, mainly women, who live in villages outside of cities who are either too old (since in many countries factory workers are under 40)¹² or live too far away to work in factories. Homework enables women to care for their children and older people, while at the same time contributing to the family income; and it helps women who are prohibited from working outside the home by cultural or religious norms to participate in the labour market and earn an income. Whether they work in factories or homes, their employment is often insecure because it is temporary, fixed-term contract work or casual work paid by the piece, and homework. This increases the likelihood of human rights violations as subcontracted workers are less likely to be unionized because they fear that it invites discrimination and dismissal.
- 4. Upholding the social contract and promoting decent work for all:** To ensure that companies address adverse human rights and environmental impacts across their "chain or activities", EU laws must include provisions that specifically identify and protect subcontracted workers in workshops and in homes. Failure to protect and realize the rights of subcontracted workers, including homeworkers, could have unintended impacts, such as: 1) If labour rights are enforced only for permanent employees in the first tier of the chain (often men), the cost of their protection is borne by other workers further down the chain (often women); 2) Measures that prohibit suppliers from subcontracting will likely result in driving it underground, leaving a significant part of the workforce unprotected. This is what happened in the football industry. Alternatively, suppliers will no longer

¹² See Pieper, Anton and Prashasti Putri. 2017. "No excuses for homework: Working conditions in the Indonesian leather and footwear sector". At: <https://labourbehindthelabel.net/wp-content/uploads/2017/03/2017-08-No-excuses-for-homework.-Working-conditions-in-the-Indonesian-leather-and-footwear-sector.pdf>, who found that factories in Indonesia fire women once they reach the age of 50; Also see Von Broembsen, Marlese. 2018. "Constitutionalizing labour rights: Informal homeworkers in global value chains." *International Journal of Comparative Labour Law and Industrial Relations* 34(3), who reports that factories in Thailand fire women workers once they reach the age of 40.

subcontract to homeworkers, which will deprive millions of women of their livelihoods; 3) An intensification of work for workers in factories.¹³

5. **Upholding international standards that recognize homeworkers as employees:** C177, which has been ratified by eight EU member states and two EU candidate countries, states that homeworkers should enjoy the same rights as other employees.
6. **Fulfilling international human rights obligations that extend beyond their borders:** Many EU member states have legislation that recognizes the rights of homeworkers in their countries. It is well established in international law that countries' human rights obligations apply extraterritorially – that is, to people abroad affected by their conduct. This includes ensuring that companies in their jurisdiction respect the rights of homeworkers in all countries that are part of their “chain of activities”.

What do international instruments say about homeworkers' labour rights?

Organisation for Economic Co-operation and Development (OECD) countries have already agreed on how to contract responsibly with homeworkers. As governments transpose the CSDDD into national law, they can draw on the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (the Guidance), which includes a module on homeworkers.

Module 12 of the Guidance states that: “Homeworkers should be viewed as an intrinsic part of the workforce entitled to receive equal treatment and therefore should be formalised in order to achieve good terms and conditions of employment.”¹⁴

According to Module 12, formalization means: Written contracts for every homeworker; piece rates that meet minimum-wage requirements; social security and health insurance; and the right to organize and to bargain collectively.

Module 12's framework for the prevention and mitigation of human rights and labour abuses includes the following recommendations for enterprises:

1. Establish a pre-qualification system for intermediaries/agents that subcontract work to homeworkers. Intermediaries should be compliant with national law.
2. Establish internal protocols for outsourcing work to homeworkers (for example, verification that agents handling the contract have been prequalified).
3. Move towards contractual relationships with intermediaries that contract work directly to homeworkers and establish transparency requirements. For example, intermediaries may be required to:
 - a) Keep a record of all those receiving work. All working members of a family should be recorded as homeworkers. For example, in some contexts, it is common for only the father or husband to be recorded as a homeworker.

¹³ See Mark Anner. 2019. “Squeezing workers' rights in global supply chains: purchasing practices in the Bangladesh garment export sector in comparative perspective”. *Review of International Political Economy* 27(2) 320-347.

¹⁴ OECD. 2017. OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. At: <https://mneguidelines.oecd.org/oecd-due-diligence-guidance-garment-footwear.pdf>

- b) Keep a record of the quantity of work distributed and payments made. As homeworkers are usually paid on a piece-rate basis, intermediaries should record proper timings to ensure that the piece rate is set on the basis that is possible to earn minimum wages.
 - c) Keep a record of any social security or health insurance benefits being provided to homeworkers.
4. Provide training to intermediary agents on their legal obligations and the enterprise's human rights policy.
5. Where appropriate, identify and partner with local initiatives promoting the formalization of homeworkers and their protection against exploitation. Local initiatives may include rights training, skills training, legalization and service provision.
6. Engage with the local or national government to promote the rights of homeworkers to access equal treatment under the law. Examples include:
 - a) Indicate the enterprise's support (or the industry's support) for the coverage of the law to extend to workers in informal employment.
 - b) Draw attention to the underlying causes of informality and encourage the government to remove underlying barriers to entry into mainstream economic and social activities.

The OECD's Handbook on Due Diligence for Enabling Living Incomes and Living Wages in Agriculture, Garment and Footwear Supply Chains also recognizes that homeworkers are legitimate workers in supply chains and that they should earn a living income.¹⁵

What are homeworkers' demands for human rights due diligence legislation?

Together with their regional organizations (HomeNet South-East Asia and HomeNet South Asia) and their global organization, HomeNet International, organizations of homeworkers from eight garment-production countries in Asia are calling for the following legislative provisions as governments transpose the CSDDD into national law:

- **Cascading contractual obligations:** Legislation should place an obligation on enterprises to include provisions about subcontracted workers in their contracts with suppliers. These provisions should cascade down to subcontracted factories and workshops, ensuring enterprises keep records of all subcontracted workers receiving work and details of these arrangements, including their names, addresses, how many pieces they produce, whether they are part of a cooperative or group (including the contact details of such group or cooperative) and the piece rate. The obligation for a supplier to keep a record is included in the OECD Guidelines and has been operationalized in the garment sector in Australia through the Fair Work Act, which has resulted in increased wages and better working

¹⁵ OECD. 2024. Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chains. At: https://www.oecd.org/en/publications/handbook-on-due-diligence-for-enabling-living-incomes-and-living-wages-in-agriculture-garment-and-footwear-supply-chains_6ff52567-en.html

conditions for homeworkers.¹⁶ One form of record is a card system that tracks the allocation of work to homeworkers on a daily and monthly basis.

- **Written contracts for all workers, including homeworkers**, should be a legal obligation. The contract should include the names of the enterprise (the brand/retailer in the garment and footwear sector) and the supplier in the production country, and the piece rates, which must meet the minimum wage. This should be part of the transparency requirements in supply chains. If workers, including homeworkers, know the name of the company that they produce for, they can assist companies with their due diligence obligations. In the absence of written contracts, homeworkers have no recourse when they are denied payment or when unauthorized deductions are made.
- **Representation rights:** Legislation should specify that all workers, including subcontracted workers, may be represented by organizations of their own choosing, particularly if trade unions are not independent from political parties or from government control, and because trade unions rarely organize subcontracted workers.
- **Meaningful engagement with workers and their organizations in every tier of the chain:** Legislation should specify that enterprises should engage in meaningful consultation on all aspects of due diligence with workers and their organizations in *every tier* of the chain, including subcontracted workers in workshops and homes. Organizations of homeworkers understand the potential rights violations faced by workers in workshops and in homes, which are different to the challenges faced by factory workers.
- **Workers from every tier must co-design complaints mechanisms and be represented on complaint bodies:** To ensure that complaints and grievance mechanisms are gender-sensitive and prevent suppliers from retaliating against complainants, workers and their organizations within every tier of the chain must co-design a company's complaints and grievance mechanism and be represented on independent tripartite bodies that oversee complaint and grievance mechanisms at the local level.
- **Know-your-rights training:** Legislation should oblige enterprises to ensure that all workers, including workers in workshops and homeworkers, know their rights and receive training about the due-diligence process and about the complaints and grievance procedures. This training should be offered by workers and/or civil society organizations, including universities, rather than by suppliers.

Legislation and model contract clauses must ensure that subcontracted workers, including homeworkers, are recognized as rights holders, in accordance with the CSDDD. Failure to include provisions that specifically identify subcontracted workers could reinforce existing inequalities between supply chain workers and allow to persist the very human rights violations the Directive aims to address.

¹⁶ See Wills, Vivian and Elizabeth Macpherson. 2023. "Innovative Legislation in Australia Protects Homeworkers in the Garment and Footwear Industry". WIEGO Organizing (Law) Brief No. 14. At: <https://www.wiego.org/sites/default/files/publications/file/wiego-organizing-brief-no.14.pdf>. Also see Marshall, Shelley D. 2014. "Regulating Work in Complex Apparel Supply Chains: New Models." At: https://www.researchgate.net/publication/314497187_Regulating_Work_in_Complex_Apparel_Supply_Chains_New_Models

About the Authors

HomeNet International (HNI) is a global network of membership-based workers' organizations that represents more than 1.3 million home-based workers from 71 organizations spread across 30 countries.

HomeNet South Asia (HNSA) is a regional network representing 900,000 home-based workers from eight South Asian countries: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

HomeNet Southeast Asia (HNSEA) is a regional network of national organizations of home-based workers in Cambodia, Indonesia, Laos, Malaysia, the Philippines, and Thailand, representing 76,000 home-based workers.

Anukatham is a Tamil Nadu-based women's trade union dedicated to improving the welfare and development of women workers in the informal sector. The union has more than 43,500 members.

Homenet Indonesia is a membership-based organization representing 7,434 home-based workers, including both subcontracted workers and self-employed workers. They are spread across seven provinces in Indonesia.

HomeNet Thailand was founded in 1999 as an NGO to support home-based workers across Thailand. Today, it operates as a membership-based organization of over 5,000 home-based workers.

Home Based Women Workers Federation (HBWWF) represents 3,000 home-based workers across Pakistan.

Labour in the Informal Economy (LIE) is a membership-based organization representing 3,565 workers from the informal economy sector in Bangladesh. Its primary objective is to promote and protect their fundamental rights at the national level, with a focus on ensuring decent living and working conditions.

Sindicato Único de la Aguja (SUA), is a national trade union of garment workers in Uruguay which was founded in 1901, representing close to 3,000 workers.

SITRABORDO, is a Trade Union of Home-Based Embroidery Workers of El Salvador, established in June 2018, that works to advance and advocate for the labour rights of home-based embroidery workers.

UNITY (TUSIW "Edinstvo") is a trade union launched in 2014 in Bulgaria that works to address the low wages, job insecurity, poor working conditions and lack of access to social security benefits faced by home-based workers and other informal workers.

National Trade Union Federation (NTUF) is a trade union federation that represents garment workers and other sectors of workers across Pakistan.

SAVE (Social Awareness and Voluntary Education) is actively involved with a network of garment supply chain stakeholders, including spinning mills, garment production units, and weaving units. SAVE has organized over 87,000 garment workers who work in factories, medium, small, and micro garment production units and homes.

Women in Informal Employment: Globalizing and Organizing (WIEGO) is a global research-policy network dedicated to improving the working conditions of the working poor – especially women – in the informal economy. WIEGO's members include 30 organizations of workers in informal employment in Africa, Asia and Latin America.