



# Women in Informal Employment Globalizing and Organizing

April 2014

## Informal Economy Monitoring Study Sector Report: Home-Based Workers Executive Summary

Home-based workers produce goods or services for the market from within or around their own homes: stitching garments and weaving textiles; producing craft products; processing and preparing food items; assembling or packaging electronics, automobile parts, and pharmaceutical products; selling goods or providing services (laundry, hair-cutting, beautician services); or doing clerical or professional work; among other activities. Although they remain largely invisible, home-based workers are engaged in many branches of industry and represent a significant share of urban employment in some countries, particularly for women and especially in Asia.

Home-based workers are one of three urban informal occupational groups – together with street vendors and waste pickers – who are the focus of a 10-city study. The Informal Economy Monitoring Study aims to provide credible, grounded evidence of the range of driving forces, both positive and negative, that affect conditions of home-based work, street vending and waste picking; the responses of informal workers to these driving forces; and the institutions which help or hinder their responses.

IEMS uses both qualitative and quantitative methods. The qualitative component consists of a set of focus group tools designed to capture systematically the perceptions and understandings of 75 informal workers (per city), in their own words, in focus group settings. The quantitative component consists of a

survey administered to the focus group participants plus another approximately 75 workers who did not participate in focus groups. A total of 447 home-based workers participated in the study. They live in three cities: Ahmedabad, India; Bangkok, Thailand; and Lahore, Pakistan.

### Key Findings

#### *Individuals, Households and Enterprises*

The home-based workers in the study produce a wide range of products for local, national, and international markets: from prepared food to incense sticks, from flower garlands to soccer balls, and from shoes to garments (both traditional and modern). Though most home-based workers have very low and unpredictable earnings, their earnings are essential in fending off extreme poverty: over three quarters of the sample belonged to households where the main source of income is informal.

Of the total sample of home-based workers across the three study cities, 71 per cent are sub-contracted and 29 per cent are self-employed. In the Ahmedabad sample, all of the home-based workers are sub-contracted; in both the Bangkok and Lahore samples, around 56 per cent are sub-contracted. The majority of the self-employed are own-account workers, one third are employers, and a small percentage are unpaid contributing family workers or (only in Bangkok) members of cooperatives. Among sub-contracted



workers, some sub-contract work to other sub-contracted workers. Among the self-employed, one third hire workers at some point in the year; one third use only unpaid family workers; and one third work entirely on their own throughout the year. Over half of the total sample make garments; the others produce a range of products.

### **Driving Forces**

The study found that home-based workers, both self-employed and sub-contracted, are affected by the macroeconomic environment, notably by fluctuations in demand and prices. Across the three study cities, nearly half of the survey respondents reported that the high cost of inputs was a problem and over 40 per cent reported that the price of inputs had increased over the past year. Inflation was prioritized as a major driving force by nearly all of the focus groups in Lahore and one third of the focus groups in Bangkok.

The study also found that, because their homes are their workplaces, home-based workers are directly affected by basic infrastructure services, or the lack thereof: including, the high cost and irregular supply of electricity. Focus group participants, most prominently in Lahore, reported that power outages and load shedding significantly impacted their ability to get work done; many had to intensify work when the power came on while others switched to laborious manual machines. The accessibility and cost of public transport is also a key factor for home-based workers. The self-employed commute to markets on a regular, if not daily, basis to buy raw materials and other supplies, to negotiate orders, and to sell finished goods. The sub-contracted workers commute to firms or contractors to receive work orders and raw materials, to return finished goods, and to get paid. Significantly, one quarter of those who had to rely on paid transport operated at a loss.

Further, the study found that home-based workers are exposed to unpredictable and often unfair value chain dynamics, including: irregular purchase/work orders, irregular supply of raw materials, and delayed payments. In short, most home-based workers are included in markets on unfair terms. In part this is because they work at home: isolated from other workers in their sector (apart from those in their neighbourhood) and with limited knowledge of markets and market prices (especially if they are sub-contracted). These factors limit their ability to bargain in the market for more favourable prices and piece rates or to negotiate with government for basic infrastructure and transport services. While there are important differences in value chain dynamics and relationships between self-employed and sub-contracted home-based workers, a crucial economic factor that both groups face is that they must cover many costs of production including workplace, equipment, and power as well as transport.

It is important to note that some of the focus groups in Bangkok identified a number of positive driving forces in their work and lives, including



*Incense roller in Ahmedabad. Photo: S. Joshi*

infrastructure services, free education and health, and regular orders/customers; some of the focus groups in Lahore mentioned improved roads, improved water supply, and improved sanitation. It is also important to note that some focus groups in each of the three cities highlighted the value of home-based work to women, including not only the ability to combine paid and unpaid work and to have a flexible work schedule but also to earn and save money, to train children, and to engage family members as needed to help out. Further, many individual home-based workers reported that they like home-based work and feel they are skilled at it.

These positive factors notwithstanding, the negative driving forces take a cumulative toll on the earnings of home-based workers, making them both low, on average, and unpredictable. In addition, home-based workers must cover many costs and absorb many risks of production, but they do so from a position of limited leverage: with little or no bargaining power, no policy presence, and limited voice and visibility outside the immediate household or neighbourhood. Considered together, these findings illustrate why so many home-based workers – and other informal workers – are not able to work their way out of poverty, so long as their earnings are low and unstable, their expenditures and risks are high, and their first line of defense is to reduce household consumption, especially nutrition.

### **Responses & Mediating Institutions**

The negative driving forces make both expenditures and earnings unpredictable for home-based workers. Reducing expenditure is the most common coping strategy followed by borrowing money, adjusting current work, and/or taking on new work. Many home-based workers expressed concern about the cumulative toll of physical effort, long hours, stress and frustration that resulted from dealing with these negative forces on themselves, their households and their communities. Many also recognized that as



individuals they could not exercise voice – could not bargain for a better deal – as they had no fall-back position, no alternative economic opportunities. But some reported engaging in collective protests or negotiations with the support of their membership-based organizations (MBOs).

In both the survey questionnaire and the focus groups, the home-based workers were asked which institutions helped or hindered their ability to respond to the negative driving forces. Among the institutions ranked as helpful by the focus groups, the MBO to which the home-based workers belong was the most prominent, mentioned by well over half of the focus groups, followed by welfare boards and local municipal government. However, there was significant variation in the institutional environment across the three cities. The local municipality, the employment department, and public transport play more prominent positive roles in Bangkok than in the other two cities. Welfare boards play a prominent positive role in Lahore and especially in Ahmedabad, but there is no local equivalent in Bangkok. Among the institutions ranked as negative by the focus groups, by far the most prominent was the private company or government department responsible for providing electricity, followed by the municipal government, police, and public transport. The findings illustrate the importance of being organized – of belonging to an MBO of informal workers. Such organizations represent the only channel for voice for most home-based workers who otherwise lack bargaining power and, also, lack visibility in policy processes.

### **Linkages & Contributions**

There is a widespread notion that the informal economy is not linked to the formal economy. Although they work from their homes, many home-based workers are linked to formal firms through both backward and forward production linkages. Around 30 per cent of the self-employed home-based workers purchase inputs from formal firms and just under 30 per cent of both groups of home-based workers sell goods to or produce goods for formal firms.

There is also a widespread notion that the informal economy does not contribute to the economy. However, home-based workers make significant contributions to their households, to society, and to the economy. They contribute to the household budget but also, by working from home, to the care of children and the elderly, to the quality of family life, and to the social fabric of their communities. They provide goods and services at a low cost to low-income people and the general public. They also produce goods at low prices for domestic and global value chains. They do not commute every day and often go to markets on foot or by bicycle, thus, helping to reduce air pollution and traffic congestion. They create demand by buying supplies, raw materials, and equipment and paying for transport and other services (such as washing, ironing and packaging of garments they produce). They pay taxes



Food preparation in Bangkok. Photo: S. Tibsakti

on the raw materials, supplies, and equipment they purchase; and the firms up the chain who sell their finished goods often charge sales taxes.

## **Theoretical & Policy Implications**

### **Theoretical Lessons**

It is widely assumed that the workforce is comprised of fully independent self-employed and fully dependent employees. However, most home-based workers fall in a grey intermediate zone between being fully independent and being fully dependent. Clearly, sub-contracted home-based workers are neither fully independent self-employed nor fully dependent employees. They typically have to absorb many of the costs and risks of production – including: buying or renting and maintaining equipment; providing workspace and paying for utility costs; buying some inputs; and paying for transport, often without legal protection or help from those who contract work to them. Also, they are not directly supervised by those who contract work to them. However, they are subject to factors beyond their control, namely: irregular work orders, strict delivery deadlines, and quality control of the products or services they deliver. On the other hand, self-employed home-based workers are not fully independent: as they have limited access to capital, limited knowledge of markets, limited bargaining power, and limited control in commercial transactions. Also, both groups have limited leverage over public policies and services that are crucial to their productivity, such as land allocation and housing policies, as well as basic infrastructure and transport services.

The study findings challenge the common assumptions that the informal economy is not linked to the formal economy or to the modern economy; that informal operators intentionally avoid regulation and taxation; and that the informal economy does not contribute to – or is not affected by – the wider

economy. As noted earlier, many self-employed home-based workers buy supplies from formal firms and many self-employed and sub-contracted home-based workers sell goods to or produce goods for formal firms. The study found no evidence that home-based workers are hiding from any regulations. On the contrary, most of the home-based workers in the sample pay taxes and levies of various kinds but do not enjoy the basic infrastructure and transport services they need to be productive. Moreover, few home-based workers hire other workers, and are not therefore avoiding labour regulations, and many of the sub-contracted are concerned about their own working conditions. Further, the productive activities of home-based workers, both self-employed and sub-contracted, are significantly affected by the macroeconomic environment, notably by fluctuations in demand and prices.

### Policy Lessons

A major policy lesson is that home-based workers and their activities are affected by government policies and practices, notably land allocation, housing policies, basic infrastructure services, and public transport. This is because their homes are their workplaces; and they have to commute to markets and transport supplies/goods to and from their homes. Efforts should be made to upgrade settlements with large concentrations of home-based workers to ensure they have adequate shelter, water, sanitation and electricity. If and when home-based workers and their families have to be relocated, efforts should be made to ensure the relocation sites have, from the outset, adequate shelter, basic infrastructure, transport services, and access to markets.

A second major policy lesson is that home-based workers need legal rights and protections against unequal and, often, exploitative value chain practices and relationships. To demand and secure their rights, home-based workers need increased bargaining power, which comes with being organized and being invited to have a seat at the policymaking, rule-setting or negotiating table. As the study findings show, home-based workers have limited scope for negotiation or leverage: due in large part to their isolation in their homes but also to exclusionary



Garment worker in Lahore. Photo: HomeNet Pakistan

urban policies or practices and to unequal or exploitative value chain dynamics. The most supportive institution to the home-based workers in each study city is the MBO to which they belong.

The final policy lesson from the study is that home-based workers and their activities, like formal workers and formal firms, are impacted by macroeconomic trends and policies. Efforts should be made to increase the visibility of home-based workers and their output in official labour force and other economic statistics and to study the impact of macroeconomic trends and policies on home-based workers and their work.

Clearly, improving the terms on which home-based workers, and other informal workers, engage with the market and the state are key pathways to reducing poverty. Improving the terms of engagement with the state and with the market should also be recognized as key dimensions of social-economic inclusion and inclusive growth. Meanwhile, policymakers should recognize that the earnings of home-based workers are essential to the daily cash flow – and the ongoing struggle to ward off extreme poverty – of their households.

