

Towards Fair and Sustainable Global Supply Chains: Promoting Decent Work for Invisible Workers in South Asia

National Capacity Building Workshop on Wage Concepts and Wage Setting Process

For Informal and Home based Workers in Lower Tiers of the Supply Chains
11 Oct, 14 Oct 2021, Sri Lanka (Online)

Concept Note

Introduction

The ILO/Japan project *“Towards fair and sustainable global supply chains: Promoting decent work for invisible workers in South Asia”* is organising a national workshop on Wage Concepts and Wage Setting Processes on 11 and 14 October 2021 in Sri Lanka (virtual workshop). This workshop focuses on understanding minimum wage-setting systems and methods, calculating wages for piece rated, casual, informal and home based workers who work in the lower tiers of the global (and national) supply chains. The workshop intends to strengthen the capacity of ILO’s constituents and membership-based organizations to design and implement effective wage policies and wage-setting methods that consider the realities of informal economy workers.

Specific objectives of the workshop are:

- To develop a shared understanding of the minimum wage fixation system and method, including mechanisms for participatory and evidence-based minimum wage-fixation
- Understand issues related to wage determination and enforcement, especially gender pay equity/pay gaps, non-standard forms of employment wages
- Understand the role of bargaining in the context of the wage-setting process and inclusion of voices of excluded workers, including those at the lower tiers of the supply chain, such as home based workers in global supply chains
- Gain the ability to calculate casual and piece-rate wages for different tasks and processes in line with notified minimum wages.

This workshop has been conceived as part of the ILO/Japan project *“Towards fair and sustainable global supply chains: Promoting decent work for invisible workers in South Asia”* (hereinafter referred to as *Sustainable Global Supply Chains in South Asia project*). The project aims to contribute to the development of ethical and sustainable global supply chains. It is geared towards promoting decent work in the lower tiers of the chains, reaching out to workers in the informal economy, including home workers, home-based workers, subcontractors, medium and small enterprises, towards attaining Sustainable Development Goals 5 and 8 and ILO’s Decent Work Agenda.

Context: Wages for informal workers and home workers in the global supply chains

Global supply chains engage in production, basing themselves on new and innovative sourcing practices. While this enables them to cater to the fast-changing market demands and they can switch rapidly between product designs, at the production end, it translates into flexible methods of organising production. A crucial feature of this production arrangement is the outsourcing of production outside the factories under different production arrangements. The work from factories reaches:

- home workers and other home based workers, through a network of contractors and sub-contractors on a piece-rated basis or
- sub-contracted and casual workers, often working in informal/micro home based enterprises or small production units, which are primarily unregistered and engage in job work. Most workers get paid for each piece they produce.

As the work is outsourced, the principal enterprise (main production unit and the buying company) may not assume responsibility for the wages, working conditions or the rights and entitlements of these workers.

Worldwide, piece rated home based and informal workers, who form the last rung in global and domestic supply chains, work under extremely vulnerable and insecure conditions. Even when minimum wages are notified, enforcement remains a challenge for these invisible workers, with most of them not even recognised as ‘workers’ and often treated as self-employed persons. They are unable to secure regular work and do not get paid adequately. They cannot bargain for better wages due to the fear of not getting work at all. Working from homes or dwellings close to homes, they pay for electricity, rent, tools and often for some raw material. However, these costs are not factored into the piece rate production costs. Low piece rates force home workers to extend working hours or seek the help of unpaid family workers to increase production, increasing the incidence of child labour.

Home based workers are vulnerable and prone to exploitation and harassment by the contractors/sub-agents or smaller units who give them work. On the other hand, these contractors and micro and small companies face increasing seasonality and flexible production demands, bear part of the costs (like home workers do) and risks, including rejections, and keep up to the demands for lower prices and higher quality. Similarly, to remain competitive, the bigger production units may quote very competitive rates for production and agree to tight deadlines. They fear a loss of business to other companies or even production orders being shifted to other countries, offering better rates.

Minimum wages

Minimum wage systems differ widely across countries and range from simple to very complex. For example, some countries have only one minimum wage that applies to all employees; others have several minimum wage rates. It is more common that minimum wage rates on a time basis are notified. However, when countries notify or publish minimum wage rates on an output basis (piece rates) for particular industries or activities, implementation is always a challenge. Even when piece rates are notified, time and motion studies may be needed for adequately determining these rates.

For home based workers and smaller informal home based enterprises, their home is also the workplace. Therefore, increasing costs of rent or of the common spaces where they work, electricity, drinking water, health and safety, sanitation, paid leaves, social security benefits (such as a pension, health insurance, maternity protection, death and disability) are also not given attention in such wage calculations.

Overall in the piece-rate wage setting, home workers and informal workers lack representation and power and can negotiate in the wage-setting processes. The lack of alternate skills exacerbates their vulnerability, better income/livelihood alternative, and they depend on this outsourced work for their livelihood. Several surveys have shown that the perception that women do this work in their leisure time to get extra income is false. For most women and other home based workers, this work is the main work for their livelihood.

Need for minimum wages for informal workers and home based workers:

Minimum wages are a crucial tool for enabling decent work and the sustainable development agenda as it protects workers against exploitation and promotes income equality. It also reduces the burden on the public social protection systems, such as healthcare etc.

A minimum wage implementation is also an essential tool for formalization, which is helpful for businesses. It provides a level playing field - so that businesses can compete fairly with one another. In addition, formalization offers the opportunity to regulate the (as yet) unregulated economy, providing a revenue base from tax collection, improving working conditions and the plugging of crucial social security benefits, and eliminating negative aspects of informality.

Need for this workshop:

To engage in the social dialogue process and to enable decent work for the informal economy, home workers and other home based workers, it is essential that all the supply-chain constituents understand the institutional mechanisms, wage setting process and methods. They can also understand challenges and allow the inclusion of such vulnerable workers in the wage setting process and have clarity on piece-rate wages and how such wages should align with the minimum wages notified for workers.

Even for unions and membership-based organizations working with own-account workers home-based workers, it is important to understand how the product pricing should be done, considering the different components of labour and other resources used for making a product.

This two-day National Workshop on Wage Concepts and Wage Setting Processes intends to examine some of these concerns. It will look at challenges for informal economy workers and use wage as a strategy for formalization and the driver of a decent work promotion. It will also address: gender-based wage discrimination and including gender concerns in wage setting; the role of social dialogue integral to wage setting and enabling representation; how the production units and workers can calculate piece-rate wages in line with minimum wages (this can also be useful for own account workers in calculating the cost/selling price of the piece they make and sell in the market themselves or through an agent).

Workshop Outcomes

Towards the end, the workshop participants will be able to:

- Enhanced understanding of the minimum wage setting systems and their application for home based and informal workers
- Improved capacities on practical tools and mechanisms for participatory and evidence-based minimum wage-fixing and role of collective bargaining in process in wage setting, including understanding gender pay gaps and pay equity issues
- Enriched ability of employers, workers, and their representatives and other constituents to calculate casual and piece-rate wages for different tasks and processes
- Enhanced learning through the cross-national exchange of views and experiences among the ILO constituents

Participants

The workshop participants included the following: Trade Unions, Employer Organizations, Government representatives, Membership-based Organizations, and if possible homebased workers.

The workshop will be supported by ILO technical experts, including Xavier Estupiñan, Wage Specialist, ILO DWT Team for South Asia and Bharti Birla, Project Manager (CTA), Sustainable Global Supply Chains in South Asia.

Tentative Programme

Day 1: 11 Oct 2021 (9:30 A.M. – 1:30 P.M.)	
9:30 AM – 10:00 AM	Inaugural Session
10:00 AM – 11:30 AM	Core Concepts related to Wages and wage-setting process (XE)
11:30 AM – 11:40 AM	Break
11:40 AM -12:10 PM	Wage determination and enforcement –Gender pay equity, non-standard forms of employment (BB)
12:10 PM – 1:30 PM	Wage calculation methodology for casual and piece-rate wages (XE)
1:30 PM	Closing of Day 1
Day 2: 14 Oct 2021 (9:30 A.M. – 1:30 P.M.)	
9:30 AM – 10:00 AM	Discussion on last day, any question
10:00 AM – 11:30 AM	Home workers present products made and the piece rate/time rate wages received
11:30 AM -11:40 AM	Break
11:30 AM – 12:00 Noon	Group Work Piece Rate Wages Session
12:00 Noon – 12:30 AM	Discussion and debrief on the group work
12:30 PM – 1:00 PM	Open House: Discussion on enabling minimum wages for the workers in the informal economy: Perspectives, Challenges and Roles
1:00 P.M. – 1:30 P.M.	Next steps and closing